

CHARTERED PROFESSIONAL ACCOUNTANTS OF ONTARIO

THE CHARTERED PROFESSIONAL ACCOUNTANTS OF ONTARIO ACT, 2017

IN THE MATTER OF: ALLEGATIONS OF PROFESSIONAL MISCONDUCT
AGAINST **GARY J. WESTFALL, 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

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Introduction

1. The Professional Conduct Committee (PCC) approved draft Allegations of Professional Misconduct (Allegations) against Gary J. Westfall, CPA, CA (Westfall) the particulars of which are set out below. The documents referred to in this Settlement Agreement (Agreement) are found in the Document Brief. The applicable CPA Handbook sections are found in the Standards Brief.

2. The Allegations **[Doc 1]** pertain to Westfall's failure to perform his professional work in accordance with generally accepted standards of the profession, contrary to Rule 206.1 of the Chartered Professional Accountants of Ontario Code of Professional Conduct (Code), with respect to the following engagements:
 - (a) The review of the financial statements of "LBCI" for the year ended July 31, 2019; **[Doc 2]**
 - (b) The audit of the financial statements of "DRHP" for the year ended March 31, 2020; **[Doc 3]**
 - (c) The audit of the financial statements of "MFRC" for the year ended December 31, 2020; **[Doc 4]**
 - (d) The review of the financial statements of "SWOBA" for the year ended December 31, 2020. **[Doc 5]**
 - (e) The audit of the financial statements of "DRHP" for the year ended March 31, 2022; **[Doc 6]**
 - (f) The review of the financial statements of "OU166" for the year ended August 31, 2022; **[Doc 7]**

3. The PCC and Westfall 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 Westfall 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

4. Westfall obtained his Chartered Accountant designation in 1971 and his Public Accounting License in 1978. He currently practices accounting as Gary J. Westfall CPA. He maintains a current PAL, firm registration and liability insurance.
5. As of September 2023, Westfall's professional practice consisted of five audit clients and 7 review clients. He has no compilation engagements and provides no tax services. He estimated his annual revenue from these engagements in 2022 at \$25,000. He operates out of his home, and he has no staff for his engagements.
6. Westfall uses Excel to document the procedures he follows for the audits and reviews. He prints out the applicable pages from Excel and binds them in a folder, along with other documents, such as the engagement letter, client's communications and copies of relevant third-party documentation.

The Complaint

7. On November 26, 2021, the Practice Inspection Committee (PIC) advised the Standards Enforcement Branch of CPA Ontario that following a reinspection of Westfall's practice, it concluded that his failure to maintain professional standards was sufficiently serious to reflect adversely upon his professional competence.
8. The PIC also provided a detailed listing of reportable deficiencies with respect to the review of "LBCI" for the year ended July 31, 2019, the audit of "DRHP" for the year ended March 31, 2020, the audit of the financial statements of "MFRC" for the year ended December 31, 2020, and the review of the financial statements of "SWOBA" for the year ended December 31, 2020, that are subject of the Allegations.

9. On May 26, 2023, the PCC appointed Jennifer Fisher, FCPA, FCA, (Investigator) to investigate Westfall's standards of practice and the circumstances surrounding the complaint.
10. As part of her investigation, the Investigator reviewed Westfall's standards of practice in relation to the four engagements in which deficiencies were identified by the PIC inspection and two additional assurance engagement files: audit of the financial statements of "DRHP" for the year ended March 31, 2022, and review of the financial statements of "OU166" for the year ended August 31, 2022. The Investigator released her report on September 24, 2023.

Failure to Maintain Professional Standards

11. Westfall and the PCC agree that Westfall failed to perform his professional services in accordance with generally accepted standards of practice of the profession as described below.
12. Westfall admits that the Allegations, set out below, accurately particularize his failure to perform his professional services in accordance with generally accepted standards of practice of the profession.

Generally Accepted Auditing Standards

13. The auditing standards applicable to the three audits detailed above are described by generally accepted auditing standards (GAAS) specifically the Canadian Auditing Standards (CAS). During 2019-2023, GAAS was published in the Assurance section of the CPA Canada Handbook.
14. GAAS requires auditors to obtain reasonable assurance that an entity's audited financial statements are free from material misstatement, whether due to fraud or error. Reasonable assurance is a high, but not absolute, level of assurance that reduces to an acceptably low level, the risk of incorrectly opining on misstated financial statements.

15. To obtain reasonable assurance, GAAS sets out various standards to be met, requirements to be fulfilled and steps to be taken. They include obtaining sufficient appropriate audit evidence while exercising professional skepticism, as well as completing Engagement Quality Control Reviews (EQCR) as required by GAAS.
16. CAS 200 “Overall objectives of the independent auditor and the conduct of an audit in accordance with Canadian Auditing Standards” describes the sufficiency and appropriateness of audit evidence as being interrelated, as follows:

A31. Audit evidence is necessary to support the auditor’s opinion and report. It is cumulative in nature and is primarily obtained from audit procedures performed during the course of the audit. It may, however, also include information obtained from other sources such as previous audits (provided the auditor has determined whether changes have occurred since the previous audit that may affect its relevance to the current audit) or through the information obtained by the firm in the acceptance or continuance of the client relationship or engagement. In addition to other sources inside and outside the entity, the entity’s accounting records are an important source of audit evidence. Also, information that may be used as audit evidence may have been prepared by an expert employed or engaged by the entity. Audit evidence comprises both information that supports and corroborates management’s assertions, and any information that contradicts such assertions. In addition, some cases, the absence of information (for example, management’s refusal to provide a requested representation) is used by the auditor and therefore, also constitutes audit evidence. Most of the auditor’s work in forming the auditor’s opinion consists of obtaining and evaluating audit evidence.

A32. The sufficiency and appropriateness of audit evidence are interrelated. Sufficiency is the measure of the quantity of audit evidence. The quantity of audit evidence needed is affected by the auditor’s assessment of the risks of misstatement (the higher the assessed risks, the more audit evidence is likely to be required) and also by the quality of such audit evidence (the higher the quality, the less may be required). Obtaining more audit evidence, however, may not compensate for its poor quality.

- A33. Appropriateness is the measure of the quality of audit evidence; that is, its relevance and its reliability in providing support for the conclusions on which the auditor's opinion is based. The reliability of evidence is influenced by its source and by its nature and is dependent on the individual circumstances under which it is obtained.
17. Further, GAAS requires auditors to plan and perform their audits using professional skepticism, recognizing that circumstances may exist that cause the financial statements to be materially misstated. Professional skepticism requires a questioning attitude which is alert to conditions which may indicate a possible misstatement due to error or fraud. Professional skepticism requires an auditor to conduct a critical assessment of the audit evidence.
18. Pursuant to CAS 200.18-23, compliance with CAS is not optional.

Generally Accepted Standards for Review Engagements

19. The standards applicable to the review engagements 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 the practitioner's attention that causes the practitioner 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 sets out the standards 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 skepticism.

22. Further, the generally accepted standard for review engagements requires practitioners to plan and perform the review engagement with professional skepticism, recognizing that circumstances may exist that cause the financial statements to be materially misstated. Professional skepticism requires a questioning attitude which is alert to conditions which may indicate a possible misstatement due to error or fraud. Professional skepticism 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 – LBCI

THAT the said Gary Westfall in or about the period of July 1, 2019 to September 30, 2019, while engaged to perform a review of the financial statements of “LBCI” for the year ended July 31, 2019, 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:

24. The Review Engagement Report was dated September 21, 2019. The financial statements were prepared using Canadian Accounting Standards for Not-for-Profit Organizations (“ASNPO”).

