



CHARTERED PROFESSIONAL ACCOUNTANTS OF ONTARIO

THE CHARTERED PROFESSIONAL ACCOUNTANTS OF ONTARIO ACT, 2017

**IN THE MATTER OF:** DRAFT 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”) has approved draft Allegations against Bruce G. Drysdale CPA, CA (“Drysdale”) (attached as SCHEDULE “A”) the particulars of which are set out below. The documents referred to in this Settlement Agreement are found in the Document Brief and referred to by way of Document Brief TAB numbers (“TAB”). The applicable CPA Handbook sections are found in the Standards Brief (“Standards”).
2. The first Allegation pertains to the failure of Drysdale to maintain the good reputation of the profession and its ability to serve the public interest, contrary to Rule 201.1 of the Code of Professional Conduct.
3. In 2018 Drysdale entered into a Settlement Agreement (TAB 1) approved by the Discipline Committee (“DC”) (TAB 2) and then failed to comply with a Supervision Agreement (TAB 3) he agreed to pursuant to the terms of settlement.
4. More specifically Drysdale released five sets of audited financial statements without them

having been reviewed and approved by the Supervisor prior to their release as required by the terms of the Settlement Agreement and the Supervision Agreement.

5. The remaining Allegations detail the failure of Drysdale to perform professional work in accordance with generally accepted standards of the profession, contrary to Rule 206.1 of the Chartered Professional Accountants Code of Professional Conduct, with respect to the following engagements:
  - a) the audit of the financial statements of “VLNPHC” for the year ended February 28, 2019, (TAB 5.1 to TAB 5.12);
  - b) the audit of the financial statements of “VLNPHC” for the year ended February 29, 2020, (TAB 6.1 to 6.13);
  - c) the audit of the financial statements of “NFM” for the year ended August 31, 2019, (TAB 7.1 to 7.18);
  - d) the audit of the financial statements of “GCF” for the year ended December 31, 2019, (TAB 8.1 to 8.11);
  - e) the audit of the financial statements of “ESCO” for the year ended April 30, 2019, (TAB 9.1 to 9.11);
  - f) the review of the financial statements of “S Bros Limited” for the year ended December 31, 2019, (TAB 10); and
  - g) the review of the financial statements of “S M Limited” for the year ended December 31, 2019, (TAB 11.1 to 11.19).
6. 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.
7. The PCC and Drysdale further agree that the audit deficiencies found on the audit engagement described in Allegation 2 are, in many cases, repeated in the audit engagements described in the subsequent allegations. Similarly, many of the review

deficiencies described in the review engagement in Allegation 7 are repeated in the review engagement described in Allegation 8.

8. Drysdale and the PCC agree that draft Allegation 1 particularizes the way Drysdale failed to maintain the good reputation of the profession and its ability to serve the public interest. It is further agreed that the remaining draft Allegations particularize the way Drysdale failed to perform his professional services in accordance with generally accepted standards of practice of the profession.
9. Drysdale and the PCC further agree that the failure to comply with the terms agreed to in the Supervision Agreement in this case and the failure to comply with generally accepted standards of practice described in the particulars to the Allegations resulted in breaches of Rule 201.1 and Rule 206.1 of the Code of Professional Conduct with respect to each of the Allegations as alleged.
10. The relevant standards are those identified in this agreed statement of facts and referenced to the Standards Brief.

### **Background**

11. Drysdale attended the University of Toronto and graduated with a Bachelor of Arts degree in 1978. From 1978 to 1987 Drysdale worked in industry.
12. From 1987 to 1998 Drysdale was employed by Runnings and Drysdale (the father of Drysdale) 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. Since 2006 Drysdale has practiced as a sole practitioner.
13. Drysdale employs his son who assists in compilation engagements. His practice, including fees charged, consists of four audit engagements (\$25,000), five review engagements (\$55,000), 20 compilation engagements (\$53,000) and 80 personal tax (\$17,000).
14. Drysdale has a subscription to Knotia, which allows him to electronically access the CPA Canada Handbooks, and he reviews CPA ONTARIO emails that deal with issues or current trends or activities going on in the profession. He has not accessed the CPA Canada Standards and Guidance Collection or the CPA Ontario Member's Handbook.

15. Drysdale maintains his working papers in paper format - a binder of documents, with a working paper index and items “checked off” as included. The documents are included in the binder with tabs to denote the section of the file corresponding to the index.

***Allegation 1 – Failure to Maintain the Good Reputation of the Profession***

16. The draft Allegations in this case are not the first set of Allegations drafted by the PCC against Drysdale.
17. In December 2017, the PCC had appointed an investigator to inquire into allegations of misconduct made by the Practice Inspection Committee against Drysdale. This investigator appointment was as a result of a third reinspection following an initial inspection. Upon review of the investigator’s report, the PCC approved draft Allegations against Drysdale pertaining to “Drysdale’s failure to perform professional work in accordance with generally accepted standards of practice of the profession with respect to...” four assurance engagements.
18. On December 4, 2018, Drysdale entered into a Settlement Agreement with respect to the draft Allegations (TAB 1). The Settlement Agreement was approved by the DC on February 20, 2019. (TAB 2)
19. One of the terms of the Settlement Agreement was that Drysdale’s audit practice was to be supervised for a period of eighteen months. (TAB 2, p. 1.13)
20. On April 24, 2019, Drysdale signed a Supervision Agreement (TAB 3). The terms included a requirement that all audit files, financial statements and engagement reports be reviewed by the Supervisor prior to Drysdale’s issuance of an independent auditor’s report and financial statement and only be released after approval by the Supervisor (TAB 3, p. 3.1).
21. Drysdale did not comply with the terms of the Supervision Agreement entered as a result of the Settlement Agreement signed December 4, 2018.
22. Notwithstanding his agreement to have all audit files and financial statements reviewed by the Supervisor and approved for release he did not do so. (TAB 4)
23. During the period July 2019 through December 2020, while Drysdale was under supervision, he carried out five audit engagements.

24. The draft financial statements and the audit files, which were still in progress, on two of the five engagements (VLNPHC for the 2019 and 2020 year ends) were provided to the Supervisor for review prior to the financial statements being issued. However, for these two audit engagements the Supervisor was not provided with the opportunity by Drysdale to ensure that all review queries arising from the Supervisor's review of the files had been resolved. The Supervisor was not provided with the completed audit files for final review, prior to the financial statements being issued. The Supervisor did not approve these financial statements for release as required by the Supervision Agreement. (TAB 4)
25. For the other three audit engagements the Supervisor was not informed of their existence, and consequently, was not provided the opportunity by Drysdale to review the financial statements or audit files, prior to the financial statements being issued. (TAB 4)
26. It is agreed by Drysdale and the PCC that the failure to comply with the terms of the Settlement Agreement approved by the DC on February 20, 2019, and the Supervision Agreement signed by Drysdale on April 24, 2019, constitutes a failure by Drysdale to conduct himself in a manner which will maintain the good reputation of the profession and serve the public interest, contrary to Rule 201.1 of the Code of Professional Conduct.

