

CHARTERED PROFESSIONAL ACCOUNTANTS OF ONTARIO

THE CHARTERED PROFESSIONAL ACCOUNTANTS OF ONTARIO ACT, 2017

IN THE MATTER OF: ALLEGATIONS OF PROFESSIONAL MISCONDUCT
AGAINST **MICHAEL G. HOLLOWAY, 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**

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Introduction

1. The Professional Conduct Committee (PCC) approved draft Allegations of Professional Misconduct (Allegations) against Michael G. Holloway, CPA, CA (Holloway or the Member), the particulars of which are set out below. The documents referred to in this Settlement Agreement (Agreement) are found in the Document Brief. The applicable CPA Handbook sections are found in the Standards Brief.
2. The draft Allegations **[Doc 1]** pertain to Holloway's failure to perform his professional work 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 audit of the financial statements of "CAMST" for the year ended December 31, 2019; **[Doc 2]**
 - (b) The audit of the financial statements of "Ontario S" for the year ended December 31, 2019; **[Doc 3]**
 - (c) The audit of the financial statements of "BBNS" for the year ended December 31, 2022; **[Doc 4]**
 - (d) The review of the financial statements of "CL Ltd." for the year ended October 31, 2019. **[Doc 5]**
 - (e) The review of the financial statements of "HS Inc." for the year ended January 31, 2020, **[Doc 6]**
 - (f) The review of the financial statements of "PC Inc." for the year ended February 28, 2022. **[Doc 7]**



3. The Allegations also pertain to Holloway's failure to perform his professional services in accordance with generally accepted standards of practice of the profession, contrary to Rule 206.1 of the Code, with respect to his Quality Assurance Manual. **[Doc. 8]**
4. The PCC and Holloway 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 Holloway 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

5. Holloway obtained his Chartered Accountant designation in 1988. He operates through a professional corporation, Mike Holloway C.P.A. Professional Corporation (the Firm). The Firm currently operates in Brampton, Ontario and employs seven staff members.
6. Holloway obtained his Public Accounting Licence (PAL) in 1991 and maintains a current PAL, firm registration and liability insurance.
7. As of August 2023, Holloway's professional practice consisted of 17 audit clients and 12 review engagements along with a significant tax practice. He estimated his total professional fee revenue for 2022 to be \$1,000,000. The assurance clients represent about \$110,000 in fee revenue. The remaining fee base includes 1,700 personal tax engagements and approximately 200 compilation engagements.
8. The Firm currently employs a staff of seven - a student; a CPA, a CPA student, a technician and three administrative and bookkeeping staff.
9. The Firm uses the Professional Engagement Guide ("PEG") checklist files to set up the procedures for its audit and review engagements. The Firm also uses Caseware and



Caseview software to organize the documentation and the preparation of the financial statements.

The Complaint

10. On February 1, 2021, the Practice Inspection Committee (PIC) advised the Standards Enforcement Branch of CPA Ontario that following an inspection of Holloway'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 audit of "CAMST" for the year ended December 31, 2019, the audit of "Ontario S" for the year ended December 31, 2019, the review of "HS Inc." for the year ended January 31, 2020, and the review of "CL Ltd." for the year ended October 31, 2019, all of which are the subject of the Allegations. The PIC also reviewed the financial statements associated with the review of 207 Ont. Inc. for the year ended December 31, 2019 and the compilation of "MLH" and found no significant deficiencies.
12. On May 2, 2023, the PCC appointed Jennifer Fisher, FCPA, FCA, (Investigator) to investigate Holloway's standards of practice and the circumstances surrounding the complaint.
13. As part of her investigation, the Investigator reviewed Holloway's standards of practice in relation to the four engagements in which deficiencies were identified by the PIC inspection and two additional assurance engagement files: review of the financial statements of "PC Inc." for the year ended February 28, 2022, and audit of the financial statements of "BBNS" for the year ended December 31, 2022. The Investigator released her report on August 25, 2023.

Failure to Maintain Professional Standards

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

Generally Accepted Auditing Standards

16. The auditing standards applicable to the three audits detailed above are described by generally accepted auditing standards (GAAS), specifically the Canadian Auditing Standards (CAS). During 2019-2023, GAAS were published in the Assurance section of the CPA Canada Handbook (CPAH).
17. GAAS requires auditors to obtain reasonable assurance that an entity's audited financial statements are free from material misstatement, whether due to fraud or error. Reasonable assurance is a high, but not absolute, level of assurance that reduces to an acceptably low level, the risk of incorrectly opining on misstated financial statements.
18. To obtain reasonable assurance, GAAS sets out various standards to be met, requirements to be fulfilled and steps to be taken. They include obtaining sufficient appropriate audit evidence while exercising professional skepticism, as well as completing Engagement Quality Control Reviews (EQCR) as required.
19. CAS 200 states: "Overall objectives of the independent auditor and the conduct of an audit in accordance with Canadian Auditing Standards" describes the sufficiency and appropriateness of audit evidence as being interrelated, as follows:

A31. Audit evidence is necessary to support the auditor's opinion and report. It is cumulative in nature and is primarily obtained from audit procedures performed during the course of the audit. It may, however, also include information obtained

from other sources such as previous audits (provided the auditor has determined whether changes have occurred since the previous audit that may affect its relevance to the current audit) or through the information obtained by the firm in the acceptance or continuance of the client relationship or engagement. In addition to other sources inside and outside the entity, the entity's accounting records are an important source of audit evidence. Also, information that may be used as audit evidence may have been prepared by an expert employed or engaged by the entity. Audit evidence comprises both information that supports and corroborates management's assertions, and any information that contradicts such assertions. In addition, in some cases, the absence of information (for example, management's refusal to provide a requested representation) is used by the auditor and therefore, also constitutes audit evidence. Most of the auditor's work in forming the auditor's opinion consists of obtaining and evaluating audit evidence.

