



CHARTERED PROFESSIONAL ACCOUNTANTS OF ONTARIO

THE CHARTERED PROFESSIONAL ACCOUNTANTS OF ONTARIO ACT, 2017

IN THE MATTER OF: ALLEGATIONS OF PROFESSIONAL MISCONDUCT
AGAINST **GARY EDGECOMBE, CPA, CA**, 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) filed Allegations of Professional Misconduct against Gary Edgecombe, CPA, CA (Edgecombe) dated March 23, 2023 (Allegations), the particulars of which are set out below. The documents referred to in this Settlement Agreement (Agreement) are found in the Document Brief (**Doc**). The applicable CPA Handbook sections are found in the Standards Brief (**Tab**).
2. The Allegations (**Doc 1**) pertain to multiple circumstances arising from Edgecombe's professional services on behalf of H.J. Advisors Professional Corporation (HJAPC). First, Edgecombe's failure to co-operate with the regulatory processes of CPA Ontario in accordance with Rule 104 of the Chartered Professional Accountants of Ontario Code of Professional Conduct (Code).



3. Second, Edgecombe's failure to perform his professional work in accordance with generally accepted standards of the profession, contrary to Rule 202 of the Code.
4. Third, Edgecombe's failure to perform his professional work in accordance with generally accepted standards of the profession, contrary to Rule 206.1 of the Code, with respect to the following engagements:
 - a. The review of the financial statements of 108OI for the year ended July 31, 2020 (**Doc 2**) (108OI 2020);
 - b. The review of the financial statements of 108OI for the year ended July 31, 2021; (**Doc 3**)
 - c. The review of the financial statements of TT for the year ended December 31, 2020 (**Doc 4**).
5. Fourth, Edgecombe's failure to perform his professional work in accordance with generally accepted standards of the profession, contrary to Rule 206.1 of the Code and HJAPC's Quality Assurance Manual (QAM).
6. The PCC and Edgecombe 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 Edgecombe 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

7. Edgecombe obtained his Chartered Accountant designation in 1992.
8. Until December 31, 2019, Edgecombe operated a sole proprietorship, Gary Edgecombe, CPA ,CA in Elmvale, ON. In January 2020 Edgecombe sold his practice to Garrett Hazelwood, CPA and at all material times was employed by HJAPC at its



Elmvale office, where he worked with Karen Jakubos, CPA (Jakubos) while Garrett Hazelwood, CPA (Hazelwood) worked out of HJAPC's Port Perry office.

9. As of October 20, 2022, Edgecombe's professional practice at HJAPC consisted primarily of compilation engagements and tax engagements. HJAPC provided limited assurance services, with four review engagement clients.
10. Edgecombe's practice maintains its working papers using CaseWare software, Jazzit Checklists for review engagements with quality control processes detailed in the QAM.
11. At all material times HJAPC held a Certificate of Authorization to practice public accounting. Edgecombe maintains a current Public Accounting Licence (PAL) and liability insurance.

The Complaint

12. In preparation for an inspection, the practice inspection division of CPA Ontario contacts the PAL holder and, if applicable the firm's designated contact, to obtain a complete listing of all assurance engagements undertaken by the member or firm. Relying on the integrity of the listing, the practice inspector selects a sample of files for review and advises the member, or firm, in advance of the inspection date. In 2021 this practice was followed for the September 17 inspection of Edgecombe's and HJAPC's newly formed assurance practice.
13. On January 28, 2022, the Practice Inspection Committee (PIC) advised the PCC that following the September 17, 2021, inspection of Edgecombe's practice, it concluded that his failure to maintain professional standards was sufficiently serious to reflect adversely upon his professional competence.
14. The PIC also provided Standards Enforcement a detailed listing of reportable deficiencies with respect to the review engagements of the financial statements of 108OI 2020 and SSI 2020 and commentary regarding apparent backdating of review



working paper documentation, the failure to lock down engagement files and evidence that Jakubos may be providing public accounting services without a PAL.

15. On August 16, 2022, the PCC appointed Patricia Harris, CPA, CA, CBV, DIFA, CFF, MFAcc, LLM and Marie Dietrich, CPA, CA (Investigators) to investigate Edgecombe's standards of practice and the circumstances surrounding the complaint.

16. As part of their investigation, the Investigators reviewed Edgecombe's standards of practice in relation to the two engagements inspected by the PIC and four additional assurance engagement files listed in para. 2 above. The Investigators released their report on October 20, 2022.

Failure to Maintain Professional Standards

17. Edgecombe admits that he failed to:

- a. co-operate with the regulatory processes of CPA Ontario;
- b. carry out his professional services with integrity, objectivity, and due care; and
- c. perform his professional services in accordance with generally accepted standards of practice of the profession.

18. Edgecombe admits that the Allegations, as described below, accurately particularize his failure to perform his professional services in accordance with generally accepted standards of practice of the profession and to conduct his practice in compliance with the Code.

Generally Accepted Standards for Review Engagements in 2020 to 2022

19. The standards applicable to the four reviews detailed herein are described by generally accepted standards for review engagements. During 2020-2022, these standards were published in the Assurance section of the CPA Canada Handbook.



20. The generally accepted standards for review engagements require practitioners to obtain limited assurance by performing inquiry and analytical procedures to determine whether an entity's reviewed financial statements as a whole are free from material misstatement. The practitioner may then express a conclusion on whether anything has come to their attention that causes them to believe that the financial statements are not prepared in all material respects in accordance with an applicable financial reporting framework.
21. To obtain reasonable assurance, the Canadian Standard on Review Engagements CSRE 2400 – Engagements to review historical financial statements set out the standard to be met, requirements to be fulfilled and steps to be taken. They include performing primarily inquiry and analytical procedures, obtaining sufficient appropriate evidence while exercising professional scepticism, as well as adhering to the Canadian Standard on Quality Control CSQC 1 – Quality Control for Firms that Perform Audits and Reviews of Financial Statements and other Assurance Engagements.
22. Further, the generally accepted standard for review engagements requires practitioners to plan and perform the review engagement with professional scepticism, recognizing that circumstances may exist that cause the financial statements to be materially misstated. Professional scepticism requires a questioning attitude which is alert to conditions which may indicate a possible misstatement due to error or fraud. Professional scepticism requires the practitioner to conduct a critical assessment of the evidence.
23. Pursuant to CSRE 2400.7 to CSRE 2400.10, compliance with CSRE is not optional.

