

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 D. HAWKINS, CPA, CA.**

**TO:** Mr. Bruce D. Hawkins, CPA, CA

**AND TO:** The Professional Conduct Committee

**DECISION MADE OCTOBER 8, 2020**

**DECISION**

After considering the submissions of the parties and the proposed Settlement Agreement itself, the Panel hereby approves the Settlement Agreement, dated October 2, 2020.

**DATED** at Toronto, this 8<sup>th</sup> day of October, 2020.



Randal J. Adamkowski, CPA, CA  
Discipline Committee -Deputy Chair



CHARTERED PROFESSIONAL ACCOUNTANTS OF ONTARIO

*THE CHARTERED PROFESSIONAL ACCOUNTANTS OF ONTARIO ACT, 2017*

**IN THE MATTER OF:** DRAFT ALLEGATIONS OF PROFESSIONAL MISCONDUCT  
AGAINST BRUCE D. HAWKINS, 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 CPAO  
Regulation 6-2, s.19**

**Introduction**

1. The Professional Conduct Committee ("PCC") has approved draft Allegations of professional misconduct (the "Allegations") against Bruce D. Hawkins, CPA, CA ("Hawkins") the particulars of which are set out below. The documents referred to in this Settlement Agreement are found in the Document Brief ("**Doc**"). The applicable CPA Handbook sections are found in the Standards Brief ("**Tab**").
2. The draft Allegations (Doc 1) pertain to the failure of Hawkins 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 "CSAM" for the year ended October 31, 2018 (Doc 4a);
  - b. The audit of the financial statements of "SSSG" for the year ended June 30, 2018 (Doc 5a);
  - c. The audit of the financial statements of "JJN" for the year ended December 31, 2017 (Doc 6a);
  - d. The review of the financial statements of "GRGE" for the year ended April 30, 2018 (Doc 7a);

- e. The audit of the financial statements of “LHH” for the year ended March 31, 2019 (Doc8a);
  - f. The review of the financial statements of “KF” for the year ended August 31, 2019 (Doc 9a);
3. The PCC and Hawkins 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 Hawkins 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 of the Member**

- 4. Hawkins obtained his CA designation in 1988. He has been practicing as a sole practitioner for approximately 15 years.
- 5. Hawkins’ current practice consists of annual billings of approximately \$350,000 represented by the following percentages:
  - a. Audits and reviews (approximately 20 clients) (Doc 3) – 15%
  - b. Personal tax (approximately 600 returns) – 50%; and
  - c. Notice to Readers and Corporate tax – 35%.
- 6. The majority of the assurance work is done for charities and not-for-profits.
- 7. Hawkins currently has 2.5 non-designated staff working for him in addition to a retired CPA, CA.

#### **Background of the Complaints**

- 8. The Practice Inspection Committee of CPA Ontario (“PIC”) advised the PCC on January 31, 2020, that as a result of the inspection of the practice of Hawkins, it concluded that Hawkins’ failure to maintain professional standards was sufficiently serious to reflect adversely upon Hawkins’ professional competence (Doc 2).
- 9. The PIC also provided a detailed listing of reportable deficiencies with respect to 4 of the files that are subject to draft allegations. (Doc 2, p 11-25).
- 10. On March 9, 2020, the PCC appointed Trisha LeBlanc, CPA, CA, CPA (IL), (the “Investigator”) to investigate the Member’s standards of practice.

11. As part of the investigation, the Investigator reviewed the Member's standard of practice in relation to the engagements inspected by the PIC as well as 2 additional files:
  - a. LHH for the year ended March 31, 2019
  - b. KF for the year ended August 31, 2019.
12. Hawkins and the PCC agree that Hawkins failed to perform his professional services in accordance with generally accepted standards of practice of the profession as described below.
13. Hawkins and the PCC agree that the draft allegations set out below, particularize the manner in which Hawkins 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 Settlement Agreement.