A32. The sufficiency and appropriateness of audit evidence are interrelated. Sufficiency is the measure of the quantity of audit evidence. The quantity of audit evidence needed is affected by the auditor's assessment of the risks of misstatement (the higher the assessed risks, the more audit evidence is likely to be required) and also by the quality of such audit evidence (the higher the quality, the less may be required). Obtaining more audit evidence, however, may not compensate for its poor quality.

A33. Appropriateness is the measure of the quality of audit evidence; that is, its relevance and its reliability in providing support for the conclusions on which the auditor's opinion is based. The reliability of evidence is influenced by its source and by its nature and is dependent on the individual circumstances under which it is obtained."

20. Further, GAAS requires auditors to plan and perform their audits using 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 an auditor to conduct a critical assessment of the audit

evidence.

21. Pursuant to CAS 200.18-23, compliance with CAS is not optional.

Generally Accepted Standards for Review Engagements

22. The standards applicable to the review engagements detailed herein are described by generally accepted standards for review engagements. During 2019-2023, 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 the practitioner's attention that causes the practitioner 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.

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 that 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.

Canadian Standard on Quality Management

27. The Canadian Standard on Quality Management (CSQM) covers a firm's responsibilities to design, implement and operate a system of quality management for audits or reviews of financial statements. This standard is effective for audits or reviews of financial statements as of December 15, 2022. The predecessor standard was the Canadian Standard on Quality Control (CSQC)

The Allegations

Allegation 1 – "CAMST"

THAT the said Michael G. Holloway, in or about the period of December 1, 2019 to September 30, 2020, while engaged to perform an audit of the financial statements of "CAMST." for the year ended December 31, 2019, failed to perform his professional services in accordance with generally accepted standards of practice of the profession, contrary to Rule 206.1 of the Code of Professional Conduct, in that:

28. The Independent Auditor's Report was dated August 27, 2020. The financial statements were prepared using Canadian Accounting Standards for Not For Profit Organizations ("ASNPO").

- a. **he failed to obtain sufficient appropriate audit evidence to support the balance sheet item "Due from related party (Note 4) 1,161,370";**

29. CAS 500.6 requires the auditor to design and perform audit procedures that are appropriate in the circumstances for the purpose of obtaining sufficient appropriate audit evidence.

30. The working papers for the balance sheet item “Due from related party (Note 4) 1, 161,370” consisted of a lead sheet with the three general ledger balances, a general ledger transaction listing from both Church and from the related party and a copy of a “Lending Certificate” dated March 9, 2014 for \$200,000. The transaction listing has no evidence of the extent of audit procedures to verify the amounts as accurate. The \$200,000 amount supported by a “Lending Certificate” is reported as a new balance – even though the date on the advance is in a previous year. The third component of the balance is a liability of \$353,314 – with no support, and a reference to “no activity to this account”. Holloway indicated that he had the full audit file for the related party and relied on that file for support.

b. he failed to obtain sufficient appropriate audit evidence to support the balance sheet item “Members loans payable (Note 6) 2,244,500”;

31. CAS 500.6 requires the auditor to design and perform audit procedures that are appropriate in the circumstances for the purpose of obtaining sufficient appropriate audit evidence.

32. The audit documentation for members loans payable of \$2,244,500 consisted of a listing of date, church member name and amount, plus an additional \$200,000 amount. There was no documentation as to audit procedures completed for the balance, which included 17 loans added during 2019.

c. he failed to obtain sufficient appropriate audit evidence to support the Statement of Revenue and Expenditure item “Salaries and benefits 262,919”;

33. CAS 500.6 requires the auditor to design and perform audit procedures that are appropriate in the circumstances for the purpose of obtaining sufficient appropriate audit evidence.

34. The substantive audit documentation for payroll totaling \$262,919 consisted of a lead sheet for the four general ledger accounts comprising the Salaries line on the Statement of Revenue and Expenditure plus a copy of the T4 summary, reconciled to the general ledger amount for wages paid. The T4 summary reported that 17 T4s were issued during the year. There was no documentation that, for individual pay and employees, wage rates were authorized, hours worked were supported, wages were correctly recorded or that wages were paid only to valid employees.

d. he failed to obtain sufficient appropriate audit evidence to support the balance sheet item “Accounts receivable 48,779”;

35. CAS 500.6 requires the auditor to design and perform audit procedures that are appropriate in the circumstances for the purpose of obtaining sufficient appropriate audit evidence.

36. The balance sheet item “Accounts receivable 48,779” included HST receivable of \$41,353. The largest component of the HST recoverable was due to the year-end entry made by Holloway to record the construction in progress. The working papers for the balance sheet did not provide sufficient appropriate audit evidence. Holloway agreed that the working papers should have documented that and included more support.

e. he failed to obtain sufficient appropriate audit evidence through inspection of minutes of Board of Directors’ meetings to identify areas of risk and potential reporting matters;

37. CAS 500.6 requires the auditor to design and perform audit procedures that are appropriate in the circumstances for the purpose of obtaining sufficient appropriate audit evidence.

38. Holloway did not examine the minutes of the meetings of the Board of Directors to identify areas of risk and potential reporting matters.

- f. he failed to include in the auditor's report a qualification regarding the risk of cash donations being misappropriated when such qualification was required in the circumstances;**

39. CAS 230.10 requires the auditor to document discussions of significant matters with management, those charged with governance, and others, including the nature of the matters discussed and when and with whom the discussions took place. CAS 230.11 requires the auditor, if the auditor has identified information that is inconsistent with the auditor's final conclusion regarding a significant matter, to document how the auditor addressed the inconsistency.

40. The financial statements include an unqualified Independent Auditor's Report. The anticipated report that was included in the engagement letter was also unqualified. However, in the cover letter dated October 18, 2020, enclosing the financial statements, there is a paragraph explaining that "we have modified the standard audit Report to reflect the risk of cash donations being misappropriated". The risk of misappropriation was not disclosed in the Independent Auditor's Report. Holloway stated that this modification to the Independent Auditor's Report was incorrectly deleted from the report.

