



CHARTERED PROFESSIONAL ACCOUNTANTS OF ONTARIO

THE CHARTERED PROFESSIONAL ACCOUNTANTS OF ONTARIO ACT, 2017

IN THE MATTER OF: DRAFT ALLEGATIONS OF PROFESSIONAL MISCONDUCT
AGAINST BRIAN M. JONES, CPA, CA, A MEMBER OF CPA
ONTARIO, BEFORE THE DISCIPLINE COMMITTEE

SETTLEMENT AGREEMENT

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

Introduction

1. The Professional Conduct Committee ("PCC") approved draft Allegations against Brian M. Jones, CPA, CA ("Jones") (SCHEDULE "A"). The documents referred to in this settlement agreement are found in the Document Brief and are referred to using page numbers ("**Doc**"). The applicable CPA Handbook sections are found in the Standards Brief and are referring to using the applicable section.
2. The draft Allegations pertain to Jones' failure to perform professional services in accordance with generally accepted standards of the profession with respect to the following engagements:
 - a) The audit of the financial statements of "BB Church" for the year ended December 31, 2018 (**Doc 1**);

- b) The audit of the financial statements of “BB Community Services” for the year ended April 30, 2020 (**Doc 18**); and
 - c) The audit of the financial statements of “BB Community Services” for the year ended April 30, 2021 (**Doc 39**).
- 3. The PCC and Jones 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 Jones 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 agencies.

Background

- 4. Jones began his career with an accounting firm, obtaining his Chartered Accountant designation in 1973. He progressed to manager in 1975 and then served in various capacities including audit, staff training and receivership.
- 5. In 1982 he left the firm to practice on his own, until 2008 at which time he sold the bulk of his practice, retaining a small number of not-for-profit entities.
- 6. He maintained those clients for a few years until he allowed his Public Accountants Licence to expire on November 1, 2011.
- 7. Since that time, he has continuously performed the audits of 3-5 not-for-profit entities, all on a pro-bono basis. Jones meets the criteria set out in Regulation 324/21 of the *Public Accounting Act, 2004* and CPA Ontario Regulation 10-1 and accordingly he is permitted to perform these particular audits without a Public Accounting Licence.
- 8. His current practice includes one audit client, and approximately 350 personal income tax returns. However, due to a recent health issue, Jones advises he is intending on closing his practice within the next year.

9. Jones maintains his professional development hours by attending seminars relating to personal tax and claiming hours relating to preparation time for a number of charitable Boards he is on. He has not attended professional development relating to auditing for approximately 5 years.
10. Jones does not have a Quality Assurance Manual and states that his quality control process is to sit back and look at the final products to make sure it makes sense based on who the users are and what their expectations are.
11. Jones states that he has access to the CPA Canada Handbook online and the CPA Ontario member resources on their websites although he states he hasn't accessed anything for a while because he doesn't feel the need to.

The Complaint

12. This matter was referred to the PCC by the Practice Inspection Committee ("PIC").
13. Jones was inspected by the Practice Inspection Committee in 2020 which led to the referral to Standards Enforcement. Prior to the 2020 inspection, Jones had not been inspected since 2005 as a result of him filing declarations of exemption for each of the years 2008, 2010, 2012, 2014, 2016 and 2018.
 - a) On March 21, 2016, Jones signed an exemption stating, "*I have not performed, as a sole practitioner or engagement partner, any engagements covered by the CPA Canada Handbook-Assurance, which includes audit, review or compilation engagements, during the past 12 months.*" (**Doc 54**)
 - b) On March 19, 2018, he signed an exemption declaring "*I have withdrawn, or will be withdrawing within three months, from public practice so that I am no longer performing, as a sole practitioner or an engagement partner, any engagement covered by the CPA Handbook-Assurance, which includes audit, review or compilation engagements and have no intention of performing such engagements*

in the coming year.” (Doc 54). However, he did not withdraw from practice within three months as he continued performing pro-bono audits.

- c) Due to documentary retention policies, the exemption documents from 2008-2014 are not available, however it is agreed that Jones was not subjected to a practice inspection between the years 2005-2020, despite performing assurance engagements during that time.

- 14. The files inspected during the 2020 Inspection and subject to the PIC referral were:
 - a) “BB Church” for the year ended December 31, 2018 (allegation 1); and
 - b) “BB Community Services” for the year ended April 30, 2020 (allegation 2).
- 15. On February 10, 2022, the PCC appointed Mr. Paul Gibel, FCPA, FCA, (the “Investigator”) to investigate the member’s standards of practice. The Investigator reviewed the two files subject to the PIC referral and selected a third more recent file to review: “BB Community Services” for the year ended April 30, 2021 (allegation 3).

