

REILLY, LANA DALE

Notice of Discipline Committee Decision and Order Case #1810-26

Following the receipt of Formal Complaints made by the Professional Conduct Committee, the Discipline Committee held a hearing regarding the conduct of Lana Dale Reilly, CPA, CA ("Reilly") on May 25, 2021.

The context in which the Formal Complaint arose is that Reilly, as a registrant, provided taxation, accounting and compilation services to several individual, private corporation and professional practice partnership clients over a period of several years. During the relevant years Reilly was at various times in turn an employee, a partner and a sole practitioner.

The Discipline Committee made a determination of guilt related to professional misconduct as defined in section 26 of *The Accounting Profession Act* ("the Act") in that Reilly's conduct breached Bylaws 201.1, 202.1 (due care and integrity components), 203.1 and 205 of the Institute of Chartered Accountants of Saskatchewan ("ICAS"), and/or Bylaw 200.1, Rules 201.1, 202.1 (due care and integrity components), 203.1 and 205 of the CPA Saskatchewan ("CPASK") Bylaws and Standards of Professional Conduct, made or continued pursuant to the Act.

Further to Bylaw 200.4 Rules of Professional Conduct 314.10 (Non-Members practicing through a Firm) is referenced in a Formal Complaint and is relevant.

Specifically, the Discipline Committee found that Reilly:

- Did not provide professional services with integrity, competence, and due care, and further she associated with documents, statements or representations which she knew or should have known, were false or misleading,
- Did not appropriately direct and supervise services provided by a non-registrant to ensure professional services were provided with competence and due care,
- Did not provide professional services in accordance with generally accepted standards of, or laws relevant to, the practice of the profession,
- Did not, on behalf of clients comply with the *Income Tax Act* in respect of filing due dates, reporting of income and preparation of information returns, and
- As a result, she caused, or contributed to, actual or potential harm to the public and the reputation of the profession.

The Discipline Committee therefore issued the following Order:

- The registrant to complete fifteen (15) hours of verifiable continuing professional development in the areas of ethics and practice management, and fifteen (15) hours of verifiable continuing professional development in the areas of income tax preparation and compliance, and accounting services,

- The registrant and her firm to undergo a Practice Administration Review (PAR), which shall not be considered complete until the applicable regulatory committee has made a decision and that the decision has been communicated to the member and her firm,
- The registrant to pay a fine in the amount of fifteen thousand (\$15,000.00) dollars;
- The registrant to receive and acknowledge in writing a letter of reprimand issued by the discipline hearing panel chair,
- The Decision and Order be published once in the CPA SK Connect (member newsletter) and the CPA SK Focus on Firms (firm newsletter). Further that the Decision and Order be posted on the CPA SK website for perpetuity.

With respect to costs and expenses, based on full joint submission, i.e. matters uncontested at the hearing - the Panel orders that no cost be assessed to the registrant.

The text of relevant bylaws and rules of professional conduct:

Throughout the relevant period

- ICAS Bylaws and CPA Saskatchewan Rules -

Maintenance of Reputation of Profession

201.1 A member, student or firm shall act at all times in a manner which will maintain the good reputation of the profession and its ability to serve the public interest.

Integrity and Due Care

202.1 A member, student or firm shall perform professional services with integrity and due care.

Professional Competence

203.1 A member shall sustain professional competence by keeping informed of, and complying with, developments in professional standards in all functions in which the member practises or is relied upon because of the member's calling.

False or Misleading Documents and Oral Representations

205 A member, student or firm shall not

- a) sign or associate with any letter, report, statement, representation or financial statement which the member, student or firm know, or should know, is false or misleading, whether or not the signing or association is subject to a disclaimer of responsibility, nor
- b) make or associate with any oral report, statement or representation which the member, student or firm know, or should know, is false or misleading.

For the period after 09 November 2014

- CPA Saskatchewan Rules -

Bylaw

200.1 Practice of the profession or services provided as a Chartered Professional Accountant shall be performed within the context of the following standards of conduct:

- (a) integrity;

- (b) objectivity;
- (c) competence; and
- (d) confidentiality.

Other relevant Rules:

Non-Members practicing through a Firm

314.10 A member or firm associated with a non-member shall be responsible to the Institute for any failure of such non-member to abide by the Rules of Professional Conduct of the Institute.

