

# PROFESSIONAL ACCOUNTANT

Newsletter - December 2020



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Registered  
Professional  
Accountant

## PRESIDENT'S NOTE

*Dear Members and Students,*

As the year 2020 comes to an end, we reflect on the challenges and tribulations faced by everyone and remember the specific sacrifice made by small businesses around the country. However, we must also reflect on the positive aspects of the year. Seeing communities come together and ordinary citizens rise up to become everyday heroes while dealing with an unprecedented time in history has been truly remarkable. Thinking positively and optimistically, I truly believe that the worst will be behind us and we will be stronger and more prosperous as we move forward.

The holidays are the perfect time to reflect on the success of the past year, while also looking forward to fresh opportunities in the New Year.

Despite the difficult year it has been with the pandemic, we have had the pleasure of assisting many in their education and training through our virtual webinars and meetings as part of our strong and comprehensive continued professional development (CPD) program.

The board of directors and the education committee also took the opportunity to revisit our prerequisite courses and mandatory professional exams that were successfully finalized and implemented as part of our "Education Program 2020".

The pandemic has also allowed us to revisit, revise and reform our policies and future plans. The most important area that needed urgent attention was to establish a comprehensive policy for RPAs who are in professional practice to educate, train and establish the examination and accreditation standards. RPA practitioners must prepare for these new standards and changing technologies.

On December 17, 2020, the Board approved adoption of the new standards for Compilation Engagements (CSRS 4200) that is going to be effective De-

cember 14, 2021. On the recommendation of the committee, the Board of Directors have declared that all practicing RPAs must complete mandatory training and accreditation in order to be able to prepare and issue compilation engagement reports. This is a mandatory training program which must be completed by the 2021 Annual General Meeting (to be held in October 2021). The Professional Practice Pathway, training and accreditation policy will be communicated to all RPA members by Harry Somir, chair of the Professional Practice Committee before the end of December.



As part of our outreach, RPA Canada is in communication with the Forensic CPA Society based in the United States, to formalize mutual recognition of both designations. The Forensic CPA Society will recognize the RPA designation and through five specialized courses in Forensic Accounting, will qualify to obtain the "Forensic CPA" designation what will be recognized

by RPA Canada as Forensic specialist. Stay tuned for more information in this area in coming year.

I look forward to continuing on our mission to connect, communicate and improve the RPA accounting designation and better service the members and the public at large. Together, we will build a stronger and brighter accounting designation in Canada and around the world. With your help and support, I will make sure that we are better, brighter, effective, impressive, healthy and safe.

*From the Board of Directors of the Society, staff and myself – Merry Christmas and Happy Holidays!*

*Sincerely,*

**Zubair Choudhry, RPA, APA**  
President/CEO

# Protecting against claims of failure to detect

## Theft and Fraud



**Smaller businesses, unfortunately, can be highly susceptible to incidents of fraud. Here's some advice on protecting your company and instituting a policy to prevent external (and internal) theft. Small businesses**

**tend to be very informal in nature. A lot of times they're either formed with friends or family members, and all the formalities are not in place as they would be in a large business.**

Many clients believe that a RPA's (Registered Professional Accountant) duties include spotting evidence of theft or fraud in company records, regardless of the type of service the RPA firm is engaged to deliver. This erroneous belief is a major concern for RPA's who could face professional liability risks due to the misperception.

RPA practitioners don't have any responsibility related to fraud detection. See how claims in all areas of practice, including tax, bookkeeping, and consulting services may arise, in part, due to a mismatch between the client's perception of the duties of RPA's and their actual responsibilities.

The public's expectation of what's involved in RPA services may be different from what is required by the professional standards. This is called "Expectation Gap."

Is it Possible to Eliminate the Expectations Gap? The nature of the components of the expectations gap makes it difficult to eliminate. Perceived performance of auditors is an element which is difficult to measure and changes constantly. It is however possible to substantially reduce but not totally eliminate. A number of suggestions have been put forward as a means of narrowing the expectations gap. The implementation of auditing public education has been suggested as a means of reducing the expectations gap. Public education would surely help reduce the expectations gap

but would not on its own be sufficient to solve the problem of all components of the expectations gap. Public education would partly solve the problem of unreasonable expectations but not address deficient standards and substandard performance.