#### **Professional Standards - Overview**

27. After the PCC became aware that Drysdale had not complied with the terms of the Supervision Agreement, Jennifer Fisher, FCPA, FCA, was appointed as an investigator to carry out a review of each of the audit files, that were released by Drysdale without the Supervisor's final approval, as well as two review engagement files.
28. Based on this latest investigation the PCC concluded, and Drysdale agrees, that Drysdale failed to comply with generally accepted standards of practice of the profession as set out in the Draft Allegations attached as Schedule "A".
29. References to "CAS" in this Agreement are references to the Canadian Auditing Standards of the CPA Canada Handbook – Assurance. References to "CSRE" are to the Canadian Standards on Review Engagements.

#### ***Allegation 2 – VLNPHC – Audit engagement – Year ended February 28, 2019 (TAB 5)***

30. This is a non-profit corporation that operates an apartment building for seniors which is funded in part by Toronto Social Housing.



31. Materiality is set at \$25,000; performance materiality at \$18,000 and trivial misstatements at \$2000.

***Financial statement disclosure***

**2(a)**

32. On the Statement of Cash Flows, under operating activities, is an item labelled "Items not affecting cash - adjustment required for capital reserve fund activity – net" \$46,090". This is not a non-cash item, but rather a combination of the cash received of \$73,000 and the cash payments of \$26,910 for the capital replacement reserve fund. (CPA Handbook 1540.22) (TAB 5.1 to 5.12)

**2(b)**

33. The summary of significant accounting policies note (TAB 5.9) does not include the policies for estimates and for voluntary contributed services. The accounting policy note "3(h) revenue recognition" (TAB 5.10) does not identify how revenue is recognized for Subsidies, SHRRP revenue and other. (CPA Handbook 1505.03)

**2(c)**

34. The references throughout the financial statements should refer to "fund balances" and not "net assets".

***Performance of the Audit:***

**2(d)**

35. Several working papers required to support the audit conclusions were not included in the binder of working papers. (TAB 5.13 to 5.14)
36. There was no evidence of communication to those charged with governance regarding the audit plan. (CAS 260.15)

**2(e)**

37. There was no evidence that risk assessment procedures were performed to identify and assess the risks of material misstatement, whether due to fraud or error, at the financial statement and assertion level; including inquiries of management and those charged with governance. (CAS 315.13)

**2(f)**

38. There was no documentation that the audit procedures were designed and performed in

response to the assessed risks of material misstatements at the assertion level. (CAS 330.6)

**2(g)**

39. There was no documentation to demonstrate a review of the minutes of meetings of the Board of Directors and the application of those findings to the audit procedures. (CAS 230.A14)

**2(h)**

40. There was no support for the assessment and reporting of litigation and claims. (CAS 250.14 and CAS 230.10)

**2(i)**

41. There was no 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 statements have been identified. (CAS 560.6)

**2(j)**

42. There was no evidence that Drysdale performed audit procedures to test the appropriateness of journal entries recorded in the client's accounting records in response to assessed risks of material misstatements due to fraud. (CAS 240.33)

**2(k)**

43. There was no evidence of communication to those charged with governance regarding the findings of the audit. (CAS 260.16)

**2(l)**

44. There was no evidence of the evaluation of misstatements identified during the audit. (CAS 450.5)

**2(m)**

45. The standards require that the terms of the engagement shall be recorded in an engagement letter – there was no engagement letter included in the file. (CAS 210.10)

**2(n)**

46. There was no client's letter of representation to acknowledge that management has fulfilled its responsibility for the preparation of the financial statements in accordance with the applicable financial reporting framework, that management provided all relevant

information and access, that all transactions have been recorded and are reflected in the financial statements and that management's approval by the client of the year end adjusting entries proposed by Drysdale was obtained. (CAS 580.10)

47. The file contains an audit completion checklist (TAB 5.15 to 5.18) which reports several procedures as not completed, including analytical procedures performed at or near the end of the audit; reporting of identified misstatements; subsequent events identification and addressed; signed management representation; discussions with those charged with governance; going concern assessment; and key audit matters communication appropriately. This checklist also includes the practitioner conclusion to be determined, which was not completed. (CAS 230.8) (TAB 5.15 to 5.18)

**2(o)**

48. For HST receivable (\$46,590) the support for this balance is a memo outlining the method used, but there is no documentation to support the balance, such as the subsequent receipt testing and/or vouching to the returns filed (TAB 5.19). (CAS 230.8)

**2(p)**

49. The accounts payable and accrued liabilities balance of \$51,131 includes trade payables of \$31,594 which is documented by a copy of the client's accounts payable summary (TAB 5.20). On this summary Drysdale has marked all the balances as "confirmed A/P balance at February 28, 2019; all A/P paid and cleared in March 2019".
50. There is no detail as to what support was obtained in confirming the balance. There is no documentation of the procedures to ensure that there are no unrecorded liabilities at the year end. (CAS 230.8)
51. Drysdale agrees that he should not have used the term "confirmed". He went to supplier invoices to see if the services or products were received in the fiscal year and that they were not paid until after the year end. In searching for unrecorded liabilities, Drysdale did not document his procedures.
52. The working paper to support the balance owing to Toronto Social Housing of \$18,129 is a lead sheet with notation about the balance owing of \$12,086 and a comment that the "AIR not yet completed, so amount could change slightly, but this is reasonable" (TAB 5.21). This is insufficient documentation for the substantive audit of this amount. (CAS

230.8)

53. Drysdale reported that he prepared the AIR (Annual Information Return) that is required to be filed annually with Toronto Social Housing. When requested, he provided me with a copy of the 2019 AIR, which did agree with these balances. However, this supporting documentation should be included in the binder of working papers.