The Allegations

Allegation 1 – Gary Edgecombe, in or about the period December 1, 2020 to November 30, 2022, as the sole Licensed Public Accountant of HJ Advisors Professional Corporation (HJAPC), failed to co-operate with the regulatory processes of CPA Ontario in accordance with Rule 104 the CPA Ontario Code of Professional Conduct (Code), in that:



a. As engagement partner for the review of the financial statements of SSI, for the year ended June 30, 2020 (SSI 2020), he participated in the modification or backdating of working papers approximately nine months after the financial statement report date in advance of a September 17, 2021, practice inspection of that engagement;

24. Of the three CPA's at HJAPC, Edgecombe was the only one that held a PAL and therefore, the only one that was entitled to issue assurance reports.
25. Edgecombe, Jakubos and Hazelwood represented to CPA Ontario that Edgecombe was the engagement partner for SSI 2020.
26. The Review Engagement Report for SSI 2020 is December 18, 2020. The working papers show backdated dates of October 27, 2020, and October 29, 2020, with an archive date of September 14, 2021.
27. The CaseWare review dates for Jakubos and Edgecombe indicate that CaseWare was signed off on 10/29/2020 on the face of the summary. The history properties, however, show that the "reviewed by" date was input on 9/13/2021, not 10/29/2020.
28. File documents, including the T183 (tax e-filing authorization form) and potentially the client representation letter were signed after December 18, 2020.
29. The SSI 2020 T183 (tax e-filing authorization form), which was one of the client forms that was to be signed by the client in December 2020, was printed on August 27, 2021, although purportedly signed by the client on December 18, 2020.
30. Edgecombe admits that he was aware of and participated, with Jakubos and Hazelwood, in the modification of working papers after the December 18, 2020, release of the Independent Review Engagement Report for SSI 2020 in advance of the scheduled September 17, 2021, inspection of his assurance practice.



- b. He denied any knowledge of or participation in backdating the SSI 2020 working papers to CPA Ontario's practice inspector (PI), Standards Enforcement staff and the Professional Conduct Committee's (PCC) investigators; and**

31. Edgecombe initially maintained that he did not modify working papers after their respective financial statement report dates, despite being informed that Jakubos admitted this.

32. Edgecombe admits that he participated in the backdating of assurance file working papers.

- c. He failed to provide a complete list of assurance engagements to the PI, Standards Enforcement staff and the PCC's investigators as requested.**

33. Edgecombe did not provide a complete list of HJAPC's assurance files to CPA Ontario as required. The engagement list provided to the PI, SE and the Investigators did not include AG. Edgecombe admits that he omitted that engagement because he considered the AG engagements to be Jakubos' exclusively, notwithstanding that she did not carry the required licensing to perform the work and that he was HJAPC's sole PAL holder.

Allegation 2: THAT the said Gary Edgecombe, in or about the period March 1, 2021 to November 30, 2022, while engaged to perform the reviews of the financial statements of AG, for the year ended March 31, 2021 (AG2021), and the year ended March 31, 2022 (AG2022), he failed to carry out his professional services with integrity, objectivity and due care, contrary to Rule 202 of the Code in that:

- a. He failed to execute the customary functions of a financial statement review and abrogated his responsibility for the performance of the engagement to an unlicensed accountant;**

34. Edgecombe, Jakubos and Hazelwood incorrectly represented to CPA Ontario that Edgecombe was the engagement partner for AG.



35. The engagement list provided to SE and the Investigators omitted these engagements on the basis that it was Jakubos' client, notwithstanding that she did not carry the required licensing to perform the work and that Edgecombe was HJAPC's sole PAL holder.
36. None of the AG working papers were documented as being reviewed by Edgecombe, as evidenced by the lack of 'reviewed by' role completion sign-off. When asked about the absence of working paper sign off confirmation, Edgecombe initially asserted that that he reviewed the file and he did not know why his sign-offs were not included.
37. None of the working paper checklists for client continuance, planning, performing procedures, evaluating evidence, forming a conclusion and issuing the report were prepared.
38. Edgecombe admits that he failed to execute the functions of a lead engagement partner for the financial statement reviews of AG2021 and AG2022 and that he abrogated his responsibility for the performance of the engagement to Jakubos, an unlicensed accountant.
- b. He participated in the modification or backdating of AG2021 working papers after the date of the Independent Practitioner's Review Report.**
39. Edgecombe initially maintained that he did not modify working papers after the financial statement report date of AG2021, despite being informed that Jakubos admitted this.
40. Edgecombe admits that there was backdating of the engagement working papers of AG2021.

Allegation 3: THAT the said Gary Edgecombe, in or about the period July 1, 2020 to October 31, 2020, as engagement partner for the review of the financial statements of 108OI, for the year ended July 31, 2020, failed to perform his professional services in accordance with generally accepted standards of practice of the profession, contrary to



Rule 206.1 of the Code, in that:

41. The financial statements for 108OI for the year ended July 31, 2020 (**Doc 4**) together with the Independent Practitioner's Review Engagement Report, were issued on October 26, 2020. The entity's principal business activity is the provision of facility maintenance and support services and required reviewed financial statements for its bank. Materiality was determined at \$30,000.

42. Edgecombe prepared the file and Jakubos reviewed the file.

a. He failed to ensure that the Independent Practitioner's Review Engagement Report disclosed that HJAPC is licensed to use the phrase "Authorized to practise public accounting by the Chartered Professional Accountants of Ontario" following its name;

43. CPA Ontario's Public Accounting Licensing Regulation 17-1. s. 20.2 requires a Professional Corporation that holds a Certificate of Authorization to practice public accounting to use the term "Authorized to practise public accounting by the Chartered Professional Accountants of Ontario" on assurance reports.

44. The Review Engagement Report did not but should have included the required authorization terminology following HJAPC's name.

b. He failed to disclose the redemption value of the Balance Sheet item "Share Capital 640,084;"

45. CPAH 3240.20 requires the practitioner to review and disclose six areas of information regarding issued share capital, including the redemption price of redeemable shares.

46. The redemption value of the 'Special shares', part of 'Share capital' on the Balance Sheet, was not but should have been disclosed.

c. He failed to disclose the composition of Statement of Cash Flow item "Cash (deficiency) – end of year (163,630);"



47. CPAH 1540.43 requires the practitioner to disclose an entity's policy it applies in determining the composition of cash and cash equivalents and present a reconciliation of the amounts presented in its cash flow statement with the equivalent items presented in the balance sheet.

48. The Statement of Cash Flows did not but should have disclosed the composition of the 'Cash Deficiency'.

d. He failed to disclose a reconciliation of the income tax rate or expense to the statutory income tax rate, including the nature and amount of each significant reconciling item in the financial statements;

49. CPAH 3465.88 requires the practitioner to identify and disclose four elements of an entity's taxes payable method of accounting for income taxes.

50. The financial statements did not but should have disclosed a reconciliation of the income tax rate or expense to the statutory income tax rate, including the nature and amount of each significant reconciling item.

e. He failed to disclose the exposure to credit risk on accounts receivable and any change in risk exposures from the previous period in the financial statements;

51. CPAH 3856.53 requires the practitioner to identify and disclose two elements of each significant risk arising from the financial instruments.

52. The financial statements did not but should have disclosed the exposure to credit risk on accounts receivable and any change in risk exposures from the previous period.

f. He failed to disclose the nature of the transactions and the measurement basis followed to support Statement of Income Expenses item "Rental 34,869" paid to a related party;



53. CPAH 3840.51 requires the practitioner to disclose seven elements of information regarding an entity's transaction with related parties.

54. 'Rental expense' on the Statement of Income was paid to a related party. The financial statements did not but should have disclosed the nature of the transactions and the accounting policy followed with respect to such transactions.

g. He failed to confirm the terms of the engagement letter prior to performing the engagement;

55. CSRE 2400.34 requires the practitioner to agree the terms of the engagement with management or those charged with governance, as appropriate, prior to performing the engagement.

56. Edgecombe did not but should have agreed to the terms of the engagement letter prior to performing the engagement. The review engagement report was dated October 26, 2020, and the engagement letter was signed on October 30, 2020.

h. He failed to document his understanding of the entity's operation or objectives and strategies;

57. CSRE 2400.44(a)(b)) requires the practitioner to document their understanding of five specific elements regarding the nature of the entity.

