



CHARTERED PROFESSIONAL ACCOUNTANTS OF ONTARIO

CHARTERED PROFESSIONAL ACCOUNTANTS OF ONTARIO ACT, 2017

TO: Steve Kostich, CPA, CA

AND TO: The Discipline Committee of CPA Ontario

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

1. THAT the said Steve Kostich, in or about the period November 1, 2015 through April 30, 2016, 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, 2015 ("the 2015 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 2015 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 management representation letter for the audit of B. Limited's financial statements signed by each of those charged with governance;
 - i) He failed to properly consider the design and implementation of internal controls relevant to the 2015 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) 628,852,249 "Contract costs (Note 4) 607,716,091" and "Gross profit 21,136,158";
 - m) He failed to obtain sufficient appropriate audit evidence to support the combined consolidated balance sheet item "Marketable securities (Note 3 12,764,077";
 - 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) 308,041" as a current asset.
2. THAT the said Steve Kostich, in or about the period November 1, 2016 through August 31, 2017, 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, 2016 ("the 2016 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 2016 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 make sufficient and appropriate enquiries of management and those charged with governance;
- f) He failed to adequately communicate with those charged with governance;
- g) He failed to properly consider the design and implementation of internal controls relevant to the 2016 Audits;
- h) 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;
- i) He failed to obtain sufficient appropriate audit evidence with respect to related parties;
- j) He failed to obtain sufficient appropriate audit evidence to support the combined consolidated statement of earnings and retained earnings items: "Contract revenue (Note 4) 668,791,733", "Contract costs (Note 4) 643,112,769" and "Gross profit 25,678,964";
- k) He failed to obtain sufficient appropriate audit evidence to support the combined consolidated balance sheet item "Marketable securities (Note 3 10,812,232)";
- l) 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;
- m) He failed to obtain sufficient appropriate audit evidence to support the presentation of the combined consolidated balance sheet item "Investment in partnership (note 4) 926,600" as a current asset.

Dated at Caledon this 8th day of August 2022



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