

**MCLEOD, REID JOSEPH (former member)**

**Notice of Discipline Committee Decision and Order Case #1810-27**

Following the receipt of a Formal Complaint made by the Professional Conduct Committee, the Discipline Committee held a hearing regarding the conduct of Reid Joseph McLeod (former member) ("McLeod") on March 11, 2021.

The Formal Complaints arose in the context that McLeod, as a registrant, was engaged to provide professional services to multiple clients over multiple periods and beginning in or about January 2010 and ending in or about December 2017. McLeod, as a partner of a firm, failed to provide services with competence, due care and integrity, and made or associated with any statement or representation which McLeod knew, or should have known, was false or misleading. Further, McLeod failed to provide services in compliance with *The Income Tax Act*. McLeod contravened Section 52 of *The Accounting Profession Act*.

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 McLeod's conduct breached Bylaws 201.1, 202.1 (due care component) and (integrity component), 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 component) and (integrity component), 203.1 and 205 of the CPA Saskatchewan ("CPASK") Bylaws and Standards of Professional Conduct, made or continued pursuant to the Act.

Specifically, the Discipline Committee found that McLeod:

- Filed income tax returns past their deadline for at least six clients, at times in excess of six years late.
- Filed income tax returns inaccurately, including recording dividend income to a person who was not a shareholder. In another situation, three individual clients received shareholder loan advances which were outstanding at the following corporate client year end.
- Maintained accounting records that were inaccurate. In another situation did not maintain a general ledger for one client.
- Did not respond to client's requests in a timely, accurate or clear manner.

McLeod has made payment for harm caused by the errors directly to one group of clients. Further, McLeod has resigned from the profession.

A copy of the Decision and Order dated April 1, 2021 is attached as Appendix A.

The Discipline Committee therefore issued the following Order:

- The former registrant receive and acknowledge a reprimand signed by the discipline hearing panel chair;
- The registrant be fined in the amount of seventeen thousand five hundred (\$17,500.00) dollars;
- Publication in CPA Saskatchewan member newsletter and appropriate regional newspaper and posting on the Institute's website on a named basis of a summary of the professional misconduct and sanction with a link to the Decision and Order;

With respect to costs, in that this matter was dealt with by way of full joint submission by the parties, no costs are ordered as assessed to the registrant.

The text of relevant bylaws and rules of professional conduct:

**For the period to 09 November 2014**

*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**

***Bylaws***

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.

200.2 A registrant or suspended registrant shall, at all times, exercise appropriate moral behaviour and shall comply with the laws of Canada and the province in which they reside or in which they provide professional services.

200.4 The Board adopts the Rules of Professional Conduct as established and amended from time to time, which shall apply to registrants and suspended registrants.

### **Rules**

#### *Maintenance of the Reputation of the 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 practices 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.

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

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

April 14, 2021

**DECISION AND ORDER**  
**Case #1810-27**

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  
REID JOSEPH MCLEOD, BEING A FORMER REGISTRANT OF THE INSTITUTE

BETWEEN:

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

- and -

REID JOSEPH MCLEOD AS THE RESPONDENT

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This matter came before a discipline hearing panel of the Discipline Committee of The Institute (hereinafter referred to as the "Panel") for hearing on March 11, 2021. In this Decision and Order Mr. McLeod is referred to as the registrant in respect of this proceeding, and in respect of his conduct which is the subject of this proceeding.

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

**DETERMINATION ON FORMAL COMPLAINTS<sup>1</sup>:**

**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 January 2010 and ending in or about December 2017, (while a registrant) a partner of the firm Company A, engaged to provide professional services to the clients as identified in Appendix D is guilty of professional misconduct as defined in Section 26 of *The Accounting Profession Act*, SS 2014, c A-3.1, in that he:

Failed to provide services with competence and due care, and made or associated with any statement or representation which McLeod 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 he 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 (CPAS) Bylaws and Standards of Professional Conduct.

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<sup>1</sup> The Panel has summarized the Formal Complaints for the purposes of protecting 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 made pursuant to *The Accounting Profession Act*:

That McLeod, for the period beginning in or about January 2010 and ending in or about December 2017, while a registrant, engaged to deliver professional services to the clients as identified in Appendix E, is guilty of professional misconduct as defined in Section 26 of *The Accounting Profession Act*, SS 2014, c A-3.1, in that he:

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 he did breach Bylaws 201.1 and 202.1 (integrity component) of the Institute of Chartered Accountants of Saskatchewan ("ICAS"), and/or Bylaw 200.1, Rules 201.1 and 202.1 (integrity component) of the CPA Saskatchewan Bylaws and Standards 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 submission of agreed facts as the evidence of the registrant's conduct.

That the facts (contained in the joint submission of the parties) are relevant and substantive evidence of the registrant's conduct in this matter, and of harm caused, if any.

2. Consideration of allegations:

That the following specific allegations relating to the registrant's conduct are proven by the noted facts. Any reference to specific facts is based on evidence agreed by the parties:

1. Facts C1 to C7 prove the registrant: Failed to comply with the *Income Tax Act*, specifically subsection 150(1) in that he did not file T2 Corporate Income Tax Returns and T3 Trust Income Tax and Information Returns by the required due date or in a reasonable period thereafter.