Failure to Maintain Professional Standards

- 16. Jones and the PCC agree that Jones failed to perform his professional services in accordance with generally accepted standards of practice of the profession as described below. The relevant standards are those identified in this settlement agreement and referenced to the Standards Brief.
- 17. Jones and the PCC agree that the draft Allegations, attached as Schedule “A”, particularize the way Jones failed to perform his professional services in accordance with generally accepted standards of practice of the profession.
- 18. The documentation standard for audit procedures performed and audit evidence obtained states that the audit documentation shall be 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 those procedures and the audit evidence

obtained and significant matters arising during the audit, the conclusions reached thereon and significant professional judgements made in reaching those conclusions (**CAS 230.8**)

Allegation 1 – Brian M. Jones, in or about the period of December 1, 2018-September 30, 2019, while engaged to perform an audit of the financial statements of “BB Church” for the year ended December 31, 2018, failed to perform his professional services in accordance with generally accepted standards of practice of the profession, contrary to Rule 206.1 of the CPA Code of Professional Conduct, in that:

Particular a) He failed to ensure an engagement letter was obtained;

19. The auditor is required to obtain written agreement of the terms of the engagement (**CAS 210.10**) and to agree the terms of the engagement in an engagement letter or other suitable form of written agreement.
20. There was no signed engagement letter in the file.

Particular b) He failed to document an assessment of his independence;

21. An assessment of independence is required to be undertaken at the beginning of the audit engagement (**CAS 220.11 and .24**).
22. There was no documentation in the file that Jones had completed an assessment of independence or formed a conclusion on compliance with independence requirements.

Particular c) He failed to perform client acceptance procedures;

23. Jones advised the Investigator that he was asked to accept this audit on a one-time basis as the organization had an opportunity to obtain a grant for one of their outreach programs. He stated he knew the people from his work with other clients but he did not perform or document any client acceptance procedures as required by **CAS 220.12 and .24**.

Particular d) He failed to document the factors considered in the determination of materiality and he failed to calculate performance materiality;

24. A note in the file states that the organization is very similar to a related organization in size and materiality should be similar at around \$8,000 (**Doc 11**). When asked how he determined this number Jones stated that the organization operates out of the same location as the related organization and have a similar number of people involved so he believed it should be similar. He also stated that he usually uses a ballpark of 4% of gross revenue to determine materiality.
25. There was no documentation of the factors considered in the determination of materiality as required by **CAS 320.10** and **.14**, and Jones failed to calculate performance materiality as required by **CAS 320.11** and **.14**.

Particular e) He failed to enquire into the organization's compliance with laws and regulations;

26. **CAS 315** sets standards for identifying and assessing the risks of material misstatement through understanding the entity and its environment as part of the audit planning. These procedures include specific inquiries of management in a number of areas.
27. Jones did not specifically enquire into the organization's compliance with laws and regulations as required by **CAS 315.11(a)**, **.A27** and **.32** and **CAS 250.15**.

Particular f) He failed to sufficiently document his understanding of control activities relevant to the audit, the control environment and how the entity monitors internal control activities;

28. Jones advised the Investigator that he reviewed the client's procedures for paying bills, noted their process of collecting revenue was weak and that they did not have a lot of segregation of duties other than the bookkeeper not being allowed to sign cheques.
29. However, there is no documentation as to his understanding of control activities relevant to the audit, the control environment or how the entity monitors internal control activities as required by **CAS 315.20**, **.32**, **.14**, and **.22**.

Particular g) He failed to document his understanding of the organization's financial performance measurement and review systems, financial reporting processes and information systems;

30. Jones failed to document his understanding of the organization's financial performance measurement, review systems, financial reporting processes and information systems as required by **CAS 315.11(e)**, **.18(e)** and **.32**.

Particular h) He failed to document his understanding of the nature of the entity, the entity's objectives, strategies and business risks and selection and application of accounting policies;

31. Jones advised the Investigator that he understands the organization fairly well as he is the longstanding treasurer of another similar organization in the area, but he has not documented the nature of the entity as required by **CAS 315.11(b)** and **.32**.
32. Jones did not document the entity's objectives, strategies and business risks as required by **CAS 315.11(d)** and **.32**.
33. When asked about the accounting policies, Jones stated that he used whatever accounting policies the client was already using and spent time discussing and reviewing whatever information he could obtain as to the historical recording for capital assets. However, there is no documentation as to the selection and application of accounting policies as required by **CAS 315.11(c)** and **.32**.

Particular i) He failed to document inquiries of management with respect to the identity of related parties, the nature of any relationships and any transactions during the year;

34. There is no documentation of inquiries of management with respect to the identity of related parties, the nature of any relationships and any transactions during the year as required by **CAS 550.13**.

Particular j) He failed to perform any analytical review procedures;

35. 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 (**CAS 315.6(b)**), during the audit for any relationships that may indicate fraud risks (**CAS 240.23**) and near the end of the audit to assist in forming the overall conclusion (**CAS 520.6**).
36. Jones advised the Investigator that he did not perform any analytical review procedures.

