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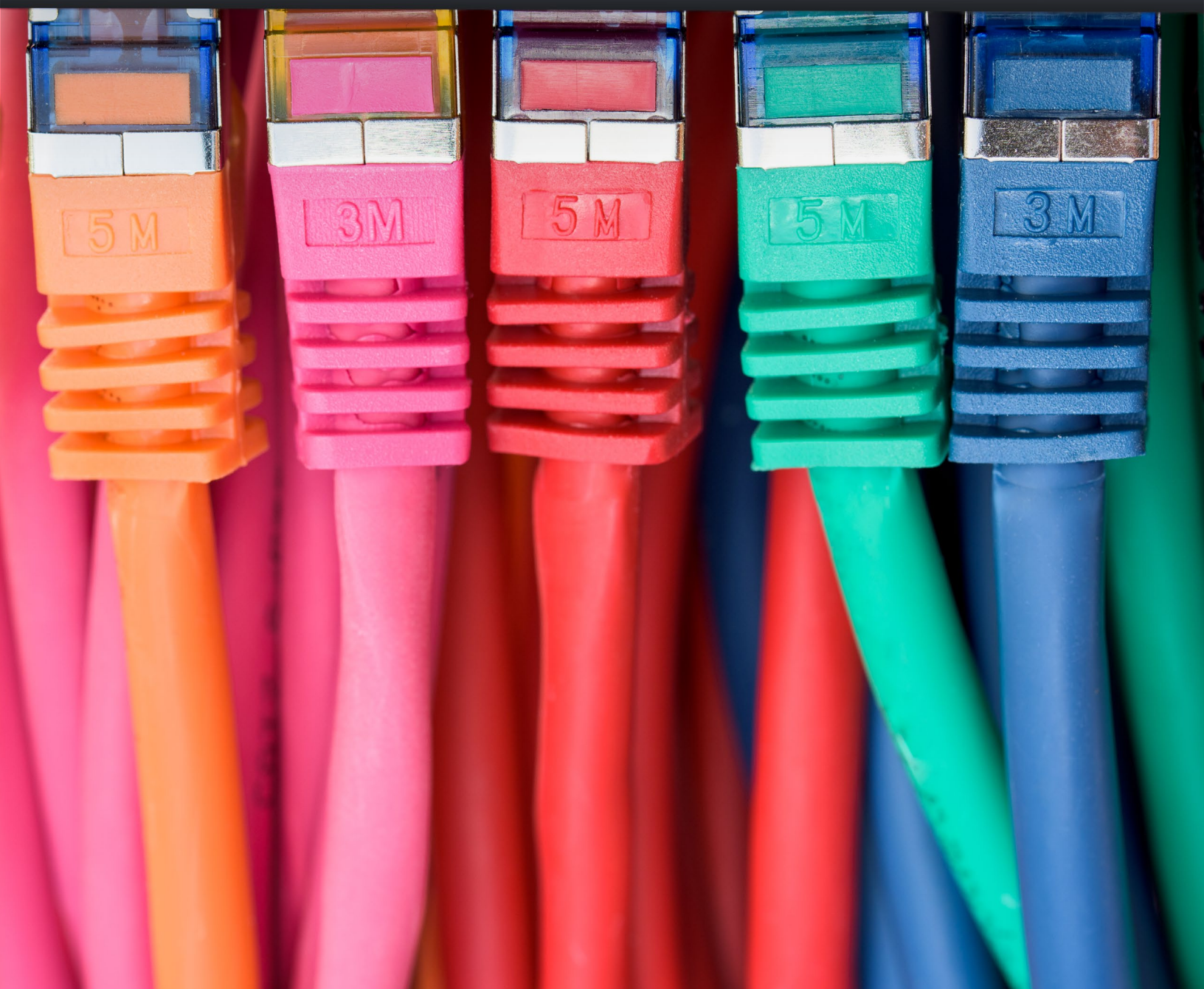
Focus FIRMS

The Institute of Chartered Professional Accountants
of Saskatchewan Firm Newsletter | December 2020



CPA

SASKATCHEWAN





Focus on FIRMS

The Institute of Chartered Professional Accountants
of Saskatchewan Firm Newsletter | December 2020

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CPA Saskatchewan Focus on Firms

Call for Authors

If you would like to author an article for a future version of this newsletter, we would be happy to hear from you.

Contact monitoring@cpask.ca

WINTER RENEWAL IS HERE!

2021 CPA Saskatchewan Winter Renewal for member licences and professional corporations and firms (including licensing) is available online through the CPA Saskatchewan portal: member.cpask.ca. Please complete the renewal forms and pay fees online through the portal before the deadline included in the notice.

ON-DEMAND – CPA CANADA DOMESTIC ACCOUNTING STANDARDS UPDATE

Are you involved as a preparer or user of financial statements prepared under ASPE? Learn about the financial statement implications of the COVID-19 pandemic and get an update on future changes to Part II and Part III of the CPA Canada Handbook — Accounting. CPA Canada's 1 hour webinar is a must see, and it is available to [view on-demand](#).

CPA CANADA'S AUDIT QUALITY BLOG

Created for practitioners and professionals who follow developments in audit quality, [CPA Canada's Audit Quality Blog](#) series brings you trusted coverage on global audit quality developments and issues such as:

- COVID-19 audit considerations and resources
- proposed standard changes
- emerging technologies and their potential impact on CPAs
- industry developments
- and more!

Small Practitioners Group - CPA



COMPILATION ENGAGEMENTS STANDARDS UPDATE

The CPA Saskatchewan Rules Committee approved a project scope related to the replacement of the standard from Section 9200 to CSRS 4200.

As the new compilation engagement report references professional standards within the CPA Canada Handbook and relevant ethical requirements of practitioners, licensing of CPAs is likely required for those who provide that professional service. The linkage between the CSRS 4200 and Section 18 of the Accounting Profession Act did not exist under the prior standard. An individual performing professional accounting must be a Licensed CPA.

The differences in the standard will affect a change in regulation for CPAs and non-CPAs. Non-CPAs who sign the new compilation engagement report may be subject to a cease and desist issued by CPA Saskatchewan. Non-CPAs who continue to use the pre-existing Notice to Reader report would not be subject to a cease and desist. It is unclear how many lenders or third-party users of those Notice to Reader reports will continue accept that reporting.

Member roundtables to gather information about minimum licensing requirements were held in August 2020. Further member consultation is planned as the project proceeds.

Please stay tuned for more information.

PRACTICE INSPECTIONS RESULTS FOR 2019-2020

Practice inspection is a key component of CPA Saskatchewan's overall ongoing regulatory processes over our registered firms. We assess practitioners' adherence to professional standards (see [Appendix 1](#)), thereby contributing to users' confidence in the integrity of financial information. We achieve this by assessing a firm's system of quality and inspecting a selection of assurance and compilation engagements. Through practice inspection, we also provide an educational experience to help practitioners improve their knowledge and application of professional standards where necessary.

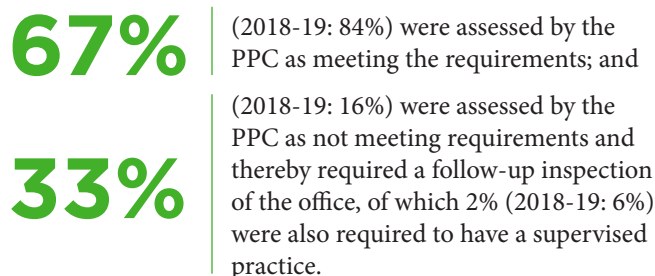
We recognize that these past eight months have been challenging for practitioners who may have significantly transitioned their practices to a remote environment. Similarly, CPA Saskatchewan's practice inspection function has also shifted to allow inspections of all firms to be performed remotely to protect both the public and the health and safety of our contractors, staff, and practitioners.

This article will inform practitioners of key practice inspection observations from the 2019-2020 inspection year, which include the most significant areas where firms have not met standards and areas of focus for inspections in the upcoming year.

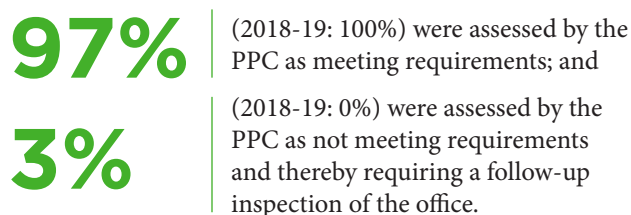
BACKGROUND

During the 2019-20 inspection year, 91 (2018-19: 65) practice offices were inspected, and 77% (2018-19: 88%) were assessed by the Professional Practice Committee (the "PPC") as meeting the requirements of the Practice Inspection Program. Of the total inspections completed, 61 (2018-19: 51) of the offices performed assurance work, and the remaining 30 (2018-19: 14) offices did not perform any assurance engagements.

