



CHARTERED PROFESSIONAL ACCOUNTANTS OF ONTARIO

*CHARTERED PROFESSIONAL ACCOUNTANTS OF ONTARIO ACT, 2017*

**TO:** Felice Iorio, CPA, CA

**AND TO:** The Discipline Committee of CPA Ontario

The Professional Conduct Committee hereby makes the following allegations of professional misconduct against Felice Iorio, CPA, CA, a member of CPA Ontario:

1. THAT the said Felice Iorio, in accepting an engagement to audit the combined consolidated financial statements of the B. Group and the non-consolidated financial statements of B. Limited for the year ended December 31, 2013, in or about the period June 20, 2014 through September 30, 2014, failed to perform professional services with due care, contrary to Rule 202.1 of the CPA Ontario Code of Professional Conduct in that:
  - a) He failed to take sufficient and appropriate steps to address allegations of suspected fraud and other audit risks made by the predecessor auditor;
  - b) He failed to maintain professional skepticism and exercise appropriate professional judgment.
2. THAT the said Felice Iorio, in or about the period June 1, 2014 through September 30, 2014, while engaged to audit the combined consolidated financial statements of the B. Group and the non-consolidated financial statements of B. Limited for the year ended December 31, 2013 ("the 2013 Audits"), failed to perform professional services in accordance with generally accepted standards of practice of the profession contrary to Rule 206.1 of the CPA Ontario Code of Professional Conduct in that:
  - a) He failed to obtain sufficient and appropriate audit evidence to reduce audit risk to an acceptably low level;
  - b) He failed to maintain sufficient and appropriate professional skepticism;

- c) He failed to properly plan the 2013 Audits;
- d) He failed to appropriately consider and audit the risk of material misstatement of the financial statements resulting from fraud;
- e) He failed to obtain an understanding of the entity and its environment sufficient to allow him to identify and document the areas in the financial statements where material misstatements are likely to occur;
- f) He failed to make sufficient and appropriate enquiries of management and those charged with governance;
- g) He failed to adequately communicate with those charged with governance;
- h) He failed to obtain a signed management representation letter for the audit of B. Limited's financial statements;
- i) He failed to properly consider the design and implementation of internal controls relevant to the 2013 Audits;
- j) He failed to assess overall materiality at a level that would reduce audit risk to an acceptably low level to enable the auditor to draw reasonable conclusions on which to base the auditor's opinions;
- k) He failed to obtain sufficient appropriate audit evidence with respect to related parties;
- l) He failed to obtain sufficient appropriate audit evidence to support the combined consolidated statement of earnings and retained earnings items: "Contract revenue (Note 4) 452,442,341", "Contract costs (Note 4) 435,392,562" and "Gross profit 17,049,779";
- m) He failed to obtain sufficient appropriate audit evidence to support the combined consolidated balance sheet item "Marketable securities (Note 3) 9,818,498";
- n) He failed to obtain sufficient appropriate audit evidence to support the presentation of the combined consolidated balance sheet item "Investment in joint venture (Note 4) 1,009,760" as a current asset;
- o) He failed to obtain sufficient appropriate audit evidence to support the presentation of the combined consolidated balance sheet item "Investment in partnership (Note 4) 2,244,507" as a current asset;
- p) He failed to obtain sufficient appropriate audit evidence with respect to operating expenses of the B. Group of \$5,381,943 that were included in the

scope of the 2013 Audits;

- q) He caused the issuance of the audit report and financial statements for the B. Group prior to the issuance of the audit report and financial statements for one of the entities consolidated within the B. Group;
  - r) He failed to identify the breach of the financial covenant related to the lending facility for the B. Group and to ensure adequate disclosure was made in the combined consolidated financial statements.
3. THAT the said Felice Iorio, in or about the period August 1, 2014 through June 30, 2015, while engaged to audit the combined consolidated financial statements of the B. Group and the non-consolidated financial statements for B. Limited for the year ended December 31, 2014 ("the 2014 Audits"), failed to perform professional services in accordance with generally accepted standards of practice of the profession contrary to Rule 206.1 of the CPA Ontario Code of Professional Conduct in that;
- a) He failed to obtain sufficient and appropriate audit evidence to reduce audit risk to an acceptably low level;
  - b) He failed to maintain sufficient and appropriate professional skepticism;
  - c) He failed to properly plan the 2014 Audits;
  - d) He failed to appropriately consider and audit the risk of material misstatement of the financial statements resulting from fraud;
  - e) He failed to obtain an understanding of the entity and its environment sufficient to allow him to identify and document the areas in the financial statements where material misstatements are likely to occur;
  - f) He failed to make sufficient and appropriate enquiries of management and those charged with governance;
  - g) He failed to adequately communicate with those charged with governance;
  - h) He failed to properly consider the design and implementation of internal controls relevant to the 2014 Audits;
  - i) He failed to assess overall materiality at a level that would reduce audit risk to an acceptably low level to enable the auditor to draw reasonable conclusions on which to base the auditor's opinion;
  - j) He failed to obtain sufficient appropriate audit evidence with respect to related

parties;

- k) He failed to obtain sufficient appropriate audit evidence to support the combined consolidated statement of earnings and retained earnings items: "Contract revenue (Note 4) 529,561,289", "Contract costs (Note 4) 508,004,023" and "Gross profit 21,557,266";
- l) He failed to obtain sufficient appropriate audit evidence to support the combined consolidated balance sheet item "Marketable securities (Note 3 12,245,622)";
- m) He failed to obtain sufficient appropriate audit evidence to support the presentation of the combined consolidated balance sheet item "Investment in joint venture (Note 4) 1,009,760" as a current asset;
- n) He failed to obtain sufficient appropriate audit evidence to support the presentation of the combined consolidated balance sheet item "Investment in partnership (note 4) 2,768,862" as a current asset;
- o) He caused the issuance of the audit report and financial statements prior to signing off on the Board of Directors Report.

Dated at <sup>Caladon</sup> ~~East~~ this <sup>8th</sup> day of August, 2022

  
D.S. VASELENAK, CPA, CMA, DEPUTY CHAIR  
PROFESSIONAL CONDUCT COMMITTEE