**2(q)**

54. The documentation to support the amount reported as capital expenditures of \$26,910 was a printout of the client's general ledger totaling \$8,488. (TAB 5.22) On this document Drysdale has put a checkmark beside the entries, but there is no indication what audit verification that represented. While there is a year-end entry to add an \$18,422 expense to this account, there is no support for that entry. (CAS 230.8)

**2(r)**

55. Drysdale included copies of the client's subledger for the rents received of \$1,022,192. The subledger report "Gross Market rents by Tenant – Monthly" details for each tenant the monthly amount of rent. (TAB 5.23 to 5.25). The second report "OCHAP Subsidies – By Tenant Monthly Act # 4021" (TAB 5.27 to 5.29) reports for each tenant the monthly amount of the subsidy. On these reports Drysdale had various notes and check marks, but there is no detail as to what audit verification was done to support the conclusions that he reached. (CAS 230.8)
56. While most tenants have subsidies there was insufficient audit verification to support the amount for the subsidy for an individual unit. There is a working paper for 24 selections, but no basis for the selection size or how the items would be selected. (TAB 5.23 to 5.30) There was no conclusion on this testing. (CAS 530)

**2(s)**

57. The audit documentation for the other revenues was a copy of the client's general ledger detail for those accounts (TAB 5.31 to 5.37). This is not sufficient documentation to substantively audit other revenues. (CAS 230.8)

**2(t)**

58. There was no documentation in the binder to support expenses or payroll. The binder had tabs for these sections, but there were no documents in it. (CAS 230.8)

**2(u)**

59. The working papers did not evidence any analytical procedures near the end of the audit that allow the auditor to form an overall conclusion as to whether the financial statements are consistent with the auditor's understanding of the entity. (CAS 520.6)

***Allegation 3 – VLNPC – Audit engagement – Year ended February 29, 2020 (TAB 6)***

60. Once again materiality was set at \$25,000, performance materiality at \$18,000 and trivial misstatements \$2,000.
61. The financial statement disclosure deficiencies are the same as those found on the 2019 year end.

***Financial Statement Disclosure***

**3(a)**

62. On the Statement of Cash Flows, under operating activities, is an item labelled "Items not affecting cash - adjustment required for capital reserve fund activity – net \$50,656". (TAB 6.8) This is not a non-cash item, but rather a combination of the cash received of \$73,000 and the cash payments of \$22,344 for the capital replacement reserve fund. (CPA Handbook 1540.22)

**3(b)**

63. The summary of significant accounting policies note (TAB 6.9) does not include the policies for estimates and for voluntary contributed services. The accounting policy note 3(h) revenue recognition does not identify how revenue is recognized for Subsidies, SHRRP revenue and other. (CPA Handbook 1505.03)

***Performance of the Audit:***

64. This audit engagement was reviewed by the Supervisor, who prepared a memo of the items from her review of the financial statements and file documentation. The copy of this memo was in the front of the binder for the working papers, but there was no indication if Drysdale had addressed any of the suggestions provided. The Supervisor did not authorize the release of these financial statements, but Drysdale released them anyway.
65. Drysdale did consider some of the suggestions provided by the Supervisor, but not all of them.
66. There was no working paper index in the binder of paper files and, as was the case for

the previous year's audit, there were several areas of audit documentation not completed for the 2020 audit as described below.

**3(c)**

67. There was no evidence of communication to those charged with governance regarding the audit plan. (CAS 260.15)

**3(d)**

68. There was no evidence that risk assessment procedures were performed to identify and assess the risks of material misstatement, whether due to fraud or error, at the financial statement and assertion level; including inquiries of management and those charged with governance. (CAS 315.13)

**3(e)**

69. There was no documentation that the audit procedures were designed and performed in response to the assessed risks of material misstatements at the assertion level. (CAS 330.6)

**2(f)**

70. There was no documentation to demonstrate a review of the minutes of meetings of the Board of Directors and the application of those findings to the audit procedures. (CAS 230.A14)

**2(g)**

71. There was no support for the assessment and reporting of litigation and claims. (CAS 250.14 and CAS 230.10)

**2(h)**

72. There was no 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 statements have been identified. (CAS 560.6)

**3(i)**

73. There was no evidence that Drysdale performed audit procedures to test the appropriateness of journal entries recorded in the client's accounting records in response to assessed risks of material misstatements due to fraud. (CAS 240.33)

**3(j)**

74. There was no evidence of communication to those charged with governance regarding the findings of the audit. (CAS 260.16)

**3(k)**

75. There was no evidence of the evaluation of misstatements identified during the audit. (CAS 450.5)

**3(l)**

76. The terms of the engagement shall be recorded in an engagement letter – there was no engagement letter included in the file. (CAS 210.10)

**3(m)**

77. There was no client's letter of representation to acknowledge, including other requirements, the approval by the client of the year end adjusting entries proposed by Drysdale. (CAS 580.10)

**3(n)**

78. For HST receivable (\$42,912) the support for this balance is a memo outlining the method used (TAB 6.14), but there is no documentation to support the balance, such as the subsequent receipt testing, vouching to the returns filed. This is not sufficient audit evidence to support the substantive audit procedures. (CAS 230.8)

**3(o)**

79. The accounts payable and accrued liabilities balance of \$72,498 includes trade payables of \$39,084 which is documented by a copy of the client's accounts payable summary. (TAB 6.15 to 6.16) No audit procedures are completed and there is no documentation of the procedures to ensure that there are no unrecorded liabilities at the year end. (CAS 230.8)

**3(p)**

80. The working paper to support the balance owing to Toronto Social Housing of \$59,123 is a lead sheet showing the balance owing of \$72,336 and a reconciliation that this balance includes the 2019 balance still not taken by Toronto Social Housing plus the 2020 to be refunded. (TAB 6.17) There is no evidence of the work done to audit these amounts. (CAS 230.8)

**3(q)**

81. Drysdale included copies of the client's subledger for the rents received of \$1,087,180. The subledger report "Gross Market rents by Tenant – Monthly" details for each tenant the monthly amount of rent. (TAB 6.18 to 6.20) The second report "OCHAP Subsidies – By Tenant Monthly Act # 4021" reports for each tenant the monthly amount of the subsidy. (TAB 6.21 to 6.23) On these reports Drysdale has various notes and check marks, but there is no detail as to what audit verification was done and the conclusions. (CAS 230.8)

**3(r)**

82. The audit documentation to support expenses was a printout of the general ledger transactions for the expenses, with no notations on the print outs. (TAB 6.24) The organization incurred over \$8,000 in legal fees and no review of these legal fees invoices was documented in the working papers. (CAS 230.8)
83. There was no documentation to support payroll expense. (CAS 230.8)

**3(s)**

84. The working papers did not evidence any analytical procedures near the end of the audit that assist when forming an overall conclusion as to whether the financial statements are consistent with the auditor's understanding of the entity. (CAS 520.6)

***Allegation 4 – NFM – Audit engagement – Year ended August 31, 2019 (TAB 7)***

85. This is a registered charitable organization that supports Canadian Indigenous people and their spiritual relationships with God and others.
86. For this audit engagement materiality was set at \$15,000; performance materiality set at \$11,250; and posting threshold \$2,000

***Financial statement disclosure:***

**4(a)**

87. Note 2 (g) The accounting policy note for revenue recognition (TAB 7.10) reports how revenues are treated as income for two categories and not for the remaining nine categories which represent approximately 30 percent of revenues. (CPA Handbook 1505.03)

**4(b)**

88. The Independent Auditor's Report did not report in the Basis for Qualified Opinion

paragraph that the basis was the same as for the previous year.

