

CHARTERED PROFESSIONAL ACCOUNTANTS OF ONTARIO

*THE CHARTERED PROFESSIONAL ACCOUNTANTS OF ONTARIO ACT, 2017*

**IN THE MATTER OF:** ALLEGATIONS OF PROFESSIONAL MISCONDUCT  
AGAINST **GURMEET ARORA, CPA, CGA**, BEFORE THE  
DISCIPLINE COMMITTEE

**SETTLEMENT AGREEMENT**

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

**Introduction**

1. The Professional Conduct Committee (PCC) approved draft Allegations of Professional Misconduct (Allegations) against Gurmeet Arora, CPA, CGA (Arora or the Member), 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 Canada Handbook (CPAH) sections are found in the Standards Brief.
2. The draft Allegations **[Doc 1]** pertain to Arora'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 audit of the financial statements of "GSC" for the year ended March 31, 2021; **[Doc 2]**
  - (b) The audit of the financial statements of "GSC" for the year ended March 31, 2022; **[Doc 3]**
  - (c) The review of the financial statements of "PII" for the year ended March 31, 2021; **[Doc 4]**

- (d) The review of the financial statements of “PII” for the year ended March 31, 2022; **[Doc 5]**
  - (e) The audit of the financial statements of “ABM” for the year ended December 31, 2021; **[Doc 6]**
  - (f) The audit of the financial statements of “BTTC” for the year ended December 31, 2021; **[Doc 7]**
3. The draft Allegations also pertain to Arora’s failure to perform his professional services in accordance with generally accepted standards of practice of the profession, contrary to Rule 206.1 of the Code, with respect to his Quality Assurance Manual. **[Doc. 8]**
4. The PCC and Arora 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 Arora 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**

5. Arora obtained his Chartered Accountancy in 1979 in India, where he was involved in public practice and industry positions until he immigrated to Canada in 1985. He obtained his Chartered General Accountant designation in 1993 and was admitted to CPA Ontario through the CGA Legacy Program in 2014. He operates through a professional corporation, GSA Professional Corporation (the Firm). He has been a Certified Financial Planner since 2010. The Firm currently operates in Toronto, Ontario and employs seven staff.
6. Arora obtained his Public Accounting Licence (PAL) in 2015 and maintains a current PAL, firm registration and liability insurance.
7. As of November 2023, Arora’s professional practice consisted of 3 audit clients and 1 review engagement, 60 compilation engagements and a significant tax and bookkeeping practice.

8. The Firm currently employs a staff of seven – Arora’s son, a member of CPA Ontario, works in the non-assurance practice, and six staff as technicians for bookkeeping and administrative services.

### **The Complaint**

9. On April 6, 2023, the Practice Inspection Committee (PIC) advised the Standards Enforcement branch of CPA Ontario that following an inspection of Arora’s practice in December 2022, it concluded that his failure to maintain professional standards was sufficiently serious to reflect adversely upon his professional competence.
10. The PIC also provided a detailed listing of reportable deficiencies with respect to the audit of “GSC” for the year ended March 31, 2021, and the review of “PII” for the year ended March 31, 2021, all of which are the subject of the draft Allegations.
11. On August 30, 2023, the PCC appointed Jennifer Fisher, FCPA, FCA, (Investigator) to investigate Arora’s standards of practice and the circumstances surrounding the complaint.
12. As part of her investigation, the Investigator reviewed Arora’s standards of practice in relation to the two engagements in which deficiencies were identified by the PIC complaint and four additional assurance engagement files: audit of the financial statements of “GSC” for the year ended March 31, 2022, review of the financial statements of “PII” for the year ended March 31, 2022, audit of the financial statements of “ABM” for the year ended December 31, 2021, and audit of the financial statements of “BTTC” for the year ended December 31, 2021. The Investigator also reviewed the Firm’s quality control standards. The Investigator released her report on November 21, 2023.

### **Failure to Maintain Professional Standards**

13. Arora and the PCC agree that Arora failed to perform his professional services in accordance with generally accepted standards of practice of the profession as described below.
14. Arora admits that the agreed facts 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**

15. The auditing standards applicable to the four audits detailed above are described by generally accepted auditing standards (GAAS), specifically the Canadian Auditing Standards (CAS). During 2021-2023, GAAS were published in the Assurance section of the CPA Canada Handbook (CPAH).
16. 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.
17. 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.
18. CAS 200 states: "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, in 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."

19. 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.

20. Pursuant to CAS 200.18-23, compliance with CAS is not optional.

### Generally Accepted Standards for Review Engagements

21. The standards applicable to the review engagements detailed herein are described by generally accepted standards for review engagements. During 2021-2023, these standards were published in the Assurance section of the CPA Canada Handbook (CPAH).
22. 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.
23. 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.
24. 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 that 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.

25. Pursuant to CSRE 2400.7 to CSRE 2400.10, compliance with CSRE is not optional.

### Canadian Standard on Quality Control

26. The Canadian Standard on Quality Control (CSQC) was effective for audits or reviews of financial statements at the time of the applicable engagements. CSQC covers a firm's responsibilities to design, implement and operate a system of quality management for audits or reviews of financial statements.

### The Draft Allegations

#### Allegation 1 – "GSC" 2021

**THAT the said Gurmeet Arora, in or about the period of March 1, 2021 to November 30, 2021, while engaged to perform the audit of the financial statements of "GSC" for the year ended March 31, 2021, failed to perform his professional services in accordance with the generally accepted standards of practice of the profession, contrary to Rule 206.1 of the CPA Code of Professional Conduct, in that:**

27. The Independent Auditor's Report was dated November 12, 2021. The financial statements were prepared using Canadian Accounting Standards for Not For Profit Organizations ("ASNPO").

**a. He failed to ensure proper disclosure in the accounting policies financial statement Note 3 of the basis for recognition of contributions related to subsidy revenue;**

28. The CPAH 4410.10 requires an organization to recognize contributions in accordance with one of two methods.

29. In the accounting policies of the financial statement Note 3, Arora did not disclose the method used for the basis of recognition of the contributions related to subsidy revenue.

**b. He failed to sufficiently document the auditor's understanding of internal controls;**

30. CAS 315.12 (archived version) requires the auditor to obtain an understanding of internal controls relevant to the audit. CAS 315.32 requires the auditor to include in the audit documentation, key elements of the understanding obtained regarding each of the aspects of the entity and its environment and each of the internal control components, the sources of information from which the understanding was obtained, and the risk assessment procedures performed.