- g. he failed to document his understanding that the information system relevant to financial reporting and control activities relevant to the audit were operating effectively;**

41. CAS 315.18 requires the auditor to obtain an understanding of the information system, including the related business processes relevant to financial reporting. CAS 315.19 requires the auditor to understand how the entity communicates financial reporting roles and responsibilities and significant matters related to financial reporting. CAS 315.20 requires the auditor to obtain an understanding of control activities relevant to the audit, being those the auditor judges it necessary to understand in order to assess the risks of material misstatement at the assertion level and design further audit procedures

responsive to assessed risks. CAS 315.32 requires the auditor to include in the audit documentation, key elements of the understanding obtained regarding each of the aspects of the entity and its environment and each of the internal control components, the sources of information from which the understanding was obtained, and the risk assessment procedures performed.

42. The working paper documentation did not include sufficient appropriate audit evidence that these systems and control activities were reviewed by Holloway to identify and assess risks of material misstatements at the financial statement level.

h. he failed to document his determination of performance materiality;

43. CAS 320.11 requires the auditor to determine performance materiality for the purpose of assessing the risks of material misstatement and determining the nature, timing and extent of further audit procedures.

44. Holloway determined performance materiality to be the same amount as materiality for the financial statements as a whole but did not document his reasons.

i. he failed to document the design and performance of audit procedures to test for unauthorized entries and management override in the preparation of the financial statements;

45. CAS 240.33(a) requires the auditor to design and perform audit procedures to test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements. The auditor is required to select journal entries and other adjustments made at the end of the reporting period and consider the need to test journal entries and other adjustments throughout the period.

46. Holloway did not document this procedure, as he said the client “record[ed] relatively few year-end entries but we will better document our review of them in future years”.

- j. **he failed to document procedures followed to ensure that subsequent events were reviewed to determine the impact on the financial statements or audit;**

47. CAS 560.7 requires the auditor to perform audit procedures designed to obtain sufficient appropriate audit evidence 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 have been identified.

48. The working paper documentation did not identify the procedures followed to ensure that subsequent events were reviewed to determine whether any such event would impact the financial statements and/or the audit. Holloway advised that he had detailed conversations with the director and bookkeeper through all of the work right up to the date of the report but did not document the discussions. Holloway acknowledged the need to better document discussions relating to subsequent events.

- k. **he failed to ensure that current liabilities included all amounts payable within one year from the date of the balance sheet.**

49. CPAH 1510.08 requires that, as a balance sheet classification, current liabilities shall include amounts payable within one year from the date of the balance sheet or within the normal operating cycle, when that is longer than a year.

50. For two invoices relating to building additions, the amount of the 10% construction holdbacks, totaling \$8,475, was not included in the balance sheet for current liabilities.

[Allegation 2 – “Ontario S”](#)

THAT the said Michael G. Holloway, in or about the period of December 1, 2019 to August 31, 2020, while engaged to perform an audit of the financial statements of “Ontario S” for the year ended December 31, 2019, failed to perform his professional services in accordance with generally accepted standards of practice of the profession, contrary to Rule 206.1 of the Code of Professional Conduct, in that:

51. The Independent Auditor's Report was dated July 27, 2020. The financial statements were prepared using ASNPO.

a. he failed to obtain sufficient appropriate audit evidence to support the balance sheet item "Accounts payable and accrued liabilities 19,618" and that cutoff of accounts payable was done correctly, through a search for unrecorded liabilities;

52. CAS 500.6 requires the auditor to design and perform audit procedures that are appropriate in the circumstances for the purpose of obtaining sufficient appropriate audit evidence.

53. The working papers for the balance sheet item "Accounts payable and accrued liabilities 19,618" and related financial statements were prepared by Ontario S's controller. The working papers should have but did not include documentation to ensure that cutoff of accounts payable was done correctly through a search for unrecorded liabilities.

b. he failed to obtain sufficient appropriate audit evidence to support the Statement of Revenue and Expenditure "Expenses 390,134";

54. CAS 500.6 requires the auditor to design and perform audit procedures that are appropriate in the circumstances for the purpose of obtaining sufficient appropriate audit evidence.

55. The working papers for the expense account, "Expenses 390,134" should have but did not include documentation of procedures to ensure that the expenses were complete, accurate and that there was an appropriate cutoff for the year end.

c. he failed to obtain sufficient appropriate audit evidence to support the Statement of Revenue and Expenditure item "Grants and gifts 169,572";

56. CAS 500.6 requires the auditor to design and perform audit procedures that are appropriate in the circumstances for the purpose of obtaining sufficient appropriate audit evidence.

57. The two main revenue sources for Ontario S were grants and gifts or donations. Each grant source was tied to a specific project and was matched to the expenses for the project. If the project was complete, there was no deferred revenue. However, if the project was ongoing at the year end, the profit was recorded as deferred revenue.

58. The working papers for the ongoing projects should have but did not include documentation to support the expenses allocated to each project were audited and related to the specific project.

d. he failed to obtain sufficient appropriate audit evidence to support the Statement of Revenue and Expenditure item “Professional services 173,928”;

59. CAS 500.6 requires the auditor to design and perform audit procedures that are appropriate in the circumstances for the purpose of obtaining sufficient appropriate audit evidence.

60. The general ledger includes entries for professional services revenue totaling \$173,928. Three of the entries were annotated by Holloway with the letter “D” (indicating that they agreed with the bank deposit). The remaining entries were not annotated in any way. The working papers did not include information as to the audit work carried out to support those entries. Further, those three entries were not the largest entries.

e. he failed to ensure prominent disclosure in the Notes to the financial statements that the financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations;

61. CPAH 1401.17 requires an organization that prepares its financial statements in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) to state this basis of presentation prominently in the notes to its financial statements.

62. The significant accounting policies note did not indicate that the financial statements were prepared in accordance with ASNPO as the basis of reporting.

- f. he failed to ensure disclosure in the notes to the financial statements the accounting policy for the determination of the composition of cash and cash equivalents for reporting on the Statement of Cash Flows;**

63. CPAH 1540.43 requires an enterprise to disclose the policy that it 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.

