



CHARTERED PROFESSIONAL ACCOUNTANTS OF ONTARIO

*THE CHARTERED PROFESSIONAL ACCOUNTANTS OF ONTARIO ACT, 2017*

**IN THE MATTER OF:** ALLEGATIONS OF PROFESSIONAL MISCONDUCT  
AGAINST **ADAM J. SHAW, CPA, CA**, BEFORE THE  
DISCIPLINE COMMITTEE

## **SETTLEMENT AGREEMENT**

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

### **Introduction**

1. The Professional Conduct Committee (PCC) approved draft Allegations of Professional Misconduct (Allegations) against Adam J. Shaw, CPA, CA (Shaw), the particulars of which are set out below. The documents referenced in this Settlement Agreement (Agreement) are found in the Document Brief (**Doc**). The applicable CPA Canada Handbook (CPAH) sections are found in the Standards Brief.
2. The draft Allegations (**Doc 1**) pertain to Shaw'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 review of the financial statements of "LBPI", for the year ended March 31, 2023 (**Doc 2**);
  - (b) the review of the financial statements of "CSEA", for the year ended March 31, 2024 (**Doc 3**);



- (c) the review of the financial statements of “351OL”, for the year ended February 29, 2024 (**Doc 4**);
  - (d) the review of the financial statements of “THCP”, for the year ended December 31, 2024 (**Doc 5**).
3. The PCC and Shaw 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 Shaw in any other proceedings of any kind, including, but without limiting the generality of the foregoing, any civil or other proceedings which may be brought by any other person, corporation, regulatory body or agency.

### **Background**

- 4. Shaw obtained his Chartered Accountant designation in 2000.
- 5. In 2003, Shaw obtained his Public Accounting Licence (PAL). At that time, he also began to practice on his own while doing subcontract work for a small public accounting firm.
- 6. Shaw acquired a practice in Tillsonburg several years ago. His current practice consists of five review engagements, a number of compilation engagements, bookkeeping and personal income tax returns. He estimates 5% of his fees are from his review engagements.
- 7. Shaw has ten full time staff including three that perform administrative/bookkeeping work. None of these staff have designations. He also has two part time staff, one of whom previously ran his own CPA firm and has a CPA designation.
- 8. Shaw also employs a subcontractor. Shaw reviews all engagements and signs the financial statements prepared by this subcontractor.

### **The Complaint**

9. Shaw was the subject of a Settlement Agreement which was approved by the Discipline Committee of CPA Ontario on October 20, 2021 (see Tab 5 of the Book of Authorities).
10. Pursuant to paragraph 300(c) of that Agreement, Shaw's practice was restricted to non-audit engagements. Furthermore, pursuant to paragraph 300(d), Shaw was subject to practice supervision for a period of 24-months.
11. According to the Supervision Agreement with Ms. Vivian B. Greenberg, CPA, CA (Greenberg) dated January 24, 2022, the working papers and financial statements for all of Shaw's assurance engagements were to be reviewed and approved by the supervisor prior to Shaw issuing any reports.
12. Paragraph 300(e) of the Settlement Agreement directed the PCC to re-investigate Shaw following the period of supervised practice.
13. On March 13, 2025, the PCC appointed Paul Gibel, FCPA, FCA (Investigator) to re-investigate Shaw's standards of practice with respect to review engagements.

### **Generally Accepted Standards for Review Engagements**

14. The standards applicable to reviews are described by generally accepted standards for review engagements. During 2023-2025, these standards were published in the Assurance section of the CPAH.
15. The generally accepted standards for review engagements require practitioners to obtain limited assurance by performing inquiry and analytical procedures to determine whether an entity's reviewed financial statements as a whole, are free from material misstatement. The practitioner may then express a conclusion on whether anything has come to his/her attention that causes him/her to believe that the financial statements are not prepared, in all material respects, in accordance with an applicable

financial reporting framework.

16. To obtain reasonable assurance, the Canadian Standard on Review Engagements (CSRE) 2400 – Engagements to review historical financial statements, sets out the standard to be met, requirements to be fulfilled and steps to be taken. They include performing primarily inquiry and analytical procedures and obtaining sufficient appropriate evidence while exercising professional skepticism.
17. Further, the generally accepted standard for review engagements requires practitioners to plan and perform the review engagement with professional skepticism, recognizing that circumstances may exist that cause the financial statements to be materially misstated. Professional skepticism requires a questioning attitude which is alert to conditions which may indicate a possible misstatement due to error or fraud. Professional skepticism requires the practitioner to conduct a critical assessment of the evidence.
18. Pursuant to CSRE 2400.7 to CSRE 2400.10, compliance with CSRE is mandatory.

