

IN THE MATTER OF THE ACCOUNTING PROFESSION ACT,
SS 2014, c. A-3.1 OF THE PROVINCE OF SASKATCHEWAN

AND IN THE MATTER OF A HEARING BY THE DISCIPLINE
COMMITTEE OF THE INSTITUTE OF CHARTERED PROFESSIONAL
ACCOUNTANTS OF SASKATCHEWAN CONCERNING
COMPLAINTS AGAINST RAKESH KAUSHIK, CPA, CA

BETWEEN:

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

- and -

RAKESH KAUSHIK, CPA, CA

DECISION

HEARD BY: CRAIG HINZ, FCPA, FCA - Chairperson
JANA BLAIS, CPA, CMA
MERLIS BELSHER, FCPA, FCA
CARY HEWITT, FCPA, FCA
KEN MCDUGALL, Public Representative
AL SCHOLZ, PAg, CMC, ICD.D, Public Representative

COUNSEL FOR THE PROFESSIONAL
CONDUCT COMMITTEE

SEAN M. SINCLAIR, LL.B

COUNSEL FOR RAKESH KAUSHIK, CPA, CA

NICHOLAS J. STOOSHINOFF, Q.C.

COUNSEL FOR THE DISCIPLINE
COMMITTEE

RICHARD T. MOLARO

This matter came before the Discipline Committee of The Institute of Chartered Professional Accountants of Saskatchewan on May 15 - 17, 2018. At the conclusion of the hearing, the decision was reserved.

There were two complaints of the Professional Conduct Committee which, with agreement of counsel, were heard together, including:

Case #14-04

The said formal complaint is that you, the member, did breach bylaw 193.1 (the text of which is attached as Appendix A), of the Institute of Chartered Accountants of Saskatchewan (ICAS).

The complaint relates to inspection of the member's practice office in accordance with section 13(2) of the CA Act and related CA Institute bylaws to 155.1 to 162.1; and the requirements that the member submit an appropriate and documented plan, referred to in bylaw 156.1, to ICAS in accordance with the written request of the Practice Appraisal Committee of the ICAS.

The allegation is that the member failed to submit to the ICAS an appropriate 'Corrective Action Plan' within the time specified by ICAS or a reasonable time thereafter.

Case #1410-05C

The said formal complaint is that you, the member, did breach bylaws 202.1, 203.1 and 206.1 (the text of which is attached as Appendix A), of the Institute of Chartered Accountants of Saskatchewan, in that:

1. During the performance of the audit engagements for clients ICDC, RVLB, and MUC between in or about October 2013 and July 2014, Kaushik committed professional misconduct as defined in section 24 of *The Chartered Accountants Act, 1986* (repealed November 10, 2014) in that in breach of Bylaw 203.1 of The Institute of Chartered Accountants of Saskatchewan ("ICAS"), Kaushik failed to sustain professional competence by keeping himself informed of and complying with developments in professional standards in all functions in which he practices or is relied upon because of his calling, specifically, in connection with the preparation of financial statements required to be prepared in accordance with Canadian auditing standards, which then were audited by Kaushik, as follows:
 - (a) the documented evidence of audit planning is inadequate;
 - (b) the documented evidence of audit execution is inadequate;
 - (c) the audit opinion expressed by Kaushik on the financial statements for each of these clients is not substantiated by the documented audit evidence contained in Kaushik's files; and

- (d) the audit report issued by Kaushik on MUC's financial statements was inappropriate based on materials contained in the audit files.
2. During the performance of the audit engagement for client ICDC for its year ending March 31, 2014, Kaushik committed professional misconduct as defined in section 24 of The Chartered Accountants Act, 1986 (repealed November 10, 2014) in that, in breach of Bylaw 206.1 of ICAS;
- a) and in breach of CAS 315 paras. 14, 18-18, 20 and 32, Kaushik did not ensure that the documentation of risk assessment procedures with respect to obtaining an understanding for the entity and its environment, including internal control, included:
 - (i) control activities relevant to the audit;
 - (ii) the control environment; and
 - (iii) financial reporting processes used to prepare the financial statements, to records significant accounting estimates and disclosures, and to process journal entries;
 - b) and in breach of CAS 330, paras. 18, 25-28,30, and CAS 500, para. 6, the substantive audit procedures performed on material classes of transactions and account balances by Kaushik or under the supervision of Kaushik, were not sufficiently documented with respect to:
 - (i) revenues (completeness, occurrence, accuracy, cut-off);
 - (ii) payroll (completeness, occurrence, accuracy; and
 - (iii) GST paid – test of reasonableness of total amounts paid during the year, in addition to substantive procedures with respect to year-end returns/balances;
 - c) the auditor's report signed by Kaushik fails to indicate that the client prepared its financial statements on a basis other than that required by Part III, Accounting Standards for Not-for-Profit-Organizations ("ASNFP");
 - d) and in breach of Canadian Audit Standards ("CAS") 300 para. 6, Kaushik did not undertake the following activities at the beginning of the audit engagement:
 - (i) evaluate compliance with relevant ethical requirements, including independence; and

