



## THE INSTITUTE OF CHARTERED ACCOUNTANTS OF ONTARIO

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DISCIPLINE COMMITTEE - ICAO

P. KENNETH ROBINS

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**IN THE MATTER OF:** CHARGES AGAINST P. KENNETH T. ROBINS, CA, A MEMBER OF THE INSTITUTE, BEFORE THE DISCIPLINE COMMITTEE

### SETTLEMENT AGREEMENT

*made pursuant to Bylaw 510 (7.1) of the Bylaws of the  
Institute of Chartered Accountants of Ontario*

#### Introduction

1. The Professional Conduct Committee approved draft charges against P. Kenneth T. Robins, CA ("Robins") **Doc 1**.
2. The draft charges pertain to professional work performed by Robins with respect to the review of the financial statements:
  - a) of "CA Inc." for the year ended March 31, 2010;
  - b) of "W Group Inc." for the year ended November 30, 2009;
  - c) of "DSF Inc." for the year ended April 30, 2010; and
  - d) of "ABBR Inc." for the year ended September 30, 2009.
3. The documents referred to in this agreement are found in the Document Brief. The applicable *CICA Handbook* sections are found in the Brief of Authorities.

4. The Professional Conduct Committee ("PCC") and Robins agree with the facts and conclusions set out in this settlement agreement for the purpose of this proceeding only, and further agree that this agreement of facts and conclusions is without prejudice to Robins 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. Robins obtained his CA in 1967, and practices as a sole practitioner in Hamilton, Ontario. Robins' fee volume from his CA practice for the most recent year was \$21,000, realized from review and compilation engagements. He had operated a bookkeeping practice under the name SourcePoint, which was sold in October, 2010.
6. Robins appeared before the Discipline Committee of the Institute on February 26, 2008, and was found guilty of charges under Rule 206.1 of the Rules of Professional Conduct. In Reasons dated August 15, 2008, (**Doc 2**) the Discipline Committee required that Robins take three professional development courses, and have his practice supervised for the period of eighteen months, to be followed by a re-investigation by the Professional Conduct Committee.
7. A re-investigation examining Mr. Robins' files was conducted between November, 2010 and January, 2011, the results of which give rise to this Settlement Agreement.

**Charge 1 - The Review of the Financial Statements of CA Inc. for the Year Ended March 31, 2010**

8. The financial statements for CA Inc. for the year ended March 31, 2010 are reproduced at **Doc 3**.
9. Robins signed the Review Engagement Report dated July 16, 2010, attached to these financial statements and presented it and the financial statements to the President of CA Inc.

***Charge 1(a) – Related Party Transactions***

10. Although the working papers include an email (**Doc 4**) which indicates that the related party charged \$330,826 for purchases of material and \$267,000 for management, Note 7 to the financial statements (**Doc 3, p. 37**) only discloses that CA Inc. purchased material in the amount of \$590,826, and does not disclose the measurement basis used as required by *CICA Handbook* Section 3840.46 (**Tab A**)

***Charge 1(b) – Cash Flows***

11. The Statement of Cash Flows (**Doc 3, p. 35**) discloses the Investing Activities item "Purchase of fixed assets (\$128,662)." This item includes an asset acquired with a capital lease liability of \$60,940, which is a non-cash transaction. *CICA Handbook* Section 1540.46 (**Tab B**) provides that such a transaction should be excluded from a cash flow statement.
12. "Note 8) Cash flow information" (**Doc 3, p. 37**) discloses income taxes paid as \$23,803, whereas the correct amount is \$38,324 as shown in "Note 10) Income taxes."

***Charge 1(c) – Interest Expense***

13. The interest on indebtedness initially incurred for a term of more than one year including the interest expense related to capital lease obligations was not disclosed separately in the Statement of Income and Retained Earnings (**Doc 3, p. 34**) as required by *CICA Handbook* Sections 1520.03(m) and (n), and 3065.26. (**Tab C**)

***Charge 1(d) – Financial Instruments***

14. Other than the disclosure in “Note 2) Significant accounting policies – ii) Credit risk” (**Doc 3, p. 36**) there is no disclosure regarding the various risks of the financial instruments or the fair values of the financial instruments that were readily obtainable, which must be disclosed pursuant to *CICA Handbook* Section 3860.44, .78 and .98 (XFI) (**Tab D**)
15. Robins acknowledges that he was not aware of the requirements of the *Handbook* Section.

