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The Institute of Chartered Professional Accountants of Saskatchewan Firm Newsletter | Winter 2022









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Content and Editing

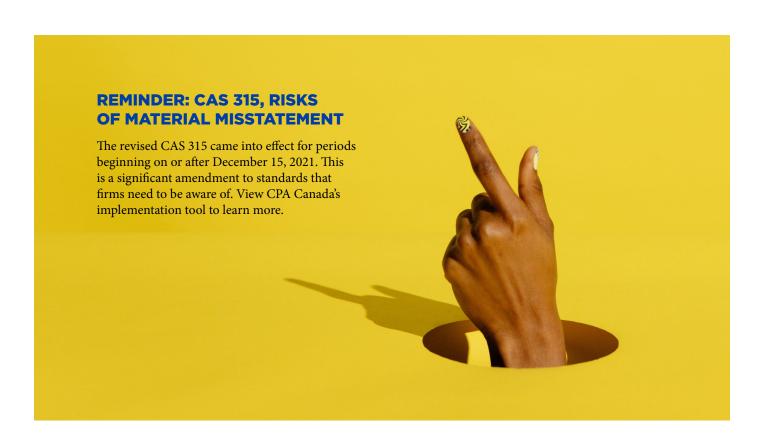
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STANDARD

ARE YOU READY FOR THE NEW COMPILATION ENGAGEMENT STANDARD?

Wow! December 14, 2021, came so fast... are we ready? I've asked myself this question numerous times since the announcement of the new compilation engagement standard (CSRS 4200). Although the current standard has been in effect for over 30 years, my first thought was, "urgh, I need to apply a new standard after all the craziness of COVID-19"! I just learned how to work remotely, communicate and exchange information with our clients safely, keep up with CRA daily changing programs, and now the one area I was familiar with is changing. However, the more I started reading about the standard, the more I was excited about the changes. Maybe it is the auditor side of me, but I think this new standard is going to provide a consistent product to our clients and users of the financial statements.

The details in our files are going to change; the look of our financial statements (oops... financial information) is going to change and, truthfully, change is scary. However, we have decided to focus on the positives and enjoy the ride. We are taking this opportunity to implement firm standards and consistency in our files. This fall, we will focus on staff training and policies.

CPA CANADA PRACTITIONER ALERT

Guidance and resources for implementing CSRS 4200

As a firm leader, the new standard will require additional administration time. Our firm already has a quality assurance manual to comply with CSQM standards. But, for a compilation-only office, this is another change and more administration time to comply with the new CSQM standard that includes CSRS 4200. CPA Saskatchewan also requires licensing requirements for firms that provide assurance services; the CSRS 4200 will scope in compilation engagements, and this will require compilation-only firms to be licensed and comply with CPA Saskatchewan minimum requirements for files (hours) and education.

Documentation; are you scared yet? This seems to be the area accountants fall short on; we are better with numbers than words. We have a lot of information about our clients in our head: who the shareholders are, what industry they operate in, what accounting software they use, who the bookkeeper is, etc. Every one of us likely knows this for each of our clients off the top of our head, but do we have it written down anywhere? A couple years ago, we implemented a checklist so that if Karen or I get hit by a bus (morbid, I know) someone could pick up our file and have the backbone of the entity right in front of them. The introduction of the documentation requirement will improve our files and add consistency.

Let's be honest. We are all doing more work in our files than the current standard requires. Our ethics, our pride in our profession, and our responsibility to our clients ensure we balance the bank, record accounts receivable and payable, and record capital asset additions, disposals and related amortization. Now we are in the process of determining how and when to record the other stuff (future taxes, prepaid inputs, capital leases, etc.) to ensure the financial information is not false or misleading. Do we apply an office standard that every file has these recorded, or do we apply a "materiality" factor? What is the cost / benefit for the client and do they want to pay more for us to calculate and record \$500 of future taxes payable? This is a work in progress for us, and we hope that, as we work more with the standard, we will find that it is not as stressful as we think it might be.

With the new standard and the additional disclosure and documentation process, the time for each file will increase. This is a strain on our senior staff. Most of us don't have any extra time, so the reality of adding more hours to each file is overwhelming. With the additional time also comes the conversation with our clients that their invoices are going will increase. We can all agree that this is often a difficult conversation as many of our clients aren't thrilled when their invoices go up. This will require us to educate our clients and explain the benefits that will arise from the new standard.

There is a lot of information and training available for our firms. Learn all you can, embrace the change, and cross your fingers that your practice reviewer agrees with you next year!

Marla Yeadon, CPA, CGA Partner, Ingram & Yeadon Accountants Melfort, Saskatchewan





RULES

NEW RULES RELATED TO COMPILATION ENGAGEMENTS!

Canadian Standards on Related Services (CSRS) 4200 replaces Section 9200; therefore, CPAs will not be permitted to issue Notice to Readers for applicable engagements for periods ending on or after December 14, 2021. As the new compilation engagement report references the CPA Canada Handbook, compilation engagements will be categorized as the Practice of Professional Accounting as defined in Section 18 of *The Accounting Profession Act*. As a result of this change, a new tier of licensing for compilations is introduced in CPA Saskatchewan Rules.

In summary, the compilation licence will require the following:

EXPERIENCE

A minimum of 15 compilation engagements over the last 5 years

EDUCATION

Minimum requirement met in legacy education programs and CPA PEP program upon qualifying for membership

For more information on the minimum requirements for compilation licensing, <u>click here</u>.





WHY SHOULD CLIENTS HIRE A LICENSED CPA?

For many small and mid-size businesses, financial statement preparation means receiving a compilation engagement. Businesses can rely on the CPA profession to produce high quality financial statement information.

It has been almost 35 years since the standard on compilation engagements has been revised. The new Canadian Standard on Related Services (CSRS) 4200, Compilation Engagements, updates and strengthens the requirements and guidance for accepting, conducting and reporting on compilation engagements. Its impact will not only be felt by practitioners, but also by users—including loan officers who use compiled financial information when granting loans or extending credit to small and mid-sized companies.

The introduction of this CSRS 4200 will increase regulation for practitioners by bringing compilation engagements into the reserved area of practice of professional accounting.

CPA Saskatchewan has a legislated objective to assure the public of the work performed by registrants, specifically by establishing minimum requirements for the competency of registrants.

Some businesses need to be convinced of the benefits of choosing a licensed CPA when they might be presented with alternative options to hire non-licensed, non-CPAs at a lower cost. The provision of professional accounting services in line with standards of professional conduct is a highly specialized function within the overall umbrella of accounting services. A licensed CPA must meet rigorous qualification criteria including depth in their education program, maintaining relevant practical experience, and keeping up-to-date on technical competencies as we explain below.

View the CPA Canada CSRS 4200 Implementation Tool

THE IMPACT OF ASSURANCE AND FINANCIAL INFORMATION TO OUR ECONOMY

The pace of change in our world is accelerating.
With globalization, increasing complexity of
economic transactions, and rapid advances in
technology, the level of sophistication in our markets
and economy continues to grow. As the complexity of
our world increases, the value of trust in the accuracy of

CLIENT PERSPECTIVE continued from page 6

the information upon which business decisions are based is rising. High-quality reported financial information provided by an objective, experienced, and qualified CPA plays a crucial role in building and maintaining trust and confidence in reported financial information. In turn, this creates positive economic growth and serves to protect the public interest.