**4(c)**

89. Note 8 Financial instruments (TAB 7.13) does not address whether the risks have changed in nature or extent from the previous year. (CPA Handbook 3856.53)

**4(d)**

90. The organization entered into an operating line of credit for \$10,000 with its banker and \$250 was outstanding at August 31, 2019. The required disclosure for the line of credit – interest rate and security – has not been provided. (CPA Handbook 3856.44)

**4(e)**

91. The required disclosure for a transfer from the General Fund to the Capital Fund in the amount of \$21,301 has not been included; including the nature of the transfer and the conditions for the approval of the transfer. (CPA Handbook 4400.13)

***Performance of the Audit:***

92. The binder of working papers for this engagement included a working paper index that identified that several working papers that should have been included were not included, i.e., for planning; risk assessments; communication to those charged with governance. (TAB 7.19 to 7.20)

93. As was the case for the 2019 (and 2020) VLNPHC audit file, there were several areas of audit documentation and procedures not completed for this audit engagement. These failures to document, and obtain sufficient appropriate audit evidence, as required by generally accepted standards of practice, and as described for VLNPHC, are repeated on this audit.

**4(f)**

94. There was no evidence of communication to those charged with governance regarding the audit plan. (CAS 260.15)

**4(g)**

95. There was no evidence that risk assessment procedures were performed to identify and assess the risks of material misstatement, whether due to fraud or error, at the financial statement and assertion level; including inquiries of management and those charged with governance. (CAS 315.13)

**4(h)**

96. There was no documentation that the audit procedures were designed and performed in response to the assessed risks of material misstatements at the assertion level. (CAS 330.6)

**4(i)**

97. There was no documentation to demonstrate a review of the minutes of meetings of the Board of Directors and the application of those findings to the audit procedures. (CAS 230.A14)

**4(j)**

98. There was no support for the assessment and reporting of litigation and claims. (CAS 250.14 and CAS 230.10)

**4(k)**

99. There was no evidence that Drysdale performed audit procedures designed 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 statements have been identified. (CAS 560.6)

**4(l)**

100. There was no evidence that Drysdale performed audit procedures to test the appropriateness of journal entries recorded in the client's accounting records in response to assessed risks of material misstatements due to fraud. (CAS 240.33)

**4(m)**

101. There was no evidence of communication to those charged with governance regarding the findings of the audit. (CAS 260.16)

**4(p)**

102. There was no evidence of the evaluation of misstatements identified during the audit. (CAS 450.5)

**4(p)**

103. The documentation to support accounts receivable of \$87,211 included an aged subledger listing prepared by the client totaling \$64,488 with no evidence of audit procedures to ensure the balances are complete, accurate and collectible. (TAB 7.21 to 7.24)

104. On the audit procedures questionnaire Drysdale reported on Q2 for existence – validation of trade accounts receivable, the following response: “validation of counselling services A/R involved reviewing subsequent payments, A/R reports and discussion with management on state of A/R - see also client’s analytic review with comments on A/R.” (TAB 7.21 to 7.22) There is no documentation in the working papers to substantiate any of these procedures.

**4(q)**

105. The working papers for both revenues and expenditures were a copy of the draft statement of revenue and expenses and a copy of the client’s analytical notes. (TAB 7.25 to 7.29) There were no audit checklists to document other considerations in the audit process for the revenue and expenditures. (CAS 230.8)
106. Drysdale reviewed revenue transactions in the client’s general ledger for large amounts and compared these to the supporting documentation and to the bank statement. (TAB 7.25 to 7.26) He did not confirm what threshold for “large amounts” he used, nor did he provide the detail of the transactions that he reviewed in this procedure as required by generally accepted standards of practice.

**4(r)**

107. The working papers did not evidence any analytical procedures near the end of the audit that assist when forming an overall conclusion as to whether the financial statements are consistent with the auditor’s understanding of the entity. (CAS 520.6)

***Allegation 5 – GCF – Audit engagement – Year ended December 31, 2019 (TAB 8)***

108. This is a registered charitable organization that operates a church in Georgetown.
109. Materiality is set at \$7,500; performance materiality at \$5,625 and posting threshold \$1,000.

***Financial statement disclosure:***

**5(a)**

110. The Independent Auditor’s Report did not report in the Basis for Qualified Opinion paragraph, that the basis was the same as for the previous year. (TAB 8.3)

**5(b)**

111. The Statement of Fund Balances reflects a transfer from the General Fund of \$145 to the

Missions Fund, which appears to fund the deficiency of the Missions Fund. The transfer should be supported by disclosure as to the nature and authorization of the transfer. (CPA Handbook 4400.13)

**5(c)**

112. The Missions Fund, Building Fund and Capital Assets Fund are all internally restricted funds and should be identified as internally restricted in the financial statements. They were not so identified. (CPA Handbook 4400.24)

***Performance of the Audit:***

113. The binder of working papers for this engagement included a working paper index that identified that several working papers that should have been included were not included: for planning; risk assessments; communication to those charged with governance. (TAB 8.12 to 8.13)
114. As was evidenced in the other audit files examined by the PCC investigator, there were several areas of audit documentation not completed for this audit engagement.

