

PROSPERITY

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Wilkinson & Company's newsletter for our clients and friends



WILKINSON DONATES \$25,000 TO LOYALIST COLLEGE

Founding Partner Honoured with
Lecture Hall Naming

Above, from left to right:
Dr. Doug Auld, Wilf Wilkinson, FCA, CFE
and Brian Kehoe, CA

Wilf Wilkinson, FCA, CFE, Founder of Wilkinson and Company LLP, was recently honoured with a lasting tribute that will benefit hundreds of future students at Loyalist College. The Partners of Wilkinson & Company LLP are donating \$25,000 to help fund the construction of the Wilfrid J. Wilkinson Lecture Hall at Loyalist. The new Lecture Hall will be built and completed in 2003.

The naming of the Lecture Hall recognizes Wilf's many years of service to Loyalist College. The formal announcement of this honour was made at a "surprise" reception and dinner held on March 27, 2002 at the Holiday Inn in Quinte West. Guests at the reception heard about Wilf Wilkinson's significant contribution to the Quinte community during speeches by Loyalist College President

Dr. Doug Auld, MPP Ernie Parsons, Quinte West Mayor Bob Campney, and Managing Partner Brian Kehoe.

A Fitting Tribute

Auld said the naming of the Lecture Hall is a fitting tribute to Wilf Wilkinson's more than 30-year association with the College.

"Wilf was a Charter Member of Loyalist. He was a member of the first Board of Governors and served as Chair. He was part of the visionary group who urged the Premier to establish a college in Quinte," noted the Loyalist President.

Auld added that over the years, Wilf Wilkinson has eagerly accepted invitations to stay involved with Loyalist and "he has helped the College in many, many ways, particularly in the College's two capital campaigns in the 1990s."

Giving Back to the Community

Guests at the surprise reception also heard how the Quinte community, Canada and the world have benefited from Wilf Wilkinson's legendary fundraising efforts.

"Through his personal efforts, Wilf has raised over 22 million dollars for charities," said MPP Ernie Parsons. "We have seen hospitals built because of him and we have seen students educated at a local college because of him. Wilf's volunteer activities have affected the lives of thousands and thousands of families."

Wilf Wilkinson founded Wilkinson & Company LLP in 1964. During his thirty-two years with the Firm, he set an inspiring example of professional excellence and was instrumental in building a business that is

continued on next page

regarded as one of the finest mid-sized professional firms in the country. When he "retired" as an active partner in 1996, Wilf was appointed Practice Leader of the Wilkinson Forensic Accounting Division, a post he held until the spring of 2001.

Wilf's Proudest Achievements

Throughout the years, Wilf Wilkinson mentored and trained dozens of accounting students and he considers the career successes of these colleagues as one of his greatest achievements. "Over the years, the Firm has graduated over 70 CAs," he continued. "And that to me is grand. Many of them are now Partners with the Firm, and many have gone on to build thriving careers in industry. I really think that this is what I'm proudest of, apart from my family."

The Wilkinson Way Lives On

Clients of Wilkinson & Company LLP continue to benefit from the "Wilkinson Way", which, Managing Partner Brian Kehoe describes as "pride in the service, quality, and excellence" that is such an important part of the Firm's commitment to its clients.

"These high standards reflect the qualities and principles of our founder, Wilf Wilkinson," said Kehoe. "We are very proud to have the Firm associated with such a wonderfully respected name."

Kehoe added that Wilf Wilkinson's dedication, not only to a number of worthwhile causes, but also to his clients and the people who worked for him, will always be felt at the Firm he founded.

"It's a rare type of individual who has that much energy, that much drive, and that much focus on his core values. Wilf has always set a great example for us to follow."

Once an Accountant, Always an Accountant

March 27th was a special night for another reason. Wilf's eighth grandchild was born.

"It's rather fitting," the proud grandfather chuckled. "Now, Joan and I have four granddaughters and four grandsons. We accountants like to keep things in balance."

Congratulations and best wishes Wilf! ■



by Brian M. Kehoe, CA
Managing Partner

ENRON HAS CHANGED THE FACE OF AUDITING

(Wilkinson and Company LLP's Position)

The Enron, WorldCom and other recent scandals in the United States have placed the accounting profession under the microscope of government and public scrutiny. News headlines have naturally created concerns about accounting standards, auditor independence, ethics, and the roles played by advisors, management and others who are accountable for corporate governance. In the wake of Enron, Canada's Chartered Accountants are working hard to maintain the trust and confidence of their clients.