Given the level of reliance placed on financial information by the public and the underlying economic systems, there is an indisputable need to protect the quality of the services used to uphold the public's trust in reported financial information.

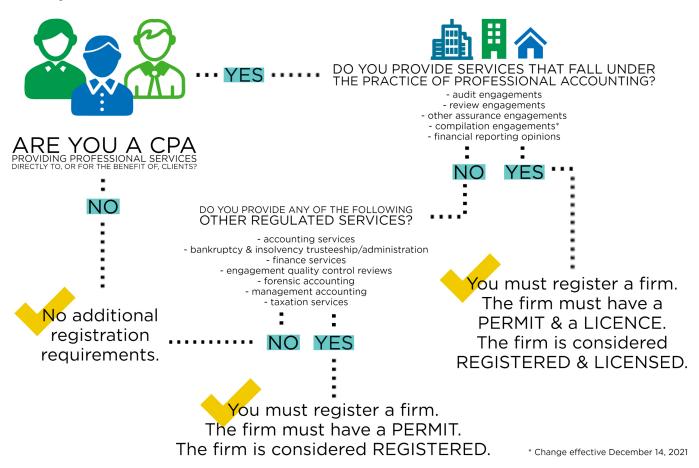
THE MICRO VIEW - HOW DOES THE CPA PROFESSION PROTECT THE QUALITY OF PROFESSIONAL **ACCOUNTING SERVICES?**

Our profession is privileged to have enshrined the practice of professional accounting within law, giving CPA Saskatchewan the ability to self-regulate the provision of these services to clients in Saskatchewan through a system of firm registration and licensure.

Firm registration and licensure with CPA Saskatchewan is required when a member engages in the "Practice of Professional Accounting". The Practice of Professional Accounting is a reserved area of practice, meaning there is specific legislation enacted to ensure these services can only be provided by a licensed CPA member through a licensed CPA firm. The Practice of Professional Accounting includes the following engagements under Subsection 18(1) of The Accounting Profession Act:

- · Audit engagements
- · Other assurance engagements, including review engagements
- Providing financial reporting advice that references the professional standards within the CPA Canada Handbook
- Compilation engagements under CSRS 4200

A member requires a licence when they are a practice leader signing or issuing reports on behalf of a firm. Firms with at least one member practicing professional accounting must also be licensed. The following flowchart best illustrates the requirements for firm registration and licensure:



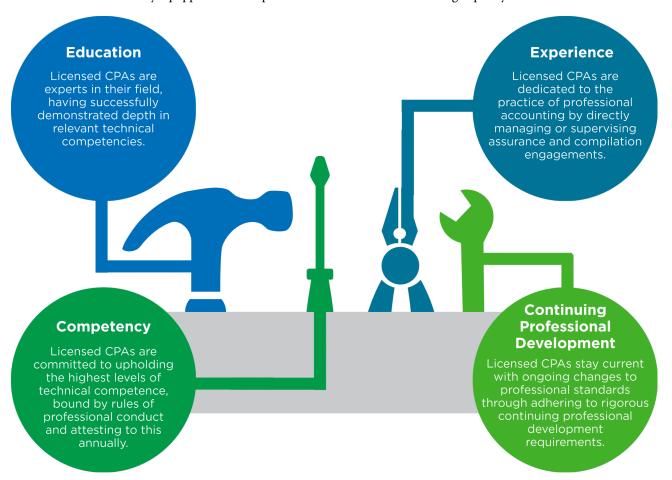


CLIENT PERSPECTIVE continued from page 7

WHAT IS THE VALUE OF A LICENSED CPA?

Under Regulatory Bylaw 16.12, only licensed members and firms may use the term "Licensed Professional Accountant" when signing assurance or compilation engagement reports issued under the name of the licensed firm.

A licensed CPA comes fully equipped with this powerful toolbox used to execute high-quality work:



Not only are licensed CPAs experts in the provision of professional accounting services, they also have the skills to provide value-added services to their clients by making recommendations for process improvements or suggestions to increase the efficiency and effectiveness of operations. Clients of Licensed CPAs have access to this entire toolkit, benefiting from the unique perspective of these highly qualified professionals.

Within CPA Saskatchewan's mandate to protect the public, unlicensed practice is taken very seriously. When an unlicensed, unauthorized individual or firm provides assurance or compilation engagement services referencing the standards of the profession within the CPA Canada Handbook, there is significant exposure to the public. One of the most important public protections is professional liability insurance coverage, which is a requirement of firm registration. This has a significant impact if a CPA makes a

mistake in their work and is sued for negligence. Without insurance, any court awards would need to be borne out of the individual's own pocket.

LICENSED CPAS ARE WORTH THE INVESTMENT

As explained above, the level of quality in professional accounting services is directly correlated with the degree of confidence the public is able to place on reported financial information. Through legislating and regulating the provision of professional accounting services through licensed CPA members and firms, the public gains the confidence they need to make informed decisions for the betterment of our economy and society as a whole. When considering the importance of the public trust that is placed on professional accounting services, the value of a licensed CPA far outweighs the investment in annual engagement fees.



PRACTICING IN ASSOCIATION WITH NON-MEMBERS

CAN A CPA WORK FOR A NON-MEMBER AND SIGN REPORTS (ASSURANCE OR COMPILATION)?

The common answer is **no**.

CPA Saskatchewan only has jurisdiction to register, licence, investigate and discipline registrants in Saskatchewan. CPA Saskatchewan does not regulate the practice of non-registrants.

CPA Saskatchewan Rules do not contemplate a CPA engaging in the practice of professional accounting or other regulated services as an employee or contractor when engagements are being issued by a non-registrant. Meaning, the regulation of the profession requires that members who provide services to or for the benefit of a client must register a firm. Firms may be sole proprietors, partnerships, another type of entity or professional corporations. Therefore, a CPA working or contracted as an employee of a non-registrant firm would be required to register a firm, obtain PLI and be subject to inspection. Rare exceptions occur, contact registrar@cpask.ca for more information or to set up a call.

This means that a CPA cannot carry on the practice of professional accounting through an entity owned or co-owned by a non-member. You can only provide professional accounting or other regulated services through a firm fully owned by CPAs, that is licensed and registered with CPA Saskatchewan.

BUT WHY?

The government has delegated to the Institute self-regulatory status, with those objects as fundamental requirements for CPA Saskatchewan, as follows:

- (2) The objects of the institute are:
 - (a) to regulate the practice of the profession and to govern the registrants in accordance with this Act and the bylaws; and
 - (b) to assure the public of the knowledge, skill, proficiency and competency of registrants in the practice of professional accounting and other services provided by registrants.

To fulfill the objective of the legislation, CPA Saskatchewan must be in a position to assure the public of the work performed by registrants, and to do that we need jurisdiction over their conduct.

UNDERSTANDING THE RULES

When a CPA works with a non-member in the practice of professional accounting or other regulated services, you are directly responsible for their compliance (or failure to comply) with the CPA Code, which is deemed to apply as if the non-member were a member. This also applies when a non-member owns an interest in or works for a "related business or practice".