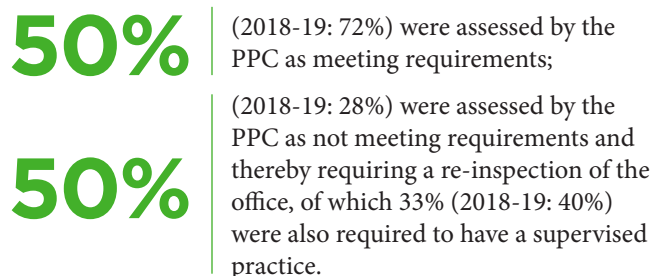
For the 61 (2018-2019: 51) offices that performed assurance engagements:



Of the 30 (2018-19: 14) offices that did not perform any assurance engagements:



Included in the practice inspections of the 91 (2018-19: 65) offices were follow-up inspections of 6 (2018-19: 18) offices. For those follow-up inspections:



For the firms assessed as not meeting the standards of the Practice Inspection Program, there were some notable findings:

- Many firms had engagements that, while overall had appropriate documentation, contained material presentation and disclosure errors or insufficient documentation, resulting from either not identifying or not applying the appropriate *CPA Canada Handbook* standards to an accounting or assurance issue.
- Many firms used checklists filled in using "Y" or "N" with no further support to substantiate the response, or otherwise had insufficient or inconsistent documentation in key areas, and were consequently assessed as not meeting the requirements of the Practice Inspection Program.
- Some firms performed review engagements that did not take into account the additional procedures and related party documentation required under the Canadian Standard on Review Engagements 2400 (CSRE 2400).

KEY PRACTICE INSPECTION OBSERVATIONS

The items identified below may not be the most commonly identified deficiencies; however, they are considered some of the more significant items that can impact the overall quality of work performed. The absence of sufficient evidence to support work performed in these areas commonly resulted in an inspection being assessed as “Not meeting standards” by the Committee.

Audit Engagements

Auditing Revenue

Revenue is an area in audits that often has unique risks and, correspondingly, has a greater susceptibility to material misstatement. Risks may arise both from complex recognition requirements related to the characteristics of revenue streams and the presumptive risk of fraud when accounting for revenue. We have identified instances in which practitioners did not plan and perform appropriate audit procedures to respond to these risks. For example, audit teams may not have evaluated different types of revenue which give rise to fraud risks. As a result, procedures may not have been performed to address the risks related to each significant revenue stream in an entity.

CAS 240 The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements; CAS 330 The Auditor’s Responses to Assessed Risks

Auditing Expenses

We frequently identify deficiencies in our inspections relating to the nature and extent of substantive procedures performed with respect to expenses. Substantive procedures can consist of substantive analytical procedures (see next observation) or tests of details. When performing tests of details, practitioners must ensure their procedures address the risks identified by assertion. For example, when testing for completeness, expenses should be traced from source documents to the general ledger. To test cut-off, audit procedures on expense transactions around the year-end date should be performed.

CAS 330 The Auditor’s Responses to Assessed Risks

Substantive Analytics

Substantive analytical procedures are often used on their own or in conjunction with other substantive procedures to provide evidence to support the audit opinion. In general, substantive analytical procedures are most effective when evaluating large volumes of transactions in a highly predictable environment.

CAS 315 REMINDER

This revised CAS 315 is effective for audits of financial statements for periods beginning on or after December 15, 2021. This is a significant amendment to standards that firms need to be planning for now. For more information, view [CPA Canada’s Audit and Assurance Alert: CAS 315, Identifying and Assessing the Risks of Material Misstatement](#).



In determining which audit procedures to design to address audit risks, practitioners should carefully consider the suitability of using substantive analytical procedures. The suitability of an analytical procedure will depend upon the practitioner’s assessment of how effective it will be in detecting a misstatement that may cause the financial statements to be materially misstated. The performance of simple year-over-year analytics generally does not meet the criteria of a substantive analytical procedure. Effective substantive analytical procedures require the development of expectations using reliable and accurate information, the determination of appropriate thresholds for further investigation and the follow-up of outliers through discussion with management and by obtaining corroborating evidence.

CAS 520 Analytical Procedures

Audit Sampling

When conducting substantive procedures, an auditor commonly tests less than 100 percent of a balance or transaction stream. Instead, they will test a sample. When selecting a sample, practitioners should:

- analyze the population subject to sampling. Test separately any items not representative within the sample (e.g., transactions above performance materiality or a set threshold);
- select a representative sample. Ensuring the basis of selection is supported by the risk assessment by assertion for that account balance;
- perform appropriate audit procedures; and
- evaluate results to obtain reliable, relevant, and sufficient appropriate evidence to form a conclusion on the population as a whole.

It is critical that the sample represents the population.

2019-2020 INSPECTION RESULTS *continued from page 3*

For example, a practitioner may employ a standard sample size without regard to the nature of the population, the risk assessment, and the objectives of the procedure. Practitioners must ensure that all items in a population have an equal chance of being selected. Where populations can be disaggregated, e.g., in situations where there are multiple revenue streams, each distinct sub-population should be sampled independently.

CAS 530 Audit Sampling

Use of a Service Organization

In the course of performing an audit, entities often make use of service organizations. Common service organizations include those related to payroll and investment activities. In these instances, practitioners are required to obtain an understanding of the nature and significance of the services provided and design and perform audit procedures to respond to identified risks. When there is reliance placed on the operating effectiveness of controls, practitioners must perform tests of controls at the service organization or obtain a Type 2 report. If a Type 2 report is received, practitioners must document their review of the scope of the report, the results of the tests of controls, and the period covered by the report.

CAS 402, Audit Considerations Relating to an Entity using a Service Organization

Other Areas

Additional areas where audit deficiencies were identified are as follows:

- Lack of documentation and/or performance of risk assessment procedures relating to obtaining an understanding of the entity and its environment.
- No documentation of discussions with management and/or those charged with governance relating to fraud.
- Insufficient documentation and/or execution of substantive audit procedures on material classes of transactions and account balances in the following key areas:
 - Accounts payable completeness and cut-off
 - Payroll completeness, accuracy, and cut-off
 - Revenue completeness and occurrence, particularly for long-term contracts and transactions with multiple elements
 - Expense completeness and cut-off
 - Accounts receivable valuation
 - Collectability of loans receivable, particularly from related companies

- Classification of preferred shares as debt or equity
 - Inventory count procedures and valuation
 - Related party transactions
 - Contingencies, particularly with respect to review of legal expenses and consideration of confirmations
 - Journal entry testing
 - Subsequent events review
 - Going concern analysis
- Communication with those charged with governance did not include one or more of the following items (or, in some cases, there was no communication with those charged with governance):
 - The auditor's responsibilities in relation to the financial statement audit
 - An overview of the planned scope and timing of the audit
 - The written representations that the auditor is requesting from management
 - Significant matters arising from the audit that were discussed, or subject to correspondence with management
 - Other matters arising from the audit that are significant to the oversight of the financial reporting process

Review Engagements

This is the second year in which the new Canadian Standard on Review Engagements 2400 (CSRE 2400) was inspected as part of the Practice Inspection Program. Due to the cyclical nature of the inspection program, many firms inspected in the current year were having their review engagements inspected under CSRE 2400 for the first time.

Although most practitioners were successful in transitioning to CSRE 2400, the following are some areas for improvement.

Understanding of the Accounting Systems and Accounting Records

Understanding the accounting system and records used by an entity is vital to identifying areas where material misstatement is likely to arise. This allows the practitioner to focus analysis and inquiry on these areas. We continue to identify instances where this documentation should be improved. Practitioners should ensure that their documentation of systems and records is commensurate with the complexity of the business. For example, industries with complex accounting, such as the construction industry, should include greater detail as to how the entity being reviewed records revenue.

2019-2020 INSPECTION RESULTS *continued from page 4*

CSRE 2400 paragraphs 43 and 44 The Practitioner's Understanding

Areas Where Material Misstatements are Likely to Arise

A critical element of CSRE 2400 is the identification of areas where material misstatements are likely to arise. If this assessment is not completed and those areas applicable are not documented, it is possible that appropriate inquiries and analytical procedures may not be designed and performed. Inquiry and analytical procedures are required for all material items in the financial statements, including disclosures. When a practitioner has identified an area where material misstatement is likely to arise, additional procedures should be performed to focus on addressing the area. For example, a transaction or event outside of the normal course of business or a subsequent event may be considered an area where material misstatement is likely to arise, requiring focused procedures. These areas may not necessarily be material account balances in the financial statements.