58. The understanding of the entity's operation or objectives and strategies was not but should have been documented. The areas in the checklist used to document these items was not sufficiently completed.

i. He failed to document his understanding of the entity's accounting systems and accounting records for purchases and payroll transactions;



59. CSRE 2400.44 (c) requires the practitioner to document their understanding of the entity's accounting systems and accounting records.

60. The understanding of the entity's accounting systems and accounting records was not but should have been documented for purchases and payroll transactions. The checklist did not include any information on purchases and only noted "payroll service is used" for payroll transactions. This documentation was insufficient.

j. He failed to document his understanding of the entity's selection and application of accounting policies;

61. CSRE 2400.44 (d) requires the practitioner to document their understanding of the entity's selection and application of accounting policies.

62. The entity's selection and application of accounting policies was not documented.

k. He failed to identify the areas in the financial statements where material misstatements were likely to arise;

63. CSRE 2400.45 requires the practitioner to obtain an understanding of the entity and identify areas in the financial statements where material misstatements are likely to arise.

64. The areas in the financial statements where material misstatements were likely to arise was not documented. The related checklist was not completed.

l. He failed to perform adequate inquiry and analytical procedures to support Balance Sheet item "Accounts receivable 975,055;"

65. CSRE 2400.46 requires the practitioner to obtain sufficient appropriate evidence as the basis for a conclusion on the financial statements, by designing and performing inquiry and analytical procedures addressing all material items in the financial statements,



including disclosures, with a focus on addressing areas in the financial statements where material misstatements are likely to arise.

66. Edgecombe did not obtain sufficient appropriate evidence to support Balance Sheet item 'Accounts receivable' of \$975,055. The overall balance changed by a material amount and there was no documentation of inquiry or analytical procedures other than with respect to collectability. When asked about this Edgecombe stated that he discussed the change with the client but did not document it.

m. He failed to perform adequate inquiry and analytical procedures to support Statement of Income items "Sales 11,097,331," "Cost Of Sales 9,831,675," and "Expenses 898,081;"

67. CSRE 2400.46 requires the practitioner to obtain sufficient appropriate evidence as the basis for a conclusion on the financial statements, by designing and performing inquiry and analytical procedures addressing all material items in the financial statements, including disclosures, with a focus on addressing areas in the financial statements where material misstatements are likely to arise.
68. Edgecombe did not obtain sufficient appropriate evidence with respect to 'Sales', 'Cost of sales' and 'Expenses' on the Statement of Income as there were no inquiry or analytical procedures documented.

n. He failed to document inquiries of management and others within the entity regarding: significant accounting estimates, related party transactions, significant, unusual or complex transactions, the existence of any fraud, subsequent events, going concern, commitments, obligations or contingencies and non-monetary transactions;

69. CSRE 2400.47 requires the practitioner to make and document inquiries of management and others within the entity, as appropriate, and specifically identifies nine general areas of concern.



70. There was no documentation of inquiries of management and others within the entity including: significant accounting estimates, related party transactions, significant, unusual, or complex transactions, the existence of any fraud, subsequent events, going concern, commitments, obligations or contingencies and non-monetary transactions. When asked about this, Edgecombe stated that he discussed these items with the client but did not document it.

o. He failed to document consideration of the entity's ability to continue as a going concern;

71. CSRE 2400.52 requires the practitioner to consider the entity's ability to continue as a going concern. In considering management's assessment of the entity's ability to continue as a going concern, the practitioner shall cover the same period as that used by management to make its assessment as required by the applicable financial reporting framework, or by law or regulation where a longer period is specified.

72. There was insufficient documentation of consideration of the entity's ability to continue as a going concern. The area of the 'Knowledge of business' checklist on going concern noted only "COVID-19 PANDEMIC".

p. He failed to document consideration of events occurring between the date of the financial statements and the date of the Independent Practitioner's Review Report; and

73. CSRE 2400.60 requires the practitioner to be aware of and document events occurring between the date of the financial statements and the date of the practitioner's report that require adjustment of, or disclosure in, the financial statements, the practitioner shall request management to correct those misstatements.

74. There was no documentation of Edgecombe's consideration of events occurring between the date of the financial statements and the date of the practitioner's report. When asked about this, Edgecombe stated that he considered it but did not document



it.

g. He failed, on or before the date of the Independent Review Engagement Report, to satisfy himself, through a review of the documentation, that sufficient appropriate inquiry and analytical procedures had been conducted to support the conclusions reached and the review report to be issued.

75. CSRE 2400.103 requires the practitioner to date the report no earlier than the date on which they have obtained sufficient appropriate evidence as the basis for their 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. CSRE 2400.104, identifying that 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 requires the practitioner to document three specific aspects of the engagement in a timely manner, sufficient to enable an experienced practitioner, having no previous connection with the engagement, to understand what took place.

77. CSRE 2400.105 requires the practitioner in documenting the nature, timing and extent of procedures performed to record who performed the work and the date such work was completed, and who reviewed the work performed for the purpose of quality management for the engagement, and the date and extent of the review.

78. The Independent Practitioner's Review Engagement Report was not but should have been dated no earlier than the date on which Edgecombe had obtained sufficient appropriate evidence as a basis for the conclusion on the financial statements. Many



of the working papers were dated as completed and reviewed on October 27, 2020, and October 28, 2020, after the report date of October 26, 2020. The history of the document properties for all documents in the file show that they were reviewed by Jakubos in September 2021, well after the review engagement report date of October 26, 2020.

Allegation 4: Gary Edgecombe, in or about the period June 1, 2020 to December 31, 2020, as engagement partner for the review of the financial statements of SSI, for the year ended June 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 Code, in that:

79. The financial statements for SSI for the year ended June 30, 2020 (**Doc 6**) together with the Independent Practitioner's Review Engagement Report is dated December 18, 2020. The financial statements were prepared using ASPE. SSI's principal business activities include the manufacturing and installation of seating, bleachers, seating platforms and retractable stages for the North American market. SSI required reviewed financial statements for its bank. Materiality was determined to be \$50,000.

80. According to the file documentation, a non-designated staff member, JS, prepared the file, Jakubos performed first review and Edgecombe performed a second review.

a. He failed to take responsibility for the overall quality of the review engagement and for the direction, supervision, planning and performance of the review engagement in compliance with professional standards and applicable legal and regulatory requirements;

81. CSRE 2400.23 requires the engagement partner to take overall responsibility for:



- a. Managing and achieving quality on each review engagement to which that partner is assigned and being sufficiently and appropriately involved throughout the engagement;
- b. The direction, supervision, planning and performance of the review engagement in compliance with professional standards and applicable legal and regulatory requirements.

82. Contrary to the file documentation and HJAPC's CPA's representations to PI, Standards Enforcement and the Investigators, Hazelwood, rather than Edgecombe, was extensively involved with this review engagement. Hazelwood fulfilled a majority of the responsibilities that were performed, which would be expected of an engagement partner despite the fact he did not carry a PAL. Hazelwood was responsible for most of the correspondence and meetings with the client, he signed the engagement letter, the representation letter from management was addressed to him, and he signed the Independent Practitioner's Review Report for the financial statements.