31. Arora failed to document his understanding of the internal controls of the entity.

**c. He failed to evaluate the risk of material misstatement due to fraud related to revenue recognition;**

32. CAS 240.27 requires that when identifying and assessing the risks of material misstatement due to fraud, the auditor shall, based on a presumption that there are risks of fraud in revenue recognition, evaluate which types of revenue, revenue transactions or assertions give rise to such risks. CAS 240.48 requires that if an auditor has concluded that the presumption that there is risk of material misstatement due to fraud related to revenue recognition is not applicable in the circumstances of the engagement, the auditor shall include in the audit documentation the reasons for the conclusion.

33. There was no documentation in the working papers that Arora evaluated revenue recognition for the risk of material misstatements due to fraud, nor was there any documentation in the working papers that Arora had concluded that the presumption that there is the risk of material misstatement due to fraud is not applicable in the circumstances of the engagement.



**d. He failed to design and perform audit procedures to test for unauthorized journal entries and adjustments;**

34. 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. The auditor is required to select journal entries and other adjustments made at the end of the reporting period and consider the need to test journal entries and other adjustments throughout the period.

35. Arora did not design and perform audit procedures to test the appropriateness of journal entries recorded in the general ledger and other adjustments in the preparation of the financial statements.

**e. He failed to obtain sufficient appropriate audit evidence to support the Statement of Financial Position item “Term deposits (note 6) 1,400,000”;**

36. CAS 230.8 requires the auditor to prepare audit documentation that is sufficient to enable an experienced auditor, having no previous connection with the audit, to understand the nature, timing and extent of the audit procedures performed to comply with the CAS and applicable legal and regulatory requirements, and the results of the audit procedures performed and the audit evidence obtained.

37. Arora failed to obtain sufficient appropriate audit evidence to support the term deposits. The Investments working papers for the Statement of Financial Position Item “Term deposits (note 6) 1,400,000” included a list of the investments outstanding at the year end with the date issued, interest rate, maturity date and amount of principal. There was no accrual of interest from the issue date to the year end. The working papers did not make reference to the investment income earned during the year from these investments.

- f. He failed to obtain sufficient appropriate audit evidence to support the Statement of Financial Position item “Accounts payable and accruals (note 10) 27,298”;**

38. The working papers for the Statement of Financial Position item “accounts payable and accruals (note 10) 27,298” included a list of outstanding vendors and amounts totaling \$9,145. There was no documentation in the working papers for the accrued charges of \$18,152. The working papers did not evidence any audit work to search for unrecorded liabilities to ensure proper cut off. Arora failed to obtain sufficient appropriate audit evidence as required by CAS 230.8.

- g. He failed to obtain sufficient appropriate audit evidence to support the Statement of Financial Position items “Long term debt (note 12) 2,745,892” and “Current portion of long term debt (note 12) 430,858” and the Statement of Operations item “Interest expense 116,285”;**

39. The long term debt working papers provide the support for the balance in total for the Statement of Financial Position items “Long term debt (note 12) 2,745,892” and “Current portion of long term debt (note 12) 430,858”. The documentation in support of the balance in total for the long term debt was the bank confirmation and the renewal agreement dated May 2017 with an amortization schedule of payments to March 2023. This working paper did not support the Statement of Operations item “Interest expense 116,285”. In addition, the notes to the financial statement provide details of the five year principal repayment for the years to 2026. This detail was not included in the working papers. Arora did not obtain sufficient appropriate audit evidence to support the long term debt and interest expenses as required by CAS 230.8.

**h. He failed to obtain sufficient appropriate audit evidence to support the Statement of Operations item “Donations 1,281,029”;**

40. GSC is a registered charitable organization, which issues charitable donation receipts for contributions. GSC receives and deposits weekly collections to the bank. The revenue working papers, in support of the Statement of Operations item “Donations 1,281,029”, include some sheets for the weekly collections, but no evidence on them as to what verification was completed by Arora. The working papers do not provide a reconciliation of the donation receipts issued to the amount reported on the Statement of Operations.

41. Arora stated in the interview that he randomly selected up to four months during the year to verify the weekly collections to the bank and that the details have been verified by different volunteers. There is no support for the audit procedure being followed – the nature of the random selection process, summary of the results, and conclusion. The working paper documentation did not include sufficient appropriate audit evidence as required by CAS 230.8.

**i. He failed to obtain sufficient appropriate audit evidence to support the Statement of Operations item “Expenses 1,026,234”;**

42. The Statement of Operations item “Expenses 1,026,234” included amounts for the following material financial statement areas:

- (a) Promotion of religion \$116,412;
- (b) Kitchen related expenses \$31,021;
- (c) Magazine expenses \$26,816;
- (d) Occupancy cost \$96,460;
- (e) Salaries \$23,583; and
- (f) Utilities \$120,792.

43. These six areas amount to approximately 40% of the expenses. There was no documentation of audit verification to support these items. Arora failed to obtain sufficient appropriate audit evidence as required by CAS 230.8.

**j. He failed to conduct analytical procedures at the conclusion of the audit supporting the audit finding that the financial statements are consistent with the auditor's understanding of the entity;**

44. CAS 520.6 requires the auditor to 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.

45. Arora did not include an analytical review in the working papers at the conclusion of the audit procedures.

**k. He failed to document required communication with those charged with governance at the outset and conclusion of the audit;**

46. CAS 260 outlines the requirement for certain communications with those charged with governance. CAS 260.14 requires the auditor to communicate with those charged with governance the responsibilities of the auditor in relation to the financial statement audit. CAS 260.15 requires the auditor to communicate with those charged with governance an overview of the planned scope and timing of the audit, which includes communicating about the significant risks identified by the auditor. CAS 260.16 requires the auditor to communicate with those charged with governance significant qualitative aspects of the entity's accounting practices; significant difficulties encountered during the audit; circumstances that affect the form and content of the auditor's report; and any other significant matter arising during the audit that, in the auditor's professional judgment, are relevant to the oversight of the financial reporting process.

47. Arora did not document in the working papers the required communication with those charged with governance.

**l. He failed to document a subsequent events review;**

48. CAS 560.4(a) requires the auditor to obtain sufficient appropriate audit evidence about whether 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 are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework. CAS 560.7 requires the auditor 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.
49. Arora did not document in the working papers that a subsequent events review was performed.

