

CHARTERED PROFESSIONAL ACCOUNTANTS OF ONTARIO

*THE CHARTERED PROFESSIONAL ACCOUNTANTS OF ONTARIO ACT, 2017*

**IN THE MATTER OF:** ALLEGATIONS OF PROFESSIONAL MISCONDUCT  
AGAINST **CHANDER KANT SUDAN, CPA, CA**, BEFORE  
THE DISCIPLINE COMMITTEE

**SETTLEMENT AGREEMENT**

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

**Introduction**

1. The Professional Conduct Committee (PCC) approved draft Allegations of Professional Misconduct (Allegations) against Chander Kant Sudan, CPA, CA (Sudan 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 Sudan's failure to conduct himself in a manner that will maintain the good reputation of the profession and serve the public interest for having backdated sign-offs in working papers after being notified that the files had been selected for practice inspection (PI), contrary to Rule 201.1 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 a charitable organization, "AWO", for the year ended March 31, 2023 ("AWO Audit"); **[Doc 2]** and
  - (b) The review of the financial statements of a private enterprise, "GMMI", for the year ended April 30, 2022 ("GMMI Review"). **[Doc 3]**

3. Additionally, the draft Allegations pertain to Sudan's failure to perform his professional work in accordance with generally accepted standards of the profession, contrary to Rule 206.1 of the Code, with respect to the engagements for the AWO Audit and the GMMI Review:
4. The draft Allegations also pertain to Sudan'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 management.
5. The PCC and Sudan 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 Sudan 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**

6. Sudan obtained his Chartered Accountancy in 1980 in India and the Chartered Accountant designation in Ontario in 1986. He completed the CICA In-depth Tax course in 1990. He started his career in Canada in 1980 as a Senior Staff Accountant at Solursh Feldman Sacks and Truster, Chartered Accountants. In 1987, he moved to Grant Thornton's tax department. In 1992, he moved to Martyn, Dooley & Partners, Chartered Accountants. He was a partner in that firm when he left in 2022 to set up "A LLP" (the Firm) with two other partners. Sudan's client experience has always been with small and medium sized private entities in various industries. His assurance experience started in 1980, excluding the years spent in Grant Thornton's tax group.
7. The Firm is a full-service audit, tax, business advisory and financial consulting firm formed in approximately July 2022. The Firm's Certificate of Authorization to perform public accounting commenced in September 2022.

### **The Complaint**

8. On January 25, 2024, the Practice Inspection Committee (PIC) advised the Standards Enforcement branch of CPA Ontario that following an inspection of the Firm, in which Sudan is a partner, and having selected and inspected two of Sudan's files, it found that:
  - (a) As the engagement partner, he had documented in both Caseware files that he had reviewed the files on dates before the dates of the Independent Auditor's Report (Audit Report) and the Independent Review Engagement Report (Review Report); however, there was no evidence that he had actually reviewed either file on or before the date of the Audit Report and Review Report;
  - (b) Both files appeared to have been modified subsequent to the report dates and the sign-offs in the working papers had been backdated; and
  - (c) The sign-offs by Sudan only occurred after he was notified of the files being selected for PI.
9. As a result, the PIC concluded that his failure to act with integrity and due care was sufficiently serious that it reflected adversely upon his objectivity and referred the backdating of his partner review procedures to the PCC. It also determined that his audit, compilations, financial statements and quality management were to be reinspected in the subsequent inspection year.
10. On April 30, 2024, the PCC appointed Paul Rhodes, CPA, CA, (Investigator) to investigate the facts and circumstances of Sudan modifying files and sign offs prior to the PI and the failure to lock down the two files, namely, the AWO Audit and the GMMI Review.
11. The Investigator was also to investigate Sudan's standards of practice generally regarding the lockdown of engagement files and the Firm's Quality Control Standards.
12. The Investigator released his report on September 3, 2024.



**Failure to Maintain the Good Reputation of the Profession and Serve the Public Interest**

13. Sudan and the PCC agree that Sudan failed to conduct himself in a manner that maintained the good reputation of the profession and served the public interest as described below; and, Sudan admits that the agreed facts set out below accurately particularize the manner in which he failed to do so.