### **The Allegations**

**Allegation 1 –Bruce D. Hawkins, in or about the period June 1, 2018 through October 31, 2018, while engaged to perform an audit of the financial statements of “CSAM”, for the year ended June 30, 2018, failed to perform his professional services in accordance with generally accepted standards of practice for the profession, contrary to Rule 206.1 of the CPA Code of Professional Conduct in that:**

14. The financial statements for CSAM for the year ended June 30, 2018, together with the Auditor's report (Doc 4a), were signed by Hawkins and issued on October 25, 2018.
  - a) He failed to retain a signed engagement letter and a signed representation letter in the file;
15. CAS 210.10 *Agreeing the Terms of the Arrangement* (Tab 1) requires the auditor to obtain written agreement of the terms of the engagement. CSRE 2400.34 *Engagements to review historical financial information* (Tab 11) requires the practitioner to agree the terms of the engagement in an engagement letter or other suitable form of written agreement.
16. There was only an unsigned engagement letter in the file.
17. CAS 580 *Written Representations* (Tab 8) requires the auditor to obtain written representations from management. CSRE 2400.68 (Tab 11) requires the practitioner to request management to provide written representations.
18. There was only an unsigned representation letter in the file. In addition, the unsigned representation letter incorrectly referred to Canadian generally accepted accounting principles instead of Accounting Standards for Not for Profits (Doc 4c).

*b. He failed to include a reference to both the current year and the comparative year in the Basis for Modification paragraph in circumstances where the prior year financial statements included a modified opinion and the matter is unresolved in the current period;*

19. In cases where the audit report on the prior year financial statements included a modified opinion, and the matter is unresolved in the current period, CAS 710 *Comparative Information-Corresponding Figures and Comparative Financial Statements* (Tab 9) requires the auditor to include a reference to both the current year and the comparative year in the Basis for Modification paragraph of the audit report.
20. The prior year audit report included a modification due to the inability to verify cash transactions. However, Hawkins failed to reference the prior year in the Basis of Modification paragraph of the audit report (Doc 4a).

*c. He failed to prepare audit documentation sufficient for an experienced auditor, having no previous connection with the file, to understand the nature, timing and extent of audit procedures performed to comply with the Canadian Auditing Standards in the following areas:*

- i. He failed to document an overall audit strategy that sets the scope, timing and direction of the audit, and that guides the development of the audit plan;*
- ii. He failed to adequately document communication with those charged with governance with respect to audit planning and significant findings from the audit; and*
- iii. He failed to document performance of risk assessment procedures to provide a basis for the identification and assessment of risks of material misstatement at the financial statement and assertion levels.*

21. CAS 230.8 *Audit Documentation* (Tab 2), requires an auditor to prepare audit documentation that is sufficient for an experienced auditor, having no previous connection with the file to understand: a) the nature, timing and extent of audit procedures performed to comply with the CASs and applicable legal and regulatory requirements, b) the results of the audit procedures and audit evidence obtained, and c) significant matters arising during the audit, the conclusions reached thereon, and significant professional judgements made in reaching those conclusions.
22. CAS 300.7 *Planning an audit of financial statements* (Tab 5) requires the auditor to establish an overall audit strategy that sets the scope, timing and direction of the audit, and that guides the development of the audit plan.
23. There was no audit planning documentation prepared before the release of the audit report in the audit file reviewed by the investigator.

24. CAS 260.15 *Communication with Those Charged with Governance* (Tab 4) requires the communication of the planned scope and timing of the audit, and CAS 260.16 requires communication of significant findings from the audit. CAS 260.23 indicates that where matters required by this CAS are communicated orally the auditor shall include audit documentation of these oral discussions.
25. Hawkins advised the investigator that these conversations would have taken place when the client package was delivered but agreed they were not documented in the file. No audit documentation was identified that had been prepared prior to report release, that communication with those charged with governance took place, with the exception of emails where questions were asked to the client and then responses received in the ordinary course of work (i.e. questions about specific balances, reconciliations or adjusting journal entries booked by management).
26. CAS 315.5 *Identifying and Assessing the Risks of Material Misstatement Through Understanding the Entity and its Environment* (Tab 6), requires the auditor to perform risk assessment procedures to provide a basis for the identification and assessment of risks of material misstatement at the financial statement and assertion levels.
27. No risk assessment procedures were identified in the audit documentation that was prepared prior to release of the financial statements.