**m. He failed to perform or document sufficient appropriate analytical review of comparison of ratios and variances in the comparison of the Statement of Operations accounts;**

50. CAS 520.5(c) requires the auditor when designing and performing substantive analytical procedures to, among other requirements, develop an expectation of recorded amounts or ratios and evaluate whether the expectation is sufficiently precise to identify a misstatement that, individually or when aggregated with other misstatements, may cause the financial statements to be materially misstated.
51. Arora included a four year comparison of ratios in the analytical review working papers but reported no analysis of the ratios. Arora also included a four year comparison of the Statement of Operations accounts with limited commentary that did not meet the standard.

Allegation 2 – “GSC” 2022

**THAT the said Gurmeet Arora, in or about the period of March 1, 2022, to October 31, 2022, while engaged to perform the audit of the financial statements of “GSC” for the year ended March 31, 2022, failed to perform his professional services in accordance with the generally accepted standards of practice of the profession, contrary to Rule 206.1 of the CPA Code of Professional Conduct, in that:**

52. The Independent Auditor’s Report was dated September 30, 2022. The financial statements were prepared using ASNPO.

**a. He failed to ensure proper disclosure of the Statement of Financial Position item “Term deposits (note 6) 2,100,000”;**

53. CPAH 3856.39 requires that accounts and notes receivable shall be segregated so that amounts with maturity dates maturing beyond one year shall be disclosed separately.

54. The term deposits totaling \$2,100,000 had varying maturity dates, of which \$1,300,000 were dated beyond one year and were not segregated and reported as long term assets as required.

**b. He failed to sufficiently document the auditor’s understanding of internal controls;**

55. CAS 315.13 requires the auditor obtain an understanding of controls that are relevant to the audit by evaluating the design of those controls and determine whether they have been implemented, by performing procedures in addition to inquiry of the entity’s personnel. CAS 315.A75 provides risk assessment procedures that the auditor may use to obtain audit evidence about the design and implementation of relevant controls including inquiry of entity personnel, observing the application of specific controls, inspecting documents and reports or tracing transactions through the information system relevant to financial reporting. Inquiry alone, however, is not sufficient for such purposes.

56. Arora made notation in the working papers of discussions with management. The working papers do not evidence the understanding of the internal controls in place or any risk assessment procedures performed.

**c. He failed to evaluate the risk of material misstatement due to fraud related to revenue recognition;**

57. CAS 240.27 requires that when identifying and assessing the risks of material misstatement due to fraud, the auditor shall, based on a presumption that there are risks of fraud in revenue recognition, evaluate which types of revenue, revenue transactions or assertions give rise to such risks. CAS 240.48 requires that if an auditor has concluded that the presumption that there is risk of material misstatement due to fraud related to revenue recognition is not applicable in the circumstances of the engagement, the auditor shall include in the audit documentation the reasons for the conclusion.

58. There was no documentation in the working papers that Arora evaluated revenue recognition for the risk of material misstatements due to fraud, nor was there any documentation in the working papers that Arora had concluded that the presumption that there is the risk of material misstatement due to fraud is not applicable in the circumstances of the engagement.

**d. He failed to obtain sufficient appropriate audit evidence to support the Statement of Operations item “Donations 1,685,551”;**

59. Arora stated in the interview that he randomly selected up to four months during the year to verify the weekly collections to the bank and that the details have been verified by different volunteers. The working papers include some sheets for the weekly collections, but no evidence on them as to what Arora did to complete verification. There is no documentation for the audit procedure being followed – the nature of the random selection process, summary of the results, and conclusion.

60. GSC is a registered charitable organization, which issues charitable donation receipts for contributions. The working papers do not provide a reconciliation of the donation receipts issued to the amount reported on the Statement of Operations. Arora provided a copy of the annual Form T3010 Registered Charity Information Return that was prepared by the Firm. On the Form T3010 there is a reporting of donations received – separated between those gifts for which a receipt was issued and gifts for which a tax receipt was not issued. There were no working papers to document the analysis of donations revenue to determine these amounts. Arora failed to obtain sufficient appropriate audit evidence as required by CAS 230.8.

**e. He failed to document sufficient appropriate audit evidence to support the Statement of Financial Position item “Accounts payable and accruals (note 10) 49,498”;**

61. The working paper consists of the Accounts payable Aging Summary, with no notations as to what audit verification was completed. There is no evidence of audit procedures to ensure appropriate cut-off including the search for unrecorded liabilities. Arora failed to obtain sufficient appropriate audit evidence as required by CAS 230.8.

**f. He failed to obtain sufficient appropriate audit evidence to support the Statement of Financial Position items “Long term debt (note 12) 2,321,041” and “Current portion of long term debt (note 12) 424,593” and the Statement of Operations item “Interest expense 102,569”;**

62. The support for the balance in total for the long term debt was the bank confirmation and the renewal agreement dated May 2017 with an amortization schedule of payments to March 2023. This working paper did not support the interest expense. Arora did not obtain sufficient appropriate audit evidence to support the long term debt and interest expenses as required by CAS 230.8.



- g. He failed to obtain sufficient appropriate audit evidence to support the five year principal repayment for the years to 2027, as set out in note 12 to the financial statements;**

63. The notes to the financial statement provide details of the five year principal repayment for the years 2023 to 2027. This detail was not included in the working papers. Arora did not obtain sufficient appropriate audit evidence to support the five year principal repayments as required by CAS 230.8.

- h. He failed to obtain sufficient appropriate audit evidence to support the Statement of Operations “Expenses 1,019,972”;**

64. The Statement of Operations item “Expenses 1,019,972” included amounts for the following material financial statement areas:

- (a) Promotion of religion \$118,410;
- (b) Kitchen related expenses \$58,452;
- (c) Magazine expenses \$26,816;
- (d) Occupancy cost \$166,929; and,
- (e) Utilities \$112,295

65. These five areas amount to more than 47% of the expenses. There was no documentation of audit verification to support these items as required by CAS 230.8.

- i. He failed to design and perform audit procedures to test for unauthorized journal entries and adjustments;**

66. 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. The auditor is required to select journal entries and other adjustments made at the end of the reporting period and consider the need to test journal entries and other adjustments throughout the period.

67. Arora did not design and perform audit procedures to test the appropriateness of journal entries recorded in the general ledger and other adjustments in the preparation of the financial statements.

