

MARCHAND, MICHAEL A.

Notice of Discipline Committee Determination and Order Case #2010-23 and #2101-01

Following the receipt of five Formal Complaints made by the Professional Conduct Committee, the Discipline Committee held a hearing regarding the conduct of Michael A. Marchand, CPA, CGA (Marchand) on March 8 and 9, 2013.

The Discipline Committee determined that Marchand was guilty of professional misconduct on four of the five Formal Complaints as defined in section 26 of *The Accounting Profession Act* ("the Act") in that his conduct breached Bylaws 200.1(a) and 200.1(c) and Rules 202.1, 203.1 and 206.1 of the CPA Saskatchewan ("CPASK") Bylaws and Standards of Professional Conduct, made or continued pursuant to the Act.

The Discipline Committee determined that Marchand was not guilty of professional misconduct on one of the Formal Complaints as defined in section 26 of the Act in that his conduct did not breach Bylaw 200.1(a) and Rules 260.1 and 261.1.

Determination on the Formal Complaints

The context in which the Formal Complaints arose is that Marchand, as a registrant, performed audit engagement services to two clients between January 2019 to October 2021 and in doing so,

- Marchand did not comply with significant components of the Standards of Professional Practice outlined in the CPA Canada Handbook for at least two audit engagements. The audit engagement documentation was not sufficient to enable an experienced auditor to determine that sufficient, appropriate audit evidence was obtained to support the audit opinion issued.
- Marchand issued two unqualified audit opinions where the audit documentation was not sufficient to support the opinion.
- Marchand did not complete one audit engagement on a timely basis to facilitate the client's compliance with the deadline for submission of its audited financial statements to the Minister of Government Relations as required by Section 186(1) of *The Municipalities Act*.

Determination on Sanction

The Discipline Committee issued the following Order on April 18, 2023:

- Marchand complete ten (10) hours of verifiable continuing professional development in the area of quality control and ethics, within one hundred eighty (180) days of this Order. 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;
- Marchand receives and acknowledges in writing a letter of reprimand, issued by the Discipline Panel Chair, within thirty (30) days of this Order; and
- Marchand pays a fine in the amount of sixteen thousand dollars (\$16,000.00) within ninety (90) days of this Order.

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

A Notice of these determinations be published on a named basis, on the Institute website including the Determination and Order, and in the member and firm newsletters.

The text of relevant bylaws and rules of professional conduct:

Throughout the relevant period

Bylaws

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

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

Rules

Integrity and Due Care

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

Professional Competence

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

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.

A copy of the Determination and Order dated April 15, 2023 is attached as Appendix A.

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

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

April 18, 2023

DETERMINATION AND ORDER
Case #2010-23 and Case #2101-01

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

AND IN THE MATTER OF HEARINGS BY THE DISCIPLINE COMMITTEE
OF THE INSTITUTE OF CHARTERED PROFESSIONAL ACCOUNTANTS
OF SASKATCHEWAN (THE INSTITUTE) CONCERNING FORMAL COMPLAINTS AGAINST
MICHAEL A. MARCHAND, CPA, CGA, BEING A REGISTRANT OF THE INSTITUTE

BETWEEN:

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

- and -

MICHAEL A. MARCHAND, CPA, CGA AS THE RESPONDENT

These matters came before a discipline hearing panel of the Discipline Committee of The Institute (hereinafter referred to as the "Panel") for hearing on March 8 and 9, 2023. In this Determination and Order Mr. Marchand is referred to as the Registrant in respect of these proceedings, and in respect of his conduct which is the subject of these proceedings.

The parties in these matters, by way of a joint preliminary application, submitted that the formal complaints in Case #2010-23 and in Case #2101-01 be heard and determined by the same Panel. The application was approved by the Discipline Committee Chair pursuant to Rule 503.8.

Due to the common characteristics shared by these two cases, a single Determination and Order is issued by the Panel. The common characteristics are that the allegations in each case relate to similar entities being a municipal government, and similar professional services being the audit of annual financial statements.

These proceedings were conducted in accordance with the Discipline Committee's Rules governing Peer-to-Peer discipline hearings, with the agreement of the parties.

The Panel received, reviewed, and accepted joint submissions from the Registrant and the Professional Conduct Committee (the parties) of the evidence of the Registrant's conduct in this matter and harm caused in regard to formal complaints made by the Professional Conduct Committee as cited below. The Formal Complaints in each case relate to the conduct of the Registrant while engaged through a firm to provide annual financial statement audit services to one client for one fiscal year.