64. The accounting policies reported in the notes to the financial statements did not include the accounting policy for the determination of the composition of cash and cash equivalents for reporting on the Statement of Cash Flows.

- g. he failed to determine performance materiality;**

65. CAS 320.11 requires the auditor to determine performance materiality for the purpose of assessing the risks of material misstatement and determining the nature, timing and extent of further audit procedures.

66. Holloway did not determine an amount for performance materiality for the Ontario S audit.

- h. he failed to properly document his consideration of the risk of material misstatement due to fraud;**

67. CAS 240.17 requires the auditor to perform specific procedures to obtain information for use in identifying the risks of material misstatement due to fraud, when performing risk assessment procedures and related activities to obtain an understanding of the entity and its environment, the applicable financial reporting framework and the entity's system of internal control. CAS 240.24 requires the auditor to consider whether other information obtained by the auditor indicates risks of material misstatement due to fraud. CAS 240.25 requires the auditor to evaluate whether the information obtained from the other

risk assessment procedures and related activities performed indicates that one or more fraud risk factors are present.

68. The working papers did not include documentation of the procedures for consideration of the risk of material misstatement due to fraud.

- i. he failed to document the design and performance of audit procedures to test for unauthorized entries and management override in the preparation of the financial statements;**

69. CAS 240.33(a) requires the auditor to design and perform audit procedures to test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

70. The working papers did not document that the testing of journal entries was completed for this audit engagement.

- j. he failed to document procedures followed to ensure that subsequent events were reviewed to determine the impact on the financial statements or audit;**

71. CAS 560.7 requires the auditor to perform audit procedures designed to obtain sufficient appropriate audit evidence 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 have been identified.

72. The working paper documentation did not identify the procedures followed to ensure that subsequent events were reviewed to determine whether any such event would impact the financial statements and/or the audit.

- k. he failed to document his understanding that the information system relevant to financial reporting and control activities relevant to the audit were operating effectively;**

73. CAS 315.18 (archived version) requires the auditor to obtain an understanding of the information system, including the related business processes, relevant to financial reporting. CAS 315.19 requires the auditor to obtain an understanding of how the entity communicates financial reporting roles and responsibilities and significant matters relating to financial reporting. CAS 315.20 requires the auditor to obtain an understanding of control activities relevant to the audit, being those the auditor judges it necessary to understand in order to assess the risks of material misstatement at the assertion level and design further audit procedures responsive to assessed risks. CAS 315.32 requires the auditor to include in the audit documentation the key elements of the understanding obtained through these procedures.

74. The working papers did not include sufficient appropriate audit evidence that these systems and control activities were reviewed for use in identifying and assessing risks of material misstatements at the financial statement level.

- I. he failed to carry out and document sufficient and appropriate communications with those charged with governance, including the Board of Directors of the entity, regarding the responsibilities of the auditor, the planned scope and timing of the audit and significant audit findings.**

75. CAS 260 outlines the requirement for certain communications with those charged with governments. CAS 260.14 requires the auditor to communicate with those charged with governance the responsibilities of the auditor in relation to the financial statement audit. CAS 260.15 requires the auditor to communicate with those charged with governance an overview of the planned scope and timing of the audit, which includes communicating about the significant risks identified by the auditor. CAS 260.16 requires the auditor to communicate with those charged with governance significant qualitative aspects of the entity's accounting practices; significant difficulties encountered during the audit; circumstances that affect the form and content of the auditor's report; and any other significant matter arising during the audit that, in the auditor's professional judgment, are relevant to the oversight of the financial reporting process.

76. Holloway did not issue any of those communications to the Board of Directors.

Allegation 3 – “BBNS”

THAT the said Michael G. Holloway, in or about the period of December 1, 2022 to April 30, 2023, while engaged to perform an audit of the financial statements of “BBNS Inc.” for the year ended December 31, 2022, failed to perform his professional services in accordance with generally accepted standards of practice of the profession, contrary to Rule 206.1 of the Code of Professional Conduct, in that:

77. The Independent Auditor’s Report was dated April 13, 2023. The financial statements were prepared using the Canadian Accounting Standards for Private Enterprises (ASPE).

a. he failed to obtain sufficient appropriate audit evidence to support the balance sheet item “Accounts payable and accrued liabilities 121,438”;

78. CAS 500.6 requires the auditor to design and perform audit procedures that are appropriate in the circumstances for the purpose of obtaining sufficient appropriate audit evidence.

79. Accounts payable included accrued liabilities of \$18,650 and advanced customer payments of \$82,993. However, the working papers did not include supporting documentation for the audit procedures for those two amounts.

b. he failed to obtain sufficient appropriate audit evidence to support the balance sheet item “Share capital (Note 5) 200”;

80. CAS 500.6 requires the auditor to design and perform audit procedures that are appropriate in the circumstances for the purpose of obtaining sufficient appropriate audit evidence.

81. The working papers for the share capital did not document the details of the shareholders.

c. he failed to obtain sufficient appropriate audit evidence to support the Statement of Income item “Region of Peel CWELCC funding 104,784”;

82. CAS 500.6 requires the auditor to design and perform audit procedures that are appropriate in the circumstances for the purpose of obtaining sufficient appropriate audit evidence.

83. Canada-Wide Early Learning and Child Care System (CWELCC) for the Region of Peel was a new source of funding for this fiscal year. The funding totaled \$104,784. For a material new revenue source, the working paper documentation should have but did not include the calculation to support how much of the amount received was reported as revenue for the year. The working papers included only a remittance advice dated November 22, 2022 for “2022 CWELCC Manl Pay Apr-Nov” for \$151,560. There was no documentation of the reconciliation of this payment to the amount reported as revenue for the year, nor how the revenue cutoff was audited.

d. he failed to obtain sufficient appropriate audit evidence to support the Statement of Income item “Wages and benefits 565,051”;

84. CAS 500.6 requires the auditor to design and perform audit procedures that are appropriate in the circumstances for the purpose of obtaining sufficient appropriate audit evidence.

