

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 **DESMOND A. GIBB**, a suspended member of the Chartered Professional Accountants of Ontario.

**TO:** Desmond A. Gibb

**AND TO:** The Professional Conduct Committee

**DECISION MADE SEPTEMBER 14, 2020**

**DECISION**

After considering the submissions of the parties and the proposed Settlement Agreement itself, the Panel hereby approves the Settlement Agreement, dated July 22, 2020.

**DATED** at Toronto, this 14<sup>th</sup> day of September 2020.



Stuart M. Douglas, FCPA, FCA  
Discipline Committee – Chair



CHARTERED PROFESSIONAL ACCOUNTANTS OF ONTARIO

*THE CHARTERED PROFESSIONAL ACCOUNTANTS OF ONTARIO ACT, 2017*

**IN THE MATTER OF:** DRAFT ALLEGATIONS OF PROFESSIONAL MISCONDUCT  
AGAINST DESMOND A. GIBB, A SUSPENDED 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 Desmond A. Gibb, (suspended (“Gibb”) 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 Gibb 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 “RWSC” for the year ended August 31, 2017 (**Doc 2**); and
  - b. The review of the financial statements of “EDI” for the year ended January 31, 2018 (**Doc 16**);

3. There is an additional draft allegation relating to Gibb's conduct in facilitating the closure of his accounting practice.
4. The PCC and Gibb agree with the facts and conclusions set out in this agreement for the purpose of this proceeding only, and further agree that this agreement of facts and conclusions is without prejudice to Gibb 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**

5. Gibb obtained his Chartered Accountant designation in 1980 in Toronto. He moved to British Columbia in 1981 and worked at Dunwoody, now BDO. He moved back to Ontario in the mid 1980's and joined the Kitchener office of Dunwoody for approximately 2-3 years.
6. In approximately 1988 he decided to go out on his own and he practiced as a sole practitioner until his retirement in early 2019.
7. In addition, between approximately 1983-2003, Gibb marked the Uniform Final Examinations and acted as a part-time practice inspector for the Practice Inspection Committee from 1991 to 2014.
8. Prior to his retirement, Gibb provided audit, review, compilation services as well as personal income tax returns. He had three employees, including one designated member.
9. In the years leading up to his retirement Gibb struggled with mental health issues and found that he was increasingly unable to properly serve his clients. He began losing clients and struggled to pay the bills. He had been in deliberations to sell his practice to another CPA, however the plans fell through.
10. In January 2019 he was locked out of his office by the landlord and he subsequently left his practice. In February 2019 Gibb moved to British Columbia and declared personal bankruptcy on April 17, 2019.
11. Since October 2019 Gibb has been subject to an administrative suspension for failure to pay his annual dues and failure to complete his Continuing Professional Development courses.



### **Background of the Complaints**

12. The Practice Inspection Committee ("PIC") advised the PCC on April 9, 2019 that as a result of the inspection of the practice of Gibb, it concluded that Gibb's failure to maintain professional standards was sufficiently serious to reflect adversely upon Gibb's professional competence.
13. The PIC also provided a detailed listing of reportable deficiencies with respect to the two files that are subject to draft allegations, RWSC and EDI.
14. On February 27, 2019 Standards Enforcement also received a complaint from a former employee of Gibb's that she was not paid for her last two pay cycles and that she did not receive a T4 for 2018 from Gibb.
15. In reviewing the background information for the above two complaints, Standards Enforcement opened a third file in order to determine the circumstances surrounding the closure of Gibb's firm.
16. On January 10, 2020, the PCC appointed Mr. Paul Gibel, FCPA, FCA, (the "Investigator") to investigate the member's standards of practice, and the circumstances surrounding the complaints and the closure of the member's practice.
17. As part of his investigation, the Investigator reviewed the member's standards of practice in relation to the two engagements inspected by the PIC. The Investigator was not able to review any additional files as the Member no longer has access to his files.
18. Gibb and the PCC agree that Gibb failed to perform his professional services in accordance with generally accepted standards of practice of the profession as described below.
19. Gibb and the PCC agree that the draft allegations, set out below, particularize the manner in which Gibb failed to perform his professional services in accordance with generally accepted standards of practice of the profession.