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

25. Canadian Standard on Review Engagements (“CSRE”) 2400.45 requires the practitioner, based on the practitioner’s understanding, to identify areas in the financial statements where material misstatements are likely to arise. CSRE 2400.104 requires the practitioner to document evidence that the review was performed in accordance with this CSRE sufficient to enable an experienced practitioner, having no previous

connection with the engagement, to understand the nature, timing and extent of the procedures performed and the results obtained from the procedures to comply with this CSRE and applicable legal and regulatory requirements.

26. Westfall did not document the areas in the financial statements where material misstatements are likely to arise.

b. He failed to design and perform inquiry and analytical procedures to focus on addressing areas in the financial statements where material misstatements are likely to arise, namely:

27. 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. CSRE 2400.104 requires the practitioner to document evidence that the review was performed in accordance with this CSRE sufficient to enable an experienced practitioner, having no previous connection with the engagement, to understand the nature, timing and extent of the procedures performed and the results obtained from the procedures to comply with this CSRE and applicable legal and regulatory requirements.

28. Westfall did not sufficiently document the inquiry and analytical procedures performed on the following areas where material misstatements are likely to arise.

(i) Statement of Financial Position item “Accounts payable 2,515”;

29. With respect to accounts payable, Westfall advised the Investigator that he discussed the accounts payable list with the bookkeeper, and it appeared to be reasonable. This task was not documented on the working papers. The search for unrecorded liabilities was not documented in the working papers, to ensure an appropriate cutoff of payables. The working papers for accounts payable consisted of two pages with

the items included in the balance, but no documentation of the procedures to review the amount;

(ii) Statement of Revenue and Expenses and Net Assets item “Game fees 121,541”

30. The working paper for the sales was a printout of the general ledger detail with a mark beside certain entries dated June 25, 2019 to July 31, 2019 for Game Fees, Special Events and Lesson Revenue. Westfall indicated to the Investigator that, for one month, he posted all the entries from the Cash Summary Sheets. However, this procedure was not detailed on the working papers;

(iii) Statement of Revenue and Expenses and Net Assets item “Expenses 122,338”;

31. The working papers did not include documentation for any of the expenses, except the calculations for amortization of property, plant and equipment.

(iv) Statement of Financial Position item “Deferred revenue 1,580”;

32. With respect to deferred revenue, the working paper for this material balance was a listing of the two items making up the balance, but no documentation as to the review procedures completed.

c. He failed to document inquiries of management as appropriate to the review engagement;

33. CSRE 2400.47 requires the practitioner's inquiries of management and others within the entity, as appropriate, to include the prescribed list of items. CSRE 2400.104 requires the practitioner to document evidence that the review was performed in accordance with this CSRE sufficient to enable an experienced practitioner, having no previous connection with the engagement, to understand the nature, timing and extent of the procedures performed and the results from the procedures to comply with this CSRE and applicable legal and regulatory requirements.

34. The working papers did not include documentation of inquiries of management relating to information pertinent to the review engagement. Included in the working papers was a copy of the minutes of the Board of Directors meeting on July 17, 2019. Westfall stated that he included just this one set of meeting minutes because it was the last meeting of the year, but he saw the rest of the minutes. On the available set of the minutes, there was no notation as to the identification of relevant areas for the review and how these areas impacted the work performed by Westfall.

d. He failed to disclose separately on the face of the income statement or in the notes to the financial statements the amount charged for amortization of property, plant and equipment

35. CPA Canada Handbook ("CPAH") 1520 establishes the line items to be separately presented in the income statement. CPAH 1520.04(d), requires the amount charged for amortization of property, plant and equipment to be separately presented in the income statement or disclosed in the notes to the financial statements.

36. At the bottom of the page for the Statement of Income, Facilities and Equipment was referenced to "rent, amortization, security, insurance, cleaning, utilities" The amount of the amortization expense was not disclosed.

e. He failed to disclose the policy in determining the composition of cash and cash equivalents for report on the Statement of Cash Flows;

37. CPAH 1540.43 requires an enterprise to disclose the policy that it adopts 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.

38. The accounting policies reported in the notes to the financial statements did not include the accounting policy for the determination of the composition of cash and cash equivalents for reporting on the Statement of Cash Flows.

f. He failed to disclose significant risks arising from financial instruments including the exposure to risk and how they arise;

39. CPAH 3856.53 requires an enterprise to disclose, for each significant risk arising from financial instruments, the exposures to risk and how they arise and any change in risk exposures from the previous period.

40. The financial statements did not provide such disclosure.

g. He failed to disclose relevant enterprise-specific information to enable users of the financial statements to evaluate the significance of financial instruments to its financial position and performance;

41. CPAH 3856.37 requires an enterprise to disclose relevant enterprise specific information that enables users of its financial statement to evaluate the significance of financial instruments to its financial position and performance.

42. The financial statements did not include disclosure of financial instruments and how they are reported on the financial statements.

h. He failed to obtain written representations from management with respect to approval of adjusting journal entries;

43. CSRE 2400.70 requires the practitioner to request a written representation of management about whether they believe the effects of uncorrected misstatements are immaterial, individually or in the aggregate, to the financial statements as a whole. CSRE 2400.70 further requires a summary of such items shall be included in or attached to the written representation.

44. The client letter of representation did not include references to the approval of adjusting journal entries made by Westfall or any unadjusted differences. Westfall stated that there were no adjustments for this engagement, so there was no necessity

to include this in the letter. However, there were adjusting entries prepared and recorded by Westfall in preparing the financial statements.

i. He failed to ensure that that the amount report as “Cash 43,063” agreed with the amount reported on the Statement of Financial Position;

45. CSRE 2400.56 requires the practitioner to obtain evidence that the financial statements agree with, or reconcile to, the entity's underlying accounting records.

46. The working paper to support the Cash balance totaled \$43,270.69, which did not agree with the amount of \$43,063 reported on the Statement of Financial Position. A balance for “undeposited amounts” of \$626 was included in the amount reported as Cash, however there was no analysis of this amount.

j. He failed to document any review procedures relating to events occurring between the date of the financial statements and the date of the practitioner’s report.

47. CSRE 2400.47 requires the practitioner to make certain inquiries of management and others within the entity. CSRE 2400.47(e) requires the practitioner to make inquiries of events occurring between the date of the financial statements and the date of the practitioner's report.

48. The working papers did not document such a review for subsequent events that may require inclusion in the financial statements or impact on the review procedures.

Allegation 2 – DRHP (2020)

THAT the said Gary Westfall in or about the period of March 1, 2020 to September 30, 2020, while engaged to perform an audit of the financial statements of “DRHP” for the year ended March 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 CPA Code of Professional Conduct, in that:

49. The Independent Auditor's Report was dated August 27, 2020. The financial statements were prepared using ASNPO.

a. He failed to document audit procedures to test journal entries for unauthorized entries and for management override;

50. Canadian Auditing Standards ("CAS") 240.33(a) requires the auditor to design and perform audit procedures to test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements irrespective of the auditor's assessment of the risks of management override of controls. The auditor is required to select journal entries and other adjustments made at the end of reporting period and consider the need to test journal entries and other adjustments throughout the period.

51. Westfall did not document this procedure.

b. He failed to perform audit procedures to cover the period from the date of the financial statements to the date of the auditor's report to determine whether any subsequent events would result in an impact on the financial statements and/or the audit;

52. CAS 560.6 requires the auditor perform audit procedures designed to obtain sufficient appropriate audit evidence that all events occurring between the date of the financial statements and the date of the auditor's report that require adjustment of, or disclosure in, the financial statements have been identified. CAS 560.7 requires the auditor to perform those procedures so that they cover the period from the date of the financial statements to the date of the auditor's report, or as near as practicable thereto.

