

Joseph Lukas: Summary, as Published in *CheckMark*

Joseph Lukas, of Ancaster, was found guilty of six charges of professional misconduct, under Rules 205 and 206, for signing or associating himself with audit opinions which he knew or should have known were false or misleading, and for failing to perform his professional services in accordance with generally accepted standards of practice of the profession. He failed to adequately plan and properly execute the audits of a local services board for two consecutive year-ends. He also failed to adequately plan and properly execute two review engagements for two corporate clients. Mr. Lukas was fined \$5,000, suspended for three months, and ordered to take certain professional development courses. It was also ordered that he be reinvestigated by the professional conduct committee within a specified time.

Mr. Lukas returned to MEMBERSHIP IN GOOD STANDING on August 10, 1994

CHARGE(S) LAID re Joseph Lukas

The Professional Conduct Committee hereby makes the following charges against Joseph Lukas, a member of the Institute:

1. THAT, the said Joseph Lukas, in or about the period September 30, 1989 through March, 1990, failed to perform his professional services in accordance with generally accepted standards of practice of the profession, contrary to Rule 206 of the rules of professional conduct in that, being engaged to provide an audit opinion on the financial statements of the Local Services Board of Gogama as at September 30, 1989, and having provided an audit opinion without reservation, he failed;
 - (a) to adequately plan the audit;
 - (b) to make preliminary decisions as to materiality and the components of audit risk at the planning stage of the audit;
 - (c) to obtain sufficient appropriate audit evidence to afford a reasonable basis to support the content of his report;
 - (d) to document matters which are important in providing evidence to support the content of his report;
 - (e) to obtain a written representation from his client that all claims and possible claims have been disclosed to him;
 - (f) to send an enquiry letter, prepared by the client, to each law firm identified as handling claims which are outstanding or possible claims;
 - (g) to perform review, enquiry and related procedures to determine whether events occurring in the subsequent period that may require adjustment to or disclosure in the financial statements have been identified;
 - (h) to ensure, prior to accepting the audit engagement, that he had adequate technical training and proficiency in auditing to perform the examination and prepare the report;
 - (i) to ensure that the financial statements on which he reported were prepared on either the cash or accrual basis of accounting;
 - (j) to ensure that the item "cash in bank" on the balance sheet reflected the bank position as at the balance sheet date;
 - (k) to ensure that the amount shown as revenue on the statement of revenue was that amount earned or received in the period covered by the statement;
 - (l) to ensure that the interest income from bank deposits totaling \$35,704 was shown as an item separate from qualified revenues;

~~(m) to state in his report that except for reservations noted, the financial statements are presented fairly in accordance with generally accepted accounting principles; and~~

(n) to report on departures from generally accepted accounting principles and the extent that those departures affect the financial statements.

2. THAT, the said Joseph Lukas, on or about the 19th day of February, 1990, while engaged to provide an audit opinion on the financial statements of the Local Services Board of Gogama as at September 30, 1989, signed or associated himself with an audit opinion which he knew or should have known was false or misleading, contrary to Rule 205 of the rules of professional conduct.

3. THAT, the said Joseph Lukas, in or about the period September 30, 1990 through April, 1991, failed to perform his professional services in accordance with generally accepted standards of practice of the profession, contrary to Rule 206 of the rules of professional conduct in that, being engaged to provide an audit opinion on the financial statements of the Local Services Board of Gogama as at September 30, 1990, and having provided an audit opinion without reservation, he failed;

- (a) to adequately plan the audit;
- (b) to make preliminary decisions as to materiality and the components of audit risk at the planning stage of the audit;
- (c) to obtain sufficient appropriate audit evidence to afford a reasonable basis to support the content of his report;
- (d) to document matters which are important in providing evidence to support the content of his report;
- (e) to obtain a written representation from his client that all claims and possible claims have been disclosed to him;
- (f) to send an enquiry letter, prepared by the client, to each law firm identified as handling claims which are outstanding or possible claims;
- (g) to perform review, enquiry and related procedures to determine whether events occurring in the subsequent period that may require adjustment to or disclosure in the financial statements have been identified;
- (h) to ensure, prior to accepting the audit engagement, that he had adequate technical training and proficiency in auditing to perform the examination and prepare the report;
- (i) to ensure that the financial statements on which he reported were prepared on either the cash or accrual basis of accounting;
- (j) to ensure that the item "cash in bank" on the balance sheet reflected the bank position as at the balance sheet date;