### **The Allegations**

**Allegation 1 – Desmond Gibb, in or about the period August 1, 2017 through August 31, 2018, while engaged to perform an audit of the financial statements of RWSC, for the year ended August 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:**

20. The financial statements for RWSC for the year ended August 31, 2017, together with the Review Engagement Report (**Doc 2**), were signed by Gibb and issued on July 16, 2018.

21. When reviewed by the Investigator the working paper files contained no evidence of any assurance work being done. There were many blank checklists and there were not any documents prepared by his clients, for example bank reconciliations, accounts receivable or payable listings.

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

22. The engagement letter in the file was in draft form, as it was not on a letterhead nor was it signed by either Gibb or his client (**Doc 4**).

**b. He failed to document performance materiality;**

23. There was no documentation in the file relating to performance materiality (**Doc 5**). CAS 320 paragraph 11 (**Tab 6**) states that the auditor shall determine performance materiality for purposes of addressing the risks of material misstatement and determining the nature, timing and extent of further audit procedures.

**c. He failed to document the reason for his determination of materiality;**

24. Materiality was set at \$10,000 by Gibb. The benchmarks on the materiality working paper range from \$4,363 to \$4,691 (**Doc 5**). When asked by the investigator what the basis for selecting \$10,000 was, Gibb did not have an explanation.

**d. He failed to perform procedures relating to risk assessment and understanding the nature of the entity and its environment;**

25. CAS 315 (**Tab 5**) is the standard for Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and its Environment. It states that the auditor shall obtain an understanding of the nature of the entity (paragraph 11), internal control (paragraph 12) the control environment (paragraph 14), the information system, including the related business processes relevant to financial reporting and financial reporting processes (paragraph 18), the control activities relevant to the audit (paragraph

- 20) and the entity's response to risks arising from information technology (IT) (paragraph 21).
26. The documentation standard for CAS 315 is in paragraph 32 which states the auditor shall include in the audit documentation: the discussion among the engagement team where required by paragraph 10, and significant decisions reached; key elements of the understanding obtained regarding each of the internal control components specified in paragraphs 14 to 24, the sources of information from which the understanding was obtained and the risk assessment procedures performed; the identified and assessed risks of material misstatement at the financial statement level and at the assertion level as required by paragraph 25; and the risks identified and related controls about which the auditor has obtained an understanding, as a result of the requirements of paragraphs 27-30.
27. The planned risk assessment procedures section of the Preparing the risk assessment procedures checklist is blank and the Understanding the nature of the entity working paper is blank as well (**Doc 6, 7**).
- e. **He failed to adequately document discussions with management regarding management's assessment that the financial statements may be materially misstated due to fraud;**
28. CAS 240 (**Tab 3**) specifies the Auditor's Responsibilities Relating to Fraud and paragraphs 18 and 19 state that the auditor shall make enquiries of management regarding management's assessment that the financial statements may be materially misstated due to fraud, their process for identifying and responding to the risks of fraud, management's communication to those charged with governance regarding this and management's communication to employees. The auditor shall also make enquiries of management and others within the entity to determine if they have any knowledge of any actual, suspected or alleged fraud affecting the entity. Paragraphs 21 and 22 require discussions as to how those charged with governance exercise oversight of management's processes for identifying and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud affecting the entity. Documentation of these inquiries and discussions is required by paragraph 47.
29. The question related to fraud on the Inquiries of management and others checklist is answered as yes by Gibb but the worksheet – Business and fraud risk identification has not been completed (**Doc 8, 9**). Gibb said RWSC did not have an audit Committee but

had a Board. He advised he would have reviewed the fraud risk factors with the Treasurer and the Board however there is no documentation of these discussions.

**f. He failed to document communication with those charged with governance with respect to audit planning:**

30. CAS 260 paragraph 15 (**Tab 4**) states the auditor shall communicate with those charged with governance, an overview of the planned scope and timing of the audit, which includes communicating about the significant risks identified by the auditor.
31. There was no documentation in the file regarding communication with those charged with governance with respect to audit planning. There was a draft planning letter which was unsigned in the file but no evidence it was sent to the client (**Doc 10**). There is also a question on the Overall audit strategy working paper with respect to communicating the overall audit strategy, but it is answered as being not applicable (**Doc 11**).