### **Failure to Maintain Professional Standards**

19. Shaw and the PCC agree that Shaw failed to perform his professional services in accordance with generally accepted standards of practice of the profession as described below; and Shaw admits that the agreed facts set out below accurately particularize his failure to perform his professional services in accordance with generally accepted standards of practice of the profession.

### **The Draft Allegations**

#### [Allegation 1: Rule 206.1, Review of LBPI for the Year-End March 31, 2023](#)

20. LBPI produces a hunting and fishing television show. LBPI requires a review engagement to qualify for federal film and video production income tax credits.



21. The Independent Practitioner’s Review Engagement Report was dated October 3, 2024.

22. Greenberg did not review this engagement as no financial statements were issued for LBPI during the supervision period.

**Allegation 1: That the said Adam J. Shaw, in or about the period of March 1, 2023 to October 31, 2024, while engaged to perform the review of the financial statements of “LBPI”, for the year ended March 31, 2023, failed to perform his professional services in accordance with the generally accepted standards of practice of the profession, contrary to Rule 206.1 of the CPA Ontario Code of Professional Conduct, in that:**

**a. He failed to critically assess areas in the financial statements where material misstatements were likely to arise;**

23. CSRE 2400.45 states *“Based on the practitioner’s understanding, the practitioner shall identify areas in the financial statements where material misstatements are likely to arise.”*

24. The Engagement Scope working paper has a column which asks, “Is there a material misstatement likely?” and Shaw responded yes for every item that is a material amount except for equity, revenue and office expenses (**Doc 6**). By identifying almost every area, Shaw failed to perform a critical analysis of the areas where material misstatements were likely to arise.

**b. He failed to obtain sufficient appropriate evidence to support Balance Sheet item “Property, plant and equipment (note 2(e)) 243,063”;**

25. CSRE 2400.46 states *“In obtaining sufficient appropriate evidence as the basis for a conclusion on the financial statements as a whole, the practitioner shall design and perform inquiry and analytical procedures:*

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

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

26. Shaw failed to obtain sufficient appropriate review evidence with respect to Balance Sheet item Property, plant and equipment.

**c. He failed to record income tax credits from prior years, which were received in the current year, as corrections of prior period errors;**

27. LBPI is eligible to file for Canadian Film or Video Production tax credits each year, which are included in its annual corporate income tax return. This program is co-administered by the Canada Revenue Agency and the Canadian Audio-Visual Certification Office. The company does not always include this tax credit filing with the initial submission of its corporate income tax return. When this happens, Shaw amends these returns so the cash for these credits could be received one to two fiscal years after the year to which they apply depending on when the amended tax returns are filed. All of the information LBPI requires to file for these tax credits is available at the time of filing their initial tax returns and an estimate of these tax credits should be made at that time.

28. Pursuant to Section 1506.05 (c), prior period errors are defined as *“omissions from, and misstatements in, the entity’s financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:*

*(i) was available when financial statements for those periods were completed; and*

*(ii) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.”*

29. The 2018 and 2019 amended income tax returns were reassessed to include the applicable tax credits totaling \$87,686 and the resulting refunds were included in the current year income tax expense (2023). These should have been recorded as prior period adjustments and corrected *“retrospectively in the first set of financial statements completed after their discovery by:*

*(a) restating the comparative amounts for the prior period(s) presented in which the error occurred; or*

*(b) if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period*

*presented.”* (Section 1506.27)

**d. He failed to make enquiries of management and others within the entity about how management makes the significant estimates required under the applicable financial reporting framework; and**

30. Pursuant to CSRE 2400.47, the practitioner’s enquiries of management and others within the entity shall include *“how management makes the significant estimates required under the applicable financial reporting framework.”*

31. The Understanding Accounting Estimates section of the Understanding the Entity – System checklist is marked as not applicable (**Doc 7**). There are significant estimates included in the financial statements for prepaid expenses related to production costs for the upcoming season and the useful lives and fair value of property, plant and equipment acquired under sponsorship agreements. Shaw failed to enquire with management about these estimates.

**e. He failed to ensure adequate or proper disclosure in the financial statements of:**

**i. income tax credits as they were disclosed as “Subsidies and grants 54,142” on the Statement of Income (Loss) rather than being included in “Recovery of income taxes (60,039)”;**

32. The current year tax credits of \$54,142 were included on the Statement of Income (Loss) as subsidies and grant revenue. They should be included in the income tax expense as the company is using the taxes payable method of accounting for income taxes.

**ii. the accounting policy for income taxes;**

33. Pursuant to sections 1505.03 and .06, Shaw failed to disclose the accounting policy for income taxes, being the taxes payable method.