PRACTICING IN ASSOCIATION WITH NON-MEMBERS continued from page 9

Always ensure that non-members performing services under the authority of a CPA have adequate training and supervision. The following considerations, although not an exhaustive list, are critical when a CPA associates with a non-member:

- Ensure the non-member complies with the fundamental principles of the CPA Code, in addition to specific rules that apply to them. Advise them that they have a fundamental responsibility to act in the public interest by maintaining professional behaviour, integrity, due care, objectivity, professional competence and confidentiality.
- Evaluate the professional competence of the nonmember. Consider their relevant experience, education, professional development, credentials, qualifications, reputation and other professional standards to which they must adhere. If you have not worked with them before, heighten your professional skepticism.
- Ensure adequate training and supervision of the nonmember, as follows:
 - Supervise, direct and evaluate the adequacy of the non-member's work.
 - b. Provide them with detailed descriptions of the nature of their responsibilities and the objectives and scope of their work, along with the necessary instructions and information to perform their work.
 - c. Review their working papers on a timely basis to evaluate its quality and the conclusions reached.
 - d. Ask about or provide relevant training to ensure they are qualified for the work being performed.
 - e. Remain alert to changes in conditions or results that impact your initial evaluation of them.
- 4. Consider whether you or the non-member is ultimately responsible for the work product or engagement. If you are responsible for the work product or engagement, you should:
 - a. maintain a direct relationship with the client,
 - b. obtain an engagement letter, and
 - c. sign and issue the relevant engagement report (if any). If the non-member engaged the client, obtain the client's consent to access all information required to perform your role in the engagement.
- Mitigate your exposure to professional liability risk for the non-member's work. Consider whether the nonmember is covered under your firm's professional liability insurance policy or whether they have separate, adequate coverage.

- 6. Prepare an agreement with the non-member. Outline the following:
 - a. terms of the engagement,
 - b. roles and responsibilities of each party,
 - c. nature or scope of their work,
 - d. relevant technical performance standards or other professional or industry requirements, and
 - e. effective date or work period covered. Consider having the agreement reviewed by a lawyer.

If your firm has engaged a non-member who is an expert in a field other than accounting or auditing to assist you in obtaining sufficient, appropriate audit evidence in an audit engagement, you must meet additional requirements in CAS 620.11 in the Assurance Handbook. Overall, it is your responsibility to ensure that any association with a non-member in the practice of professional accounting meets the high standards of the CPA profession. As no two situations are identical, CPAs are responsible for ensuring that their own situation complies with the CPA Saskatchewan Rules. Please note that this article is considered to be nonauthoritative guidance only.

INSPECTION RESULTS

PRACTICE INSPECTION RESULTS FOR 2020-2021

The purpose of the Practice Inspection Program is to protect the public through assessing a practitioner's/firm's compliance with professional standards, and by requiring the practitioner/firm to take 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 all registered firms practicing in assurance and compilations on a four-year, risk-adjusted cycle. In the case of a newly registered firm, a practice inspection is performed within its first year of operations.

During the practice inspection, practice inspectors may identify deficiencies related to material areas, balances, assertions, and disclosures where financial reporting or assurance standards are not met (called reportable deficiencies). Reportable deficiencies are reported to the CPA Saskatchewan Professional Practice Committee ("Committee"). Based on the nature and significance of the reportable deficiencies identified, the inspector assesses an inspection into one of three categories:

- 1. **Meets Requirements**: no further action is required but the firm is expected to address the reportable deficiencies (if any), the firm will be inspected in the next practice inspection cycle;
- 2. Meets Requirements with Action Plan: the firm is required to provide an action plan which includes detailing how the reportable deficiencies will be addressed on all engagements going forward. The inspector may also recommend the Committee consider other actions, such as professional development in financial reporting or assurance topics or developing processes to ensure templates and checklists are reflective of current standards. If the action plan is deemed satisfactory, the firm will then be inspected in the next cycle; and
- 3. Does Not Meet Requirements: the firm is required to undergo a follow-up inspection within the next year, either in one area specifically (e.g., audit documentation) or in all areas. Other potential consequences may be recommended to the Committee, such as the requirement to take professional development in specific areas or to complete file monitoring. The inspector may also recommend that the Committee place conditions or restrictions on the licences of a member or firm, which may include the requirement to obtain monitoring

services from another licensed member (either internally or externally). The Committee may cancel a licence or may make a complaint to the Professional Conduct Committee to proceed through the professional misconduct process.

The inspector's assessment of the firm and the related reportable deficiencies are reviewed by professional staff. The Committee makes the final approval on an anonymous and redacted basis. The Committee is comprised of 10 licensed CPA members and one public representative who meet about six times a year to discuss and approve various matters, which include determining the practice inspection results of firms.

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

- the extent to which the requirements of the Practice Inspection Program have not 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.



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INTRODUCTION

As an outcome of the COVID-19 pandemic, we recognize this past year may have been particularly challenging for practitioners and firms who had to significantly transition their practices. In May 2020, CPA Saskatchewan's Practice Inspection Program shifted to remote inspections of all firms to continue to protect the public while supporting the health and safety of our staff and practitioners. The return to in-person inspections for a limited number of inspections commenced in the summer of 2021. A hybrid approach of inspections occurring in-person and occurring remotely is expected going forward.

The next section of this article focuses on key practice inspection observations from the 2020-21 inspection year (from April 1, 2020 to March 31, 2021), which include the most significant areas where firms did not meet standards. Following that are highlights of the areas of focus in the 2021-22 inspection year.

2020-21 PRACTICE INSPECTION HIGHLIGHTS

During the 2020-21 inspection year, 109 (2019-20: 91) practice inspections were completed with an overall pass rate of 85% (2019-20: 77%). Of the total inspections completed:

65

(2019-20: 61) of the inspections, or 60% (2019-20: 67%), were practices that performed assurance engagements; and

44

(2019-20: 30), or 40% (2019-20: 33%), were practices that did not perform any assurance engagements ("non-assurance").

For the 65 inspection of practices which performed assurance engagements:

77%

(2019-20: 67%) were assessed by the Professional Practice Committee as "Meets Requirements" or "Meets Requirements with Action Plan"; and

23%

(2019-20: 33%) were assessed by the Committee as "Does Not Meet Requirements" and, therefore, required a follow up inspection of the office, of which 2% (2019-20: 2%) were also required to have a supervised practice. Of the 44 inspections of practices which did not perform any assurance engagements:

98%

(2019-20: 97%) were assessed by the Committee as "Meets Requirements" or "Meets Requirements with Action Plan"; and

2%

(2019-20: 3%) were assessed by the Committee as "Does Not Meet Requirements" and, therefore, required a follow-up inspection of the practice.

Lastly, included in the 109 practice inspections were 18 follow-up inspections of practices. For these follow-up inspections:

7

inspections or 39% (2019-20: 50%) were assessed by the Committee as "Meets Requirements" or "Meets Requirements with Action Plan";

11

inspections or 61% (2019-20: 50%) were assessed by the Committee as "Does Not Meet Requirements" and thereby, requiring a follow up inspection of the office, of which 1 inspection or 6% (2019-20: 33%) was also required to have a supervised practice.

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

- In more than half of these inspections, there was inadequate work and/or insufficient documentation around key assertions of material balances and classes of transactions in their assurance engagements inspected;
- There was insufficient documentation to support engagement planning, including an understanding of the entity and the accounting systems and processes to drive out risk assessments in assurance engagements inspected;
- Some firms that performed review engagements did not consider the additional procedures and related documentation required under CSRE 2400 compared to the previous review standards (Section 8100/8200); and
- Some firms early adopted the new CSRS 4200
 Compilation Engagement standard but missed some of the key requirements under the new standard.