**j. He failed to perform analytical procedures at the conclusion of the audit supporting the audit finding that the financial statements are consistent with the auditor's understanding of the entity;**

68. Per CAS 520.6, the working papers should evidence analytical procedures performed near the end of the audit that assist when forming an overall conclusion as to whether the financial statements are consistent with the auditor's understanding of the entity.

69. Arora did not include an analytical review in the working papers at the conclusion of the audit procedures.

**k. He failed to document a subsequent events review.**

70. Arora did not document a subsequent events review in the working papers to ensure that subsequent events were reviewed to determine whether any such event would impact the financial statements and/or the audit as required by CAS 560.4(a) and CAS 560.7.

#### [Allegation 3 – “PII” 2021](#)

**THAT the said Gurmeet Arora, in or about the period of March 1, 2021, to December 31, 2021, while engaged to perform the review of the financial statements for “PII” for the year ended March 31, 2021, failed to perform his professional services in accordance with the generally accepted standards of practice of the profession, contrary to Rule 206.1 of the CPA Code of Professional Conduct, in that:**

71. The Independent Practitioner's Review Engagement Report was dated December 14, 2021. The financial statements were prepared using the Canadian Accounting Standards for Private Enterprises (ASPE).

**a. He failed to ensure proper disclosure of significant accounting policies”;**

72. CPAH 1540.43 requires an entity 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. CPAH 3031.35 requires the financial statements to disclose the accounting policies adopted in measuring inventories, including the cost formula used.

73. Arora failed to ensure that the financial statements included the accounting policy disclosure for the composition of cash and cash equivalents in the cash flow statement and balance sheet.

74. Arora failed to ensure that the accounting policy for the reporting of inventories was included in the significant accounting policies note.

**b. He failed to ensure proper disclosure of the amount of inventories recognized as an expense during the year;**

75. CPAH 1520.04(o) requires the amount of inventories recognized as an expense during the period to be presented separately on the face of the income statement or disclosed in the notes to the financial statements or supporting schedules.

76. The value of inventories recognized as an expense during the year was not presented on the face of the Statement of Income nor did Arora ensure that it was disclosed in the notes to the financial statements.

**c. He failed to ensure proper presentation and disclosure of the income tax liability on the balance sheet;**

77. CPAH 3465.81 requires the income tax liability to be presented separately from other liabilities and assets. CPAH 1510.15 requires the amount of government remittances (other than income taxes) shall be disclosed separately at the end of the year.

78. Arora failed to ensure that each amount was reported separately on the balance sheet.

The balance sheet for the entity showed the balances owing for corporate taxes was reduced by the recovery of the HST tax refund.

**d. He failed to obtain sufficient appropriate evidence from the procedures performed to support the Balance Sheet item “Cash 348,145”, with respect to cut-off for outstanding deposits or cheques;**

79. 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.

80. The working paper for the Bank, totaling \$348,145, was comprised of the bank confirmation and the copy of the bank statement. Arora had no documentation of review for cut-off for outstanding deposits or cheques.

**e. He failed to obtain sufficient appropriate evidence from the procedures performed to support the Balance Sheet item “Accounts receivable (Note 7) 1,114,827”;**

81. The working paper for the Accounts receivable was a client prepared listing of the five balances representing the outstanding amounts at the year end. This document was not an aged listing and includes balances owed from related parties. There was no documentation as to Arora’s review for the possible impairment of the accounts receivable and assessment of the adequacy of the allowance for doubtful accounts as required by CSRE 2400.104.

**f. He failed to obtain sufficient appropriate evidence from the procedures performed to support Balance Sheet item “Inventory (Note 4) 805,464”;**

82. The working paper for Inventories was three non-numbered pages from a report that Arora advised was approximately 125 pages in length. The third of the three pages had a grand total of \$805,464, which agreed with the amount reported on the Balance Sheet. There was no notation on these three pages that they were randomly selected pages to include in the working papers and that Arora had examined the entire report. Arora stated during his interview that these inventories are on consignment at Amazon.
83. The procedures performed are insufficient to support the inventory amount on the Balance Sheet as required by CSRE 2400.104.

**g. He failed to obtain sufficient appropriate evidence from the procedures performed to support Balance Sheet item “Accounts payable and accruals (Note 7) 1,077,669”**

84. The working paper for accounts payable was a list prepared by the client of seven (7) suppliers based in China and India. There was no documentation that Arora determined appropriate cut-off at the year end. There was no documentation that Arora considered the year end currency translation calculations for balances due to foreign currency suppliers. He failed to obtain sufficient appropriate evidence from the procedures performed as required by CSRE 2400.104.
85. There was no documentation that Arora ensured appropriate inclusion of accrued liabilities at year end as required by CSRE 2400.104.

**h. He failed to obtain sufficient appropriate evidence from the procedures performed to support the Statement of Income item “Management salaries 147,101”**

86. The working papers for payroll related expenses was a copy of the 2021 T4 summary and slip. This is insufficient documentation because the fiscal year is the twelve months

ended March 31, 2021. This does not coincide with the calendar year applicable for the T4 summary and slip. Arora was required by CSRE 2400.104 to include a reconciliation from the calendar year T4 to the fiscal year ended March 31, 2021, in the working papers.

87. The 2021 T4 summary and slip for the calendar year was dated as completed on February 27, 2022. The document would not have been completed and available to Arora before the review engagement was completed on December 14, 2021. The document was added to the working papers after the assembly of the final engagement file.

**i. He failed to obtain sufficient appropriate evidence from the procedures performed to support Balance Sheet item “Deposits (Note 5) 26,288”;**

88. There were no documents in the working papers to support the material balance for Deposits totaling \$26,287 on the Balance Sheet as required by CSRE 2400.104.

**j. He failed to obtain sufficient appropriate evidence from the procedures performed to support Balance Sheet item “Due from related company (Note 7) 769,593”;**

89. There were no documents in the working papers to support the material balance for the Due from related company totaling \$769,593 on the Balance Sheet as required by CSRE 2400.104.

**k. He failed to obtain sufficient appropriate evidence from the procedures performed to support Balance Sheet item “Long term debt (Note 9) 60,000”;**

90. There were no documents in the working papers to support the material balance for the Long term debt totaling \$60,000 on the Balance Sheet as required by CSRE 2400.104.

**l. He failed to obtain sufficient appropriate evidence from the procedures performed to support Balance Sheet item “Share capital (Note 10) 672,800”**

91. There were no documents in the working papers to support the material balance for the Common shares totaling \$672,800 on the Balance Sheet as required by CSRE 2400.104.