- iii. **the reconciliation of the income tax rate or expense related to income or loss for the period, to the statutory income tax rate or the dollar amount that would result from its application, including the nature and amount of each significant reconciling item;**

34. As per section 3465.88, disclosure must include *“reconciliation of the income tax rate or expense related to income or loss for the period before discontinued operations to the statutory income tax rate or the dollar amount that would result from its application, including the nature and amount of each significant reconciling item.”*

35. Shaw included this reconciliation in the working papers but did not disclose it in the financial statements as required.

- iv. **non-monetary transactions; and**

36. Section 3831.17 requires disclosure of *“the following information in the period in which a non-monetary transaction occurs to enable users of the financial statements to understand the effects of a non-monetary transaction on the financial statements:*

- (a) the nature of the transaction;*
- (b) its basis of measurement;*
- (c) the amount; and*
- (d) related gains and losses.”*

37. LBPI has significant non-monetary transactions as property, plant and equipment are acquired in exchange for sponsorship of the shows produced. Shaw did not disclose these transactions.

- v. **the significant risks arising from financial instruments for credit and liquidity risks.**

38. Section 3856.53 requires *“For each significant risk (see paragraph 3856.A66) arising from financial instruments, including derivatives, an enterprise shall disclose:*

- (a) the exposures to risk and how they arise; and*

*(b) any change in risk exposures from the previous period.”*

39. The examples included in paragraph 3856.A66 include credit and liquidity risk which are applicable to LBPI but have not been disclosed.

#### Allegation 2: Rule 206.1, Review of CSEA for the Year-End March 31, 2024

40. CSEA furthers the interests of Canadian swine exporters to develop export markets. It requires a review engagement under the terms of the government grants it receives.

41. The Independent Practitioner’s Review Engagement Report is dated November 30, 2024.

42. Greenberg did not review this engagement as no financial statements were issued during the supervision period.

**Allegation 2: That the said Adam J. Shaw, in or about the period of March 1, 2024 to November 30, 2024, while engaged to perform the review of the financial statements of “CSEA”, for the year ended March 31, 2024, failed to perform his professional services in accordance with the generally accepted standards of practice of the profession, contrary to Rule 206.1 of the CPA Ontario Code of Professional Conduct, in that:**

**a. He failed to correctly calculate materiality based on the benchmark for not-for-profit organizations;**

43. In the notes section of the materiality working paper, the benchmark for not-for-profit organizations is 0.5% to 2% of total revenues or expenses. Materiality was calculated based on 5% of estimated total revenues for the year of \$237,562 (**Doc 8**). Therefore, the materiality calculation was based on an inappropriate benchmark.

44. In addition, actual total revenue, after adding back the government grant payout to members, was \$142,898. The current year estimate of total revenue was significantly overstated which, combined with the benchmark calculation error, resulted in a much higher materiality number than should have been calculated.

**b. He included inaccurate information in the representation letter relating to the first-time adoption of ASNPO;**

45. The representation letter includes a section with respect to the first-time adoption of Accounting Standards for Not-for-Profit Organizations (ASNPO) (**Doc 9**). Shaw confirmed this was not the year of adoption of ASNPO therefore, this should not have been included in the representation letter.

**c. He failed to include adequate documentation to support Statement of Revenue and Expenses item “Trade sales 50,000”; and**

46. The documentation standard in CSRE 2400.104 states “*The preparation of documentation for the review provides evidence that the review was performed in accordance with this CSRE, and legal and regulatory requirements where relevant, and a sufficient and appropriate record of the basis for the practitioner's report. The practitioner shall document the following aspects of the engagement in a timely manner, sufficient to enable an experienced practitioner, having no previous connection with the engagement, to understand:*

*(a) The nature, timing and extent of the procedures performed to comply with this CSRE and applicable legal and regulatory requirements;*

*(b) Results obtained from the procedures, and the practitioner's conclusions formed on the basis of those results; and*

*(c) Significant matters arising during the engagement, the practitioner's conclusions reached thereon, and significant professional judgments made in reaching those conclusions.”*

47. Note 5 discloses CSEA “provides managerial services, computer support, accounting functions and oversees the day-to-day operations on behalf of another organization on a contract basis”. This is described as Trade sales revenue on the Statement of Revenue and Expenses (**Doc 3**).

