

CHARTERED PROFESSIONAL ACCOUNTANTS OF ONTARIO
CHARTERED PROFESSIONAL ACCOUNTANTS OF ONTARIO ACT, 2017

DISCIPLINE COMMITTEE

IN THE MATTER OF: A proposed Settlement Agreement between the Professional Conduct Committee of the Chartered Professional Accountants of Ontario and **BRUCE GORDON DRYSDALE, CPA, CA.**

TO: Mr. Bruce G. Drysdale

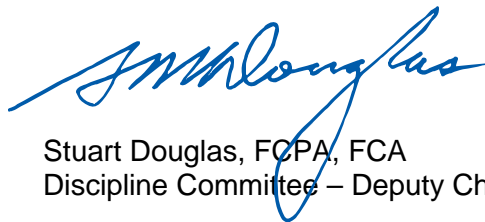
AND TO: The Professional Conduct Committee

DECISION MADE FEBRUARY 20, 2019

DECISION

After considering the submissions of the parties and the proposed Settlement Agreement itself, the Panel hereby approves the Settlement Agreement, dated December 4, 2018.

DATED at Toronto, this 20th day of February, 2019.



Stuart Douglas, FCPA, FCA
Discipline Committee – Deputy Chair



CHARTERED PROFESSIONAL ACCOUNTANTS OF ONTARIO

THE CHARTERED PROFESSIONAL ACCOUNTANTS OF ONTARIO ACT, 2017

IN THE MATTER OF: ALLEGATIONS OF PROFESSIONAL MISCONDUCT
AGAINST BRUCE G. DRYSDALE, CPA, CA, A MEMBER OF
CPA ONTARIO, BEFORE THE DISCIPLINE COMMITTEE

SETTLEMENT AGREEMENT

**Made pursuant to Section 34 (3) (c) of the Chartered
Professional Accountants of Ontario Act, 2017 and to CPAO
Regulation 6-2, s.19**

Introduction

1. The Professional Conduct Committee (“PCC”) approved draft Allegations against Bruce G. Drysdale, CPA, CA (“Drysdale”) (SCHEDULE “A”). The documents referred to in this settlement agreement are found in the Document Brief (“DOC”). The applicable CPA Handbook sections are found in the Brief of Authorities (“Standards”).
2. The draft Allegations pertain to Drysdale’s failure to perform professional work in accordance with generally accepted standards of the profession with respect to the following engagements:
 - a) the audit of the financial statements of “VLNPHC” for the year ended February 29, 2016 (DOC TAB 1);
 - b) the audit of the financial statements of “VLNPHC” for the year ended February 28, 2017 (DOC TAB 2);
 - c) the audit of the financial statements of “VINS” for the year ended September 30, 2015 (DOC TAB 3); and
 - d) the audit of the financial statements of “ADL” for the year ended October 31, 2016 (DOC TAB 4).



3. The PCC and Drysdale agree with the facts and conclusions set out in this settlement agreement for the purpose of this proceeding only, and further agree that this agreement of facts and conclusions is without prejudice to Drysdale in any other proceedings of any kind, including, but without limiting the generality of the foregoing, any civil or other proceedings which may be brought by any other person, corporation, regulatory body or agency.

Background

4. Drysdale attended the University of Toronto and graduated with a Bachelor of Arts degree in 1978. Drysdale worked in industry from 1978 – 1987.
5. From 1987 to 1998 Drysdale was employed first by Runnings and Drysdale (Douglas) and later by Runnings and Jonatan, both of which were CA firms where he articulated. Drysdale obtained his CA designation in 1998, and from 1999 to 2005 Drysdale practiced as a partner in Runnings and Drysdale.
6. Since 2006 Drysdale has practiced as a sole practitioner in Mississauga, Ontario. Drysdale employs his son who assists in compilation engagements and inventory attendances for audits. Drysdale has 5 Audit clients, 10 Review clients and 16 Compilations. In addition, he has 60 personal tax clients. His total annual billings are approximately \$175,000.