**5(d)**

115. There was no evidence of communication to those charged with governance regarding the audit plan. (CAS 260.15)

**5(e)**

116. There was no evidence that risk assessment procedures were performed to identify and assess the risks of material misstatement, whether due to fraud or error, at the financial statement and assertion level; including inquiries of management and those charged with governance. (CAS 315.13)

**5(f)**

117. There was no documentation that the audit procedures were designed and performed in response to the assessed risks of material misstatements at the assertion level. (CAS 330.6)

**5(g)**

118. There was no documentation to demonstrate a review of the minutes of meetings of the Board of Directors and the application of those findings to the audit procedures. (CAS 230.A14)

**5(h)**

119. There was no support for the assessment and reporting of litigation and claims. (CAS 250.14 and CAS 230.10)

**5(i)**

120. There was no evidence that Drysdale performed audit procedures designed 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 statements have been identified. (CAS 560.6)

**5(j)**

121. There was no evidence that Drysdale performed audit procedures to test the appropriateness of journal entries recorded in the client's accounting records in response to assessed risks of material misstatements due to fraud. (CAS 240.33)
122. There was no evidence of the evaluation of misstatements identified during the audit. (CAS 450.5)

**5(k)**

123. There was no evidence of communication to those charged with governance regarding the findings of the audit. (CAS 260.16)

**5(l)**

124. The working paper for revenue audit verification was a copy of the draft statement of revenue and expenses and notations as to the nature of the revenues and procedures followed. (TAB 8.14)
125. The extent of testing and the specifics of the items tested were not included. (CAS 230.8 and CAS 530)
126. The working papers for expenses included a copy of the draft statement of revenue and expenses and notation as to the nature of the expenses and procedures followed. (TAB 8.15) Drysdale traced several expense invoices through the accounting records and the bank statements and agreed them to the G/L – but there are no details for this in the working paper binder.
127. Drysdale obtained a client prepared listing of the annual payments for salaries to employees that agreed in total to the salaries expense. (TAB 8.16) There is no sufficient



and appropriate audit evidence regarding the details on the client listing. (CAS 230.8)

**5(m)**

128. The working papers did not evidence any analytical procedures near the end of the audit that assist when forming an overall conclusion as to whether the financial statements are consistent with the auditor's understanding of the entity. (CAS 520.6)

**Allegation 6 – ESCO – Audit engagement – Year ended April 30, 2019 (TAB 9)**

129. This is a registered charitable organization that provides public education and counselling services for those affected by epilepsy.
130. Materiality is set at \$10,000; performance materiality \$7,500; posting threshold \$1,000.

**Financial statement disclosure:**

**6(a)**

131. The Independent Auditor's Report does not include an Others Matter paragraph to report that the previous year's financial statements were subject to audit by another firm of chartered professional accountants. This has been incorrectly reported as a note to the financial statements. (CAS 710.13) (TAB 9.1 to 9.11)

**6(b)**

132. The Statement of Operations (TAB 9.7) reports expenses by program and there is no disclosure of expenditure by type, including the specific requirements of CPA Handbook 1520.04.

**6(c)**

133. The bank overdraft is utilizing a bank line of credit. This requires disclosure of the terms of the banking agreement, including the interest rate and security. This disclosure was not made. (CPA Handbook 3856.44)

**6(d)**

134. The balance due to related parties incurs interest, but the amount of interest is not identified in the financial statements. (CPA Handbook 3840.51)

**6(e)**

135. The organization received capital grants during the year which were related to current year equipment purchased and recorded as an asset. The capital grant was recorded as current deferred revenue and one-fifth of the amount was recorded as current year grant revenue.
136. The reporting for this should be as deferred contributions related to capital assets and properly reported through the statement of revenue and expenses and statement of cash flows and note disclosure for the details.
137. The note 4 Deferred revenue reports that the deferred revenue (recorded as a current liability) represents grants for projects and events that relate to the next fiscal year. This balance includes both current liabilities for receipts to be used in future years, but also the deferred capital contributions that are recognized as revenue on the same basis as the amortization expense related to the acquired capital assets.
138. In addition, an accounting policy note to the financial statements is required for the reporting of deferred contributions relating to capital assets. This note was not included in the financial statements. (CPA Handbook 4410.33 and 4410.53)

***Performance of the Audit:***

139. The binder of working papers for this engagement included a working paper index that identified that several working papers that should have been included were not included: for planning; risk assessments; communication to those charged with governance. (TAB 9.12 to 9.13)
140. As was evidenced in the other audit files examined by the PCC investigator, there were several areas of audit documentation not completed for this audit engagement.

**6(f)**

141. There was no evidence of communication to those charged with governance regarding the audit plan. (CAS 260.15)

**6(g)**

142. There was no evidence that risk assessment procedures were performed to identify and assess the risks of material misstatement, whether due to fraud or error, at the financial statement and assertion level; including inquiries of management and those charged with

governance. (CAS 315.13)

**6(h)**

143. There was no documentation that the audit procedures were designed and performed in response to the assessed risks of material misstatements at the assertion level. (CAS 330.6)

**6(i)**

144. There was no documentation to demonstrate a review of the minutes of meetings of the Board of Directors and the application of those findings to the audit procedures. (CAS 230.A14)

**6(j)**

145. There was no support for the assessment and reporting of litigation and claims. (CAS 250.14 and CAS 230.10)

**6(k)**

146. There was no evidence that Drysdale performed audit procedures designed 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 statements have been identified. (CAS 560.6)

**6(l)**

147. There was no evidence that Drysdale performed audit procedures to test the appropriateness of journal entries recorded in the client's accounting records in response to assessed risks of material misstatements due to fraud. (CAS 240.33)

**6(m)**

148. There was no evidence of communication to those charged with governance regarding the findings of the audit. (CAS 260.16)

**6(n)**

149. There was no evidence of the evaluation of misstatements identified during the audit. (CAS 450.5)

**6(o)**

150. The binder has a copy of an email from the predecessor auditor, but no other documentation relating to the required procedures to audit the opening balances. (TAB

9.14) (CAS 510.5 and 510.6)

**6(p)**

151. At the year end the organization reported a prepaid expense balance of \$82,879 compared to \$17,791 the year end before. (TAB 9.5) The major component of the increase is related to event management fees for a fundraising event to be held after the year end.
152. The audit documentation for this was the general ledger print out with a notation by Drysdale of: "Event mgmt. fees for fundraising event occurring in Nov./19 Therefore these expense s/b considered prepaid." (TAB 9.15) There is no audit evidence that the payments to the supplier were agreed to a contract to ensure that this should be recognized as an asset. (CAS 230.8)

**6(q)**

153. The accounts payable and accrued liabilities balance includes an accrued expenditure for volunteer recognition, amounting to \$25,000, which Drysdale noted as: "the expectation is the Culinary Showdown will be very successful ... ESCO would like to pay those who have gone without pay for portion of the year due to the cash flow issues." (TAB 9.16) There is no sufficient audit evidence to support this uncommon expenditure and year end accounts payable. (CAS 230.8)

**6(r)**

154. The documentation to support the revenue is a copy of the draft statement of operations with a notation by Drysdale that: "Revenue didn't meet budget expectations"; and a client prepared Annual Budget vs Actual Schedule with no audit procedures evidenced on it. (TAB 9.17 and 9.19)
155. The documentation to support the expenses is a copy of the draft statement of operations with a notation by Drysdale that: "Expenses reduced with reduced revenue"; (TAB 9.18) and a client prepared Annual Budget vs Actual Schedule with no audit procedures evidenced on it. (TAB 9.19) (CAS 230.8)

**6(s)**

156. The working papers did not evidence any analytical procedures near the end of the audit that assist when forming an overall conclusion as to whether the financial statements are consistent with the auditor's understanding of the entity. (CAS 520.6)



***Allegation 7 – SBL – Review engagement – Year ended December 31, 2019 (TAB 10)***

157. This is a privately owned corporation that owns rental properties and operates a furniture store in northern Ontario. It is the parent company for several corporations, including SML.
158. Materiality is \$45,000; posting threshold \$2,250.