- (ii) perform procedures regarding the continuance of the client relationship and the specific audit engagements;
 - e) and in breach of CAS 210 para. 10, the written agreement which documents the terms of the engagement and which was prepared by Kaushik, did not include the identification of the applicable financial reporting framework for the preparation of the financial statements;
 - f) and in breach of CAS 240 para. 17 and CAS 315 para. 6, as part of the risk assessment procedures there was no documentation of Kaushik's discussions with management regarding:
 - (i) management's communication, if any, to employees regarding its views on business practices and ethical behavior; and
 - (ii) management's communication, if any, to those charged with governance regarding its process for identifying and responding the risks of fraud or error in the entity; and
 - g) Kaushik used external confirmation procedures to obtain audit evidence with respect to revenue. However, in breach of CAS 505 paras. 10-12, 16, Kaushik did not:
 - (i) evaluate the reliability of the responses to the confirmation request and obtain further audit evidence, if any, to resolve doubts;
 - (ii) evaluate whether the results of the external confirmation procedures provided relevant and reliable audit evidence; and
 - (iii) perform alternate audit procedures for non-responses.
3. During the performance of the audit engagement for client RVLB for its year ending December 31, 2013, Kaushik committed professional misconduct as defined in section 24 of The Chartered Accountants Act, 1986 (repealed November 10, 2014) in that, in breach of Bylaw 206.1 of ICAS:
- a) and in breach of CAS 300 para. 7-10, 12, Kaushik had not planned the audit accordingly to the Canadian Audit Standards (CAS). Kaushik failed to document the following elements in the file:
 - (i) overall audit strategy and audit plan; and
 - (ii) materiality calculation;

- (iii) understanding of the entity and its environment;
 - (iv) internal control relevant to the audit;
 - (v) communications with management regarding errors and fraud risk; and
 - (vi) identification of the risks of material misstatement at the financial statement level and at the assertion level for classes of transactions and account balances;
- b) and in breach of CAS 300 para. 6, at the beginning of the audit engagement Kaushik did not:
- (i) evaluate compliance with relevant ethical requirements, including independence; and
 - (ii) perform procedures regarding the continuance of the client relationship and the specific audit engagement;
- c) and in breach of PS 1201.005, Kaushik assisted his client prepare its financial statements; and failed or neglected to ensure that these financial statements included or were accompanied by an acknowledgement of the government authority responsible for their preparation;
- d) and in breach of PS 1201.098 and PS 1201.100, the statement of changes in net debt prepared by or under the supervision of Kaushik, did not include an actual-to-budget comparison of the items that comprise the change in net debt for the period;
- e) and in breach of CAS 210 para. 10, the written engagement agreement prepared by Kaushik does not identify the applicable financial reporting framework for the preparation of the financial statements; and
- f) and in breach of CAS 220 paras. 15-17, there was no evidence that Kaushik as the engagement partner had ensured that the audit engagement work had been:
- (i) properly supervised; and
 - (ii) appropriately reviewed and discussed with the engagement team which is required to be completed on or before the date of the auditor's report.
4. During the performance of the audit engagement for client MUC for its year ending December 31, 2013, Kaushik committed professional misconduct as defined in section 24 of The Chartered Accountants Act, 1986 (repealed November 10, 2014) in that, in breach of Bylaw 206.1 of ICAS:

- a) Kaushik had not planned the audit according to the Canadian Audit Standards (CAS). In breach of CAS 300 para. 7-10, 12, Kaushik failed to document the following elements in the file:
- (i) overall audit strategy and audit plan;
 - (ii) materiality calculation;
 - (iii) understanding of the entity and its environment;
 - (iv) internal control relevant to the audit;
 - (v) communications with management regarding errors and fraud risk; and
 - (vi) identification of the risks of material misstatement at the financial statement level and at the assertion level for classes of transactions and account balances;
- b) and in breach of CAS 330, paras. 18, 25-28, 30, and CAS 500, para. 6, the substantive audit procedures performed on material classes of transactions and account balances by Kaushik or under Kaushik's supervision were not sufficiently documented respecting the funds MUC maintained for specific purposes (completeness, accuracy);
- c) the auditor's report signed by Kaushik fails to indicate that the client MUC prepared its financial statements on a basis other than that required by Part III, Accounting Standards for Not-for-Profit-Organizations ("ASNFP0");
- d) and in breach of CAS 300 para. 6, at the beginning of the audit engagement Kaushik did not:
- (i) evaluate compliance with relevant ethical requirements, including independence; and
 - (ii) perform procedures regarding the continuance of the client relationship and the specific audit engagement;
- e) and in breach of CAS 210 para. 10, the written engagement agreement prepared by Kaushik does not identify the applicable financial reporting framework for the preparation of the financial statements;
- f) and in breach of CAS 230 paras. 8-9, Kaushik did not prepare or cause to be prepared audit documentation sufficient to enable an experienced auditor, having no previous connection with the audit, to understand:

- (i) the nature, timing and extent of the audit procedures performed to comply with the Canadian Audit Standards and applicable legal and regulatory requirements;
 - (ii) the results of the audit procedures performed, and the audit evidence obtained; and
 - (iii) the identifying characteristics of specific items tested; and
- g) and in breach of CAS 220 paras. 15-17, there was no evidence that Kaushik as the engagement partner had ensured that the audit engagement work had been:
- (i) properly supervised; and
 - (ii) appropriately reviewed and discussed with the engagement team which is required to be completed on or before the date of the auditor's report.
5. During the review engagement for client REML for its year ending August 31, 2013, Kaushik committed professional misconduct as defined in section 24 of The Chartered Accountants Act, 1986 (repealed November 10, 2014) in that, in breach of Bylaw 206,1 of ICAS:
- (a) and in breach of the Assurance and related services guidelines ("AuG") 20 and Section 8100.15, 19-24, Section 8200.23, Kaushik failed to document the analytical procedures and discussion he used to establish plausibility respecting:
 - (i) inter-relationship / comparison of revenues; and
 - (ii) GST paid — assessing reasonableness of total amounts paid during the year, in addition to reviewing year-end returns/balances;
 - (b) and in breach of AuG Sections 8200.31, 8200.33, the file did not contain the client's signed representation letter obtained by Kaushik. This letter is supposed to include management's representations on matters that are:
 - (i) directly related to items that are material, individually or in aggregate, to the financial statements;
 - (ii) not directly related to material items but are significant, individually or in aggregate, to the engagement; or
 - (iii) relevant to management's judgements or estimates that are material, individually or in the aggregate, to the financial statements; and

- (c) the Review Engagement Report signed by Kaushik fails to indicate that the client REML prepared its financial statements on a basis other than that required by Part II, Accounting Standards for Private Enterprises ("ASPE").
6. During the provision of the assurance engagements under Kaushik's care and control referred to in charges 1 to 5 inclusive of this Formal Complaint for the clients ICDC, RVLB, MUC, and REML, Kaushik committed professional misconduct as defined in section 24 of The Chartered Accountants Act, 1986 (repealed November 10, 2014) in that, in breach of Bylaw 202.1 of ICAS, Kaushik failed to provide professional services with integrity and due care.
 7. During the provision of the assurance engagements under Kaushik's care and control referred to in charges 1 to 5 inclusive of this Formal Complaint for the clients ICDC, RVLB, MUC, and REML, It is alleged that Kaushik committed professional misconduct as defined in section 24 of The Chartered Accountants Act, 1986 (repealed November 10, 2014) in the matter, conduct or thing alleged to be done by Kaushik is harmful to the best interests of the public and tends to harm the standing of the profession.

Background

1. Rakesh Kaushik, CPA, CA was at all material times a member of The Institute of Chartered Accountants of Saskatchewan (the "Institute") and carried on public practice as a chartered accountant, as a partner of the firm DNTW Chartered Accountants LLP ("DNTW") in Saskatoon, Saskatchewan.
2. Pursuant to a letter dated May 1, 2012, Mr. Kaushik was notified by Leigha Hubick, CA, Associate Director of the Institute of an upcoming practice inspection.
3. Ms. Hubick performed the inspection at the offices of DNTW, Saskatoon on October 3, 2012. Three files were inspected, including one audit file, one review file and one compilation file. The Inspector's Memo of that date identified several reportable deficiencies with the audit and review files.
4. Pursuant to a letter dated December 3, 2012, Mr. Kaushik was notified by William Hill, FCA, Director of Regulatory Affairs of the Institute that the Practice Appraisal Committee had reviewed the report relating to the October 3, 2012 inspection and requested that Mr. Kaushik provide a corrective action plan to address the reportable deficiencies, within 60 days of the date of the letter.
5. Mr. Kaushik did not provide the requested corrective action plan. Pursuant to a letter dated February 5, 2013, Mr. Kaushik was advised by Leigha Hubick, CA, Associate Director of the Institute that as no corrective action plan had been received, a late fee had been assessed. In addition, she directed that the corrective action plan be submitted by March 15, 2013.

