

Shantilal Vithaladas Jiwan Hindocha: Summary, as Published in *CheckMark*

Shantilal Vithaladas Jiwan Hindocha, of North York, was found guilty by the discipline committee of six charges of professional misconduct laid by the professional conduct committee namely,

- three charges, under Rule 206.2, of expressing an opinion on financial statements while failing to comply in all material respects with the generally accepted auditing standards of the profession; and
- three charges, under Rule 206.3, of expressing, without including a suitable reservation, an opinion on financial statements which were not prepared in accordance with the accounting standards of the profession.

The committee ordered that he

- be reprimanded in writing by the chairman of the hearing;
- be fined \$5,000 and assessed costs of \$3,400, to be paid within specified times;
- be required to take five specified professional development courses within a prescribed time; and
- be reinvestigated by the professional conduct committee, or a person retained by it, on two specified occasions.

Mr. Hindocha failed to comply with a term of the order and was, accordingly, suspended from membership. Upon his subsequent compliance with the term of the order in respect of which he was suspended, he was reinstated to membership.

Failure to comply with the remaining terms of the order will result in Mr. Hindocha's further suspension from membership. Continued suspension for three months without satisfying the terms of the order will result in expulsion from membership.

CHARGE(S) LAID re Shantilal Vithaladas Jiwan Hindocha

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

1. That, the said Shanti Hindocha, between the 30th day of April 1987 and the 30th day of August 1987, did express an opinion on financial statements of Tin Bo Travel Service Ltd., as at April 30, 1987, and did not comply in all material respects with the generally accepted auditing standards of the profession, contrary to Rule 206.2 of the rules of professional conduct as amended June 15, 1981 in that:
 - a) there was no direct written confirmation with debtors and insufficient substantive auditing procedures utilized to verify "accounts receivables (Note 5) \$1,038,521.00";
 - b) there was no direct written confirmation with respect to the item "China Tour Deposit (Note 5) \$492,263.00" and insufficient other substantive auditing procedures utilized to verify this balance sheet item:
 - c) there was no direct written confirmation with shareholders of "Shareholders' Advance (Note 3) \$140,623.00";
 - d) there was no direct written confirmation with creditors and insufficient other substantive auditing procedures were utilized to verify "accounts payable and accruals \$48,202.00";
 - e) no proper letter of representation was obtained with respect to claims or possible claims against the company;
 - f) the audit report is not dated as required by the CICA Handbook;
 - g) the opening balances at May 1, 1986 of accounts receivable, the item China Tour Deposit, and Accounts payable and accruals were not verified in accordance with generally accepted auditing standards and a reservation was not expressed in the auditor's report in respect of this scope limitation.
2. That, the said Shanti Hindocha, between the 30th day of April 1987 and the 30th day of August 1987, did express an opinion without reservation on the financial statements of Tin Bo Travel Services Ltd. as at April 30th, 1987, which statements were not prepared in accordance with the accounting standards of the profession, contrary to Rule 206.3 of the rules of professional conduct as amended June 15, 1981 in that:
 - a) the financial-statements fail to clearly disclose the company's accounting policies with respect to revenue recognition:
 - b) the statement of changes in financial position does not report the changes in cash and cash equivalents resulting from the activities of the enterprise during the period:

- c) the statement of operations and retained earnings includes prior period adjustments relating to income taxes in the determination of net profit for the year:
 - d) the method of recognizing revenue is not in accordance with generally accepted accounting principles in that revenue is recognized when the travel and tour tickets are sold without full accrual of the related payables.
- 3. ~~THAT, the said Shanti Hindocha, in or about the year 1987 with respect to an audit of the financial statements of Tin Bo Travel Service Ltd. As at April 30, 1987 performed by him, failed to retain documentation and working papers which reasonably evidenced the nature and extent of the work done, contrary to Rule 218 of the rules of professional conduct, added June 15, 1981. (withdrawn by the PCC BWS)~~
- 4. ~~THAT, the said Shanti Hindocha, in or about the period April 1983 through September 1987, failed to perform his professional services with due care in carrying out an audit of the financial statements of York Condominium Corporation No. 227 for the years ended October 31, 1983, October 31, 1984 and October 31, 1985, contrary to Rule 202 of the rules of professional conduct, approved June 11, 1973, in that:~~
 - ~~a) — he failed to properly supervise his non-member employee, Iqbal Parpia, with respect to the audit of the financial statements for the year ended October 31, 1985;~~
 - ~~b) — he failed to retain adequate control over the signing and issuance of draft audited financial statements and reports which resulted in the statements and the auditor's reports attached to them for the years ended October 31, 1984 and October 31, 1985 being signed and released without his approval. (withdrawn by the PCC BWS)~~
- 5. That, the said Shanti Hindocha, on or about the 15th day of May 1984, did express an opinion on financial statements of York Condominium Corporation No. 227, as at October 31, 1983, and did not comply in all material respects with the generally accepted auditing standards of the profession, contrary to Rule 206.2 of the rules of professional conduct as amended June 15, 1981 in that:
 - a) "Bank Balance \$3,085.00" was not independently confirmed in writing with the appropriate bank;
 - b) "Term Deposits \$38,864.00" was not independently confirmed in writing with the appropriate bank:
 - c) no proper letter of representation was obtained with respect to claims or possible claims against the company.
- 6. That, the said Shanti Hindocha, on or about the 15th day of May 1984, did express an opinion without, reservation on the financial statements of York Condominium Corporation No. 227, as at October 31, 1983, which statements were not prepared in accordance with the accounting standards of the profession, contrary to Rule 206.3 of the rules of professional conduct as amended June 15, 1981 in that:

- a) the financial statements did not fairly present the financial position of the corporation since they did not contain the information that the corporation failed to contribute the minimum amount to a reserve fund as required by sub-section 36(3) of the Condominium Act;
- b) the financial statements did not fairly present the financial position of the corporation since they did not contain information disclosing the basis upon which the reserve fund was calculated;
- c) the auditor's report failed to disclose that the financial statements were prepared in accordance with a disclosed basis of accounting and the notes to the financial statements failed to describe the accounting policies as being "accounting principles generally accepted for Condominium Corporations";
- d) there was a failure to credit interest earned on the reserve funds to the reserve fund and instead the interest was improperly reflected as a component of income in the statement of income, expenditure and deficit;
- e) reserve funds were improperly shown as a liability on the balance sheet.

7. That, the said Shanti Hindocha, on or about the 28th day of April 1985, did express an opinion on financial statements of York Condominium Corporation No. 227, as at October 31, 1984, and did not comply in all material respects with the generally accepted auditing standards of the profession, contrary to Rule 206.2 of the rules of professional conduct as amended June 15, 1981 in that:

- a) there was insufficient substantive and/or analytical auditing procedures utilized to verify the revenue and expenditures shown in the statement of income, expenditure and deficit:
- b) "Cash & bank balances \$623.00" was not independently confirmed in writing with the appropriate bank:
- c) "Term deposits \$53,734.00" was not independently confirmed in writing with the appropriate bank:
- d) no letter of representation was obtained with respect to claims or possible claims against the corporation:
- e) no legal enquiry letter was sent by the auditor to each law firm identified as handling claims.

8. That, the said Shanti Hindocha, on or about the 28th day of April 1985, did express an opinion on financial statements of York Condominium Corporation No. 227, as at October 31, 1984, which statements were not prepared in accordance with the accounting standards of the profession, contrary to Rule 206.3 of the rules of professional conduct as amended June 15, 1981 in that:

- a) the financial statements did not fairly present the financial position of the corporation since they did not *contain the* information that the corporation failed to contribute the minimum amount to a reserve fund as required by sub-section 36(3) of the Condominium Act;

- b) the financial statements did not fairly present the financial position of the corporation since they did not contain *information disclosing* the basis upon which the reserve fund was calculated;
- c) the auditor's report failed to disclose that the financial statements were prepared in accordance with a disclosed basis of accounting and the notes to the *financial statements* failed to describe the accounting policies as being "*accounting principles* generally accepted for Condominium Corporations";
- d) there was a failure to credit interest earned on the reserve funds to the reserve fund and instead the interest was improperly reflected as a component of income in the statement of income, expenditure and deficit;
- e) reserve funds were improperly shown as a liability on the balance sheet.

DATED at Toronto this 6th day of July 1989.

R.G. LONG, CA - CHAIRMAN
PROFESSIONAL CONDUCT COMMITTEE

DISCIPLINE COMMITTEE re Shantilal Vithaladas Jiwan Hindocha

DECISION AND ORDER IN THE MATTER OF: Charges against SHANTILAL VITHALADAS JIWAN HINDOCHA, CA, a member of the Institute, under the following Rules of Professional Conduct: Rule 202, adopted June 11, 1973; Rule 206.2, adopted June 11, 1973, as amended June 15, 1981; Rule 206.3, adopted June 11, 1973, as amended June 15, 1981; and Rule 218, added June 15, 1981.