CSRE 2400 paragraph 45 Identifying Areas in the Financial Statements Where Material Misstatements Are Likely to Arise; CSRE paragraph 46 Designing and Performing Procedures

Related Party Balances

Related party receivables and payables are common accounts included on the balance sheets of financial statements subject to inspection. This has been an area where recurring issues have been identified as documentation with respect to classification and valuation of related party balances was

an issue under both CSRE 2400 and the previous review standard. Practitioners are reminded that their procedures should not only address balances of receivables outstanding but also the likelihood of collectability. In addition, receivable balances without stated terms should be classified as long-term. Related party payables with no set terms of repayment should be classified as short-term unless there are waivers obtained, or evidence the creditor has lost the right to demand repayment, and included in the working paper file.

CSRE 2400 paragraphs 49 and 50 Designing and Performing Procedures

Other Areas

Documentation requirements for a review engagement under CSRE 2400 are specifically addressed in paragraphs 104-107 of the standard. Checklists filled out with "Y" or "N", with no further documentation to substantiate the response, are not sufficient to support review procedures performed. If no further documentation was included in a file, it would result in a firm being assessed as not meeting standards. In particular, documentation should be sufficient for an experienced practitioner, with no previous connection to the engagement, to understand:

- The nature, timing, and extent of the procedures performed (including who performed the work, the date it was completed, who reviewed the work, the date it was reviewed, and the extent of the review);
- The results obtained from the procedures performed and the practitioner's conclusions arising from those procedures; and



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2019-2020 INSPECTION RESULTS *continued from page 5*

- Significant matters arising during the engagement, the practitioner's conclusions, and significant professional judgements made to reach those conclusions.

The primary areas where documentation and/or performance of review engagement procedures were insufficient are as follows:

- Inter-relationship/comparison of revenues, expenses, gross margin, operating ratios and balance sheet items
- Cut-off of accounts payable and enquiries for any unrecorded liabilities
- Completeness of payroll and related accruals
- Inventory valuation, client's count procedures and cut-off, especially when there is a risk that some items are slow-moving
- Sales cut-off, particularly when an entity is a contractor or would use the percentage of completion method to recognize revenue
- Evidence of work performed to determine if the entity's classification of preferred shares as either debt or equity was appropriate
- Discussions with management and performance of additional procedures regarding any potential contingencies, commitments, and subsequent events

CSRE 4200 paragraphs 104-107 Documentation

Quality Control

A firm's quality control system should be designed and implemented to improve overall engagement quality and to ensure that the firm does not issue reports with materially misstated financial statements or perform inadequate work. We continue to inspect firms who have not performed an ongoing evaluation of their quality control system (e.g., yearly) or ensured cyclical monitoring is performed. The absence of effective monitoring can have a negative impact on quality and is a significant factor in the decision to re-inspect a firm. Although smaller firms may not have internal resources to comply with these requirements, they may consider exploring reciprocal arrangements with other practitioners to fulfill their monitoring obligations.

Practitioners should be aware that Quality Control standards are changing; see [Appendix 2](#) for more information relating to the proposed Quality Management standards.

CSQC 1 paragraph 48 Monitoring the Firm's Quality Control Policies and Procedures; CSQC 1 paragraphs 49-54 Evaluating, Communicating and Remediating Identified Deficiencies

Compilation Engagements

Most firms often include working papers in their files to provide support that the information in the Notice to Reader financial statements is not false or misleading. Issues have been encountered when working papers included in files contain conflicting figures or additional information that was not addressed or resolved. When firms have no supporting documentation for a Notice to Reader set of financial statements, the file will not meet the requirements of the Practice Inspection Program.

Additional common deficiencies are as follows:

- Lack of documentation for an accountant's consideration and assessment of independence, especially if bookkeeping services were provided.
- The financial statements contained notes that explicitly referred to GAAP.

Practitioners need to be aware that a new compilation standard (CSRS 4200) has been issued and is effective for periods on or after December 14, 2021, with early application permitted. This standard is significantly different than the previous standard. One of the key changes is the new communication — the Compilation Engagement Report — which differs from the current Notice to Reader communication. See [Appendix 2](#) for more information about the new compilation standard.

AREAS OF FOCUS FOR THE UPCOMING INSPECTION YEAR

Consideration of COVID-19 Impact for Assurance Engagements

The COVID-19 pandemic has significantly impacted the operations of many businesses and will continue to do so. Firms should be aware of additional accounting and assurance issues that may arise as a result of the impact on their clients' operations.

To support practitioners, CPA Canada has developed [accounting](#) and [assurance](#) resources, including considerations for the impact of COVID-19 on key financial assertions and balances.

Practitioners should ensure that they obtain a thorough understanding of their clients' operations and appropriately document areas of potential risk and the related assurance procedures to address these risks during the planning and completion stages. Failure to consider the impact of COVID-19, as it relates to potential accounting issues and the related assurance procedures, may result in firms inadequately addressing key areas and performing insufficient procedures. This could result in a material

2019-2020 INSPECTION RESULTS *continued from page 6*

misstatement in the financial statements, resulting in the firm not meeting standards in their practice inspection and requiring a re-inspection.

Practitioners should ensure appropriate risk assessments and assurance procedures are completed on any benefit programs the client has accessed through COVID-19 relief measures.

COVID-19 TAX UPDATES

Keep up to date with the latest [Federal government COVID-19 tax updates](#) and watch recorded webinars with the CRA addressing Canada Emergency Wage Subsidy (CEWS), tax treatment of the Canada Emergency Business Account (CEBA) and other taxable benefit issues.

CLEARLINE CONSULTING COVID-19: PUBLIC PRACTICE SURVEY

Are you wondering how COVID-19, and the resulting government response, has affected small to mid-sized CPA firms? You can [download the results](#) of Clearline Consulting's COVID-19: Public Practice Survey.

New and Emerging Industries

Clients in the crypto-asset and cannabis industries have unique risks that may require the use of experts to develop and execute adequate assurance procedures.

Activities in the crypto-asset industry include trading in crypto-assets and crypto-asset mining. Trading in crypto-assets involves trading in virtual currencies such as Bitcoin. Crypto-asset mining is a process whereby a company provides computer processing power for the underlying method of accounting for crypto-asset trading. The fees earned for providing computer processing are usually paid in a virtual currency. Audits of companies operating in these activities are complex, high-risk and involve difficult-to-verify virtual assets. As a result, information technology experts may be critical for the successful execution of these engagements.

Cannabis entities can take many forms, including cultivators and producers, distributors, and sellers of cannabis and related products. The most challenging issues arise with respect to the accounting for biological assets (the cannabis plants). As complex estimates are frequently used, expert valuation services are likely required. The regulatory aspects of this industry must also be considered during planning and throughout the engagement, as non-compliance with these regulations could have significant ramifications to the entity.

This industry is also currently undergoing frequent mergers and acquisitions, which creates unique accounting issues.

During the 2020-2021 practice inspection year, we will be targeting assurance engagements in these two emerging industries due to the unique nature of the risks and assurance issues and the increased potential for errors.

The Practice Inspection Program continues to closely monitor developments in these and other emerging industries.

QUESTIONS

Should you have questions and/or require more information on any of the above, please contact monitoring@cpask.ca.

APPENDIX 1 – PRACTICE INSPECTION PROGRAM OVERVIEW

The purpose of the Practice Inspection Program is to protect the public by assessing firms' compliance with professional standards and taking appropriate follow-up or remedial action in cases of non-compliance. The Practice Inspection Program further protects the public by providing an educational experience to firms. Practice inspections are performed on the offices of registered firms on a risk-adjusted, four-year cycle, and in the case of a newly registered firm, within its first year of operations.

During the inspections, practice inspectors may identify reportable deficiencies related to material areas, assertions, and disclosures where accounting or assurance standards were not met. Based on the nature and extent of reportable deficiencies identified, the inspector makes a recommendation to the Professional Practice Committee of the outcome of the inspection into one of the following categories:

- the inspection is complete, and no further action is required;
- the inspection is complete; however, a specified course of action needs to be undertaken to address risk. The provision of a suitable action plan is sufficient to satisfy the Committee that the appropriate steps are being taken. The Committee may also recommend certain specified actions, including professional development courses, engagement checklists or methodology enhancements, file review, or file close protocols;
- a full or partial re-inspection is required. The Committee may also require certain specified actions, including professional development courses, that it deems relevant to addressing the reportable deficiencies raised;
- conditions or restrictions imposed on the member and/or firm licences, including the requirement for the firm to obtain engagement quality control review or monitoring

2019-2020 INSPECTION RESULTS *continued from page 7*

services either internally or externally or restrictions on the firm's ability to train candidates; or

- a complaint made to the Professional Conduct Committee.