- (k) to ensure that the amount shown as revenue on the statement of revenue was that amount earned or received in the period covered by the statement;
 - (l) to ensure that the interest income from bank deposits totalling \$44,725 was shown as an item separate from qualified revenues;
 - (m) to prepare his report in accordance with the requirements of the handbook;
 - (n) to report on departures from generally accepted accounting principles and the extent that those departures affect the financial statements.
5. THAT, the said Joseph Lukas, in or about the period December 31, 1991 through May, 1992, failed to perform his professional services in accordance with generally accepted standards of practice of the profession, including the recommendations set out in the CICA Handbook, contrary to Rule 206 of the rules of professional conduct in that, while engaged to review the financial statements of Hamilton Ornamental Ironworks Limited for the period ended December 31, 1991, and having issued a review engagement report, he failed;
- (a) to reach an understanding and agreement with the client as to the terms of the engagement;
 - (b) to adequately plan and properly execute the review;
 - (c) to document matters important to support the content of his report; and
 - (d) to ensure that the financial statements used readily understandable terminology.
6. THAT, the said Joseph Lukas, in or about the period January 31, 1992 through May, 1992, failed to perform his professional services in accordance with generally accepted standards of practice of the profession, contrary to Rule 206 of the rules of professional conduct in that, while engaged to review the financial statements of TSW Machine Limited for the period ended January 31, 1992, he failed;
- (a) to reach an understanding and agreement with the client as to the services to be provided;
 - (b) to adequately plan and properly execute the review;
 - (c) to document matters that were important to support the content of his report.

DATED at Toronto this 9th day of July 1993.

J.L.M. BADALI, FCA – CHAIR
PROFESSIONAL CONDUCT COMMITTEE

DISCIPLINE COMMITTEE re Joseph Lukas

DECISION AND ORDER IN THE MATTER OF: Charges against **JOSEPH LUKAS, CA**, a member of the Institute, under **Rules 205 and 206** of the Rules of Professional Conduct, as amended.

DECISION AND ORDER MADE OCTOBER 22, 1993

DECISION

THAT, having seen, heard and considered the evidence, particular (m) of charge No. 1 having been withdrawn, and having made findings of not guilty in respect of particulars (e), (f), (h) and (l) of charge No. 1, particulars (e), (f), (h), (l) and (m) of charge No. 3, particulars (a) and (d) of charge No. 5 and particular (a) of charge No. 6, THE DISCIPLINE COMMITTEE FINDS Joseph Lukas guilty of charges Nos. 1, 2, 3, 4, 5 and 6, as amended.

ORDER

IT IS ORDERED in respect of the charges:

1. THAT Mr. Lukas be reprimanded in writing by the chair of the hearing.
2. THAT Mr. Lukas be and he is hereby fined the sum of \$5,000, to be remitted to the Institute within three (3) months from the date this Decision and Order becomes final under the bylaws.
3. THAT Mr. Lukas be suspended from the rights and privileges of membership in the Institute for a period of three (3) months from the date this Decision and Order becomes final under the bylaws.
4. THAT Mr. Lukas be and he is hereby required to complete, by attending in their entirety, within twelve (12) months from the date this Decision and Order becomes final under the bylaws, the following professional development courses made available through the Institute:
 1. Accounting Refresher;
 2. Auditing Refresher; and
 3. Small Practice Workshop,

or, in the event a course listed above becomes unavailable, the successor course which takes its place.

5. THAT Mr. Lukas be reinvestigated by the professional conduct committee, or by a person retained by the professional conduct committee, on one occasion, within eighteen (18) months from the date this Decision and Order becomes final under the bylaws, the costs of the reinvestigation to be paid by Mr. Lukas.