**g. He failed to identify and assess the risk of material misstatement at the financial statement level and the assertion level for classes of transactions, account balances and disclosures to provide a basis for designing and performing further audit procedures:**

32. CAS 315 paragraph 25 (**Tab 5**) states the auditor shall identify and assess the risks of material misstatement at the financial statement level and the assertion level for classes of transactions, account balances and disclosures to provide a basis for designing and performing further audit procedures. CAS 240 paragraph 26 (**Tab 3**) states this should be done for fraud risks.
33. There is no evidence in the file that this was done by Gibb.

**h. He failed to address the presumed risk of fraud in revenue recognition or the reasons for the conclusion that the presumption that there is a risk of material misstatement due to fraud is not applicable:**

34. CAS 315 paragraph 27 (**Tab 5**) states that the auditor shall determine whether any of the risks identified are, in the auditor's judgement, significant. Paragraph 28 states that a fraud risk is a significant risk. Significant risks require special audit consideration. CAS 240 paragraph 27 (**Tab 3**) states that the auditor shall, based on a presumption that there

are risks of fraud in revenue recognition, evaluate which types of revenue, revenue transactions or assertions give rise to such risks.

35. When asked by the investigator whether he had identified any significant risks for the engagement, Gibb said he did not think so. He also advised that RWSC had reputable people on the Board and generally there was nothing of great importance in their financial statements.
36. He did not address the presumed risk of fraud in revenue or the reasons for the conclusion that the presumption that there is a risk of material misstatement due to fraud is not applicable to this client, as required by paragraph 48 of CAS 240.

***i. He failed to document audit testing with respect to journal entries:***

37. CAS 240 paragraph 33 (**Tab 3**) states that irrespective of the auditor's assessment of the risks of management override of controls, the auditor shall design and perform procedures to test the appropriateness of journal entries.
38. When asked by the Investigator what audit testing was conducted with respect to journal entries, Gibb stated that he would have looked at the larger ones, greater than materiality, and any unusual entries and reviewed any interesting accounts. However, there is no evidence in his file that any journal entries were tested.

***j. He failed to perform analytical procedures near the end of the engagement:***

39. The auditor is required to perform analytical procedures at the beginning of the audit to assist with identifying the risks of material misstatement through understanding the entity and its environment in accordance with CAS 315 paragraph 6 (b) (**Tab 5**), during the audit for any relationships that may indicate fraud risks as required by CAS 240 paragraph 23 (**Tab 3**) and near the end of the audit to assist in forming the overall conclusion in accordance with CAS 520 paragraph 6 (**Tab 7**).
40. There is a working paper with three years of information and several ratios but no comparison to expectation or explanations for any of the changes (**Doc 12**). Gibb was unable to recall when this was generated or if he used any of this information to assist in performing the audit.

**k. He failed to perform sufficient audit procedures with respect to going concern;**

41. CAS 570 paragraph 6 (**Tab 9**) states it is the auditor's responsibility to obtain sufficient appropriate audit evidence regarding, and conclude on, the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements.
42. The going concern checklist was not completed. When asked by the investigator what audit procedures were performed with respect to going concern, Gibb advised that he would not have had any discussion as the Club was only operating based on the fees they received from their members and always operated hand to mouth.

**l. He failed to document inquiries with management with respect to legal claims or other contingencies;**

43. The checklist relating to legal claims or other contingencies was blank. When asked by the Investigator whether he made any inquiries with respect to legal claims or other contingencies Gibb stated that he would have asked the bookkeeper, the Treasurer and the Board. However, there is no documentation of these inquiries in the file.

**m. He failed to document audit procedures relating to subsequent events;**

44. CAS 560 paragraph 6 (**Tab 8**) requires that audit procedures be performed 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 or disclosure be identified.
45. The subsequent events checklist was blank and a review for subsequent events was not documented. Gibb stated that he would have enquired of the Board when he met with them to present the financial statements however this is not documented.

**n. He failed to obtain sufficient appropriate audit evidence to provide a basis for his audit opinion;**

46. The audit documentation standard is in CAS 230 paragraph 8 (**Tab 2**) which states the auditor shall prepare audit documentation that is sufficient to enable an experienced auditor, having no previous connection with the audit, to understand the nature, timing and

extent of the audit procedures performed, the results of the audit procedures performed and the audit evidence obtained and the significant matters arising during the audit, the conclusions reached thereon and significant professional judgments made in reaching those conclusions.