Particular k) He failed to identify the risks of material misstatement due to fraud;

37. Jones advised the Investigator that he did not have any discussions with management with respect to fraud other than during his initial discussions about the terms of the engagement letter. He further stated that he was not anticipating any and was not responsible for finding it. Accordingly, he did not consider any fraud risk factors in determining his overall audit strategy and wouldn't have adjusted his audit procedures.
38. Jones failed to identify the risks of material misstatement due to fraud as required by **CAS 240.17, .24, and .25**.

Particular l) He failed to make enquiries of management about fraud;

39. Jones failed to make enquiries of management about their assessment of the risk that the financial statements may be materially misstated due to fraud, their process for identifying and responding to the risk of fraud, their communication, if any, to those charged with governance and their communication to employees or inquired if management had any knowledge of actual, suspected or alleged fraud as required by **CAS 240.18-19**.

Particular m) He failed to make enquiries of those charged with governance about fraud;

40. Jones did not make enquiries of those charged with governance with respect to how they exercise oversight of management's processes with respect to fraud and if they had any knowledge of actual, suspected or alleged fraud, as required by **CAS 240.21, and .22**.

Particular n) He failed to evaluate the risk of fraud in revenue recognition as a significant risk or document why it is not applicable;

41. **CAS 315.27** requires the auditor to determine whether any of the risks identified are, in the auditor's judgement, significant. A fraud risk is considered a significant risk (**CAS 315.28(a)**) and significant risks require special audit consideration. **CAS 240.27** requires the auditor to, based on a presumption that there are risks of fraud in revenue recognition, evaluate which types of revenue, revenue transactions or assertions give risk to such risks. If the auditor concludes that the presumption that there is a risk of material misstatement due to fraud related to revenue recognition is not applicable in the circumstances of the engagement, **CAS 240.48** requires the auditor to include in the audit documentation the reasons for that conclusion.
42. Jones advised the Investigator that he did not identify any significant risks and that he would not have accepted the engagement if he thought there was any chance of repercussions.
43. Jones did not evaluate the risk of fraud in revenue recognition which is a significant risk.

Particular o) He failed to test journal entries for management override;

44. 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 (**CAS 240.33(a)**).
45. Jones stated to the investigator that there were very few journal entries, and he wouldn't have looked at any correcting ones as he made sure the final figures were correct. Accordingly, Jones failed to test journal entries for management override.

Particular p) He failed to assess the risk of material misstatement, including fraud, at the financial statement and assertion levels;

46. **CAS 315.25** and **.26** and **240.26** requires the auditor to assess the risk of material misstatement, including fraud at the financial statement and assertion levels.
47. Jones' audit approach is to select two months and test all of the transactions from the bank statements to the supporting documents and the general ledger. He did not perform

the audit based on his assessment of the risks of material misstatement and further advised the Investigator that he would not have changed his audit approach, accordingly he did not meet this standard.

Particular q) He failed to accurately classify two bank accounts as restricted net assets on the statement of financial position;

48. The Statement of Financial Position shows Petty Cash, Bank, In-Trust Acct and Investment (**Doc 3**). The In-Trust accounts are bank accounts for separate funds which have restrictions as to their use, \$44,000 for "DP" (**Doc 12**) and \$72,461 for "TP" (**Doc 13**).
49. These bank accounts should instead be shown as restricted net assets on the statement of financial position (**4400.19 and .28**).

Particular r) He failed to properly disclose an investment of \$65,731 as being restricted on the statement of financial position;

50. There is a \$65,731 Manulife Fund that is an investment savings account. It is shown as an investment of the Trustee Fund on the Statement of Financial Position (**Doc 3**).
51. Note 1(b) states that the capital of the fund can only be used on approval of the directors (**Doc 5**). Accordingly, the fund's assets should have been disclosed as being restricted on the statement of financial position as required by 4400.19 and .28.

Particular s) He failed to obtain sufficient appropriate audit evidence to support the statement of financial position items In-Trust Acct and Investment;

52. When asked by the Investigator whether he confirmed the above-mentioned bank accounts or the investment, Jones advised that he did not because the banks are slow to respond and typically charge the client for the confirmation. Jones instead agreed the amounts to the statements he received from the client.

53. Because these amounts represent almost all of the organization's current assets, confirmation was required to provide more appropriate audit evidence to support these amounts (**CAS 330.19, .A48-.A51**)

Particular t) He failed to sufficiently document the substantive procedures performed in relation to fundraising revenue of \$15,308 and rental income of \$47,230 and failed to obtain sufficient appropriate audit evidence to support these amounts;

54. The statement of operations shows fundraising revenue of \$15,308 and rental income of \$47,230 (**Doc 4**). Jones tied several of the larger fundraising deposits to the bank statement (**Doc 16**).
55. However, Jones did not sufficiently document the substantive procedures he performed (**CAS 330.18** and **.28**) and he did not obtain sufficient appropriate audit evidence to support these amounts (**CAS 500.6**).

Particular u) He failed to sufficiently document the procedures performed in relation to rental revenue in the amount of \$19,000;

56. The procedures Jones performed in relation to the \$19,000 rental revenue (**Doc 16**) were not sufficiently documented in accordance with **CAS 330.18** and **.28**.