#### Allegation 4 – “PII” 2022

**THAT the said Gurmeet Arora, in or about the period of March 1, 2022, to February 28, 2023, while engaged to perform the review of the financial statements of “PII” for the year ended March 31, 2022, failed to perform his professional services in accordance with the generally accepted standards of practice of the profession, contrary to Rule 206.1 of the CPA Code of Professional Conduct, in that:**

92. The Independent Practitioner’s Review Engagement Report was dated February 15, 2023. The engagement was delayed for finalization due to the late availability of information from the entity’s management. The financial statements were prepared using ASPE.

**a. He failed to ensure proper disclosure of significant accounting policies;**

93. CPAH 1540.43 requires an entity 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. CPAH 3031.35 requires the financial statements to disclose the accounting policies adopted in measuring inventories, including the cost formula used.
94. Arora failed to ensure that the financial statements included the accounting policy disclosure for the composition of cash and cash in the cash flow statement and balance sheet.
95. Arora failed to ensure that the accounting policy for the reporting of inventories was included in the significant accounting policies note.

**b. He failed to ensure disclosure of the amount of inventories recognized as an expense during the year on the financial statements;**

96. CPAH 1520.04(o) requires the amount of inventories recognized as an expense during the period to be presented separately on the face of the income statement or disclosed in the notes to the financial statements or supporting schedules.

97. The value of inventories recognized as an expense during the year was not presented on the face of the Statement of Income nor did Arora ensure that it was disclosed in the notes to the financial statements.

**c. He failed to obtain sufficient appropriate evidence from the procedures performed to support Balance Sheet item “Accounts receivable (Note 7) 879,518” and assessment of the adequacy of the allowance for doubtful accounts;**

98. The working paper for the Accounts receivable was a listing prepared by the client of the balances due from Amazon and from related companies in India, representing the outstanding amounts at the year end. There is no documentation as to Arora’s assessment of the possible impairment of the accounts receivable and the adequacy of the allowance for doubtful accounts as required by CSRE 2400.104. Arora stated during his interview that because Amazon was a reputable company and the other receivables were from related entities, no impairment assessment was required.

**d. He failed to obtain sufficient appropriate evidence from the procedures performed to support Balance Sheet item “Inventory (Note 4) 1,597,129”;**

99. The working paper for Inventories was a listing prepared by the client of sourced books that are reported on the financial statements as held by Amazon on consignment. There is no support for these balances held on consignment, and no evidence on the working paper that the sufficient appropriate review procedures were completed by Arora as required by CSRE 2400.104.



- e. He failed to obtain sufficient appropriate evidence from the procedures performed to support Balance Sheet item “Accounts payable and accruals (Note 7) 842,572”;**

100. The working papers for Accounts payable was a list prepared by the client of suppliers primarily based in China and India and a summary of other accounts payable for accrual for credit card charges for shareholders. There is no documentation that Arora determined appropriate cut-off at the year end. There is no documentation as to how Arora reviewed the year end currency translation calculations for balances due to foreign currency suppliers. He failed to obtain sufficient appropriate evidence from the procedures performed as required by CSRE 2400.104.

- f. He failed to obtain sufficient appropriate evidence from the procedures performed to support Balance Sheet item “Long term debt (Note 9) 60,000”;**

101. There was no working paper support for the long term debt totaling \$60,000 on the Balance Sheet as required by CSRE 2400.104.

- g. He failed to obtain sufficient appropriate evidence from the procedures performed to support Balance Sheet item “Share capital (Note 10) 672,800”.**

102. There was no working paper support for the common shares totaling \$672,000, as reflected in the Share capital on the Balance Sheet as required by CSRE 2400.104.

Allegation 5 – “ABM”

**THAT the said Gurmeet Arora, in or about the period of December 1, 2021, to July 31, 2022, while engaged to perform the audit of the financial statements of “ABM” for the year ended December 31, 2021, failed to perform his professional services in accordance with the generally accepted standards of practice of the profession, contrary to Rule 206.1 of the CPA Code of Professional Conduct, in that:**

103. The Independent Audit Report was dated June 27, 2022. The financial statements were prepared using ASPE.

- a. He failed to ensure proper disclosure that the Balance Sheet item “Accounts receivable Note 5 101,990” was reduced by an allowance for doubtful accounts;**

104. CPAH 3856.42 requires the amount of any related allowance for impairment of current trade receivables is to be disclosed on the Balance Sheet.

105. The accounts receivable balance was reduced by an allowance for doubtful accounts in the amount of \$21,795, which was not disclosed on the Balance Sheet. Arora failed to ensure that proper disclosure occurred as required.

- b. He failed to ensure proper disclosure of the accounting policy for determining the cash and cash equivalents on the Statement of Cash Flows;**

106. CPAH 1540.43 requires an enterprise to disclose the policy that it adopts in determining the composition of cash and cash equivalents presented in its cash flow statement.

107. The entity’s financial statements did not include the accounting policy disclosure. Arora failed to ensure proper disclosure of the accounting policy.

**c. He failed to ensure complete disclosure of related party transactions;**

108. CPAH 3840.51 requires the financial statements to include the description of the relationship between transacting parties for related party transaction details.

109. The entity had a balance due to a related company of \$25,195, but no description of the relationship was disclosed. The entity also earned consulting revenue from a related corporation and the details of this related party transaction were not disclosed appropriately in the financial statements.

**d. He failed to identify and assess risks of material misstatement at the financial statement and assertion level and the design and performance of appropriate audit procedures to respond to those risks;**

110. CAS 315.25 and CAS 315.32 (archived version) requires the auditor to identify and assess the risks of material misstatement at the financial statement level and the assertion level for classes of transactions, account balances and disclosures to provide a basis for designing and performing further audit procedures and shall include this in the audit documentation.

111. There was no documentation in the working papers for the audit engagement to support that Arora had identified or assessed the risk of material misstatement as a basis for designing and performing audit procedures to respond to such risks.

**e. He failed to document required communication with those charged with governance at the outset and conclusion of the audit;**

112. Arora did not document the required communication in the working papers to the audit as required by CAS 260.14 - 260.16. Arora stated during the interview that the sole proprietor was knowledgeable about the audit process.

- f. He failed to design and perform audit procedures to test for unauthorized journal entries and adjustments;**

113. Arora did not complete audit procedures to test for unauthorized journal entries and adjustments as required by CAS 240.33(a).