83. Edgecombe admits that he abrogated lead engagement partner responsibilities to Hazelwood for SSI 2020.

b. He failed to disclose, in Note 7 to the Financial Statements, the interest rate of Balance Sheet item 'Due to related parties 11,288;'

84. CPAH 3856.43 requires the practitioner to disclose six key elements of each of an entity's financial liabilities.

85. The interest rate on 'Due to related parties' on the Balance Sheet was not disclosed as required.

c. He failed to appropriately exclude 'Inventory', 'Prepaid expenses', 'Accrued liabilities', 'Government remittances' and 'Income taxes payable' from the "Financial instruments policy" in Note 2 to the Financial Statements;



86. CPAH 3856.37 requires the practitioner to disclose relevant enterprise-specific information that enables users of its financial statements to evaluate the significance of financial instruments to its financial position and performance. Information is relevant and enterprise-specific when it is considered significant based on the enterprise's current exposure.

87. The 'Financial instruments policy' section of Note 2 on accounting policies should not have included 'Inventory', 'Prepaid expenses', 'Accrued liabilities', 'Government remittances' and 'Income taxes payable' as they are not financial assets or liabilities.

d. He failed to disclose the amount of financial assets and liabilities held in foreign currency to support "Currency risk" in Note 3 to the Financial Statements;

88. CPAH 3856.53A requires the practitioner to disclose for each significant risk arising from financial instruments, the exposures to risk and how they arise.

89. The 'Financial risks' Note 3 should have disclosed the amount of financial assets and liabilities held in foreign currency.

e. He failed to document inquiry and analytical procedures to support Balance Sheet item "Inventory of materials and manufactured parts 242,850;"

90. CSRE 2400.46 requires the practitioner, in obtaining sufficient appropriate evidence as the basis for a conclusion on the financial statements, to design and perform inquiry and analytical procedures to address all material items in the financial statements, including disclosures and to focus on addressing areas in the financial statements where material misstatements are likely to arise.

91. Inquiry and analytical procedures were not performed in a sufficient appropriate manner for 'Inventory' with respect to costing and cut-off. There was no documentation



with respect to cut-off. For costing, the 'Inventory – Review procedures' working paper referenced working paper '31' but there was no relevant documentation included.

f. He failed to document inquiry and analytical procedures to support Statement of Income items "Sales 10,293,925" and "Cost of Sales 6,601,666;" and

92. CSRE 2400.46 requires the practitioner, in obtaining sufficient appropriate evidence as the basis for a conclusion on the financial statements, to design and perform inquiry and analytical procedures to address all material items in the financial statements, including disclosures and to focus on addressing areas in the financial statements where material misstatements are likely to arise.

93. Inquiry and analytical procedures were not performed in a sufficient appropriate manner for 'Sales' and 'Cost of sales'. The 'Income statement – review procedures' working paper documented the change in gross profit margin but not why the change was plausible.

g. He failed, on or before the date of the Independent Review Engagement Report, to satisfy himself, through a review of the documentation, that sufficient appropriate inquiry and analytical procedures had been conducted to support the conclusions reached and the review report to be issued.

94. CSRE 2400.103 requires the practitioner to date the report no earlier than the date on which they have obtained sufficient appropriate evidence as the basis for their 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.



95. CSRE 2400.104, identifying that 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, requires the practitioner to document three specific aspects of the engagement in a timely manner, sufficient to enable an experienced practitioner, having no previous connection with the engagement, to understand what took place.
96. CSRE 2400.105 requires the practitioner in documenting the nature, timing and extent of procedures performed to record who performed the work and the date such work was completed, and who reviewed the work performed for the purpose of quality management for the engagement, and the date and extent of the review.
97. The review report was not but should have been dated no earlier than the date on which Edgecombe had obtained sufficient appropriate evidence as a basis for the conclusion on the financial statements. The history of the document properties for the checklist documents show that they were prepared by Edgecombe and reviewed by Jakubos in September 2021, after the review engagement report date of December 18, 2020. There is no specific requirement in CSRE that the file be reviewed if prepared by the engagement partner, but HJAPC QAM requires all engagements to be reviewed.

Allegation 5: Gary Edgecombe, in or about the period December 1, 2020 to May 30, 2021, as engagement partner for the review of the financial statements of TT, for the year ended December 31, 2020, failed to perform his professional services in accordance with generally accepted standards of practice of the profession, contrary to Rule 206.1 of the Code, in that:

98. The financial statements for TT for the year ended December 31, 2020 (**Doc 7**) together with the Independent Practitioner's Review Engagement Report is dated May 12, 2021. The financial statements were prepared using ASPE. Edgecombe did not



determine materiality for the financial statements. TT's principal business activity is the operation of six coffee franchise outlets in rural Ontario and required reviewed financial statements for its bank and its franchisor.

99. An employee of HJAPC, JD, prepared the file, Jakubos reviewed the file and Edgecombe performed a second review of the file.

a. He failed to ensure that the Independent Practitioner's Review Engagement Report disclosed that HJAPC is licensed to use the phrase "Authorized to practice public accounting by the Chartered Professional Accountants of Ontario" following its name;

100. CPA Ontario Public Accounting Licensing Regulation 17-1, s. 20.2, requires a Professional Corporation that holds a Certificate of Authorization to practice public accounting to use the term "Authorized to practise public accounting by the Chartered Professional Accountants of Ontario" on its assurance engagement reports.

101. The Independent Practitioner's Review Engagement Report did not disclose the required language following HJAPC's name.

b. He failed to disclose the measurement basis used for Balance Sheet items 'Due From Related Parties 553,897' and 'Due From Shareholders 582,523;'

102. CPAH 3840.51 requires the practitioner to disclose seven key elements regarding an entity's transactions with related parties.

103. 'Due from related parties' and 'Due from shareholders' on the Balance Sheet did not but should have disclosed the measurement basis used for the transactions and 'Due from related parties' on the Balance Sheet did not but should have disclosed the terms.



c. He failed to disclose a reconciliation of the income tax rate or expense to the statutory income tax rate, including the nature and amount of each significant reconciling item in the financial statements for Statement of Income item "Income taxes \$nil;"

104. CPAH 3465.88 requires the practitioner, when an enterprise applies the taxes payable method of accounting for income taxes, to disclose four key elements.

105. 'Income taxes' on the Statement of Income was \$nil. There was no note to the financial statements disclosing a reconciliation of the income tax rate or expense to the statutory income tax rate, including the nature and amount of each significant reconciling item, as required.

d. He failed to disclose the amount of government assistance received which was credited to Statement of Income item "Labour 3,298,197;"

106. CPAH 3800.31 requires the practitioner to disclose government assistance received by the enterprise, addressing specific classifications and detail.

107. The government assistance accounting policy for wage subsidies of \$932,483, which was presented on a net basis in 'Labour' on the Statement of Income, was not disclosed as required.

e. He failed to disclose the COVID pandemic impact on the entity in the Notes to the Financial Statements;

108. CPAH 1400.09 requires the practitioner to ensure that the financial statements, including notes to such statements and supporting schedules to which the financial statements are cross-referenced, include all information required for a fair presentation in accordance with generally accepted accounting principles.