DECISION AND ORDER MADE OCTOBER 31, 1989

DECISION

THAT, having seen, heard and considered the evidence, including the agreed statement of facts, filed, and having recognized that the professional conduct committee withdrew charges Nos. 3 and 4, and having heard the plea of guilty to charges Nos. 1, 2, 5, 6, 7 and 8, THE DISCIPLINE COMMITTEE FINDS Shantilal Vithaladas Jiwan Hindocha guilty of charges Nos. 1, 2, 5, 6, 7 and 8.

ORDER

IT IS ORDERED in respect of the charges:

1. THAT Mr. Hindocha be reprimanded in writing by the chairman of the hearing.
2. THAT Mr. Hindocha be and he is hereby fined the sum of \$5,000, to be remitted to the Institute within six (6) months from the date this Decision and Order becomes final under the bylaws.
3. THAT Mr. Hindocha be and he is hereby charged costs of \$3,400, to be remitted to the Institute within three (3) months from the date this Decision and Order becomes final under the bylaws.
4. THAT Mr. Hindocha be and he is hereby required to complete, by attending in their entirety, by December 31, 1990, the following professional development courses made available through the Institute:
 1. Handbook Refresher Workshop;
 2. Audit of a Small Business;
 3. Planning, Performing and Evaluating the Small Audit;
 4. Practical Skills for the Review of Working Papers; and
 5. Review and Compilation Engagements,

or, in the event a course listed, above becomes unavailable, the successor course which takes its place. If, due to conflicts in course scheduling, Mr. Hindocha is unable to attend one or more of the required courses within the time period specified, he may apply to the chairman of the discipline committee to extend the time for complying with the order without suspension, and the decision of the chairman shall be final and binding.

5. THAT Mr. Hindocha be reinvestigated by the professional conduct committee, or by a person retained by the professional conduct committee, on two occasions, namely
 1. ten (10) months from the date this Decision and order becomes final under the bylaws; and
 2. eighteen (18) months from the date this Decision and Order becomes final under the bylaws, andthe costs, to a maximum of \$2,000 for each reinvestigation, shall be paid by Mr. Hindocha.
6. THAT notice of this Decision and order, disclosing Mr. Hindocha'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; and
 - (c) to the Canadian Institute of Chartered Accountants.
7. THAT in the event Mr. Hindocha 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.
8. THAT in the event Mr. Hindocha is suspended pursuant to paragraph 7 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 three (3) months from the date of his suspension.
9. THAT in the event Mr. Hindocha fails to terminate suspension within three (3) months, 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 8TH DAY OF NOVEMBER, 1989
BY ORDER OF THE DISCIPLINE COMMITTEE

B.W. STEPHENSON - SECRETARY
THE DISCIPLINE COMMITTEE

DISCIPLINE COMMITTEE re Shantilal Vithaladas Jiwan Hindocha

REASONS FOR THE DECISION AND ORDER IN THE MATTER OF: Charges against SHANTILAL VITHALADAS JIWAN HINDOCHA, CA, a member of the Institute, under the following Rules of Professional Conduct: Rule 202, adopted June 11, 1973 ; Rule 206.2, adopted June 11, 1973 , as amended June 15, 1981 Rule 206.3 , adopted June 11, 1973, as amended June 15, 1981: and Rule 218, added June 15, 1981.

WRITTEN REASONS FOR THE DECISION AND ORDER MADE OCTOBER 31, 1989.

These proceedings before the discipline committee of the Institute of Chartered Accountants of Ontario were convened on October 31, 1989.

Mr. Paul Farley attended on behalf of the professional conduct committee and Mr. Hindocha attended with his counsel, Mr. D.C. McTavish.

Mr. Farley advised that the professional conduct committee was withdrawing charges Nos. 3 and 4. Mr. Hindocha then entered a plea of guilty to each of charges Nos. 1, 2, 5, 6, 7 and 8.

The chairman confirmed with the member and his counsel that they understood that upon a plea of guilty, and upon that basis alone, the member could be found guilty by the committee.

An agreed statement of facts was filed as an exhibit, which clearly outlined the member's deficiency in audit procedures and his failure to apply generally accepted auditing standards. In addition, the professional conduct committee investigator gave evidence in corroboration of the facts contained in the agreed statement.

Based upon the evidence, including the member's pleas of guilty and the agreed statement of facts, the committee found Mr. Hindocha guilty of charges Nos. 1, 2, 5, 6, 7 and 8.