### **KNOW HOW TO USE TECHNIQUES AGAINST RISK EXPOSURES - AND STICK TO IT**

RPA can use several techniques to protect themselves against risk exposures related to failure to detect theft and fraud. They include:

**Regularly evaluate the risk of the client and the engagement.** Client and engagement acceptance and continuance are not simply for audit engagements. Regularly screen clients and consider the risks associated with both the client and the services you are being engaged to perform. It should raise a red flag for the RPA when clients dismiss internal control weaknesses brought to their attention. Is this a situation where the client has an unreasonable service expectation, or is it possibly one of questionable integrity? Either way, the RPA should take precautions.

**Use engagement letters on all engagements.** A well-crafted engagement letter can help reduce expectation gaps and can serve as key evidence in the defense of a professional liability claim. The engagement letter should include an understandable description of the scope and limitation of services to be performed, a statement that the engagement is not designed to detect theft or fraud, and the responsibilities of both the client and the RPA. The engagement letter should also be renewed and signed by the client annually.

**Stay within the scope of the engagement.** An engagement letter is useful only if the RPA adheres to the defined scope in rendering the professional services. Additional services, or modifications to be agreed-upon services, should be memorialized in writing with the client, whether it's through email, a new engagement letter, or an amendment to the existing engagement letter.

**Be fraud aware.** Train all personnel about potential fraud risk factors and the “fraud risk tri-agle” (opportunity, rationalization, and incentive/pressure). Learn about the risk factors associated with common frauds, such as embezzlement by an unmonitored bookkeeper or controller with excessive authority or access, or use of business credit cards for personal expenses. Practitioner personnel should be educated about common internal control weaknesses that create an opportunity for fraud to occur, such as a lack of segregation of duties, poor tone at the top or infrequent vacations taken by key financial employees.

**Apply professional skepticism to all engagements.** This is particularly important on engagements with longtime clients, where a level of established comfort could threaten objectivity. Trust your instincts and follow up on matters that don’t seem quite right.

**If you see something, say something.** Management letters with suggestions for control or process improvements are not designed solely for audit clients. If you observe a weakness in internal controls or believe management should follow up on an observation noted, inform your client orally and in writing. If the weakness persists year after year, keep telling the client both orally and in writing until the deficiency is addressed.

**Document, document, document.** Contemporaneous documentation represents critical evidence in the defense of professional liability claims. Strong documentation includes, at a minimum, a well-crafted and detailed engagement letter, documentation regarding client inquiries made and responses received, and communication of internal control matters or suspicious activities noted.

#### **Claims against Audit and Attest Services by the area of practice:**

**Bookkeeping/Accounting** Managing risks in an increasingly complicated world starts with bookkeeping/accounting and attest services, including compilations that recognize the challenges specific to your

company and your industry. Your annual financial statements should yield information that helps you stay on track with a well-paced, scalable growth plan. They should also show early indicators of any weaknesses, so you can address small problems before they become large.

Strong internal controls and daily practices that accurately track growth and performance are critical. But as a business owner, you also need customized metrics and analysis that produces actionable insights throughout the year, not just during an audit or at tax time.

Bookkeeping/Accounting attest services are customized to your needs, so you can work with your to envision the future and design internal accounting and financial practices that are calibrated to help you meet your business goals.



#### **Tax Services**

An area of uncertainty is how to resolve the potential non-audit/tax services overlap. Some tax-related nonaudit services that are compliance, planning or advisory in nature might arguably be included in one of the prohibited non-audit services; even management preapproval would not prevent providing them from being an impairment of independence.

#### **Conclusion**

The information we have presented here demonstrates that situations where fraud may be involved call for tact and require that the client proceed carefully and respectfully.