d) He failed to perform audit procedures to test journal entries;

28. CAS 240.33 *The Auditor's Responsibilities Related to Fraud in an Audit of Financial Statements* (Tab 3), requires the performance of audit procedures to test journal entries. CAS 240.46 specifies the documentation requirements of the results of audit procedures, including those designed to address the risk of management override of controls.
29. When asked about journal entry testing by the Investigator, Hawkins stated he did not do anything specific.

e) He failed to obtain sufficient appropriate audit evidence that the negative current liability (i.e. asset) labelled Internal adjustment re: funding allocation with a debit balance of \$3,097 was properly accounted for in accordance with Accounting Standards for Not for Profits.

30. CAS 330.18 *The Auditors Response to Assessed Risks* (Tab 7) requires the auditor to, irrespective of the assessed risks of material misstatement, design and perform substantive procedures for each material class of transactions, account balance, and disclosure.
31. Materiality for this engagement was determined by Hawkins to be \$2,750 (Doc 4d). There was no documentation in the file with respect to audit work performed on this account, its nature, or the appropriateness of the presentation.

**Allegation 2–Bruce D. Hawkins, in or about the period June 1, 2018 through October 31, 2018, while engaged to perform an audit of the financial statements of “SSSG”, for the year ended June 30, 2018, failed to perform his professional services in accordance with generally accepted standards of practice for the profession, contrary to Rule 206.1 of the CPA Code of Professional conduct in that:**

32. The financial statements for SSSG for the year ended June 30, 2018, together with the Auditor’s report (Doc 5a), were signed by Hawkins and issued on October 27, 2018.

*a) He failed to retain a signed representation letter in the file;*

33. CAS 580 *Written Representations* (Tab 8) requires the auditor to obtain written representations from management. CSRE 2400.68 requires the practitioner to request management to provide written representations.

34. There was only an unsigned representation letter in the file. In addition, the unsigned representation letter incorrectly referred to Canadian generally accepted accounting principles instead of Accounting Standards for Not for Profits (Doc 5c).

*b) He failed to ensure that the engagement letter in the file identified the applicable financial reporting framework for the preparation of the financial statements, that being Accounting Standards for Not for Profits;*

35. The signed engagement letter in the file (Doc 5b) included a reference to Canadian generally accepted accounting principles instead of Accounting Standards for Not for Profits and did not include a reference to the expected form and content of any reports to be issued.

*c) He failed to include a reference to both the current year and the comparative year in the Basis for Modification paragraph in circumstances where the prior year financial statements included a modified opinion and the matter is unresolved in the current period;*

36. In cases where the audit report on the prior year financial statements included a modified opinion, and the matter is unresolved in the current period, CAS 710 *Comparative Information-Corresponding Figures and Comparative Financial Statements* (Tab 9) requires the auditor to include a reference to both the current year and the comparative year in the Basis for Modification paragraph of the audit report.

37. The prior year audit report included a modification due to the inability to verify cash transactions. However, Hawkins failed to reference the prior year in the Basis of Modification paragraph of the audit report (Doc 5a).

d) He failed to prepare audit documentation sufficient for an experienced auditor, having no previous connection with the file, to understand the nature, timing and extent of audit procedures performed to comply with the Canadian Auditing Standards in the following areas:

i. He failed to document an overall audit strategy that sets the scope, timing and direction of the audit, and that guides the development of the audit plan;

ii. He failed to adequately document communication with those charged with governance with respect to audit planning and significant findings from the audit;

iii. He failed to document performance of risk assessment procedures to provide a basis for the identification and assessment of risks of material misstatement at the financial statement and assertion levels; and

iv. He failed to document any audit procedures with respect to the consideration of fraud.