The Complaint

7. The initial inspection of Drysdale's practice during the most current inspection cycle was conducted on August 13, 2013, with subsequent reinspections being conducted on December 23, 2014, November 16, 2015 and November 29, 2016. (DOC TAB 5)
8. This matter came to the attention of the PCC on April 5, 2017, by way of a complaint made by the Practice Inspection Committee ("PIC") following the final reinspection of Drysdale's practice (DOC TAB 5).
9. At the time of the 2016 Reinspection the PIC noted in their report (DOC TAB 5) that reporting to the PCC was necessary after conducting a third reinspection. The PIC also

noted that Drysdale's failure to maintain professional standards may be sufficiently serious to reflect adversely upon Drysdale's professional competence.

10. The files inspected during the 2016 Reinspection were:
 - a) VLNPHC for the year ended February 29, 2016 (DOC TAB 1); and
 - b) VINS for the year ended September 30, 2015 (DOC TAB 3).
11. On December 7, 2017, the PCC appointed Mr. C Dirk Joustra, CPA, CA, (the "Investigator") to investigate the member's standards of practice.
12. As part of his investigation, the Investigator reviewed the member's standards of practice in relation to the following audits:
 - a) VLNPHC for the year ended February 29, 2016;
 - b) VINS for the year ended September 30, 2015;
 - c) VLNPHC for the year ended February 28, 2017; and
 - d) ADL for the year ended October 31, 2016.

Failure to Maintain Professional Standards

Allegation 1 – The Audit of the Financial Statements of VLNPHC for the year ended February 29, 2016

13. The financial statements for VLNPHC for the year ended February 29, 2016, together with the Auditor's Report were signed by Drysdale and issued on July 27, 2016 (DOC TAB 1).
14. Drysdale and the PCC agree that Drysdale failed to perform his professional services in accordance with generally accepted standards of practice of the profession as described below.
15. Drysdale and the PCC agree that the draft Allegations, attached as Schedule "A", particularize the manner in which Drysdale failed to perform his professional services in accordance with generally accepted standards of practice of the profession. It is further agreed that the relevant standards are those identified in this agreed statement of facts and those set out in italics following each particular.

Particular a)

16. The Canadian Auditing Standards (“CAS”) – *CAS 330.18 The Auditors Responses to Assessed Risks* requires that, “Irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance, and disclosure.” (Standards TAB 2).
17. Drysdale’s working paper files did not sufficiently document the substantive audit procedures performed for each material class of transactions and account balances and in particular, with respect to accounts payable cut off there is no documentation of audit procedures other than discussion with the external bookkeeper.

Particular b)

18. Drysdale did not document the overall audit responses to address the assessed risk of material misstatement at the financial statement level and at the assertion level for classes of transactions, account balances, and disclosures in order to provide a basis for designing and performing further audit procedures.
19. CAS 315.25 (Standards TAB 5) requires the auditor to identify and assess risks of material misstatement at “...*the financial statement level; and the assertion level for classes of transactions, account balances, and disclosures, to provide a basis for designing and performing further audit procedures.*”
20. Although Drysdale did perform some procedures there is no documentation of the audit procedures performed that are responsive to the assessed risk at the assertion level as required by generally accepted standards of practice.

Particular c)

21. Drysdale did not document the sample design, sample size and selection of items for testing when performing audit sampling related to expenses.
22. CAS 530.6–8 (Standards TAB 4) requires the auditor to consider the purpose of the audit procedure and the characteristics of the sample population and to determine a sample size sufficient to reduce sampling risk to an acceptably low level.

23. Although Drysdale did review some of the larger expenses including mortgage interest, property taxes, salaries, insurance, depreciation and utilities (DOC Tab 7) there is no documentation of the review of other expenses and none of the requirements of CAS 530.6–8 were documented in the working paper file as required by generally accepted standards of practice.