***Charge 1(e) – Significant Accounting Policies***

16. Whereas the working paper file contains a copy of a letter (**Doc 5**) from the sole shareholder consenting to the selection of the differential reporting options for income taxes and fair value of financial assets and liabilities that are not readily obtainable, “Note 2) Significant accounting policies – i) a) Basis of presentation” (**Doc 3, p. 36**) refers only to the income taxes option. Accordingly, the disclosure of differential reporting options does not meet the requirements of *CICA Handbook* Section 1300.21 (**Tab E**).

***Charge 1(f) – Documentation***

17. Robins states that he established the plausibility of the Balance Sheet item “Capital leases 264,390” (**Doc 3 pp. 32-33**) by examination of the leases when they were entered into, however he failed to document this procedure.
18. Robins states that he established the plausibility of the Balance Sheet items “Due from related party [Note 6] 237,721,” “Loan receivable 38,170,” “Due to related party 63,055,” “Due to shareholder 86,767,” and “Accounts payable and accrued 214,665” through his discussions with the accountant, however he failed to document these discussions.
19. *CICA Handbook* Section 8100.24 (**Tab F**) requires that the public accountant should document matters that in his or her professional judgment are important to support the content of the report.

**Charge 2- The Review of the Financial Statements of W Group Inc. for the Year Ended November 30, 2009**

20. The financial statements for W Group Inc. for the year ended November 30, 2009 are reproduced at **Doc 6**.
21. Robins signed the Review Engagement Report dated April 12, 2010, attached to the financial statements and presented it and the financial statements to the President and/or the accountant of W Group Inc.

***Charge 2(a) – Review Engagement Report***

22. The Review Engagement Report (**Doc 6, p. 45**) incorrectly states “My review was made in accordance with generally accepted accounting principles...” rather than “These financial statements have been prepared in

accordance with Canadian generally accepted accounting principles...”  
*CICA Handbook* Section 8200.51(a) (**Tab G**)

23. The financial statements are reported to be prepared in accordance with Canadian generally accepted accounting principles “except that they are prepared on a non-consolidated basis as explained in Note 2 viii.” (**Doc 6, p. 45**) There is no requirement for a subsidiary’s separate financial statements to be consolidated, and therefore the exception noted is incorrect. *CICA Handbook* Sections 1590 and 1601. (**Tab H**)

***Charge 2(b) – Income Tax Losses***

24. The amount and expiry date of unused income tax losses carried forward are not disclosed as required by *CICA Handbook* Section 3465.106. (**Tab I**)

***Charge 2(c) – Financial Instruments***

25. Other than the disclosure in “Note 2) Significant accounting policies – ii) Credit risk” (**Doc 6, p. 51**) there is no disclosure regarding the various risks of the financial instruments or the fair values of the financial instruments that were readily obtainable, which must be disclosed pursuant to *CICA Handbook* Section 3860.44, .78 and .98 (XFI) (**Tab D**)
26. Robins acknowledges that he was not aware of the requirements of the *Handbook* Section.

***Charge 2(d) – Inventories***

27. The Non-Consolidated Statement of Income and Retained Earnings (**Doc 6, p. 49**) does not disclose the amount of inventories recognized as an expense during the period as is required by *CICA Handbook* Sections 1520.03(r) and 3031.36(d) (**Tab J**).

***Charge 2(e) – Management Representation Letter***

28. The letters from management on file are dated August 7, 2009, and relate to the year ended November 30, 2008, rather than to the current year. In addition, the management representation letter includes reference to the year ended November 30, 2007. (**Doc 7**) Accordingly, the letters do not meet the requirements of *CICA Handbook* Section 8200.31 and .50. (**Tab K**)

**Charge 3- The Review of the Financial Statements of DSF Inc. for the Year Ended April 30, 2010**

29. The financial statements for DSF Inc. for the year ended April 30, 2010 are reproduced at **Doc 8**.

30. Robins signed the Review Engagement Report dated August 31, 2010 attached to the financial statements and presented it and the financial statements to the President and/or accountant of DSF Inc.

***Charge 3(a) – Property, Plant and Equipment***

31. The net book value for “Property, Plant and Equipment” for the comparative year shown on the Balance Sheet (**Doc 8, pp. 64-65**) does not agree with the net book value for the same year shown on the Schedule of Fixed Assets (Schedule 1) (**Doc 8, p. 72**) as it should.