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KEY PRACTICE INSPECTION OBSERVATIONS

The items identified below may not be the most commonly identified deficiencies (see "Appendix 2" for a listing of these); however, they are considered some of the more significant items which can have a greater impact on the overall quality of work performed. The absence of sufficient evidence to support work performed in these areas usually resulted in an inspection being assessed as "Does Not Meet Requirements" by the Committee.

I. Audit Engagements

A. Auditing Revenue (CAS 240 and CAS 330)

Revenue is an area in an audit with greater susceptibility to material misstatement. Material misstatement may arise from the complex recognition requirements related to the characteristics of various revenue streams and the presumptive risk of fraud when accounting for revenue. Revenue recognition should normally be considered a significant risk in the audit and auditors should ensure the audit procedures performed address this significant risk. Often auditors carry out procedures that focus on the transactions that are recorded instead of also considering how and when various revenue streams are earned. As a result, procedures may not have been performed to address the risks related to each significant revenue stream in an entity.

B. Auditing of Accounting Estimates (CAS 540)

The audit of accounting estimates that involve significant assumptions and judgments is an area where auditors fail to carry out sufficient or appropriate audit procedures. Auditors must continue to apply an appropriate level of professional skepticism when reviewing information provided by management as it may be unreliable or contain biases. Without applying professional skepticism, the auditor may over-rely on management's representations. Auditors must seek out and evaluate unbiased third-party evidence which will corroborate or contradict management's position and follow-up on any instances where evidence is not consistent with the auditor's understanding or expectations.

C. Analytical Procedures (CAS 315 and 520)

Analytical procedures are required throughout various stages of the audit including at planning, performance, and completion. Analytical procedures done at planning are a key step in identifying and assessing risks of material misstatement in the financial statements. Analytical procedures done at completion allow the auditor to ensure the overall results of the audit are consistent with their

understanding of the entity after considering the procedures performed. Without completing analytical procedures, the auditor increases their risk of material misstatement going undetected.

D. Audit Sampling (CAS 530)

When conducting substantive audit procedures, an auditor commonly tests a sample of a balance or transaction stream. When selecting a sample, auditors 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 the results to assess whether reliable, relevant, and sufficient appropriate evidence to form a conclusion on the population was obtained.

It is critical that the sample is representative of the population such that the results can be applied across the population sampled. A common failure includes an example where an auditor may employ a standard sample size on all their engagements without regard to the nature of the population, the risk assessment and the objectives of the audit procedure leading to insufficient or inadequate audit procedures for that account balance and assertion. Auditors 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.

E. Management Override (CAS 240)

The risk of management override exists in all entities audited. Auditors must ensure audit procedures are responsive to the risks relating to management override of controls – which often involves journal entries or other adjustments. Often auditors perform inadequate journal entry testing by limiting this testing to certain dollar thresholds or by documenting a high-level review of journal entries for any unusual items. Given their nature and the increased risk for manipulation, journal entries should be tested to ensure they are appropriate and authorized.



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F. 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 and understanding of the entity and its environment.
- No documentation of discussions with both management and 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:
 - Completeness of accounts payable (search for unrecorded liabilities);
 - Cut-off and completeness of operating expenses;
 - Completeness, accuracy, and cut-off of payroll expenses;
 - Cut-off of revenue, particularly when there are longterm contracts and the percentage of completion method is applied;
 - Accuracy for the recognition of contribution revenue as it relates to the restricted fund method versus the deferral method for NPOs;
 - Valuation of accounts receivable (allowance for doubtful accounts, review of subsequent receipts);
 - Collectability of loans receivable, particularly from related parties;
 - Existence and completeness of inventory (count procedures) and valuation (obsolescence, slow-moving inventory); and
 - Going concern analysis, especially with respect to the impact of COVID-19.

II. Review Engagements

This is the third year in which the new Canadian Standard on Review Engagements 2400 (CSRE 2400) was inspected as part of the Practice Inspection Program. All firms have been inspected that would have transitioned to CSRE 2400. Although most practitioners were successful in transitioning to CSRE 2400, below are some areas for improvement.

A. Understanding the entity, its accounting systems, and records (CSRE 2400.43 & .44)

Understanding the accounting system and records used by an entity is essential to identifying areas where material misstatement is likely to arise. This allows the practitioner to focus analysis and inquiry on these areas. There are instances where this documentation requires improvement to fully comply with CSRE 2400. 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.

B. Areas where material misstatements are likely to arise (CSRE 2400.45 & .46)

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. In addition, when a practitioner has identified an area where material misstatement is likely to arise, additional procedures should be performed to focus on addressing that 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. In determining areas where material misstatement is likely to arise, practitioners often fail to consider material adjustments required in prior engagements or new/unusual transactions impacting the current year.

C. Documentation of inquiry and analysis for key material areas and assertions (CSRE 2400.46)

Most firms that were assessed as not meeting standards in review engagements did not adequately perform and/or document their inquiry and analysis for key material areas and assertions. 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 and, if no further documentation was included in a file, would result in a firm being assessed as not meeting standards. Documentation should be sufficient for an experienced practitioner, having no previous connection with the engagement, to understand:

- the nature, timing, and extent of the procedures
 performed (including who performed the work, the date it
 was completed, and who reviewed the work and the date
 and extent of the review);
- the results obtained from the procedures performed and the practitioner's conclusions arising from those procedures; and
- significant matters arising during the engagement, the practitioner's conclusions, and significant professional judgements made to reach those conclusions.

Financial statement areas where documentation and/or performance of review engagement procedures were often assessed as insufficient are as follows:

- Related party receivables and payables. Procedures should not only address the existence and completeness of 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. The classification of related party balances is of particular concern when there are bank covenants that may be impacted;
- Inter-relationship/comparison of revenues, expenses, gross margin, operating ratios, and balance sheet items;
- Cut-off of accounts payable and inquiries for any unrecorded liabilities;
- Completeness of payroll and related accruals, including vacation payables and banked time;
- Inventory valuation, including client's count procedures and cut-off, especially when there is a risk that some items are slow moving or when inventory is stored at multiple locations;
- Sales cut-off, particularly for complex revenue transactions streams such as when an entity would use the percentage of completion method to recognize revenue;
- Evidence of work performed to determine whether the entity's classification of preferred shares as either debt or equity was appropriate; and

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 Discussions with management and performance of additional procedures regarding any potential contingencies, commitments, and subsequent events

III. Quality Control [CSQC 1.48 and .49]

A firm's quality control system should be designed and implemented to improve overall engagement quality both to ensure that the firm does not issue reports with materially misstated financial statements and to prevent the firm from performing inadequate work to support their reports. There are still firms inspected who have not performed an ongoing evaluation of their quality control system (e.g., yearly) or ensured cyclical monitoring is performed at all or within an appropriate time frame. The absence of effective monitoring is often correlated with 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 the current standards on quality control (CSQC 1) will be replaced by CSQM 1 and CSQM 2 as of December 15, 2022, for firms performing assurance engagements and as of December 15, 2023 for firms whose service provision is limited to related services engagements (which include compilation and trust engagements). Please refer to "Appendix 1" for additional information on these changes.