*Allegation 1*

**That the said Chander Sudan, in or about the period October 1, 2023 to October 31, 2023, failed to conduct himself in a manner that will maintain the good reputation of the profession and serve the public interest, contrary to Rule 201.1 of the CPA Code of Professional Conduct (“Code”), in that, after being notified that the following files had been selected for a practice inspection, he backdated sign-offs in working papers for:**

- a. The audit of the financial statements of a charitable organization, “AWO”, for the year ended March 31, 2023 (“AWO Audit”); and,**
- b. The review of the financial statements of a private enterprise, “GMMI”, for the year ended April 30, 2022 (“GMMI Review”).**

14. Sudan was the engagement partner for both the AWO audit and the GMMI Review. Both files were prepared using Caseware. The Caseware document manager (CDM) lists all the documents that are included in the file. Caseware records certain types of Caseware changes made to documents, including “prepared by” and “reviewed by” signoffs of the document on the CDM.
15. Sudan agrees that, as detailed below, he backdated his “reviewed by” signoffs by manually overriding the default date field in Caseware. Sudan states that he has never signed off under another person’s identity nor asked anyone to do so on his behalf.

*AWO Audit*

16. Canadian Auditing Standard (CAS) 230.8 requires that an auditor prepare audit documentation that is sufficient to enable an experienced auditor, having no previous



connection with the audit, to understand, amongst other things, the nature, timing and extent of the audit procedures performed to the comply with the CASs and applicable legal and regulatory requirements.

17. CAS 230.9 requires that in documenting the nature, timing and extent of audit procedures performed, the auditor shall record, amongst other things, (c) who reviewed the audit work performed and the date and extent of such review.
18. Furthermore, CAS 230.14 & A21 requires that the auditor assemble the audit documentation in an audit file and complete the administrative process of assembling the final audit file on a timely basis after the date of the auditor's report; and, that, in accordance with Canadian Standard on Quality Management (CSQM) 1.31 & A83, an appropriate time limit within which to complete the assembly of the final audit file is ordinarily not more than 60 days after the date of the auditor's report.
19. Lastly, CAS 230.16, requires that except in circumstances identified elsewhere in CAS 230, where the auditor finds it necessary to modify existing audit documentation or add new audit documentation after the assembly of the final audit file has been completed, the auditor shall, regardless of the nature of the modifications or additions, document: (a) the specific reasons for making them; and (b) when and by whom they were made and reviewed.
20. The Audit Report for AWO was issued by Sudan on September 18, 2023. At the time of the report being issued, and as will be discussed in more detail with respect to Allegation 2, Sudan had not signed off or dated his review of any documents in the engagement file.
21. On October 19, 2023, the practice inspector notified the Firm of the files selected for inspection, including the AWO Audit.
22. Sudan added his "reviewed by" checkmarks to every document he signed off on in the AWO Audit file only once notified that the file had been selected, on October 19, 2023. He then changed the dates on those role completions to reflect the dates appropriate to the files, for example, on initial planning documents he modified the dates to be

consistent with the dates and signoffs of the document preparer. He modified the date for all planning/risk assessment procedures to July 25, 2023, and for all file work and completion documents to August 31, 2023. **[Doc 4]** includes the complete list of the documents modified by Sudan.

23. For all documents set out in **[Doc 4]**, Sudan admits that he modified these documents by adding his name or initials as the reviewer within the document. Sudan states that he did not make any other modifications to the documents.

#### *GMMI Review*

24. The Canadian Standard on Review Engagements (CSRE) 2400.16 requires that in performing a review engagement, the practitioner have an understanding of the entire text of CSRE 2400, including its application and other explanatory material, to understand its objectives and to properly apply its requirements. CSRE 2400.18 requires that a practitioner not represent compliance with Canadian standards for review engagements in the practitioner's report unless the practitioner has complied with all the requirements of CSRE 2400 relevant to the review engagement.
25. CSRE 2400.19 & A17 also requires a practitioner in the conduct of a review engagement to comply with relevant ethical requirements, which include, amongst other requirements: integrity, objectivity, professional competence and due care.
26. CSRE 2400.104 requires the preparation of documentation for the review that provides evidence that the review was performed in accordance with the standard and a sufficient and appropriate record of the basis for the practitioner's report. The practitioner is required to document the following aspects of the engagement in a timely manner, sufficient to enable an experienced practitioner, having no previous connection with the engagement, to understand:
- (a) The nature, timing and extent of the procedures performed;
  - (b) Results obtained from the procedures, and the practitioner's conclusions formed on the basis of those results; and



- (c) Significant matters arising during the engagement, the practitioner's conclusions reached thereon, and significant professional judgements made in reaching those conclusions.