Wilkinson & Company LLP's Position:

In view of the heightened state of awareness surrounding these issues, we feel it is important that we outline our position on these recent difficulties, the procedures followed in our firm to ensure the highest possible standards of professional ethics, and our opinion on the recent announcements to strengthen Canada's accounting regulations.

The high profile cases that have been in the news lately concern the auditing of public companies. There is tremendous pressure on the management of these companies to produce quarterly results that serve to increase the value of the publicly held shares, and management's stock options. Because of the potential opportunity for abuse, auditors' independence is mandatory. When auditors also receive high fees for providing consulting services to these companies, in our opinion, the situation exists where this independence is threatened.

Wilkinson & Company LLP does not audit any public companies. Also, it is our view that very large fees from any one particular client can threaten auditor independence. We have no such large fees.

Our core business is providing assurance services, such as audits, reviews, and personal and corporate tax services. We also provide services that are advisory in nature, such as succession planning, business valuations and personal financial planning, to name a few. These services are a natural outgrowth of our core business.

We believe that providing advisory services benefits our clients because we can apply our professional experience and in-depth knowledge that has been built up over many years to client-specific situations. Our deep understanding of our clients business allows us to provide insightful advice that can help build value and solve problems. We maintain our independence because we do not make decisions on behalf of company management and we do not rely on advisory fees from any one client.

We also believe our clients value and want



our advice so that they can make informed decisions and that it is our duty to provide such advice as an integral part of providing the highest quality service possible.

Because we place such high value on maintaining professional standards and providing high quality service, we have always had a quality assurance program in place. This program begins with our internal standards committee, whose mandate is to ensure the firm operates using uniform and appropriate documentation of professional standards applied to each engagement.

Our quality assurance program continues with an ongoing commitment to training and education throughout all levels of the firm so that standards are applied consis-

tently on a firm-wide basis. The services of an external, professional standards consultant are engaged on a regular basis to supplement the internal committee, review the adequacy of the firm's standards and provide recommendations for improvements.

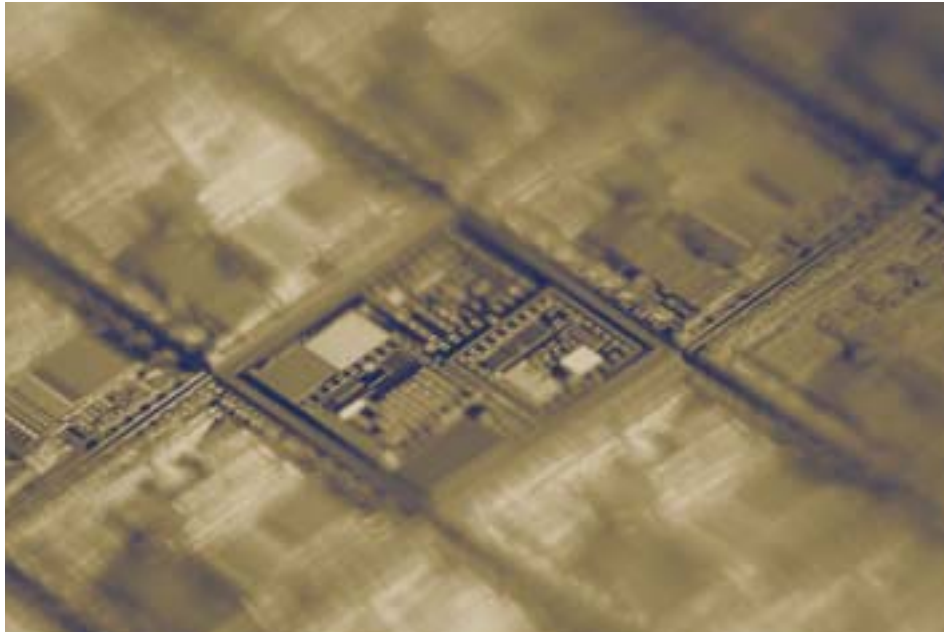
Our commitment to standards excellence has been recognized by the Ontario Institute of Chartered Accountants through the appointment of several of our partners as Practice Inspectors and Discipline Adjudicators. Currently, Jim Coward, CA, CFP and Bob Robertson, CA, serve as a Practice Inspector and Discipline Adjudicator respectively. Jennifer Fisher, FCA continues to play a major role in the Ethics Committee of the Ontario Institute.