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IV. Compilation Engagements

Practitioners and firms that perform non-assurance work have continued to be successful in meeting the requirements of the Practice Inspection Program). Previous inspection results identified that firms often included working papers in their file documentation to support that the numbers in the Notice to Reader financial statements are neither false nor misleading; however, in those instances when working papers contained conflicting information which was not addressed or resolved, this led to requirements not being met. In addition, when firms had no underlying documents in their file to substantiate the numbers, this also caused firms to not meet the requirements.

The new Canadian Standard on Related Services 4200 Compilation Engagements (CSRE 2400), which is effective for periods ending on or after December 14, 2021, is *significantly different* from the previous compilation standard (Section 9200). Therefore, it is highly recommended that practitioners understand the new standard by reviewing the Handbook, attending the CSRS 4200 professional development course offerings, and referring to CPA Canada's CSRS 4200 resource page for further guidance.

V. Areas of Focus for the Upcoming Inspection Year

1. Compilation Engagements (CSRS 4200)

As indicated above, the new Compilation Engagement standard is effective for periods ending on or after December 14, 2021, with early adoption permitted. As the previous standard has not changed in the last 35 years, it is anticipated that this revised standard will have a significant impact on practitioners/firms that offer compilation (or non-assurance) services.

Here is a list of some of the notable differences in the new standard:

- There are scope exclusions where certain services being performed do not require the completion of a compilation engagement (CSRS 4200 para 2).
- Prior to acceptance or continuance of 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 (CSRS 4200 para 22).
- When there will be third party reliance on the compiled financial information, management must acknowledge that the third party either is able to request and obtain further information or has agreed with management on the basis of accounting to be applied (CSRS 4200 para 23).

- The requirement of an engagement letter (or other suitable form of written agreement) which captures the new required components (*CSRS 4200 para 24-25*).
- The practitioner must document that they have obtained knowledge related to the entity's business and operations, accounting system and accounting records and the basis of accounting used, and, where applicable, the accounting policies used, in the preparation of the compiled financial information (CSRS 4200 para 27).
- Note disclosure in the compiled financial information on the basis of accounting applied in the preparation of the compiled financial information (*CSRS 4200 para 28*).
- The basis of accounting is selected by management. It is expected that compiled financial information prepared in accordance with a general-purpose framework (i.e., ASPE) will be rare.
- The new compilation report includes responsibility paragraphs (related to management and the practitioner) along with the nature and scope of the compilation engagement (CSRS 4200 para 37-38).

When CSRS 4200 becomes effective, practitioners who perform T1 and/or T2 only engagements will no longer be able to include a disclaimer on the tax returns. Under the new standard, the only communication which would be allowed to be included on these returns would be a full compilation engagement report, which would consequently require that the engagement includes performance of all the related compilation engagement procedures.

2. COVID-19 Impact on Engagements

In the past year, the COVID-19 pandemic has impacted, both positively and negatively, the operations of organizations across various industries, and may continue to impact these organizations as the public health guidelines continue to evolve. These changes have resulted in an increased need for professional skepticism as well as practical challenges faced by firms and practitioners providing assurance services within a remote environment. The impact of the pandemic on clients (including people, processes, and technology) and on the way assurance engagements are performed, compounded with the current uncertainty in the economy, only further highlight the importance of the need for professional skepticism. As a result, there has been an added emphasis for practitioners to conduct proper procedures at the planning stage of their engagements to understand their clients' operations and, in particular, any past or planned changes.

In the last inspection year, practitioners/firms did respond appropriately by considering many of the key accounting issues in their engagement files; however, there were some common deficiencies identified relating to the following areas:

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- · Assurance Engagements
 - Professional skepticism with respect to management's assessment of the entity's ability to continue as a going concern;
 - Disclosure and accounting treatment of government assistance (such as year-end accruals related to CEWS, forgivable portion of CEBA loans); and
 - Disclosure of COVID-19 as a subsequent event or as an event that could materially impact the operations of the entity.
- · Non-assurance Engagements
 - Treatment of the forgivable portion of the CEBA loans for tax purposes.

For the current inspection year, inspectors will continue to monitor that practitioners have appropriately assessed and documented the key considerations of COVID-19 in their client engagement files. CPA Canada has developed many accounting and assurance resources, including considerations for the impact of COVID-19 on key financial statement assertions and balances.

APPENDIX 1 - NEW AND UPCOMING STANDARDS

CAS 315 (Identifying and Assessing the Risks of Material Misstatement)

This revised standard is effective for audits of financial statements for periods beginning on or after December 15, 2021 and has undergone significant changes. While the audit risk model and the requirement to identify and assess the risks of material misstatement at the financial statement and assertion levels have remained the same, the revised standard requires auditors to execute a more robust risk identification and assessment to promote better responses to the identified risks. In addition, the revised standard introduces new concepts and definitions, enhancements, and clarifications to help the auditor apply the audit risk model and strengthens documentation requirements related to the exercise of professional skepticism. Therefore, it is strongly recommended auditors fully understand the changes and apply them appropriately in their audit engagements.

Canadian Standards on Quality Management

In January 2021, the Auditing and Assurance Standards Board (AASB) unanimously approved the new quality management standards which are CSQM 1, CSQM 2 and CAS 220. These new standards will impact practitioners performing any engagement performed in accordance with

the *CPA Canada Handbook*, including compilations, which were not previously subject to quality control standards.

- Canadian Standard on Quality Management (CSQM) 1: This standard will replace CSQC 1 and focuses on quality management for firms that perform audits or reviews of financial statements, other assurance, or related services engagements, which will notably include compilation engagements. Therefore, many sole practitioners and small firms will, for the first time, need to design, implement, and operate a system of quality management. As a note, related services engagements do not include tax and consulting services that may be offered by a practitioner but will include legal and real estate trust engagements.
- Canadian Standard on Quality Management (CSQM) 2: This standard focuses on the importance of the role of Engagement Quality Reviews (EQR), currently referred to as Engagement Quality Control Reviews (EQCR). CSQM 2 has been extracted, updated, and expanded in a standalone standard which is currently included in CSQC 1. This standard emphasizes the importance of the engagement quality reviewer's role and discusses the appointment and eligibility of an engagement quality reviewer, along with enhanced performance and documentation requirements of the EQR.
- Canadian Auditing Standard (CAS) 220: The revised standard contains updated requirements and guidance to:
 - Emphasize the engagement partner's responsibilities for quality management at the engagement level;
 - Clarify the role and responsibilities of the engagement partner; and
 - Modernize the standard for the evolving environment.

The effective date of CSQM 1 and CSQM 2, for audits and reviews of financial statements and other assurance engagements, and CAS 220 is as of December 15, 2022, with the requirement that practitioners and firms will need to evaluate their system within one year of this date. With respect to the implementation of CSQM 1 and CSQM 2 for related services engagements, such as compilation engagements, the effective date will be as of December 15, 2023, with the requirement to evaluate their system within one year of this date.

Practitioners should begin preparing for these upcoming changes relating to the new quality management standard, particularly those firms that only offer compilation engagement services, as there will be additional effort to adopt the new standards.

Further information on the Canadian Standards on Quality Management can be obtained from the <u>CPA Canada website</u>.