27. CSRE 2400.105 requires that in documenting the nature, timing and extent of procedures performed, the practitioner shall record:

- (a) Who performed the work and the date the work was completed; and
- (b) Who reviewed the work performed for the purpose of quality control for the engagement, and the date and extent of review.

28. Additionally, CSQM 1.31 & A83, states that an appropriate time limit within which to complete the assembly of the final review file is ordinarily not more than 60 days after the date of the review report.

29. The Review Report for GMMI was issued by Sudan on October 31, 2022. At the time of the report being issued, and as will be discussed in more detail with respect to Allegation 3, Sudan had not signed off or dated his review of any documents in the engagement file.

30. On October 19, 2023, the practice inspector notified the Firm of the files selected for inspection, including the GMMI Review.

31. Sudan added his "reviewed by" checkmarks to every document he signed off on in the GMMI Review file only once notified that the file had been selected, on October 19, 2023. He then changed the dates on those role completions to reflect the dates appropriate to the files, for example, on initial planning documents he modified the dates to be consistent with the dates and signoffs of the document preparer. He modified the date for all continuance and planning procedures to September 19, 2022, and for all review procedures and file completion documents to October 30, 2022. **[Doc 5]** sets out the complete list of the documents modified by Sudan.

32. For all documents set out in **[Doc 5]**, Sudan admits that he modified those documents by adding his name or initials as the reviewer within the document. Sudan states that he did not make any other modifications to the documents.
33. Sudan admits that in adding signoffs and modifying the dates of those signoffs, after being notified that the AWO audit and GMMI review were subject to practice inspection, he failed to comply with CAS 230, CSRE 2400, and CSQM 1, and did not act in a manner that maintained the good reputation of the profession and serve the public interest.

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

34. Sudan and the PCC agree that Sudan failed to perform his professional services in accordance with generally accepted standards of practice of the profession as described below; and, Sudan 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.

#### **Allegation 2 – AWO Audit**

**That the said Chander Sudan, in or about the period of July 1, 2023 to November 30, 2023, while acting as the lead engagement partner on the AWO Audit, failed to perform his professional services in accordance with generally accepted standards of practice of the profession, contrary to Rule 206.1 of the Code, in that:**

35. The Audit Report was dated September 18, 2023. The financial statements were prepared using Canadian Accounting Standards for not-for-profit organizations (“ASNPO”). The engagement risk to the Firm was assessed as moderate.
- a. **He failed to document the date and extent of any review prior to the issuance of the Independent Auditor’s Report (“Audit Report”);**



36. As previously stated, CAS 230.8, CAS 230.9 and CSQM 1 requires that the auditor prepare audit documentation that is sufficient to understand the nature, timing and extent of audit procedures performed, identify who reviewed audit work that was performed and the date and extent of such review.
37. According to Sudan, and a senior manager on the engagement team ("RS"), Sudan reviewed the draft financial statements, trial balance and adjusting journal entries on the AWO Audit.
38. Sudan advised that in reviewing the above documents, he makes handwritten notes to discuss with RS, if he is unable to find the answer in Caseware. However, Sudan does not retain these handwritten notes.
39. The Firm relies upon Caseware Time ("CT") as its time and billing system. The Investigator requested complete time records for the AWO Audit during the time of the engagement, specifically July 1, 2023 to October 15, 2023. The records did not include any time for Sudan.
40. Sudan admits that he never recorded his time in CT and, as a result, there is no time record to support his review of the file prior to issuance of the report.
41. As such, Sudan failed to document his review of the file prior to the report being issued on September 18, 2023, as required by CAS 230.8 and 230.9 and CSQM 1.31.

