

CHARTERED PROFESSIONAL ACCOUNTANTS OF ONTARIO
CHARTERED PROFESSIONAL ACCOUNTANTS OF ONTARIO ACT, 2017

DISCIPLINE COMMITTEE

IN THE MATTER OF: Allegations against **Abdul Fareed Sheik, CPA, CA**, a member of the Chartered Professional Accountants of Ontario, under **Rule 206.1** of the CPA Code of Professional Conduct.

BETWEEN:

**Chartered Professional Accountants of Ontario
Professional Conduct Committee**

-and-

Abdul Fareed Sheik

APPEARANCES:

For the Professional Conduct Committee: Lindsay Bandini, Counsel

For Abdul Fareed Sheik: Present
Mark Mansour, Counsel

Heard: February 7, 2025

Decision and Order effective: February 7, 2025

Release of written reasons: March 12, 2025

REASONS FOR THE DECISION AND ORDER MADE FEBRUARY 7, 2025

I. OVERVIEW

- [1] The Professional Conduct Committee of the Chartered Professional Accountants of Ontario (“PCC”) has alleged that Abdul Fareed Sheik, CPA, CA (the “Member”) engaged in professional misconduct, by way of four separate Allegations.
- [2] This hearing was held to determine whether the Allegations were established, whether the conduct breached Rule 206.1 of the CPA Code of Professional Conduct (the “Code”) and whether the conduct amounted to professional misconduct.
- [3] The Member completed his education and qualified as a Chartered Accountant in India in 1995. He worked at EY in India until he immigrated to Canada in 2001.
- [4] In 2004, the Member joined DT. While there, he began the process to become a Canadian

Chartered Accountant. He obtained his Chartered Accountant designation in 2007 and has held a Public Accounting Licence (“PAL”) since 2008. In 2008, the Member opened his practice (Fareed Sheik and Company) as a sole practitioner initially focused on accounting and taxation. Over the years, the Member’s assurance practice grew slowly but steadily.

- [5] Originally, the Member’s assurance practice was small, consisting primarily of a few travel agencies requiring audit and review engagements. In 2017, he onboarded private colleges requiring audits. Following COVID, the Member’s assurance practice experienced rapid growth due to new accounts such as daycare centers and clients requiring audits or reviews for bank compliance purposes.
- [6] The Member’s assurance practice is currently composed of approximately 30 audit clients, approximately 15 review engagement clients and several compilations. This represents 40% of his practice. The remaining 60% is composed of bookkeeping and tax preparation services.
- [7] Fareed Sheik and Company is located in Mississauga, Ontario. The audit team initially consisted of three foreign trained accountants and one CPA student.
- [8] After the CPA Ontario investigation began, the Member changed his practice structure and added new staff. He also acquired two new partners, both of whom hold PALs.

II. THE ALLEGATIONS

- [9] The Allegations relate to three review engagements and one audit engagement, spanning the period from June 2022 to April 2024. There is no suggestion that the Member engaged in dishonesty. Rather, the misconduct demonstrates that the Member fell below the generally accepted standards of practice of the profession pursuant of Rule 206.1 of the CPA Code of Professional Conduct.
- [10] The Investigator reviewed the following assurance engagements:
 - a. Review of the financial statements of ISACA for the year ended June 30, 2022;
 - b. Review of the financial statements of VC for the year ended August 31, 2022;
 - c. Audit of the financial statements of BA for the year ended December 31, 2023; and
 - d. Review of the financial statements of GT for the year ended December 31, 2023.
- [11] The main aspects of the Allegations, dated September 10, 2024, can be summarized as follows:
 - 1. The Member failed to obtain appropriate evidence to support various statements;
 - 2. The Member failed to perform sufficient appropriate analytical procedures to support the conclusions reached in his reports;
 - 3. The Member failed to complete the assembly of final engagement files on a timely basis;
 - 4. The Member failed to properly disclose the relationship between the entity and

related parties;

5. The Member failed to obtain an adequate understanding of the entity and its environment, the system of internal control and the information systems of the entity; and
6. The Member failed to design and perform substantive audit procedures.