53. The working paper documentation did not identify the procedures followed to ensure that subsequent events were reviewed to determine whether any would result in an impact on the financial statements and/or the audit.

c. He failed to design and perform audit procedures that are appropriate in the circumstances for the purpose of obtaining sufficient appropriate

audit evidence to support the;

54. CAS 500.6 requires the auditor to design and perform audit procedures that are appropriate in the circumstances for the purpose of obtaining sufficient appropriate audit evidence. The following working papers did not provide sufficient appropriate audit evidence.

i. Statement of Financial Position item “Accounts payable and accrued liabilities 54,019”

55. The working papers for accounts payable did not provide sufficient appropriate audit evidence with respect to an allocation (\$6,715) for the next payroll after the year end; and an additional \$4,021.18 for accrued wages in that there is no documentation of the audit procedures completed. There is no reference to whether vacation accruals are outstanding. There is no amount recorded for accrued audit fees. Westfall stated that accrued vacation is never accrued – nobody thinks that is needed and that he doesn’t accrue for his audit fees.

ii. Statement of Financial Position item “Accounts receivable 36,963”

56. The working papers for accounts receivable included support for the City of Toronto PNA (personal needs amounts) for January to March 2020, including the remittance advice for payments after the year end. The working papers indicated that the October 2019 amount was not paid. Westfall stated that he didn’t know the reason for non-payment during the audit period but that it was eventually paid. The payment was not documented in the working papers. In addition, the working papers indicated an instalment for 2020 from York Region in the amount of \$14,068 along with a payment schedule. However, there was no support for the outstanding balance at the fiscal year end.

iii. Statement of Operations item “Expenses 1,727,334”

57. The working papers for expenses consisted of a two-page expense grouping schedule with comparatives for the prior year. While the audit procedures on payroll was documented, there was no documentation for the remaining expenses. Westfall stated that he “looked at all items over \$5,000 except utilities”. However, there was no documentation of audit work on the other expenses.

iv. Statement of Operations item “Revenue from Grants 1,764,246 and Donations and Fundraising 31,379”;

58. DRHP reported \$1,764,246 as grant revenue. The working papers did not provide support for the operating grant of \$1,243,570. Westfall stated that he “looks at deposits every month and at the contracts and they have to reconcile”. For the PNA with matching amounts, there was a reconciliation to the revenue and the expense in total in the general ledger balance, but no audit documentation that the amounts were paid appropriately. There was no documentation of audit procedures for donations and fundraising of \$31,378.

d. He failed to document analytical procedures performed near the end of the audit to assist in concluding whether the financial statements are consistent with the auditor’s understanding of the entity;

59. CAS 520.6 requires the auditor perform analytical procedures near the end of the audit that assist the auditor when forming an overall conclusion as to whether the financial statements are consistent with the auditor’s understanding of the entity.

60. Westfall did not document this analysis.

e. He failed to disclose in the financial statements the entity’s status as a registered charitable organization;

61. CPAH 4400.04 requires a clear and concise description of a not-for-profit organization's purpose, its intended community of service, its status under income tax legislation and its legal form to be included as an integral part of its financial

statements.”

62. DRHP’s status as a registered charity was not included in the financial statement disclosure.

f. He failed to adequately disclose the nature of the restricted and designated funds in the Statement of Financial Position;

63. CPAH 4400.06 requires an organization that uses fund accounting in its financial statements should provide a brief description of the purpose of each fund reported.

64. Note 5 to the financial statements “Restricted and Designated Funds” refers to a replacement reserve fund, but none appears on the Statement of Financial Position. On the Statement of Financial Position, there is a building fund – Changa House and a Capital fund – but neither are referred to in the note 5 for restricted and designated funds.

g. He failed to disclose the accounting policy in determining the composition of cash and cash equivalents in the Statement of Cash Flows;

65. CPAH 1540.43 requires an enterprise to disclose the policy that it adopts 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.

66. The accounting policies reported in the notes to the financial statements did not include the accounting policy for the determination of the composition of cash and cash equivalents for reporting on the Statement of Cash Flows.

h. He failed to properly disclose transfers between funds on the Statement of Changes in Net Assets;

67. CPAH 4400.17 states: “When an organization presents its financial statements using a multi-column format, interfund loans and advances would be presented in individual funds and eliminated in the totals column of the statement of financial position.

68. On the Statement of Changes in Net Assets, there are three items reported as transfer between funds. One transfer from the unrestricted fund to the capital fund is correctly reported. The other two amounts reported as transfers do not report a net transfer to \$nil. The amount reported as invested in property and equipment should be the amount reported as invested in property and equipment of \$36,833, which represents the net of the noncash items of capital grants taken into income and the amortization of property, plant and equipment. This should be reported as the offset to the transfer. For the Building Fund – Changa House, this is incorrectly reported as a Donation expense on the Statement of Operations. This should be reported instead as a transfer from the unrestricted cumulative excess of revenues over expenses on the Statement of Changes in Net Assets.

i. He failed to disclose the accounting policy for determining and reporting Short-Term Investments in the Statement of Financial Position;

69. CPAH 1540.43 requires an enterprise to disclose a clear and concise description of the significant accounting policies as an integral part of the financial statements .

70. Note 2 (significant accounting policies for Short-Term Investments) reports the details of the balances included in the amounts reported on the Statement of Financial Position. The entity’s accounting policy as to how the Short-Term Investments are measured at the balance sheet date was not reported.

j. He failed to agree the terms of the audit engagement with management or those charged with governance;

71. CAS 210.9 requires the auditor to agree the terms of the audit engagement with management or those charged with governance, as appropriate.
72. The engagement letter included in the working papers did not have a signature from the client to document its understanding of the terms of the engagement.

k. He failed to document the factors for determining of materiality;

73. CAS 320.10 requires the auditor to determine materiality for the financial statements as a whole. when establishing the overall audit strategy. CAS 320.14 requires the auditor to include in the audit documentation materiality and the factors considered in the determination of materiality for the financial statements as a whole.
74. In determining materiality Westfall reported the amount as $\frac{1}{2}$ of 1% of revenue = \$9,000. There was no documentation of qualitative factors to apply and/or applied in determining materiality, nor why $\frac{1}{2}$ of 1% was determined to be appropriate. In the letter dated July 27, 2020 to the Treasurer of the Board of Directors Westfall reports materiality to be \$11,000.

l. He failed to obtain sufficient appropriate audit evidence that the payroll service organization used is operating effectively and failed to obtain audit evidence about the operating effectiveness of the payroll service organization's controls;

75. CAS 402.16 requires the auditor to obtain audit evidence about the operating effectiveness of a service organization when the user auditor's risk assessment includes an expectation that controls at the service organization are operating effectively.
76. DRHP used a payroll service organization for the preparation of its payroll and remittances to CRA. Westfall was unaware of the requirements of CAS 402.16.

- m. He failed to ensure the accuracy of the reporting of a cheque that was issued after the year-end for the audit;**

77. CAS 450.5 requires the auditor to accumulate misstatements identified during the audit.

78. The financial statements included prepaid expenses in the amount of \$100,000 as “deposit to ‘NLP’”. The support for this prepaid expense was a cheque request made after the year end and dated June 18, 2020. This transaction occurred after the year end and should not have been recorded as an outstanding cheque or prepaid expense.

- n. He failed to document the assessment of the information in the minutes of the Board of Directors’ meeting in identifying the risk of material misstatement in the financial statements;**

79. CAS 315.A18 (archived CAS 315) requires the auditor, in identifying and assessing the risks of material misstatement, to include observation and inspection of reports prepared by management and those charged with governance.

80. The working papers include copies of the Board of Directors’ meeting minutes for the year and for two months after the year. There is no evidence on the copies of the minutes as to how this information was taken into account when designing and performing risk assessment procedures to assess the risk of material misstatement in the financial statements.