48. Shaw failed to meet the documentation standard as he did not include the managerial contract in his working paper file.

d. He failed to ensure adequate or proper disclosure in the financial statements of:

i. **Cash and equivalents on the Statement of Cash Flows as he incorrectly included Guaranteed Investment Certificates with an initial term of one year;**

49. In section 1540.06, cash equivalents are defined as “*short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.*” The guidance in section 1540.08 states “*an investment normally qualifies as a cash equivalent only when it has a short maturity of, say, three months or less from the date of acquisition.*”

50. The balance sheet shows short term investments of \$145,036 which includes Guaranteed Investment Certificates (GICs) and a power savings account (**Doc 10**). The GICs are for a period of one year (**Doc 11**). On the Statement of Cash Flows, the GICs are treated as cash equivalents and should not be treated as such.

ii. **the entity’s use of the deferral method for recognizing revenue from contributions;**

51. Note 2(e) says “Grant funding and sponsorships are recorded as revenue when claims are submitted.” The organization does not have any sponsorship revenue. In the Understanding Revenue Transactions section of the NFP Understanding the entity – System working paper, it says the organization is using the deferral method of accounting for contributions. Note 2(e) fails to disclose that the organization is using the deferral method for recognizing revenue from contributions (**Doc 3**).

iii. **the policy for trade sales in the significant accounting policy for revenue recognition; and**

52. As per section 3400.31, “*An enterprise shall disclose its revenue recognition policy. If an enterprise has different policies for different types of revenue transactions, including non-monetary (barter) sales, the policy for each material type of transaction shall be*

*disclosed.”*

53. The revenue recognition significant accounting policy note does not disclose the policy for trade sales which is a contract payment for services provided as described in Note 5 (**Doc 3**).

**iv. the carrying amounts of financial assets measured at amortized cost.**

54. Pursuant to section 3856.38, there is a requirement to disclose the carrying amounts of financial assets measured at amortized cost. Note 2(f) discloses what the financial instruments are but not their basis of measurement (**Doc 3**).

[Allegation 3: Rule 206.1, Review of “351OL” for the Year-End February 29, 2024](#)

55. 351OL is a trucking company that transports goods to and from the United States. It requires a review engagement under the terms of its lending agreement.

56. The Independent Practitioner’s Review Engagement Report is dated June 27, 2024.

57. Greenberg reviewed this engagement twice during the supervision period.

**Allegation 3: That the said Adam J. Shaw, in or about the period of February 1, 2024 to June 30, 2024, while engaged to perform the review of the financial statements of “351OL”, for the year ended February 29, 2024, failed to perform his professional services in accordance with the generally accepted standards of practice of the profession, contrary to Rule 206.1 of the CPA Ontario Code of Professional Conduct, in that:**

**a. He failed to appropriately assess the engagement risk in light of the impending sale of the entity;**

58. The normal year end for 351OL is July 31. The company was being sold effective March 1, 2024 so these financial statements were prepared for the 213 day period ended February 29, 2024 (**Doc 12**). Shaw concluded that the engagement risk was moderate. There was no change in his assessment of the risk level from the prior

period.

59. Shaw confirmed the purchaser was relying on these financial statements for the purposes of calculating a working capital adjustment to the sale price. The engagement risk should have been assessed as high given that a third party was relying on these financial statements and there was a direct financial consequence to any misstatements to the components of working capital.

**b. He failed to perform additional review engagement procedures to respond to the increased engagement risk and use of the financial statements for the impending sale of the entity;**

60. Shaw made no changes to his review engagement procedures from the prior period. Shaw should have performed additional procedures to respond to the added risk given the impending sale and the third-party reliance on the financial statements.

**c. He failed to make enquiries of management with respect to fraud and non-compliance with laws and regulations, going concern, material commitments, contractual obligations and contingencies and use of journal entries;**

61. The Specific Circumstances – Review procedures checklist documents inquiries with management on November 6, 2023 and is not signed off or reviewed (**Doc 13**). This is the checklist that documents the inquiries of management with respect to fraud and non-compliance with laws and regulations, going concern, material commitments, contractual obligations and contingencies and use of journal entries. These inquiries are specifically required by CSRE 2400.47 as part of obtaining an *“understanding of the entity and its environment, and the applicable financial reporting framework, to identify areas in the financial statements where material misstatements are likely to arise and thereby provide a basis for designing procedures to address those areas.”* Shaw failed to make these inquiries.

**d. He failed to obtain written representations prior to the date of the practitioner's report;**

62. CSRE 2400.73 states *"The date of the written representations shall be as near as practicable to, but not after, the date of the practitioner's report."*

63. The representation letter in the working paper file was for the company's periods ending July 31, 2022 and July 31, 2021 (**Doc 14**). Shaw subsequently provided the Investigator a letter dated June 27, 2024 however, the client signature was dated July 26, 2024, approximately one month after the date of the practitioner's report (**Doc 15**).