Particular v) He failed to sufficiently document the audit procedures performed in relation to expenses;

57. The procedures Jones performed in relation to the expenses (**Doc 17**) were not sufficiently documented in accordance with **CAS 330.18** and **.28**.

Particular w) He failed to communicate the auditor's responsibilities, planned scope and timing of the audit, significant findings from the audit, and the form, timing and expected content of communications with those charged with governance;

58. There is a requirement to communicate the auditor's responsibilities, planned scope and timing of the audit including significant risks identified and written representations being

requested, significant findings from the audit and the form, timing and expected content of communications to those charged with governance (**CAS 260.14-18**).

59. When asked by the Investigator whether he communicated his audit plan or findings with the Board, Jones advised he did not, as the Board is not interested.

Particular x) He failed to obtain a representation letter;

60. **CAS 580.9-.15** requires the auditor to obtain a signed representation letter from the client.
61. Jones did not obtain a representation letter, rather he advised that he would have discussed what would have been in it with the client, including the qualification of the audit report.

Particular y) He failed to ensure that the auditor's report was accurate in the form and content prescribed by the Canadian Auditing Standards;

62. **CAS 700.C5** effected changes to the form of the auditor's report that were effective for the audits of financial statements for periods ending on or after December 15, 2018. The auditor's report issued by Jones on September 18, 2019 is not in this new format. (**Doc 2**).
63. In addition, because there is a qualification in his report for the completeness of donation revenue (**Doc 2**), the appropriate heading for the opinion paragraph should be "Basis for Qualified Opinion" and he should have included a description of the matter giving rise to the modification and that it is not practicable to quantify the financial effects (**CAS 705.20** and **.21**).
64. In addition, the wording in the opinion paragraph should be "except for" instead of "subject to." (**CAS 705.17**)

Particular z) He failed to include a cashflow statement;

65. A cashflow statement should have been included in accordance with 1540.03.

66. Jones advised the Investigator that he did not include a statement of cashflow as it would be almost identical to the receipts and disbursements shown in the statement of operations. He further stated that the organization had already presented their financial statements to the granting agency and did not want any changes to what they had submitted.

Particular aa) He failed to include in the financial statements a description of the organization's purpose, intended community of service, status under the Income Tax Act and legal form; and

67. The financial statements do not include a description of the organization's purpose, intended community of service, status under the *Income Tax Act* and legal form as required by **4400.04**.
68. Jones advised the Investigator that he was aware of this standard however, the users would know this because the organization is a church and therefore, he did not believe it was necessary.

Particular bb) He failed to disclose the revenue recognition policy for rental revenue.

69. The revenue recognition policy for other revenue is not disclosed as required by 3400.31.

Allegations 2 - Brian M. Jones, in or about the period of April 1, 2020-July 31, 2020, while engaged to perform an audit of the financial statements of "BB Community Services" for the year ended April 30, 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 CPA Code of Professional Conduct, in that:

Particular a) He failed to obtain a signed engagement letter;

70. **CAS 210.10** requires the auditor to obtain a signed engagement letter.
71. There is a draft engagement letter in the working papers but it was not signed by the client (**Doc 25-28**). There is a note on the last page stating, "*discussed with client, no issues.*"

Jones advised the Investigator that the client did not want to see the letter so Jones did not get it signed.

Particular b) He failed to document an assessment of his independence;

- 72. **CAS 220.11 and .24** requires the auditor to document an assessment of his independence in the working papers.
- 73. When asked by the Investigator, Jones stated that he assessed his independence in 2004 when he first became involved with the organization as he was a signing officer for one of the founding churches, however he stopped carrying this discussion forward at some point as nothing changed since that time.

Particular c) He failed to document client continuance procedures;

- 74. Jones advised the Investigator that he was reappointed auditor at the Annual General Meeting and accepted the appointment.
- 75. There is no documentation in the file of Jones performing any client continuance procedures as required by **CAS 220.12** and **.24**.

Particular d) He failed to document the factors considered in the determination of materiality and failed to calculate performance materiality;

- 76. **CAS 320.10** and **.14** requires the auditor to document the factors considered in the determination of materiality and **CAS 320.11** and **.14** requires the auditor to calculate performance materiality.
- 77. There was no documentation located in the working papers with respect to materiality. Jones states he used roughly 4-5% of revenue which would be in the range of \$8,000 and \$10,000 and it doesn't change.
- 78. Jones advised the Investigator that he did not calculate performance materiality.

Particular e) He failed to enquire into the organization's compliance with laws and regulations;

79. Same deficiency as particular 1(e), see paras 26-27.

Particular f) He failed to sufficiently document his understanding of control activities relevant to the audit, the control environment and how the entity monitors internal control activities;

80. There is a note in the working papers that controls are weak but for having two cheque signers (**Doc 29**) and another note that the client is aware that the use of debit cards significantly impairs internal controls but that the client accepts this (**Doc 30**).