***Charge 3(b) – Financial Instruments***

32. The listing of financial instruments in “Note 2) Significant accounting policies –e) Financial instruments” (**Doc 8, p. 69**) does not include: due from related party, notes and loans receivable, accounts payable government agencies, due to related party, or bank overdraft and line of credit, all of which appear on the Balance Sheet. (**Doc 8, pp. 64-65**) The listing in the Note includes customer deposits, which do not appear on the Balance Sheet.
33. Other than the disclosure in “Note 2) Significant accounting policies –f) Credit risk” (**Doc 8, p. 69**) there is no disclosure regarding the various risks of the financial instruments or the fair values of the financial instruments which must be disclosed pursuant to *CICA Handbook* Section 3860.44 and .78 (XFI) (**Tab D**)
34. Robins acknowledges that he was not aware of the requirements of the *Handbook* Section.

***Charge 3(c) – Cash Flows***

35. “Note 2) Significant accounting policies – a) Income taxes” indicates the amount of income tax payments during the year to be “\$Nil,” which does not agree with “Note 12) Cash flow information” (**Doc 8, p. 71**) which indicates income taxes paid in the amount of \$5,357.

***Charge 3(d) – Income Tax Losses***

36. There is no explanation why the net loss of \$230,325 set out in “Note 13) Income taxes” (**Doc 8, p. 71**) does not agree with the tax loss carry forward of \$169,132 disclosed in “Note 2) Significant accounting policies – a) Income taxes” (**Doc 8, p. 68**). The expiry date of the tax loss carry forward is not disclosed as required by *CICA Handbook* Section 3465.91(f). (**Tab L**)



***Charge 3(e) – Documentation***

37. Robins states that he established the plausibility of the Balance Sheet items “Due from related party (Note 5) 530,563” and “Due to related party (Note 5) 1,067,159” (**Doc 8, pp. 64-65**) by examining the books of account of the related party, however he failed to document this procedure.
38. Robins states that he established the plausibility of the Balance Sheet items “Inventory (Note 2) 252,943,” “Prepaid expenses 47,386,” “Notes and loans receivable 11,100,” “Shareholder’s Loans [Note 8] 135,882,” and “Due to related company 899,980,” by reviewing them with the accountant of the company, however he failed to document these procedures.
39. *CICA Handbook* Section 8100.24 requires that the public accountant should document matters that in his or her professional judgment are important to support the content of the report. (**Tab F**)

**Charge 4- The Review of the Financial Statements of ABBR Inc. for the Year Ended September 30, 2009**

40. The financial statements for ABBR Inc. for the year ended September 30, 2009 are reproduced at **Doc 9**.
41. Robins signed the Review Engagement Report dated August 31, 2010 attached to the financial statements and presented it and the financial statements to the accountant of ABBR Inc.

***Charge 4(a) – Corporate Income Taxes Payable***

42. The working papers do not document how the plausibility of the Balance Sheet item “Corporate income taxes payable (Note 2, Note 6) 43,119” (**Doc 9, p. 78**) was established as required by *CICA Handbook* Section 8100.15 (**Tab M**). The reference on the Balance Sheet to Note 2 is incorrect as it does not apply to the item “Corporate income taxes payable.”

***Charge 4(b) – Cash Flow Information***

43. The working papers do not document how the plausibility of the item “Note 4) Cash Flow Information – Income taxes paid 10,425” (**Doc 9, p. 85**) was established as required by *CICA Handbook* Section 8100.15 (**Tab M**).

***Charge 4(c) – Financial Instruments***

44. Robins failed to disclose the financial instruments, the various risks of the financial instruments and the fair values of the financial instruments, which must be disclosed pursuant to *CICA Handbook* Section 3860.44 and .78 (XFI) (**Tab D**)
45. Robins acknowledges that he was not aware of the requirements of the *Handbook* Section.

***Charge 4(d) – Measurement Uncertainties***

46. “Note 2) Significant accounting policies – II) Use of estimates” (**Doc 9, p. 83**) does not disclose the nature of measurement uncertainties as required by *CICA Handbook* Section 1508.06 (**Tab N**).

**Charge 4(e) – Note 13 Consolidation**

47. Contrary to the statement in the Review Engagement Report (**Doc 9, p. 77**), “Note 13) Consolidation” (**Doc 9, p. 87**) states “...these financial statements are in accordance with Canadian generally accepted accounting principles except for the fact that they are prepared on a non-consolidated basis.” There is no requirement however for a subsidiary’s separate financial statements to be consolidated and therefore the noted exception is incorrect. *CICA Handbook* Sections 1590 and 1601 (**Tab H**).