On July 17, 2002 the Canadian Institute of Chartered Accountants (CICA) announced it would play a leading role in the formation of a new governing body, the Canadian Public Accountability Board, in October 2002. According to David Smith, FCA, CEO of the Canadian Institute of Chartered Accountants, the Board will "make sure that the quality of financial information in Canada meets the highest possible standards."

In August 2002, the profession's Public Interest and Integrity Committee will release revised rules of conduct that will address the issue of auditor independence. The proposed new standards are expected to prohibit specified types of activities, such as some consulting services that are incompatible with audit. Once they are approved, it is expected that these draft rules will be adopted across the country in 2003.

The CICA has also issued a new assurance standard that requires auditors to disclose their non-audit fees and report to audit committees about their independence.

Wilkinson & Company LLP supports the initiatives of the CICA and we will continue to serve our clients to the highest standards of quality, professionalism, and integrity. ■



PROTECTING YOUR COMPUTER AND NETWORK AGAINST VIRUSES

by Rob Deacon, CA
Client Services Partner with
Wilkinson & Company LLP.



We have all heard the horror stories. A “friend” sends you an email with an attachment of a picture “you just have to look at”. Except the “friend” isn’t really someone you know, and the picture is anything but innocent.

Your computer, and even worse your computer network, has just been infected with a virus. Your network has crashed, resulting in the loss of valuable information.

Fixing the problem will be frustrating, expensive, and time-consuming.

All of this could have been prevented. In most cases, protecting your computer and your network from viruses is relatively easy and inexpensive. All it takes is some common sense, the right maintenance protocol, and the installation of anti-virus software.

What Is A Virus?

A virus is self-replicating code that can damage operating systems, applications, or documents. The computer user doesn’t know what is happening until it is too late. The virus infects other files and can be passed on to other computers through emails or the sharing of files on floppy disks, CDs, tapes, even ZIP disks.

Once you’re infected, the virus is programmed to attack and damage the host

computer. This can happen in different ways, such as displaying a harmless message that appears on the screen, changing characters or words in document files, or deleting files from the host computer’s hard drive. There are many types of viruses, including:

- Boot sector
- Partition sector
- Macro
- Worms
- Trojan horses
- Companion
- Link
- Parasitic
- Multi-partite

Each of these viruses uses a different way of making sure its code is executed and spread throughout the system.

According to Ottawa based ISP Magma.ca, the average computer is exposed to at least 6 viruses per month. Magma’s July 2002 newsletter reports an increase of nearly 1700% in viruses on the internet!

Common Virus Symptoms

Sometimes the answer to this question is horribly simple. Your computer won’t work! However, your system may be infected and you may not be aware of this. If your computer shows any of the following symptoms, you should investigate to see if a virus has attacked your system.

Table 1 – Common Virus Symptoms

- Odd system behaviour
- Decrease in system response
- Unexplained reduction in memory
- Change in size or date of files
- Failures in application programs
- Unexplained alteration of commands
- Unusual error messages
- Increase in system downtime
- Unexplained system slowdowns
- Unusual noises or tones
- Repeated failures in programs

Protecting Your Network Computer

First, virus protection should be focused on preventing the spread of the infection. A virus can infect computers rapidly across a network, especially when the network is being used to its maximum potential.

There are two possible strategies to consider: stand alone protection and network protection.

While installing stand-alone virus protection on each workstation is good practice, it can add considerable cost to maintaining networked computers.

The better option is to install a server-based anti-virus package to guard the entire network. The program should detect and disinfect viruses as well as co-ordinate virus protection across the whole network. This should be done from a central location and will save time, effort and money.

The most powerful step you can take to prevent the spread of viruses in your network is to protect your server as an individual unit. However, this isn't a complete solution. If there is more than one server on your network, all servers must have the latest anti-virus software and patches for up-to-date protection. For complete network protection, each workstation should also have its own anti-virus software and maintenance protocol - both should be operating when the server isn't available.

Protecting Your Home Computer

Although you have up-to-date protection at work, there is still a potential chink in your anti-virus armour - your home computer. For example, a macro virus in a MS Word document can easily be passed to your network simply by sending a report you worked on at home to your computer at the office. Therefore, it is important that your home computer be protected as well. This usually means adopting the following four strategies:

1. Install anti-virus software on your computer.
2. Keep your anti-virus protection up-to-date.

3. Subscribe to virus screening software if it is available from your ISP.
4. Use common sense.

The first two above are easy to accomplish. There are a variety of anti-virus software packages on the market. Each has its own special features and it is best to consult your IT professional to determine the best package for your needs.