81. Jones did not sufficiently document his understanding of control activities relevant to the audit, control environment or how the entity monitors internal control activities (**CAS 315.20, .32, .14, .22**).

Particular g) He failed to document his understanding of the organization's financial performance measurement and review systems and the organization's information systems;

82. Same deficiency as allegation 1(g), see para 30.

Particular h) He failed to document his understanding of the nature of the entity, the entity's objectives, strategies and business risks and selection and application of accounting policies;

83. The nature of the entity is not documented as required by **CAS 315.11(b)** and **.32**. Jones advised that because the entity is a food bank, the nature of the entity is understood and is not required to be documented.

84. The entity's objectives, strategies and business risks are not documented as required by **CAS 315.11(d)** and **.32**.

85. There is no documentation as to the selection and application of accounting policies as required by **CAS 315.11(c)** and **.32**. Jones stated that the organization gives little thought to the choice of accounting policies as they are on a cash basis.

Particular i) He failed to document inquiries of management with respect to the identity of related parties, the nature of any relationships and any transactions during the year;

86. Same deficiency as allegation 1(i), see para 34.

Particular j) He failed to document any analytical procedures to assist with identifying the risk of material misstatements;

87. 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 (**CAS 315.6(b)**), during the audit for any relationships that may indicate fraud risks (**CAS 240.23**), and near the end of the audit to assist in forming the overall conclusion (**CAS 520.6**).

88. Although Jones advised the Investigator that he performed an overall review including comparing the revenues, there is no documentation of this.

Particular k) He failed to make sufficient enquiries of management regarding fraud;

89. Same deficiency as particular 1(l), see paras 37-38.

Particular l) He failed to make enquiries of those charged with governance regarding fraud;

90. Jones advised the Investigator that he only meets with the Board at the Annual General Meeting but normally discusses the financial statements with two or three members of the Board.
91. Jones did not make inquiries of those charged with governance with respect to how they exercise oversight of management's processes with respect to fraud and if they had any knowledge of actual, suspected or alleged fraud as required by **CAS 240.21, .22**.

Particular m) He failed to evaluate the risk of fraud in revenue recognition as a significant risk or document why it is not applicable;

92. Same deficiency as particular 1(n), see paras 41-43.

Particular n) He failed to test journal entries for management override;

93. Same deficiency as particular 1(o), see paras 44-45.

Particular o) He failed to adequately assess the risk of material misstatement, including fraud, at the financial statement and assertion levels;

94. Same deficiency as particular 1(p), see paras 46-47.

Particular p) He failed to obtain sufficient appropriate audit evidence to support the bank accounts and the term deposits;

95. Same deficiency as particular 1(s), see paras 52-53.

Particular q) He failed to include donations shown as other revenue on the Statement of Revenue, Expenses and Net Assets in the appropriate donation category;

96. The Statement of Revenue, Expenses and Net Assets shows other revenue of \$23,446 (**Doc 22**). This includes \$22,992 of donations and should have been included in the appropriate donation category on the Statement of Revenue, Expenses and Net Assets. The organization does not show any fundraising revenue on the Statement of Revenue, Expenses and Net Assets.

Particular r) He failed to sufficiently document the audit procedures performed in relation to expenses;

97. Same deficiency as particular 1(v), see para 57.

Particular s) He failed to communicate the auditor's responsibilities, planned scope and timing of the audit, significant findings from the audit, and the form, timing and expected content of communications with those charged with governance;

98. Same deficiency as particular 1(w), see paras 58-59.

Particular t) He failed to obtain a representation letter;

99. Same deficiency as 1(x), see paras 60-61.

Particular u) He failed to accurately classify term deposit transactions as investing activities on the Statement of Cash Flow;

100. The Statement of Cash Flow (**Doc 23**) does not report cash flows during the year classified by operating, investing and financing activities as required by 1540.12.
101. The organization has term deposits (**Doc 21**) and Jones advised that because they were short term, he included them as cash on the Statement of Cash Flow. One of the term deposits is for a three-year term and another for a five-year term.
102. Investments normally qualify as cash equivalents only when they have a short maturity, usually three months from issuance (1540.08). Accordingly, the transactions related to these term deposits should have been shown as investing activities.

Particular v) He failed to adequately document support for the date of the auditor's report; and

103. **CAS 700.49** states that the auditor's report shall be dated 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.
104. There is no documentation in the file of when those with recognized authority took responsibility for the financial statements. Accordingly, there is no documentation to support the date of the report.

Particular w) He failed to disclose the revenue recognition policy for other revenue.

105. Same deficiency as particular 1(bb), see para 69.

Allegation 3: Brian M. Jones, in or about the period of April 1, 2021-July 31, 2021, while engaged to perform an audit of the financial statements of “BB Community Services” for the year ended April 30, 2021, failed to perform his professional services in accordance with generally accepted standards of practice of the profession, contrary to Rule 206.1 of the CPA Code of Professional Conduct, in that:

Particular a) He failed to document client continuance procedures;

106. Same deficiency as particular 2(c), see paras 74-75.

Particular b) He failed to calculate performance materiality;

107. Jones calculated materiality at \$10,000 being 4% of revenue (**Doc 47**), however he did not calculate performance materiality as required by **CAS 320.11** and **.14**.