Particular d)

24. CAS 560.5-8 (Standards TAB 6) requires the auditor to design audit procedures to obtain sufficient appropriate audit evidence that all events occurring between the date of the financial statements and the date of the auditor's report that require adjustment of, or disclosure in, the financial statement have been identified.
25. The date of the financial statements is February 29, 2016 and the date of the Auditor's Report is July 27, 2016 (DOC TAB 1). Drysdale did not review events for the complete period between the financial statement date and the date of the auditor's report.
26. Drysdale failed to document what, if any, subsequent events review procedures were carried out except for a review of the March 2016 bank statement (DOC Tab 8). Verbal enquiries of management were made but not documented in the file.

Allegation 2 – The Audit of the Financial Statements of VLNPHC for the year ended February 28, 2017

27. The financial Statements of VLNPHC for the year ended February 28, 2017 were issued together with the Auditors Report signed by Drysdale on June 26, 2017 (DOC TAB 2).
28. Drysdale and the PCC agree that Drysdale failed to perform his professional services in accordance with generally accepted standards of practice of the profession as described below.

Particular a)

29. CAS 560.6-8 (Standards TAB 6) requires the auditor to design audit procedures to obtain sufficient appropriate audit evidence that all events occurring between the date of the

financial statements and the date of the auditor's report that require adjustment of, or disclosure in, the financial statement have been identified.

30. The date of the financial statements is February 28, 2017 and the date of the Auditor's Report is June 26, 2017. Drysdale did not review events for the complete period between the financial statement date and the date of the auditor's report and the only documented review of subsequent events is a review of the March 2017 bank statement.
31. Although Drysdale did make verbal enquiries of management, this was not documented in the working paper file.

Allegation 3: The Audit of the Financial Statements of VINS for the Year ended September 30, 2015

32. The financial statements of VINS for the year ended September 30, 2015, were issued together with the Auditor's Report signed by Drysdale on March 31, 2016 (DOC TAB 3).
33. Drysdale and the PCC agree that Drysdale failed to perform his professional services in accordance with generally accepted standards of practice of the profession as described below.

Particular a)

34. Drysdale did not sufficiently document substantive audit procedures performed on material classes of transactions and account balances with respect to:
 - accounts receivable,
 - inventory pricing,
 - property plant and equipment additions, and
 - note receivable collectability.
35. The Canadian Auditing Standards ("CAS") – *CAS 330.18 The Auditors Responses to Assessed Risks* requires that *"...irrespective of the assessed risks of material*

misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance, and disclosure.” (Standards TAB 2)

36. CAS 330.25-28 (Standards TAB 2), requires the auditor to evaluate the sufficiency and appropriateness of audit evidence.
37. CAS 330.30 (Standards TAB 2) requires the auditor’s documentation to demonstrate that information in the financial statements agrees or reconciles with the underlying accounting records.
38. While Drysdale prepared a memo regarding sales/receivables cutoff (DOC TAB 9) and a memo regarding inventory cutoff/pricing (DOC TAB 10) he did not document which items were selected for review. There is no documentation regarding pricing and coverage of inventory which is required.
39. With respect to property, plant and equipment there were additions in excess of \$1.3 million. Computer additions alone accounted for approximately \$400,000. While there is a listing of invoices related to computer additions (DOC TAB 11) and a purchase order (DOC TAB 12) there is no documentation to indicate what other procedures were performed with respect to computer hardware and software additions.
40. With respect to note receivable collectability, the financial statements disclose a promissory note in the amount of \$200,000 (DOC TAB 3). Drysdale agrees that no audit procedures were performed to establish collectability as required by CAS 500.6 (Standards TAB 3).

Particular b)

41. Drysdale failed to document the audit procedures responsive to assessed risks of material misstatement at the financial statement level and the further audit procedures performed, including the linkage of those procedures with the assessed risks of material misstatement at the assertion level.
42. CAS 315.25 (Standards TAB 5) requires the auditor to identify and assess risks of material misstatement at “...*the financial statement level; and the assertion level for classes of*

transactions, account balances, and disclosures to provide a basis for designing and performing further audit procedures.”