**e. He failed to calculate the current portion of the loan receivable for a twelve-month period resulting in an understatement of the working capital;**

64. The Current portion of loans receivable working paper shows the current portion of \$13,190.11 and has a note that says "only did current portion up to July 31/24 Discuss with AJS." (**Doc 16**)

65. July 31, 2024 would have been the next normal year end for the company without the impending sale. The current portion should have been for a full year and should have included the scheduled payments to February 28, 2025. The amortization schedule shows that the current portion should be \$32,183.15, a difference of \$18,993.04 (**Doc 17**). Therefore, the current assets and the working capital for the purposes of the sale are also understated by this amount.

**f. He failed to perform an economic dependence calculation or document his reasons for not including economic dependence disclosure; and**

66. Section 3841.02 states *"When the ongoing operations of a reporting enterprise depend on a significant volume of business with another party, the economic dependence on that party shall be disclosed and explained"*. Section 3841.05 states *"In determining whether an enterprise is dependent on another party, the ease with which transactions*

*with that party can be replaced by transactions with another party on similar terms and conditions is considered.”*

67. The accounts receivable listing shows amounts due from “ALI” of \$244,638.08 USD and “AMDGP” of \$281,092.00 (**Doc 18**). These two amounts account for greater than 50% of the outstanding balance. The Customer Summary Analysis Report for the period from August 1, 2023 to February 29, 2024 shows that these two customers account for 46.59% of the sales for that period (**Doc 19**). On the Income statement – Review procedures checklist, Shaw responded to question 3.e. stating “No dependence on any key customers. They do have two larger contracts that are about 46% of their sales, but also have many customers.” (**Doc 20**)

68. Shaw failed to complete an analysis to determine if the volume of business with these parties was so significant that the viability of the company depended on the continuance of their business.

**g. He failed to ensure adequate or proper disclosure in the financial statements of:**

**i. the concentration of credit risk;**

69. Further to the economic dependence calculation, section 3856.54 states *“For each type of risk arising from financial instruments, an enterprise shall disclose concentrations of risk. Concentrations of risk arise from financial instruments that have similar characteristics and are affected similarly by changes in economic or other conditions.”* Even if Shaw had performed an analysis that showed the company was not economically dependent upon these two customers, disclosure of the concentration of credit risk should have been made to alert users of the financial statements to this risk.

ii. **the amounts of assets and liabilities denominated in U.S. dollars as part of the currency risk disclosure; and**

70. Under section 3856.53, *“For each significant risk (see paragraph 3856.A66) arising from financial instruments, including derivatives, an enterprise shall disclose:*

*(a) the exposures to risk and how they arise; and*

*(b) any change in risk exposures from the previous period.”*

*“An enterprise shall disclose information that enables users of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the enterprise is exposed at the end of the reporting period.”* (paragraph 3856.A66)

71. Note 4(v) discloses the company’s currency risk. It discloses which assets and liabilities include amounts denominated in United States (U.S.) dollars and the year end exchange rate but not the amounts subject to this risk (**Doc 4**). The amounts of balances in U.S. dollars should be disclosed as it is difficult to assess the risks if the amounts have not been provided.

iii. **the U.S. dollar amount of three term loans.**

72. Section 3856.43 states that *“For bonds, debentures and similar securities, mortgages and other long-term debt, an enterprise shall disclose:*

*(e) the currency in which the debt is payable if it is not repayable in the currency in which the enterprise measures items in its financial statements.”*

73. The company has three items included in long term debt that are denominated in U.S. dollars. The payments are disclosed as being in U.S. dollars, but the U.S. dollar amounts outstanding are not disclosed (**Doc 4**).

[Allegation 4: Rule 206.1, Review of “THCP” for the Year-End December 31, 2024](#)

74. The company produces concrete patio stones for home and commercial use. It has an operating line with a credit union that requires review engagement financial



statements.

75. The Independent Practitioner's Review Engagement Report is dated April 8, 2025.

76. Greenberg reviewed this engagement twice during the supervision period.

**Allegation 4: That the said Adam J. Shaw, in or about the period of December 1, 2024 to April 30, 2025, while engaged to perform the review of the financial statements of "THCP", for the year ended December 31, 2024, failed to perform his professional services in accordance with the generally accepted standards of practice of the profession, contrary to Rule 206.1 of the CPA Ontario Code of Professional Conduct, in that:**

- a. He failed to design and perform inquiry and analytical procedures to obtain sufficient appropriate evidence for revenue;**

77. The company has a prebooking program which Shaw initially described as the client invoicing in the fall for the concrete patio stones it makes, but which would not be delivered until the spring, after its December 31 year end. This description would make it a bill and hold situation. However, there is no deferred revenue on the company's balance sheet and the working papers do not support this bill and hold explanation.