The Panel's decisions with respect to this matter follow.

I. DETERMINATION ON FORMAL COMPLAINTS¹:

The following Formal Complaints were filed by the Professional Conduct Committee with the Discipline Committee for determination.

Case #2010-23 Formal Complaint A:

That Marchand, for a period beginning in or about January 1, 2019 through June 30, 2020, as the practice leader of Cogent Chartered Professional Accountants LLP, (later Grant Thornton LLP) and while engaged to provide professional services to Client A, is guilty of professional misconduct as defined in section 26 of the Act, in that he:

Failed to provide professional services with integrity and due care, and therefore breached CPA Saskatchewan Bylaw 200.1(a) and CPA Saskatchewan Standards of Professional Conduct Rule 202.1, in that Marchand issued an unqualified audit opinion where the audit evidence documented in the audit engagement file was not sufficient to support the opinion for the year ended December 31, 2018.

Case #2010-23 Formal Complaint B:

That Marchand, for a period beginning in or about January 1, 2019 through June 30, 2020, as the practice leader of Cogent Chartered Professional Accountants LLP, (later Grant Thornton LLP) and while engaged to provide professional services to Client A, is guilty of professional misconduct as defined in section 26 of the Act, in that he:

Failed to provide services competently and therefore breached CPA Saskatchewan Bylaw 200.1(c) and CPA Saskatchewan Standards of Professional Conduct Rules 203.1 and 206.1, in that he did not comply with one or more of the Standards of Professional Practice outlined in the CPA Canada Handbook noted in Appendices B, C and D for the audit engagement for Client A for the year ended December 31, 2018.

Case #2010-23 Formal Complaint C:

That Marchand, for a period beginning in or about January 1, 2019 through June 30, 2020, as the practice leader of Cogent Chartered Professional Accountants LLP, (later Grant Thornton LLP) and while engaged to provide professional services to Client A, is guilty of professional misconduct as defined in section 26 of the Act, in that he:

Failed to provide professional services with integrity and due care, and therefore breached CPA Saskatchewan Bylaw 200.1(a) and CPA Saskatchewan Standards of Professional Conduct Rules 260.1 and 261.1 in that Marchand:

1. Did not establish, maintain, or uphold firm policies to ensure its services were performed in accordance with generally accepted standards of practice and that members and candidates associated with the firm kept informed of and complied with developments in professional standards; and
2. Maintained and upheld firm policies with respect to audit procedures that were not in compliance with generally accepted standards of the profession.

¹ The Panel has adapted the Formal Complaints and related specific allegations for the purposes of protecting the confidentiality of [client] [third party] information.

Case #2101-01 Formal Complaint A:

That Marchand, for a period beginning in or about December 30, 2019 through October 31, 2021, as the practice leader for Grant Thornton LLP and while engaged to provide professional services to Client B, is guilty of professional misconduct as defined in section 26 of the Act, in that he:

Failed to provide professional services with integrity and due care, and therefore breached CPA Saskatchewan Bylaw 200.1(a) and CPA Saskatchewan Standards of Professional Conduct Rule 202.1, in that Marchand for the year ended December 31, 2019:

1. Did not respond to the client on a timely basis;
2. Did not complete the audit engagement on a timely basis to facilitate the client's compliance with the July 1, 2020 deadline for submission of its audited financial statements to the Minister of Government Relations as required by Section 186(1) of *The Municipalities Act* (Appendix B);
3. Did not document the discussion of fraud with management or those charged with governance, although he was aware that the client had experienced fraud during the period covered by the audit engagement;
4. Issued the Auditor's Report dated August 2, 2020, prior to obtaining management representations on September 4, 2020.
5. Issued an unqualified audit opinion where the audit evidence documented in the audit engagement file was not sufficient to support the unqualified opinion with respect to material financial statement items.

Case #2101-01 Formal Complaint B:

That Marchand, for a period beginning in or about December 30, 2019 through October 31, 2021, as the practice leader for Grant Thornton LLP and while engaged to provide professional services to Client B, is guilty of professional misconduct as defined in section 26 of the Act, in that he:

Failed to provide services competently and therefore breached CPA Saskatchewan Bylaw 200.1(c) and CPA Saskatchewan Standards of Professional Conduct Rules 203.1 and 206.1, in that he did not comply with one or more of the Standards of Professional Practice outlined in the CPA Canada Handbook as noted in Appendices C and D for the audit engagement for Client B for the year ended December 31, 2019.

