



CPA PROFESSIONAL LIABILITY PLAN INC. RÉGIME COLLECTIF D'ASSURANCE
RESPONSABILITÉ PROFESSIONNELLE
DES CPA INC.

RISK MANAGEMENT SEMINAR



When to Report a Potential Claim

1. Verbal or written allegation made against insured with respect to professional services provided.
2. Insured becomes aware of an error made which may lead to damages suffered by a client or lead to a claim.



Late Reporting Can Only Lead to Problems !

- Don't try to rectify the situation, and only report a claim after you have been unsuccessful.
- Insurers use experienced counsel, experts and examiners who have probably dealt with a similar situation and can assist you in rectifying the matter, if possible.
- If late-reporting prejudices your insurer's position, it could lead to coverage problems.



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Trends in Claims



Categories of claims - Canada 1999 to 2016

Area of Involvement	Number of Claims %
Audit	9.0
Review	5.5
Notice to Reader	7.2
Tax	57.3
Management Consulting	0.4
Receiver/Trustee in Bankruptcy	2.7
Fee dispute/Counterclaim	3.3
Shareholders' Dispute	0.8
Purchase/Sale Agreement	2.7
Other	10.5
Bookkeeping	0.6
Total	100.0



Incurring expense - Canada 1999 to 2016

Area of Involvement	Incurring Expense %
Audit	33.5
Review	6.5
Notice to Reader	3.1
Tax	39.3
Management Consulting	0.4
Receiver/Trustee in Bankruptcy	2.8
Fee dispute/Counterclaim	1.6
Shareholders' Dispute	0.4
Purchase/Sale Agreement	2.1
Other	9.7
Bookkeeping	0.6
Total	100.0



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Tax Claims



84.1

- Deemed dividend
- Reorganization of shares
- Non-share consideration
- “Juliar decision” - Rectification



Capital Dividend Account

- Goodwill and other “nothings”
- Eligible capital property



Dividend Refund

- Late filed returns
- Part IV tax
- Denial of dividend refund



Solutions to Ignorance Claims

- Educate
- Outsource
- Know your strengths and weaknesses



Aggressive Tax Planning

- Lack of Documentation



Solutions to Aggressive Tax Planning Claims

- Document risks and rewards
- Use professional judgment



Notice to Reader

- Are you protected?
- Turning it into something it wasn't intended to be



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Audit / Review Engagement



Misappropriation of Funds/Fraud

- Make Up Majority of Claims



Purchase & Sale Agreements

- Conflict of interest
- Multiple of earnings
- Tax planning



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Family Claims (Matrimonial disputes)



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Risk Management Tips



Documentation

- Engagement letter
- All advice in writing
- Risks and rewards documented of decisions to be made (trap)



Engagement Letter

- Detailed
- Defines services to be provided
- Defines services which will not be provided
- Current
- Limitations of liability



Communication

- Make it clear who is to be communicated with
- Make sure all parties are aware of any material developments
- Be wary of disgruntled shareholders, family members and other users of financial statements



Education

- Make sure you and your staff members have expertise to provide competent level of service to clients
- Know your strengths and weaknesses
- Outsource areas of weakness or do not accept engagement



Professional Skepticism

- Apply professional judgment
- Identify high risk situations purchase & sale
 - Absent minority shareholder
 - Restrictive covenants
 - Lack of segregation of duties
- Maintain control of processes
 - Confirmations



Common Sense

Stay away from high risk clients

- Litigious past
- History of fee disputes
- Existing shareholder/family conflict
- Poor documentation