A firm/office's assessment and the related reportable deficiencies are reviewed by professional staff before being provided, on an anonymous and redacted basis, to the Professional Practice Committee for final determination. The Committee is comprised of 12 CPA members and one public representative.

In determining the action to be taken following a practice inspection, particularly if the firm was assessed as not meeting requirements for a second consecutive time, the Committee's considerations include, but are not limited to:

- the degree to which the requirements of the practice inspection program have been met;
- the nature and severity of the identified deficiencies;
- the adequacy of the firm's action plan and/or analysis for restatement and commitment towards rectification of issues identified;
- the cooperation of the member/firm and commitment towards improving overall firm quality;
- public interest; and
- on a follow-up inspection, the results of the previous practice inspection of the member/firm and the degree to which the member/firm addressed deficiencies identified in the initial inspection.

APPENDIX 2 – NEW AND UPCOMING STANDARDS

Compilation Engagements (Newly Effective)

The new compilation standard CSRS 4200 is effective for compilation engagements for periods ending on or after December 14, 2021, with early adoption permitted.

The new standard's key differences arise in the compilation report and the requirement to disclose the basis of accounting used in the financial statements.

Though not a comprehensive list, below are some important differences in the new standard:

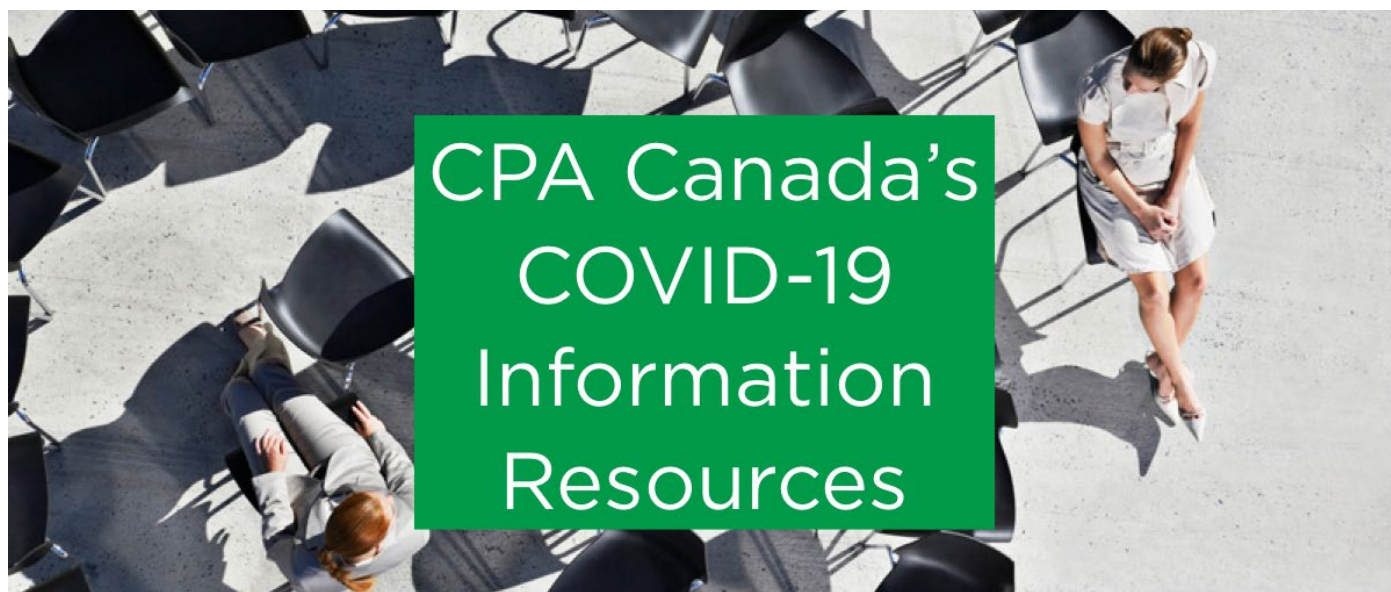
- The new compilation report includes responsibility paragraphs.
- Before accepting a compilation engagement, the practitioner must:
 - make inquiries of management regarding the intended use of the compiled financial information, including whether that information is intended to be used by a third party.
 - obtain an acknowledgment from management of the basis of accounting expected to be applied in the preparation of the financial information.
- If the information is intended to be used by a third party, the practitioner needs to obtain an acknowledgment from management that the third party either:
 - is in a position to request and obtain further information from the entity; or
 - has agreed with management on the basis of accounting to be applied.
- If management does not acknowledge that the third party can obtain further information or has agreed on the basis of accounting, the practitioner cannot accept the engagement unless the basis of accounting is a general-purpose framework. It is expected that compiled financial information prepared in accordance with a general-purpose framework will be rare.
- The practitioner must obtain knowledge related to the entity's business and operations, accounting system and records, and the basis of accounting used, and document this in the working paper files.



2020-21 Professional Development Courses

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CPA Saskatchewan Events Calendar





- The practitioner must obtain an acknowledgment from management of management's responsibility for the compiled financial information.

Practitioners should read the new standard to understand the additional inquiry and new documentation requirements. Practitioners need to be ready for the new standard by attending training, discussing the requirements with compilation engagement clients, preparing new engagement letters, and updating policies and working paper procedures to meet the requirements. More information can be obtained from the [CPA Canada website](#).

Quality Management (Issued but not yet Effective)

The International Auditing and Assurance Standards Board (IAASB) approved final standards in September 2020. Accordingly, the Auditing and Assurance Standards Board (AASB) is scheduled to discuss the implementation of the international standard in late 2020. Their considerations are expected to focus on Canadian issues, the implementation risk matrix, and the approach and timing of Canadian exposure draft on conforming amendments.

Practitioners will need to prepare for the changes arising from the new quality management standard. The inclusion of related services engagements in Canadian Standard on Quality Management 1 (CSQM 1) makes a significant change to the scope of the new standard in relation to the existing CSQC 1. For firms that only complete compilation engagements, they will need extra effort to ensure that they meet CSQM 1 once it becomes effective.

Further information can be obtained from the [CPA Canada website](#).

APPENDIX 3 – COMMON DEFICIENCIES

Financial Statements

ASPE (References are to the *CPA Canada Handbook – Accounting Part II*)

- Debt due on demand, including related party loans, was inappropriately classified as long-term instead of current when there was no or inadequate support for the long-term classification (*Part II 1510.12-.13*).
- Inadequate or no disclosure of the cash accounting policy (*Part II 1540.43-.44*).
- Non-current asset included in current classification (*Part II 1510.03*).
- Major categories of revenue recognized during the period were not disclosed separately by the entity (*Part II 1520.04, 3400.33*).
- Incomplete or missing disclosure of related party transaction disclosures (*Part II 3840.51*) or incorrect measurement (*Part II 3840.07A-.44*), including:
 - Recognized amount of the transactions classified by financial statement category;
 - Description of transactions including those for which no amount has been recognized;
 - Measurement basis used;
 - Terms & conditions for amounts due to/from related parties.
- No disclosure of the future minimum lease payments in aggregate and the next five years (*Part II 3065.77*).
- Inadequate or no disclosure of significant risks arising from financial instruments including liquidity risk, credit

2019-2020 INSPECTION RESULTS *continued from page 9*

risk, currency risk, interest rate risk, market risk and other price risk. No disclosure of concentrations of these risks (*Part II 3856.53-.54, .A66-.A67*)

- No note disclosure that Financial Statements have been prepared in accordance with Canadian ASPE (*Part II 1400.16*).
- Inadequate or no disclosures regarding inventories including the accounting policy's cost formula, carrying amount of inventories in classifications appropriate to the entity and the amount of inventories recognized as an expense during the period (*Part II 3031.35*).
- Inadequate disclosure for each major class of property, plant and equipment under capital lease (*Part II 3065.73*).

Not-for-Profit Organizations (References are to the *CPA Canada Handbook – Accounting Part II and III*)

- Inadequate or no disclosure of the significant accounting policy for revenues other than revenues from contributions (*Part II 1505.03, 1505.06, 3400.31*).
- The significant accounting policy with respect to recognition of contributions was not disclosed (*Part III 4410.10, 4410.21*).
- For a not-for-profit organization using the restricted fund method, the statement of operations did not present, for each of the general fund, endowment fund and other restricted funds (*Part III 4400.35*):
 - The total for the period for each financial statement item recognized;
 - The excess (deficiency) of revenues and gains over expenses and losses for the period.
- A not-for-profit organization did not state prominently in the notes to its financial statements that its financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (*Part III 1401.17*).
- There was inadequate disclosure where fundraising and general support expenses for a not-for-profit organization were allocated to other functions (*Part III 4470.08*).
- Incomplete or missing disclosure of related party transactions (*Part III 4460.07*).
- Missing presentation on the Statement of Financial Position (*Part III 4400.19*).
- Missing disclosure of (*Part III 4410.22-.24*):
 - Contributions by major source;
 - Nature and amount of contributed materials and services.