78. With respect to bill and hold arrangements, section 3400.A43 states *"The following criteria are required to be met to recognize revenue when delivery has not occurred:*

- (a) the risks of ownership must have passed to the buyer;*
- (b) the customer must have made a fixed commitment to purchase the goods;*
- (c) the buyer, not the seller, must request that the transaction be on a bill and hold basis, and the buyer must have a substantial business purpose for ordering the goods on a bill and hold basis;*
- (d) there must be a schedule for delivery of the goods that is reasonable and consistent with the buyer's business purpose (e.g. storage periods are customary in the industry);*
- (e) the seller must not have retained any specific performance obligations such that the earning process is not complete;*

*(f) the ordered goods must have been segregated from the seller's inventory and not be subject to being used to fill other orders; and*

*(g) the product must be complete and ready for shipment.”*

The above criteria have not been met.

79. Furthermore, the working papers are inconsistent. The note at the top of the AR Aged Accounts Receivable Dec 31 24 says “amounts are due to contracts that are not payable until June. Contracts allow THCP to work through the winter weather permitting, and allow customers to have sufficient product when the Spring rush comes.” **(Doc 21)**

80. The response to question 3. c. on the Income statement – Review procedures, which is about deferred revenue, is “All revenue is appropriately recognized as production before year end” **(Doc 22)**

81. The note towards the bottom of the second page of the AR Aged Accounts Receivable Dec 31 24 says “As per Robin, they offer a booking program in the fall, the customer receives their product and are offered extended terms. No one prepays for product that has not been invoiced and shipped. So there is no inventory included in accounts receivable.” **(Doc 23)**

82. Section E of the Understanding Revenue Transactions section of the Understanding the entity – Systems working paper says “The company closes production during winter months to maintain quality of the product and difficult weather conditions and excessive heating costs would compromise the product quality. In lieu of this there were minimal sales or shipments during the month of December (3% of their annual sales) and all sales are recorded on the day of sale. The company closed on December 21/24 for the holidays” **(Doc 24)**. The AR Aged Accounts Receivable Dec 31 24 shows \$564,971.84 of Canadian dollar receivables as being current **(Doc 25)** which is 8% of Canadian sales for the year. Shaw was unable to reconcile this during his interview.

83. Following his interview, Shaw advised the Investigator that his initial “bill and hold” explanation was incorrect. Shaw then described that “The organization extends favourable terms to a small number of preferred, reliable customers. This allows the company to continue production during the offseason and not be overwhelmed with orders in the Spring. The company produces according to contracts, invoices and ships product year round. It makes the last of these shipments for the year and invoices for them in the first three weeks of December. It then shuts down production for a two week period over Christmas. The customer then has extended terms of 120 to 150 days in which to pay. They hold no product on their property that has been sold. I said that in error on the day of our interview.”

84. Additional procedures should have been performed to reconcile the information about the company’s operations and the large amount of sales recorded in December in order to obtain sufficient appropriate evidence for revenue.

**b. He failed to sufficiently document the entity’s standard costing system including how the material component of finished goods or raw materials is costed;**

85. The documentation standard in CSRE 2400.104 states “*The preparation of documentation for the review provides evidence that the review was performed in accordance with this CSRE, and legal and regulatory requirements where relevant, and a sufficient and appropriate record of the basis for the practitioner’s report. The practitioner shall document the following aspects of the engagement in a timely manner, sufficient to enable an experienced practitioner, having no previous connection with the engagement, to understand:*

*(a) The nature, timing and extent of the procedures performed to comply with this CSRE and applicable legal and regulatory requirements;*

*(b) Results obtained from the procedures, and the practitioner’s conclusions formed on the basis of those results; and*

*(c) Significant matters arising during the engagement, the practitioner’s conclusions reached thereon, and significant professional judgments made in reaching those conclusions.”*

86. The Understanding Inventory and Work in Process section of the Understanding the entity – System working paper says the company uses standard costing to cost its inventory (**Doc 26**). In the costing section of the Inventory – Review procedures checklist, it says there was a discussion with the client and the conclusion is that wage costs factored into inventory are reasonable given the cost of production labour plus benefits (**Doc 27**).

87. There is no description of the standard costing system in the working papers and no discussion of how the material component of finished goods or raw materials are costed, only the discussion about wage costs. This is not sufficient documentation as required by CSRE 2400.104.