109. TT received certain COVID-related government funding. There was no note to the financial statements relating to the impact of the COVID pandemic on the entity, as required.

f. He failed to document his evaluation of whether circumstances required the terms of the engagement to be revised;

110. SRE 2400.36 requires the practitioner, when performing a recurring engagement, to evaluate whether circumstances, including changes in the engagement acceptance considerations, require the terms of engagement to be revised and whether there is a need to remind management or those charged with governance, as appropriate, of the existing terms of engagement.

111. The engagement letter was signed during the previous year-end engagement. There was no documentation of Edgecombe's evaluation of whether circumstances required the terms of the engagement to be revised. When asked about this, Edgecombe stated that he considered it but did not document it in the file.

g. He failed to determine materiality for the Financial Statements;

112. CSRE 2400.41 requires the practitioner to determine materiality for the financial statements as a whole and apply this materiality in designing the procedures and in evaluating the results obtained from those procedures.

113. Edgecombe did not determine materiality for the financial statements. The materiality working paper included a preliminary materiality calculation that was automatically populated based on the trial balance, but there was no conclusion made on the preliminary materiality, the final materiality, and the trivial level of materiality. When asked about this, Edgecombe said he considered it but did not document it and could not provide the amount that was used.



h. He failed to document his understanding of the industry, the nature of the entity, the entity's accounting systems and accounting records, the entity's selection and application of accounting policies;

114. CSRE 2400.44 requires the practitioner to obtain and document their understanding of an entity's industry and seven specific elements of its nature.
115. Edgecombe did not document an understanding of the industry and other factors, the nature of the entity, the entity's accounting systems and accounting records, the entity's selection, and application of accounting policies. None of the 'Planning Information' working paper checklists were completed.

i. He failed to document areas in the financial statements where material misstatements were likely to arise;

116. CSRE 2400.45 requires the practitioner to obtain an understanding of the entity and identify areas in the financial statements where material misstatements are likely to arise.
117. Edgecombe did not document areas in the financial statements where material misstatements were likely to arise. None of the 'Planning Information' working paper checklists were completed.

j. He failed to document inquiry and analytical procedures to support Balance Sheet item "Inventory 121,057;"

118. CSRE 2400.46 requires the practitioner, in obtaining sufficient appropriate evidence as the basis for a conclusion on the financial statements, to design and perform inquiry and analytical procedures to address all material items in the financial statements, including disclosures, and to focus on addressing areas in the financial statements where material misstatements are likely to arise.



119. Inquiry and analytical procedures were not performed in a sufficient appropriate manner for 'Inventory'. The documentation of the inventory count procedures followed by the client was not sufficient. When asked about this, Edgecombe provided sufficient details as to his understanding of the inventory count procedures, but it was not documented in the file.

k. He failed to document inquiry and analytical procedures to support Balance Sheet item "Due From Related Parties 553,897;"

120. CSRE 2400.46 requires the practitioner, in obtaining sufficient appropriate evidence as the basis for a conclusion on the financial statements, to design and perform inquiry and analytical procedures to address all material items in the financial statements, including disclosures, and to focus on addressing areas in the financial statements where material misstatements are likely to arise.

121. Inquiry and analytical procedures were not documented for 'Due from related parties'. When asked about this, Edgecombe stated that the undocumented procedures consisted of agreeing the balances to the other files, which was an appropriate procedure.

l. He failed to document inquiry and analytical procedures to support Balance Sheet item "Due From Shareholders 582,523;"

122. CSRE 2400.46 requires the practitioner, in obtaining sufficient appropriate evidence as the basis for a conclusion on the financial statements, to design and perform inquiry and analytical procedures to address all material items in the financial statements, including disclosures, and to focus on addressing areas in the financial statements where material misstatements are likely to arise.

123. Inquiry and analytical procedures were not documented for 'Due from shareholders.'



m. He failed to document inquiry and analytical procedures to support Balance Sheet item "Accounts payable 442,272;"

124. CSRE 2400.46 requires the practitioner, in obtaining sufficient appropriate evidence as the basis for a conclusion on the financial statements as a whole, to design and perform inquiry and analytical procedures to address all material items in the financial statements, including disclosures, and to focus on addressing areas in the financial statements where material misstatements are likely to arise.

125. Inquiry and analytical procedures were not documented for 'Accrued wages' which consisted of a material portion of 'Accounts payable'. When asked about this, Edgecombe stated that it consisted of the year-end bonus, but this was not documented in the file.

n. He failed to document inquiry and analytical procedures to support Statement of Income item "Income taxes \$nil;"

126. CSRE 2400.46 requires the practitioner, in obtaining sufficient appropriate evidence as the basis for a conclusion on the financial statements as a whole, to design and perform inquiry and analytical procedures to address all material items in the financial statements, including disclosures, and to focus on addressing areas in the financial statements where material misstatements are likely to arise.

127. Inquiry and analytical procedures were not documented for 'Income taxes expense'. When asked about this, Edgecombe provided a sufficient response as to why there was no income tax expense recorded, but it was not documented in the file.

o. He failed to document inquiry and analytical procedures to support Statement of Income item "Executive salaries 924,426;"



128. CSRE 2400.46 requires the practitioner, in obtaining sufficient appropriate evidence as the basis for a conclusion on the financial statements as a whole, to design and perform inquiry and analytical procedures to address all material items in the financial statements, including disclosures, and to focus on addressing areas in the financial statements where material misstatements are likely to arise.

129. Inquiry and analytical procedures were not documented for 'Executive salaries'. When asked about this, Edgecombe provided a sufficient response as to the procedures performed, but the procedures were not documented in the file.

p. He failed to make inquiries of management for: significant accounting estimates; related parties and transactions; significant, unusual or complex transactions; the existence of any actual, suspected or alleged fraud; subsequent events; going concern; material commitments, contractual obligations or contingencies; and material non-monetary transactions;

130. CSRE 2400.47 requires the practitioner to make inquiries of management and others within the entity, as appropriate, along nine specific areas of inquiry.

131. Edgecombe did not make inquiries of management for any of the required areas consisting of: significant accounting estimates; related parties and transactions; significant, unusual or complex transactions; the existence of any actual, suspected or alleged fraud; subsequent events; going concern; material commitments, contractual obligations or contingencies; and material non-monetary transactions.

q. He failed to document inquiry and analytical procedures to support his assessment of related parties, fraud and non-compliance with laws and regulations, and TT as a going concern;

132. CSRE 2400.49 requires the practitioner to be alert to arrangements or information that may indicate the existence of related party relationships or



transactions that management has not previously identified or disclosed to the practitioner.