Many ISPs offer low cost screening software that will automatically check (and disinfect) e-mail attachments. This service is usually available on a month-by-month basis.

There are also ways to stop viruses before they get to your hard drive, and that's where common sense comes into play. Although an e-mail message itself cannot contain a virus, e-mail attachments CAN. Viruses can also be found on documents and files on floppies, tapes, CDs, or ZIP disks. Following are four easy-to-follow procedures to prevent viruses:

1. Don't run an ".EXE" file without checking it first. The person who sent you the file may not realize their computer is infected.
2. Don't open any document or image file without knowing what it is. If you get a document or image file that you weren't expecting, ask the sender about the contents of the file.
3. Delete any Word document, Excel file or EXE file you receive unsolicited from someone you don't know.
4. Always scan disks you receive from someone else. The person may not have anti-virus protection, and even if they do, don't assume it has been kept up to date.

Unfortunately, malicious individuals are writing new code and creating new viruses every day. For more information on how Wilkinson & Company LLP can help you design an effective anti-virus strategy and protect your computers from viruses, contact your Client Services Partner. ■

TAXATION AND DEDUCTIBILITY OF VEHICLES USED FOR BUSINESS – PART II



by Jonathan C. Warren, CA, Audit Senior

In the last issue of Prosperity, we reviewed the broad rules concerning the deductibility of automobile expenses and discussed the specific rules governing the deductibility of expenses when a corporation owns a vehicle and provides it to an employee.

In this article, we examine the other two most common tax situations:

CASE # 1: The proprietor of an unincorporated business uses a personal vehicle for business purposes

If the proprietor owns the vehicle personally and uses it strictly for business, the complexities involved in calculating the allowable deductions are reduced. A deduction of 100% of the expenses will be allowed.

When a proprietor uses the vehicle for business and personal use, some simple calculations are required to arrive at the proper deduction. Although only the expenses incurred for business use can be deducted, all receipts must be retained. At the end of the business year, divide the number of kilometres used for business by the total number of kilometres driven that year to determine the percentage of vehicle use for business purposes. To arrive at the proper deduction, multiply the total expenses by this percentage.

Here is a sample calculation of the deduction. Assume that total expenses for the year were \$3,000 and 15,000 of a total of 20,000 kilometres were driven during the year for business purposes. The allowable deduction is:

$$\$3,000 \times \frac{15,000 \text{ business kilometres}}{20,000 \text{ total kilometres}} = \$2,250$$

TIP: Keep meticulous records and keep all receipts to support claims for expenses. Maintain a detailed log of business kilometres driven throughout the year, including beginning of year and end of year odometer readings. Record the date of the trip, destination, purpose and kilometres driven in this log.

CASE # 2: A corporation reimburses an employee who uses a personally owned vehicle for business purposes

There are two ways the company can reimburse an employee for using a personal vehicle for business travel. The first is to pay a reasonable tax-free allowance on a per kilometre basis and have the

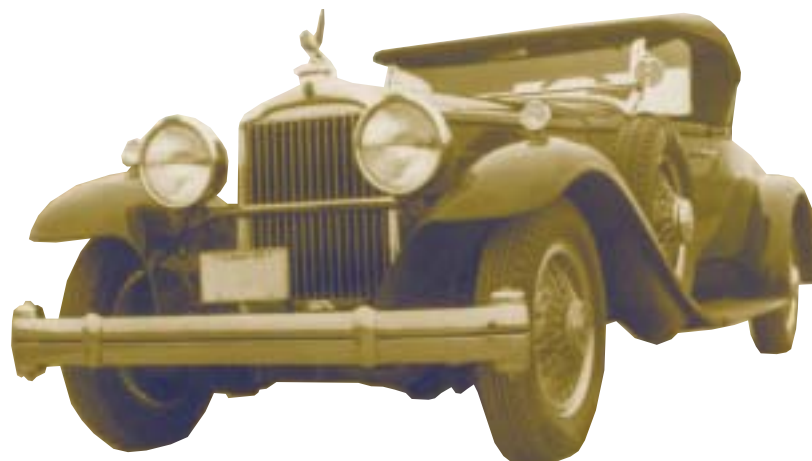
employee submit periodic expense reports which detail the kilometres traveled on business. The employee will simply be reimbursed at a set per-kilometre rate for business kilometres traveled. An allowance or reimbursement that is considered reasonable will not be taxable in the hands of the employee and the employee is not required to report anything on their personal tax return.