APPENDIX 2 - COMMON DEFICIENCIES FINANCIAL STATEMENTS

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

- 1. Inadequate 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 and conditions for amounts due to/from related parties.
- Inappropriate classification of debt due on demand, including related party loans, as long-term instead of current when there was missing or inadequate support for the long-term classification (*Part II 1510. 13*).
- 3. For preferred shares issued in a tax planning arrangement which are redeemable at the option of the holder and classified as equity, failure to present the preferred shares as a separate line item in the equity section on the face of the Balance Sheet, together with the total redemption amount for all such shares outstanding and the aggregate redemption amount for each class of such shares (*Part II 3856.23*, .47 for pre December 2018 amendments).
- 4. Inadequate or missing disclosure of the significant risks arising from financial instruments (*Part II 3856.53*, 3856.A66)
 - · Credit risk;
 - · Currency risk;
 - Interest rate risk;
 - · Liquidity risk;
 - · Market risk;
 - Other price risk.
- 5. Inadequate or missing disclosure of financial liabilities that are secured (*Part II 3856.44*) along with the following items:
 - The carrying amount of any assets pledged as collateral for liabilities;
 - The terms and conditions relating to the pledge.
- 6. Inadequate or missing disclosure of the carrying amounts for the following categories of financial instruments (*Part II 3856.38*):
 - Financial assets measured at amortized cost;
 - Financial assets measured at fair value:

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- Investments in equity instruments measured at cost less any reduction for impairment.
- 7. Inappropriate classification of non-current assets as current assets (*Part II 1510.03*).
- 8. Inadequate or missing disclosure of the cash accounting policy (*Part II 1540.43*).
- 9. Inadequate or missing disclosures regarding inventories (*Part II 3031.35*) including:
 - The accounting policies adopted in measuring inventories, including the cost formula;
 - The total carrying amount of inventories in classifications appropriate to the entity;
 - The amount of inventories recognized as an expense during the period.
- 10. Inadequate or missing disclosure of the following when following the income taxes payable method (*Part II* 3465.88):
 - A reconciliation of the income tax rate or expense related to income or loss for the period before discontinued operations to the statutory income tax rate or the dollar amount that would result from its application, including the nature and amount of each significant reconciling item;
 - The amount and timing of capital gain reserves and similar reserves to be included in taxable income within five years;
 - The amount of unused income tax losses carried forward and unused income tax credits;
 - The portion of income tax expense (benefit) related to transactions charged (or credited) to equity.

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

- 1. Inadequate or missing disclosure of the significant accounting policy for revenues other than revenues from contributions (*Part II 1505.03, 1505.06, 3400.31*).
- 2. Inadequate or missing disclosure of the significant accounting policy with respect to recognition of each different type of contribution (*Part III 4410.10*, 4410.25).
- 3. Inadequate or missing disclosure of the following items when following the deferral method of accounting for contributions (*Part III 4400. 26, .4410.53*):
 - The amounts of deferred contributions attributable to each major category of external restrictions with a description of the restrictions;
 - Nature and amount of changes in deferred contributions balances for the period.

- 4. Failure to present the following items on the statement of changes in net assets when relevant (*Part III 4400.41*):
 - Net assets subject to restrictions requiring that they be maintained permanently as endowments;
 - Internally restricted net assets and, separately, externally restricted net assets other than endowments;
 - Unrestricted net assets:
 - · Total net assets.
- 5. Inadequate or missing disclosure of the following items when an organization uses fund accounting in its financial statements (*Part III 4400.12-.14*):
 - The amount and purpose of interfund transfers during the reporting period, presented in the statement of changes in net assets;
 - The amounts, terms, and conditions of interfund loans outstanding at the reporting date.
- 6. Inadequate or missing disclosure of the following items to describe the not-for-profit organization (*Part III* 4400.04):
 - The organization's purpose;
 - The organization's intended community of service;
 - The organization's status under income tax legislation;
 - · The organization's legal form.
- 7. Inadequate or missing disclosure of the following information about the organization's transactions with related parties (*Part III 4460.07*):
 - A description of the relationship between the transacting parties;
 - A description of the transaction(s), including those for which no amount has been recorded;
 - The recorded amount of the transactions classified by financial statement category;
 - The measurement basis used for recognizing the transactions in the financial statements;
 - Amounts due to or from related parties and the terms and conditions relating thereto;
 - Contractual obligations with related parties, separate from other contractual obligations;
 - Contingencies involving related parties, separate from other contingencies.
- 8. Inadequate or missing disclosure of the following items in respect of contributions received (*Part III 4410.22-.24*):
 - Contributions by major source;
 - The policy followed in accounting for contributed materials and services:
 - The nature and amount of contributed materials and services recognized in the financial statements.

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- 9. A failure to state prominently in the notes to its financial statements that the not-for-profit organization's financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (*Part III 1401.17*).
- 10. When following the deferral method of accounting for contributions, inappropriate recognition of restricted contributions received for expenses of future periods, for purchase of capital assets, for repayment of debt, or for expenses of the current period (*Part III 4410.31*, 33-34, 38-40, 44-45).

Audit Engagements

- 1. Inadequate or missing documentation of the design and performance of substantive audit procedures for each material class of transactions, account balance, and disclosure (CAS 330 paragraph 18; CAS 500 paragraph 6).
- 2. Inadequate or missing documentation of procedures performed to obtain an understanding of the following (CAS 315 paragraphs 11-22, 32 pre revisions; CAS 250 paragraphs 4, 13-15):
 - Relevant industry, regulatory, and other external factors including the applicable financial reporting framework, including he legal and regulatory framework appliable to the entity and the industry or sector in which the entity operates as well as how the entity is comply with that framework;
 - The nature of the entity, including its operations, its
 ownership and governance structures, the types of
 investments that the entity is making and plans to
 make, and the way the entity is structured and how it is
 financed;
 - The entity's selection and application of accounting policies, including the reasons for changes thereto;
 - The entity's objectives and strategies, and those related business risks that may result in risks of material misstatement;
 - The measurement and review of the entity's financial performance.
- 3. Inadequate or missing documentation of 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).
- 4. When obtaining an understanding of controls that are relevant to the audit, inadequate or missing documentation to support an evaluation of the design of those controls and a determination as to whether they were implemented (CAS 315 paragraph 13 pre revisions).



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- 5. As part of the risk assessment procedures, inadequate or missing documentation of discussion with those charged with governance regarding an understanding of how they 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).
- 6. Inadequate or missing documentation of the reasons for concluding that the presumption of a risk of material misstatement due to fraud related to revenue recognition is not applicable in the circumstances of the engagement (CAS 240 paragraph 26 and 27).
- 7. Inadequate or missing documentation of management's response to inquiries regarding their assessment of the risk that the financial statements might be materially misstated due to fraud, their process for identifying and responding to the risks of fraud, their communication, if any, with those charged with governance and the entity's employees, and their knowledge of any actual, suspected or alleged fraud affecting the entity (CAS 240 paragraphs 17, 18, and 19).
- 8. 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 7-11 and 14-15).
- 9. The audit report was not in compliance with CAS 700 (post-auditor reporting CPA Canada Handbook).
- 10. The written letter of representation obtained from management did not include all relevant matters included in CAS 580 paragraphs 9-14 and Appendix 2.