38. CAS 300.7 *Planning an audit of financial statements* (Tab 5) requires the auditor to establish an overall audit strategy that sets the scope, timing and direction of the audit, and that guides the development of the audit plan.
39. There was no audit planning documentation prepared before the release of the audit report in the audit file reviewed by the investigator.
40. CAS 260.15 *Communication with Those Charged with Governance* (Tab 4) requires the communication of the planned scope and timing of the audit, and CAS 260.16 requires communication of significant findings from the audit. CAS 260.23 indicates that where matters required by this CAS are communicated orally the auditor shall include audit documentation of these oral discussions.
41. Hawkins advised the investigator that these conversations would have taken place when the client package was delivered but agreed they were not documented in the file. No audit documentation was identified that had been prepared prior to report release, that communication with those charged with governance took place, with the exception of emails where questions were asked to the client and then responses received in the ordinary course of work (i.e. questions about specific balances, reconciliations or adjusting journal entries booked by management).
42. CAS 315.5 *Identifying and Assessing the Risks of Material Misstatement Through Understanding the Entity and its Environment* (Tab 6), requires the auditor to perform risk assessment procedures to provide a basis for the identification and assessment of risks of material misstatement at the financial statement and assertion levels.
43. No risk assessment procedures were identified in the audit documentation that was prepared prior to release of the financial statements.



44. CAS 240 *The Auditor's Responsibilities Related to Fraud in an Audit of Financial Statements* (Tab 3) includes requirements with respect to the consideration of fraud during all stages of the audit.
45. There was no audit documentation prepared prior to release of the financial statements with respect to fraud in the audit file.

e) He failed to perform audit procedures to test journal entries:

46. CAS 240.33 *The Auditor's Responsibilities Related to Fraud in an Audit of Financial Statements* (Tab 3), requires the performance of audit procedures to test journal entries. CAS 240.46 specifies the documentation requirements of the results of audit procedures, including those designed to address the risk of management override of controls.
47. When asked about journal entry testing by the Investigator, Hawkins stated he did not do anything specific.

f) He failed to obtain sufficient appropriate audit evidence related to the financial statement line item Investment in "GCF" in the amount of \$201,400, as well as to ensure that the required disclosure was provided in the financial statements in accordance with Accounting Standards for Not for Profits:

48. The statement of financial position shows a long-term investment in "GCF" in the amount of \$201,400. The financial statements do not provide any disclosure with respect to the nature of this investment. In addition, there is nothing in the working paper file to describe it, nor is there any audit evidence as to what the funds are invested in and the value of the investment.

g) He failed to ensure that the financial statement line item Endowment GCF in the amount of \$201,400 was presented and disclosed in accordance with Accounting Standards for Not for Profits as an externally restricted fund; and

49. The Statement of Net Assets listed an Endowment GCF in the amount of \$201,400 (Doc 5a, p. 47). However, as Hawkins explained to the Investigator, the funds are being raised to buy a building, and are being deposited for investment until there is enough. The donors who contributed were aware that the contributions were received in order to buy the building. Accordingly, it should have been classified as an externally restricted fund as defined in section 4410.02(b) of Accounting Standards for Not-For-Profit Organizations (Tab 16).
50. In addition, Hawkins failed to include any disclosure in the financial statements of the nature of this externally restricted fund and what the funds are to be used for.

h) He failed to design and perform substantive procedures on accounts receivable and grocery store cards that were purchased for fundraising activities.

51. CAS 330.18 *The Auditor's Responses to Assessed Risks* (Tab 7) requires the auditor to, irrespective of the assessed risks of material misstatement, design and perform substantive procedures for each material class of transactions, account balance and disclosure.
52. The working paper file did not include procedures executed on accounts receivable (\$25,665) (Doc 5e) or grocery store cards that were purchased for fundraising activities (\$8,175) (Doc 5f).