- g. He failed to obtain written engagement letters for three specific element audits of “Prepaid Unearned Vocational Revenue”, “Analysis of Annual Revenue by Funding Source” and “International and Domestic Student Enrolment”;**

114. CAS 805.8 and 805.9 require the auditor when performing an audit of a specific element of a financial statement, to reach an agreement in writing as to the terms of the engagement, which must include the expected form of any reports to be issued by the auditor.

115. Arora did not prepare or obtain engagement letters for the three special audit engagements related to Prepaid Unearned Vocational Revenue, Analysis of Annual Revenue by Funding Source and International and Domestic Student Enrolment.

- h. He failed to obtain sufficient appropriate audit evidence to support the specific element audit for “Prepaid Unearned Vocational Revenue”;**

116. CAS 200 requires the auditor to comply with all CASs relevant to the audit. In the case of an audit of a specific element of a financial statement, CAS 805.7 states that this requirement applies irrespective of whether the auditor is also engaged to audit the entity's complete set of financial statements.

117. The working paper file did not include documentation of separate audit procedures for the specific element audit of Prepaid Unearned Vocational Revenue. The working papers include copies of some of the student contracts and lists prepared by the entity of revenues for tuition, but there is no evidence that these documents have been audited by Arora.

- i. He failed to obtain sufficient appropriate audit evidence to support the specific element audit for “Analysis of Annual Revenue by Funding Source”;**

118. CAS 200 and CAS 805 applied to the specific element audit for the Analysis of Annual Revenue by Funding Source.

119. The working paper file did not include documentation of separate audit procedures for the specific element audit of the Analysis of Annual Revenue by Funding Source. The working papers include copies of some of the student contracts and lists prepared by the entity of revenues for tuition, but there is no evidence that these documents have been audited by Arora.

- j. He failed to obtain sufficient appropriate audit evidence to support the specific element audit for “International and Domestic Student Enrolment”;**

120. CAS 200 and CAS 805 applied to the specific element audit for International and Domestic Student Enrolment.

121. The working paper file did not include documentation of separate audit procedures for the specific element audit of International and Domestic Student Enrolment. The working papers include copies of some of the student contracts and lists prepared by the entity of revenues for tuition, but there is no evidence that these documents have been audited by Arora.

- k. He failed to document the factors or reasoning for overall materiality and performance materiality of \$1,000 in the financial statements;**

122. CAS 320.14 requires the auditor to include in the audit documentation the following amounts and factors considered in their determination: materiality for the financial statements as a whole and performance materiality.

123. The working paper for materiality reports both materiality and performance materiality as \$1,000. Arora does not provide any reasoning or factors that were considered in assessing materiality and performance materiality at this amount.

- l. He failed to obtain sufficient appropriate audit evidence to support the financial statement area on the Balance Sheet item “Accounts payable and accruals 14,372”;**

124. Arora failed to include any documentation in the working papers in support of the \$14,372 for accounts payable and accruals as required by CAS 230.8. There is also no documentation for the audit to search for unrecorded liabilities as required by CAS 230.8.

- m. He failed to obtain sufficient appropriate audit evidence to support the financial statement area on the Statement of Proprietor’s Capital item “Owner advances / draws 1,704”;**

125. Arora failed to include any documentation in the working papers in support of the \$1,704 for Owner advances on the Statement of Proprietor’s Capital as required by CAS 230.8.

- n. He failed to obtain sufficient appropriate audit evidence to support the financial statement area on the Statement of Income item “Annual vocational revenue 194,120”;**

126. Arora did not document completing any audit procedures to support that the annual vocational revenue amounting to \$194,210 as required by CAS 230.8.

- o. He failed to obtain sufficient appropriate audit evidence to support the financial statement area on the Statement of Income item “Expenses 203,045”;**

127. For a material amount of expenses Arora failed to document any audit procedures that he completed to support the total expenses amounting to \$203,045 as required by CAS 230.8.

- p. He failed to obtain sufficient appropriate audit evidence to support the financial statement area on the Statement of Income item “Class instructors’ fee 47,868”;**

128. The payroll working papers included the T4A summary and individual T4As for 2021 and a listing of instructor charges. The listing includes the names of instructors, the dates of payment, cheque numbers and amounts. There is no evidence that Arora agreed the amounts to contracts or payments.

129. Arora stated during the interview that he agreed the cheques for payments to instructors to the bank statement but was unable to identify which payments were agreed to contracts or traced to the bank statements. This was not sufficient appropriate evidence to support the class instructors’ fees totaling \$47,868 as required by CAS 230.8.

- q. He failed to obtain sufficient appropriate audit evidence to support the financial statement area on the Statement of Income item “Sub-contract 18,340”;**

130. The payroll working papers included the T4A summary and individual T4As for 2021 and a listing of subcontract charges. The listing includes the names of instructors, the dates of payment, cheque numbers and amounts. There is no evidence that Arora agreed the amounts to contracts or payments.

131. Arora stated during the interview that he agreed the cheques for payments to the subcontractors to the bank statement but was unable to identify which payments were agreed to contracts or traced to the bank statements. This was not sufficient appropriate evidence to support the subcontractor fees totaling \$18,340 as required by CAS 230.8.

- r. He failed to perform or document sufficient appropriate analytical review of comparison of ratios and variances in the comparison of the Statement of Income accounts;**

132. The analytical review working papers include a five year comparison of ratios, which reports no analysis and a five year comparison of the Statement of Operations accounts with no commentary on the variances as required by CAS 520.5(c).

- s. He failed to document a subsequent events review;**

133. Arora did not document in the working papers that a subsequent events review was performed as required by CAS 560.4(a) and CAS 560.7.

- t. He failed to perform analytical procedures at the conclusion of the audit supporting the audit finding that the financial statements are consistent with the auditor's understanding of the entity;**

134. Arora did not include an analytical review in the working papers at the conclusion of the audit procedures to assist him in forming an overall conclusion as to whether the financial statements are consistent with his understanding of the entity as required by CAS 520.6.



#### Allegation 6 – “BTTC”

**THAT the said Gurmeet Arora, in or about the period of December 1, 2021, to September 30, 2022, while engaged to perform the audit of the financial statements of “BTTC” for the year ended December 31, 2021, failed to perform his professional services in accordance with the generally accepted standards of practice of the profession, contrary to Rule 206.1 of the CPA Code of Professional Conduct, in that:**

135. The Independent Audit Report was dated August 24, 2022. The financial statements were prepared using ASPE.

- a. He failed to ensure proper disclosure of an accurate reconciliation of the income tax rate, or expense related to income for the period, to the statutory income tax rate or expense that would result from its application;**

136. CPAH 3465.88 requires that when an enterprise applies the taxes payable method of accounting for income taxes, the financial statements shall disclose a reconciliation of the income tax rate or expense related to income or loss for the period before discontinued operations to the statutory income tax rate or the dollar amount that would result from its application, including the nature and amount of each significant reconciling item.