- No description of a not-for-profit organization's purpose, its intended community of service, its status under income tax legislation and its legal form (*Part III 4400.04*).
- For a small not-for-profit organization with average annual revenues of less than \$500,000 (*Part III 4431.38*):
 - Policy followed in accounting for tangible capital assets;
 - Information about major categories not recorded in the statement of financial position, including a description of the assets;
 - Amount of tangible capital assets expensed in the current period.

Audit Engagements

- When the auditor used audit sampling to provide a reasonable basis to draw conclusions about the population from which the sample was selected, the documentation did not reflect how the auditor met the requirements of the standard. The auditor shall determine a sample size sufficient to reduce sampling risk to an acceptably low level and select items for the sample in such a way that each sampling unit in the population has a chance of selection. The auditor shall perform audit procedures on each item selected for the sample, with a replacement item selected if the procedure is not applicable to the selected item, or treat it either as a misstatement in a test of detail if the auditor is unable to apply the designed audit procedure on it (and project the misstatements found to the population) or as a deviation in a control test. The auditor shall then evaluate the results of the sample and whether it provided a reasonable basis for conclusions about the population that had been tested (*CAS 530 paragraphs 6-11 and 14-15*).
- The auditor did not document the design and performance of substantive audit procedures for each material class of transactions, account balances and disclosures (*CAS 330 paragraph 18; CAS 500 paragraph 6*).
- Analytical procedures were not performed as part of the risk assessment procedures to obtain an understanding of the entity and its environment (*CAS 240 paragraph 23; CAS 315 paragraph 6*).
- The auditor did not document the design and performance of audit procedures to test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements (*CAS 240 paragraph 33; CAS 330 paragraph 20*).
- Auditor did not assemble a complete and final audit file on a timely basis after the date of the auditor's report (*CAS 230 paragraph 14; CSQC 1 paragraph 45*).

2019-2020 INSPECTION RESULTS *continued from page 10*

- Analytical procedures were not performed near the end of the audit to assist the auditor when forming an overall conclusion as to whether the financial statements are consistent with the auditor's understanding of the entity (CAS 520 paragraph 6).
- The auditor did not obtain an understanding of the control environment, control activities relevant to the audit and an understanding of the information systems, including the related business processes, relevant to financial reporting (CAS 315 paragraphs 14, 18 and 20).
- Subsequent event procedures not completed or documented up to the date of the audit report (CAS 560 paragraphs 6-8).
- As part of the risk assessment procedures, there was no documentation of discussion with those charged with governance regarding an understanding of how those charged with governance exercise oversight of management's processes and internal controls for identifying and responding to the risks of fraud and their knowledge of any actual, suspected or alleged fraud, including the response (CAS 240 paragraphs 21 and 22).
- The auditor did not make inquiries of management regarding management's assessment of the risk that the financial statements might be materially misstated due to fraud, and their knowledge of any actual, suspected or alleged fraud affecting entity and document management's response (CAS 240 paragraphs 17, 18 and 19).

Review Engagements

- The areas in the financial statements where material misstatements are likely to arise were not identified (CSRE 2400 paragraph 45).
- No documentation of inquiry & analytical procedures on all material items and areas in the financial statements where material misstatements are likely to arise (CSRE 2400 paragraph 46, 104).

- Practitioner did not assemble a complete and final engagement file on a timely basis after the date of the review engagement report (CSRE 2400 paragraph A174; CSQC 1 paragraph 45).
- In designing analytical procedures, the practitioner did not consider whether the data from the entity's accounting system and accounting records was adequate for the purpose of performing the analytical procedures (CSRE 2400 paragraph 48).
- Inquiries of management of any fraud/illegal acts (CSRE 2400 paragraph 47, 104).

Compilation Engagements

- There was no documentation that the public accountant had considered whether there were any matters that would impair his/her independence. If any matters have been identified, the nature and extent of the impairment will need to be disclosed in the notice to reader communication (CPA Code of Professional Conduct, Rule 204).
- The public accountant did not document in the file that an understanding and agreement with the client had been reached as to the services to be provided (Section 9200 paragraph 16).

Canadian Standards on Quality Assurance

- The firm did not establish a monitoring process that included, on a cyclical basis, inspection of at least one completed engagement for each engagement partner (CSQC 1 paragraph 48).
- The firm did not comply with its documented cyclical monitoring process by having one completed engagement for each partner inspected within the established cycle (CSQC 1 paragraph 48).
- The firm did not perform an ongoing consideration and evaluation of the firm's system of quality control (CSQC 1 paragraph 48).

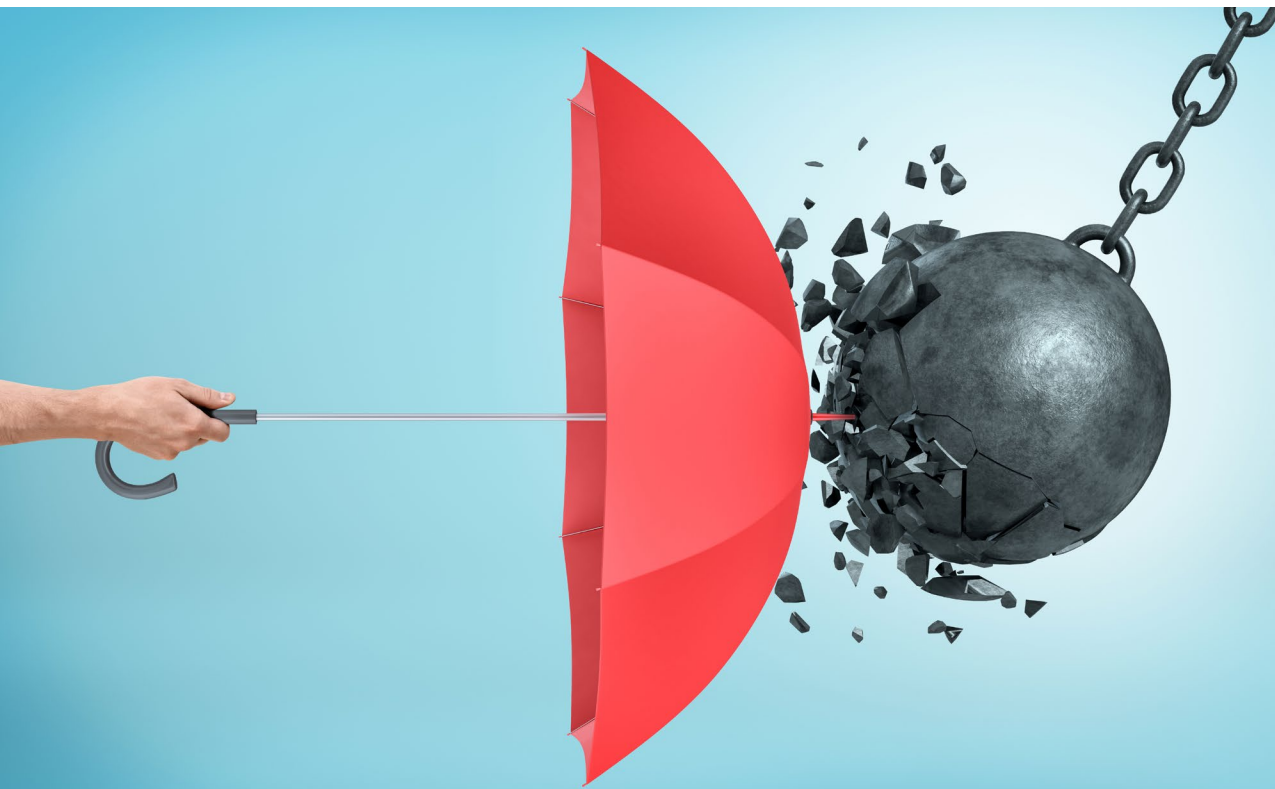
CPA SK PROFESSIONAL DEVELOPMENT – DID YOU KNOW?

- CPA Saskatchewan's PD line-up has gone virtual. Courses are regularly being added to the 2020/21 PD offerings. Go to [Events](#) and search for courses using keywords such as Tax, ASPE, Update.
- Our [Video-On-Demand](#) course offerings have been significantly expanded for 2020/21. Our Video-On-Demand courses are recordings of live offerings of CPA-developed courses. Registrants in these courses may watch as much as time permits and pick up later where they left off.

- CPA SK will work with you to schedule technical courses for your team (in-house offerings).
- CPA SK is planning to offer a mix of virtual and in-person sessions in 2021/22.
- CPA SK wants to hear your ideas for courses that are not currently being offered by CPA SK.