***Financial statement disclosure:***

***7(a)***

159. The accounting policy note on significant accounting policies (TAB 10.8) does not include how inventory is reported. (CPA Handbook 1505.03)

***7(b)***

160. On the Balance Sheet, the share capital does not report the total redemption amount for all classes of shares issued in a tax planning arrangement. (CPA Handbook 3856.47)

***7(c)***

161. Note 6 reports that there were share redemptions during the year (TAB 10.10). The redemption amount paid was reported on the Statement of Retained Earnings as dividends – but should have been reported as the premium on redemption only. (CPA Handbook 3251.06)

***Performance of the Review***

***7(d)***

162. The future tax recoverable was recorded as the amount related to the non-capital loss carry forward. The company also had a temporary timing difference between the net book value and the undepreciated capital cost of the depreciable assets. The future tax recoverable of this was not calculated nor reported on the balance sheet. (CPA Handbook 3465.22)

***Allegation 8 – SML – Review engagement – Year ended December 31, 2019 (TAB 11)***

163. This is a privately owned corporation that operates a car dealership in northern Ontario.
164. Materiality is \$80,000; posting threshold \$4,000

***Financial statement disclosure:***

***8(a)***

165. The “accounts payable – new and used vehicles \$2,120,028” is a Royal Bank Floor Plan

and should include the terms of the bank lending agreement for this debt, including the security details. (CPA Handbook 3856.44) (TAB 11.4)

**8(b)**

166. Note 16 reports that there was a prior period adjustment for the impact of an audit of HST claims by Canada Revenue Agency for the period January 1, 2016 to July 31, 2018. (TAB 11.13)
167. This prior period adjustment resulted in changed amounts reported for certain balances reported for the 2018 comparative amounts. The comparative amounts for those balances should be reported as changed and referenced to Note 16 but were not. (CPA Handbook 1506.27)

**8(c)**

168. The financial statements include departmental statements, Schedules A through F, (TAB 11.14 to 11.19) that in total do not agree to the Statement of Income as required.

**8(d)**

169. At the year end the company owed an amount under a promissory note to "S" RCA Trust. This is a related party and there is a requirement to provide details of the relationship and the nature of the related party transactions in the notes to the financial statements. (CPA Handbook 3840.51)

***Performance of the Review***

**8(e)**

170. The accounts receivable balance of \$612,837 included the following significant categories: \$148,918 for service and parts with \$42,437 over 90 days; \$123,878 for fleet rebate with \$61,624 over 90 days; in-house car account of \$173,578.
171. The documentation to ensure valuation of the accounts receivable was a copy of the client's list of doubtful accounts totaling \$22,179 and a comment by Drysdale that "reserve is reasonable on \$170k o/s. where over \$40k > 90 days". (TAB 11.20 to 11.21) These amounts do not agree with the account balances and do not support an allowance of \$22,179 as adequate in determining the value of the accounts receivable. (CSRE 2400.46)

**8(f)**

172. The HST payable balance is not subject to a reasonability analysis. Since the prior period



adjustment for the year was due to an HST multiyear audit by Canada Revenue Agency, this reasonability analysis should be performed. (CSRE 2400.46)

**8(g)**

173. The profit and loss analytical review is a five-year comparison of gross profit percentages with limited commentary. (TAB 11.22) This is insufficient as there should also be an analytical review of "Selling and Administrative [expenses] 1,256,048". (CSRE 2400.46)

**Terms of Settlement**

174. Drysdale and the Professional Conduct Committee agree to the following Terms of Settlement:
- a) A payment by way of fine in the amount of \$15,000;
  - b) Drysdale's practice shall be restricted to non-assurance engagements, specifically, no audit and no review engagements will be performed by Drysdale;
  - c) Notice of the terms of this Settlement is to be published, including notice to be given to all members of CPA Ontario, the Public Accounting Standards Committee, and all provincial CPA bodies. In particular, notice of the restriction on Drysdale's practice resulting from this Settlement will be published in the Globe and Mail newspaper with the costs of publication to be borne by Drysdale in addition to any other costs required by this Settlement;
  - d) A payment by way of costs in the amount of \$5,400;
  - e) Drysdale will be allowed 18 months from the date the Discipline Committee accepts this Settlement Agreement to pay the fine and costs referred to above; and
  - f) 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 thirty days his membership in CPA Ontario will be revoked.
175. The Professional Conduct Committee and Drysdale expressly consent and authorize the Registrar to take any actions associated with Drysdale's membership in CPA Ontario as prescribed and agreed to herein.
176. For greater certainty, the Professional Conduct Committee and Drysdale expressly



authorize and consent to CPA Ontario:

- a) Providing notice of the terms of this Settlement Agreement to all CPA Ontario members, to the Public Accounting Standards Committee and to all provincial bodies; and
- b) Publishing notice of the practice restriction in a newspaper distributed in the geographic area where Drysdale lives, i.e. the Globe and Mail newspaper.

177. 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 attached as Schedule "A", shall be forever stayed.

178. 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**

179. 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.



180. 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 29<sup>th</sup> day of September 2021.

A handwritten signature in black ink that reads "Paul Farley". The signature is fluid and cursive, with the first and last names clearly legible.

---

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

A handwritten signature in black ink that reads "Bruce Drysdale". The signature is cursive and somewhat stylized, with the first and last names clearly legible.