**b. He failed to assemble audit documentation in a timely manner after the date of the Audit Report;**

42. CAS 230.7 requires that auditors prepare audit documentation on a timely basis.
43. As previously stated, CAS 230.14 & A21-A22 and CSQM 1.31(f) requires that the auditor assemble the audit documentation in an audit file, ordinarily within 60 days of the date of the auditor's report. This is an administrative process that is not to include modification of the file.

44. Sudan stated that the only changes he made to the documentation in the file after the report was issued, was to add his sign offs on the documents. He further stated that RS may have corrected spelling and grammatical mistakes in the documents, but that he did not do so.

45. Sudan failed to assemble the audit documentation in a timely fashion, as required by CAS 230.7, 230.14 and CSQM 1.31(f).

**c. He failed to lockdown the file within 60 days of issuance of the Audit Report;**

46. Sudan was required to comply with CAS 230.14 & A21. In addition, CSQM 1.31(f) requires that in addition to documentation being assembled on a timely basis after the date of the engagement report, that it be appropriately maintained and retained to meet the needs of the firm and comply with law, regulation, relevant ethical requirements, or professional standards.

47. CSQM 1.A84 states that the retention and maintenance of engagement documentation may include managing the safe custody, integrity, accessibility or retrievability of the underlying data and the related technology. The retention and maintenance of engagement documentation may involve the use of IT applications. The integrity of engagement documentation may be compromised if it is altered, supplemented or deleted without authorization to do so, or if it is permanently lost or damaged.

48. Professional standards require that files be locked down to prevent modifications to their contents without additional processes taking place. Sudan does not lock down his completed assurance files, which will be discussed further with respect to Allegation 4.

49. Sudan did not lock down the AVO Audit file subsequent to the Audit Report being issued and on a timely basis after the administrative process of assembling audit documentation, as required by CAS 230 and CSQM 1.31.

- d. He failed, on or before the date of the Audit Report, to document his evaluation of whether sufficient appropriate audit evidence had been obtained to support the conclusions reached and for the Audit Report to be issued;**

50. CAS 220.17 requires the auditor, on or before the date of the auditor's report, through a review of the audit documentation and discussion with the engagement team, to be satisfied that sufficient appropriate audit evidence has been obtained to support the conclusions reached and for the auditor's report to be issued.
51. As stated in CAS 220.A19, timely reviews by the engagement partner at appropriate stages during the engagement allow significant matters to be resolved on a timely basis to the engagement partner's satisfaction on or before the date of the auditor's report. A timely review should include: critical areas of judgment, especially relating to difficult or contentious matters identified during the course of the engagement; significant risks; and other areas the engagement partner considers important. The engagement partner need not review all audit documentation, but may do so. However, as required by CAS 230, the partner documents the extent and timing of the review.
52. Sudan uses an Audit Completion Checklist to document matters such as: independence, review and sign off on working papers, and that the audit report is appropriately worded and dated. Sudan admits that he failed to complete this form, or any other documentation at the time of performing his review of whether there was sufficient appropriate audit evidence, and did not sign and date the form until October 19, 2023, at which time he modified the date, backdating the document.
53. Specifically, there is no documentation to support his conclusion that reasonable assurance had been obtained that the financial statements as a whole were free from material misstatement, whether due to fraud or error, with respect to the following:



- (a) The auditor's conclusion whether sufficient appropriate audit evidence has been obtained;
- (b) The auditor's conclusion whether uncorrected misstatements are material, individually or in aggregate;
- (c) The qualitative aspects of the client's accounting practices and indicators of possible management bias; and
- (d) Whether the financial statements are prepared in all material aspects in accordance with the applicable financial reporting framework.

54. As such, Sudan failed to document his evaluation of whether sufficient appropriate audit evidence had been obtained to support the conclusions reached and for the Audit Report to be issued, prior to its issuance, as required by CAS 220 and CAS 230.

- e. He failed to document how he took responsibility for the overall quality of the audit engagement and the direction, supervision and performance of the audit engagement in compliance with professional standards and applicable legal and regulatory requirements;**

55. CAS 220.8 requires that the auditor take responsibility for the overall quality on each audit engagement to which that partner is assigned.