133. CSRE 2400.50 requires the practitioner, if they identify significant transactions outside the entity's normal course of business in the course of performing the review, to inquire of management about the nature of those transactions, whether related parties could be involved, and the business rationale, or lack thereof, of those transactions.
134. CSRE 2400.51 requires the practitioner, when there is an indication that fraud or non-compliance with laws and regulations, or suspected fraud or non-compliance with laws and regulations, has occurred in the entity, to execute four distinct steps.
135. CSRE 2400.52 requires the practitioner to consider the entity's ability to continue as a going concern. In considering management's assessment of the entity's ability to continue as a going concern, the practitioner shall cover the same period as that used by management to make its assessment as required by the applicable financial reporting framework, or by law or regulation where a longer period is specified.
136. CSRE 2400.53 requires the practitioner, if during the performance of the review, they become aware of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, to undertake three distinct procedures to determine whether a material uncertainty exists.
137. There was no documentation of Edgecombe's assessment of related parties, fraud and non-compliance with laws and regulations, and going concern.

r. He failed to document the accumulation of misstatements identified during the review to determine if the aggregate misstatements were material to the financial statements. There were misstatements identified in Balance Sheet items "Cash 514,659" and "Accounts payable 442,272;"



138. CSRE 2400.58 requires the practitioner to communicate with the appropriate level of management on a timely basis, all misstatements accumulated during the review and request management to correct those misstatements.
139. 'Cash' was overstated, the balance per working paper A.1-2 bank reconciliation (page 3) was \$439,624.86 and the balance per the cash lead sheet was \$445,968.11. The difference was not accumulated on the listing of identified misstatements to determine if the aggregate misstatements were material to the financial statements, as required.
140. 'Accounts payable and accrued liabilities' was overstated, the balance per working paper BB.3-1 Accrued vacation payable – NEBS was \$67,447.09 and the balance per the accounts payable and accrued liabilities lead sheet was \$74,382.80. The difference was not accumulated on the listing of identified misstatements to determine if the aggregate misstatements were material to the financial statements.

s. He failed to document his assessment of subsequent events that may require adjustment of the financial statements;

141. CSRE 2400.60 requires the practitioner to assess whether events occurring between the date of the financial statements and the date of the practitioner's report require adjustment of, or disclosure in, the financial statements and to request management to correct those misstatements.
142. There was no assessment of subsequent events that may require adjustment of the financial statements. The subsequent events checklist was not completed.

t. He failed to evaluate whether sufficient appropriate evidence was obtained through the inquiry and analytical procedures performed and he failed to document the basis of his conclusion on the financial statements; and



143. CSRE 2400.74 requires the practitioner to evaluate whether sufficient appropriate evidence has been obtained from the procedures performed and, if not, the practitioner shall perform other procedures judged by the practitioner to be necessary in the circumstances to be able to form a conclusion on the financial statements.
144. CSRE 2400.76 requires the practitioner to form a conclusion on whether anything has come to their attention that causes them to believe that the financial statements are not prepared, in all material respects, in accordance with the applicable financial reporting framework.
145. CSRE 2400.77 requires the practitioner, in forming their conclusions regarding the financial statements to determine whether limited assurance has been obtained that the financial statements as a whole are free from material misstatement by evaluating five specific elements.
146. There was no evaluation of whether sufficient appropriate evidence was obtained from the procedures performed nor any documentation on Edgecombe's conclusion on the financial statements. The completion checklist was not completed.

u. He failed to document evidence of his review of the working papers.

147. CSRE 2400.105(b) requires the practitioner, when documenting the nature, timing and extent of procedures as required to record who performed the work and the date such work was completed and who reviewed the work performed for the purpose of quality management for the engagement, and the date and extent of the review.
148. Of the working papers that were signed off, 41 out of 88 were signed off by only one individual, indicating a lack of review.



Allegation 6: Gary Edgecombe, in or about the period March 1, 2022 to August 31, 2022, as engagement partner for the review of the financial statements of AG, for the year ended March 31, 2022, failed to perform his professional services in accordance with generally accepted standards of practice of the profession, contrary to Rule 206.1 of the Code, in that:

149. The financial statements for AG for the year ended March 31, 2022 (**Doc 3**) together with the Independent Practitioner's Review Engagement Report is dated August 2, 2022. The financial statements were prepared using Canadian accounting standards for not-for-profit organizations. Edgecombe did not determine materiality for the financial statements. AG is an incorporated association of member charities and not-for-profit organizations whose purpose is to distribute E-gaming funds coming from Ontario Lottery and Gaming and required reviewed financial statements for its members.

150. JS, a non-designated HJAPC employee prepared the file, Jakubos reviewed the file and Edgecombe purportedly performed a second review of the file.

a. He failed to take responsibility for the overall quality of the review engagement and for the direction, supervision, planning and performance of the review engagement in compliance with professional standards and applicable legal and regulatory requirements;

151. CAS 2400.23 (a) and (b) require the practitioner to take overall responsibility for:

- a. Managing and achieving quality on each review engagement to which that partner is assigned and being sufficiently and appropriately involved throughout the engagement; and
- b. The direction, supervision, planning and performance of the review engagement in compliance with professional standards and applicable legal and regulatory requirements.



152. The engagement list provided to SE and the Investigators did not include this file. Edgecombe considered this engagement to be exclusively Jakubos' notwithstanding that he is HJAPC's sole PAL holder.

153. The CaseWare file for this engagement did not contain any documentation demonstrating that Edgecombe reviewed the file.

154. In response to the Investigators' request for any documentation that indicated that he reviewed the AG 2022 file, Edgecombe provided a copy of draft financial statements of AG 2022.

b. He failed to present Statement of Financial Position item "Net Assets 16,626" as restricted or unrestricted;

155. CPAH 4400.19 requires the practitioner to ensure that the statement of financial position details the classification of net assets.

156. 'Net assets' on the Statement of Financial Position did not but should have presented the balance as unrestricted or restricted.

c. He failed to correctly present a "Distribution to Association Members (374,316)" as an 'Expense' on the Statement of Revenues and Expenditures;

157. CPAH 1000.33 requires the practitioner to appropriately identify expenses.

158. The Statement of Changes in Net Assets recognized 'Distribution to association members' as a reduction of 'Net assets' when it should have been recognized as an 'Expense' on the Statement of Revenues and Expenditures.

d. He failed to document his acceptance and continuance of client relationship;



159. CSRE 2400.27 requires the practitioner to review and confirm factors affecting their acceptance and continuance of the engagement.

160. None of the working paper checklists for client continuance, planning, performing procedures, evaluating evidence, forming a conclusion, and issuing the report were prepared.

e. He failed to determine materiality;

161. CSRE 2400.41 requires the practitioner to determine materiality for the financial statements as a whole and apply this materiality in designing the procedures and in evaluating the results obtained from those procedures.

162. Edgecombe failed to determine materiality.

f. He failed to form an understanding of the entity and its environment, and the applicable financial reporting framework;

163. CSRE 2400.43 requires the practitioner to obtain an understanding of the entity and its environment, the applicable financial reporting framework to identify areas in the financial statements where material misstatements are likely to arise and to provide a basis for designing procedures to address those areas.

164. CSRE 2400.44 lists the four areas of the entity the practitioner is required to understand.

165. The relevant document or checklist was not prepared.

g. He failed to identify areas in the financial statements where material misstatements are likely to arise;



166. CSRE 2400.45 requires the practitioner to identify areas in the financial statements where material misstatements are likely to arise.

167. The relevant document or checklist was not prepared.

h. He failed to design and perform inquiry and analytical procedures;

168. CSRE 2400.46 requires the practitioner to design and perform inquiry and analytical procedures to address all material items in the financial statements, including disclosures and to focus on addressing areas in the financial statements where material misstatements are likely to arise in order to obtain sufficient appropriate evidence as the basis for a conclusion on the financial statements as a whole.

169. The relevant document or checklist was not prepared.

i. He failed to perform inquiries of management;

170. CSRE 2400.47 requires the practitioner to make and document inquiries of management and others within the entity, regarding nine areas of inquiry.