II. THE PANEL'S REASONS IN SUPPORT OF ITS DETERMINATIONS:

Due to the similarity in the nature of evidence and common nature of allegations such evidence and allegations are described only once unless there is some clear difference in which circumstance a distinction will be made. Cogent Chartered Professional Accountants LLP, which was acquired by Grant Thornton LLP is hereafter referred to as 'the Firm'.

A. Consideration of evidence:

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

The following facts are relevant to one or both of Formal Complaints A and B in both cases:

Jurisdiction including Rules, Standards and Laws:

1. Mr. Marchand was, at all relevant times, a member of the Institute.
2. The Rules cited in the Formal Complaints were those Bylaws and Rules in force and effect at all relevant times.
3. Section 186(1) of *The Municipalities Act* was in force and effect at all relevant times.
4. The Standards of Professional Practice, in particular Canadian Auditing Standards ("CAS"), the Canadian Standard on Quality Control 1 ("CSQC 1") and the Public Sector Accounting Standards, specifically PS1300 outlined in the CPA Canada Handbook and referred to in the Formal Complaints, were in force and effect at all relevant times.
5. The Registrant held a comprehensive licence during the performance of these engagements.

Subject Matter – Entities and Professional Standards:

6. The Firm was engaged to provide annual financial statement audit services for the fiscal year 2018 for Client A, and for the fiscal year ended December 31, 2019 for Client B.
7. The Registrant was the Firm's practice leader responsible for Client A's annual audit engagement for the fiscal year 2018 and for Client B's annual audit engagement for fiscal year 2019.

Registrant Conduct – Audit Engagements:

Auditor's Reports

8. Client A: The Registrant issued the Firm's Auditor's Report on the fiscal 2018 financial statements dated August 15, 2019, on August 15, 2019.
9. Client B: The Registrant issued the Firm's Auditor's Report on the fiscal 2019 financial statements dated August 2, 2020, on September 2, 2020.
10. Client B: The Firm received the signed letter of management's representations on September 2, 2020. The date of the auditor's report did not comply with the requirements in that the date was earlier than the date that the auditor had obtained management's written representation that they had taken responsibility for the financial statements.

Audit Planning, Strategy and Materiality

11. Client A: The audit engagement file included a) the Firm's Audit Planning letter to the client dated January 19, 2019, signed by the Registrant, and b) Planned Risk Assessment procedures and Overall Audit Strategy template programs. The latter were completed, reviewed and signed off, however there were no references to supporting working papers.
12. Client B: The audit engagement file included a comprehensive table format document for audit planning which related to financial statement classes of transactions (scoping), risk assessment at an assertion level and planned audit procedures (responses). Several sections of the audit planning table were left blank, and certain classes of transactions were marked as 'scoped-out' without explanation.
13. The overall materiality for both Client A and B engagements of \$115,000 was based on two percent of gross revenue. Performance materiality was set at seventy-five percent of overall materiality. There was documentation of the rationale for the base of gross revenue in calculating overall materiality. However, there was no documentation of the rationale a) for two percent as the threshold, and b) for performance materiality being set at seventy-five percent of overall materiality.

In the Audit Planning letter, the Registrant advised Client A of overall materiality to be used for the engagement. However, the audit engagement file indicates that the overall materiality to be used in the audit engagement was approximately fifty percent higher

based on two percent of gross revenue. There is no documentation that the client was informed of the increase in planned materiality.

Identification of the Reporting Entity and Consolidated Financial Statements

14. CAS 315.19 requires that an auditor perform risk assessment procedures to obtain an understanding of the entity's organizational structure, ownership and governance as well as industry, regulatory and other factors. PS 1300.07 requires that the government reporting entity include all entities that are controlled by the government.
15. Client A: The fiscal 2018 audited financial statements are titled as "Consolidated Financial Statements". Note 1(a) to the financial statements "Reporting Entity" does not name any entities to be included in the consolidated financial statements. The Firm's audit engagement template programs consider the nature of the entity and related parties and include a statement that there are 'no related parties'. There was no documentation in the audit engagement file identifying potentially related entities and assessing whether they should be included in the reporting entity for the client. There is no audit file documentation of the nature of the entity referred to in financial statement Note 9 - Deferred Revenue, and whether it was considered a potential related party and for consolidation – refer to paragraph 15 in this section.
16. Client B: The fiscal 2019 consolidated financial statements included the proportionate consolidation of the Client's thirty six percent interest in a government partnership representing material financial statement amounts. The audit engagement file did not include documentation of procedures or audit evidence supporting the amounts consolidated in the Client's financial statements other than a leadsheet notation of the partnership name and the confirmation of percentage interest by email from the partnership without any authentication of the credibility of that source.