A copy of the Decision and Order dated June 18, 2021 is attached as Appendix A.

This notice is issued pursuant to Bylaw 49.1 and the terms of the Order.

Authorized by:
Leigha Hubick, CPA, CA
Registrar
CPA Saskatchewan

June 18, 2021

DECISION AND ORDER
Case #1810-26

IN THE MATTER OF *THE ACCOUNTING PROFESSION ACT*
OF THE PROVINCE OF SASKATCHEWAN

AND IN THE MATTER OF A HEARING BY THE DISCIPLINE COMMITTEE
OF THE INSTITUTE OF CHARTERED PROFESSIONAL ACCOUNTANTS
OF SASKATCHEWAN (THE INSTITUTE) CONCERNING FORMAL COMPLAINTS AGAINST
LANA DALE REILLY, CPA, CA, BEING A REGISTRANT OF THE INSTITUTE

BETWEEN:

THE PROFESSIONAL CONDUCT COMMITTEE,
established pursuant to *The Accounting Profession Act*

- and -

LANA DALE REILLY, CPA, CA AS THE RESPONDENT

This matter came before a discipline hearing panel of the Discipline Committee of The Institute (hereinafter referred to as the "Panel") for hearing on May 25, 2021. In this Decision and Order Ms. Reilly is referred to as the registrant in respect of this proceeding, and in respect of her conduct which is the subject of this proceeding.

The Panel's decisions with respect to this matter are:

DETERMINATION ON FORMAL COMPLAINTS¹:

Formal Complaint A: That the Panel accepts the registrant's admission of professional misconduct as noted in the formal complaint made pursuant to *The Accounting Profession Act*:

That the registrant for the periods beginning in or about December 2011 and ending in or about December 2017 while employed by the firm Kemp Thompson McLeod ("KTM") and while engaged to provide professional services to multiple clients¹ is guilty of professional misconduct as defined in Section 26 of *The Accounting Profession Act*, SS 2014, c A-3.1, in that she:

Failed to provide services with competence and due care and made or associated with any statement or representation which Reilly knew, or should have known, was false or misleading; thereby contravened Section 52 of The Accounting Profession Act, SS 2014, C A-3.1 as she did breach Bylaws 202.1 (due care component), 203.1 and 205 of the Institute of Chartered Accountants of Saskatchewan ("ICAS"), and/or Bylaw 200.1, Rules 202.1 (due care component), 203.1 and 205 of the CPA Saskatchewan Bylaws and Standards of Professional Conduct.

¹ The Panel has adapted the Formal Complaints and related specific allegations to protect the confidentiality of client information.

Formal Complaint B: That the Panel accepts the registrant's admission of professional misconduct as noted in the formal complaint in respect to the CPA Saskatchewan Bylaws and Rules made pursuant to *The Accounting Profession Act*:

That the registrant for the periods:

- a) Beginning on or about January 2018 and ending in or about July 2018 while a partner of the firm Kemp Thompson McLeod ("KTM"), and
- b) Beginning on or about July 2018 and ending in or about October 2018 while the sole practitioner of the firm Lana D. Reilly Chartered Professional Accountant, and

while engaged to provide professional services to multiple clients is guilty of professional misconduct as defined in Section 26 of *The Accounting Profession Act*, SS 2014, c A-3.1, in that she:

Failed to provide services with competence and due care, or failed to appropriately direct and supervise services provided by a non-registrant pursuant to the responsibility set out in Rules 261.1 and 314.10 to ensure those services were provided with competence and due care, and thereby contravened Section 52 of *The Accounting Profession Act*, SS 2014, C A-3.1 as she did breach Bylaw 200.1, Rules 202.1 (due care component), 203.1 and 205 of the CPA Saskatchewan Bylaws and Standards of Professional Conduct.

Formal Complaint C: That the Panel accepts the registrant's admission of professional misconduct as noted in the formal complaint made pursuant to *The Accounting Profession Act*:

That the registrant for the period beginning in or about December 2011 and ending in or about October 2018, while engaged to deliver professional services to multiple clients, is guilty of professional misconduct as defined in Section 26 of *The Accounting Profession Act*, SS 2014, c A-3.1, in that she:

Failed to provide services with integrity and in a manner that maintains the good reputation of the profession and, thereby contravened Section 52 of *The Accounting Profession Act*, SS 2014, C A-3.1 as she did breach Bylaws 201.1 and 202.1 (integrity component) of the Institute of Chartered Accountants of Saskatchewan ("ICAS") Bylaws and Standards of Professional Conduct, and Bylaw 200.1, Rules 201.1 and 202.1 (integrity component) of the CPA Saskatchewan Rules of Professional Conduct.