Review Engagements

- 1. Inadequate or missing documentation of inquiry and analytical procedures on one or more material items and areas in the financial statements where material misstatements are likely to arise (CSRE 2400 paragraphs 46, 104).
- 2. Inadequate or missing documentation of inquiries of management regarding the existence of any actual, suspected, or alleged fraud or illegal acts affecting the entity (CSRE 2400 paragraphs 47, 104).
- 3. Inadequate or missing documentation of the practitioner's understanding of the client (CSRE 2400 paragraph 44), including:
 - Relevant industry, regulatory, and other external factors including the applicable financial reporting framework;
 - The nature of the entity including:
 - Its operations;
 - Its ownership and governance structure;
 - The types of investments that the entity is making and plans to make;
 - The way that the entity is structured and how it is financed;
 - The entity's objectives and strategies;
 - The entity's accounting systems and accounting records;
 - The entity's selection and application of accounting policies.
- 4. The documentation of the practitioner's understanding of entity's accounting systems and accounting records was insufficient or did not include (CSRE 2400 paragraphs 43, 44, 104, A85-A90, A99, A102):
 - · Revenues, receivables, and receipts;
 - · Purchases, payables, and payments;
 - · Payroll.
- 5. The areas in the financial statements where material misstatements are likely to arise were not identified (CSRE 2400 paragraph 45).
- 6. The written letter of representation obtained from management did not include all relevant matters required by CSRE 244 paragraphs 68-70 and 73.

- 7. The practitioner dated the report at a date earlier than the date on which (CSRE 2400 paragraph 103):
 - Those with the recognized authority have asserted that they have taken responsibility for those financial statements;
 - The practitioner has obtained sufficient appropriate evidence as the basis for the practitioner's conclusion on the financial statements;
 - All the statements that comprise the financial statements under the applicable financial reporting framework, including the related notes where applicable, have been prepared.
- 8. The practitioner's report for the review engagement was missing required elements of the report (CSRE 2400, paragraph 94).
- 9. The agreed terms of the engagement, as recorded in an engagement letter or other form of written agreement, did not include all required elements (CSRE 2400 paragraphs 28 and 35), including:
 - The intended use and distribution of the financial statements, and any restrictions on use or distribution where applicable;
 - Identification of the applicable financial reporting framework;
 - The objective and scope of the review engagement;
 - The responsibilities of the practitioner;
 - The responsibilities of management, including:
 - The responsibility for preparation of the financial statements in accordance with the applicable financial reporting framework, including, where relevant, their fair presentation;
 - The responsibility for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
 - The responsibility to provide the practitioner with:
 - Access to all information of which management is aware that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
 - Additional information that the practitioner may request from management for the purpose of the review; and
 - Unrestricted access to persons within the entity from whom the practitioner determines it necessary to obtain evidence.

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- A statement that the engagement is not an audit, and that the practitioner will not express an audit opinion on the financial statements; and
- Reference to the expected form and content of the report to be issued by the practitioner, and a statement that there may be circumstances in which the report may differ from its expected form and content.
- 10. Either no management representation was obtained, or the written representation of management was not dated as near as practicable to, or was dated after, the date of practitioner's report (CSRE 2400 paragraphs 68 and 73).

Compilation Engagements

- Inadequate or missing documentation that the public accountant had considered whether there were any matters that would impair their independence. Or, where matters have been identified, insufficient documentation of safeguards implemented or a failure to disclose the nature and extent of the impairment in the notice to reader communication (CPA Saskatchewan Standards of Professional Conduct, Rule 204.9).
- 2. Inadequate or missing documentation in the engagement 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

- 1. The failure to 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).
- 2. The failure to perform an ongoing consideration and evaluation of the firm's system of quality control (CSQC 1 paragraph 48).
- 3. The failure to perform or document one or more of the following items (CSQC 1 paragraphs 18-34, 43-47; CPA Saskatchewan Standards of Professional Conduct, Rule 204):
 - Written confirmations of compliance with the firm's independence policies having been obtained at least annually from all firm personnel required to be independent by relevant ethical requirements;
 - Appropriate steps having been taken to ensure engagements are performed in accordance with professional standards and applicable legal and regulatory requirements;
 - Appropriate steps having been taken to ensure complete assembly of final engagement file on timely basis after the engagement reports have been finalized.



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REILLY, LANA DALE

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

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

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

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

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

Specifically, the Discipline Committee found that Reilly:

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

The Discipline Committee therefore issued the following Order:

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

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



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The text of relevant bylaws and rules of professional conduct:

Throughout the relevant period

- ICAS Bylaws and CPA Saskatchewan Rules -

Maintenance of Reputation of Profession

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

Integrity and Due Care

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

Professional Competence

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

False or Misleading Documents and Oral Representations

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

For the period after 09 November 2014

- CPA Saskatchewan Rules -

Bylaw

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

(c) competence; and

(b) objectivity;

(d) confidentiality.

Other relevant Rules:

Non-Members practicing through a Firm

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

A copy of the full Decision and Order dated June 18, 2021 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

Registrai

CPA Saskatchewan June 18, 2021

OMURAZAKOVA, ASEL

Notice of Discipline Committee Decision and Order Case #1907-12

Following the receipt of a Formal Complaint made by the Professional Conduct Committee, the Discipline Committee held a hearing regarding the conduct of Asel Omurzakova, CPA, CMA (Omurzakova) on October 19, 2021. The Discipline Committee determined that Omurzakova was guilty of professional misconduct as defined in section 26 of *The Accounting Profession Act* ("the Act") in that her conduct breached Bylaws 200.1(a), 200.1(b) and 200.1(c) of the CPA Saskatchewan ("CPASK") Bylaws and Standards of Professional Conduct.

Rules of Professional Conduct 202.1 (integrity and due care components), 202.2 (objectivity), 204.1, 204.4(22), 204.4(23) (Independence), 206.1 and 206.2 (Compliance with Professional Standards) are relevant.

The context in which the Formal Complaint arose is that Omurzakova, as a registrant, provided audit engagement services to a not-for-profit organization over a period of two years. During the relevant years Omurzakova was a practice leader.

Specifically, the Discipline Committee found that Omurzakova, as the only licensed member and partner of a firm, in respect of services to an audit engagement client for two fiscal years:

- Did not ensure professional services were provided with competence and due care,
- Did not ensure professional services were provided in accordance with generally accepted standards of practice of the profession, and
- As a result, she caused, or contributed to, actual or potential harm to the public and the reputation of the profession.

The Discipline Committee issued the following Order:

- The registrant complete a minimum of ten (10) hours of verifiable continuing professional development in the following areas:
 - Independence and objectivity for Assurance Engagements; and
 - Communications with Assurance Clients, within one (1) year from the date of the Order. The registrant 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.
- The firm engage an external monitor. The monitor must be a licensed member and the name of the monitor must be provided to the Institute prior to the monitoring engagement commencement. Twenty five percent (25%) of audit engagement files prepared by the firm, during the one-year period commencing on the date of the Order, shall be reviewed for compliance with standards of professional practice by the monitor prior to release of the auditor's report for each engagement. The registrant shall provide a monitoring report to the Institute within 90 days of the completion of the monitoring period;
- The registrant pay a fine in the amount of seventy five hundred (\$7,500.00) dollars;
- The registrant receives and acknowledges in writing a letter of reprimand signed by the discipline hearing panel chair; and
- A notice of the Decision and Order be published in the CPA Saskatchewan member and firm newsletters and
 posting on the Institute's website on a named basis in the form of a summary of the discipline hearing panel's
 decisions on the formal complaints and sanctions with a link to the Decision and Order;

With respect to costs and expenses, based on full joint submission, the Panel orders that no cost be assessed to the registrant.