47. There was a Scoping Worksheet in the file which was blank and the Working Paper Overview shows that all the checklists for the various financial statement sections have not been completed or signed off (**Doc 14, 15**). The investigator was unable to find any working papers where Gibb performed audit testing, or any working papers or documents prepared by the client to support the numbers on the financial statements. Therefore, Gibb has not obtained sufficient appropriate audit evidence to provide a basis for his audit opinion.

***o. He failed to ensure that the date of the auditor's report was no earlier than the date on which the auditor has obtained sufficient appropriate audit evidence on which to base the auditor's opinion and those with the recognized authority have taken responsibility for the financial statements;***

48. CAS 700 paragraph 49 (**Tab 10**) states that the date of the auditor's report should be no earlier than the date on which the auditor has obtained sufficient appropriate audit evidence on which to base the auditor's opinion on the financial statements, including evidence that all the statements and disclosures that comprise the financial statements have been prepared and those with the recognized authority have asserted that they have taken responsibility for those financial statements.

49. The working papers that were signed off were dated between August 10 and 27, 2018. The date of the auditor's report is July 16, 2018 (**Doc 2**). Gibb was unable to explain why his report was dated July 16, 2018 and there is no documentation in the file to support this date.

***p. He failed to include a reference to the prior year's report also being qualified in circumstances where the matter giving rise to the qualification in the prior year remains unresolved;***

50. In the Basis for Qualified Opinion section of the auditor's report (**Doc 2**), there is no reference to the prior year's report also being qualified as required by CAS 710 paragraph 11 (**Tab 12**) as the matter giving rise to the qualification in the prior year remains unresolved, which is the completeness of donation and fundraising revenue.

**q. He failed to ensure that the Opinion paragraph was titled Qualified opinion as required;**

51. The Opinion paragraph is not titled Qualified opinion as required by CAS 705 paragraph 16 (**Tab 11**). This paragraph also does not state that in the auditor's opinion, except for the effects of the matters described in the Basis for Qualified Opinion section as required by CAS 705 paragraph 17 (**Tab 11**).

**r. He failed to include a prominent statement in the notes that the financial statements are prepared in accordance with ASNPO;**

52. The notes do not state prominently that the financial statements are prepared in accordance with ASNPO (1401.17) (**Tab 15**).

**s. He failed to include a description of the purpose of the two restricted funds included in a note to the financial statements;**

53. The Statement of Operations shows internally restricted and unrestricted funds. Note 4 shows the two restricted funds (**Doc 2, page 13**). There is no description of the purpose of each fund as required by 4400.06 (**Tab 23**).

**t. He failed to disclose the revenue recognition policy for membership fees in circumstances where membership fees are the largest type of revenue; and**

54. Membership fees are the largest type of revenue for this organization. The Revenue recognition policy for membership fees is not disclosed as required by 3400.31 (**Tab 19**).

**u. He failed to establish and document his quality control policies and procedures in accordance with CSQC 1.**

55. Gibb did not establish and document his quality control policies and procedures in accordance with CSQC 1.



**Allegation 2 - Desmond Gibb, in or about the period January 1, 2018 through August 31, 2018, while engaged to perform a review of the financial statements of EDI, for the year ended January 31, 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:**

56. The financial statements for EDI for the year ended January 31, 2018 (**Doc 16**), together with the Review Engagement Report, were signed by Gibb and issued on July 19, 2018.
57. When reviewed by the Investigator the working paper files contained no evidence of any assurance work being done. There were many blank checklists and there were not any documents prepared by his clients, for example bank reconciliations, accounts receivable or payable listings.

**a. He failed to retain a signed copy of the engagement letter;**

58. CSRE 2400.34 (**Tab 13**) states the practitioner shall agree the terms of the engagement with management or those charged with governance, as appropriate, prior to performing the engagement. CSRE 2400.35 states the terms of the engagement shall be recorded in an engagement letter or other suitable form of written agreement.
59. The engagement letter in the file appeared to be in draft form and it was unsigned.