III. ISSUES

[12] The Panel identified the following issues arising from the Allegations:

- A. Did the evidence establish, on a balance of probabilities, the facts on which the Allegations by the PCC were based?
- B. If the facts alleged by the PCC were established on the evidence on a balance of probabilities, did the Allegations constitute professional misconduct?
- C. If the Panel determined that the Allegations constitute professional misconduct, should the Panel accept the proposed joint submission on sanction?

IV. DECISION

[13] The Panel found that the evidence established, on a balance of probabilities, the facts set out in the Allegations of professional misconduct.

[14] The Panel was satisfied that the Allegations constituted a breach of Rule 206.1 and, having breached this Rule, the Member had committed professional misconduct.

[15] The Panel further accepted the proposed joint submission on sanction.

V. REASONS FOR THE DECISION ON MISCONDUCT

Findings Regarding the Conduct of the Member

[16] The parties filed an Agreed Statement of Fact ("ASF"), which was made Exhibit 1. The parties provided supporting documentation for the ASF via a Document Brief and Excel Spread Sheets, which were collectively made Exhibit 2. The parties tendered no further evidence in the conduct portion of the hearing.

Background Facts

Allegation 1: ISACA Review

[17] ISACA is a not-for-profit organization established to support its members' professional development and enhance the benefits of IT governance, control and security in the business community.

[18] The Member reviewed the financial statements of ISACA for the year ended June 30, 2022. The review took place between June 1, 2022 and October 21, 2022. The salient aspects of The Member's misconduct can be summarized as follows:

- He failed to obtain sufficient appropriate evidence to support the collectability of an accounts receivable balance of \$16,532 that was over 12 months old;
- He failed to perform any procedures to understand the risk on the valuation of the accounts receivable;
- He failed to obtain sufficient evidence confirming both an outstanding HST balance and a Guaranteed Investment Certificate (“GIC”) purportedly valued at \$91,238;
- He failed to perform analytical procedures sufficient to confirm the plausibility of the total operating expenses; and
- He did not lock down the ISACA file within 60 days of the date of the engagement report.

Allegation 2: VC Review

[19] VC operates as a private school, teaching English as a second language, in British Columbia.

[20] The Member reviewed VC’s financial statements for the year ended August 31, 2022. The review took place between August 1, 2022 and January 30, 2023. The main elements of the Member’s misconduct can be summarized as follows:

- He failed to obtain sufficient appropriate evidence to ascertain the reasonability of agency fees purportedly amounting to \$150,000;
- He failed to obtain sufficient appropriate evidence to support a deferred tax asset in the amount of \$53,290 and a future income tax liability in the amount of \$37,641. The Member ought to have noticed that the deferred tax asset in the amount of \$53,290 did not change from 2021 to 2022. This fact in and of itself required further inquiry;
- He failed to obtain sufficient appropriate evidence to support accounts payable and accrued liabilities in the amount of \$612,556;
- He failed to obtain sufficient appropriate evidence to support deferred income in the amount of \$624,527. In accepting this figure, the Member failed to consider a number of relevant variables which may well have changed his assessment;
- He failed to obtain sufficient appropriate evidence to support the apparent conclusion that \$1,307,050 in loans to related parties were not due within any particular time frame;
- He failed to properly inquire about or disclose the nature of the relationship between VC and the related parties referred to above;
- He failed to reconcile two contradictory pieces of information in the file relating to a \$250,000 loan from the government. Importantly, the loan was made to a different entity with a similar name. The Member failed to make inquiries to obtain sufficient evidence supporting the characterization on the Balance Sheet of the \$250,000 as

a long term debt;

- He failed to perform sufficient analytical review procedures to support the conclusion that total revenue amounted to \$1,707,128, that operating expenses excluding salaries and wages amounted to \$1,837,041, or that salaries and wages amounted to \$534,640. In particular, the Member failed to provide a sufficient analysis of why payroll increased from \$390,000 in 2021 to \$534,640 in 2022;
- There were several adverse conditions that raised doubts about the entity being able to continue as a going concern. The Member was required to but failed to perform procedures under Canadian Standard on Review Engagements (“CSRE”) 2400 paragraphs 47 and 53 to inquire about the viability of the organization with management and assess their responses; and
- The Member failed to lock down the VC file within 60 days of completion of the engagement report. In fact, he failed to lock down the file at all.