6. A practice reinspection was thereafter undertaken by Ms. Hubick at the offices of DNTW, Saskatoon on September 4, 2013. Three audit files were inspected. The Inspector's Memo of that date identified several reportable deficiencies with the audit files.
7. Pursuant to a letter dated December 3, 2013, Mr. Kaushik was notified by William Hill, FCA, Director of Regulatory Affairs of the Institute that the Practice Appraisal Committee had reviewed the report relating to the September 4, 2013 inspection and requested that Mr. Kaushik provide a corrective action plan to address the reportable deficiencies, within 60 days of the date of the letter. It also indicated that a full reinspection would take place in May, 2014.
8. Mr. Kaushik did not provide the requested corrective action plan. Pursuant to an email correspondence dated February 4, 2014, Mr. Kaushik was informed by Leigha Hubick, CA, Associate Director of the Institute that no corrective action plan had been received and directed that it be provided within 15 days of that date.
9. Mr. Kaushik did not provide the requested corrective action plan. Ms. Hubick sent email correspondence to Mr. Kaushik dated February 21, 2014, advising that a late fee had been assessed and directed that the corrective action plan be submitted within 60 days of that date.
10. Mr. Kaushik did not provide the requested corrective action plan. Pursuant to a letter dated April 23, 2014, Mr. Kaushik was notified by William Hill, FCA, Director of Regulatory Affairs of the Institute that as no corrective action plan had been received, his practice office had been referred by the Practice Appraisal Committee to the Professional Conduct Committee for non-cooperation.
11. Pursuant to a letter dated April 25, 2014, Mr. Hill was notified by Mr. Kaushik, that the delay was due to family health issues over the past three months and shortages in staffing from December, 2013 to March, 2014. He pledged to provide the corrective action plan by May 15, 2014.
12. Mr. Kaushik did not provide the requested corrective action plan. Pursuant to a letter dated May 29, 2014, Mr. Kaushik was advised by William Hill, FCA, Director of Regulatory Affairs of the Institute that in order to obtain approval of a request for an extension, a letter from the doctor regarding the family health issues would be required within 15 days of that date.
13. Mr. Kaushik did not provide the requested doctor's letter. Pursuant to a letter dated June 17, 2014, Mr. Kaushik was advised by William Hill, FCA, Director of Regulatory Affairs of the Institute that no extension had been granted.

14. A practice reinspection was undertaken by Ms. Hubick at the offices of DNTW, Saskatoon on July 7, 2014. Five files were inspected, including three audit files, one review file and one compilation file. The Inspector's Memo of that date identified several reportable deficiencies with the audit and review files.
15. Mr. Kaushik wrote a letter to Ms. Hubick dated July 5, 2014, referencing a self-assessment of his practice, which included background of past staffing and health issues and a corrective action plan to upgrade the firm's standards in assurance. He indicated that each point raised in the evaluation of July 7, 2014 would be addressed and requested that another evaluation be undertaken after they have completed the next 6 assurance engagements.
16. Mr. Kaushik wrote a further letter to Ms. Hubick dated July 27, 2014, referencing the most recent practice inspection, which included additional background of past staffing and health issues and a corrective action plan. He indicated that the firm planned to shut down the audit of municipalities entirely.

Preliminary Application

17. On May 10, 2018, counsel for Mr. Kaushik provided notice of an application seeking an Order dismissing the charges in each case and quashing the decisions of the Professional Conduct Committee to proceed with the prosecutions. Argument was deferred to the end of the hearing, at which time the application was withdrawn by counsel.