- o. He failed to carry out and document appropriate communication with those charged with governance his views about significant qualitative aspects of the entity's accounting practices, significant difficulties, if any, encountered during the audit, significant matters arising during the audit that were communicated with management, circumstances that affect the form and content of the auditor's report, if any, and any other significant matters arising during the audit.**

81. CAS 260.16 requires the auditor to communicate with those charged with governance the significant findings from the audit and the auditor's views about significant qualitative aspects of the entity's accounting practices, significant difficulties, if any, encountered during the audit, significant matters arising during the audit that were communicated with management, circumstances that affect the form and content of the auditor's report, if any, and any other significant matters arising during the audit.
82. Westfall provided a copy of a letter to the President of the Board of Directors referenced as "Management Letter". Westfall stated that this letter was the only communication regarding the audit findings and was required because the government (as one of the funders) wants one. The letter reports that "... [DRHP] does not have a strong system of internal controls... there were no indications of any weaknesses in internal control". This is inadequate reporting for the significant audit findings and is unclear as to the evaluation of the internal controls.

Allegation 3 – MFRC

THAT the said Gary Westfall in or about the period of December 1, 2020 to April 30, 2021, while engaged to perform an audit of the financial statements of "MFRC" 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 CPA Code of Professional Conduct, in that:

83. The Independent Auditor's Report was dated April 19, 2021. The financial statements were prepared using ASNPO.
- a. He failed to properly disclose the transfer between the unrestricted net assets and the restricted net assets;**
84. CPAH 4400.41(d) requires the statement of changes in net assets to present changes in the unrestricted net assets for the period.

85. The transfer of \$143,000 from the unrestricted net assets to the restricted assets was inappropriately reported as an expense on the Statement of Operations and not as a transfer of net assets.

b. He failed to design and perform audit procedures to test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements for unauthorized entries and for management override;

86. CAS 240.33 requires the auditor to design and perform audit procedures to test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements irrespective of the auditor's assessment of the risks of management override of controls.

87. The working papers of MFRC did not include documentation of such audit procedures.

c. He failed to perform audit procedures designed to obtain sufficient appropriate audit evidence that all events occurring between the date of the financial statements and the date of the auditor's report that require adjustment of, or disclosure in, the financial statements have been identified;

88. CAS 560.6 requires the auditor perform audit procedures designed to obtain sufficient appropriate audit evidence that all events occurring between the date of the financial statements and the date of the auditor's report that require adjustment of, or disclosure in, the financial statements have been identified. CAS 560.7 requires the auditor to perform those procedures so that they cover the period from the date of the financial statements to the date of the auditor's report, or as near as practicable thereto.

89. Westfall did not document the procedures he followed relating to subsequent events.

d. He failed to design and perform audit procedures that are appropriate in the circumstances for the purpose of obtaining sufficient appropriate audit evidence with respect to:

90. CAS 500.6 requires the auditor to design and perform audit procedures that are appropriate in the circumstances for the purpose of obtaining sufficient appropriate audit evidence.

i. Statement of Financial Position item “Accounts payable and accrued liabilities 87,879”;

91. The working papers for the accounts payable did not include a review of subsequent payments and other audit procedures for searching for unrecorded liabilities. The accounts payable includes a net salary and benefit accrual of \$57,177, which is noted as “will clear in Jan/21”. Westfall said he “looked at the payroll 100%”, but there was no notation on the working papers as to what audit procedures he had completed. The working papers did not address whether an amount for vacation pay should be reflected as a liability at the year end.

ii. Statement of Financial Position item “Accounts receivable 122,146”;

92. The working paper for accounts receivable included three items beside which are three handwritten dates: “Jan 13”, “Jan 6” and “Jan 28”. Westfall stated that the notes indicated that payments were received subsequent to the year end. The working papers did not reflect payments received after the year end.

93. Not all the items included as accounts receivable were identified as received after the year end. For the GST/HST receivable, Westfall stated that he looked at large invoices and traced them to the general ledger. This procedure was not documented. The HST was not analyzed for reasonability. HST returns and CRA confirmation of subsequent payments were not included in the working papers.

iii. Statement of Operations item “Expenses 2,838,162”;

94. The working papers for expenses included a schedule entitled “expense groupings” and a page with handwritten items identified as “invoices reviewed”. Westfall said that he looked at the eleven items listed on the “invoices reviewed” page as “they were the only material ones”. The justification for selecting these eleven items, the procedures

completed and the results, other than a checkmark beside the amount, were not documented on the page.

iv. Statement of Operations item “Revenues 2,896,473”;

95. The working papers for revenues included a spreadsheet consisting of lists by general ledger account of the balances allocated to the groupings on the financial statements. The total amount of the revenues does not agree with the amount reported of the Statement of Operations and Changes in Unrestricted Net Assets. There was no evidence that revenues had been audited for occurrence, completeness, accuracy and cutoff.

v. Statement of Financial Position item “Investments - Long Term 437,091”

96. The working papers for investments consisted of a table listing short term investments and “Canada Life long term investments” along with statements from Canada Life and RBC Dominion Securities Inc. The investments are segregated fund units that are recorded at market value at the year end. There was no third-party support for the market value and no indication on the working paper for investments that Westfall had examined such support.

vi. Statement of Financial Position item “Deferred Income 338,110”

97. Deferred revenue is comprised of 21 balances of unspent funds received for specified projects. The working paper was comprised of a listing of these balances, but no indication of the work completed to ensure these funds are the correct balance at the year end and that cutoff was done correctly for the affected revenue. The working papers should have included, for each material funding source, the details of the funding and how the funds are allowed to be used for programs and how the funds were used during the year. The audit procedure should have included an assessment of the related program expenditures to ensure the allocations were made to the appropriate programs. Westfall stated that he examined the client’s spreadsheets to audit the deferred revenue.

- e. He failed to document analytical procedures performed near the end of the audit to assist in concluding whether the financial statements are consistent with the auditor's understanding of the entity;**

98. CAS 520.6 requires an auditor shall design and perform analytical procedures near the end of the audit that assist the auditor when forming an overall conclusion as to whether the financial statements are consistent with the auditor's understanding of the entity.

99. Westfall did not provide documentation for this analysis in the working papers.

- f. He failed to obtain a written representation from management as near as practicable to, but not after, the date of the auditor's report on the financial statements as required in the completion of an audit engagement;**

100. CAS 580.11 requires the auditor to request management to provide a written representation that it has provided the auditor with all relevant information and access as agreed in the terms of the audit and engagement all transactions have been recorded and are reflected in the financial statements on the financial statements. CAS 580.14 requires the date of the written representations to be as near as practicable to, but not after, the date of the auditor's report.

101. The written letter of representation was dated May 26, 2021, over a month after the date of the Independent Auditor's Report of April 19, 2021.

- g. He failed to ensure the accuracy of an amount in the Statement of Operations and Changes in Unrestricted Net Assets with the schedule reporting the same item;**

102. CPAH 1000.18 states that "For the information provided in financial statements to be useful, it must be reliable. Information is reliable when it is in agreement with the actual underlying transactions and events, the agreement is capable of independent verification and the information is reasonably free from error and bias."

103. The Statement of Operations and Changes in Unrestricted Net Assets included Revenue – Province of Ontario of \$478,012. This did not agree with the schedule to the financial statements which reported \$475,512.

h. He failed to disclose the accounting policy for reporting cash and equivalents on the Statement of Cash Flows;

104. CPAH 1505.03 requires an auditor to include a clear and concise description of the significant accounting policies of an enterprise as an integral part of the financial statements.