Allegation 3: BA Audit

[21] BA is a private college registered under the *Private Career Colleges Act, 2005*. The organization offers diplomas and certificates in numerous fields.

[22] The Member audited BA’s financial statements for the year ended December 31, 2023. The audit took place between December 1, 2023 and April 30, 2024. The main elements of the Member’s misconduct can be summarized as follows:

- He failed to obtain an adequate understanding of BA and its environment;
- He failed to obtain an adequate understanding of BA’s system of internal control. By way of example, the only control documented regarding expenses was that the owner of BA authorized all expenses. The Member failed to evaluate the design and implementation of this control activity;
- Similarly, he failed to obtain an adequate understanding of the information systems utilized by BA. This was important as a substantial portion of the student records were maintained electronically using either Excel or QuickBooks Online. Therefore, it was necessary to obtain an understanding of this process and of the General Information Technology Controls relating to these applications to ensure the completeness and accuracy of the data contained in the student records;
- He failed to design and perform audit procedures to test the appropriateness of journal entries recorded in the general ledger;
- He failed to design and perform audit procedures to review accounting estimates for biases and to evaluate whether the circumstances producing the bias, if any, represented a risk of material misstatement due to fraud. Specifically, there was an increase in accounts receivables from \$413,693 in 2022 to \$1,908,547 in 2023. Although the Member implemented some limited procedures to review accounts receivable from students, these procedures were not adequate, and he failed to

perform any valuation procedures to verify the recoverability of accounts receivable;

- In relation to \$3,177,577 of loans to or investments in related parties, the Member failed entirely to design and perform substantive audit procedures such that it was not possible to conclude whether the amounts due from related parties were properly classified on the Balance Sheet;
- He failed to design and perform substantive audit procedures on Statement of Income item “Total operating expenses \$7,082,192” excluding item “Salaries and wages \$2,149,992”. Although the Member performed some specific expense testing, he failed to document the procedures performed and the evidence relied upon to arrive at his conclusions;
- He failed to design and perform substantive audit procedures on Statement of Income item “Salaries and wages \$2,149,992”. For example, the Member failed to obtain information to ensure that the controls of the payroll provider were satisfactory and could be relied upon;
- He did not perform his review before the date of the auditor’s report and as such did not ensure sufficient appropriate audit evidence was obtained prior to the date on the report; and
- The Member locked down the BA file 65 days after the date of the Independent Auditor’s Report, thus failing to respect the 60 day time limit stipulated in the Canadian Standard on Quality Management (“CSQM 1”), the quality management standard for firms.

Allegation 4: GT Review

[23] GT is a sole proprietorship operating as a travel agency. GT specializes in selling airplane tickets. It does not offer travel packages, hotel rentals or car rentals.

[24] The Member reviewed GT’s financial statements for the year ended December 31, 2023. The review took place between December 1, 2023 and March 31, 2024. The main elements of the Member’s misconduct can be summarized as follows:

- He failed to obtain sufficient appropriate evidence to support the Balance Sheet item “other current assets \$76,670”. For example, one of the items related to a deposit of \$50,000 to Pakistan International Airline paid in 2022. Although the Member obtained proof of payment of the deposit, he failed to obtain a copy of the agreement between Pakistan International Airline and GT, nor did he obtain evidence that the deposit was still valid;
- The Balance Sheet includes a due from/investment in related parties amounting to \$20,000 classified as a current asset and \$85,451 due to an individual shareholder classified as a long-term liability. The Member classified the receivable as a current asset even though he did not validate whether there was an intention or capability to repay the balance in the next 12 months. Similarly, he classified the payable as

long-term without verifying if the shareholder had agreed to not ask for repayment of the loan in the next 12 months;