**b. He failed to document his understanding of the entity and its environment and the applicable financial reporting framework, to identify areas in the financial statements where material misstatements are likely to arise and thereby provide a basis for designing procedures to address those areas;**

60. CSRE 2400.43 (**Tab 13**) states the practitioner shall obtain an understanding of the entity and its environment, and the applicable financial reporting framework, to identify areas in the financial statements where material misstatements are likely to arise and thereby provide a basis for designing procedures to address those areas.
61. This was not documented anywhere in the file.

**c. He failed to document areas in the financial statements where misstatements are likely to arise;**

62. There was no documentation in the file of areas in the financial statements where misstatements are likely to arise as required by CSRE 2400.45 (**Tab 13**).

**d. He failed to document the reason for his determination of materiality:**

63. Materiality was set at \$20,000 by Gibb. The benchmarks on the materiality working paper range from \$1,950 to \$15,760 (**Doc 17**). When asked by the Investigator what the basis for selecting \$20,000 was, Gibb did not have an explanation.

**e. He failed to document any enquiry or analytical procedures:**

64. The documentation standard for review engagements is in CSRE 2400.104 (**Tab 13**) which states the preparation of documentation for the review provides evidence that the review was performed in accordance with this CSRE, and legal and regulatory requirements where relevant, and a sufficient and appropriate record of the basis for the practitioner's report. The practitioner shall document the following aspects of the engagement in a timely manner, sufficient to enable an experienced practitioner, having no previous connection with the engagement, to understand:

(a) the nature, timing and extent of the procedures performed to comply with this CSRE and applicable legal and regulatory requirements;

(b) results obtained from the procedures, and the practitioner's conclusions formed on the basis of those results; and

(c) significant matters arising during the engagement, the practitioner's conclusions reached thereon, and the significant professional judgments made in reaching those conclusions.

65. CSRE 2400.105 further states in documenting the nature, timing and extent of procedures performed, the practitioner shall record who performed the work and the date such work was completed.

66. CSRE 2400.46 (**Tab 13**) states in obtaining sufficient appropriate evidence as the basis for a conclusion on the financial statements as a whole, the practitioner shall design and perform inquiry and analytical procedures: (a) to address all material items in the financial statements, including disclosures; and (b) to focus on addressing areas in the financial statements where material misstatements are likely to arise.

67. There were no working papers in the file where Gibb performed enquiry or analytical procedures, or any working papers or documents prepared by the client to support the numbers on the financial statements. The review checklists have been completed for this engagement, but the analytical procedures are either marked as not applicable, as on the accounts receivable checklist (**Doc 18**), or marked as completed but with no supporting documentation in the working paper file, as on the inventory checklist (**Doc 19**). There are ratios calculated on the checklists but no explanations for any significant

variances (**Doc 18 and 19**). There is a working paper with three years of information and several ratios but no comparison to expectation or explanations for any of the changes (**Doc 20**).

68. When asked by the Investigator, Gibb could not recall why he thought analytical procedures were not applicable for accounts receivable and thought he would have performed them for the other sections but accepted that the work wasn't recorded. He stated he typically would look at the financial statements from year to year and note any material changes, enquire into why there were changes and document the responses.

**f. He failed to document his enquiries with management with respect to legal claims or other contingencies;**

69. The Contingencies and commitments checklist shows that Gibb inquired of the shareholders about pending or threatened litigation and other contingencies (**Doc 21**), however the response is not documented in the file.

**g. He failed to include disclosure of the related commitment relating to rent and occupancy costs of \$57,006;**

70. The company shows rent and occupancy costs of \$57,006 on its statement of income (**Doc 16**, page 43) but there is no disclosure of the related commitment.

**h. He failed to document enquiries with management and others within the entity as to how management makes significant accounting estimates, whether there were any significant, usual or complex transactions, whether there were significant changes to the terms of any contracts, whether there were any significant journal entries or other adjustments, whether there were any significant transactions occurring or recognized near the end of the reporting period, as to the existence of any actual, suspected or alleged fraud, as to the existence of any actual, suspected or alleged non-compliance with provisions of laws or regulations or the basis for management's assessment of the entity's ability to continue as a going concern;**

71. CSRE 2400.47 (**Tab 13**) requires documentation of enquiries with management and others within the entity as to how management makes significant accounting estimates, whether there were any significant, unusual or complex transactions, whether there were significant changes to the terms of any contracts, whether there were any significant journal entries or other adjustments, whether there were any significant transactions occurring or recognized near the end of the reporting period, as to the existence of any actual, suspected or alleged fraud, as to the existence of any actual, suspected or

alleged non-compliance with provisions of laws or regulations or the basis for management's assessment of the entity's ability to continue as a going concern.