43. Although Drysdale did perform some procedures there is no documentation of the audit procedures performed that are responsive to the assessed risk at the assertion level as required by generally accepted standards of practice.

Particular c)

44. Drysdale did not document the sample design, sample size and selection of items for testing, and did not evaluate the results of the sample, when performing the audit sampling related to expenses as required CAS 530.6-8, 530.15 (Standards TAB 4).

Particular d)

45. Drysdale did not review events for the period between the financial statement date and the date of the auditor's report to obtain sufficient audit evidence that all events occurring between the date of the financial statements and the auditor's report that require adjustment of, or disclosure in, the financial statement have been identified. Drysdale failed to document what, if any, subsequent events review procedures were carried out.
46. CAS 560.5-8 (Standards TAB 6) requires the auditor to design audit procedures to obtain sufficient appropriate audit evidence that all events occurring between the date of the financial statements and the date of the auditor's report that require adjustment of, or disclosure in, the financial statement have been identified.
47. The date of the financial statements is February 29, 2016 and the date of the Auditor's Report is June 27, 2018. Drysdale did not review events for the complete period between the financial statement date and the date of the auditor's report and the only documented review of subsequent events is a review of the March 2016 bank statement.
48. Drysdale did make verbal enquiries of management, but this was not documented in the working paper file.

Particular e)

49. Some of the Company's revenue and expenses are denominated in foreign currencies. These transactions are translated into Canadian dollars at the exchange rate in effect at the time of the transaction. Monetary assets and liabilities are translated into Canadian dollars at the exchange rate in effect at the balance sheet date and the resulting foreign exchange gains or losses are included in earnings.
50. Drysdale failed to ensure disclosure of the significant accounting policy regarding foreign currency translation as required by CPA Canada Handbook – Accounting – Part II, section 1505.03 (Standards TAB 7) which states:

“A clear and concise description of the significant accounting policies of an enterprise shall be included as an integral part of the financial statements.”

Particular f)

51. Drysdale failed to disclose a future income tax asset in the approximate amount of \$100,000.
52. VINS has selected the future income tax method of accounting for income taxes.
53. The schedule of investments (DOC TAB 13) indicates an investments cost of approximately \$6.68 million and market value of \$6.24 million for a cumulative unrealized loss of approximately \$400 thousand. The result is a future income tax asset of approximately \$100 thousand which should have been recognized and disclosed in the financial statements but was not.
54. CPA Canada Handbook – Accounting – Part II, section 3465.22 (Standards TAB 8) provides that a future income tax asset shall be recognized for *“...all deductible temporary differences, unused tax losses and income tax reductions...”*

Allegation 4: Audit of the financial statements of ADL for the year ended October 31, 2016

55. The financial statements of ADL for the year ended October 31, 2016 were issued together with the Auditor's Report signed by Drysdale on April 28, 2017 (DOC TAB 4).

56. Performance materiality for the company was set at \$35,000.
57. Drysdale and the PCC agree that Drysdale failed to perform his professional services in accordance with generally accepted standards of practice of the profession as described below.

Particular a)

58. Drysdale did not sufficiently document substantive audit procedures performed on material classes of transactions and account balances with respect to expenses.
59. The Canadian Auditing Standards (“CAS”) – *CAS 330.18 The Auditors Responses to Assessed Risks* requires that “...irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance, and disclosure.” (Standards TAB 2)
60. Drysdale’s working paper files did not sufficiently document the substantive audit procedures performed for each material class of transactions and account balances and, with respect to expenses, substantive audit procedures were not performed or documented as required by CAS 330.18 (Standards TAB 2).
61. In addition, there is no documented linkage between the procedures that were performed with the assessed risks at the assertion level.