For more information or questions on any of the above topics, connect with Shelley Lukasevich, CPA, CGA at 306-337-2841 or by [email](#).

AS A SASKATCHEWAN CPA, YOU MAY BE ASKED ABOUT PURCHASING AUDIT INSURANCE.



A policy of audit insurance is carried by a professional accounting firm. Claims against that policy are triggered by an audit, enquiry, investigation, or review of certain filings, including those relating to: corporate tax, personal tax, capital gains tax, business audits, payroll audits, employer compliance audits, and GST/HST. The policy purports to cover the firm's professional fees, up to a maximum amount, when a client is compelled by a tax authority, such as the Canada Revenue Agency, to act in some way in respect of its filings.

The terms of specific audit insurance products may differ. For example, the terms and conditions, policy coverages and exclusions, and how clients are to be marketed can vary from product to product. As with any new product, Saskatchewan CPAs should carefully consider how it may affect their professional obligations.

The fundamental principles governing the conduct of CPA Saskatchewan registrants, including members and firms, are set out in the CPA Saskatchewan Rules of Professional Conduct.

continued on page 13

AUDIT INSURANCE *continued from page 12*

Given the nature of audit insurance, issues relating to independence, confidentiality, conflicts of interest, and trust funds, among other things, may come up. In an effort to facilitate a registrant's obligation to ensure compliance with the Rules, CPA Saskatchewan has identified questions which should be asked by Saskatchewan CPAs when considering whether a particular audit insurance product could result in a breach of a registrant's obligations under the Rules.

Here is a non-exhaustive discussion of the Rules registrants should keep in mind when considering a particular audit insurance product and the terms and conditions:

- **Rule 204** relates to independence and deals with situations where a firm's objectivity is under threat. It does not seek to curtail all activities which pose such a threat. Rather, Rule 204 requires a firm to identify and evaluate threats to its independence. For non-trivial threats where there is not a specific prohibition, the firm must apply safeguards to reduce the threats to an acceptable level. Where no such safeguards are available, the firm must not proceed with the practice. The audit of a client by the CRA could trigger a payout from the firm's audit insurance; consequently, it may be perceived as a threat to the firm's independence, as the firm can generate additional fees resulting from such an audit. As such, the firm would need to demonstrate that appropriate safeguards have been put in place.
- **Rule 208** deals with confidentiality, one of the fundamental principles governing professional conduct. The Rule imposes strict constraints on a registrant's use of clients' confidential information. In particular, such information may be used only for specific purposes or with a client's consent. Any disclosure of client information by a firm acquiring or making a claim under an audit insurance policy must be made in adherence with this Rule. Some audit insurance products may include a requirement for disclosure of the firm's complete list of clients and information about the clients' financial positions, not just about those clients that opt for coverage. If a given audit insurance product includes this requirement, a firm should ensure that it handles its clients' confidential information appropriately and in compliance with Rule 208.
- **Rule 210** deals with conflicts of interest. It, in part, requires a registrant to determine whether there is any influence or interest that would cause a reasonable observer to conclude that there is a conflict. Conflicts can take three forms, which may overlap: professional conflicts, legal conflicts, and business conflicts. A business conflict may arise when the business interest of a party to whom the registrant provides professional services is contrary to the business interest of the registrant. If a firm has clients where some portion of the audit-related

services are covered by audit insurance, the firm now has an interest in the work that does not exist in a situation where the client engages the firm when an audit arises. Some specific conflict issues that should be considered are:

- A client-firm relationship is defined in an engagement letter wherein the client engages the firm for specific services the client requires, and the client pays for those services. The client, therefore, knows what work is to be done. The cost for services not covered by a policy of audit insurance falls to the client to pay – on top of their audit insurance fee. In such a case, the client may have no information regarding the insurance claim that the firm makes with respect to that client's work; or
 - A firm, supporting a client during a CRA audit, must not be seen to have focused its effort on performing services which are covered under the insurance policy, at the expense of other services which may be required but that are not covered under the insurance policy. Firms need to consider whether audit insurance coverage offered by and through the firm could represent a real or perceived conflict of interest.
- **Rule 212** deals with the handling of trust funds. The obligations that a firm has under this Rule may be triggered if the funds that the firm receives from a client for payment of an audit insurance premium are deemed to be paid in trust. A firm contemplating providing this insurance to their clients should consider what the nature of the fee revenue collected from their clients is since it is not fees for services provided.

Saskatchewan CPAs and firms should be mindful of their obligations under CPA Saskatchewan's governing documents in all circumstances, including the purchasing of audit insurance. A breach of those obligations may constitute unprofessional conduct, in which case the CPA or firm could face discipline orders under Section 32 of *The Accounting Profession Act*, which can include fines, suspension, cancellation, or costs of the discipline process.

If you have any questions, please direct them to monitoring@cpask.ca.

NEW T4 REPORTING REQUIREMENTS

Members that are responsible for payroll will find the new T4 reporting requirements on the [CRA's Information for Employers page](#).



COMMUNICATION SKILLS DURING A PANDEMIC

By Lorelei R. Johns, CPA, CA, CPA (NE)

On March 1st, we experienced a freeze-frame moment when the novel coronavirus (COVID-19) was declared a pandemic. We were glued to our screens, waiting for updates. Communication of new information was vital to our survival. We felt many emotions. It became clear that communication in a crisis came at us in a variety of forms. Some helpful... some not so helpful.

During extreme stress, our communication skills decrease significantly. We experience increased cortisol and adrenaline that stimulates the “fight or flight” response. The number of messages we can normally process drops by about fifty percent. Our physiological response reduces our ability to listen, problem-solve, and think creatively.

As accountants, not all of us have access to a communications expert. We need to communicate with our staff and clients in a timely fashion. The experts, including the World Health Organization (WHO) and government public health officials, use an amped-up communication skill called CERC – Crisis and Emergency Risk Communication.

As we enter the second wave of COVID-19, let's get you prepared to use CERC for yourselves.

Are you aware of the first rule of First Aid? Remember how the airplane steward instructed you to put on your oxygen mask before your child's? The first rule is to take care of

continued on page 15

COMMUNICATION SKILLS DURING A PANDEMIC *continued from page 14*

yourself first, or you may be incapable of helping anyone else. You need to be healthy and in a calm state of mind to communicate with clients and employees. Using self-care strategies that work for you, like breathing, meditation, exercise, or mindfulness moments, will help you feel in control and communicate effectively.

Let clients and staff know you care about and understand their challenges. The best way to do this is to listen with humility. A practical tip involves listening with your right ear. When your brain is overloaded, the right ear is better at processing and retaining what you hear. Expect to hear feelings of fear, anxiety, and confusion, and acknowledge these emotions with a statement of empathy. By sharing your struggles, you will build transparency and trust. Research shows that the expression of empathy needs to occur within the first 30 seconds of your message.

Be honest and transparent about what you know and what it means for staff and clients. Make sure the message is clear and consistent. Acknowledge what you don't know and how you are going to address that. Setting an optimistic tone and vision of the future will provide hope and a sense of purpose. Keep repeating the message and giving regular updates to increase trust, decrease stress, and create a sense of predictability.

Experts predict a long journey in navigating COVID-19. Humanity, kindness and compassion will help you with every step you take. Regularly check-in with employees regarding how COVID-19 is affecting their lives. Watch for symptoms of stress (e.g., anger, anxiety, lack of motivation, sadness, tiredness, poor sleep). Provide self-care websites. Ensure your employees know where and how to access mental health services and even facilitate access to such services. The CPA Assist program is a good starting point.

And finally, remember that the ordinary now and in the future will always be extraordinary.

Resources

CDC: [Crisis and Emergency Risk Communication by Leaders for Leaders](#) (2019 Update)

CDC: [Crisis Emergency and Risk Communication, Psychology of a Crisis](#) (2019 Update)

WHO: [Mental Health and Psychosocial Considerations during the COVID-19 Outbreak](#) (March 2020)

WHO: [Getting Your Workplace Ready for COVID-19](#) (March 2020)

[CPA Assist](#), CPA Assistance and Wellness Program

USING YOUR FIRM LETTERHEAD: NOT AS INCONSEQUENTIAL AS IT SEEMS

Authored by Quebec CPA Order

As a client service, you print and collate the engagement report and the final financial statements. Printing the engagement report such as a Notice to Reader, Review Engagement Report, or Independent Auditor's Report on your letterhead is acceptable and common practice. However, using your letterhead for individual pages of the financial statements might not be good risk management practice. Here are five reasons why:

1. In a compilation engagement, you are simply compiling the financial statements from information provided by your client and having the financial statements on your letterhead may suggest a higher level of involvement than is appropriate;
2. No matter the type of engagement, the financial statements are management's responsibility;

3. You go to great length to make sure your clients take responsibility for their financial statements by having them sign an engagement letter, a management representation letter and approve journal entries;
4. Assurance standards require management to approve and take responsibility for the financial statements prior to you finalising the report;
5. It is logical to put the report or communication attached to the financial statements on your letterhead since it is your signature at the bottom of the page.