- GT experienced a significant decline in revenue from 2022 to 2023. Considering the importance of this information, the Member should have considered whether he needed to perform other procedures on net commissions judged to be necessary in the circumstances to be able to form a conclusion on the financial statements; and
- The Member failed to perform sufficient analysis relating to net revenues and total operating expenses.

Finding of Professional Misconduct

[25] Through the ASF, the Member admitted that these facts constitute professional misconduct in relation to the Allegations before the Panel.

[26] The Panel had no difficulty finding that the Member had engaged in professional misconduct as set out in the Allegations.

[27] The Panel concluded that the Allegations, having been proven on a balance of probabilities, through clear and cogent evidence, constituted breaches of Rule 206.1 of the Code.

VI. DECISION AS TO SANCTION

[28] The parties presented a joint submission on sanction to the Panel. The salient features of the joint submission can be summarized as follows:

1. The Member shall enter into a Supervision Agreement, for a period of 18 months;
2. Following the end of the Supervision Agreement, the PCC shall reinvestigate the Member's assurance practice, at a cost to the Member of up to \$5,000;
3. Fine of \$10,000 payable on or before February 7, 2027;
4. Publication in the form and manner determined by the Discipline Committee;
5. Suspension and then Revocation in the event of non-compliance; and
6. Costs in the amount of \$26,500 payable on or before February 7, 2027.

[29] The Panel accepted the joint submission and issued an Order accordingly.

VII. REASONS FOR THE DECISION AS TO SANCTION

The Sanction Portion of the Hearing

[30] The parties agreed that the Member had taken the following steps prior to the hearing to improve his practice:

1. He restructured his practice by hiring two additional partners who are PAL holders;
2. He has hired an external quality control reviewer who works as an external

investigator with CPA Ontario. The external reviewer has developed a custom-made audit methodology for the firm;

3. He has purchased and implemented an AI tool, Data Snipper, which increases the accuracy of his firm's assurance work; and
4. He has taken and completed the following courses with a view to improving his practice:
 - Auditing and Insurance Standards (completed August 11, 2024);
 - Tax Planning and Compliance Course (completed August 10, 2024);
 - Advanced Analytical Procedures and Audits (completed August 8, 2024);
 - CSRE 2400 Review Engagement Essentials (completed August 5, 2024); and
 - CAS 315 Identifying and Assessing Risk Part II (completed August 2, 2024).

[31] The Panel was concerned that the Member was an experienced PAL holder, who had worked with two multinational accounting firms, yet had fallen so far below the standards required in assurance engagements. The Panel asked the Member to explain why, after 15 years of an unblemished record in Canada, and experience with two established firms, he had allowed this to happen.

[32] The Member provided the Panel with a detailed and extensive response. He stated that he fell victim to the vicissitudes of the COVID-19 pandemic. The Member explained that as a result of the pandemic, government funding changed to include the funding of private business colleges. This created a boom in business for assurance engagements. The Member's firm profited from this boom and his assurance practice grew quickly in a short period of time. The Member explained that he was unable to manage the growth. As a result, he did not properly maintain the files, nor did he perform and document procedures sufficiently.

[33] The Member described the investigation and the prosecution as a "great wake-up call." He took the investigation report to heart and made the changes to his practice described above. He also took the courses described above. He informed the Panel he looked forward to having a supervisor for 18 months because he sees it as an opportunity to strengthen his practice. He also expressed the desire to grow his firm so as to make more opportunities for new immigrants who are foreign trained accountants.