Particular c) He failed to sufficiently document his understanding of control activities relevant to the audit, the control environment and how the entity monitors internal control activities;

108. Same deficiency as particular 2(f), see paras 80-81.

Particular d) He failed to document his understanding of the organization’s financial performance measurement and review systems and the organization’s information systems;

109. Same deficiency as particular 1(g), see para 30.

Particular e) He failed to document his understanding of the nature of the entity, the entity’s objectives, strategies and business risks and selection and application of accounting policies;

110. Same deficiency as particular 2(h), see paras 83-84.

Particular f) He failed to make sufficient enquiries of management regarding fraud;

111. Same deficiency as particular 1(l), see para 39.

Particular g) He failed to consider any fraud risk factors in determining his overall audit strategy, and failed to identify the risks of material misstatement due to fraud;

112. Jones used his standard audit approach and therefore, did not consider any fraud risk factors in determining his overall audit approach and has not identified the risks of material misstatement due to fraud as required by **CAS 240.17, .24 and .25.**

Particular h) He failed to make enquiries of those charged with governance regarding fraud;

113. Same deficiency as particular 2(l), see paras 90-91.

Particular i) He failed to evaluate the risk of fraud in revenue recognition as a significant risk or document why it is not applicable;

114. Same deficiency as particular 1(n), see paras 41-42.

Particular j) He failed to test journal entries for management override;

115. Same deficiency as particular 1(o), see paras 44-45.

Particular k) He failed to adequately assess the risk of material misstatement, including fraud, at the financial statement and assertion levels;

116. Same deficiency as particular 1(p), see paras 46-47.

Particular l) He failed to obtain sufficient appropriate audit evidence to support the bank accounts and the term deposits;

117. Same deficiency as particular 1(s), see paras 52-53.

Particular m) He failed to sufficiently document the audit procedures performed in relation to donation revenue;

118. Jones' working paper states that he tied all deposits over \$1,000 to deposit slips or Canada Helps report (**Doc 50**). However, unlike in the prior year, there are no "tick marks" in the general ledger and accordingly, his work has not been sufficiently documented.

Particular n) He failed to sufficiently document the audit procedures performed in relation to expenses;

119. Same deficiency as particular 1(v), see para 57.

Particular o) He failed to communicate the auditor's responsibilities, planned scope and timing of the audit, significant findings from the audit and the form, timing and expected content of communications with those charged with governance;

120. Same deficiency as particular 1(w), see paras 58-59.

Particular p) He failed to accurately classify the purchase of equipment as an investing activity on the Statement of Cash Flow;

121. The Statement of Cash Flow (**Doc 44**) does not report cash flows during the year classified by operating, investing and financing activities as required by 1540.12. Jones advised the Investigator that he did not feel it was necessary to classify the equipment purchases as an investing activity on the basis that the organization considers it an operating expense.

122. According to 1540.18(a), the purchase of equipment should have been classified as an investing activity.

Particular q) He failed to accurately classify term deposit transactions as investing activities on the Statement of Cash Flow;

123. Same deficiency as particular 2(u), see paras 100-102.

Particular r) He failed to adequately document support for the date of the auditor's report; and

124. Same deficiency as Particular 2(v), see paras 103-104.

Particular s) He failed to obtain a signed representation letter prior to the date of the auditor's report.

125. The signed representation letter in the file is dated August 3, 2021 (**Doc 52-53**), and the auditor's report is dated July 5, 2021 (**Doc 40-41**).
126. According to **CAS 580.14**, the date of written representations shall be as near as practicable to, but not after, the date of the auditor's report.

Terms of Settlement

127. Jones and the Professional Conduct Committee agree to the following Terms of Settlement:
- a) A payment by way of fine in the amount of \$5,000;
 - b) A restriction on Jones' practice prohibiting Jones from performing any assurance work, including audits and reviews;
 - c) Notice of the terms of this Settlement is to be published, including notice to be given to all members of CPA Ontario and all provincial CPA Bodies. In addition, notice of the practice restriction on Jones' practice prohibiting him from performing any assurance work, including audits and review, will be published in the *Scarborough Mirror* publication, the costs of such publication to be borne by Jones, in addition to other costs required by this Settlement.
 - d) A payment by way of costs in the amount of \$7,000;
 - e) Jones will be permitted 12 months from the time the Discipline Committee accepts this Settlement Agreement to pay the fine and costs referred to in paragraphs a) and d) above; and
 - f) A failure by Jones 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 complies, provide that if his suspension under this section continues for one month, his membership in CPA Ontario will be revoked with full publicity in accordance with Regulation 6-2, section 48.