6. THAT notice of this Decision and Order, disclosing Mr. Lukas's name, be given after this Decision and Order becomes final under the bylaws:
 - (a) by publication in *CheckMark*;
 - (b) to the Public Accountants Council for the Province of Ontario;
 - (c) to the Canadian Institute of Chartered Accountants; and
 - (d) to the Superintendent of Bankruptcy.
7. THAT Mr. Lukas surrender his certificate of membership in the Institute to the registrar of the Institute within ten (10) days from the date this Decision and Order becomes final under the bylaws, to be held by the registrar during the period of suspension and thereafter returned to Mr. Lukas.
8. THAT in the event Mr. Lukas fails to comply with any of the requirements of this Order within the time periods specified, he shall thereupon be suspended from the rights and privileges of membership in the Institute, and notice of his suspension, disclosing his name, shall be given in the manner specified in paragraph 6 hereof.
9. THAT in the event Mr. Lukas is suspended pursuant to paragraph 8 hereof, the suspension shall terminate upon compliance with the term of the Order in respect of which he was suspended, provided that he complies within six (6) months from the date of his suspension.
10. THAT in the event Mr. Lukas fails to terminate a suspension imposed pursuant to paragraph 8 hereof within the six (6) month period specified in paragraph 9, he shall thereupon be expelled from membership in the Institute, and notice of his expulsion, disclosing his name, shall be given in the manner specified in paragraph 6 hereof.

DATED AT TORONTO, THIS 1ST DAY OF NOVEMBER, 1993
BY ORDER OF THE DISCIPLINE COMMITTEE

BRYAN W. STEPHENSON, BA, LLB
SECRETARY - DISCIPLINE COMMITTEE

DISCIPLINE COMMITTEE re Joseph Lukas

REASONS FOR THE DECISION AND ORDER IN THE MATTER OF: Charges against **JOSEPH LUKAS, CA**, a member of the Institute, under **Rules 205 and 206** of the Rules of Professional Conduct, as amended.

WRITTEN REASONS FOR THE DECISION AND ORDER MADE OCTOBER 22, 1993

These proceedings before this panel of the discipline committee of the Institute of Chartered Accountants of Ontario were convened on October 21 and 22, 1993.

Ms. Deborah McPhadden attended on behalf of the professional conduct committee. Mr. Lukas represented himself, and confirmed for the record that he understood he had the right to be represented by legal counsel.

Six charges had been laid against Mr. Lukas by the professional conduct committee. At the outset of the hearing, the professional conduct committee withdrew particular (m) of charge No. 1.

Mr. Lukas then pleaded not guilty to the six charges as amended, which read as follows:

THAT, the said Joseph Lukas, in or about the period September 30, 1989 through March, 1990, failed to perform his professional services in accordance with generally accepted standards of practice of the profession, contrary to Rule 206 of the rules of professional conduct in that, being engaged to provide an audit opinion on the financial statements of the Local Services Board of Gogama as at September 30, 1989, and having provided an audit opinion without reservation, he failed;

- (a) to adequately plan the audit;*
- (b) to make preliminary decisions as to materiality and the components of audit risk at the planning stage of the audit;*
- (c) to obtain sufficient appropriate audit evidence to afford a reasonable basis to support the content of his report;*
- (d) to document matters which are important in providing evidence to support the content of his report;*
- (e) to obtain a written representation from his client that all claims and possible claims have been disclosed to him;*
- (f) to send an enquiry letter, prepared by the client, to each law firm identified as handling claims which are outstanding or possible claims;*
- (g) to perform review, enquiry and related procedures to determine whether events occurring in the subsequent period that may require adjustment to or disclosure in the financial statements have been identified;*

- (h) *to ensure, prior to accepting the audit engagement, that he had adequate technical training and proficiency in auditing to perform the examination and prepare the report;*
- (i) *to ensure that the financial statements on which he reported were prepared on either the cash or accrual basis of accounting;*
- (j) *to ensure that the item "cash in bank" on the balance sheet reflected the bank position as at the balance sheet date;*
- (k) *to ensure that the amount shown as revenue on the statement of revenue was that amount earned or received in the period covered by the statement;*
- (l) *to ensure that the interest income from bank deposits totalling \$35,704 was shown as an item separate from qualified revenues;*
- (m) *to report on departures from generally accepted accounting principles and the extent that those departures affect the financial statements.*

THAT, the said Joseph Lukas, on or about the 19th day of February, 1990, while engaged to provide an audit opinion on the financial statements of the Local Services Board of Gogama as at September 30, 1989, signed or associated himself with an audit opinion which he knew or should have known was false or misleading, contrary to Rule 205 of the rules of professional conduct.