**c. He amortized equipment and building additions that were not in use; and**

88. Pursuant to section 3061.16 *“Amortization shall be recognized in a rational and systematic manner appropriate to the nature of an item of property, plant and equipment with a limited life and its use by the enterprise. The amount of amortization that shall be charged to income is the greater of:*

- (a) the cost less salvage value over the life of the asset; and*
- (b) the cost less residual value over the useful life of the asset.”*

89. Useful life is defined as *“the period over which an asset, singly or in combination with other assets, is expected to contribute directly or indirectly to the future cash flows of an enterprise.”* [Section 3061.03 (l)]

90. In the response to question 1.b. of the Property, plant and equipment – review procedures checklist, Shaw notes THCP expanded including a new building and large manufacturing machinery with completion expected after year end (**Doc 28**). At year end, THCP was waiting for inspections and programming of the machinery; the new building and machinery were not in use.

91. The building additions working paper shows additions of \$368,639.15 for 2024 and \$935,849.69 for 2023 (**Doc 29**). The equipment additions working paper shows additions of \$595,066.08 for 2024 and \$1,229,893.83 for 2023 (**Doc 30**). The Capital asset schedule shows amortization has been recorded on all the 2024 additions. There is an amount in the opening accumulated amortization column for all the 2023 additions, indicating they were amortized in 2023 and 2024 (**Doc 31**).

92. These assets were not in use and therefore, should not have been amortized.

**d. He failed to ensure adequate or proper disclosure in the financial statements of:**

**i. the amounts of the underlying currency in Note 12(iii) which addresses the currency risk for the company; and**

93. Note 12 (iii) discloses the currency risk for the company. The note says “Accounts including amounts denominated in US dollars are converted and reported in the financial statements in Canadian currency” and then shows the amounts for the various balance sheet items (**Doc 5**). There is also a section of the note for amounts denominated in Euros. It is not apparent if the amounts are the U.S. dollar or Euro amounts or the converted Canadian equivalents. The note should make this clear to allow the users of the financial statements to properly assess the currency risk (Section 3856.53A).

94. Furthermore, Shaw advised the Investigator during his interview that the amounts were the Canadian dollar equivalents however, the amounts were actually the U.S. dollar and Euro amounts.

**ii. the correct amount of the line of credit in Note 8.**

95. Note 8 incorrectly discloses the company has an available line of credit of \$1,000,000 (**Doc 5**). The confirmation letter from Libro Credit Union reveals the line of credit is \$3,000,000 (**Doc 32**).

### **Acknowledgement**

96. Shaw admits that, while acting as the engagement partner for the following engagements:

- (a) the review of the financial statements of “LBPI”, for the year ended March 31, 2023;
- (b) the review of the financial statements of “CSEA”, for the year ended March 31, 2024;
- (c) the review of the financial statements of “351OL”, for the year ended February 29, 2024; and
- (d) the review of the financial statements of “THCP”, for the year ended December 31, 2024.

he failed to perform his professional services in accordance with generally accepted standards of practice of the profession in the manner described above, contrary to Rule 206.1 of the Code.

### **Aggravating Factors**

97. These deficiencies were found following a two-year period of supervision.

98. Shaw failed to comply with his Continuing Professional Development obligations as a PAL holder. In 2022 he took the courses mandated under the 2021 Settlement Agreement but in 2023 and 2024 he did not attend any courses related to the competencies needed to engage in the Practice of Public Accounting as required by sections 6 and 7 of Regulation 7-2.

### **Mitigating Factors**

99. Shaw has been cooperative throughout the CPA Ontario Investigation. In making admissions herein, Shaw has saved the PCC and the Discipline Committee the time and expense of a lengthy hearing.



### **Terms of Settlement**

100. Shaw and the PCC agree to the following Terms of Settlement:
- (a) Shaw shall pay a fine of \$7,500 to CPA Ontario;
  - (b) Shaw's practice shall be restricted by prohibiting him from performing any audit or review assurance engagements;
  - (c) Notice of the terms of this Agreement is to be published in the manner set out in CPA Ontario Regulation 6-2 sections 45, 50 and 52 with notice to be given to all members of CPA Ontario, all provincial CPA Bodies, and shall be made available to the public. In addition, notice of the restriction on Shaw's practice resulting from this Agreement will be published in the Woodstock Sentinel Review newspaper, the costs of such publication to be borne by Shaw;
  - (d) Shaw shall pay costs in the amount of \$4,500 to CPA Ontario;
  - (e) Shaw will be allowed 12 months from the time the Discipline Committee accepts this Agreement to pay the fine and costs referred to in paragraphs 100(a) and (d); and
  - (f) A failure by Shaw 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 and with full publicity in accordance with Regulation 6-2, section 48.
101. The PCC and Shaw expressly consent to and authorize the Registrar to take any actions associated with Shaw's membership in CPA Ontario as prescribed and agreed to herein.