72. Gibb stated that he would have discussed fraud with the client and probably would have discussed the estimates with respect to inventory however this is not documented. There is no documentation in the file with respect to the other enquiries.

**i. He failed to retain a signed representation letter from the client;**

73. CSRE 2400.68 (**Tab 13**) states the practitioner shall request written representations that management has fulfilled its responsibilities described in the agreed terms of engagement.
74. The representation letter in the file appears to be in draft form and is not signed by the client.

**j. He failed to ensure that the Review Engagement report was dated no earlier than the date on which sufficient appropriate evidence as to the basis for the practitioner's conclusion on the financial statements was obtained and those with the recognized authority have asserted that they have taken responsibility for the financial statements;**

75. CSRE 2400.103 (**Tab 13**) states the practitioner shall date the report no earlier than the date on which the practitioner has obtained sufficient appropriate evidence as to the basis for the practitioner's conclusion on the financial statements, including being satisfied that: (a) all the statements that comprise the financial statements under the applicable financial reporting framework, including the related notes where applicable, have been prepared; and (b) those with the recognized authority have asserted that they have taken responsibility for those financial statements.
76. The Planning Overview and Working Paper Overview show that all of the checklists were signed off on August 26, 2018 (**Doc 22-23**). The date of the review engagement report is July 19, 2018 (**Doc 16**). Gibb was not able to explain why his report was dated July 19, 2018 and there is no documentation in his file to support this date.

**k. He failed to ensure that the basis of presentation, being ASPE, was stated prominently in the notes to the financial statements;**

77. The basis of the presentation, being ASPE, was not stated prominently in the notes to the financial statements as required by 1400.16 (**Tab 14**).

**l. He failed to disclose the significant accounting policy for income taxes and financial instruments;**

78. There is no significant accounting policy disclosed as required by 1505.03 and .05 for income taxes (3465.03 **Tab 13**) and financial instruments (3856.37 **Tab 22**) respectively.

**m. He failed to disclose the terms of an amount due to a related company of \$1,095,360;**

79. The balance sheet shows an amount due to related company of \$1,095,360 (**Doc 16**, page 40). The terms are not disclosed as required by 3840.51(e) (**Tab 21**).

**n. He failed to disclose the cost formula used in the significant accounting policy for work in progress;**

80. The significant accounting policy for work in progress (**Doc 16**, page 46) does not disclose the cost formula used as required by 3031.35 (**Tab 18**). The accounting policy note is also titled work in progress and says inventory is measured at the lower of cost and net realizable value. The company has inventory and work in progress on its balance sheet (**Doc 16**, page 40).

**o. He failed to disclose the carrying amount of the bank indebtedness at year end;**

81. The bank indebtedness note (**Doc 16**, page 47) does not disclose the carrying amount at year end as required by 3856.44 (**Tab 22**).

**p. He failed to disclose the carrying amount of the assets the company has pledged as security in the long-term debt note;**

82. The long-term debt note (**Doc 16**, page 48) does not disclose the carrying amount of the assets the company has pledged as security as required by 3856.44 (**Tab 22**).

**q. He failed to disclose the current portion of the long-term debt when there are monthly payments due during the next year;**

83. There is no current portion shown for the long-term debt (**Doc 16**, page 48) when there are monthly payments due during the next year (1510.08 **Tab 17**).

**r. He failed to include disclosure relating to credit or liquidity risk;**

84. Note 7 states that the company is not exposed to any significant interest, currency or credit risks from its financial instruments (**Doc 16**, page 48). There is no disclosure with respect to credit or liquidity risk (3856.53 and A 66, **Tab 22**).

**s. He failed to disclose the reconciliation of the income tax rate or expense related to income for the period;**

85. The income tax note says no recognition has been given to the benefit of non-capital losses carried forward, which would be in accordance with the taxes payable method (**Doc 16**, page 49). The reconciliation of the income tax rate or expense related to income for the period has not been made. (3465.88 (b) **Tab 20**)

**t. He failed to disclose the measurement basis of the related party transactions; and**

86. The measurement basis of the related party transactions has not been disclosed (**Doc 16**, page 49) (3840.51 (d) **Tab 21**).