171. The relevant document or checklist was not prepared.

j. He failed to document whether there was an indication that fraud and non-compliance with laws and regulations had occurred in the entity;

172. CSRE 2400.51 requires the practitioner to assess and document whether there is an indication that fraud or non-compliance with laws and regulations, or suspected fraud or non-compliance with laws and regulations, has occurred in the entity and, if so, to complete four specific steps.

173. The relevant document or checklist was not prepared.



k. He failed to form conclusions of AG as a going concern;

174. CSRE 2400.52 requires the practitioner to consider and document the entity's ability to continue as a going concern.

175. The relevant document or checklist was not prepared.

l. He failed to document his assessment of subsequent events that may require adjustment of the financial statements;

176. CSRE 2400.60 requires the practitioner to consider and document the entity's ability to continue as a going concern.

177. The relevant document or checklist was not prepared.

m. He failed to evaluate the evidence obtained from the procedures performed;

178. CSRE 2400.74 requires the practitioner to evaluate whether sufficient appropriate evidence has been obtained from the procedures performed and, if not, the practitioner shall perform other procedures they feel are necessary in the circumstances to be able to form a conclusion on the financial statements.

179. The relevant document or checklist was not prepared.

n. He failed to form a conclusion on the financial statements; and

180. CSRE 2400.76 requires the practitioner to form a conclusion on whether anything has come to the practitioner's attention that causes the practitioner to believe that the financial statements are not prepared, in all material respects, in accordance with the applicable financial reporting framework.



181. CSRE 2400.77 requires the practitioner, in forming their conclusion under .76, to evaluate five specific elements.

182. The relevant document or checklist was not prepared.

o. He failed to document evidence of his review of any of the working papers.

183. CSRE 2400.105 (b) requires the practitioner, in documenting the nature, timing and extent of procedures performed, to record who performed the work and the date such work was completed and who reviewed the work performed for the purpose of quality management for the engagement, and the date and extent of the review.

184. None of the working papers were documented as being reviewed by Edgecombe, as evidenced by the lack of 'reviewed by' role completion sign-off. When asked about this, Edgecombe stated that he reviewed the file, and he did not know why his sign-offs were not included.

185. In response to the Investigators' request for any documentation that indicated that he reviewed the AG 2022 file, Edgecombe provided a copy of draft financial statements of AG 2022. No evidence of review of the working papers was provided.

Allegation 7: Gary Edgecombe, in or about the period July 1, 2021 to October 31, 2021, as engagement partner for the review of the financial statements of 108OI for the year ended July 31, 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 Code, in that:

186. The financial statements for 108OI for the year ended July 31, 2021 (**Doc 5**) together with the Independent Practitioner's Review Engagement Report is dated October 27, 2021. The financial statements were prepared using ASPE. Edgecombe determined materiality to be \$30,000. 108OI's principal business activity is the provision of facility maintenance and support services and required reviewed financial



statements for its bank.

187. Edgecombe prepared the file and Jakubos reviewed the file.

a. He failed to disclose the redemption value of the Balance Sheet item "Share Capital 480,084;"

188. CPAH 3240.20 requires the practitioner to disclose six specific details of the entity's issued share capital.

189. The redemption value of the 'Special shares', part of 'Share capital' on the Balance Sheet, was not but should have been disclosed.

b. He failed to disclose in the Statement of Cash Flows item "Cash (Deficiency) – End of Year 145,498" the composition of the cash deficiency;

190. CPAH 1540.43 requires the practitioner to disclose the entity's adopted policy in determining the composition of cash and cash equivalents and present a reconciliation of the amounts presented in its cash flow statement with the equivalent items presented in the balance sheet.

191. The 'Statement of Cash Flows' did not but should have disclosed the composition of the cash deficiency.

c. He failed to disclose the nature of the transactions and the measurement basis followed to support Statement of Income 'Expense' item "Rent 34,869" paid to a related party;

192. CPAH 3840.51 requires the practitioner to disclose seven specific elements of an entity's transactions with related parties.



193. 'Rental expense' was paid to a related party. The financial statements did not but should have disclosed the nature of the transactions and the accounting policy followed with respect to such transactions.

d. He failed to document his evaluation of whether circumstances required the terms of the engagement to be revised;

194. CSRE 2400.36 requires the practitioner to evaluate and document whether circumstances, including changes in the engagement acceptance considerations, require the terms of engagement to be revised and whether there is a need to remind management or those charged with governance, as appropriate, of the existing terms of engagement.

195. The engagement letter was signed during the previous year end engagement. There was no documentation of the member's evaluation of whether circumstances require the terms of the engagement to be revised.

e. He failed to document his understanding of the entity's accounting systems and accounting records for payroll transactions;

196. CSRE 2400.44(c) requires the practitioner to obtain and document an understanding of the entity's accounting systems and accounting records.

197. The understanding of the entity's accounting systems and accounting records was not but should have been documented for payroll transactions. The checklist only noted "payroll service is used". This documentation was not sufficient.

f. He failed to perform adequate inquiry and analysis to support Balance Sheet item "Accounts payable 158,791;"

198. CSRE 2400.46 requires the practitioner to design and perform inquiry and analytical procedures to address all material items in the financial statements,



including disclosures and to focus on areas in the financial statements where material misstatements are likely to arise, to obtain sufficient appropriate evidence as the basis for a conclusion on the financial statements as a whole.

199. Edgecombe did not document sufficient appropriate evidence with respect to 'Accounts payable and accrued liabilities.' The balance decreased from the prior year by \$199,848, a material amount. There was no documentation of inquiry or analytical procedures on accrued liabilities which composed \$123,800 of the \$158,791 balance.

g. He failed to document inquiries of management and others within the entity regarding: related party transactions, subsequent events, going concern, and commitments, obligations or contingencies; and

200. CSRE 2400.47 requires the practitioner to undertake inquiries of management and others within the entity, regarding nine specific areas of inquiry.
201. There was no documentation of inquiries of management and others within the entity for the following items: related party transactions, subsequent events, going concern, and commitments, obligations, or contingencies. When asked about this, Edgecombe stated that he discussed these items with the client but did not document it.

h. He failed, on or before the date of the Independent Review Engagement Report, to satisfy himself, through a review of the documentation, that sufficient appropriate inquiry and analytical procedures had been conducted to support the conclusions reached and the review report to be issued.

202. CSRE 2400.103 requires the practitioner to date the report no earlier than the date on which the practitioner has obtained sufficient appropriate evidence as the basis for the practitioner's conclusion on the financial statements, including being satisfied that all the statements that comprise the financial statements under the applicable financial reporting framework, including the related notes where applicable,



have been prepared, and those with the recognized authority have asserted that they have taken responsibility for those financial statements.

203. CSRE 2400.104 requires the practitioner to document specific aspects of the engagement in a timely manner, sufficient to enable an experienced practitioner, having no previous connection with the engagement, to understand what took place.

204. CSRE 2400.105 requires the practitioner, in documenting the nature, timing and extent of procedures performed, to document Who performed the work and the date such work was completed and Who reviewed the work performed for the purpose of quality management for the engagement, and the date and extent of the review.

205. The review report was dated October 27, 2021. It should have been dated no earlier than the date on which Edgecombe had obtained sufficient appropriate evidence as a basis for the conclusion on the financial statements, including the review of the working paper file. The history of the document properties for all documents in the file show that they were reviewed by Jakubos in January 2022.