Case #14-04

18. The complaint is that Mr. Kaushik's failure to submit to the Institute a corrective action plan within the time specified by the Institute or a reasonable time thereafter constituted a violation of bylaw No. 193.1, which provides:

“A member, student or firm shall cooperate with the regulatory processes of the Institute.”
19. The prosecution indicated that the charge related to the corrective action plan first requested in Mr. Hill's December 3, 2013 letter to Mr. Kaushik, pursuant to bylaw No. 156.1, which was ultimately addressed by Mr. Kaushik's letters dated July 5 and 27, 2014.
20. During this period, an initial 60-day deadline for compliance had expired, Mr. Kaushik had been assessed a late fee, a second 60-day deadline had expired and the Director of Regulatory Affairs had advised that the matter would be referred to the Professional Conduct Committee.
21. It was on April 25, 2014, having been advised by Mr. Hill that the matter was being referred to the Professional Conduct Committee when Mr. Kaushik first communicated with the Institute in relation to the matter.

22. Mr. Kaushik advised in his letter dated April 25, 2014 to Mr. Hill, that his daughter suffered with an illness which required major surgery in February, 2014 and that in addition the firm had undergone shortages in staffing.
23. These events were further detailed in Mr. Kaushik's July 5 and 27, 2014 letters to Ms. Hubick and related in his testimony at the hearing. In addition to discussing his daughter's surgery, he indicated that his wife and Office Manager, Sherry Kaushik had missed most of February and several days in March, 2014. The firm had lost a key employee in May, 2013. An employee hired in November, 2013 to work on municipal and charity audits quit in June, 2014 and the firm remained short-staffed. Faced with these events, Mr. Kaushik related in his testimony that dealing with the corrective action plan was not his priority.
24. Mr. Kaushik also related in his testimony that he was unfamiliar with what a corrective action plan would entail and that it was only when he ultimately reached out to a partner in another Office of the firm that he was able to produce the plan.
25. In the Panel's respectful view, the developments in Mr. Kaushik's personal and professional life, while unfortunate and understandably difficult, did not excuse his obligation to cooperate with the regulatory processes of the Institute by providing the required corrective action plan. Mr. Kaushik's failure to do so for several months, having considered all of the circumstances leads the Panel to conclude that he has breached the requirement of bylaw No. 193.1.

Case #1410-05C

Count 1

26. The complaint concerns an alleged violation of bylaw No. 203.1, which reads as follows:

"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."
27. The prosecution relies upon the reportable deficiencies which arose from the review of three audit files in the practice inspection undertaken by Ms. Hubick at the Saskatoon Office of DNTW on July 7, 2014 and her presentation of the same at the hearing.
28. As Ms. Hubick related in her testimony, the process she employed in the practice inspection was, with the assistance of a questionnaire to compare file documentation and the audit statement to the CPA Canada Handbook. In a successful practice inspection, the inspector ought be able to recreate the audit and audited statements based upon the documentation on the audit file.
29. Ms. Hubick discovered deficiencies on each of the three audit files examined, as detailed in tab 13 of Exhibit P-1. A representative sample of those deficiencies included:

- The auditor did not at the beginning of the audit engagements evaluate compliance with relevant ethical requirements or perform procedures regarding the continuance of the client relationship and the specific audit engagement.
 - The engagement letters stated that the financial reporting framework is Canadian Generally Accepted Accounting Principles, rather than Accounting Standards for Not-For-Profit Organizations and failed to state that the basis is Public Sector Accounting Board Standards.
 - The following elements were not documented in the file: overall audit strategy and audit plan; materiality calculation; understanding of the entity and its environment; internal control relevant to the audit; communication with management regarding errors and fraud risk; and identification of the risks of material misstatement at the financial statement level and at the assertion level for classes of transactions and account balances.
 - The audit opinion expressed on the financial statements is not substantiated by the documented audit evidence contained on the audit files.
30. Ms. Hubick explained in her testimony that a recurring theme was inadequate or non-existing documentation, all of which are essential to the conducting of a proper audit in accordance with the applicable professional standards. Similar deficiencies had arisen in the previous two practice inspections at DNTW.
31. In his July 27, 2014 letter to Ms. Hubick, Mr. Kaushik recounted that DNTW had engaged Glen Dean, an experienced auditor as an employee of the firm in September, 2012 with a view to carrying on audit work at the firm. Speaking of Mr. Dean, he stated:
- “Given the circumstances, we relied on his expertise and counted on him to supervise our staff and ensure the files met professional standards. Each of those files were reviewed by me as well before the statements were released. We understand the files did not meet professional standards; and in the end it is my responsibility, however, we believe our reliance on Mr. Dean is a significant mitigating factor and should be taken into account when assessing the circumstances.”
32. Similarly, it was evident from Mr. Kaushik’s testimony that he had not personally kept abreast of developments in audit standards, which he acknowledged that, as engagement partner, was his responsibility. Rather, he had depended largely upon Mr. Dean’s experience in conducting of the audit work.
33. Indeed, the steps identified by Mr. Kaushik in the corrective action plan contained in his letter dated July 27, 2014 had included the taking of audit and audit related courses, updating of audit checklists and materials, and the like.