**u. He failed to establish and document his quality control policies and procedures in accordance with CSQC 1.**

87. Gibb did not establish and document his quality control policies and procedures in accordance with CSQC 1.

**Allegation 3 - THAT the said Desmond Gibb, in or about the period October 2018 through May 2019, while the owner/principal of the firm Des Gibb & Company Professional Corporation, failed to perform professional services with due care in facilitating the closure of his practice, contrary to Rule 202.1 of the Code of Professional Conduct in that:**

- a) He failed to ensure his clients were contacted and informed of the closure of the practice;**
- b) He failed to implement adequate transition plans for clients and client files; and**
- c) He failed to provide the requisite tax slips to his employees.**

88. In 2018 Gibb began to have difficulties paying the bills of Des Gibb & Company Professional Corporation. He received a requirement to pay from the Ontario Ministry of Labour, CRA froze his business bank account for unpaid HST, source deductions and corporate taxes and his bank was demanding payment on an operating line of credit.



89. Around the same time, Gibb was involved in negotiations to sell his practice to "BL", a CPA, CA with a registered firm. However, the transaction did not close.
90. In January 2019 the landlord locked Gibb out of the office and Gibb subsequently walked away from his practice and moved to British Columbia. On April 17, 2019 he declared personal bankruptcy.
91. Gibb did not advise CPA Ontario that he had closed his practice and he did not update his contact information with CPA Ontario. Consequently, after receiving the initial complaints, Standards Enforcement was unable to contact him for approximately 6 months.
92. Gibb advised the Investigator that prior to leaving Ontario, he provided boxes of client files to BL and told him to consider them his. He also stated that he had the contents of a number of boxes shredded however does not believe any of these contained client information.
93. Gibb also had a storage locker containing older client files. Gibb states that the key to the storage locker was also provided to BL.
94. BL did not receive a client list from Gibb so he was unable to determine what percentage of Gibb's client files he received. BL sought authorization to contact Gibb's former clients, which he obtained from Gibb in February 2019 (**Doc 24**).
95. While Gibb did inform some of his clients that he was retiring, he did not ensure that all of his clients were contacted to advise them of the closure of his practice or to provide them with an opportunity to obtain their files. The only notice provided consisted of a posting on the Des Gibb & Company Facebook page that advised that Gibb had retired. The posting also provided the phone number to BL's firm.
96. As a result of the above circumstances, Gibb was unable to fully pay two of his employees for their final weeks of employment and he did not provide the requisite 2018 tax slips to his employees.

### **Terms of Settlement**

97. Gibb 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 Gibb's 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 CPAO Regulation 6-2 section 45, 50 and 52 with notice to be given to all members of CPA Ontario, the Public Accountants' Council and all provincial CPA Bodies;
- d) a payment by way of costs in the amount of \$5,000;
- e) Gibb will be allowed 36 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 Gibb to comply with any of the terms of settlement will result in his suspension from membership in CPA Ontario which suspension will continue until he complies, provided that if his suspension under this section continues for three months his membership in CPA Ontario will be revoked.

98. The Professional Conduct Committee and Gibb expressly consent and authorize the Registrar to take any actions associated with Gibb's membership in CPA Ontario as prescribed and agreed to herein.
99. The Professional Conduct Committee and Gibb expressly authorize and consent to CPA Ontario providing notice of the terms of this Settlement Agreement to all CPA Ontario members and all provincial CPA Bodies.
100. Should the Discipline Committee accept this Settlement Agreement, Gibb 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 June 2020 shall be forever stayed.
101. 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 Gibb leading up to its presentation to the Discipline Committee, shall be without prejudice to the Professional Conduct Committee and Gibb; and



- b) The Professional Conduct Committee and Gibb 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**

102. This Settlement Agreement and its terms will be treated as confidential by the Professional Conduct Committee and Gibb, 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 Gibb, or, as may be required by law.

103. 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 22<sup>nd</sup> day of July 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 black ink that reads "Desmond Gibb".

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Desmond Gibb,  
on his own behalf

3 August 2020