137. During 2021 the company repaid the Canada Emergency Business Account (CEBA) and realized a loan forgiveness of \$10,000, which was reported as other income on the Statement of Operations. The receipt of the CEBA generated a taxable income amount at the time the funds were advanced (in a previous year). Accordingly, in 2021, the amount of forgiveness should be treated as non-taxed and reported as a reconciling item in the note 10 reconciliation. This was not reported in the reconciliation.

- b. He failed to ensure proper disclosure of the accounting policy for determining the cash and cash equivalents on the Statement of Cash Flows;**

138. CPAH 1540.43 requires an enterprise to disclose the policy that it adopts in determining the composition of cash and cash equivalents presented in its cashflow statement.

139. The entity's financial statements did not include the accounting policy disclosure. Arora failed to ensure proper disclosure of the accounting policy.

**c. He failed to document required communication with those charged with governance at the outset and conclusion of the audit;**

140. Arora did not document the required communication in the working papers to the audit as required by CAS 260.14 – 206.16. Arora stated during the interview that the director of the corporation was knowledgeable about the audit process.

**d. He failed to design and perform audit procedures to test for unauthorized journal entries and adjustments;**

141. Arora did not complete audit procedures to test for unauthorized journal entries and adjustments as required by CAS 240.33(a).

**e. He failed to obtain written engagement letters for three specific element audits of "Prepaid Unearned Vocational Revenue", "Analysis of Annual Revenue by Funding Source" and "International and Domestic Student Enrolment";**

142. Arora did not prepare or obtain engagement letters for the three special audit engagements related to Prepaid Unearned Vocational Revenue, Analysis of Annual Revenue by Funding Source and International and Domestic Student Enrolment as required by CAS 805.8 and 805.9.

- f. He failed to obtain sufficient appropriate audit evidence to support the specific element audit for “Prepaid Unearned Vocational Revenue”;**

143. The working paper file did not include documentation of separate audit procedures for the specific element audit of Prepaid Unearned Vocational Revenue as required by CAS 200 and CAS 805.7.

- g. He failed to obtain sufficient appropriate audit evidence to support the specific element audit for “Analysis of Annual Revenue by Funding Source”;**

144. CAS 200 and CAS 805 applied to the specific element audit for the Analysis of Annual Revenue by Funding Source.

145. The working paper file did not include documentation of separate audit procedures for the specific element audit of the Analysis of Annual Revenue by Funding Source.

- h. He failed to obtain sufficient appropriate audit evidence to support the specific element audit for “International and Domestic Student Enrolment”;**

146. CAS 200 and CAS 805 applied to the specific element audit for International and Domestic Student Enrolment.

147. The working paper file did not include documentation of separate audit procedures for the specific element audit of International and Domestic Student Enrolment.

- i. He failed to document the factors or reasoning for the materiality, of \$1,500, and performance materiality, of \$1,000, in the financial statements;**

148. The materiality working papers report materiality as \$1,500 and performance materiality as \$1,000. Arora does not provide any reasoning or factors that were considered in assessing materiality and performance materiality at these amounts as required by CAS 320.14.

- j. He failed to perform or document sufficient appropriate analytical review of comparison of ratios and variances in the comparison of the Statement of Income accounts;**

149. Per CAS 520.7, if analytical procedures performed in accordance with this CAS identify fluctuations or relationships that are inconsistent with other relevant information or that differ from expected values by a significant amount, the auditor shall investigate such differences by inquiring of management and obtaining appropriate audit evidence relevant to management's responses; and, performing other audit procedures as necessary in the circumstance.

150. The analytical review working papers are a schedule of five year comparison of ratios and a schedule of five year percentage analysis of the income statement accounts. The documents do not disclose any details of analysis by Arora, that may have led to consideration of other audit procedures.

- k. He failed to obtain sufficient appropriate audit evidence to support the material financial statement area of Balance Sheet item "Cash 4,428";**

151. The Cash working papers for the bank balance included a bank confirmation, the December 2021 and January 2022 bank statements. There was no detail on these documents that the cut-off of the bank was audited for outstanding deposits and cheques as required by CAS 230.8.

- l. He failed to document sufficient appropriate audit evidence to support the material financial statement area of Balance Sheet item "Accounts payable and accruals 14,900";**

152. Arora failed to have working papers in support of the accounts payable and accruals item on the balance sheet as required by CAS 230.8.

- m. He failed to document sufficient appropriate audit evidence to support the material financial statement area of Balance Sheet item “Due to Shareholders (Note 7) 243,788”;**

153. There were no working papers to support this balance in the original documents provided by Arora as required by CAS 230.8. Arora advised that he had confirmations from all the shareholders to support the balance owed to each and that they were long term liabilities as supported by these confirmations.

154. The confirmations provided by Arora were from four shareholders addressed to Arora and the corporation stating that he/she would not require the company to repay long term shareholder's loan in 2022. These confirmations do not provide audit evidence for the amount of the loans outstanding to the individual shareholders as required by CAS 230.8.

155. Arora stated that the audit support for the 100 shares outstanding at the year end were the amounts reported on the Schedule 50 of the corporate tax return, a copy of which was included in the working papers.

- n. He failed to document sufficient appropriate audit evidence to support the material financial statement area of Statement of Income “Non-vocational revenue 59,762”;**

156. The student contract working papers, which included tuition revenue, included the invoices and registration documents for four students. Arora stated in the interview that he had randomly selected these students and traced the receipts to the bank statement.

157. There was no documentation as to how this selection was made or the audit procedures completed for this revenue. There was no documentation to support the total revenue reported. He failed to document sufficient appropriate audit evidence as required by CAS 230.8.

- o. He failed to document sufficient appropriate audit evidence to support the material financial statement area of Statement of Income “Other Revenue 29,434”;**

158. There were no working papers to support the Other Revenue area of the Statement of Income as required by CAS 230.8.

- p. He failed to document sufficient appropriate audit evidence to support the material financial statement area of Statement of Income “Salaries and benefits 85,610”;**

159. The payroll working papers include the T4 summary and the 11 individual T4s for 2021 and a summary of the monthly remittances for employee deductions. There was no documentation that Arora ensured that the individual T4s were correct, that the employees were paid for hours worked and/or at the correct rate as required by CAS 230.8.