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Bruce G. Drysdale, CPA, CA  
on his own behalf

# SCHEDULE "A"



## 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 July 26, 2019 to December 31, 2020, having entered into a supervision agreement dated April 24, 2019 pursuant to a settlement agreement approved by the Discipline Committee February 20, 2019, failed to conduct himself in a manner which will maintain the good reputation of the profession and serve the public interest, contrary to Rule 201.1 of the Code of Professional Conduct, in that:
  - a. he issued two audited financial statements without the supervisor signing off on same prior to issuance as agreed in the supervision agreement;
  - b. he issued three audited financial statements without advising the supervisor of their existence, and without the supervisor signing off on same prior to issuance as agreed in the supervision agreement.
2. THAT the said Bruce Drysdale, in or about the period of February 1, 2019 to August 31, 2019, while engaged to perform an audit of the financial statements of "VLNPHC" for the year ended February 28, 2019, 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 properly disclose the Statement of Cash Flows item "Items not affecting cash - adjustment required for capital reserve fund activity – net 46,090" when the adjustment was not a non-cash item;
  - b. he failed to disclose in the Summary of Significant Accounting Policies note 3 policies for estimates and voluntary contributed services and failed to disclose in Note 3(h) how revenue is recognized for Subsidies, SHRRP revenue and other revenue;
  - c. he improperly disclosed "fund balances" as "net assets";

- d. he failed to document evidence of communication with those charged with governance regarding the audit plan;
- e. he failed to obtain sufficient appropriate audit evidence to identify and assess the risks of material misstatement, whether due to fraud or error, at the financial statement and assertion level, including inquiries of management and those charged with governance;
- f. he failed to document audit procedures designed and performed in response to the assessed risks of material misstatements at the assertion level;
- g. he failed to document a review of the minutes of meetings of the Board of Directors and the application of those findings to the audit procedures;
- h. he failed to document support for the assessment and reporting of litigation and claims;
- i. he failed 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 statements have been identified;
- j. he failed to obtain sufficient appropriate audit evidence to satisfy himself as to the appropriateness of journal entries recorded in the client's accounting records in response to assessed risks of material misstatements due to fraud;
- k. he failed to document evidence of communication with those charged with governance regarding the findings of the audit;
- l. he failed to obtain sufficient appropriate audit evidence of the evaluation of misstatements identified during the audit;
- m. he failed to obtain an engagement letter, dealing with the terms of the audit engagement with management and, where appropriate those charged with governance;
- n. he failed to obtain a client's representation letter;
- o. he failed to obtain sufficient and appropriate audit evidence to support the statement of financial position item "HST Receivable 46,590";
- p. he failed to obtain sufficient and appropriate audit evidence to support the statement of financial position item "Accounts payable and accrued liabilities (Note 5) 51,131";
- q. he failed to obtain sufficient and appropriate audit evidence to support the Statement of Revenues and Expenditures item "Capital expenditures 26,910";
- r. he failed to obtain sufficient and appropriate audit evidence to support the Statement of Revenues and Expenditures item "Rental revenue (Note 8) 1,022,192";
- s. he failed to obtain sufficient and appropriate audit evidence to support the Statement of Revenues and Expenditures item Other (Note 11) 29,527";

- t. he failed to document support for expenses or payroll;
  - u. he failed to obtain sufficient and appropriate audit evidence to support an overall conclusion as to whether the financial statements are consistent with the auditor's understanding of the entity.
3. THAT the said Bruce Drysdale, in or about the period of February 1, 2020 to August 31, 2020, while engaged to perform an audit of the financial statements of "VLNPHC" for the year ended February 29, 2020, 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 properly disclose the Statement of Cash Flows item "Items not affecting cash - adjustment required for capital reserve fund activity – net 50,656" when the adjustment was not a non-cash item;
  - b. he failed to disclose in the Summary of Significant Accounting Policies note 3 policies for estimates and voluntary contributed services and failed to disclose in Note 3(h) how revenue is recognized for Subsidies, SHRRP revenue and other revenue;
  - c. he failed to document evidence of communication with those charged with governance regarding the audit plan;
  - d. he failed to obtain sufficient appropriate audit evidence to identify and assess the risks of material misstatement, whether due to fraud or error, at the financial statement and assertion level, including inquiries of management and those charged with governance;
  - e. he failed to document audit procedures designed and performed in response to the assessed risks of material misstatements at the assertion level;
  - f. he failed to document a review of the minutes of meetings of the Board of Directors and the application of those findings to the audit procedures;
  - g. he failed to document support for the assessment and reporting of litigation and claims;
  - h. he failed 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 statements have been identified;
  - i. he failed to obtain sufficient appropriate audit evidence to satisfy himself as to the appropriateness of journal entries recorded in the client's accounting records in response to assessed risks of material misstatements due to fraud;
  - j. he failed to document evidence of communication with those charged with governance regarding the findings of the audit;
  - k. he failed to obtain sufficient appropriate audit evidence of the evaluation of misstatements identified during the audit;

- l. he failed to obtain an engagement letter dealing with the terms of the audit engagement with management and, where appropriate those charged with governance;
  - m. he failed to obtain a client representation letter;
  - n. he failed to obtain sufficient and appropriate audit evidence to support the statement of financial position item "HST Receivable 42,912";
  - o. he failed to obtain sufficient and appropriate audit evidence to support the statement of financial position item "Accounts payable and accrued liabilities (Note 5) 72,498";
  - p. he failed to obtain sufficient and appropriate audit evidence to support the statement of financial position item "Due to Toronto Social Housing 59,123";
  - q. he failed to obtain sufficient and appropriate audit evidence to support the Statement of Revenue and Expenditures item "Rental income (Note 8) 1,087,180";
  - r. he failed to document support for expenses or payroll;
  - s. he failed to obtain sufficient and appropriate audit evidence to support an overall conclusion as to whether the financial statements are consistent with the auditor's understanding of the entity.
4. THAT the said Bruce Drysdale, in or about the period of August 1, 2019 to December 31, 2019, while engaged to perform an audit of the financial statements of "NFM" for the year ended August 31, 2019, 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 disclose in Note 2(g) "Revenue Recognition" nine categories of income making up 30 percent of revenues;
  - b. he failed to report in the Auditor's Report that the basis for qualified opinion was the same as the previous year;
  - c. he failed to disclose in Note 8 "Financial Instruments" whether the risks have changed in nature or extent from the previous year;
  - d. he failed to properly disclose the interest rate and security for the line of credit for \$10,000;
  - e. he failed to disclose the nature and conditions for approval of the transfer of \$21,301 from the General Fund to the Capital Fund;
  - f. he failed to document evidence of communication with those charged with governance regarding the audit plan;

