

Practice Advisory

The Case of the Relentless Condo Owner

Issues to consider when made aware of possible fictitious expenses

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The *Dear Advisor* series helps members become better informed about the provisions of the Member's Handbook, including various bylaws, regulations, and ethical requirements under the Rules of Professional Conduct and related Council Interpretations.

Dear Advisor:

My firm audits a number of condominium (condo) corporations. A unit owner in one of these condos has been relentless in sending me concerns and questions before and during the audit, which is currently underway. The unit owner tells me that certain expenses recorded in the financial statements were never incurred. He wants to know how his concerns are being addressed in our audit. What are my professional obligations?

- *Condo Auditor in Chatham*

Dear Condo Auditor:

This condominium owner may be confusing the role of the auditor with the respective roles of the building's board and management, and may also have unrealistic expectations regarding the auditor's responsibilities when there are allegations of financial misconduct. The following Rules provide guidance in this situation:

Professional standards

Rule 206.1

You are required to perform professional services in accordance with generally accepted standards of the profession, which in this case includes Canadian Auditing Standards as well as ethical standards. These standards require your firm to obtain sufficient and appropriate evidence to provide a basis for your audit opinion.

With regards to the information on the alleged fictitious expenses, as with any information received pertaining to the current audit, you should re-evaluate management's integrity, and whether any adjustments to the initial risk assessment and planned audit procedures are necessary. For instance, you may not have originally planned to have an engagement file review, but this may now be required by your quality control policies since the risk has changed.

You also need to assess whether there is any fraud. As well, are there any material errors that need to be brought to management's attention, as well as those charged with governance? Have these been corrected? Do you need to qualify the audit opinion?

Rule 205

You may or may not be associating with false or misleading information — depending on what you discover when you delve into these accusations and on what you do with that information.

Client relationship

Rule 201.1 and related Council Interpretation paragraphs 10 through 16.

You should consider if this is a client you want to continue with, if you determine that management is recording fictitious expenses. An auditor has statutory obligations. Consider obtaining legal advice as to whether you can resign from the audit before it has been completed.

Roles

Rule 204(22)

You need to be careful that you do not inadvertently take on a management role by answering questions that should be directed to them. The unit owner may be confusing the role of the auditor with the role of condo's management and the condo board. Auditors are responsible for the audit report attached to the financial statements, not the financial statements themselves.

Rule 208

You should be careful not to disclose confidential information that is management's role to provide to the unitholders.

- *Advisor*

INFORMATION AND GUIDANCE

- For additional guidance from *Dear Advisor*, go to cpaontario.ca and click on Firms/ATOs, then Practice Matters, followed by Articles, where you will find Dear Advisor. (Other Practice Matters articles in respect of client relationships, fraud, and engagement risks may also be helpful.)
- CPA Ontario Member's Handbook in the Resources section of CPA Ontario's website provides the complete wording of Bylaws, Regulations, Rules of Professional Conduct, and related Council Interpretations.
- A Practice Advisor can be contacted at 416-962-1841, ext. 4456 or 1-800-387-0735, ext. 4456 or by email at practiceadvisory@cpaontario.ca or memberadvisory@cpaontario.ca.