160. There was also no documentation that the potential for outstanding vacation pay or accrual of salary from the last pay period of the year to the year end was considered as required by CAS 230.8.

- q. He failed to document sufficient appropriate audit evidence to support the material financial statement area of Statement of Income “Rent 55,694”**

161. There are no working papers to support the rent expense for the year. When requested for the calculation for the rent, Arora supplied a copy of the corporation’s general ledger account for rent. There was no evidence on the document as to the appropriateness of any audit verification as required by CAS 230.8.

- r. He failed to perform analytical procedures at the conclusion of the audit supporting the audit finding that the financial statements are consistent with the auditor's understanding of the entity;**

162. Arora did not include an analytical review in the working papers at the conclusion of the audit procedures as required by CAS 520.6.

- s. He failed to document a subsequent events review;**

163. Arora did not document in the working papers that a subsequent events review was performed as required by CAS 560.4(a) and CAS 560.7.

#### **Allegation 7 – QAM**

**THAT the said Gurmeet Arora, in or about the period of March 1, 2021, to February 28, 2023, failed to perform his professional services in accordance with the generally accepted standards of practice of the profession, contrary to Rule 206.1 of the CPA Code of Professional Conduct, in that:**

- a. The Quality Assurance Manual prepared and put in place by him, did not provide for an appropriate monitoring process, including, on a cyclical basis, inspection of at least one completed engagement;**

164. The firm's Quality Control Manual ("QCM") includes the provisions as required under the CSQC which was applicable for the engagements subject to this investigation. The QCM does not reflect any revisions or review of the manual terms since preparation. The preparation date is not evident on the QCM.

165. CSQC 1.48 requires the firm to establish a monitoring process designed to provide it with reasonable assurance that the policies and procedures relating to the system of quality control are relevant, adequate and operating effectively. This process should include a cyclical monitoring process of inspecting at least one completed engagement

for each engagement partner and that the individual performing the monitoring engagement be not involved in performing the engagement.

166. The requirement in the QAM to monitor compliance for the quality of the practice was noted as: “An important element of the control system is to monitor the continued adequacy and operational effectiveness of the policies and procedures. Considering the size and nature of the practice, the firm will rely on internal quality control instead of appointing a monitor.”

167. In Arora’s response to the initial review by Standards Enforcement, Arora stated that “appointment of an independent monitor is not financially viable and, in my opinion, will not add additional value.” This is not a consideration that obviates the obligation of the member/firm to comply with the standard.

168. The Quality Assurance Manual prepared and put in place by Arora did not provide for an appropriate monitoring process on a cyclical basis.

**b. He failed to engage a monitor on a cyclical basis as required.**

169. As noted above, Arora did not believe it was financially viable to engage an independent monitor nor would it add additional value.

170. Arora did not engage a monitor to independently inspect at least one completed engagement on a cyclical basis, as required by CSQC 1.48.

**Acknowledgement**

171. Arora admits that, while acting as the engagement partner for the following engagements:

- (a) The audit of the financial statements of “GSC” for the year ended March 31, 2021; **[Doc 2]**



- (b) The audit of the financial statements of “GSC” for the year ended March 31, 2022; **[Doc 3]**
- (c) The review of the financial statements of “PII” for the year ended March 31, 2021; **[Doc 4]**
- (d) The review of the financial statements of “PII” for the year ended March 31, 2022. **[Doc 5]**
- (e) The audit of the financial statements of “ABM” for the year ended December 31, 2021. **[Doc 6]**
- (f) The audit of the financial statements of “BTTC” for the year ended December 31, 2021. **[Doc 7]**

he failed to perform his professional services in accordance with generally accepted standards of practice of the profession in the manner described above, contrary to Rule 206.1 of the Code.

172. Arora further acknowledges that the Quality Assurance Manual prepared and put in place by him for his Firm fails to meet the required standard set out in the CSQC and is a failure by him to perform his professional services in accordance with generally accepted standards of practice of the profession contrary to Rule 206.1.

### **Mitigating Factors**

173. Arora has been cooperative throughout the CPA Ontario investigation. In making the admissions herein, Arora has saved the PCC and the Discipline Committee the time and expense of a lengthy hearing.

### **Terms of Settlement**

174. Arora and the PCC agree to the following Terms of Settlement:

- (a) Arora shall pay a fine of \$10,000 to CPA Ontario;
- (b) Arora’s practice shall be restricted, prohibiting him from carrying out any assurance engagements;

- (c) Arora's Public Accounting Licence shall be revoked;
- (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, 48, 50 and 52 with notice to be given to all members of CPA Ontario, the Public Accounting Standards Committee, and all provincial CPA Bodies, and shall be made available to the public;
- (e) Notice of the restriction on Arora's practice prohibiting him from performing assurance engagements and of the revocation of his Public Accounting Licence shall be published in the *Globe & Mail*, with all costs of publication to be borne by Arora and paid within 30 days of invoicing;
- (f) Arora shall pay costs in the amount of \$17,500 to CPA Ontario;
- (g) Arora will be allowed 18 months from the time the Discipline Committee accepts this Agreement to pay the fine and costs referred to in paragraphs 174(a) and (f); and,
- (h) A failure by Arora 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.

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

176. The PCC and Arora 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.

177. Should the Discipline Committee accept this Agreement, Arora agrees to and hereby waives his right to a full hearing, judicial review or appeal of the matter subject to the Agreement. Upon Arora's fulfillment of the requirements of this Agreement, the draft Allegations approved by the PCC shall be permanently stayed.

178. 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.

179. 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 Arora leading up to its presentation to the Discipline Committee, shall be without prejudice to the PCC and Arora; and
- (b) The PCC and Arora 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**

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

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



182. Arora agrees and confirms that he has been advised of his right to legal counsel and has decided to proceed without the assistance of legal counsel. However, Arora 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 15<sup>th</sup> day of May, 2024.

A handwritten signature in blue ink, appearing to read "J. Smith", written over a horizontal line.

Jonathan Smith, J.D.  
On behalf of  
The Professional Conduct Committee

A handwritten signature in blue ink, appearing to read "Gurmeet Arora", written over a horizontal line.

Gurmeet Arora, CPA, CGA  
on his own behalf