Auditor's Assessment and Testing of Controls

17. Client A: Working papers A545, A550, A555, and A560 included the auditor's assessment that controls did exist. There was no documentation to support the bases for this assessment, specifically no documentation of a) the controls or procedures that mitigate the risk for all identified risks and b) procedures to tests control existence and effectiveness.
18. Client B: Information system controls were not documented. Further, there was no documentation of whether and how identified control deficiencies were addressed in the audit, other than a notation on, for example, the Accounts Payable audit programs that there is no reliance on controls. The decision to not rely on controls was not supported in the planning of substantive procedures or in the auditor's conclusion.

Fraud

19. Except as noted in paragraphs 20, and 21, there was no other documentation of discussions with management regarding management's processes for identifying, assessing and responding to the risk that the financial statements might be materially misstated due to fraud or error, nor how those charged with governance exercise oversight of management's processes.
20. Client A: Working paper A505 is the "Inquiries of Management and Others" audit program and working paper A506 is the "Identifying fraud risk" audit program which include a section on inquires of management. Working paper A505 was not fully completed and indicates that the inquiries were conducted by the audit senior (a CPA candidate), not the Registrant. Working paper A506 was not completed.

21. Client B: Documentation did include an undated memo (“Fraud Memo”) of discussion with the assistant administrator regarding the resignation of the former administrator as a result of an internal investigation into theft of approximately twenty-five thousand dollars.

Financial statement amounts and disclosures:

22. Inherent risk of material misstatement in certain financial statement amounts or disclosures was other than low. Those accounts and disclosures are, for one or both clients – Cash, Taxes and Other Accounts Receivable, Inventory, Accounts Payable and Accrued Liabilities, Deferred Revenue, and Landfill and Environmental Liabilities.
23. The audit engagement file contained no documentation, or incomplete (in substantive respects) documentation of audit procedures planned, e.g. no account level audit programs, and/or analytical or substantive audit procedures performed for key assertions. For example, there were no account level audit programs for certain accounts.
24. Client A: The fiscal 2019 financial statements, audited by the successor auditor, included a note stating that during the year management identified significant errors in the 2018 financial statements related to:
 - a) Other accounts receivable understated by approximately \$30,000,
 - b) Inventory overstated by approximately \$75,000,
 - c) Tangible capital assets overstated by approximately \$50,000, and
 - d) Accumulated surplus overstated by \$95,000.
25. Client B: The fiscal 2020 financial statements audited by the successor auditor show a material restatement which increased the deferred revenue and reduced 2019 revenue by approximately \$445,000.

The following additional facts are relevant to Case #2101-01 Formal Complaint A with respect to communication with Client B:

26. On January 7, 2020 the Registrant requested the Client send certain information required for the audit prior to the onsite audit work scheduled for March 19, 2020. The information requested by Marchand was delivered to the Firm’s office on April 23, 2020.
27. On March 17, 2020 the first public health order related to COVID-19 was issued by the Province of Saskatchewan and on March 23, 2020 individuals who could work from home were requested to do so by the Province. The Firm closed its offices and staff began working remotely.
28. There was no communication by the audit team to the Client during the period from April 23, 2020 until June 7, 2020. On June 7, 2020 Marchand sent the draft financial statements for the fiscal year 2019 to the Client’s current administrator.
29. On June 16, 2020 the Client requested in writing that Marchand attend or send staff to attend the Client’s Council meeting on July 13, 2020 to discuss the financial statements. There is no written documentation of Marchand’s response at that time. In an email of September 23, 2020 to the Client’s administrator, Marchand states that he had called (no date specified) to arrange for presenting the statements and was awaiting a return call, which implies that no staff from the Firm attended the July 2020 Client Council meeting.
30. *The Municipalities Act* requires that municipalities in Saskatchewan shall have a December 31 fiscal year end and shall submit audited financial statements to the Ministry of Government Relations no later than July 1 the following year. The Act provides that an extension to the filing date may be approved by Council bylaw. On July 13, 2020 the Client’s Council passed a bylaw to extend the deadline for the submission of financial statements to September 13, 2020. The Registrant issued the Firm’s Auditor’s Report dated August 2, 2020, on September 2, 2020.