102. The PCC and Shaw expressly authorize and consent to CPA Ontario providing notice of the terms of this Agreement to all CPA Ontario members and all provincial CPA Bodies and to publish such notification in accordance with the terms detailed herein.
103. Should the Discipline Committee accept this Agreement, Shaw agrees to and hereby waives his right to a full hearing, judicial review or appeal of the matter subject to the Agreement. Upon Shaw's fulfillment of the requirements of this Agreement, the Allegations approved by the PCC shall be permanently stayed.
104. Should the Discipline Committee approve this Agreement, no party will make any public statement that is inconsistent with this Agreement. Following approval, CPA Ontario may in its sole discretion issue a release in respect of this outcome.
105. 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 Shaw leading up to its presentation to the Discipline Committee, shall be without prejudice to the PCC and Shaw; and
  - (b) The PCC and Shaw 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.

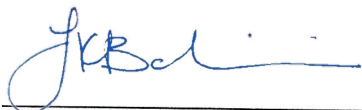
**Disclosure of Agreement and Independent Legal Advice**

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

107. Any obligations of confidentiality shall terminate upon approval of the Agreement by the Discipline Committee.
108. Shaw 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, Shaw 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 10th day of September 2025.



\_\_\_\_\_  
Lindsay Bandini, J.D.  
On behalf of  
the Professional Conduct Committee



\_\_\_\_\_  
Adam J. Shaw, CPA, CA  
On his own behalf

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

**DISCIPLINE COMMITTEE**

**IN THE MATTER OF:** A proposed Settlement Agreement between the Professional Conduct Committee of the Chartered Professional Accountants of Ontario and **Adam J. Shaw, CPA, CA.**

**TO:** Adam J. Shaw

**AND TO:** The Professional Conduct Committee

**DECISION AND REASONS FOR DECISION MADE OCTOBER 15, 2025**

**DECISION**

After considering the submissions of the parties and the proposed Settlement Agreement itself, the Panel hereby approves the Settlement Agreement, dated September 10, 2025.

**REASONS**

The Panel accepted the Settlement Agreement dated September 10, 2025 (“Settlement Agreement”). While reasons for this decision are not required, the Panel may give reasons pursuant to Rule 21.03(2) of the *Rules of Practice and Procedure*. The Panel asks that these Reasons be appended to the Settlement Agreement.

The Panel approved the Settlement Agreement based on the principles of deference to joint submissions as set out in *R. v. Anthony-Cook*, 2016 SCC 43. The terms of the Settlement Agreement were not contrary to the public interest nor were they “so unhinged from the circumstances of the offence” to justify rejecting them. However, the Panel wished to note the following.

The Panel noted that this was the second time that Adam J. Shaw’s (“Member”) conduct had been brought before the Discipline. In 2021, the Discipline Committee approved a settlement agreement dated June 23, 2021 between the Member and the Professional Conduct Committee wherein the Member admitted that he had failed to perform professional work in accordance with generally accepted standards of practice of the profession in relation to two reviews and two audit engagements. The terms of settlement included a fine of \$10,000, completion of five Continuing Professional Development (“CPD”) courses related to review engagements, a practice restriction prohibiting audit engagements, supervised practice for two years, and costs.

In the current matter, the Member again failed to perform his professional work in accordance with generally accepted standards of practice of the profession in relation to four reviews of financial statements dated 2023 and 2024. On reinvestigation, following the previously mandated period

of supervised practice, a large number of deficiencies were noted over multiple assurance engagements. Also, in the years since the June 23, 2021 settlement agreement, the Member had not completed the CPD requirements in 2023 and 2024 by failing to take any courses related to the competencies needed to engage in public accounting as required by sections 6 and 7 of Regulation 7-2. Further, the Panel noted that the fine set out in the attached Settlement Agreement (\$7,500) was significantly less than the fine in 2021 (\$10,000), despite the similar nature of the conduct.

Given all of the above issues, the Panel expected a heightened focus on member accountability resulting in more severe terms of settlement in these circumstances. Unfortunately, the Settlement Agreement failed to provide a satisfactory explanation. Nevertheless, the terms of settlement jointly submitted in the Settlement Agreement were within the range of terms or sanctions ordered in similar matters.

**DATED** this 15<sup>th</sup> day of October, 2025

A handwritten signature in black ink, appearing to be 'John Love', written in a cursive style.

John Love, CPA, CMA  
Discipline Committee – Deputy Chair

Members of the Panel

Barbara Ramsay, Public Representative  
Soheil Talebi, CPA, CA, LPA

Independent Legal Counsel

Susan Heakes, Barrister & Solicitor