128. The Professional Conduct Committee and Jones expressly consent and authorize the Registrar to take any actions associated with Jones' membership in CPA Ontario as prescribed and agreed to herein.
129. The Professional Conduct Committee and Jones expressly authorize and consent to CPA Ontario:
 - a) Providing notice of the terms of this Settlement Agreement to all CPA Ontario members and to all provincial bodies; and
 - b) Publishing notice of the practice restriction in a newspaper publication distributed in the geographic area where Jones lives, i.e. the *Scarborough Mirror*.
130. Should the Discipline Committee accept this Settlement Agreement, Jones 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 at Schedule "A" shall be forever stayed.
131. 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 Jones leading up to its presentation to the Discipline Committee, shall be without prejudice to the Professional Conduct Committee and Jones; and
 - b) The Professional Conduct Committee and Jones 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.
132. It is acknowledged that Jones received an opportunity to access independent legal advice in relation to this Settlement Agreement

Disclosure of Settlement Agreement

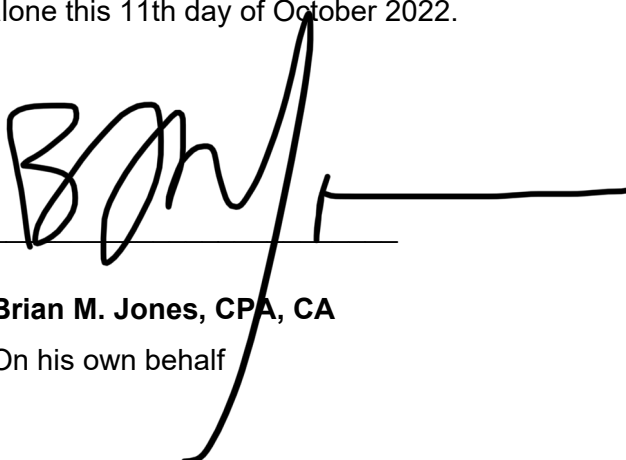


133. This Settlement Agreement and its terms will be treated as confidential by the Professional Conduct Committee and Jones, until approved by the Discipline Committee, and forever if for any reason whatsoever this Settlement Agreement is not approved by the Discipline Committee, except with the written consent of the Professional Conduct Committee and Jones, or, as may be required by law.
134. 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 11th day of October 2022.



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



Brian M. Jones, CPA, CA
On his own behalf



SCHEDULE "A"

CHARTERED PROFESSIONAL ACCOUNTANTS OF ONTARIO

CHARTERED PROFESSIONAL ACCOUNTANTS OF ONTARIO ACT, 2017

TO: Brian M. Jones, 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 Brian M. Jones, CPA, CA, a member of CPA Ontario:

1. THAT the said Brian M. Jones, in or about the period of December 1, 2018-September 30, 2019, while engaged to perform an audit of the financial statements of "BB Church" for the year ended December 31, 2018, failed to perform his professional services in accordance with generally accepted standards of practice of the profession, contrary to Rule 206.1 of the CPA Code of Professional Conduct, in that:
 - a. He failed to ensure an engagement letter was obtained;
 - b. He failed to document an assessment of his independence;
 - c. He failed to perform client acceptance procedures;
 - d. He failed to document the factors considered in the determination of materiality and he failed to calculate performance materiality;
 - e. He failed to enquire into the organization's compliance with laws and regulations;
 - f. He failed to sufficiently document his understanding of control activities relevant to the audit, the control environment and how the entity monitors internal control activities;
 - g. He failed to document his understanding of the organization's financial performance measurement and review systems, financial reporting processes and information systems;
 - h. He failed to document his understanding of the nature of the entity, the entity's objectives, strategies and business risks and selection and application of accounting policies;
 - i. He failed to document inquiries of management with respect to the identity of related parties, the nature of any relationships and any transactions during the year;

- j. He failed to perform any analytical review procedures;
- k. He failed to identify the risks of material misstatement due to fraud;
- l. He failed to make enquiries of management about fraud;
- m. He failed to make enquiries of those charged with governance about fraud;
- n. He failed to evaluate the risk of fraud in revenue recognition as a significant risk or document why it is not applicable;
- o. He failed to test journal entries for management override;
- p. He failed to assess the risk of material misstatement, including fraud, at the financial statement and assertion levels;
- q. He failed to accurately classify two bank accounts as restricted net assets on the statement of financial position;
- r. He failed to properly disclose an investment of \$65,731 as being restricted on the statement of financial position;
- s. He failed to obtain sufficient appropriate audit evidence to support the statement of financial position items In-Trust Acct and Investment;
- t. He failed to sufficiently document the substantive procedures performed in relation to fundraising revenue of \$15,308 and rental income of \$47,230 and failed to obtain sufficient appropriate audit evidence to support these amounts;
- u. He failed to sufficiently document the procedures performed in relation to rental revenue in the amount of \$19,000;
- v. He failed to sufficiently document the audit procedures performed in relation to expenses;
- w. He failed to communicate the auditor's responsibilities, planned scope and timing of the audit, significant findings from the audit, and the form, timing and expected content of communications with those charged with governance;
- x. He failed to obtain a representation letter;
- y. He failed to ensure that the auditor's report was accurate in the form and content prescribed by the Canadian Auditing Standards;
- z. He failed to include a cashflow statement;