B. Consideration of allegations¹:

The Panel firstly considered the evidence in relation to the primary allegation in the Formal Complaint B that the Registrant failed to provide professional services in a competent manner, and secondly whether he also failed to provide those professional services with integrity as alleged in Formal Complaint A.

Both Cases - Formal Complaint A:

The facts in each case provide clear and convincing evidence that, in addition to the allegations in Formal Complaint B:

1. The Firm's audit file documentation does not enable an experienced auditor to determine that sufficient, appropriate audit evidence was obtained, through internal control testing and substantive procedures, to support the auditor's opinion in the Firm's auditor's report for Client A or Client B. The Firm's audit file documentation deficiencies were pervasive.

Both Cases - Formal Complaint B:

The facts in each case provide clear and convincing evidence that:

1. The Registrant did not comply with Rule 206.1 in that he did not comply with the Standards of Professional Practice per CPA Canada Handbook. Specifically, the Registrant did not obtain, retain or prepare sufficient audit documentation/evidence to support compliance with the Canadian Audit Standards (CAS) with respect to significant financial statement amounts and audit matters.

Therefore, these specific allegations relating to the Registrant's conduct and made in relation to the Formal Complaints A and B for both cases are proven by the noted facts.

Case #2010-23 – Formal Complaint C:

The following facts are relevant to the Formal Complaint:

1. Appendix A: 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
 - (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.
- 261.1 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: ..."
2. The Rules 260.1 and 261.1 apply to a *firm*.
3. Marchand is registered as a *member* with the Institute and is not registered as a *firm*.
4. Further, Marchand is not a *sole-practitioner*, thus did not have exclusive responsibility for the decisions and policies of the Firm.
5. There is no evidence of the Firm's policies and procedures other than working paper templates.
6. There is no evidence that Marchand was responsible on behalf of the Firm to establish and maintain appropriate policies and procedures required by Rules 260.1, and 261.1.

The facts do not provide clear and convincing evidence that the Registrant was required to comply with either Rule 260.1 or Rule 261.1.

Therefore, allegations relating to the Registrant's conduct and made in relation to Formal Complaint C are not proven by the noted facts.

C. Consideration of Bylaws:

Both Cases - Formal Complaints A and B:

The facts which relate to the specific allegations establish that the Registrant did breach the Bylaws cited in the Formal Complaints.

- Bylaw 200.1 clause a) – Integrity
- Bylaw 200.1 clause c) - Competence

III. SUMMARY OF DETERMINATION ON THE MERITS

Conclusion on Case #2010-23 Formal Complaints A and B: The Panel accepts the Registrant's admission of professional misconduct as noted in the Formal Complaints made pursuant to *The Accounting Profession Act*.

Conclusion on Case #2101-01 Formal Complaints A and B: The Panel accepts the Registrant's admission of professional misconduct as noted in the Formal Complaints made pursuant to *The Accounting Profession Act*.

Conclusion on Case #2010-23 Formal Complaint C: The Panel does not find evidence to support a charge of professional misconduct as described in Formal Complaint C.

IV. DETERMINATION ON SANCTION COMPONENTS:

Having considered the joint submissions of the Registrant and the Professional Conduct Committee on sanction, the core elements of misconduct in these cases related to non-compliance with the Canadian Auditing Standards as described in Formal Complaints A (to the extent of non-compliance that supported the 'failure to provide professional services with integrity'). Formal Complaint C in any event was concurrent with, and not incremental to, the seriousness of the other Formal Complaints in Case #2010-23. Therefore, the following Orders of Sanction and Costs are made:

- a. The Registrant complete ten (10) hours of verifiable continuing professional development in the area of quality control and ethics, within one hundred eighty (180) days of this Order. 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;
- b. The Registrant receives and acknowledges in writing a letter of reprimand, issued by the Discipline Panel Chair, within thirty (30) days of this Order; and
- c. The Registrant pays a fine in the amount of sixteen thousand dollars (\$16,000.00) within ninety (90) days of this Order.

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

A Notice of these determinations be published on a named basis, on the Institute website including the Determination and Order, and in the member and firm newsletters.