105. The accounting policy for reporting cash and equivalents on the Statement of Cash Flows was not included in the significant accounting policy disclosure.

i. He failed to ensure appropriate disclosure on the Statement of Cash Flows of a non-cash transfer of \$143,000;

106. CPAH 1540.41 requires investing and financing transactions that do not require the use of cash or cash equivalents to be excluded from a cash flow statement.

107. An amount reported as “Change in Restricted Funds” of \$143,000 was incorrectly included on the Statement of Cash Flows, under Cash flows from financing activities.

j. He failed to disclose in the financial statements the entity’s status as a registered charitable organization;

108. CPAH 4400.04 requires a clear and concise description of a not-for-profit organization’s purpose, its intended community of service, its status under income tax legislation and its legal form to be included as an integral part of its financial statements.

109. MFRC is a registered charity with Canada Revenue Agency, Charities Division and is, therefore, exempt from income tax under the Income Tax Act (ITA) s.149(1)(f). The

financial statements did not report that the entity is a registered charity and erroneously reports the tax exemption under an incorrect ITA reference.

k. He failed to properly report the five-year principal repayments for a mortgage with the amounts reported on the Statement of Financial Position as liabilities;

110. CPAH 3856.45 requires an enterprise to disclose the aggregate amount of payments estimated to be required in each of the next five years to meet retirement provisions of financial liabilities.

111. MFRC reported a mortgage payable on the Balance Sheet of current portion \$91,787 and Long Term \$527,279. The note 6 referenced to the details of the mortgage payable included a chart for the principal repayment for the remainder of the term as a total sum of \$480,299, which includes 11 months for 2020. This repayment schedule was incorrect as it was less than the amounts reported on the Balance Sheet as liabilities.

l. He failed to adequately disclose the terms of the mortgage payable in the notes to the financial statements;

112. CPAH 3856.43 requires the disclosure for long-term debt to include the repayment terms.

113. The amount of monthly payments required under the terms of the mortgage was not reported in the note 6.

m. He failed to include a reference in his Independent Auditor's Report to a qualification of revenue completeness for donation revenues in providing a qualified opinion;

114. CAS 705.17 requires the auditor to use the phrase "except for the possible effects of the matter(s) ..." for the modified opinion, when the modification arises from an inability to obtain sufficient appropriate audit evidence.

115. MFRC was a registered charity and received revenue from donations. Westfall was unable to obtain sufficient appropriate audit evidence to support donations so that the Independent Auditor's Report was qualified for the completeness of fundraising activities.

116. The Report should have but did not include a reference to a qualification of donation revenue completeness.

n. He failed to document his discussions with those charged with governance in his assessment of the risk of fraud;

117. CAS 240.18 requires the auditor to make inquiries of management regarding management's own assessment of the risk of fraud and the controls in place to prevent and detect it.

118. The working papers included a memorandum with sections entitled "risk register" and "fraud register" identifying certain operational risks and comments as to the evaluation of the risks and procedures. The risk register did not identify nor assess the risks of material misstatement at the financial statement area and the assertion level nor how the response to these risks impacted the audit procedures to be completed. Although the document indicated that Westfall "discussed the possibility of fraud ... with the Executive Director", there was no reference to discussions with those charged with governance.

o. He failed to document his assessment of the risk of material misstatement at the financial statement area and the assertion level and his response to how these risks impact the audit procedures;

119. CAS 315.25 (archive CAS 315) requires the auditor to identify and assess the risk of material misstatement at the financial statement level and the assertion level for classes of transactions, account balances, and disclosure to provide a basis for designing and performing further audit procedures.

120. The risk register did not identify nor assess the risks of material misstatement at the financial statement area and the assertion level nor how the response to these risks impacted the audit procedures to be completed.

p. He failed to adequately document the planning and execution of substantive audit procedures to be completed during the audit;

121. CAS 500.6 requires the auditor to design and perform audit procedures that are appropriate in the circumstances for the purpose of obtaining sufficient appropriate audit evidence.

122. The working papers included a memorandum entitled “substantive audit procedures” which detail certain procedures and, for some procedures, the results. The memorandum did not reference where in the working papers the procedures are documented as completed. As an example, procedure #2 is “reviewed subsequent events nothing significant”. This did not detail how subsequent events were reviewed, including possible accounting records, bank statements, minutes of board of directors’ meetings, discussions with management and those charged with governance. In addition, the documentation did not support that the subsequent event procedures covered during the period from the date of the financial statements to the date of the auditor’s report. Another example is procedure #5 indicating that he “audit payroll 100%.” This procedure was not specific for an evaluation of the audit sufficiency and there is no reference to where this procedure is completed.

q. He failed to adequately document that the firm's policies and procedures for the acceptance and continuance of client relationships and audit engagements have been followed, and that conclusions reached in this regard are appropriate;

123. CAS 220.22 requires the engagement partner to be satisfied that appropriate procedures regarding the acceptance and continuance of client relationships and audit engagements have been followed and shall determine that conclusions reached in this regard are appropriate.

124. Westfall prepared a memorandum entitled “Existing engagement – continuance.” In the memorandum, he reported that he considers “this a high-risk audit because of the limited number of employees involved in the accounting process and internal control.” The memorandum also stated: “This file does not meet the requirements for an EQCR as defined in my Quality Assurance Manual”. (EQCR is an Engagement Quality Control Review.) The Quality Assurance Manual section 8.2 (engagements requiring an EQCR) stated that an EQCR is required for all assurance engagements where: “b) The entity has been assessed as high risk on PEG (PEG is the Professional Engagement Guide) Forms 405/410”. The PEG forms 405/410 were not included in the working papers but the memorandum documented Westfall’s evaluation of high risk and an EQCR should have been completed. Further, the memorandum included a reference for going concern threats related to another client and not to MFRC.

- r. He failed to document analytical procedures performed to obtain an understanding of the control environment relevant to the preparation of the financial statements;**

125. CAS 315.12 (archive CAS 315) requires the auditor to obtain an understanding of internal control relevant to the audit.

126. The working papers included a memorandum for internal control and walkthrough (tracing a transaction from origination through the entity’s processes until it is reflected in the financial records) that addressed normal expenses, payroll and fraud. Westfall concluded that the internal controls were good in this environment and no material fraud would happen. The internal controls for revenues, receivables and receipts system, financial reporting process and information system processes were not addressed.

- s. He failed to obtain sufficient appropriate audit evidence that the payroll service organization used is operating effectively and failed to obtain audit evidence about the operating effectiveness of the payroll service organization’s controls;**

127. CAS 402.16 requires the auditor to obtain audit evidence about the operating effectiveness of a service organization when the user auditor's risk assessment includes an expectation that controls at the service organization are operating effectively. CAS 402.17 requires the auditor to determine whether the service auditor's report provides sufficient appropriate audit evidence about the effectiveness of the controls to support the user auditor's risk assessment if the auditor plans to use a type 2 report as audit evidence that controls at the service organization are operating effectively.

128. MFRC used the services of a payroll service. Westfall did not obtain a type 2 report on the service organizations' controls and determine whether the service auditor's report provides sufficient appropriate audit evidence about the effectiveness of the controls.

t. He failed to document analytical procedures performed near the end of the audit to assist in concluding whether the financial statements are consistent with the auditor's understanding of the entity;

129. CAS 520.6 requires the auditor to design and perform analytical procedures near the end of the audit that assist the auditor when forming an overall conclusion as to whether the financial statements are consistent with the auditor's understanding of the entity.

130. Westfall did not provide documentation for this analysis in the working papers.

u. He failed to document sufficient and appropriate communication with those charged with governance his views about significant findings from the audit as required.

131. CAS 260.16 requires the auditor to communicate with those charged with governance the significant findings from the audit and the auditor's views about significant qualitative aspects of the entity's accounting practices, significant difficulties, if any, encountered during the audit, significant matters arising during the audit that were

communicated with management, circumstances that affect the form and content of the auditor's report, if any, and any other significant matters arising during the audit.