34. The Panel accepts that the deficiencies documented in Ms. Hubick's reportable deficiencies report contained at tab 13 of Exhibit P-1 and set forth in Count 1(a) - (d) have been established and finds that Mr. Kaushik has violated bylaw No. 203.1.

Count 2

35. The complaint concerns an alleged violation of bylaw No. 206.1, which reads as follows:
"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."
36. The charge relates to the performance of the audit engagement for client ICDC for its year ending March 31, 2014.
37. As reviewed by Ms. Hubick, the applicable standards are those set forth in the Canadian Auditing Standards ("CAS") governing the profession in Canada, and several specific CAS standards have been referred to in both the reportable deficiencies contained in her report and the specific charges under Count 2.
38. Counts 2(a), (b), (d) and (f) primarily concern a failure to include specific documentary requirements called for in the CAS standards in the undertaking of an audit.
39. Counts 2(c) and (e) concern a failure to establish a proper framework for the audit engagement.
40. Mr. Kaushik acknowledged that the required documents concerning Counts 2(a) - (f) were not in fact on the audit file.
41. The Panel accepts that the deficiencies documented in Ms. Hubick's reportable deficiencies report contained at tab 13 of Exhibit P-1 pertaining to the ICDC audit and set forth in Count 2(a) - (f) have been established and finds that Mr. Kaushik has violated bylaw No. 206.1.
42. With respect to Count 2(g), the Panel is not satisfied that the documents in the audit file were relied upon as external confirmations and as such finds no violation of bylaw No. 206.1 in this regard.

Count 3

43. The complaint concerns alleged violations of bylaw No. 206.1 (previously cited), during the performance of the audit engagement for client RVLB for its year ending December 31, 2013.

44. As in the case of Count 2, the CAS standards are applicable to this audit and several specific CAS standards have been referred to in both the reportable deficiencies contained in Ms. Hubick's report and the specific charges under Count 3.
45. Counts 3(a) and (b) primarily concern a failure to include specific documentary requirements called for in the CAS standards in the undertaking of an audit.
46. Count 3(e) concerns a failure to establish a proper framework for the audit engagement.
47. Mr. Kaushik acknowledged that the required documents concerning Counts 3(a), (b) and (e) were not in fact on the audit file.
48. The Panel accepts that the deficiencies documented in Ms. Hubick's reportable deficiencies report contained at tab 13 of Exhibit P-1 pertaining to the RVLB audit and set forth in Count 3(a), (b) and (e) have been established and finds that Mr. Kaushik has violated bylaw No. 206.1.
49. The assertion in Count 3(c) that Mr. Kaushik inappropriately assisted his client to prepare its financial statements was based upon his having had a meeting with a representative of RVLB and correcting some of the figures. The Panel is not satisfied of a violation of bylaw No. 206.1 in this regard.
50. In respect of Count 3(d), it appeared from the evidence that there was no budget on the audit file from which to make an actual-to-budget comparison. The Panel is not satisfied that there has been a violation of bylaw No. 206.1 in this regard.
51. Count 3(f) concerns allegations as to a lack of supervision, review and discussion of the RVLB audit on the part of Mr. Kaushik, as the engagement partner, as required by CAS 220.
52. There was no evidence on the part of Mr. Kaushik that he conducted any meaningful supervision, review or discussion with the engagement team concerning the subject audit. The Panel concludes, based upon the sheer number of deficiencies and Mr. Kaushik's evidence as to the cursory nature of his participation in the audit that the deficiencies documented in Ms. Hubick's reportable deficiencies report contained at tab 13 of Exhibit P-1 pertaining to the RVLB audit and set forth in Count 3(f) have been established and finds that Mr. Kaushik has violated bylaw No. 206.1.

Count 4

53. The complaint concerns alleged violations of bylaw No. 206.1 (previously cited), during the performance of the audit engagement for client MUC for its year ending December 31, 2013.