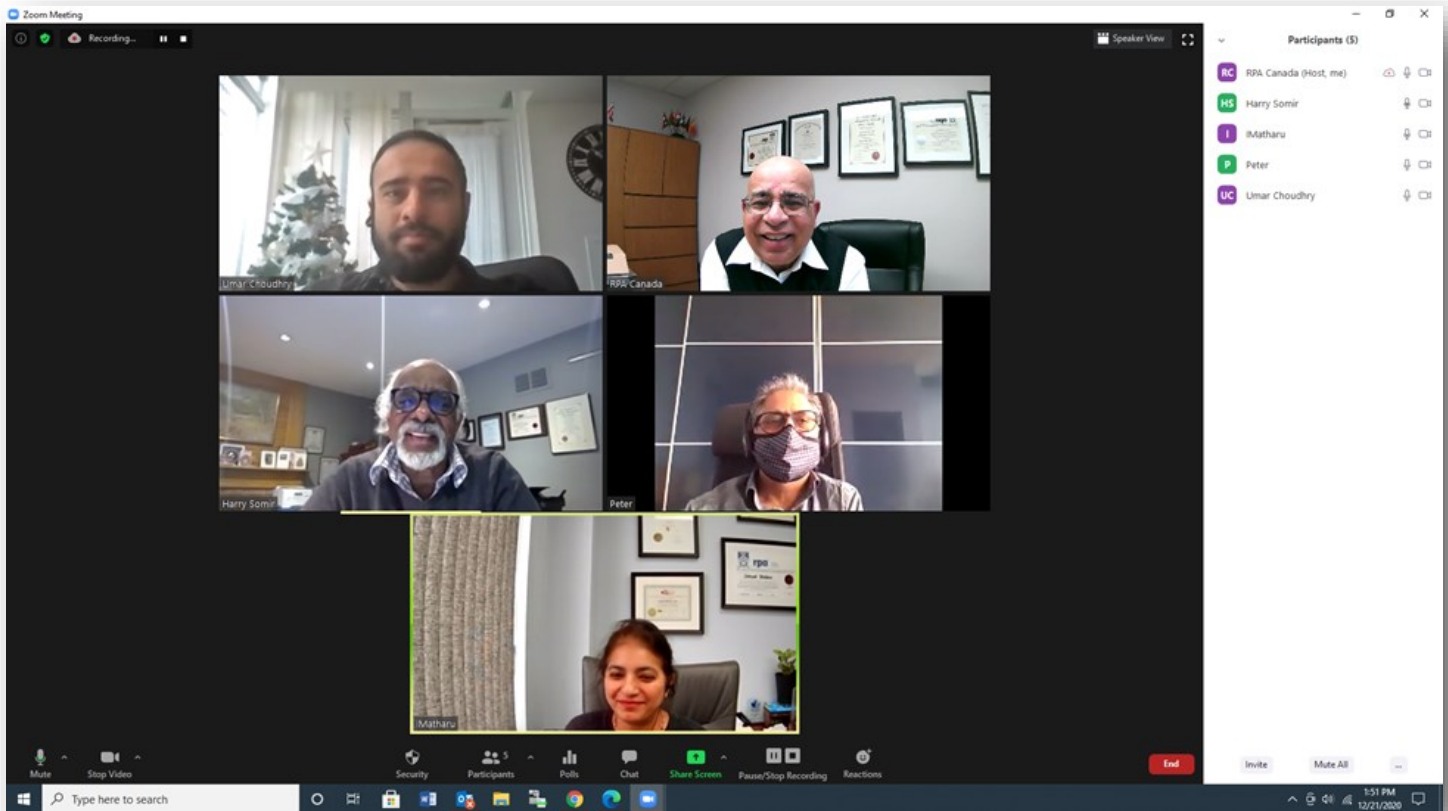
The deterrent effect of taking effective measures to deal with a wrongdoer is nonetheless an important consideration in preventing fraud in practice and implementing a fraud prevention plan.

#### **Disclaimer**

The information provided on this page is intended to provide general information. The information does not take into account your personal situation. I will not be held liable for any problems that arise from the usage of the information provided on this page

**Joseph Mohanthas, RPA**

# Professional Practice Committee



RPA Professional Practice Committee holding its zoom meeting, committee was given the direction by the board to establish the pathway for RPA to become professional accounting practitioner and to develop the training, examination and accreditation procedure and policy for the Society.

The members of the committee are Harry Somir, Chair, and three members who are: Peter Sharma; Inderpal Matahru; and Umar Choudhry as Facilitator. President of the Society Zubair Choudhry also attended the meeting.

# Lets Talk to Database

We live in the world of data. Accountants job is way more than just to prepare financial statements. There are several intelligent accounting applications that process accounting transactions to generate Income Statement and Balance Sheet. One of the key roles of accountant's job is to deep diving into financial and non-financial data to share insights. For this, every accountant should know how to connect to a data source to pull required information out of tonnes of rows and columns.

**Structured Query Language** or commonly known as **SQL** is a standardized programming language used for managing relational databases and performing various operations on the data.