The committee was then presented with a joint submission as to sanction by opposing counsel, in which all but the quantum of fine to be levied was agreed upon. After hearing these submissions, the committee deliberated and then made the following order:

ORDER

IT IS ORDERED in respect of the charges:

1. THAT Mr. Hindocha be reprimanded in writing by the chairman of the hearing.
2. THAT Mr. Hindocha be and he is hereby fined the sum of \$5,000, to be remitted to the Institute within six (6) months from the date this Decision and Order becomes final under the bylaws.
3. THAT Mr. Hindocha be and he is hereby charged costs of \$3,400, to be remitted to the Institute within three (3) months from the date this Decision and Order becomes final under the bylaws.

4. THAT Mr. Hindocha be and he is hereby required to complete, by attending in their entirety, by December 31, 1990, the following professional development courses made available through the Institute:

1. Handbook Refresher Workshop;
2. Audit of a Small Business;
3. Planning, Performing and Evaluating the Small Audit;
4. Practical Skills for the Review of Working Papers; and
5. Review and Compilation Engagements,

or, in the event a course listed above becomes unavailable, the successor course which takes its place. If, due to conflicts in course scheduling, Mr. Hindocha is unable to attend one or more of the required courses within the time period specified, he may apply to the chairman of the discipline committee to extend the time for complying with the Order without suspension, and the decision of the chairman shall be final. and binding.

5. THAT Mr. Hindocha be reinvestigated by the professional conduct committee, or by a person retained by the professional conduct committee, on two occasions, namely

1. ten (10) months from the date this Decision and Order becomes final under the bylaws; and
2. eighteen (18) months from the date this Decision and Order becomes final under the bylaws, and

the costs, to a maximum of \$2,000 for each reinvestigation, shall be paid by Mr. Hindocha.

6. THAT notice of this Decision and Order, disclosing Mr. Hindocha'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; and
- (c) to the Canadian Institute of Chartered Accountants.

7. THAT in the event Mr. Hindocha 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.

8. THAT in the event Mr. Hindocha is suspended pursuant to paragraph 7 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 three (3) months from the date of his suspension.

9. THAT in the event Mr. Hindocha fails to terminate suspension within three (3) months, 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 Order are set out below.

1. Reinvestigation

The committee is cognizant that Bylaw 80 (5)(i) has only recently been passed. It is the committee's view that where a member is found guilty of not complying with generally accepted auditing standards, and where the member is allowed to rehabilitate himself and continue in public practice, this sanction must be imposed to ensure the member has met the profession's standards.

The evidence in this case clearly indicates fundamental deficiencies in meeting the generally accepted auditing standards. In particular, basic accounting (for example, revenue recognition) and auditing procedures (for example, accounts receivable confirmation) were not followed. It is important for the profession to ensure that the member upgrades his skills and implements them in his practice. Therefore, the committee ordered that two reinvestigations of the member's practice take place, one at ten months and the other at eighteen months, after the Decision and Order becomes final.

The committee ordered that the costs of these reinvestigations be paid by the member, as they should not be borne by the membership of the Institute.

2. Fine

The discipline committee has on a number of occasions over the past two years expressed concern about the number of cases where members are found not to have adhered to the standards of the profession. As the committee wishes to deter the membership generally from similar conduct it must consider a suspension or a fine.

In this case the committee did consider whether or not a suspension might be in order given the basic deficiencies admitted by the member. However, the evidence indicated that

- Mr. Hindocha was taking steps to rectify his deficiencies, in that he undertook to engage a member of the Institute in association with him in his practice within a reasonable time;
- Mr. Hindocha had some understanding of the seriousness of the deficiencies
- Mr. Hindocha was a person of integrity and that he fully cooperated with the investigation; and
- there were frauds perpetrated by the managements of the two companies named in the charges for which Mr. Hindocha was performing audit work.

Taking into account these factors, a suspension was not ordered. Instead, the committee levied a fine of \$5,000, as a general deterrent, to demonstrate the seriousness with which it views non-adherence to professional standards.

3. Professional development courses

The committee views the courses as necessary to enable the member to upgrade his knowledge and skills to the standard demanded by the profession and the public. The reinvestigations ordered will determine whether the member is putting into practice the knowledge obtained from the courses.

4. Other terms of the Order

With respect to the other terms of the order, they were mutually agreed upon by both counsel and the committee is satisfied they are appropriate in the circumstances.

R.C.H. ANDREWS, CA - DEPUTY CHAIRMAN
THE DISCIPLINE COMMITTEE