THAT, the said Joseph Lukas, in or about the period September 30, 1990 through April, 1991, failed to perform his professional services in accordance with generally accepted standards of practice of the profession, contrary to Rule 206 of the rules of professional conduct in that, being engaged to provide an audit opinion on the financial statements of the Local Services Board of Gogama as at September 30, 1990, and having provided an audit opinion without reservation, he failed;

- (a) *to adequately plan the audit;*
- (b) *to make preliminary decisions as to materiality and the components of audit risk at the planning stage of the audit;*
- (c) *to obtain sufficient appropriate audit evidence to afford a reasonable basis to support the content of his report;*
- (d) *to document matters which are important in providing evidence to support the content of his report;*
- (e) *to obtain a written representation from his client that all claims and possible claims have been disclosed to him;*
- (f) *to send an enquiry letter, prepared by the client, to each law firm identified as handling claims which are outstanding or possible claims;*
- (g) *to perform review, enquiry and related procedures to determine whether events occurring in the subsequent period that may require adjustment to or disclosure in the financial statements have been identified;*

- (h) *to ensure, prior to accepting the audit engagement, that he had adequate technical training and proficiency in auditing to perform the examination and prepare the report;*
- (i) *to ensure that the financial statements on which he reported were prepared on either the cash or accrual basis of accounting;*
- (j) *to ensure that the item "cash in bank" on the balance sheet reflected the bank position as at the balance sheet date;*
- (k) *to ensure that the amount shown as revenue on the statement of revenue was that amount earned or received in the period covered by the statement;*
- (l) *to ensure that the interest income from bank deposits totalling \$44,725 was shown as an item separate from qualified revenues;*
- (m) *to prepare his report in accordance with the requirements of the handbook:*
- (n) *to report on departures from generally accepted accounting principles and the extent that those departures affect the financial statements.*

THAT, the said Joseph Lukas, on or about the 7th day of March, 1991, while engaged to provide an audit opinion on the financial statements of the Local Services Board of Gogama as at September 30, 1990, signed or associated himself with an audit opinion which he knew or should have known was false or misleading, contrary to Rule 205 of the rules of professional conduct.

THAT, the said Joseph Lukas, in or about the period December 31, 1991 through May, 1992, failed to perform his professional services in accordance with generally accepted standards of practice of the profession, including the recommendations set out in the CICA Handbook, contrary to Rule 206 of the rules of professional conduct in that, while engaged to review the financial statements of Hamilton Ornamental Ironworks Limited for the period ended December 31, 1991, and having issued a review engagement report, he failed;

- (a) *to reach an understanding and agreement with the client as to the terms of the engagement;*
- (b) *to adequately plan and properly execute the review;*
- (c) *to document matters important to support the content of his report; and*
- (d) *to ensure that the financial statements used readily understandable terminology .*

THAT, the said Joseph Lukas, in or about the period January 31, 1992 through May, 1992, failed to perform his professional services in accordance with generally accepted standards of practice of the profession, contrary to Rule 206 of the rules of professional conduct in that, while engaged to review the financial statements of TSW Machine Limited for the period ended January 31, 1992, he failed;

- (a) *to reach an understanding and agreement with the client as to the services to be provided;*
- (b) *to adequately plan and properly execute the review;*

(c) to document matters that were important to support the content of his report.

Ms. McPhadden called the professional conduct committee investigator, Mr. Leo Goodman, who gave evidence and led the panel through the document brief. Mr. Lukas then cross-examined Mr. Goodman. Mr. Lukas called a witness, Mr. Bernard Petitclerc, the former chair of the Local Services Board of Gogama. Ms. McPhadden cross-examined Mr. Petitclerc. Mr. Lukas was sworn and testified on his own behalf, and was cross-examined by Ms. McPhadden.

After deliberating upon the evidence presented in the document brief, and the testimony of the witnesses, the discipline committee was not satisfied that particulars (e), (f), (h), and (l) of charge No. 1, particulars (e), (f), (h), (l) and (m) of charge No. 3, particulars (a) and (d) of charge No. 5, or particular (a) of charge No. 6, had been made out. The committee was satisfied, however, that the other particulars had been established and, accordingly, found Mr. Lukas guilty of charges Nos. 1, 2, 3, 4, 5 and 6.