54. As in the case of Counts 2 and 3, the CAS standards are applicable to this audit, and several specific CAS standards have been referred to in both the reportable deficiencies contained in Ms. Hubick's report and the specific charges under Count 4.
55. Counts 4(a), (d) and (f) primarily concern a failure to include specific documentary requirements called for in the CAS standards in the undertaking of an audit.
56. Counts 4(c) and (e) concern a failure to establish a proper framework for the audit engagement.
57. Mr. Kaushik acknowledged that the required documents concerning Counts 4(a), (c), (d), (e) and (f) were not in fact on the audit file.
58. The Panel accepts that the deficiencies documented in Ms. Hubick's reportable deficiencies report contained at tab 13 of Exhibit P-1 pertaining to the MUC audit and set forth in Counts 4(a), (c), (d), (e) and (f) have been established and finds that Mr. Kaushik has violated bylaw No. 206.1.
59. With respect to Count 4(b) the evidence showed that changes had occurred in relation to the reserves of MUC over the audit period, which were not verified in terms of policy and/or intended use.
60. The Panel accepts that the deficiencies documented in Ms. Hubick's reportable deficiencies report contained at tab 13 of Exhibit P-1 pertaining to the MUC audit and set forth in Count 4(b) have been established and finds that Mr. Kaushik has violated bylaw No. 206.1.
61. Count 4(g) concerns allegations as to a lack of supervision, review and discussion of the MUC audit on the part of Mr. Kaushik, as the engagement partner, as required by CAS 220.
62. There was no evidence on the part of Mr. Kaushik that he conducted any meaningful supervision, review or discussion with the engagement team concerning the subject audit. The Panel concludes, based upon the sheer number of deficiencies and Mr. Kaushik's evidence as to the cursory nature of his participation in the audit that the deficiencies documented in Ms. Hubick's reportable deficiencies report contained at tab 13 of Exhibit P-1 pertaining to the MUC audit and set forth in Count 4(g) have been established and finds that Mr. Kaushik has violated bylaw No. 206.1.

Count 5

63. The complaint concerns alleged violations of bylaw No. 206.1 (previously cited), during the performance of the review engagement for client REML for its year ending August 31, 2013.

64. As reviewed by Ms. Hubick, the applicable standards are those set forth in the Assurance and Related Guidelines (“AUG”) governing the profession in Canada, and several specific AUG standards have been referred to in both the reportable deficiencies contained in her report and the specific charges under Count 5.
65. The assertion in Count 5(a)(i) was that an explanation attributing a change of revenues year over year to a change in the Saskatchewan economy was insufficient on the part of the reviewer. The Panel is not satisfied of a violation of bylaw No. 206.1 in this regard.
66. The assertion in Count 5(a)(ii) was that a failure to assess the reasonableness of GST paid over the year was deficient. The Panel found no evidence tendered in support of this proposition and is not satisfied of a violation of bylaw No. 206.1 in this regard.
67. Count 5(b) was withdrawn by the prosecution.
68. Count 5(c) concerns a failure to establish a proper framework for the review engagement.
69. Mr. Kaushik acknowledged that the required documents concerning Count 5(c) were not in fact on the review file.
70. The Panel accepts that the deficiencies documented in Ms. Hubick’s reportable deficiencies report contained at tab 13 of Exhibit P-1 pertaining to the REML review engagement and set forth in Count 5(c) have been established and finds that Mr. Kaushik has violated bylaw No. 206.1.

Count 6

71. The complaint concerns an alleged violation of bylaw No. 202.1, which reads as follows:

“A member, student or firm shall perform professional services with integrity and due care.”
72. The charge relates to the performance of the engagements for clients ICDC, RVLB, MUC and REML, as previously referred to in Counts 1 - 5.
73. The Panel finds that the performance of Mr. Kaushik’s duties as engagement partner were cursory, careless and lacked integrity on his part. He ought properly to have informed himself of audit requirements, conducted thorough reviews of the files and recognized and taken steps to rectify the vast majority of the many deficiencies subsequently identified by the practice inspector. He clearly failed to do so. The Panel finds that Mr. Kaushik failed to perform his professional services with integrity and due care and finds that he has violated bylaw No. 202.1.

Count 7

74. The Panel finds the allegations set forth in Count 7 to be redundant and duplicitous and dismisses the same.

Professional Misconduct

75. Having found violations of bylaws 193.1, 202.1, 203.1 and 206.1, the Panel now turns its attention as to whether the violations amount to professional misconduct within the meaning of section 24 of *The Chartered Accountants Act, 1986*, which reads as follows:

“Professional misconduct is a question of fact but any matter, conduct or thing, whether or not disgraceful or dishonourable, that is inimical to the best interests of the public or the members of the Institute or tends to harm the standing of the profession of accounting is professional misconduct within the meaning of this Act.”