The Panel's reasons in support of its determination:

1. Consideration of evidence:

That the Panel received and accepted a joint submission from the registrant and the Professional Conduct Committee (the parties) of the evidence of the registrant's conduct and the harm caused if any.

Any reference to specific facts is based on evidence agreed by the parties and contained in the Submission of Agreed Facts.

The Panel noted that the facts in section III subsection A of the joint submission of the parties are relevant to each of the Formal Complaints.

2. Consideration of allegations¹:

Formal Complaint A:

Allegation A1 - Facts B1, D1 to 4, D6 to 11, G5, G7, and G9 prove that the registrant: Failed to comply with the *Income Tax Act*, specifically Section 3, subsection 12(1) and subsection 186(1) in that she did not correctly prepare four T1 General Income Tax Returns and three T2 Corporate Income Tax Returns prior to submitting them to the Canada Revenue Agency.

The noted facts provide clear and convincing evidence of or that:

- a) Reilly provided tax return preparation services to the clients for the years noted in the allegation.
- b) Canada Revenue Agency, in 2019, reassessed the 2014 tax returns for two individual clients to include unreported dividend income.
- c) Reilly, in 2019, directed and supervised the preparation of T1 – ADJs for one individual client for 2014, and 2016 taxation years to include unreported dividend income.

Allegation A2 - Facts B1, D1, D7, and E1 prove that the registrant: Failed to report shareholder loan debit balances for two individual clients in compliance with the *Income Tax Act*, specifically subsection 15(2).

The noted facts provide clear and convincing evidence of or that:

- a) Reilly provided tax return preparation services to two individual clients for the years noted in the allegation.
- b) Reilly provided year end accounting services to two corporate clients for the years noted in the allegation.

Allegation A3 - Facts B1, and F1 to 4 prove that the registrant: Failed to ensure that bookkeeping records were correctly prepared and failed to ensure financial statements were not misleading.

The noted facts provide clear and convincing evidence of or that:

- a) Reilly provided year end accounting services to two corporate clients for the years noted in the allegation.
- b) Bookkeeping records were not prepared for one corporate client for the years noted in the allegation.
- c) There was a significant error in one client's financial statements due to required bookkeeping entries not made.

Allegation A4 - Facts B1, and G1 to 9 prove that the registrant: Failed to correctly issue T5 Statements of Investment Income.

The noted facts provide clear and convincing evidence of or that:

- a) Reilly prepared T5s for three corporate clients as payors, with non-shareholders as recipients, for the years noted in the allegations.

¹ The Panel has adapted the Formal Complaints and related specific allegations to protect the confidentiality of client information.

- b) Amended T5s were prepared in 2019 for the three corporate clients, with the shareholders as recipients, for the years noted in the allegations.

Formal Complaint B:

Allegation B1 - Facts B2, and C1 to 3 prove that the registrant: Failed to comply with the *Income Tax Act*, specifically subsection 150(1) in that she did not file T2 Corporate Income Tax returns by the required due date or in a reasonable period thereafter.

The noted facts provide clear and convincing evidence of or that:

- a) Reilly was engaged to provide tax return preparation services to four corporate clients for fiscal year 2017.
- b) Tax returns for each of the corporations were filed three to nine months after the respective due dates.

Allegation B2 - Facts B2, D1 to 4, D7 to 10, and E2 to 3 prove that the registrant: Failed to comply with the *Income Tax Act*, specifically Section 3, subsection 12(1) and subsection 186(1) in that she did not correctly prepare T1 General Income Tax Returns and T2 Corporate Income Tax Returns prior to submitting them to the Canada Revenue Agency.