Analysis

[34] The Panel recognizes that a joint submission is entitled to a high level of deference. A joint submission should be accepted unless it is contrary to the public interest or would bring the regulatory process into disrepute because it was beyond the reasonable range of sanction. In the words of Justice Moldaver in the matter of *R. v. Anthony-Cook*¹:

[34] ... a joint submission should not be rejected lightly, a conclusion with which I agree. Rejection denotes a submission so unhinged from the circumstances of the offence and the offender that its acceptance would

¹ *R. v. Anthony-Cook*, 2016 SCC 43 ¶ 34

lead reasonable and informed persons, aware of all the relevant circumstances, including the importance of promoting certainty in resolution discussions, to believe that the proper functioning of the justice system had broken down. This is an undeniably high threshold — and for good reason, as I shall explain.

- [35] The Panel accepted the Member's explanation that he fell short of the standards due to unexpected growth in a short period of time. The Member cooperated at every stage of the process and provided a detailed explanation of why he had fallen so far below the mark in his assurance practice. The Member demonstrated genuine insight and expressed sincere remorse. The Panel was impressed with the significant measures the Member has taken to improve his practice. The Panel is satisfied that it is in the public interest for the Member to continue with his assurance practice and that the terms of the joint submission will serve to enhance his assurance practice, thus protecting the public.
- [36] The parties submitted a Joint Brief of Authorities containing four cases from 2024. All of these cases resulted in Settlement Agreements which are distinguishable from Discipline Proceedings in that a member who enters into a Settlement Agreement does not in fact have a discipline history. In contrast, the Member will now have a discipline history, which the Panel considers to be a sanction in and of itself.
- [37] Each of the four cases involved breaches of Rule 206.1 of the Code. In three of the cases, the member was required to pay a \$10,000 fine and in one case the member was required to pay a \$12,000 fine.
- [38] In each of the four cases, the member agreed to surrender their PAL.
- [39] The Panel asked counsel for the PCC to explain why the PCC had agreed to an 18 month supervision order when the case law appears to trend toward surrender of the PAL. PCC counsel helpfully explained that often members prefer to surrender their PAL rather than enter into a supervision agreement. Supervision agreements are costly and involve a reinvestigation of the practice. Many members do a cost benefit analysis and decide they would prefer to give up their assurance practice rather than go through the arduous process of supervision and reinvestigation. The Member, however, has a significant assurance practice and welcomes the supervision process.
- [40] PCC Counsel further explained that after reinvestigation of the Member's practice, there will be a determination made about next steps. If the reinvestigation does not go well, it can lead to further allegations and potentially to the revocation of the Member's PAL.
- [41] The primary goal of discipline proceedings is protection of the public. However, the Panel's task is to arrive at a fair and just order which addresses all the principles relevant to sanction. In addition to public protection, those principles include maintenance of public confidence in the reputation and integrity of the profession, effective self-governance, general deterrence, specific deterrence and the potential for the member's rehabilitation.²
- [42] Having heard from the Member, the Panel is persuaded that the proposed sanction will

² *College of Physicians and Surgeons of Ontario v. Peirovy*, 2018 ONCA 420, ¶ 64

achieve the objectives of sanction and that the anticipated goal of the Member's rehabilitation will contribute to public protection. The Panel has no difficulty accepting the joint submission of the parties on sanction.

VIII. COSTS

- [43] The law is settled that an order against a member for costs with respect to the disciplinary proceeding is not a penalty. Costs are intended to indemnify the PCC, based on the underlying principle that the profession should not bear all the costs of the investigation, prosecution and hearing arising from a member's misconduct.
- [44] The Panel considered the proposed costs award to be reasonable and ordered that the Member pay \$26,500 in costs on or before February 7, 2027.

DATED this 12th day of March, 2025



John Love, CPA, CMA
Discipline Committee – Deputy Chair

Members of the Panel

Jana Marečková, Public Representative
Jaspreet Singh, CPA, LPA

Independent Legal Counsel

Lisa Freeman, Barrister & Solicitor