Particular b)

62. Drysdale did not document what, if any, subsequent events review procedures were carried out.
63. CAS 560.5-8 (Standards TAB 6) requires the auditor to design audit procedures to obtain sufficient appropriate audit evidence that all events occurring between the date of the financial statements and the date of the auditor’s report that require adjustment of, or disclosure in, the financial statement have been identified.

64. The date of the financial statements is October 31, 2016 and the date of the Auditor's Report is April 28, 2017 (DOC TAB 4). Drysdale did not review events for the complete period between the financial statement date and the date of the auditor's report.
65. Drysdale indicated that verbal enquiries were made of management regarding material subsequent events, but nothing was documented in the working paper files. No other review was carried out.

Particular c)

66. Drysdale failed to disclose the significant accounting policies regarding foreign currency translation and the treatment of government grants as required by CPA Canada Handbook – Accounting – Part II, section 1505.03 (Standards TAB 7).

Particular d) and particular e)

67. Drysdale failed to correct material prior period errors retrospectively and in accordance with the relevant disclosure requirements, in the first set of financial statements completed after the error is discovered, with respect to future income taxes payable and scientific research and experimental development claims.
68. In addition, Drysdale failed to ensure correct classification of the balance sheet item "Income taxes recoverable" of \$25,548 (DOC TAB 4) as "future income taxes".
69. CPA Canada Handbook – Accounting – Part II, section 1506.26-29 (Standards TAB 9) requires the audited entity to:

"...correct material prior period errors retrospectively in the first set of financial statements completed after their discovery by: (a) restating the comparative amounts for the prior period(s) presented in which the error occurred; or (b) if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented."

70. Section 1506.27 sets out the nature of the disclosure required.

71. Drysdale did not comply with the standards set out in 1506.27 with respect to an error in the preparation of prior year's income tax returns related to the reporting of SR&ED claims such that income tax recoveries in 2016 were overstated by approximately \$46 thousand.
72. Drysdale described the error in Note 15 to the financial statements (DOC TAB 4) and simply disclosed the income tax recovery for the current year on the balance sheet under current assets in the amount of \$25,548.
73. Since the "income taxes recoverable of \$25,548" results from an unused loss carryforward it should have been recorded as a reduction of future income taxes payable and not as a current asset.
74. The analysis of the SRED claims, which constitutes the error described in Note 15, indicates that of the amounts double counted, \$49,740 relates to the 2015-year end and \$129,207 relates to the 2014 and prior year ends. At 15.5%, the taxes recoverable are \$7,710 and \$20,027 respectively.
75. There should have been a prior period adjustment correcting the error regarding the SRED claims as follows:
- | | | |
|--------------------------------|----------|----------|
| • Years ended 2014 and earlier | | \$20,027 |
| • Year ended 2015 | \$7,710 | |
| | \$18,774 | \$26,484 |
| • Total restatement | | \$46,511 |
76. The \$18,774 amount referred to above represents a CRA tax refund in respect of a SRED claim for 2015 which should have been included in the 2015 financial statements but was not.
77. The failure to comply with generally accepted standards with respect to this issue resulted in:
- Opening retained earnings at November 1, 2014 understated by \$20,027

- Net income October 31, 2015 understated by \$26,484
- Net income October 31, 2016 overstated by \$46,511. (net income for the year as stated is \$44,028)