The noted facts provide clear and convincing evidence of or that:

- a) Reilly provided tax return preparation services to four clients (three individual and one corporate) for the fiscal year 2017.
- b) Canada Revenue Agency, in 2019, reassessed the 2017 tax return for one individual client to include unreported dividend income.
- c) Reilly, in 2019, directed and supervised the preparation of T1 – ADJs for one individual client for the 2017 taxation year to include unreported dividend income.
- d) Reilly prepared booking entries for a professional practice partnership which resulted in an error in 2017 accounting income; the error in accounting income in turn resulted in an error in income (overstatement of income) for tax purposes of each of three corporate partners for their 2017 taxation years.

Allegation B3 - Facts B2, F1 to 7 prove that the registrant: Failed to ensure that bookkeeping records were correctly prepared.

The noted facts provide clear and convincing evidence of or that:

- a) Reilly provided year end accounting services to five corporate clients and a professional practice partnership for the 2017 fiscal year.
- b) Bookkeeping records were not prepared for one corporate client for the 2017 fiscal year.
- c) There were significant errors in the financial statements of two clients due to incorrect entries made or required entries not made.

Allegation B4 - Facts B2, G1 and G5 to 9 prove that the registrant: Failed to correctly issue T5 Statements of Investment Income.

The noted facts provide clear and convincing evidence of or that:

- a) Reilly prepared T5s for three corporate clients as payors, with non-shareholders as recipients, for the 2017 year.
- b) Amended T5s were prepared in 2019 for the three corporate clients, with the shareholders as recipients, for the 2017 year.

Allegation B5 - Facts F8, and H1 to 5 prove that the registrant: During the period of January 2, 2018 through October 31, 2018, while a partner of Kemp Thompson McLeod, Reilly was responsible for providing or directing the professional services to multiple clients, but did not communicate with the clients, in a reasonable manner with respect to the timeliness, completeness and accuracy of the information received from the clients and the professional services provided as identified in specific allegations 1 through 4 above.

The noted facts provide clear and convincing evidence of or that:

- a) Reilly did not retain documentation of communications with clients as a partner of the firm responsible for professional services to those clients.

Allegation B6 - Fact H6 proves that the registrant: During the period of August 1, 2018 through October 31, 2018, while practicing as a sole practitioner through the firm, Lana D. Reilly Chartered Professional Accountant, Reilly was responsible for providing or directing the professional services to the clients, but did not communicate with these clients with respect to actions she proposed to take to address the issues identified in specific allegations to Formal Complaints A and B.

Formal Complaint C:

Allegation C - The facts cited previously in respect of the other allegations prove that the registrant's acts or failures to act as set out in the specific allegations under Formal Complaints A and B relate to a significant number of clients and to multiple years. Further Reilly knew or should have known that her acts or failures to act would cause harm to the clients or expose them to risk of harm.

The noted facts provide clear and convincing evidence of or that:

- a) Reilly's approach to client service indicated a pattern of practice which lacked diligence, thoughtfulness and knowledge. The registrant's conduct, i.e. the pattern of practice in this matter involved:
 - i) several clients,
 - ii) multiple years,
 - iii) more than one type of error,
 - iv) several instances of late service, and
 - v) more than one professional service area, i.e. taxation, accounting, and compilation engagements,

Therefore, these specific allegations relating to the registrant's conduct and made in relation to the Formal Complaints are proven by the noted facts.

3. Consideration of Bylaws and Rules:

That the facts which relate to the specific allegations establish that the registrant did breach Bylaws 202.1 (due care component), 203.1 and 205 of the Institute of Chartered Accountants of Saskatchewan ("ICAS"), and/or Bylaw 200.1, Rules 202.1 (due care component), 203.1 and 205 of the CPA Saskatchewan Bylaws and Standards of Professional Conduct cited in Formal Complaints A and B to the extent they apply to the relevant periods.

Further, that the facts which relate to the specific allegations establish that the registrant did breach Bylaws 201.1 and 202.1 (integrity component) of the Institute of Chartered Accountants of Saskatchewan ("ICAS") Bylaws and Standards of Professional Conduct, and Bylaw 200.1, Rules 201.1 and 202.1 (integrity component) of the CPA Saskatchewan Rules of Professional Conduct cited in Formal Complaint C.