85. Wages and Benefits totaled \$565,501 for the year. The working papers consisted of a copy of the T4 summary and the T4 slip summary for the 20 employees in the organization and a reconciliation of the T4 amounts to the general ledger balances. There was no evidence of the audit work required for the 20 employees’ individual pays, that the wage rates were authorized and correct, hours worked were supported, wages were correctly calculated and recorded or that wages were paid only to valid employees.

e. he failed to correctly report in Note 6 “Lease Commitments” the amount of lease commitment for the following year which he based on 12 months rather than the outstanding period of six months;

86. CPAH 3065.77 requires disclosure to be made of the future minimum lease payments, in the aggregate and for each of the five succeeding years under operating leases.

87. Note 6 to the financial statements reported an incorrect amount for the lease commitment for the following year. The outstanding lease period was 6 months, but the reported commitment was based on 12 months.

- f. he failed to carry out and document sufficient and appropriate communications with those charged with governance and failed to communicate with the shareholders an overview of the scope of the audit and significant risks and significant findings from the audit;**

88. CAS 260 sets out the auditor's responsibility to communicate with those charged with governance in an audit of financial statements. CAS 260.15 requires the auditor to communicate with those charged with governance an overview of the planned scope and timing of the audit, which includes communicating about the significant risks identified by the auditor. CAS 260.16 requires the auditor to communicate with those charged with governance significant qualitative aspects of the entity's accounting practices; significant difficulties encountered during the audit; circumstances that affect the form and content of the auditor's report; and any other significant matter arising during the audit that, in the auditor's professional judgment, are relevant to the oversight of the financial reporting process.

89. Holloway did not issue the required communication to the shareholders.

- g. he failed to document the design and performance of audit procedures to test for unauthorized entries and management override in the preparation of the financial statements;**

90. CAS 240.33(a) requires the auditor to design and perform audit procedures to test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

91. The working papers did not document that the testing of journal entries was completed for this audit engagement.

h. he failed to document procedures followed to ensure that subsequent events were reviewed to determine the impact on the financial statements or audit.

92. CAS 560.7 requires the auditor to perform audit procedures designed to obtain sufficient appropriate audit evidence 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 have been identified.

93. The working paper documentation did not identify the procedures followed to ensure that subsequent events were reviewed to determine whether any such event would impact the financial statements and/or the audit.

Allegation 4 – CL Ltd.

THAT the said Michael G. Holloway, in or about the period of October 1, 2019 to January 31, 2020, while engaged to perform a review of the financial statements of "CL Ltd." for the year ended October 31, 2019, failed to perform his professional services in accordance with generally accepted standards of practice of the profession, contrary to Rule 206.1 of the Code of Professional Conduct, in that:

94. The Independent Practitioner's Review Engagement Report was dated January 16, 2020. The financial statements were prepared using ASPE.

a. he failed to ensure disclosure on the balance sheet that the item "Accounts receivable 2,889,538" was reduced by an allowance for doubtful accounts;

95. CPAH 3856.42 requires an enterprise to disclose, for current trade receivables, the amount of any allowance for impairment.

96. The accounts receivable balance was reduced by an allowance for doubtful accounts in the amount of \$25,624. This amount was noted in the working papers but was not disclosed on the Balance Sheet or in the notes to the financial statements.

b. he failed to ensure disclosure in Note 3 “Capital Assets” the amount of capital assets subject to capital lease;

97. CPAH 3065.73 requires disclosure, for each major category of leased property, plant and equipment, of costs; accumulated amortization, including the amount of any write-downs; and the amortization method used, including the amortization period or rate.

98. Note 3 Capital Assets did not report separately the amount of capital assets subject to capital lease.

c. he failed to ensure disclosure in Note 1 “Summary of Significant Accounting Policies” the method of amortization for capital assets subject to capital lease;

99. CPAH 3065.73 requires disclosure, for each major category of leased property, plant and equipment, of costs; accumulated amortization, including the amount of any write-downs; and the amortization method used, including the amortization period or rate.

100. Note 1 “Summary of Significant Accounting Policies” did not disclose the method of amortization for capital assets subject to capital lease.

d. he failed to ensure disclosure in the notes to the financial statements the method used to account for income taxes;

101. CPAH 3465.03, requires an entity to make an accounting policy choice to account for income taxes using either: the taxes payable method; or the future income taxes method. CPAH 1505.03 requires an entity to include a clear and concise description of the significant account policies as an integral part of the financial statements.

102. While CL Ltd. has chosen to use the future income taxes method for accounting, the accounting policy was not disclosed in the notes to the financial statements.

e. he failed to ensure disclosure of the nature of existing related party transactions;

103. CPAH 3840.51 requires an enterprise to disclose the information about its transactions with related parties including a description of the relationship between the transacting parties.

104. The working papers did not disclose the relationship with respect to a balance due from related companies in the amount of \$780,309 and related party transactions for rent and management fees.

f. he failed to include in the engagement letter an accurate reference to the expected form and content of the report;

105. CSRE 2400.35 requires the agreed terms of engagement to be recorded in an engagement letter or other suitable form of written agreement, and to include a reference to the expected form and content of the report to be issued by the practitioner.

106. The engagement letter included an outdated version of the form and content of the report.

g. he failed to obtain sufficient information to support the offset of balance due from related parties against a balance due to related parties as reported on the balance sheet item “Due from related companies (Note 5) 780,309”;

107. CPAH 3856.24 permits a financial asset and a financial liability to be offset, and the net amount reported in the balance sheet, only when an enterprise currently has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

108. The financial statements reported an offset of a balance due to a related company of \$205,118 against a balance due from five other related companies of \$780,309. The working papers did not reflect the right to offset. The working papers reflected the transaction listings for the year for both CL Ltd. and each of the other related companies. However, there was no analysis as to the collectability of these balances due from the related companies.

h. he failed to obtain an appropriate representation letter from management regarding prescribed matters relating to the review;

109. CSRE 2400.68 requires the practitioner to request management provide a written representation that management has fulfilled its responsibilities described in the agreed terms of engagement with respect to prescribed matters relating to the review.