132. There is no evidence in the working papers that this communication was provided to MFRC.

Allegation 4 – SWOBA

THAT the said Gary Westfall in or about the period of December 1, 2020 to February 28, 2021, while engaged to perform a review of the financial statements of “SWOBA” 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 CPA Code of Professional Conduct, in that:

133. The Review Engagement Report was dated January 30, 2021. The financial statements were prepared using ASNPO.

- a. He failed to document his understanding of the entity’s accounting systems as the frame of reference within which to plan and perform the review engagement;**

134. CSRE 2400.43 requires the practitioner to obtain an understanding of the entity and its environment, and the applicable financial reporting framework, to identify areas in the financial statements where material misstatements are likely to arise and thereby provide a basis for designing procedures to address those areas. CSRE 2400.44 specifies the areas in which the practitioner is required to obtain an understanding, including the entity’s accounting systems and accounting records.

135. The working papers did not include an understanding for accounts payable cutoff and sales cutoff.

- b. He failed to document his understanding of the entity and its environment, and the applicable financial reporting framework, to identify areas in the financial statements where material misstatements are likely to arise;**

136. CSRE 2400.45 requires the practitioner, based on the practitioner's understanding, to identify areas in the financial statements where material misstatements are likely to arise.

137. This documentation was not included in the working papers.

c. He failed to design and perform inquiry and analytical procedures to focus on addressing areas in the financial statements where material misstatements are likely to arise, namely:

138. 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. CSRE 2400.104 requires the practitioner to document evidence that the review was performed in accordance with this CSRE sufficient to enable an experienced practitioner, having no previous connection with the engagement, to understand the nature, timing and extent of the procedures performed and the results obtained from the procedures to comply with this CSRE and applicable legal and regulatory requirements.

139. Westfall did not sufficiently document the inquiry and analytical procedures performed on the following areas where material misstatements are likely to arise.

i. Statement of Financial Position item "Loans receivable 2,000" and "Accounts payable 600"

140. The working papers for the Balance Sheet accounts included a grouping schedule with no notations other than notations for the bank reconciliation and support for the bank statement balance at the year end.

i. Statement of Revenue and Expenses item "Revenue 14,766" and the working papers for revenue and expenses included "Expenses 18,651"

141. The working papers for Revenue and Expenses included a listing of items included in those accounts for the year without analysis for the change from the previous year.

d. He failed to document inquiries of management as appropriate to the review engagement;

142. CSRE 2400.47 requires the practitioner's inquiries of management and others within the entity, as appropriate, to include the prescribed list of items. CSRE 2400.104 requires the practitioner to document evidence that the review was performed in accordance with this CSRE sufficient to enable an experienced practitioner, having no previous connection with the engagement, to understand the nature, timing and extent of the procedures performed and the results obtained from the procedures to comply with this CSRE and applicable legal and regulatory requirements.

143. The working papers did not include documentation of inquiries of management relating to information pertinent to the review engagement. Included in the working papers were copies of the minutes of the Board of Directors meeting on January 25, 2020 with a reference to the next meeting on May 9; but no other minutes were provided. The minutes of the Annual General Meeting were included. On the copy of the minutes of the Annual General Meeting, there was no notation as to the identification of relevant areas for the review and how these areas impacted the work performed by Westfall.

e. He failed to disclose the accounting policy for determining the composition of cash and cash equivalents for reporting on the Statement of Cash Flows;

144. CPAH 1540.43 requires an enterprise to disclose the policy that it adopts 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.

145. The accounting policies reported in the notes to the financial statements did not include the accounting policy for the determination of the composition of cash and cash equivalents for reporting on the Statement of Cash Flows.

- f. He failed to document any review procedures relating to events occurring between the date of the financial statements and the date of the practitioner's report;**

146. CSRE 2400.60 requires the practitioner to request management to correct misstatements if the practitioner becomes aware of 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.

147. Westfall stated there were no subsequent events because of COVID, but the working papers did not reflect whether or how Westfall performed a review of subsequent events.

- g. He failed to document analytical procedures performed to determine that the firm's policies or procedures for the acceptance and continuance of client relationships had been followed.**

148. CSRE 2400.27 requires the practitioner to consider a number of factors in determining whether to accept a review engagement.

149. The working papers did not include an evaluation of the factors affecting acceptance and continuance of the client relationship and the review engagement.

Allegation 5 – DRHP (2022)

THAT the said Gary Westfall in or about the period of March 1, 2022 to August 31, 2022, while engaged to perform an audit of the financial statements of "DRHP" 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 CPA Code of Professional Conduct, in that:

150. The Independent Auditor's Report was dated July 26, 2022. The financial statements were prepared using ASNPO.

- a. He failed to ensure that the notes 10 and 14 to the financial statements are correct;**

151. CPAH 1400.11 states: Notes to financial statements and supporting schedules to which the financial statements are cross-referenced, are often essential to clarify or further explain the items in the financial statements. They have the same significance as if the information or explanations were set out in the body of the statements themselves.

152. Note 10 stated that “legal expenses have increased substantially due to the union negotiations”. However, the legal fees were significantly lower for 2022 when compared with 2021. Westfall agreed that this note related to and was included in the 2021 financial statements but should have been removed for 2022. Note 14 provided information relating to the impact of COVID 19 – which related to earlier financial statements but not to the 2022 financial statements.

b. He failed to disclose the policy for determining the composition of cash and cash equivalents for reporting on the Statement of Cash Flows;

153. CPAH 1540.43 requires an enterprise to disclose the policy that it adopts 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.

154. The accounting policies reported in the notes to the financial statements did not include the accounting policy for the determination of the composition of cash and cash equivalents for reporting on the Statement of Cash Flows.

c. He failed to properly disclose transfers between funds on the Statement of Changes in Net Assets;

155. CPAH 4400.15 states: “Transfers between funds or between funds and reserves during a reporting period do not result in increases or decreases in the economic resources of the organization as a whole and therefore are reported in the statement of

changes in net assets rather than in the statement of operations.”

156. The Statement of Net Assets reported two transfers from the Building Fund Changa House – one identified as transfer to Deferred revenue of \$436,235 and another to Building Fund – Changa House \$51,169. The transfers should have been but were not reported in the Statement of Changes in Net Assets and should have netted to \$0. Note 13 for deferred revenue was a list of items included in the balance but did not reflect the transfer of \$436,235 from the Building Fund.

d. He failed to maintain professional skepticism in assessing the transactions between DRHP and NLP, the entity owned by the Executive Director;

157. CAS 240.13 requires the auditor to maintain professional skepticism throughout the audit, recognizing the possibility that a material misstatement due to fraud could exist, notwithstanding the auditor's past experience of the honesty and integrity of the entity's management and those charged with governance.

158. Note 11 provides detailed of Sistas Calling, which was a theatrical production undertaken by the Executive Director of DRHP. As of March 31, 2022 a total of \$180,757 has been advanced to NLP, an entity owned by the Executive Director. In the first paragraph of note 11, the payments to NLP were detailed. The second paragraph referred to transfers from donations and investment income and from the Changa House account to Sistas Calling. These amounts were not reflected in the financial statements for assets or as expenditures.

159. Westfall stated that the Executive Director was able to obtain donations for most of the costs for the production and that it was approximately \$25,000 in costs. He was not able to provide an explanation as to why the Executive Director was paid through her production company amounts materially more than the actual costs of the production. Westfall did not address the potential for fraud in a situation where the Executive Director was in a position to direct funds to her own production company.