Allegation 8: Gary Edgecombe, in or about the period July 1, 2021 to October 31, 2021, as the licenced public accountant of HJAPC and its sole qualified assurance engagement partner, failed to perform his professional services in accordance with generally accepted standards of practice for the profession, contrary to Rule 206.1 of the Code in that HJAPC's Quality Assurance Manual (QAM) was not adhered to as follows:

206. HJ Advisors uses a "Sample Policies for Small to Medium Size Firm" version of the Quality Assurance Manual issued by CPA Canada as the basis for its QAM. The manual is dated September 2021.

207. During the investigation Edgecombe declined to answer questions regarding Quality control, stating he had not accessed the QAM in the last two years and was not sure who in the firm had it.



- a. **He failed to complete an assessment of whether the criteria requiring the performance of an engagement quality control review were met for any of his review engagements;**

208. CSQC 1.35 requires the practitioner to apply firm policies regarding engagement quality control and criteria against which all assurance engagements are to be evaluated to determine whether an engagement quality control review should be performed.

209. The QAM sets out the criteria for which an engagement quality control review should be performed. Appendix L to the QAM is a File Quality Review Risk Tolerance Worksheet, but it was not included in any of the files under review.

- b. **He failed to comply with the QAM policy to complete the assembly of final engagement files within 45 days of the engagement reports being finalized on review of the financial statements of: 108OI, for the year ended July 31, 2020; SSI, for the year ended June 30, 2020; TT, for the year ended December 31, 2020; and AG for the year ended March 31, 2022;**

210. CSQC 1.45 requires the practitioner to apply firm policies and procedures for engagement teams to complete the assembly of final engagement files on a timely basis after the engagement reports have been finalized.

211. The QAM policy for engagement teams is to complete the assembly of final engagement files within 45 days of the engagement reports being finalized. Of the five files subject to investigation, only 108OI 2021 met the 45-day policy.

- c. **He failed to comply with the QAM policy for cyclical file inspection of completed review engagement files.**

212. CSQC 1.48 requires the practitioner to apply the firm's file monitoring process designed to provide it with reasonable assurance that the policies and procedures relating to the system of quality control are relevant, adequate, and operating



effectively.

213. The QAM policy requires a cyclical file inspection of completed engagement files to be performed once every three years starting in 2021 but there was no inspection done in 2021.

Acknowledgement

214. Edgecombe admits that he failed to co-operate with the regulatory processes of CPA Ontario in accordance with Rule 104 of the Code.
215. Edgecombe admits that he failed to perform his professional work in accordance with generally accepted standards of the profession, contrary to Code Rules 202, 206.1 and the QAM.
216. Edgecombe admits that, while acting as the engagement partner for the following engagements:
- a. The review of the financial statements of 108OI for the year ended July 31, 2020 (**Doc 2**);
 - b. The review of the financial statements of 108OI for the year ended July 31, 2021; (**Doc 3**); and
 - c. The review of the financial statements of TT for the year ended December 31, 2020 (**Doc 4**).

he failed to perform his professional services in accordance with generally accepted standards of practice for the profession, including the recommendations set out in the CPA Canada Handbook, in the manner described above, contrary to Rule 206.1 of the Code.

Mitigating Factors

217. There are several mitigating factors applicable:



- a. Edgecombe has no prior discipline record with CPA Ontario throughout his 32-year career as a CA, CPA;
- b. In arriving at this Agreement, Edgecombe has saved the PCC and the Discipline Committee the time and expense of a lengthy hearing;
- c. Edgecombe is close to retirement and the impact of the fees and penalties outlined below will impose significant financial hardship on him, given the small size of his practice;
- d. The misconduct detailed herein did not result in any demonstrable financial or other harm to the stakeholders or the general public.

Terms of Settlement

218. Edgecombe and the PCC agree to the following Terms of Settlement:

- a. Edgecombe shall pay a fine of \$15,000 to CPA Ontario;
- b. Edgecombe's practice shall be restricted by prohibiting him from carrying out any assurance engagements;
- c. Edgecombe shall immediately and irrevocably surrender, and not seek any renewal of, his Public Accounting Licence to CPA Ontario at the time he executes this Agreement;
- d. Edgecombe's CPA Ontario membership shall be suspended for four months, commencing the fifth month following the Discipline Committee's approval of this Agreement;
- e. Notice of the Terms of this Settlement is to be published in the manner set out in CPA Ontario Regulation 6-2 sections 45, 50 and 52 with notice to be given to all members of CPA Ontario, the Public Accounting Standards Committee, and all provincial CPA Bodies;
- f. Notice of Edgecombe's restriction from assurance practice and suspension of his CPA Ontario membership shall be published in the Toronto Star newspaper



circulated in the geographic area of his practice, with all related costs borne by Edgecombe;

- g. Edgecombe shall pay costs in the amount of \$ 47,000 to CPA Ontario;
- h. Edgecombe will be allowed 24 months from the time the Discipline Committee accepts this Agreement to pay the fine and costs referred to herein; and
- i. A failure by Edgecombe to comply with any of these Terms of Settlement will result in the immediate suspension of his CPA Ontario membership until he complies, if his suspension under this section exceeds 30 days his membership in CPA Ontario will be revoked forthwith without further notice to him.

219. The PCC and Edgecombe expressly consent to and authorize the Registrar to take any actions associated with Edgecombe 's membership in CPA Ontario as prescribed and agreed to herein.

220. The PCC and Edgecombe expressly authorize and consent to CPA Ontario providing notice of the terms of this Agreement to all CPA Ontario members and all provincial CPA Bodies.

221. Should the Discipline Committee accept this Agreement, Edgecombe agrees to and hereby waives his right to a full hearing, judicial review or appeal of the matter subject to the Agreement. Upon Edgecombe 's fulfillment of the requirements of this Agreement, the Allegations filed with the Discipline Committee, dated March 23, 2023, shall be withdrawn.

222. If for any reason this Agreement is not approved by the Discipline Committee, then:

- a. The terms of this Agreement, including all settlement negotiations between the PCC and Edgecombe leading up to its presentation to the Discipline Committee, shall be without prejudice to the PCC and Edgecombe; and
- b. The PCC and Edgecombe 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 Agreement or the settlement negotiations.

Disclosure of Agreement and Independent Legal Advice

223. This Agreement and its terms will be treated as confidential by the PCC and Edgecombe, until approved by the Discipline Committee, and forever if for any reason whatsoever this Agreement is not approved by the Discipline Committee, except with the written consent of the PCC and Edgecombe, or, as may be required by law.

224. Any obligations of confidentiality shall terminate upon approval of the Agreement by the Discipline Committee.

225. Edgecombe agrees and confirms that he has been assisted by independent legal counsel in negotiating and entering this Agreement.

All of which is agreed to for the purpose of this proceeding alone this 20th day of July 2023.

A handwritten signature in blue ink that reads "Kelvin Kucey".

Kelvin Kucey, J.D.
On behalf of
the Professional Conduct Committee

DocuSigned by:

A handwritten signature in blue ink that reads "Gary Edgecombe".

A08F3E49918D461...
Gary Edgecombe, CPA ,CA
on his own behalf