Terms of Settlement

78. Drysdale and the Professional Conduct Committee agree to the following Terms of Settlement:


- a) A payment by way of fine in the amount of \$5,000;
- b) Drysdale will attend, within 24 months of the time the Discipline Committee accepts this Settlement Agreement, the following professional development courses offered by CPA Ontario (or their successor courses):
 - *Accounting, Auditing and Professional Practice;*
 - *Review Engagements;*
 - *Auditing Refresher;* and
 - *Financial Statement Presentation and Disclosure under ASPE.*
- c) Drysdale shall, within 30 days of the approval of this Settlement Agreement, enter into a Supervision Agreement approved by the Director of Standards Enforcement (“the Director”) with a Supervisor approved by the Director from outside of Drysdale’s practice who will review all audit work undertaken by Drysdale for a period of 18 months after the Discipline Committee accepts this Settlement Agreement, with the 18 month supervisory period to commence with the first audit work undertaken by Drysdale following approval of the Settlement Agreement;
- d) The Professional Conduct Committee will re-investigate Drysdale following the period of supervised practice with the costs of the re-investigation, up to \$3,500, to be borne by Drysdale;
- e) Notice of the terms of this Settlement is to be published in the manner set out in CPAO Regulation 6-2 section 45, including notice to be given to all members of CPA Ontario, the Public Accountants’ Council and all provincial CPA bodies;

- f) A payment by way of costs in the amount of \$12,000;
 - g) Drysdale will be allowed 24 months from the time the Discipline Committee accepts this Settlement Agreement to pay the fine and costs referred to herein; and
 - h) A failure by Drysdale to comply with any of the terms of settlement will result in his suspension from membership in CPA Ontario which suspension will continue until he complies PROVIDED THAT if his suspension under this section continues for three months his membership in CPA Ontario will be revoked with full publicity in accordance with Regulation 6-2 section 48.
79. In the event that the Director finds Drysdale's choice of supervisor unacceptable, or there is any other issue relating to the supervised practice plan about which Drysdale and the Director cannot agree, either Drysdale or the Professional Conduct Committee may give notice of the disagreement to the Chair of the Discipline Committee, who may move to have that aspect of the order reconsidered in accordance with Regulation 6-2 section 24.
80. Should the Discipline Committee accept this Settlement Agreement, Drysdale agrees to waive his right to a full hearing, judicial review or appeal of the matter subject to the Settlement Agreement. Upon the member fulfilling the requirements of this Settlement Agreement, the draft allegations approved by the Professional Conduct Committee and dated July 2018, shall be forever stayed.
81. If for any reason this Settlement Agreement is not approved by the Discipline Committee, then:
- a) This Settlement Agreement and its terms, including all Settlement Negotiations between the Professional Conduct Committee and Drysdale leading up to its presentation to the Discipline Committee, shall be without prejudice to the Professional Conduct Committee and Drysdale; and
 - b) The Professional Conduct Committee and Drysdale shall be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing on the merits of the allegations, or negotiating a new Settlement Agreement, unaffected by this Settlement Agreement or the Settlement Negotiations.


Disclosure of Settlement Agreement

82. This Settlement Agreement and its terms will be treated as confidential by the Professional Conduct Committee and Drysdale, until approved by the Discipline Committee, and forever if for any reason whatsoever this Settlement Agreement is not approved by the Discipline Committee, except with the written consent of the Professional Conduct Committee and Drysdale, or, as may be required by law.
83. Any obligations of confidentiality shall terminate upon approval of the Settlement Agreement by the Discipline Committee.

All of which is agreed to for the purpose of this proceeding alone this 4th day of December 2018.



Paul F. Farley, LL.B.
On behalf of
The Professional Conduct Committee



Bruce G. Drysdale CPA, CA
on his own behalf

CHARTERED PROFESSIONAL ACCOUNTANTS OF ONTARIO

CHARTERED PROFESSIONAL ACCOUNTANTS OF ONTARIO ACT, 2017

TO: Bruce Drysdale, CPA, CA

AND TO: The Discipline Committee of CPA Ontario

The Professional Conduct Committee of CPA Ontario hereby makes the following Allegations of professional misconduct against BRUCE DRYSDALE, CPA, CA, a member of CPA Ontario:

1. THAT the said Bruce Drysdale, in or about the period of February 1, 2016 to July 31, 2016, while engaged to perform an audit of the financial statements of "VLNPHC" for the year ended February 29, 2016, failed to perform his professional services in accordance with generally accepted standards of practice of the profession, contrary to Rule 206.1 of the Rules of Professional Conduct and Code of Professional Conduct, in that:
 - a. he failed to sufficiently document substantive audit procedures performed on material classes of transactions and account balances with respect to accounts payable cut off; (CAS 330.18, 25 – 28 and 30 and CAS 500.6)
 - b. he failed to document the overall responses to address the assessed risks of material misstatement at the financial statement level and the further audit procedures performed, including the linkage of those procedures with the assessed risks at the assertion level; (CAS 330.18 25 -28 and 30 and CAS 500.6)
 - c. he failed to document the sample design, sample size and selection of items for testing, when performing audit sampling related to expenses; (CAS 530.6-8) and
 - d. he failed to document what, if any, subsequent events review procedures were carried out. (CAS 560.6-8)
2. THAT the said Bruce Drysdale, in or about the period of February 1, 2017 to June 30, 2017, while engaged to perform an audit of the financial statements of "VLNPHC" for the year ended February 28, 2017, failed to perform his professional services in accordance with generally accepted standards of practice of the profession, contrary to Rule 206.1 of the Code of Professional Conduct, in that:
 - a. he failed to document what, if any, subsequent events review procedures were carried out. (CAS 560.6-8)

3. THAT the said Bruce Drysdale, in or about the period of September 1, 2015 to April 30, 2016, while engaged to perform an audit of the financial statements of "VINS" for the year ended September 30, 2015, failed to perform his professional services in accordance with generally accepted standards of practice of the profession, contrary to Rule 206.1 of the Rules of Professional Conduct and Code of Professional Conduct, in that:
 - a. he failed to sufficiently document substantive audit procedures performed on material classes of transactions and account balances with respect to accounts receivable, inventory pricing, property plant and equipment additions and note receivable collectability; *(CAS 330.18, 25-28 and 30 and CAS 500.6)*
 - b. he failed to document the overall responses to address the assessed risks of material misstatement at the financial statement level and the further audit procedures performed, including the linkage of those procedures with the assessed risks at the assertion level; *(CAS 330.18, 25-28 and 30 and CAS 500.6)*
 - c. he failed to document the sample design, sample size and selection of items for testing, and did not evaluate the results of the sample, when performing audit sampling related to expenses; *(CAS 530.6-8)*
 - d. he failed to document what, if any, subsequent events review procedures were carried out; *(CAS 560.6-8)*
 - e. he failed to record the significant accounting policy regarding foreign currency translation; *(Accounting Part II – Section 1505)* and
 - f. he failed to disclose a future income tax asset in the approximate amount of \$100,000. *(Accounting Part II – Section 3465.22)*

4. THAT the said Bruce Drysdale, in or about the period of October 1, 2016 to April 30, 2017, while engaged to perform an audit of the financial statements of "ADL" for the year ended October 31, 2016, failed to perform his professional services in accordance with generally accepted standards of practice of the profession, contrary to Rule 206.1 of the Code of Professional Conduct, in that:
 - a. he failed to sufficiently document substantive audit procedures performed on material classes of transactions and account balances with respect to expenses; *(CAS 330.18 and 25-28 and 30 and CAS 500.6)*
 - b. he failed to document what, if any, subsequent events review procedures were carried out; *(CAS 560.6-8)*
 - c. he failed to disclose the significant accounting policies regarding foreign currency translation and the treatment of government grants; *(Accounting Part II – Section 1505)*
 - d. he failed to correct material prior period errors retrospectively and in accordance with the relevant disclosure requirements, in the first set of financial statements completed after the error is discovered with respect to future income taxes payable and scientific

- research and experimental development claims (*Accounting Part II – Section 1506 – 26-29*); and
- e. he failed to ensure correct classification of the balance sheet item “Income taxes recoverable of \$25,548” as “future income taxes”. (*Accounting Part II – Section 3465.22*)

Dated at Brampton, Ontario, this ___ day of July, 2018.

K. McKAY CPA, CA, DEPUTY CHAIR
PROFESSIONAL CONDUCT COMMITTEE

DRAFT