Initially created in the 1970s, **SQL** is regularly used by database administrators, as well as by developers writing data integration scripts and accountants looking to set up and run analytical queries.

The uses of **SQL** include modifying database tables

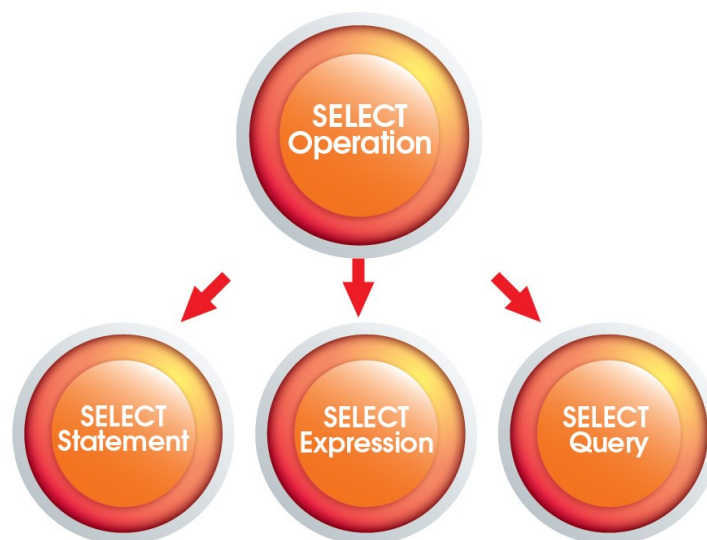
and index structures; adding, updating, and deleting rows of data; and retrieving subsets of information from within a database for transaction processing and analytics applications. Queries and other **SQL** operations take the form of commands written as statements -- commonly used **SQL** statements include select, add, insert, update, delete, create, alter, and truncate.

**SQL** gives the skills you need to retrieve information from any relational database.

It helps to understand the mechanism behind the graphical query interface found in many RDBMS products.

**SQL** helps to craft complex queries. It provides knowledge required to troubleshoot queries when problem occur.

Nearly any question regarding who, what, why, when, where and how about the data can be answered with **SELECT** statement in **SQL**. **SELECT** statement is the workhorse of **SQL**. It is used to retrieve data from the database. It can be broken down into following smaller operations:



A **SELECT** statement is composed of several distinct keywords known as clauses. Some of the clauses are required while others are optional.



## Before December 27 Take advantage of tax loss strategies.

If you have capital gains this year (sold an investment for more than you paid for it)-and you're holding securities with unrealized capital losses-consider selling those securities to realize the losses and offset the capital gains.

### *Defer capital gains.*

Consider deferring to sell investment with unrealized capital gains to next year, if you think your tax rate will be lower in 2020.

- Talk to an RPA to discuss these strategies before December 31
- Take advantage of tax-smart investing.
- Registered Retirement Savings Plan (RRSP)
- Tax-Free Savings Account (TFSA)
- Registered Education Savings Plan (RESP)
- Turning 71 in 2020 and have earned income?

Even if you have no carry-forward room but have earned income that will generate RRSP contribution room in 2019, consider making a final RRSP contribution before the end of 2020 which can be claimed as a deduction on your 2020 tax return.

Since the contribution is made before the end of 2020, an over-contribution penalty tax of one per cent per month will apply on any amount greater than \$2,000.

### *Make a charitable donation.*

Donate to a registered charity to claim the tax credit on your 2020 tax return.

Put your year-end bonus to work.

Reduce your withholding taxes by transferring your bonus directly to your RRSP (if your employer allows this and you have unused contribution room).

### *Expect to be in a lower tax bracket next year?*

Consider deferring your bonus to early 2020 (if allowed by your employer).

### *Moving to a different province or territory?*

Plan your timing.

Generally, you're taxed based on where you live on December 31<sup>st</sup>.

### *Consider:*

- Moving before year-end if you're going to a province or territory with a lower tax rate.
- Waiting until 2021 if you are moving to an area with a higher tax rate.
- Pay tax-deductible expenses.
- Pay all investment management fees, deductible legal and accounting fees, childcare expenses, alimony and medical expenses by December 31<sup>st</sup> to deduct them on your 2020 personal income tax return.







Please write to us about your significant achievements, suggestions and feedback to include in the next eNewsletter. You can reach us at [cpd@rpacanada.org](mailto:cpd@rpacanada.org)