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

- a) the due dates for the returns per the *Income Tax Act* (ITA),
  - b) the returns were filed one to seven years after the due date, and
  - c) the returns were for six clients and for an aggregate of thirty-one taxation years.
2. Facts D1 to D8 prove the registrant: Failed to comply with the *Income Tax Act*, specifically Section 3, subsection 12(1) and subsection 186(1) in that he 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) Dividend income received by, or credited to three individual clients was not reported in their tax returns as filed for an aggregate of ten taxation years, and
  - b) Dividend income was reported by one corporate client, which was not a shareholder of the payor corporation, for three taxation years.
3. Fact E1 proves the registrant: Failed to comply with the *Income Tax Act*, specifically subsection 15(2) in that he did not ensure that shareholder loan debit balances were reported as income for the year.

The noted fact provides clear and convincing evidence of or that:

- a) Three individual clients received shareholder loan advances which were outstanding at the following corporate client year end,
  - b) The subject amounts were taxable pursuant to S. 15 of the ITA, and
  - c) The subject amounts were not reported in the individual personal returns tax returns for an aggregate of five taxation years.
4. Facts F1 to F7 and F9 prove the registrant: Failed to ensure that bookkeeping records were correctly prepared and the resulting financial statements were not misleading.

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

- a) Capital or loan/advance account year end balances in the respective related client accounting records were not reconciled for two groups of related clients for an aggregate of eight fiscal years,
  - b) Appropriate yearend adjusting entries relating to significant transactions were not accurately prepared and/or recorded in the four client general ledgers for an aggregate of twelve fiscal years, and
  - c) A general ledger was not prepared in any form for one corporate client noted in point a) for six fiscal years.
5. Facts G1 to G10 prove the registrant: Failed to correctly issue T5 Statement of Investment Income, and incorrectly issued T5 Statement of Investment Income to non-shareholders.

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

- a) T5s were issued for three corporate clients to four non-shareholders for an aggregate of ten reporting years,
- b) T5s were not issued for three corporate clients to four individuals who received or were credited with dividends for an aggregate of thirteen reporting years, and
- c) The noted 'non-shareholders' and the individuals also were clients of the registrant.

6. Facts H1 to H 9 prove: During the period of January 2010 through December 2017, while a partner of Company A, the registrant was responsible for providing or directing the professional services to certain clients, and the registrant did not communicate with the clients, in a reasonable manner with respect to the timeliness, completeness and accuracy of information received from the clients and the professional services provided as identified in specific allegations 1 to 5 above.

The noted facts provide clear and convincing evidence the registrant did not prepare and/or retain appropriate documentation of communications with the clients in numerous instances:

- a) In response to client requests for advice,
- b) Regarding the status of professional services even when correspondence was received directly by the registrant from Canada Revenue Agency,
- c) In respect of the consequences of late filing of tax returns and tax filing errors, nor
- d) The registrant's requests to the clients for information necessary to complete professional services.

**3. Consideration of Bylaws and Rules:**

That the facts which relate to the specific allegations 1 through 6 establish that the registrant did breach ICAS Bylaws 202.1 (due care component), 203.1, 205 and CPAS Bylaw 200.1, and Rules of Professional Conduct 202.1 (due care component), 203.1 and 205 cited in Formal Complaint A.

That the facts which relate to the specific allegations establish that the registrant did breach ICAS Bylaws 201.1, 202.1 (integrity component) and CPAS Bylaw 200.1, and Rules of Professional Conduct 201.1, and 202.1 (integrity component) cited in in Formal Complaint B.

**DETERMINATION ON SANCTION:**

**Sanctions:**

Having considered and accepted the joint submission on sanction of the registrant and the PCC, that the following Orders of Sanction and Costs are made:

- That the former registrant receive and acknowledge a reprimand signed by the discipline hearing panel chair;
- The registrant be fined in the amount of seventeen thousand five hundred (\$17,500.00) dollars;
- Publication in CPA Saskatchewan member newsletter and appropriate regional newspaper and posting on the Institute's website on a named basis of a summary of the professional misconduct and sanction with a link to the Decision and Order;

With respect to costs, in that this matter was dealt with by way of full joint submission by the parties, no costs are ordered as assessed to the registrant.

**The Panel rationale for sanction:**

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

The Panel agrees that general deterrence is the sanction objective relevant to the case.

The Panel accepts the following mitigating and aggravating factors, which are in evidence, as 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:

a) Mitigating factors:

- i) McLeod is a former registrant.
- ii) McLeod has reimbursed one individual client \$35,000 for interest, penalties and other expenses.

b) Aggravating factors:

- i) Based on the evidence, McLeod caused financial harm of a significant amount to several clients but has only reimbursed one of those clients for the financial harm.

Risk of financial harm is ongoing as there are still matters being reassessed by the Canada Revenue Agency.

- ii) McLeod was careless in his consideration, application and documentation in the practice of the profession for multiple clients who were exposed to the risk of potential harm due to the former registrant acting or failing to act as identified in the allegations which have been proven.
- iii) There is no documentation to support that McLeod made reasonable efforts to avoid the occurrence of actual or potential harm to the clients or the reputation of the profession.


**Additional conditions to the Decision and Order:**

The Institute, CPA Saskatchewan, shall file the Order with the Court pursuant to Section 32(3) of *The Accounting Profession Act*.

  
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Craig Hinz, FCPA, FCA  
Chair, Discipline Hearing Panel

April 1, 2021

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Date Approved

  
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Annette Klassen, CPA, CGA  
Secretary, Discipline Hearing Panel

April 1, 2021

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Date Approved