For all these reasons, printing all pages of the financial statements on your letterhead sends the wrong message to your client and third parties using those financial statements.



CYBERSECURITY RISKS ALL FIRMS SHOULD BE AWARE OF

As businesses, employees, and clients adapt to remote work structures, CPAs must practice the profession within the context of the standards of professional conduct to protect their organizations and clients. COVID-19 and remote work arrangements have presented cybersecurity challenges that must be overcome. Emerging threats are significant, and the risks are growing.

Information Security



There are three types of cybersecurity breaches to be aware of:

1. Confidentiality
2. Integrity
3. Accessibility

Confidentiality

Breaches of confidentiality involve the unauthorized access and disclosure of information. These breaches can be particularly damaging for CPAs and firms as the loss or theft of confidential client information could harm the client, lead to loss of trust, and erode the client-practitioner relationship.

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CYBERSECURITY RISKS *continued from page 16*

The right to privacy is a closely related concept. Care must be taken to ensure the privacy of clients' and employees' personal information. In Saskatchewan, the *Personal Information Protection and Electronic Documents Act* (Canada) (PIPEDA) applies to personal information collected, used, or disclosed by private-sector organizations. As a result of COVID-19, firms may be collecting additional information about employees' health, exposure, interactions with other individuals, or travel history. Health information is particularly sensitive and is subject to PIPEDA.

Protect Your Firm

Protective safeguards and best practices, such as the following, should be put in place:

- Using data encryption and password protection when storing and transmitting confidential documents.
- Tightly controlling access with multifactor authentication.
- Logging out of computers when they are not in use.
- Disabling or unplugging smart listening devices (such as Amazon Alexa and Google Home) during work hours.
- Limiting the collection of personal or confidential information to only what is necessary.

Integrity

Integrity breaches can result in corrupted data and the manipulation of information for malicious purposes. These attacks are often difficult to detect and may result in inaccurate information that leads to a loss of trust in your firm. Issues with data integrity may also adversely affect your ability to comply with the *Rules of Professional Conduct* by eroding competence or associating with false or misleading information.

Firms with fewer effective security safeguards in place are more vulnerable to cyber-breaches and are less likely to detect breaches that compromise the integrity of information they hold.

Protect Your Firm

Protective safeguards and best practices, such as the following, should be put in place:

- Periodically inspecting user privileges and reducing them if unneeded.
- Reviewing user accounts for signs of suspicious activity.
- Scheduling regular password changes.
- Backing up data and systems off-site.

Availability

Attacks on availability can prevent authorized users from accessing information or systems when needed. This could result in financial losses for firms due to the inability to access the resources required to perform work as well as the costs associated with regaining access.

Protect Your Firm

Protective safeguards and best practices, such as the following, should be put in place:

- Ensuring adequate network security.
- Updating systems and software regularly.
- Backing up data and systems off-site.

For More Information

To learn more about intrusion prevention and response, incident reporting, end-to-end encryption, and business continuity, firms should seek expert guidance and adopt a culture of continuous improvement towards cybersecurity.

For more information on privacy laws in Canada, [click here](#).

[Click here](#) for more cybersecurity resources. CPA Canada has a website dedicated to helping you address the challenges arising from COVID-19. Find updated information and resources [here](#).



FRAS CANADA ONLINE COMMUNITY PLATFORM

Connect.FRASCanada.ca – Setting great standards, together

Connect.FRASCanada.ca is Canada's accounting and auditing standards boards' new online community platform. It's an easy-to-use way to give your feedback on new and amended standards, take part in post-implementation reviews, or submit issues for discussion at a committee meeting, and much more.

[Register today!](#)

Regulatory Notices are available to the public to help clarify the expectations of Chartered Professional Accountants. These notices pertain to matters that directly impact professional practice and protection of the public.



The Institute of Chartered Professional Accountants of Saskatchewan

NOTICE OF SUSPENSION OF REGISTRATION AS A MEMBER

On September 9, 2020, the Registration Committee of the Institute of Chartered Professional Accountants of Saskatchewan approved the suspension of registration of the following member:

PETER MORIN

The registration of this individual has been suspended for the period of one (1) day pursuant to Regulatory Bylaw 33.1 due to non-compliance with Bylaws 10.4, 23.1, 23.2, 23.3, 23.8, 130.1, 130.9 and Board Rules 323.1 and 467.1.

During this period of suspension, this individual shall not use either the title 'professional accountant', the professional designations 'Chartered Professional Accountant' or 'Certified General Accountant', or the initials 'CPA' or 'CGA' in Saskatchewan.

Authorized by:
Leigha Hubick, CPA, CA
Registrar

September 17, 2020



The Institute of Chartered Professional Accountants of Saskatchewan

NOTICE OF SUSPENSION OF REGISTRATION AS A FIRM

On September 9, 2020, the Registration Committee of the Institute of Chartered Professional Accountants of Saskatchewan approved the suspension of registration of the following firm:

L. PETER MORIN & COMPANY

The registration of this firm has been suspended for the period of one (1) day pursuant to Regulatory Board Rule 333.3.

During this period of suspension, this firm shall not use either the title 'professional accountant', the professional designations 'Chartered Professional Accountant' or 'Certified General Accountant', or the initials 'CPA' or 'CGA' in Saskatchewan.

Authorized by:
Leigha Hubick, CPA, CA
Registrar

September 17, 2020



The Institute of Chartered Professional Accountants of Saskatchewan

**NOTICE OF SUSPENSION OF REGISTRATION
AS A MEMBER**

On September 9, 2020, the Registration Committee of the Institute of Chartered Professional Accountants of Saskatchewan approved the suspension of registration of the following member:

DOMINIC G. POISSANT

The registration of this individual has been suspended for the period of one (1) year pursuant to Regulatory Bylaw 33.1 due to non-compliance with Bylaws 10.4, 23.1, 23.2, 23.3, 23.8, 24.1, 24.2, 24.5, 130.1, 130.9 and Board Rules 323.1 and 467.1.

During this period of suspension, this individual shall not use either the title 'professional accountant', the professional designations 'Chartered Professional Accountant' or 'Certified Management Accountant', or the initials 'CPA' or 'CMA' in Saskatchewan.

Authorized by:
Leigha Hubick, CPA, CA
Registrar

September 17, 2020



The Institute of Chartered Professional Accountants of Saskatchewan

NOTICE OF SUSPENSION OF REGISTRATION AS A FIRM

On September 9, 2020, the Registration Committee of the Institute of Chartered Professional Accountants of Saskatchewan approved the suspension of registration of the following firm:

DOMINIC POISSANT CPA PROF. CORP.

The registration of this firm has been suspended for the period of one (1) year pursuant to Regulatory Board Rule 333.3.

During this period of suspension, this firm shall not use either the title 'professional accountant', the professional designations 'Chartered Professional Accountant' or 'Certified Management Accountant', or the initials 'CPA' or 'CMA' in Saskatchewan.

Authorized by:
Leigha Hubick, CPA, CA
Registrar

September 17, 2020



The Institute of Chartered Professional Accountants of Saskatchewan

**NOTICE OF SUSPENSION OF REGISTRATION
AS A MEMBER**

On September 9, 2020, the Registration Committee of the Institute of Chartered Professional Accountants of Saskatchewan approved the suspension of registration of the following member:

LOREN H. VARGO

The registration of this individual has been suspended for the period of ninety (90) days pursuant to Regulatory Bylaw 33.1 due to non-compliance with Board Rules 331.1(e) and 331.4.

During this period of suspension, this individual shall not use either the title 'professional accountant', the professional designations 'Chartered Professional Accountant' or 'Certified Management Accountant', or the initials 'CPA' or 'CMA' in Saskatchewan.

Authorized by:
Leigha Hubick, CPA, CA
Registrar

September 17, 2020



The Institute of Chartered Professional Accountants of Saskatchewan

NOTICE OF SUSPENSION OF REGISTRATION AS A FIRM

On September 9, 2020, the Registration Committee of the Institute of Chartered Professional Accountants of Saskatchewan approved the suspension of registration of the following firm:

LOREN H. VARGO CPA, CMA

The registration of this firm has been suspended for the period of ninety (90) days pursuant to Regulatory Board Rule 333.3.

During this period of suspension, this firm shall not use either the title 'professional accountant', the professional designations 'Chartered Professional Accountant' or 'Certified Management Accountant', or the initials 'CPA' or 'CMA' in Saskatchewan.