110. The client representation letter for the review did not include a full set of representations, as the copy did not include the first page with the date of the representation letter.

i. he failed to ensure proper disclosure on the Statement of Income, or in the notes, of the amounts of inventories recognized as an expense during the period;

111. CPAH 1520.04(o) requires the amount of inventories recognized as an expense during the period to be presented separately on the face of the income statement or disclosed in the notes to the financial statements or supporting schedules.

112. The Statement of Income did not report the values of inventories at the beginning and end of year, and there was no disclosure in the notes to the financial statements of the amount of inventories recognized as an expense during the year.

j. he failed to ensure disclosure in Note 8 “Capital Lease Obligations” the amount of interest included in the lease payments;

113. CPAH 3065.76 requires disclosure of the aggregate amount of payments for capital leases reported by the lessee estimated to be required in each of the next five years to meet repayment.
114. Note 8 to the financial statements reported the principal repayments over the five years identified as the future minimum payments. However, the amount of the interest component included in the lease payments was not included in the amounts reported.
- k. he failed to ensure proper disclosure on the Statement of Cash Flows “Capital lease obligation issued 301,675” and “Purchase of capital assets 450,589” since these amounts included non-cash transactions;**
115. CPAH 1540.41 requires investing and financing transactions that do not require the use of cash or cash equivalents to be excluded from a cash flow statement.
116. During the year, the company acquired equipment via capital leases. The Statement of Cash Flows incorrectly reported the cost of the leased equipment as an investing activity - purchase of capital assets and the amount of the associated capital leases as financing activities – capital lease obligation issued.
- l. he failed to document evidence that the review was performed in accordance with the CSRE with respect to the inquiry and analytical procedures performed related to the balance sheet items “Inventories 415,100”, “Shareholder’s advances (Note 6) 6,854” and “Future Income Taxes 52,600”.**
117. CSRE 2400.104 requires the practitioner to document evidence that the review was performed in accordance with this CSRE sufficient to enable an experienced practitioner, having no previous connection with the engagement, to understand the nature, timing and extent of the procedures performed and the results obtained from the procedures to comply with this CSRE and applicable legal and regulatory requirements.

118. The working paper for inventories of \$415,100 stated to be finalized by client and MH” and did not provide sufficient evidence of the review process with respect to the inventories.

119. The documentation to support the balance due to shareholders of \$6,854 was a document with the amount and no further details.

120. The working paper to support the balance for Future Income Taxes and the Provision for the year did not provide appropriate analysis for the amounts.

Allegation 5 – HS Inc.

THAT the said Michael G. Holloway, in or about the period of January 1, 2020 to June 30, 2020, while engaged to perform a review of the financial statements of “HS Inc.” for the year ended January 31, 2020, failed to perform his professional services in accordance with generally accepted standards of practice of the profession, contrary to Rule 206.1 of the Code of Professional Conduct, in that:

121. The Review Engagement Report was dated May 27, 2020. The financial statements were prepared using ASPE.

a. he failed to ensure disclosure of the nature of existing related party transactions;

122. CPAH 3840.51 requires an enterprise to disclose information about its transactions with related parties including a description of the relationship between the transacting parties.

123. The financial statements reported, in Note 3 “Due from Related Company”, a balance due from related party of \$550,378 but did not include a description of the relationship with the related company.

b. he failed to ensure disclosure on the balance sheet that the item “Accounts receivable 1,386,078” was reduced by an allowance for doubtful accounts in the amount of \$213,821;

124. CPAH 3856.42 requires an enterprise to disclose, for current trade receivables, the amount of any allowance for impairment.

125. The accounts receivable balance was reduced by an allowance for doubtful accounts in the amount of \$213,821, which was not disclosed on the Balance Sheet or in the notes to the financial statements.

c. he failed to document evidence that the review was performed in accordance with the CSRE with respect to the inquiry and analytical procedures performed related to collectability of the balance sheet item “Due from related company (Note 3) 550,378”;

126. CSRE 2400.46 requires a practitioner to design and perform inquiry and analytical procedures in obtaining sufficient appropriate evidence to focus on addressing areas in the financial statements where material misstatements are likely to arise. CSRE 2400.104 requires the practitioner to document evidence that the review was performed in accordance with this CSRE sufficient to enable an experienced practitioner, having no previous connection with the engagement, to understand the nature, timing and extent of the procedures performed and the results obtained from the procedures to comply with this CSRE and applicable legal and regulatory requirements.

127. The working papers did not sufficiently document inquiry and analytical procedures performed related to the collectability of the balance due from a related party in the amount of \$550,378. Holloway prepared the financial statements for this related party. In the HS Inc. file documentation, Holloway included the lead sheet reporting the intercompany balance from this related party’s working paper files. However, there was no support to demonstrate that the related party had sufficient assets to repay the debt to HS Inc.

d. he failed to obtain sufficient information to support the offset of balance due against balance from related parties as reported on the balance sheet item “Shareholder’s advances (Note 7) 225,277”;

128. CPAH 3856.24 permits a financial asset and a financial liability to be offset, and the net amount reported in the balance sheet, only when an enterprise currently has a legally enforceable right to set-off the recognized amounts; and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

129. The financial statements reported an offset of a balance due from the director of \$311,127 against a balance due to shareholders of \$536,404. The working papers did not reflect the right to offset.

- e. he failed to ensure disclosure on the Statement of Income, or in the notes, of the amounts of inventories recognized as an expense during the period;**

130. CPAH 1520.04(o) requires the amount of inventories recognized as an expense during the period to be presented separately on the face of the income statement or disclosed in the notes to the financial statements or supporting schedules.

131. The Statement of Income did not report the values of inventories at the beginning and end of year, and there was no disclosure in the notes to the financial statements of the amounts of inventories recognized as an expense during the year.