160. Further, DRHP's primary activities were to provide emergency accommodations, counselling and information for women in Toronto and to provide education relevant to the issue of family violence. No documentation existed to indicate that the transfer of funds had been approved by the Board of Directors.

e. He failed to perform audit procedures designed to obtain sufficient appropriate audit evidence that all events occurring between the date of the financial statements and the date of the auditor's report that require adjustment of, or disclosure in, the financial statements have been identified;

161. CAS 560.6 requires the auditor perform audit procedures designed to obtain sufficient appropriate audit evidence that all events occurring between the date of the financial statements and the date of the auditor's report that require adjustment of, or disclosure in, the financial statements have been identified. CAS 560.7 requires the auditor to perform those procedures so that they cover the period from the date of the financial statements to the date of the auditor's report, or as near as practicable thereto.

162. The working paper documentation did not identify the procedures followed to ensure that subsequent events were reviewed to determine whether any would result in an impact on the financial statements and/or the audit.

f. He failed to document the factors for determining of materiality;

163. CAS 320.10 requires the auditor to determine materiality for the financial statements as a whole. when establishing the overall audit strategy. CAS 320.14 requires the auditor to include in the audit documentation materiality and the factors considered in the determination of materiality for the financial statements as a whole.

164. In determining materiality Westfall reported the amount as $\frac{1}{2}$ of 1% of revenue = \$7,200. There was no documentation of qualitative factors to apply and/or applied in determining materiality, nor why $\frac{1}{2}$ of 1% was determined to be appropriate. In the letter dated June 23, 2022 to the Treasurer of the Board of Directors Westfall reported

materiality to be \$11,000.

g. He failed to document his discussions with those charged with governance in his assessment of the risk of fraud;

165. CAS 315.A18 (archived CAS 315) requires the auditor, in identifying and assessing the risks of material misstatement, to include observation and inspection of reports prepared by management and those charged with governance.

166. The working papers included copies of the Board of Directors' meeting minutes for the year and for one month after the year. There is no evidence on the copies of the minutes as to how this information was taken into account when designing and performing risk assessment procedures to assess the risk of material misstatement in the financial statements.

h. He failed to design and perform audit procedures that are appropriate in the circumstances for the purpose of obtaining sufficient appropriate audit evidence with respect to:

167. CAS 500.6 requires the auditor to design and perform audit procedures that are appropriate in the circumstances for the purpose of obtaining sufficient appropriate audit evidence. The following working papers did not provide sufficient appropriate audit evidence.

i. Statement of Financial Position "Accounts payable and accrued liabilities 21,937";

168. The working papers for accounts payable did not provide sufficient appropriate audit evidence with respect to unpaid wages as at the year end. The working papers included a schedule entitled "Pay period #08 Payroll End: April 9, 2022" that totaled the amount reported outstanding at the year end. This pay period covered a week after the year end and there was no evidence of auditing procedures related to cut-off of the payroll. There were no documents as to audit procedures performed for the accuracy of the amounts reported on the schedule. There was no reference on the working

papers to whether vacation accruals are outstanding. There was no amount recorded for accrued audit fees.

ii. Statement of Operations item “Revenue 1,423,847”;

169. The working papers did not provide support for the operating grant of \$1,415,913, other than a schedule prepared by Westfall listing the amounts for annualized funding and extra fiscal funding. There was no documentation of audit procedures for donations and fundraising of \$7,934.

iii. Statement of Operations “Expenses 1,380,285”;

170. The working papers for expenses consisted of a two-page expense grouping schedule with comparatives for the prior year. The audit documentation included a list of 18 items identified as “invoices examined”. The information provided was the payee’s name, amount and expense category for each. There was no identification as to the date of the payment or type of expenditure. For the salaries and benefits, the working papers included a list of names and T4 amounts. There was no reconciliation of the total of the T4 summary to the total expense. There was no evidence of audit procedures to verify payroll expense.

iv. Statement of Financial Position item “Prepaid expense 180,757”;

171. The working paper to support the balance of prepaid expenses of \$180,757 is a copy of the cheque stub with an attached cheque requisition for \$41,500 for the 2022 change to prepaid expense during the year. There was no documentation for audit procedures for the remaining balance for the prepaid expense. The payment of \$41,500 was made to NLP, the production company owned by the Executive Director. The only evidence of approval on the cheque requisition is the initials of the Executive Director. Westfall stated that the Sistas Calling production was held after the year end (he attended the performance). He stated that the Executive Director was able to obtain donations for most of the costs for the production and that it was approximately

\$25,000 in costs.

172. He was not able to provide an explanation as to why the Executive Director was paid through her production company amounts materially more than the actual costs of the production. Westfall did not address the potential for fraud in a situation where the Executive Director was in a position to direct funds to her production company.

v. Statement of Financial Position item “Deferred revenue 703,664”;

173. Deferred revenue increased to \$703,664 at the year end from \$80,901 at the beginning of the year. The working paper for deferred revenue consisted of a listing of items that comprise the balance. Other than a list of items comprising deferred revenue, there was no audit documentation for this balance.

vi. Statement of Changes in Net Assets item “Transfer to deferred revenue 436,235”;

174. Westfall did not document any procedures to ensure that the transfer of \$436,235 from net assets to a deferred revenue account working paper was appropriate. Some of the funds included in the Building Fund – Changa House were from donations. The donors’ agreement to move the funds from a restricted purpose to operations through the Community Outreach and Education program was not considered by Westfall.

- i. He failed to carry out and document appropriate communication with those charged with governance his views about significant qualitative aspects of the entity’s accounting practices, significant difficulties, if any, encountered during the audit, significant matters arising during the audit that were communicated with management, circumstances that affect the form and content of the auditor's report, if any, and any other significant matters arising during the audit;**

175. CAS 260.16 requires the auditor to communicate with those charged with governance the significant findings from the audit and the auditor's views about significant qualitative aspects of the entity's accounting practices, significant difficulties, if any, encountered during the audit, significant matters arising during the audit that were

communicated with management, circumstances that affect the form and content of the auditor's report, if any, and any other significant matters arising during the audit.

176. Westfall provided a copy of a letter dated July 26, 2022 to the President of the Board of Directors referenced as "Management Letter". Westfall stated that this letter was the only communication regarding the audit findings and was required because the government (as one of the funders) wanted one. The letter reported that "... [DRHP] does not have a strong system of internal controls... there were no indications of any weaknesses in internal control". This is inadequate reporting for the significant audit findings and is unclear as to the evaluation of the internal controls.

- j. He failed to document analytical procedures performed near the end of the audit to assist in concluding whether the financial statements are consistent with the auditor's understanding of the entity;**

177. CAS 520.6 requires the auditor to design and perform analytical procedures near the end of the audit that assist the auditor when forming an overall conclusion as to whether the financial statements are consistent with the auditor's understanding of the entity.

178. Westfall did not document this analysis.

- k. He failed to obtain sufficient appropriate audit evidence that the payroll service organization used is operating effectively and failed to obtain audit evidence about the operating effectiveness of the payroll service organization's controls;**

179. CAS 402.16 requires the auditor to obtain audit evidence about the operating effectiveness of a service organization when the user auditor's risk assessment includes an expectation that controls at the service organization are operating effectively.

180. DRHP used a payroll service organization for the preparation of its payroll and remittances to CRA. Westfall was unaware of the requirements of CAS 402.16.

- I. He failed to obtain a written representation from management as near as practicable to, but not after, the date of the auditor's report on the financial statements as required in the completion of an audit engagement;**

181. CAS 580.11 requires the auditor to request management to provide a written representation that it has provided the auditor with all relevant information and access as agreed in the terms of the audit and engagement all transactions have been recorded and are reflected in the financial statements on the financial statements. CAS 580.14 requires the date of the written representations to be as near as practicable to, but not after, the date of the auditor's report.