For 2002, the Canada Customs and Revenue Agency (CCRA) has determined that a reasonable reimbursement rate is 41 cents per kilometre for the first 5,000 kilometres and 35 cents per kilometre for each additional kilometre.

The second method of reimbursement is to pay the employee an “unreasonable” allowance, either a kilometre rate exceeding the CCRA allowed rate or by paying a flat fee and a reduced per kilometre rate. In this case, the full allowance will be included in the employee’s income for tax purposes, and the employee will need to deduct the related automotive expenses on form T777.

TIP: Remember, if the employee is challenged on the tax deduction, it is up to him/her to prove that the deduction is reasonable. Keeping receipts and maintaining a log of business kilometres driven is an excellent record to have for this eventuality.

The tax rules regarding the benefits and business use of vehicles are complex. Your Wilkinson Client Services Partner can help you make the best financial and tax decisions in this area. Please call us for further information. ■





THE FORENSIC FILE

YOU'RE A FORENSIC ...WHAT?

Jerry Silverthorn, CA, is the Practice Leader of the Forensic Division of Wilkinson & Company LLP

The term "forensic" is commonly linked with crime. Fields such as forensic psychology, criminal justice and forensic medicine appear, at first glance, to have nothing in common with accounting.

Or do they? Forensic accountants may be more like the detectives on CSI: Crime Scene Investigation than one might guess. Both professions involve investigating and analyzing facts and events in an effort to uncover the truth.

A regular auditor does not offer the comprehensive, investigative services provided by a forensic accountant. Forensic accountants rely on a combination of accounting, auditing and detective skills to provide investigative accounting services and litigation support.

Like police detectives, forensic accountants seek to uncover the what, where, when, why, and how of an insurance claim or other investigation. But unlike their counterparts in law enforcement, their mandate is not to "build a case" but simply to seek the truth.

Sherlock Holmes Wore This Hat

Forensic accountants wear many "hats" in the course of their duties. As investigators, they may be involved in cases ranging from criminal investigations, fraud, personal injury and insurance claims to shareholder's disputes, business losses and even marital disputes.

Calculation of Loss

Another important function performed by forensic accountants is calculation and verification of claims of loss or damages. Losses of commercial inventory (e.g. due to theft or fire) are common. The forensic accountant's challenge is to calculate the inventory as it existed immediately prior to the casualty, and compare this with the inventory immediately afterwards, in order to calculate the loss.

Business interruption losses often ensue as a result of such casualties, and a forensic accountant may be retained to calculate the loss of earnings, taking into consideration any policy limits on coverage, e.g. the co-insurance provision and deductibles, if any.

Expert Witness

The word forensic is derived from the Latin term meaning characteristic of, or suitable for a law court or public debate. Among the litigation support services they provide, forensic accountants may be called upon to give expert witness testimony. Although this service

is required in fewer than one in ten cases, forensic accountants must complete each assignment on the assumption that their opinions and conclusions may one day be tested in court.

When litigation support is required, it is advantageous to retain a forensic accountant as early as possible.

They may even uncover financial issues that their clients and counsel might have missed. Other litigation support services may include explaining financial matters at issue to the client's attorney; identifying additional areas of damages; gathering the documentation necessary to support or refute a claim; reviewing the other parties documents and expert reports; and helping to prepare questions for Discovery and for Trial.

Arbitration

Some forensic accountants have also received special training in mediation and arbitration. Many insurance policies contain a provision for the arbitration of claims disputes between the insurer and the insured. Because of their thorough knowledge of the claims they have investigated, forensic accountants can be effective arbitrators on behalf of their clients.

Looking Beyond the Numbers

A forensic accountant will analyze and evaluate complex financial data, and present it to the client in a way that is accessible. Calculating a loss is often not straightforward. Forensic accountants may be called upon to prepare forecasts; evaluate financial conditions (especially where arson is suspected), internal control procedures, and the reliability of records kept; and reconstruct records when required. They are challenged to look "beyond the numbers: and see the reality behind them." As noted, the forensic accountant's report must be properly supported and they must be prepared to defend their conclusions in a court of law.