**Allegation 3—Bruce D. Hawkins, in or about the period December 1, 2017 through April 30, 2018, while engaged to perform an audit of the financial statements of “JJN”, for the year ended December 31, 2017, failed to perform his professional services in accordance with generally accepted standards of practice for the profession, contrary to Rule 206.1 of the CPA Code of Professional conduct in that:**

a. He failed to retain a signed engagement letter in the file;

53. CAS 210.10 *Agreeing the Terms of the Arrangement* (Tab 1) requires the auditor to obtain written agreement of the terms of the engagement. CSRE 2400.34 *Engagements to review historical financial information* (Tab 11) requires the practitioner to agree the terms of the engagement in an engagement letter or other suitable form of written agreement.
54. There was only an unsigned engagement letter in the file.

b. He failed to ensure that the representation letter in the file identified the applicable financial reporting framework for the preparation of the financial statements, that being Canadian Accounting Standards for Private Enterprises;

55. The signed representation letter in the file (Doc 6c) referenced Canadian generally accepted accounting principles instead of Accounting Standards for Private Enterprises.

c. He failed to include a reference to both the current year and the comparative year in the Basis for Modification paragraph in circumstances where the prior year financial statements included a modified opinion and the matter is unresolved in the current period;

56. In cases where the audit report on the prior year financial statements included a modified opinion, and the matter is unresolved in the current period, CAS 710 *Comparative Information—Corresponding Figures and Comparative Financial Statements*

(Tab 9) requires the auditor to include a reference to both the current year and the comparative year in the Basis for Modification paragraph of the audit report.

57. The prior year audit report included a modification due to the inability to verify cash transactions. However, Hawkins failed to reference the prior year in the Basis of Modification paragraph of the audit report (Doc 6a).

d) He failed to prepare audit documentation sufficient for an experienced auditor, having no previous connection with the file, to understand the nature, timing and extent of audit procedures performed to comply with the Canadian Auditing Standards in the following areas:

i. He failed to document an overall audit strategy that sets the scope, timing and direction of the audit, and that guides the development of the audit plan;

ii. He failed to adequately document communication with those charged with governance with respect to audit planning and significant findings from the audit;

iii. He failed to document performance of risk assessment procedures to provide a basis for the identification and assessment of risks of material misstatement at the financial statement and assertion levels; and

iv. He failed to document any audit procedures with respect to the consideration of fraud.

58. CAS 300.7 *Planning an audit of financial statements* (Tab 5) requires the auditor to establish an overall audit strategy that sets the scope, timing and direction of the audit, and that guides the development of the audit plan.

59. There was no audit planning documentation prepared before the release of the audit report in the audit file reviewed by the investigator.

60. CAS 260.15 *Communication with Those Charged with Governance* (Tab 4) requires the communication of the planned scope and timing of the audit, and CAS 260.16 requires communication of significant findings from the audit. CAS 260.23 indicates that where matters required by this CAS are communicated orally the auditor shall include audit documentation of these oral discussions.

61. Hawkins advised the investigator that these conversations would have taken place when the client package was delivered but agreed they were not documented in the file. No audit documentation was identified that had been prepared prior to report release, that communication with those charged with governance took place, with the exception of emails where questions were asked to the client and then responses received in the ordinary course of work (i.e. questions about specific balances, reconciliations or adjusting journal entries booked by management).

- 62. CAS 315.5 *Identifying and Assessing the Risks of Material Misstatement Through Understanding the Entity and its Environment* (Tab 6), requires the auditor to perform risk assessment procedures to provide a basis for the identification and assessment of risks of material misstatement at the financial statement and assertion levels.
- 63. No risk assessment procedures were identified in the audit documentation that was prepared prior to release of the financial statements.
- 64. CAS 240 *The Auditor's Responsibilities Related to Fraud in an Audit of Financial Statements* (Tab 3) includes requirements with respect to the consideration of fraud during all stages of the audit.
- 65. There was no audit documentation prepared prior to release of the financial statements with respect to fraud in the audit file.