Authorized by:
Leigha Hubick, CPA, CA
Registrar

September 17, 2020



The Institute of Chartered Professional Accountants of Saskatchewan

NOTICE OF SUSPENSION OF REGISTRATION AS A FIRM

On September 9, 2020, the Registration Committee of the Institute of Chartered Professional Accountants of Saskatchewan approved the suspension of registration of the following firm:

DOMINIC POISSANT CPA PROF. CORP.

The registration of this firm has been suspended for the period of one (1) year pursuant to Regulatory Board Rule 333.3.

During this period of suspension, this firm shall not use either the title 'professional accountant', the professional designations 'Chartered Professional Accountant' or 'Certified Management Accountant', or the initials 'CPA' or 'CMA' in Saskatchewan.

Authorized by:
Leigha Hubick, CPA, CA
Registrar

September 17, 2020

DISCIPLINE NOTICES

Notice of Discipline Committee Decision and Order Case #1704-02

ROTELICK, DAVID PEARCE

Following the receipt of a Formal Complaint made by the Professional Conduct Committee, the Discipline Committee commenced a hearing regarding the conduct of David Pearce Rotelick, CPA, CA on March 2-6, 2020 and concluded on October 28, 2020.

The Formal Complaint arose in the context of the delivery of professional services related to advice and execution of a corporate reorganization and sale transaction to a private enterprise and the outgoing and incoming shareholders.

The general nature of the formal complaints on which the Discipline Committee made a determination of guilt relate to professional misconduct as defined in section 26 of *The Accounting Profession Act* ("the Act") and Bylaw 200.4 made or continued pursuant to the Act.

The relevant Rules of Professional Conduct considered are 201.1, 202.1 and 203.1.

Specifically, the Discipline Committee found:

That the member:

continued on page 22

continued from page 21

1. Failed to demonstrate a proper understanding of the applicable tax provisions,
2. Failed to exercise due care in providing advice to the clients, and
3. Failed to correctly advise the clients of the tax consequences of the corporate reorganization and sale transaction.

That the impact on the private enterprise and the outgoing and incoming shareholders was significant.

A copy of the full Decision dated July 23, 2020 is available on our website.

The Discipline Committee therefore issued the following Order:

- That the member shall be fined the sum of \$10,000.00;
- That the member shall receive and acknowledge a written reprimand;
- That the member shall complete 20 hours of verifiable continuing professional development (personal or virtual participation) within nine (9) months of this Order in the area of corporate taxation, specifically containing section 55 components, to be approved in advance by the Registrar. The provider of the verifiable continuing professional development shall be external to Rotelick & Associates. The member is responsible to report and declare the verifiable continuing professional development in the provided tool before the deadline. Proof of attendance at the verifiable continuing professional development is required;
- That pending successful completion of the verifiable continuing professional development referred to in paragraph iii), the member may continue to practice in the area of taxation of corporate reorganizations only under the supervision of a CPA tax practitioner in good standing, external to Rotelick & Associates, approved by the Registrar. Such supervision shall include a detailed review of corporate reorganization tax advisory services. The member shall satisfy all review points from the detailed review of the appointed supervisor prior to filing with the client or Canada Revenue Agency;
- That the member complete the CPA Canada Tax Practice Risk Management Questionnaire and submit a plan to the Registrar to address the deficiencies noted in the firm's current policies, practice and procedures within six (6) months of the Order;
- That notice of the Decision and of this Determination and Order shall be published, on a named basis on the Institute website and newsletters;
- That the member shall be required to pay costs in the sum of \$20,000.00; and
- That the member shall remit payment of all fines and costs as set out above to the Institute within 270 days from the date this Determination and Order becomes final under the bylaws. Failure to pay within the 270 day period shall result in the immediate suspension of the member from the Institute of Chartered Professional Accountants of Saskatchewan and failure to pay within one year from the end of the 270 day period shall result in immediate expulsion from the Institute and striking of the member's name from the register.

The text of relevant bylaws and rules of professional conduct:

Rules of Professional Conduct

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.

A copy of the Determination as to Penalty and Costs dated October 28, 2020 is available on our website.

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

Authorized by:
Leigha Hubick, CPA, CA
Registrar

November 12, 2020

Notice of Discipline Committee Decision and Order Case #1704-02

ROTELICK, JASON MICHAEL JOSEPH

Following the receipt of a Formal Complaint made by the Professional Conduct Committee, the Discipline Committee commenced a hearing regarding the conduct of Jason Michael Joseph Rotelick, CPA, CA on March 2-6, 2020 and concluded on October 28, 2020.

The Formal Complaint arose in the context of the delivery of professional services related to advice and execution of a corporate reorganization and sale transaction to a private enterprise and the outgoing and incoming shareholders.

The general nature of the formal complaints on which the Discipline Committee made a determination of guilt relate to professional misconduct as defined in section 26 of *The Accounting Profession Act* ("the Act") and Bylaw 200.4 made or continued pursuant to the Act.

The relevant Rules of Professional Conduct considered are 201.1, 202.1 and 203.1.

Specifically, the Discipline Committee found:

That the member:

1. Failed to demonstrate a proper understanding of the applicable tax provisions,
2. Failed to exercise due care in providing advice to the clients, and
3. Failed to correctly advise the clients of the tax consequences of the corporate reorganization and sale transaction.

That the impact on the private enterprise and the outgoing and incoming shareholders was significant.

A copy of the full Decision dated July 23, 2020 is available on our website.

The Discipline Committee therefore issued the following Order:

- That the member shall be fined the sum of \$10,000.00;
- That the member shall receive and acknowledge a written reprimand;
- That the member shall complete 20 hours of verifiable continuing professional development (personal or virtual participation) within nine (9) months of this Order in the area of corporate taxation, specifically containing section 55 components, to be approved in advance by the Registrar. The provider of the verifiable continuing professional development shall be external to Rotelick & Associates. The member is responsible to report and declare the verifiable continuing professional development in the provided tool before the deadline. Proof of attendance at the verifiable continuing professional development is required;
- That pending successful completion of the verifiable continuing professional development referred to in paragraph iii), the member may continue to practice in the area of taxation of corporate reorganizations only under the supervision of a CPA tax practitioner in good standing, external to Rotelick & Associates, approved by the Registrar. Such supervision shall include a detailed review of corporate reorganization tax advisory services. The member shall satisfy all review points from the detailed review of the appointed supervisor prior to filing with the client or Canada Revenue Agency;
- -That the member complete the CPA Canada Tax Practice Risk Management Questionnaire and submit a plan to the Registrar to address the deficiencies noted in the firm's current policies, practice and procedures within six (6) months of the Order;
- That notice of the Decision and of this Determination and Order shall be published, on a named basis on the Institute website and newsletters;
- That the member shall be required to pay costs in the sum of \$20,000.00; and
- That the member shall remit payment of all fines and costs as set out above to the Institute within 270 days from the date this Determination and Order becomes final under the bylaws. Failure to pay within the 270 day period

continued on page 24

DISCIPLINE NOTICES *continued from page 23*

continued from page 23

shall result in the immediate suspension of the member from the Institute of Chartered Professional Accountants of Saskatchewan and failure to pay within one year from the end of the 270 day period shall result in immediate expulsion from the Institute and striking of the member's name from the register.

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The text of relevant bylaws and rules of professional conduct:

Rules of Professional Conduct

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.

A copy of the Determination as to Penalty and Costs dated October 28, 2020 is available on our website.

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

Authorized by:
Leigha Hubick, CPA, CA
Registrar

November 12, 2020

Professional and personal savings you'll fall for.

There's a new normal for everyday life, work and the economy. But those challenges also bring opportunities to refocus and adapt. CPA Canada is here to help with great deals on timely solutions for hardware and software, secure file-sharing services, auto savings, and more.

Stay on top of new Member Benefits offers coming your way by signing up for the *Savings and Offers Update* newsletter or the *Member Savings Alert*.



50% OFF!

Sign up for any QuickBooks Online subscription (Easy Start, Essentials or Plus) and receive 50% off for one year.



40% OFF AND MORE!

Save up to 40% off select Dell business tech, plus CPA Canada members save an extra 5% with coupon.



EXCLUSIVE PRICING!

Enjoy exclusive pricing on Microsoft Surface devices & accessories and Microsoft Software price matching & support with Sherweb.



OVER 35% OFF!

Receive over 35% off products from Lenovo. Members also qualify for additional deals, including time-limited sales.



FIRST YEAR FREE!

CPA Canada members receive Verifyle Pro for free, a \$144/year value. Verifyle Pro offers 100GB of encrypted cloud storage, file-sharing and messaging, along with unlimited digital signatures.



SPECIAL DISCOUNT!

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