- f. he failed to ensure proper disclosure on the Statement of Cash Flows “Purchase of capital assets (142,129)” and “Long term debt issued 84,179”, since these amounts included non-cash transactions;**

132. CPAH 1540.41 requires investing and financing transactions that do not require the use of cash or cash equivalents to be excluded from a cash flow statement.

133. Three automotive equipment additions were financed directly through dealer financing. These capital assets were reported incorrectly on the Statement of Cash Flows as purchase of capital assets and the financing assumed on these purchases was incorrectly reported as long-term debt issued.

- g. he failed to obtain a representation letter from management regarding prescribed matters relating to the review, including a list of uncorrected misstatements and confirmation that year end entries were approved by management;**

134. CSRE 2400.70 requires the practitioner to request a written representation of management about whether they believe the effects of uncorrected misstatements are immaterial, individually or in the aggregate, to the financial statements as a whole. CSRE 2400.70 further requires a summary of such items to be included in or attached to the written representation.

135. Management's written representation did not include a list of uncorrected misstatements. Holloway indicated that there were no uncorrected adjustments since management made all of the adjustments that he had proposed. However, the engagement included approximately 29 year-end entries. There was no evidence in the documentation that these entries were approved by management.

- h. he failed to document evidence that the review was performed in accordance with the CSRE with respect to the inquiry and analytical procedures performed related to the balance sheet items "Accounts receivable 1,386,078".**

136. CSRE 2400.104 requires the practitioner to document evidence that the review was performed in accordance with this CSRE sufficient to enable an experienced practitioner, having no previous connection with the engagement, to understand the nature, timing and extent of the procedures performed and the results obtained from the procedures to comply with this CSRE and applicable legal and regulatory requirements.

137. The working papers for accounts receivable were insufficient to meet the requirement. The documentation included a review procedure checklist that included for most responses: "PSC – Y" and initials (PSC = Procedure Successfully Completed). No working paper reference were provided for this. The working papers to support the accounts receivable balances included a lead sheet comprising the general ledger accounts for the accounts receivable (which agreed with the financial statements), the

client's customer aged summary, a working paper for allowance for doubtful accounts and a client general ledger report for advances receivable. The balance reported as allowance for doubtful accounts did not agree with the working paper support for this amount. The working papers included a "Customer Aged Summary Report" with notations by Holloway for account balances to clear out, write off and in allowance for doubtful accounts. However, the amounts noted here for inclusion in the allowance for doubtful accounts did not agree with the amount on the financial statements.

Allegation 6 – PC Inc .

THAT the said Michael G. Holloway, in or about the period of February 1, 2022 to September 30, 2022, while engaged to perform a review of the financial statements of "PC Inc." for the year ended February 28, 2022, failed to perform his professional services in accordance with generally accepted standards of practice of the profession, contrary to Rule 206.1 of the Code of Professional Conduct, in that:

138. The Independent Practitioner's Review Engagement Report was dated August 30, 2022.

The financial statements were prepared using ASPE.

- a. he failed to ensure proper disclosure on the Statement of Income, or in the notes, of the amounts of inventories recognized as an expense during the period;**

139. CPAH 1520.04(o) requires the amount of inventories recognized as an expense during the period to be presented separately on the face of the income statement or disclosed in the notes to the financial statements or supporting schedules.

140. The Statement of Income did not report the values of inventories at the beginning and end of year, and there was no disclosure in the notes to the financial statements of the amounts of inventories recognized as an expense during the year.

- b. he failed to ensure proper disclosure on the Statement of Cash Flows "Purchase of capital assets (171,108)" and "Long-term debt issued 164,890" since these amounts included non-cash transactions;**

141. CPAH 1540.41 requires investing and financing transactions that do not require the use of cash or cash equivalents to be excluded from a cash flow statement.

142. Three automotive equipment additions were financed directly through dealer financing. These capital assets were reported incorrectly on the Statement of Cash Flows as purchase of capital assets and the financing assumed on these purchases was incorrectly reported as long-term debt issued.

c. he failed to ensure disclosure in the notes to the financial statements the accounting policy for the determination of the composition of cash and cash equivalents for reporting on the Statement of Cash Flows;

143. CPAH 1540.43 requires an enterprise to disclose the policy that it 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.

144. The accounting policies reported in the notes to the financial statements did not include the accounting policy for the determination of the composition of cash and cash equivalents for reporting on the Statement of Cash Flows.

d. he failed to ensure disclosure in Note 8 “Capital Lease Obligations” the amount of interest included in the lease payments;

145. CPAH 3065.76 requires disclosure of the aggregate amount of payments for capital leases reported by the lessee estimated to be required in each of the next five years to meet repayment.

146. Note 8 to the financial statements reported the principal repayments over the five years identified as the future minimum payments. However, the amount of the interest component included in the lease payments was not included in the amounts reported.

- e. he failed to ensure disclosure in Note 2 “Financial Instruments” of a potential interest rate risk since the company has an operating line of credit in the amount of \$155,333 with interest at Chartered Bank Prime plus 2.125%;**

147. CPAH 3856.53 requires disclosure of each significant risk arising from financial instruments: of the exposures to risk and how they arise, and any change in risk exposures from the previous period.

148. The company has an operating line of credit in the amount of \$155,333 with interest rate set at the Chartered Bank Prime plus 2.125%. This represented a potential for interest rate risk and should have been identified in the financial instrument disclosure. However, Note 2 to the financial statements reported financial instruments and included a statement that the company was not exposed to any significant interest or exchange risk arising from these instruments.

- f. he failed to ensure appropriate disclosure of the contingent gain of the Canada Emergency Business Account loan in the amount of \$20,000;**

149. CPAH 3290.05 defines “contingency” as “an existing condition or situation involving uncertainty as to possible gain or loss to an enterprise that will ultimately be resolved when one or more future events occur or fail to occur. Resolution of the uncertainty may confirm the acquisition of an asset or the reduction of a liability or the loss or impairment of an asset or the incurrence of a liability. CPAH 3290.16 states that contingent gains are not accrued in financial statements, as this accounting treatment could result in the recognition of revenue that may never be realized.