e. *He failed to perform audit procedures to test journal entries;*

- 66. CAS 240.33 *The Auditor's Responsibilities Related to Fraud in an Audit of Financial Statements* (Tab 3), requires the performance of audit procedures to test journal entries. CAS 240.46 specifies the documentation requirements of the results of audit procedures, including those designed to address the risk of management override of controls.
- 67. When asked about journal entry testing by the Investigator, Hawkins stated he did not do anything specific.

f. *He failed to ensure that goodwill was accounted for correctly in accordance with Canadian Accounting Standards for Private Enterprises;*

- 68. Accounting Standards for Private Enterprises ("ASPE") 3064.70 *Goodwill* (Tab 13) states that goodwill is not amortized. It is tested for impairment in accordance with ASPE 3064 at the level of reporting referred to as a reporting unit.
- 69. Note 3 of the financial statements report goodwill in the amount of \$15,852 (Doc 6a, p. 75). Note 1(b) of the financial statements (Doc 6a, p.73) state that goodwill is amortized on a straight-line basis at 7% of three quarters of the purchase price. Accordingly, the goodwill is not being accounted for appropriately in accordance with ASPE.

g. *He failed to ensure the financial statements included required disclosure of the amount of any assistance received or receivable and the amount recognized in income in relation to grants/subsidies received by the entity in the amount of \$47,058; and*

- 70. ASPE 3800.31 *Government Assistance* (Tab 14) requires disclosure of the amount of any assistance received or receivable, and the amount recognized in income.
- 71. The working papers in the file reflect that the entity received grants/subsidies in the amount of \$47,058 (Doc 6e). The working papers do not reflect consideration as to the

appropriaterecognition, presentation and disclosure related to this. The financial statements do not disclose anything related to government assistance/the subsidy.

h. He failed to subject material transactions recorded through petty cash and company credit cards to sampling procedures.

72. CAS 330.18 *The Auditor's Responses to Assessed Risks* (Tab 7), requires the auditor to, irrespective of the assessed risks of material misstatement, design and perform substantive procedures for each material class of transactions, account balance and disclosure.
73. The working paper file reflected that substantive test of details were performed using dollar unit sampling on the bank transactions. However, there were material transactions recorded through petty cash (Doc6f) (volume of approximately \$37,000) as well as company credit cards (Doc 6g) (volume of approximately \$13,700). When asked by the Investigator, Hawkins confirmed that these were not subject to sampling procedures.

**Allegation 4 –Bruce D. Hawkins, in or about the period April 1, 2018 through September 30, 2018 while engaged to perform a review of the financial statements of “GRGE”, for the year ended April 30, 2018, failed to perform his professional services in accordance with generally accepted standards of practice for the profession, contrary to Rule 206.1 of the CPA Code of Professional conduct in that:**

a. He failed to retain a signed engagement letter and signed representation letter in the file:

74. CAS 210.10 *Agreeing the Terms of the Arrangement* (Tab 1) requires the auditor to obtain written agreement of the terms of the engagement. CSRE 2400.34 *Engagements to review historical financial information* (Tab 11) requires the practitioner to agree the terms of the engagement in an engagement letter or other suitable form of written agreement.
75. There was only an unsigned engagement letter in the file.
76. CAS 580 *Written Representations* (Tab 8) requires the auditor to obtain written representations from management. CSRE 2400.68 (Tab 11) requires the practitioner to request management to provide written representations.
77. There was only an unsigned representation letter in the file. In addition, the unsigned representation letter incorrectly referred to Canadian generally accepted accounting principles instead of Accounting Standards for Not for Profits (Doc 7b).

b. He failed to prepare documentation sufficient for an experienced practitioner, having no previous connection with the engagement, to understand the nature, timing and extent of procedures performed to comply with Canadian Standards for Review Engagements as follows:

i. He failed to adequately document the linkage between planning, areas where risk of material misstatement is likely to arise and design of procedures; and

ii. He failed to document inquiry and analytical procedures to address all material items in the financial statements including revenue, grants and program and outreach expenses.