- g. he failed to obtain sufficient appropriate audit evidence to identify and assess the risks of material misstatement, whether due to fraud or error, at the financial statement and assertion level, including inquiries of management and those charged with governance;
  - h. he failed to document audit procedures designed and performed in response to the assessed risks of material misstatements at the assertion level;
  - i. he failed to document a review of the minutes of meetings of the Board of Directors and the application of those findings to the audit procedures;
  - j. he failed to document support for the assessment and reporting of litigation and claims;
  - k. he failed 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 statements have been identified;
  - l. he failed to obtain sufficient appropriate audit evidence to satisfy himself as to the appropriateness of journal entries recorded in the client's accounting records in response to assessed risks of material misstatements due to fraud;
  - m. he failed to document evidence of communication with those charged with governance regarding the findings of the audit;
  - n. he failed to obtain sufficient appropriate audit evidence of the evaluation of misstatements identified during the audit;
  - o. he failed to document a review for accuracy memoranda prepared by charity staff about accounting systems;
  - p. he failed to obtain sufficient appropriate audit evidence to support the statement of financial position item "Receivables 87,211";
  - q. he failed to obtain sufficient appropriate audit evidence of revenues and expenditures;
  - r. he failed to obtain sufficient and appropriate audit evidence to support an overall conclusion as to whether the financial statements are consistent with the auditor's understanding of the entity.
5. THAT the said Bruce Drysdale, in or about the period of December 1, 2019 to March 31, 2020, while engaged to perform an audit of the financial statements of "GCF" for the year ended December 31, 2019, 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 report in the Auditor's Report that the basis for qualified opinion was the same as the previous year;

- b. he failed to disclose the nature and conditions for approval of the transfer of \$145 from the General Fund to the Missions Fund;
  - c. he failed to disclose that the Missions Fund, Building Fund and Capital Assets Fund are all internally restricted funds;
  - d. he failed to document evidence of communication with those charged with governance regarding the audit plan;
  - e. he failed to obtain sufficient appropriate audit evidence to identify and assess the risks of material misstatement, whether due to fraud or error, at the financial statement and assertion level, including inquiries of management and those charged with governance;
  - f. he failed to document audit procedures designed and performed in response to the assessed risks of material misstatements at the assertion level;
  - g. he failed to document a review of the minutes of meetings of the Board of Directors and the application of those findings to the audit procedures;
  - h. he failed to document support for the assessment and reporting of litigation and claims;
  - i. he failed 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 statements have been identified;
  - j. he failed to obtain sufficient appropriate audit evidence to satisfy himself as to the appropriateness of journal entries recorded in the client's accounting records in response to assessed risks of material misstatements due to fraud;
  - k. he failed to document evidence of communication with those charged with governance regarding the findings of the audit;
  - l. he failed to obtain sufficient appropriate audit evidence of revenues and expenditures;
  - m. he failed to obtain sufficient and appropriate audit evidence to support an overall conclusion as to whether the financial statements are consistent with the auditor's understanding of the entity.
6. THAT the said Bruce Drysdale, in or about the period of April 1, 2019 to August 31, 2019, while engaged to perform an audit of the financial statements of "ESCO" for the year ended April 30, 2019, 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 include in the Auditor's Report disclosure that the previous year's financial statements were subject to audit by another firm of chartered professional accountants;

- b. He failed to ensure disclosure, in the Statement of Operations expenditures by type;
- c. He failed to disclose the terms of the banking agreement relating to the bank line of credit;
- d. He failed to disclose the amount of interest on the amount due to related parties;
- e. He failed to properly disclose capital grants received during the year relating to equipment purchased and recorded as an asset;
- f. he failed to document evidence of communication with those charged with governance regarding the audit plan;
- g. he failed to obtain sufficient appropriate audit evidence to identify and assess the risks of material misstatement, whether due to fraud or error, at the financial statement and assertion level, including inquiries of management and those charged with governance;
- h. he failed to document audit procedures designed and performed in response to the assessed risks of material misstatements at the assertion level;
- i. he failed to document a review of the minutes of meetings of the Board of Directors and the application of those findings to the audit procedures;
- j. he failed to document support for the assessment and reporting of litigation and claims;
- k. he failed 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 statements have been identified;
- l. he failed to obtain sufficient appropriate audit evidence to satisfy himself as to the appropriateness of journal entries recorded in the client's accounting records in response to assessed risks of material misstatements due to fraud;
- m. he failed to document evidence of communication with those charged with governance regarding the findings of the audit;
- n. he failed to obtain sufficient appropriate audit evidence of the evaluation of misstatements identified during the audit;
- o. he failed to obtain sufficient appropriate audit evidence to support the accuracy of the opening balances;
- p. he failed to obtain sufficient appropriate audit evidence to support the balance sheet item "Prepaid expenses 82,879";

- q. he failed to obtain sufficient appropriate audit evidence to support the balance sheet item "Accounts payable and accrued liabilities 59,703;
  - r. he failed to obtain sufficient appropriate audit evidence of revenues and expenditures;
  - s. he failed to obtain sufficient and appropriate audit evidence to support an overall conclusion as to whether the financial statements are consistent with the auditor's understanding of the entity.
7. THAT the said Bruce Drysdale, in or about the period of December 1, 2019 to August 31, 2020, while engaged to perform a review of the financial statements of "S Bros Limited" for the year ended December 31, 2019, 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 disclose in "Note 1 Summary of Significant Accounting Policies" how inventory is reported;
  - b. he failed to disclose in the balance sheet item "Share Capital (Note 6) 8,385, the total redemption amount for all classes of shares issued in a tax planning arrangement;
  - c. he disclosed on the Statement of Retained Earnings share redemptions as "Dividends paid (189,600)" when they should have been disclosed as the premium on redemption only;
  - d. he failed to disclose future tax recoverable of a temporary timing difference between net book value and undepreciated capital cost of depreciable assets.
8. THAT the said Bruce Drysdale, in or about the period of December 1, 2019 to August 31, 2020, while engaged to perform a review of the financial statements of "S M Limited" for the year ended December 31, 2019, 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 disclose, with respect to the balance sheet item "Accounts payable – new and used vehicles 2,120,028", the terms and security details of the Bank Floor Plan;
  - b. He failed to disclose in "Note 16 Prior Period Adjustment" that the adjustment for the impact of an audit of HST claims by CRA resulted in changed amounts for certain balances reported for the 2018 comparative amounts;
  - c. He failed to ensure that the departmental statements attached as schedules to the financial statements agreed to the Statement of Operations;
  - d. He failed to disclose related party transactions;

- e. He failed to obtain sufficient and appropriate evidence to support the plausibility of the balance sheet item "Accounts receivable 612,837";
- f. He failed to carry out a reasonability analysis to support the plausibility of the balance sheet item "Sales taxes payable 15,192";
- g. He failed to document an analytical review of the Statement of Income item "Selling and Administrative [expenses] 1,256,048".

Dated at Collingwood, Ontario, this 09<sup>th</sup> day of August 2021.

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JANET CURRIE FCPA, FCA, FCMA, CFP  
CHAIR  
PROFESSIONAL CONDUCT COMMITTEE