150. PC Inc. received a refundable Canada Emergency Business Account (CEBA) loan in the amount of \$60,000. Holloway reported the potential forgiveness of \$20,000 of this loan as income in 2021. The provision of the forgiveness of the \$20,000 CEBA loan requires the balance to be repaid before December 31, 2023. The forgiveness of the CEBA loan therefore, would not be confirmed until the non-forgivable portion was repaid.

151. In reporting this early forgiveness of the CEBA loan, PC Inc. would need to address its ability to repay the remaining \$40,000 by December 2023. As of February 28, 2022, PC Inc. had used the entire line of credit. Potentially, on December 31, 2023, PC Inc. would not have sufficient cash or additional credit available to repay the loan. Accordingly, the early recognition of the forgiveness of the CEBA loan was inappropriate.

Allegation 7 – QAM

THAT the said Michael G. Holloway, in or about the period of September 1, 2020 to June 30, 2023, while engaged in the practice of public accounting through the performance of assurance engagements, failed to perform his professional services in accordance with generally accepted standards of practice of the profession, contrary to Rule 206.1 of the Code of Professional Conduct, in that the Quality Assurance Manual prepared and put in place by him:

152. Holloway's Quality Assurance Manual ("QAM") 28 is a version of the "Sample Policies for Sole Practitioner with Staff". The QAM does not have an effective date for the policies, but it does refer to September 2020 in parts of the customization of the manual. In addition, Holloway has prepared two memos related to ongoing improvement to systems and controls as part of the firm's quality control standards outlining updates from the QAM.

- a. does not address the policies and procedures related to the completion of the assembly of final engagement files on a timely basis after the engagement reports have been finalized;**

153. The Canadian Standard on Quality Control (CSQC) 1.45 requires the QAM to include policies and procedures related to the completion of the assembly of final engagement files on a timely basis after the engagement reports have been finalized.

154. Holloway's QAM did not address the policies and procedures related to the completion of the assembly of final engagement files on a timely basis after the engagement reports have been finalized.

- b. does not address the 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;**

155. CSQC 1.47 requires the QAM to include 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.

156. Holloway's QAM did not address the 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.

- c. requires the appointment of a "...monitor who will select a sample of completed engagement files and review the application of quality control procedures." but the monitor was never put in place.**

157. CSQC 1.48 requires the 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. This process should include a cyclical monitoring process of inspecting at least one completed engagement for each engagement partner and that the individual performing the monitoring engagement be not involved in performing the engagement.

158. Holloway's QAM noted that the firm had not engaged an external file monitor but was expecting on November 1, 2020, to hire an accounting and assurance manager to review all assurance files to help raise the quality of the firm's work and to improve systems and documentation. This did not occur.

Acknowledgement

159. Holloway admits that, while acting as the engagement partner for the following engagements:

- (a) The audit of the financial statements of "CAMST" for the year ended December 31, 2019; **[Doc 2]**

- (b) The audit of the financial statements of “Ontario S” for the year ended December 31, 2019; **[Doc 3]**
- (c) The audit of the financial statements of “BBNS Inc.” for the year ended December 31, 2022; **[Doc 4]**
- (d) The review of the financial statements of “CL Ltd.” for the year ended October 31, 2019. **[Doc 5]**
- (e) The review of the financial statements of “HS Inc.” for the year ended January 31, 2020. **[Doc 6]**
- (f) The review of the financial statements of “PC Inc.” for the year ended February 28, 2022. **[Doc 7]**

generally, and as owner/principal of the Firm, 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.

160. Holloway further acknowledges that his Quality Assurance Manual prepared and put in place by him fails to meet the required standard set out in the CSQC.

Mitigating Factors

161. Holloway has been cooperative throughout the CPA Ontario investigation. It is not alleged that Holloway acted dishonestly in the conduct of the assurance engagements which are the subject of the Allegations, or during the PCC’s investigation of same.

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

Terms of Settlement

163. Holloway and the PCC agree to the following Terms of Settlement:

- (a) Holloway shall pay a fine of \$10,000 to CPA Ontario;

- (b) Holloway's practice shall be restricted by prohibiting him from carrying out any assurance engagements;
- (c) Holloway 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 Holloway's voluntary restriction from assurance practice shall be published in the Toronto Star, with all costs borne by Holloway;
- (f) Holloway shall pay costs in the amount of \$15,000.00 to CPA Ontario;
- (g) Holloway will be allowed 18 months from the time the Discipline Committee accepts this Agreement to pay the fine and costs referred to herein; and
- (h) A failure by Holloway 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.

164. The PCC and Holloway expressly consent to and authorize the Registrar to take any actions associated with Holloway's membership in CPA Ontario as prescribed and agreed to herein.

165. The PCC and Holloway 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.

166. Should the Discipline Committee accept this Agreement, Holloway agrees to and hereby waives his right to a full hearing, judicial review or appeal of the matter subject to the

Agreement. Upon Holloway's fulfillment of the requirements of this Agreement, the draft Allegations approved by the PCC shall be permanently stayed.

167. Should the Discipline Committee approve this Settlement Agreement, no party will make any public statement that is inconsistent with this Settlement Agreement. Following approval, CPA Ontario may in its sole discretion issue a release in respect of this outcome.

168. 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 Holloway leading up to its presentation to the Discipline Committee, shall be without prejudice to the PCC and Holloway; and
- (b) The PCC and Holloway 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

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

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

171. Holloway agrees and confirms that he has been advised of his right to legal counsel and has decided to proceed without the assistance of legal counsel. However, Holloway



agrees and confirms that he fully understands the effect of this Agreement and the consequences of signing this Agreement.

All of which is agreed to for the purpose of this proceeding alone this 24th day of January, 2024.

A handwritten signature in blue ink, appearing to read "Jean C. H. Lu".

Jean C. H. Lu, LL.B.
On behalf of
The Professional Conduct Committee

A handwritten signature in black ink, appearing to read "Michael Holloway".

Michael Holloway, CPA, CA
on his own behalf