182. The client representation letter was dated August 4, 2021 but referred to the March 31, 2022 engagement.

- m. He failed to obtain an understanding of how those charged with governance exercise oversight of management's processes for identifying and responding to the risks of fraud in the entity and the controls that management has established to mitigate these risks;**

183. CAS 240.21 requires the auditor to obtain an understanding of how those charged with governance exercise oversight of management's processes for identifying and responding to the risks of fraud in the entity and the controls that management has established to mitigate these risks, unless all of those charged with governance are involved in managing the entity.

184. Westfall advised that he did not discuss the risk of fraud with the members of the Board of Directors as he has not attended the online (ZOOM) meetings of the Board of Directors for several years due to COVID.

Allegation 6 – OU166

THAT the said Gary Westfall in or about the period of August 1, 2022 to January 31, 2023, while engaged to perform a review of the financial statements of “OU166” for the year ended August 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 CPA Code of Professional Conduct, in that:

185. The Review Engagement Report was dated January 14, 2023. The financial statements were prepared using ASNPO.

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

186. 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. CSRE 2400.35 requires the agreed terms of the engagement to be recorded in an engagement letter or other suitable form of written agreement. CSRE 2400.36 requires the practitioner for recurring review engagements to evaluate whether the terms of the engagement should be revised and whether there is a need to remind management of the existing terms of the engagement.

187. Westfall did not obtain a signed engagement letter. Westfall stated that he did not prepare an engagement letter annually for his review engagements unless there was a change of treasurer. The treasurer has held the position for many years and Westfall did not feel it necessary to have an engagement letter.

b. He failed to document his understanding of the entity and its environment, and the applicable financial reporting framework, to identify areas in the financial statements where material misstatements are likely to arise;

188. CSRE 2400.43 requires the practitioner to obtain an understanding of the entity and its environment, and the applicable financial reporting framework, to identify areas in the financial statements where material misstatements are likely to arise and thereby

provide a basis for designing procedures to address those areas.

189. The working papers included a single page entitled “Background information” which details information about operations. It did not identify areas where material misstatement could occur or information about the review procedures to address those areas.

c. He failed to document any review procedures related to events occurring between the date of the financial statements and the date of the practitioner's report;

190. CSRE 2400.60 requires the practitioner to request management to correct misstatements If the practitioner becomes aware of 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.

191. The working papers did not reflect any review of subsequent events.

d. He failed to document inquiries of management as appropriate to the review engagement;

192. CSRE 2400.47 requires the practitioner's inquiries of management and others within the entity, as appropriate, to include the prescribed list of items. CSRE 2400.104 requires the practitioner to document evidence that the review was performed in accordance with this CSRE sufficient to enable an experienced practitioner, having no previous connection with the engagement, to understand the nature, timing and extent of the procedures performed and the results obtained from the procedures to comply with this CSRE and applicable legal and regulatory requirements.

193. There was no evidence that minutes of meetings of Board of Directors were reviewed for the impact on the review and the financial statements.

e. He failed to document the inquiry and analytical procedures performed on an area where material misstatements are likely to arise, namely:

194. 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. CSRE 2400.104 requires the practitioner to document evidence that the review was performed in accordance with this CSRE sufficient to enable an experienced practitioner, having no previous connection with the engagement, to understand the nature, timing and extent of the procedures performed and the results obtained from the procedures to comply with this CSRE and applicable legal and regulatory requirements.

195. Westfall did not sufficiently document the inquiry and analytical procedures performed on the following areas where material misstatements are likely to arise.

i. Statement of Financial Position item “HST receivable 731”;

196. With respect to HST receivable in the amount of \$731, there is no documentation for this receivable. Westfall commented that the client did the detailed calculations, and he accepted the client as the HST expert.

ii. Statement of Financial Position item “Prepaid expenses 24,956”;

197. Prepaid expenses had increased to \$24,956 from \$nil for the previous year. The working paper includes a list of items included with the majority payments to Sheraton Hotel for \$24,000. There is no documentation as to what the amounts represent and support that these should be prepaid expenses and not expensed during the year.

f. He failed 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.

198. 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.

199. The memo for determining materiality simply indicated that materiality was 1/2% of revenue and performance materiality was 75% of materiality. There was no additional analysis before indicating that revenue was reduced because all tournaments were cancelled. This reference is incorrect for 2022 as tournaments were not cancelled in 2022 and should not be a factor in determining materiality.

Acknowledgement

200. Westfall admits that, while acting as the engagement partner for the following engagements:

- (a) The review of the financial statements of "LBCI" for the year ended July 31, 2019; **[Doc 2]**
- (b) The audit of the financial statements of "DRHP" for the year ended March 31, 2020; **[Doc 3]**
- (c) The audit of the financial statements of "MFRC" for the year ended December 31, 2020; **[Doc 4]**
- (d) The review of the financial statements of "SWOBA" for the year ended December 31, 2020. **[Doc 5]**
- (e) The audit of the financial statements of "DRHP" for the year ended March 31, 2022; **[Doc 6]**
- (f) The review of the financial statements of "OU166" for the year ended August 31, 2022; **[Doc 7]**

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

201. Westfall has been cooperative throughout the CPA Ontario investigation. It is not alleged in this proceeding that Westfall acted dishonestly in the conduct of the assurance engagements which are the subject of the Allegations, or during the PCC's investigation of same.

202. In making the admissions herein, Westfall has saved the PCC and the Discipline Committee the time and expense of a lengthy hearing.

Terms of Settlement

203. Westfall and the PCC agree to the following Terms of Settlement:

- (a) Westfall shall pay a fine of \$10,000 to CPA Ontario;
- (b) Westfall's practice shall be restricted by prohibiting him from carrying out any assurance engagements;
- (c) Westfall 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) 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;
- (e) Notice of Westfall's voluntary restriction from assurance practice shall be published in the Toronto Star, with all costs borne by Westfall;
- (f) Westfall shall pay costs in the amount of \$16,000.00 to CPA Ontario;
- (g) Westfall will be allowed 18 months from the time the Discipline Committee accepts this Agreement to pay the fine and costs referred to herein; and
- (h) A failure by Westfall to comply with any of the 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.

204. The PCC and Westfall expressly consent to and authorize the Registrar to take any actions associated with Westfall's membership in CPA Ontario as prescribed and agreed to herein.
205. The PCC and Westfall 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.
206. Should the Discipline Committee accept this Agreement, Westfall agrees to and hereby waives his right to a full hearing, judicial review or appeal of the matter subject to the Agreement. Upon Westfall's fulfillment of the requirements of this Agreement, the draft Allegations approved by the PCC shall be permanently stayed.
207. Should the Discipline Committee approve this Settlement Agreement, no party will make any public statement that is inconsistent with this Settlement Agreement. Following approval, CPA Ontario may in its sole discretion issue a release in respect of this outcome.
208. 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 Westfall leading up to its presentation to the Discipline Committee, shall be without prejudice to the PCC and Westfall; and
 - (b) The PCC and Westfall 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

209. This Agreement and its terms will be treated as confidential by the PCC and Westfall, 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 Westfall, or, as may be required by law.

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

211. Westfall agrees and confirms that he has been advised of his right to legal counsel and have decided to proceed without the assistance of legal counsel. However, Westfall agrees and confirms that he fully understands the effect of this Agreement and the consequences of signing this Agreement.

All of which is agreed to for the purpose of this proceeding alone this 22nd day of January 2024.

A handwritten signature in blue ink, appearing to read "Jean C. H. Lu", written over a horizontal line.

Jean C. H. Lu, LL.B.
On behalf of
The Professional Conduct Committee

A handwritten signature in black ink, appearing to read "Gary Westfall CPA", written over a horizontal line.

Gary Westfall, CPA, CA
on his own behalf