76. In *Huerto v. College of Physicians and Surgeons*, 1994 CanLII 4900 The Saskatchewan Court of Queen’s Bench accepted that the discipline panel could and should establish reasonable parameters within which to exercise its discretion on the question of professional misconduct and accepted the articulation of the discipline panel below that:

- 1) the actions of the doctor must depart from the standard of care expected of him in the profession;
- 2) a departure will exist if no reasonable doctor would have performed the acts; and
- 3) the departure must be blatant to constitute professional misconduct.

77. In the subsequent decision of *Huerto v. College of Physicians and Surgeons*, 2004 CanLII 360, The Saskatchewan Court of Queen’s Bench continued the discussion and resisted any notion of creating a hierarchical formation, going from least to most serious, of error of judgment, negligence and professional misconduct.

78. Turning to Case #14-04, the Panel notes:

- that Mr. Kaushik was aware that there were serious, multiple reportable deficiencies concerning the audit practice at DNTW, Saskatoon, as identified by the practice inspection, for which he was directly responsible;
- that it was imperative that these reportable deficiencies be rectified in a prompt and efficient manner;
- that the Practice Appraisal Committee had reviewed the practice inspection report and directed the preparation of a corrective action plan as the first step in addressing the reportable deficiencies;

- that the requirement of preparation of a corrective action plan had been clearly communicated to Mr. Kaushik by the Director of Regulatory Affairs of the Institute;
- that further communications from the Institute underscored the serious nature of the matter and the consequences of failure to comply;
- that despite these circumstances, Mr. Kaushik declined to make the corrective action plan a priority and did not attend to preparation of the same for approximately seven months.

79. The Panel has no hesitation in concluding that these actions showed a blatant departure from the standard of conduct expected by the profession in responding, in a timely and responsible manner to the legitimate directives of the Institute and that no reasonable member would have conducted himself in this fashion. It finds that the conduct of Mr. Kaushik constituted professional misconduct as contemplated by the Act.

80. Turning to Case #1410-05C, the matters before the Panel focus on allegations of incompetence by Mr. Kaushik in the carrying out of his responsibilities as engagement partner at DNTW. The Panel notes:

- that by his own admission, Mr. Kaushik had failed to keep himself informed of and complying with developments in assurance work;
- that despite these shortcomings, Mr. Kaushik purported to fulfil the role of engagement partner at DNTW, Saskatoon;
- that Mr. Kaushik was woefully unable to perform the role of engagement partner and undertake any meaningful supervision, review or discussion with the engagement team;
- that as a result, the quality and reliability of the audit and review engagement work product produced at DNTW, Saskatoon under his responsibility was deficient in many, serious respects, as identified by the practice inspector.

81. The Panel has no hesitation in concluding that these actions showed a blatant departure from the standard of conduct expected by the profession in carrying out the duties of an engagement partner in a competent and responsible manner and that no reasonable member would have conducted himself in this fashion. It finds that the conduct of Mr. Kaushik constituted professional misconduct as contemplated by the Act.

Summary

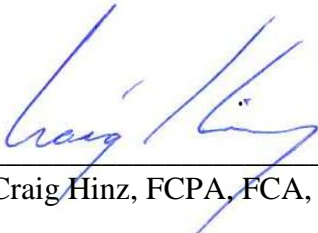
82. The Panel finds Rakesh Kaushik guilty of:

- the breach of bylaw 193.1 in Case #14-04;
- the breach of bylaw 203.1 in Case #1410-05C, Count 1(a) - (d);
- the breach of bylaw 206.1 in Case #1410-05C, Count 2(a) - (f);
- the breach of bylaw 206.1 in Case #1410-05C, Count 3(a), (b), (e) and (f);
- the breach of bylaw 206.1 in Case #1410-05C, Count 4(a) - (g);
- the breach of bylaw 206.1 in Case #1410-05C, Count 5 (c); and
- the breach of bylaw 202.1 in Case #1410-05C, Count 6.

83. In each instance, the Panel finds Rakesh Kaushik guilty of professional misconduct pursuant to section 24 of *The Chartered Accountants Act, 1986*.

84. Arrangements shall be made to reconvene the Panel to hear submissions from the parties as to sanction.


Dated this 17th day of July, 2018




Craig Hinz, FCPA, FCA, Chairperson




Jana Blais, CPA, CMA




Merlis Belsher, FCPA, FCA



Cary Hewitt, FCPA, FCA



Ken McDougall, Public Representative



Al Scholz, PAg, CMC, ICD.D,
Public Representative