78. CSRE 2400.46 requires the practitioner to design and perform inquiry and analytical procedures to address all material items in the financial statements, including disclosures. In addition, it requires the practitioner to focus on addressing areas where material misstatements are likely to arise.

79. There were no planning documents created prior to performing work. In addition, the work did not appear to be planned/designed to address all material items in the financial statements including student contribution revenue, grants, and program and outreach expenses (Doc 7a, p.93).

**Allegation 5 –Bruce D. Hawkins, in or about the period March 1, 2019 through July 31, 2019, while engaged to perform an audit of the financial statements of “LHH”, for the year ended March 31, 2019, failed to perform his professional services in accordance with generally accepted standards of practice for the profession, contrary to Rule 206.1 of the CPA Code of Professional conduct in that:**

a) He failed to ensure that the engagement letter and the representation letter in the file identified the applicable financial reporting framework for the preparation of the financial statements, that being Accounting Standards for Not for Profits;

80. The signed engagement letter and representation letter in the file included references to Canadian generally accepted principles instead of Accounting Standards for Not for Profits (Doc 8b, 8c)

b) He failed to prepare audit documentation sufficient for an experienced auditor, having no previous connection with the file, to understand the nature, timing and extent of audit procedures performed to comply with the Canadian Auditing Standards in the following areas:

i. He failed to document an overall audit strategy that sets the scope, timing and direction of the audit, and that guides the development of the audit plan;

ii. He failed to adequately document communication with those charged with governance with respect to audit planning and significant findings from the audit;

iii. He failed to document performance of risk assessment procedures to provide a basis for the identification and assessment of risks of material misstatement at the financial statement and assertion levels; and

iv. He failed to adequately document audit procedures with respect to the consideration of fraud.

81. CAS 300.7 *Planning an audit of financial statements*(tab 5) requires the auditor to establish an overall audit strategy that sets the scope, timing and direction of the audit, and that guides the development of the audit plan.
82. There was no audit planning documentation prepared before the release of the audit report in the audit file reviewed by the investigator.
83. CAS 260.15 *Communication with Those Charged with Governance* (Tab 4) requires the communication of the planned scope and timing of the audit, and CAS 260.16 requires communication of significant findings from the audit. CAS 260.23 indicates that where matters required by this CAS are communicated orally the auditor shall include audit documentation of these oral discussions.
84. Hawkins advised the investigator that these conversations would have taken place when the client package was delivered but agreed they were not documented in the file. No audit documentation was identified that had been prepared prior to report release, that communication with those charged with governance took place, with the exception of emails where questions were asked to the client and then responses received in the ordinary course of work (i.e. questions about specific balances, reconciliations or adjusting journal entries booked by management).
85. CAS 315.5 *Identifying and Assessing the Risks of Material Misstatement Through Understanding the Entity and its Environment* (Tab 6), requires the auditor to perform risk assessment procedures to provide a basis for the identification and assessment of risks of material misstatement at the financial statement and assertion levels.
86. No risk assessment procedures were identified in the audit documentation at the assertion level that was prepared prior to release of the financial statements.
87. CAS 240 *The Auditor's Responsibilities Related to Fraud in an Audit of Financial Statements* (Tab 3) includes requirements with respect to the consideration of fraud during all stages of the audit.
88. There was a document in the file saying fraud was discussed with management (Doc 8g), however that was the only documentation relating to fraud.

C) He failed to perform audit procedures to test journal entries.

89. CAS 240.33 *The Auditor's Responsibilities Related to Fraud in an Audit of Financial Statements* (Tab 3), requires the performance of audit procedures to test journal entries. CAS 240.46 specifies the documentation requirements of the results of audit procedures, including those designed to address the risk of management override of controls.
90. When asked about journal entry testing by the Investigator, Hawkins stated he did not do anything specific.