48. Inclusion of “Note 13) Consolidation” is incorrect, and Robins failed to require its deletion.

**Charge 4(f) – Documentation**

49. Robins states that he satisfied himself as to the plausibility of the Balance Sheet items “Accounts payable and accrued liabilities 3,053,531,” (specifically the amount of accrued liabilities 582,900 included therein) and “Due to parent company 556,456,” (**Doc 9, p. 79**) and as to the fact that the parent company did not intend to request payment as a result of his review of these items with the accountant of the company, however he failed to document these procedures.

50. *CICA Handbook* Section 8100.24 requires that the public accountant should document matters that in his or her professional judgment are important to support the content of the report. (**Tab F**)

**Acknowledgement**

51. It is agreed that, with respect to the review of the financial statements of "CA Inc." for the year ended March 31, 2010, the review of the financial statements of "W Group Inc." for the year ended November 30, 2009, the review of the financial statements of "DSF Inc." for the year ended April 30, 2010, and the review of the financial statements of "ABBR Inc." for the year ended September 30, 2009, Robins 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*, in the manner described above.

**Considerations Supporting Settlement**

52. In addition to all of the circumstances described above, the Professional Conduct Committee took the following factors into consideration on entering into this Agreement:

- a. Robins acknowledges the deficiencies in his standards of practice as set out above;
- b. Robins has provided a written undertaking to the Institute not to perform assurance engagements in future; and
- c. Robins has been fully cooperative in the Professional Conduct Committee's investigation into his conduct.

### Terms of Settlement

53. Robins and the Professional Conduct Committee agree to the following Terms of Settlement:

- a) A payment by way of fine in the amount of \$3,500;
- b) Notice of the terms of this Settlement is to be published in accordance with the provisions of Bylaw 575(2), including notice to be given to the CICA, the Public Accountants' Council and in *CheckMark* Magazine; and
- c) Robins will be allowed 12 months from the time the Discipline Committee accepts this Settlement Agreement to pay the fine referred to herein.

54. Should the Discipline Committee accept this Settlement Agreement, Robins agrees to waive his right to a full hearing, judicial review or appeal of the matter subject to the Settlement Agreement. Upon the member fulfilling the requirements of this Settlement Agreement, the draft charges approved by the Professional Conduct Committee and dated March, 2011, shall be forever stayed.

55. If for any reason this Settlement Agreement is not approved by the Discipline Committee, then:

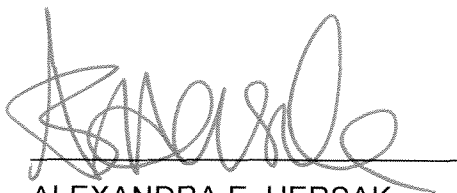
- a) This Settlement Agreement and its terms, including all Settlement Negotiations between the Professional Conduct Committee and Robins leading up to its presentation to the Discipline Committee, shall be without prejudice to the Professional Conduct Committee and Robins; and
- b) The Professional Conduct Committee and Robins shall be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing on the merits of the allegations set out in the charges, or negotiating a new Settlement Agreement, unaffected by this Settlement Agreement or the Settlement Negotiations.

**Disclosure of Settlement Agreement**

56. This Settlement Agreement and its terms will be treated as confidential by the Professional Conduct Committee and Robins, until approved by the Discipline Committee, and forever if for any reason whatsoever this Settlement Agreement is not approved by the Discipline Committee, except with the written consent of the Professional Conduct Committee and Robins, or, as may be required by law.

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

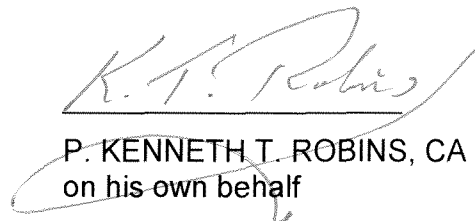
All of which is agreed to for the purpose of this proceeding alone this 7 day of June, 2011.



ALEXANDRA E. HERSAK  
COUNSEL

On behalf of:

THE PROFESSIONAL CONDUCT COMMITTEE



P. KENNETH T. ROBINS, CA  
on his own behalf