The fees charged by forensic accounting experts, like legal fees, reflect a range based on experience and geographical area. However, unlike a lawyer's "contingency," a forensic accountant's fees are never based on the outcome of the case. In forensic accounting, it's not whether you "win" or "lose," but knowing how to analyze the clues.

EDITOR'S NOTE:

This article is reproduced from Accounting & Claims, a newsletter published in Canada by the National Association of Forensic Accountants.

WILKINSON ON THE MOVE

FORENSIC DIVISION

Rob Deacon, CA and Magdalene Varoutas, CA Join Division Garth Kenney Promoted to Director of Marketing

During the past six months, our Forensic Accounting Division has enjoyed record growth.

In order that we can continue to provide a high standard of service to our clients, we are pleased to announce that two new professionals have joined the Division.

Robert G. (Rob) Deacon, CA, a Partner in our Belleville office, has assumed partner responsibilities in the Division. Rob will be assisting Jerry Silverthorn in the management of the Division and will be providing specialized valuations and forensic expertise to clients.

Magdalene Varoutas, CA, a Senior Accountant in our Belleville office, has been transferred to the Division and will be assisting in the analysis, verification and calculation of insurance claims as well as the preparation of reports for clients.

In recognition of Garth Kenney's contribution to the growth of the Division, he has been promoted to Director of Marketing.

BELLEVILLE OFFICE

Bulls Scoring Helps Children's Foundation

Dan Dickinson, CA recently presented a cheque for \$279.00 to the Quinte Regional Children's Foundation. At the beginning of last year's Ontario Hockey League season, the Wilkinson Belleville office decided to donate \$1.00 to the Foundation for every goal scored by the Belleville Bulls Junior A Hockey Club. Belleville Mayor George Zegouras and MPP Doug Galt were among those on hand at the Yardmen Arena when Dan presented this cheque.

Welcome to the World, Mckenna Lynne Golden

Barbara Golden recently became a grandmother for the first time. She and husband Jim are the proud grandparents of Mckenna Lynne who was born to their son Craig and daughter-in-law Jan in Keswick, Ontario on March 12, 2002. Mckenna weighed eight pounds even at birth.



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TRENTON OFFICE

Walleye Derby Another Smash Hit

Rob Cory, CA helped spearhead another highly successful Trenton Kiwanis Walleye World fishing tournament this past May. Overcoming the uncertainty raised by a possible walleye moratorium on the Bay of Quinte, the tournament committee raised over \$20,000 for youth programs in the Trenton area. During the past 10 years, Rob has devoted hundreds of hours organizing and promoting this event.



Rob Cory presents cheque to Paul Whitley, Past President of the Trenton Kiwanis Club

Congratulations Bob Yager!

Bob Yager, CA, CFP has just earned his Registered Financial Planner's designation (RFP). Obtaining this designation is a significant accomplishment that requires many hours of study, nine hours of exams and the completion of a comprehensive financial planning case. Bob is one of a handful of CAs in Eastern Ontario to have obtained this designation.

Jim Coward Appointed to Albert College Board

Jim Coward, CA, CFP was recently appointed to the Board of Governors of Albert College in Belleville. Jim is a graduate of Albert. He was also recently appointed to the Disciplinary Committee of the Institute of Chartered Accountants (ICAO).

Stephen Thompson Named Paul Harris Fellow

Stephen Thompson, CA, CFP has been named a "Paul Harris Fellow" by the Trenton Rotary Club. This very special award is named after the Founder of Rotary, Paul Harris. It is presented in "recognition of the tangible and significant assistance given for the furtherance of better understanding and friendly relations among peoples of the world."

KINGSTON OFFICE

Portuguese Donuts Help Needy Charities

The Kingston office of Wilkinson & Company LLP sponsored the Portuguese Donut Stand at "The Sky is the Limit Festival" held at City Park in Kingston on July 6, 2002. The stand was organized by Tim Almeida and Tim's family and friends made and sold the donuts all day long! Proceeds were donated to the Ontario March of Dimes and the Youth Diversion Project. The Stand raised \$850.00, including a \$200.00 donation from Wilkinson.

EMPLOYEE SERVICE MILESTONES

During March 2002, Carolina McCardle, celebrated 19 years as an employee of Wilkinson & Company LLP, Karen Scaletta and Helen Norris, 13 years and Dawn Gauthier, 5 years. We salute these fine employees on their achievement.

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Editorial Board: Bob Robertson, CA, Jim Noble, and Steve Klein, MBA - Marketing Breakthroughs Inc.