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The text of relevant bylaws and rules of professional conduct:

Bylaw

- 200.1 Practice of the profession or services provided as a Chartered Professional Accountant shall be performed within the context of the following standards of conduct:
 - (a) integrity;
 - (b) objectivity; and
 - (c) competence
- 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 of Professional Conduct

Integrity and Due Care

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

Objectivity

202.2 A member or student shall perform professional services with an objective state of mind.

Independence

Assurance and Specified Auditing Procedures Engagements

- 204.1 A member or firm who engages or participates in an engagement:
 - (a) to issue a written communication under the terms of an assurance engagement; or
 - (b) to issue a report on the results of applying specified auditing procedures;

shall be and remain independent such that the member, firm and members of the firm shall be and remain free of any influence, interest or relationship which, in respect of the engagement, impairs the professional judgment or objectivity of the member, firm or a member of the firm or which, in the view of a reasonable observer, would impair the professional judgment or objectivity of the member, firm or a member of the firm.

204.4 Relevant Sections

Performance of Management Functions

- (22) (a) A member or firm shall not perform an assurance engagement for an entity if, during the period covered by the assurance report or the engagement period, a member of the firm makes a management decision or performs a management function for the entity or a related entity, including:
 - (i) authorizing, approving, executing or consummating a transaction;
 - (ii) having or exercising authority on behalf of the entity;
 - (iii) determining which recommendation of the member or firm will be implemented; or
 - (iv) reporting in a management role to those charged with governance of the entity; unless the management decision or management function is not related to the subject matter of the assurance engagement that is performed by the member or firm.

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Preparation of Journal Entries and Source Documents

- (23) A member or firm shall not perform an audit or review engagement for an entity if, during either the period covered by the financial statements subject to audit or review or the engagement period, a member of the firm or a network firm:
 - (i) prepares or changes a journal entry, determines or changes an account code or a classification for a transaction or prepares or changes another accounting record, for the entity or a related entity, that affects the financial statements subject to audit or review by the member or firm, without obtaining the approval of management of the entity; or
 - (ii) prepares a source document or originating data, or makes a change to such a document or data underlying such financial statements.

Compliance with Professional Standards

- 206.1 A member or firm engaged in the practice of public accounting shall perform professional services in accordance with generally accepted standards of practice of the profession.
- 206.2 A member who has responsibility for the preparation or approval of the general purpose financial statements of an entity shall ensure those financial statements are presented fairly in accordance with generally accepted accounting principles or such other accounting principles as may be required in the circumstances.

A copy of the Decision and Order dated November 2, 2021 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 CPA Saskatchewan

November 8, 2021

FRAPE, ROBERT ARTHUR

Notice of Discipline Committee Decision and Order Case #2005-14

Following the receipt of a Formal Complaint made by the Professional Conduct Committee, the Discipline Committee held a hearing regarding the conduct of Robert Arthur Frape, CPA, CA ("Frape") on March 30, 2021.

The Formal Complaint arose in the context of Frape, as the only licensed member of a firm that was engaged to provide professional services to a Village beginning in or about January 2018 and ending in or about December 2019, failed to provide services with competence and due care.

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 Frape's conduct breached Bylaw 200.1 and Rules of Professional Conduct 206.1, 260.1 and 261.1, made or continued pursuant to the Act.



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Specifically, the Discipline Committee found that Frape:

- Failed to ensure that the audit file was reviewed and approved by a licensed professional accountant prior to
 the release of the audit report for the Village, neither as the licenced member nor through firm policies and
 procedures.
- Failed to ensure the audit engagement for the Village was conducted in accordance with generally accepted standards of the profession and failed to ensure the financial statements were presented fairly.

A copy of the full Decision and Order dated April 14, 2021 is available on our website.

The Discipline Committee therefore issued the following Order:

- The registrant receives and acknowledges in writing a letter of reprimand signed by the discipline panel chair;
- The registrant pays a fine in the amount of seven thousand five hundred (\$7,500.00) dollars;
- The registrant undertakes rehabilitation in the form of professional development by completing eight (8) hours of verifiable continuing professional development in the area of quality control for assurance engagements. Further, that the registrant report and declare the verifiable continuing professional development in the provided tool before the deadline and provide proof of attendance at the verifiable continuing professional development within six (6) to nine (9) months of the Order; and
- The Decision and Order be published in the CPA Saskatchewan member and firm newsletters and posted on the Institute's website on a named basis of with a summary of the professional misconduct and sanction;

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

The text of relevant bylaws and rules of professional conduct:

Bylaw

- 200.1 Practice of the profession or services provided as a Chartered Professional Accountant shall be performed within the context of the following standards of conduct:
 - (a) integrity;
 - (b) objectivity;
 - (c) competence; and
 - (d) confidentiality.

Rules

Compliance with Professional Standards

206.1 A member or firm engaged in the practice of public accounting shall perform professional services in accordance with generally accepted standards of practice of the profession.

Firm's Maintenance of Policies and Procedures for Compliance with Professional Standards

- 260.1 A firm shall establish, maintain and uphold appropriate policies and procedures designed to ensure that its services are performed in accordance with generally accepted standards of practice of:
 - (a) the profession, including the Recommendations and Requirements, as appropriate, set out in the CICA Handbook, and

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(b) the particular business or practice, provided that such standards are not lower than or inconsistent with the generally accepted standards of practice of the profession in which case the generally accepted standards of the profession must be followed.

Firm's Maintenance of Policies and Procedures

- A firm shall establish, maintain and uphold appropriate policies and procedures designed to ensure that, in the conduct of the practice, the members and students of the Institute who are associated with the firm and any other employees of the firm or other persons with whom the firm contracts to carry out its professional services comply with the rules of professional conduct, and in particular:
 - (a) conduct themselves in a manner which will maintain the good reputation of the profession and its ability to serve the public interest;
 - (b) perform their professional services with integrity and due care;
 - (c) comply with the independence requirements of the Institute;
 - (d) comply with the conflict of interest requirements of the Institute;
 - (e) sustain their professional competence and keep informed of and comply with developments in professional standards in all functions in which they practice or are relied on because of their calling;
 - (f) ensure only authorized individuals have access to and can authorize the release of financial and confidential information relating to clients;
 - (g) do not sign or associate themselves with any letters, reports, statements, representation or financial statements which they know or should know is false or misleading, whether or not the signing or association is subject to a disclaimer of responsibility, nor make or associate themselves with any oral report, statement or representation which they know or should know is false or misleading;
 - (h) ensure that partners or others who are not professional colleagues, such as head office personnel,
 - (i) cannot supersede decisions of members relating to the performance of client engagements within the definition of the practice of public accounting, and
 - (ii) are familiar with and comply with The Chartered Accountants Act, 1986, Saskatchewan), regulations, bylaws and rules of professional conduct of the Institute; and
 - (i) ensure that members of the firm who are members of other professional associations comply with those associations' bylaws and code of ethics.

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 19, 2021