**Allegation 6 –Bruce D. Hawkins, in or about the period August 1, 2019 through December 31, 2019, while engaged to perform a review of the financial statements of “KF”, for the year ended August 31, 2019, failed to perform his professional services in accordance with generally accepted standards of practice for the profession, contrary to Rule 206.1 of the CPA Code of Professional conduct in that:**

- a) He failed to ensure that the engagement letter and representation letter in the file identified the applicable financial reporting framework for the preparation of the financial statements, that being Accounting Standards for Not for Profits; and
91. The signed engagement letter and representation letter in the file included references to Canadian generally accepted principles instead of Accounting Standards for Not for Profits (Doc 9b, 9c) and the engagement letter included a reference to HB section 1300 Differential Reporting which is no longer effective.
- b) He failed to prepare documentation sufficient for an experienced practitioner, having no previous connection with the engagement, to understand the nature, timing and extent of procedures performed to comply with Canadian Standards for Review Engagements as follows:
- i. He failed to adequately document the linkage between planning, areas where risk of material misstatement is likely to arise and design of procedures; and
- ii. He failed to document inquiry and analytical procedures to address all material items in the financial statements including revenue, grants and program and outreach expenses.



92. CSRE 2400.46 requires the practitioner to design and perform inquiry and analytical procedures to address all material items in the financial statements, including disclosures. In addition, it requires the practitioner to focus on addressing areas where material misstatements are likely to arise.
93. There were no planning documents created prior to performing work. In addition, the work did not appear to be planned/signed to address all materials items in the financial statements including deferred revenue (Doc 9a, p.124).

### **Terms of Settlement**

94. Hawkins and the Professional Conduct Committee agree to the following Terms of Settlement:
- a. A payment by way of fine in the amount of \$7,500;
  - b. A restriction of Hawkins' practice prohibiting his carrying out any assurance engagements;
  - c. Notice of the terms of this Settlement is to be published in the manner set out in Regulation 6-2, sections 45, 48, 50 and 52, including newspaper publicity of the practice restriction in the *Guelph Mercury*, with the costs of the publication to be borne by Hawkins;
  - d. A payment by way of costs in the amount of \$6,000;
  - e. Hawkins will be allowed 18 months from the time the Discipline Committee accepts this Settlement Agreement to pay the fine and costs referred to herein; and
  - f. A failure by Hawkins to comply with any of the terms of the settlement will result in his suspension from membership in CPA Ontario which suspension will continue until he complied, 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.
95. The Professional Conduct Committee and Hawkins expressly consent and authorize the Registrar to take any actions associated with Hawkins' membership in CPA Ontario as prescribed and agreed to herein.
96. The Professional Conduct Committee and Hawkins expressly authorize and consent to CPA Ontario:
- a. Providing notice of the terms of this Settlement Agreement to all CPA Ontario members and all provincial CPA Bodies;

- b. Publishing notice of the practice restriction in a newspaper distributed in the geographic area where Hawkins' lives, i.e. the *Guelph Mercury* and Hawkins agrees to bear the cost of this publicity.
- 97. Should the Discipline Committee accept this Settlement Agreement, Hawkins 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 2020, shall be forever stayed.
- 98. 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 Hawkins leading up to its presentation to the Discipline Committee, shall be without prejudice to the Professional Conduct Committee and Hawkins; and
  - b. The Professional Conduct Committee and Hawkins 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.
- 99. It is acknowledged that Hawkins received an opportunity to access independent legal advice in relation to this Settlement Agreement.

**Disclosure of Settlement Agreement**

- 100. This Settlement Agreement and its terms will be treated as confidential by the Professional Conduct Committee and Hawkins, 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 Hawkins, or, as may be required by law.
- 101. 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 2nd day of October, 2020.



A handwritten signature in blue ink that reads "Julia McNabb".

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Julia McNabb, J.D.  
On behalf of  
The Professional Conduct Committee

A handwritten signature in blue ink that reads "B.D. Hawkins".

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Bruce Hawkins, CPA, CA  
on his own behalf