The discipline committee then heard submissions as to sanction from both parties and, after deliberation, made the following order:

ORDER

IT IS ORDERED in respect of the charges:

1. THAT Mr. Lukas be reprimanded in writing by the chair of the hearing.
2. THAT Mr. Lukas be and he is hereby fined the sum of \$5,000, to be remitted to the Institute within three (3) months from the date this Decision and Order becomes final under the bylaws.
3. THAT Mr. Lukas be suspended from the rights and privileges of membership in the Institute for a period of three (3) months from the date this Decision and Order becomes final under the bylaws.
4. THAT Mr. Lukas be and he is hereby required to complete, by attending in their entirety, within twelve (12) months from the date this Decision and Order becomes final under the bylaws, the following professional development courses made available through the Institute:
 1. Accounting Refresher;
 2. Auditing Refresher; and
 3. Small Practice Workshop,or, in the event a course listed above becomes unavailable, the successor course which takes its place.
5. THAT Mr. Lukas be reinvestigated by the professional conduct committee, or by a person retained by the professional conduct committee, on one occasion, within eighteen (18) months from the date this Decision and Order becomes final under the bylaws, the costs of the reinvestigation to be paid by Mr. Lukas.
6. THAT notice of this Decision and Order, disclosing Mr. Lukas's name, be given after this Decision and Order becomes final under the bylaws:

- (a) by publication in *CheckMark*;
- (b) to the Public Accountants Council for the Province of Ontario;
- (c) to the Canadian Institute of Chartered Accountants; and
- (d) to the Superintendent of Bankruptcy.

7. THAT Mr. Lukas surrender his certificate of membership in the Institute to the registrar of the Institute within ten (10) days from the date this Decision and Order becomes final under the bylaws, to be held by the registrar during the period of suspension and thereafter returned to Mr. Lukas.
8. THAT in the event Mr. Lukas fails to comply with any of the requirements of this Order within the time periods specified, he shall thereupon be suspended from the rights and privileges of membership in the Institute, and notice of his suspension, disclosing his name, shall be given in the manner specified in paragraph 6 hereof.
9. THAT in the event Mr. Lukas is suspended pursuant to paragraph 8 hereof, the suspension shall terminate upon compliance with the term of the Order in respect of which he was suspended, provided that he complies within six (6) months from the date of his suspension.
10. THAT in the event Mr. Lukas fails to terminate a suspension imposed pursuant to paragraph 8 hereof within the six (6) month period specified in paragraph 9, he shall thereupon be expelled from membership in the Institute, and notice of his expulsion, disclosing his name, shall be given in the manner specified in paragraph 6 hereof.

The reasons for the committee's sanctions are briefly set out below.

Reprimand

The committee is of the view that a reprimand is necessary as a specific deterrent to the member, to stress to him the unacceptability of his conduct as a chartered accountant.

Fine

The committee felt that Mr. Lukas' actions warranted a significant fine in the amount of \$5,000 as an appropriate specific deterrent to the member.

Suspension or expulsion

The committee considered expulsion in this case because of the serious inadequacies in the member's working papers, and in the financial statements reported on. However, it was felt that Mr. Lukas' actions did not involve personal gain or moral turpitude. During his testimony and submissions, Mr. Lukas indicated that he felt that most of the charges were the result of inadequate documentation, and that he had already taken some steps to correct this situation.

The committee determined that rehabilitation was possible in these circumstances and therefore ordered a three-month suspension rather than expulsion. The suspension along with the fine, it was decided, would act both as a specific deterrent to the member and as a general deterrent to the membership.

Professional development courses and reinvestigation

With a view to rehabilitation, the committee ordered that Mr. Lukas complete three professional development courses in an effort to upgrade his skills to the standards expected of a chartered accountant. To provide a measure of assurance that the member does benefit from the courses, and has taken advantage of the opportunity to rehabilitate himself, his reinvestigation by the professional conduct committee was ordered.

Publicity

The committee ordered notice of its decision and order in the manner specified, including disclosure of the member's name, as a specific and general deterrent. The committee considered such notification also necessary to demonstrate to the public that the profession is regulating itself, so as to retain public confidence in the profession's ability to self-govern. As a large part of Mr. Lukas' practice is bankruptcy work, the committee added to its usual notice order that the Superintendent of Bankruptcy be given notice of this proceeding.

Failure to comply

As is the normal practice of the committee, it ordered that failure to comply with any of the requirements of the order will result in suspension and, ultimately, expulsion of the member, so as to demonstrate to this member and all members the seriousness of failing to comply with orders of the discipline committee.

DATED AT TORONTO, THIS _____ DAY OF _____, 1994
BY ORDER OF THE DISCIPLINE COMMITTEE

P.A. CAMPOL, CA - DEPUTY CHAIR
THE DISCIPLINE COMMITTEE

MEMBERS OF THE PANEL:

K.V. CHERNICK, FCA
H.R. KLEIN, CA
P. RAYSON, CA
S.F. ANDRUNYK (Public representative)