DETERMINATION ON SANCTION:

Sanctions:

Having considered and accepted the joint submission of the registrant and the Professional Conduct Committee on sanction, the following Orders of Sanction and Costs are made:

- a) The registrant to complete fifteen (15) hours of verifiable continuing professional development in the areas of ethics and practice management, and fifteen (15) hours of verifiable continuing professional development in the areas of income tax preparation and compliance, and accounting services,
- b) The registrant and her firm to undergo a Practice Administration Review (PAR), which shall not be considered complete until the applicable regulatory committee has made a decision and that the decision has been communicated to the member and her firm,
- c) The registrant to pay a fine in the amount of fifteen thousand (\$15,000.00) dollars,
- d) The registrant to receive and acknowledge in writing a letter of reprimand issued by the discipline hearing panel chair,
- e) The Decision and Order be published once in the CPA SK Connect (member newsletter) and the CPA SK Focus on Firms (firm newsletter). Further that the Decision and Order be posted on the CPA SK website for perpetuity.

With respect to costs and expenses, based on full joint submission, i.e. matters uncontested at the hearing - the Panel orders that no cost be assessed to the registrant.

The Panel rationale for sanction:

The Panel received and accepted the joint submission of the parties.

The Panel agrees that the following sanction objectives are relevant to the case:

- a) rehabilitation
- b) specific deterrence
- c) general deterrence

That the following mitigating and aggravating factors, which are in evidence, are considered indicators of the degree of actual harm, probable potential harm and/or the risk of future harm, to the public or the reputation of the profession, therefore, they are relevant in the determination of the nature and quantum of the appropriate sanction:

1. Mitigating factor:
 - a) The registrant cooperated with the investigation and prosecution of this matter.
2. Primary aggravating factors respecting harm to the public:
 - a) The registrant's approach to client service indicated a pattern of practice which lacked diligence, thoughtfulness and knowledge in that this matter involved:
 - i) several clients,
 - ii) multiple years,
 - iii) more than one type of error,
 - iv) several instances of late service, and
 - v) more than one professional service area, i.e. taxation, accounting, and compilation engagements,
 - b) There is significant risk of future harm as a result of the registrant's recurring lack of competence and due care and the registrant continuing to provide these services to the public.
3. Aggravating factors respecting harm to the reputation of the profession:
 - a) The breadth of the registrant's misconduct reflects negatively on the public's confidence in the profession and its other registrants.
 - b) The registrant was reckless in her consideration, application and documentation of standards and income tax law in the practice of the profession.
4. Other Aggravating factors:
 - a) The registrant caused or contributed to actual and potential financial harm.
 - b) Risk of financial harm is ongoing as there are matters subject to reassessment by the Canada Revenue Agency.
 - c) The registrant is relying on a non-member for guidance and has not accepted appropriate responsibility as a professional accountant for services provided to the public.
 - d) The registrant did not, as a partner of a firm or as a sole practitioner, take steps to avoid or mitigate actual or potential harm to clients for which she should have been responsible.

Additional conditions to the Decision and Order:

- A. Failure to comply with all aspects of the Order within sixty (60) days of receipt of the Order shall result in the respondent's registration rights being suspended, with publication in *CPA SK Connect* and the appropriate regional newspaper on a named basis.
- B. The respondent's registration rights shall be reinstated provided within a further sixty (60) days, the registrant complies with all aspects of the Order and pays a reinstatement fee of \$325, plus the cost of publishing the suspension notice referred to in additional condition A.
- C. Failure to comply with all aspects of the Order within one hundred twenty (120) days of receipt of the Order shall result in the respondent being expelled, with publication in *CPA SK Connect* and the appropriate regional newspaper on a named basis.

- D. Where a sanction component includes an action to be taken by the Institute, for purposes of that sanction component, the period noted in additional conditions A and C commences on the date the said action is taken as ordered, and the registrant informed, by the Registrar or a regulatory committee.



John Amundson, FCPA, FCA
Chair, Discipline Hearing Panel

June 18, 2021

Date



Ken McDougall (Public Representative)
Secretary, Discipline Hearing Panel

June 18, 2021

Date

LEGEND:

Name	Purpose
T2 Corporation Income Tax Return (T2)	Used in Canada by corporations to file their income tax returns.
T1 Income Tax and Benefit Return (T1)	Used in Canada by individuals to file their personal income tax returns
T1 Adjustment Request (T1-ADJ)	Used to request an adjustment (a reassessment) to an individual income tax return.
T5 Statements of Investment Income (T5)	Information slip for filers to report certain investment income paid to a resident of Canada or to a nominee or agent for a person resident in Canada.