- aa. He failed to include in the financial statements a description of the organization's purpose, intended community of service, status under the *Income Tax Act* and legal form; and
 - bb. He failed to disclose the revenue recognition policy for rental revenue.
2. THAT the said Brian M. Jones, in or about the period of April 1, 2020-July 31, 2020, while engaged to perform an audit of the financial statements of "BB Community Services" for the year ended April 30, 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 CPA Code of Professional Conduct, in that:
- a. He failed to obtain a signed engagement letter;
 - b. He failed to document an assessment of his independence;
 - c. He failed to document client continuance procedures;
 - d. He failed to document the factors considered in the determination of materiality and failed to calculate performance materiality;
 - e. He failed to enquire into the organization's compliance with laws and regulations;
 - f. He failed to sufficiently document his understanding of control activities relevant to the audit, the control environment and how the entity monitors internal control activities;
 - g. He failed to document his understanding of the organization's financial performance measurement and review systems and the organization's information systems;
 - h. He failed to document his understanding of the nature of the entity, the entity's objectives, strategies and business risks and selection and application of accounting policies;
 - i. He failed to document inquiries of management with respect to the identity of related parties, the nature of any relationships and any transactions during the year;
 - j. He failed to document any analytical procedures to assist with identifying the risk of material misstatements;
 - k. He failed to make sufficient enquiries of management regarding fraud;
 - l. He failed to make enquiries of those charged with governance regarding fraud;

- m. He failed to evaluate the risk of fraud in revenue recognition as a significant risk or document why it is not applicable;
 - n. He failed to test journal entries for management override;
 - o. He failed to adequately assess the risk of material misstatement, including fraud, at the financial statement and assertion levels;
 - p. He failed to obtain sufficient appropriate audit evidence to support the bank accounts and the term deposits;
 - q. He failed to include donations shown as other revenue on the Statement of Revenue, Expenses and Net Assets in the appropriate donation category;
 - r. He failed to sufficiently document the audit procedures performed in relation to expenses;
 - s. He failed to communicate the auditor's responsibilities, planned scope and timing of the audit, significant findings from the audit, and the form, timing and expected content of communications with those charged with governance;
 - t. He failed to obtain a representation letter;
 - u. He failed to accurately classify term deposit transactions as investing activities on the Statement of Cash Flow;
 - v. He failed to adequately document support for the date of the auditor's report; and
 - w. He failed to disclose the revenue recognition policy for other revenue.
3. THAT the said Brian M. Jones, in or about the period of April 1, 2021-July 31, 2021, while engaged to perform an audit of the financial statements of BB Community Services for the year ended April 30, 2021, failed to perform his professional services in accordance with generally accepted standards of practice of the profession, contrary to Rule 206.1 of the CPA Code of Professional Conduct, in that:
- a. He failed to document client continuance procedures;
 - b. He failed to calculate performance materiality;
 - c. He failed to sufficiently document his understanding of control activities relevant to the audit, the control environment and how the entity monitors internal control activities;
 - d. He failed to document his understanding of the organization's financial performance measurement and review systems and the organization's information systems;

- e. He failed to document his understanding of the nature of the entity, the entity's objectives, strategies and business risks and selection and application of accounting policies;
- f. He failed to make sufficient enquiries of management regarding fraud;
- g. He failed to consider any fraud risk factors in determining his overall audit strategy, and failed to identify the risks of material misstatement due to fraud;
- h. He failed to make enquiries of those charged with governance regarding fraud;
- i. He failed to evaluate the risk of fraud in revenue recognition as a significant risk or document why it is not applicable;
- j. He failed to test journal entries for management override;
- k. He failed to adequately assess the risk of material misstatement, including fraud, at the financial statement and assertion levels;
- l. He failed to obtain sufficient appropriate audit evidence to support the bank accounts and the term deposits;
- m. He failed to sufficiently document the audit procedures performed in relation to donation revenue;
- n. He failed to sufficiently document the audit procedures performed in relation to expenses;
- o. He failed to communicate the auditor's responsibilities, planned scope and timing of the audit, significant findings from the audit and the form, timing and expected content of communications with those charged with governance;
- p. He failed to accurately classify the purchase of equipment as an investing activity on the Statement of Cash Flow;
- q. He failed to accurately classify term deposit transactions as investing activities on the Statement of Cash Flow;
- r. He failed to adequately document support for the date of the auditor's report; and
- s. He failed to obtain a signed representation letter prior to the date of the auditor's report.



Dated at Collingwood, Ontario, this ____ day of May, 2022.

J.E. Currie, FCPA, FCA, FCMA – CHAIR
PROFESSIONAL CONDUCT COMMITTEE