Additional conditions to the Determination and Order:

- A. All periods specified in the Order commence on the day the Order is received (or is deemed to be received, if earlier) by the Registrant.
- B. Failure to comply with the following components of the Order – continuing professional development, the written reprimand and fine - within thirty (30) days of the end of the period specified in the Order for each component shall result in the Registrant's registration rights being suspended, with publication in *CPA SK Connect* and the appropriate regional newspaper on a named basis. The Institute shall file the Order with the Court pursuant to section 32(3) of *The Accounting Profession Act* at that time.
- C. Further to additional condition B, the Registrant's registration rights shall be reinstated provided within a further sixty (60) days, the Registrant complies with the following components of the Order – continuing professional development, the written reprimand and fine - and pays the reinstatement fee plus the cost of publishing the suspension notice referred to in additional condition B.
- D. Failure to comply with the following components of the Order – continuing professional development, the written reprimand and fine - within ninety (90) days of the end of the period specified in the Order for each component shall result in the Registrant being expelled, with publication in *CPA SK Connect* and the appropriate regional newspaper on a named basis.

The Panel's rationale for sanction:

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

- A. The Panel agrees that the following sanction objectives are relevant to the case:
 - 1. Rehabilitation:
 - a. Sanctions that include rehabilitation activities such as continuing professional development and supervised practice are appropriate where it is reasonable to expect that such activities can enable the registrant to provide, prospectively, competent professional services with an ethical frame of mind.
 - b. The verifiable continuing professional development related to quality control and ethics is appropriate given that the Registrant is no longer licenced to issue audit engagement reports but is licenced for review and compilation engagements which require the identification and application of professional standards.
 - 2. Specific Deterrence:
 - a. A letter of reprimand and fine serve to reinforce the Registrant's obligation to clients and others who rely on the competence and character of registrants.
 - b. The recommended aggregate fine is within a range comparable to those of precedent cases involving non-compliance with Canadian Auditing Standards (CAS) and recognizes the seriousness of the conduct in these cases.
 - 3. General Deterrence:
 - a. General deterrence is achieved through actions taken by a regulatory body to gain the attention of all registrants and deter other registrants from similar conduct.
 - b. Publication on a named basis with the Determination and Order on the Institute website and newsletters makes the information available for all registrants as well as the public.
- B. Further, the Panel agrees the following mitigating and aggravating factors, which are in evidence, are considered indicators of the degree of actual harm, probable potential harm and/or the risk of future harm, to the public or the reputation of the profession. Therefore, they are relevant in the determination of the nature and quantum of the appropriate sanction:

1. Primary Factors Relating to Intent and Harm:

- a. The Firm, and therefore the registrant as engagement partner, did not comply with Canadian Audit Standards in substantive respects for two clients.
- b. The audit engagement report was relied on by users of the financial statements creating potential harm in that decisions could be made when the audit report is not supported.
- c. The public was exposed to potential adverse consequences in that:
 - i. The clients are government entities funded by public money.
 - ii. The Registrant provided similar services to other similar entities.
- d. Upholding the Standards of Professional Practice is a fundamental element in maintaining the profession's reputation and is the responsibility of every registrant and the Institute on behalf of the profession. Any circumstance where a registrant does not apply those standards, in substantive respects, in professional services provided to his clients causes potential harm to profession's reputation, and the profession's ability to uphold those standards.

2. Other Aggravating Factors or Circumstances:

- a. The Registrant had received direction from CPA Saskatchewan regarding a previous concern and as a practice leader had been subject to practice re-inspection for audit engagement file deficiencies prior to the client audit engagement in this case.

3. Other Mitigating Factors or Circumstances:

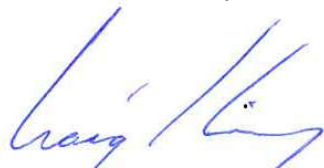
- a. The Registrant has voluntarily ceased performing audit engagements and now has only a specified licence.
- b. The Registrant acknowledged that the audit engagement files demonstrated deficiencies in compliance with Canadian Auditing Standards.
- c. The Registrant has been cooperative with the investigation and discipline processes.

4. Additional factors taken into account in considering sanctions:

- a. The Registrant provided a net worth statement and salary information indicating financial resources available; and
- b. Misconduct in one case relating to delays in communication occurred during the commencement of the COVID-19 outbreak which created uncertainty for everyone including the Registrant and the client.

This concludes the Discipline Committee's determinations and reasons in this matter.

Dated this 15th day of April, 2023



Craig Hinz, FCPA, FCA
Chair, Discipline Hearing Panel



Kelly Lutz, CPA, CA
Secretary, Discipline Hearing Panel