56. CAS 220.15 requires that the auditor take responsibility for: (a) The direction, supervision and performance of the audit engagement in compliance with professional standards and applicable legal and regulatory requirements; and (b) The auditor's report being appropriate in the circumstances. CAS 220.A14 identifies specific issues that are relevant to the direction of the engagement team by the auditor, that the auditor should inform the engagement team about, including the objectives of the work to be performed, the nature of the entity, risk-related issues and the detailed approach to the performance of the engagement.

57. Sudan did not sign off on any documents contemporaneously with the performance and completion of the audit engagement by the engagement team or himself.

58. As such, Sudan failed to document his overall responsibility for the quality of the AWO Audit, for the direction, supervision and performance of the audit in compliance with professional standards and applicable legal and regulatory requirements, and the Auditor's Report being appropriate in the circumstances, as required by CAS 220.

**f. He failed to perform any review of certain audit engagement documents prior to signing off on those documents**

59. CAS 200.14 requires the auditor to comply with relevant ethical requirements, including those related to independence, relating to financial statement audit engagements, as set out in the code of professional conduct. As set out in CAS 200.C18, the fundamental principles that the auditor is required to comply with include, among others: integrity, professional competence and due care.

60. In preparing the Audit Report, Sudan reviewed the financial statements, adjusting journal entries, trial balance and reclassification entries of AWO, and based on that review, he signed off on certain documents within the Audit file without reviewing all of those documents. This was a failure to comply with fundamental principles, including professional competence and due care, as required by CAS 200.

**Allegation 3 – GMMI Review**

**That the said Chander Sudan, in or about the period of September 1, 2022 to November 30, 2023, while acting as the lead engagement partner on the GMMI Review, failed to perform his professional services in accordance with generally accepted standards of practice of the profession, contrary to Rule 206.1 of the Code, in that:**

61. The Independent Practitioner's Review Engagement Report was dated October 31, 2022. The financial statements were prepared using the Canadian Accounting Standards for Private Enterprises ("ASPE").
62. The engagement risk to the Firm was assessed as moderate. The GMMI Review resulted in 37 adjusting journal entries, and three reclassification entries. At the conclusion of the review four misstatements, below the materiality threshold, were left unrecorded.

**a. He failed to document the date and extent of any review prior to the issuance of the Independent Practitioner's Review Engagement Report (Review Report)**

63. As previously stated, CSRE 2400 and CSQM 1 require that the practitioner prepare review documentation that is sufficient to understand the nature, timing and extent of the review procedures performed, identify who reviewed the review work that was performed and the date and extent of such review.
64. Sudan reviewed the draft financial statements, trial balance, adjusting journal entries and reclassification entries on the GMMI Review.
65. Although Sudan states that in reviewing the above documents, he makes handwritten notes to discuss with the senior manager on the file, if he is unable to find the answer in Caseware, he does not retain these handwritten notes.
66. The Firm relies upon Caseware Time ("CT") as its time and billing system. The Investigator requested complete time records for the GMMI Review during the time of the engagement, specifically September 1, 2022 to November 30, 2022. The records did not include any time for Sudan.
67. Sudan admits that he never recorded his time in CT and, as a result, there is no time record to support his review of the file prior to issuance of the report.
68. As such, Sudan failed to document his review of the file prior to the report being issued on October 31, 2022, as required by CSRE 2400 and CSQM 1.

**b. He failed to assemble the review engagement documentation in a timely manner after the date of the Review Report**

69. CSRE 2400.104 & A172 requires that review practitioners prepare review documentation on a timely basis after the date of the Review Report and comply with CSQM 1. This is an



administrative process to assemble the file and does not include, for example, the completion of procedures to generate evidence to support the review conclusion.

70. As previously stated, CSQM 1 requires that the documentation be assembled ordinarily within 60 days of the date of the practitioner's report. This is an administrative process that is not to include modification of the file.

71. The only changes Sudan made to the documentation in the file after the report was issued was to add his sign offs on the documents, which occurred 12 months after the Review Report was issued, and upon being notified that the file was selected for inspection.

72. Sudan failed to assemble the audit documentation in a timely fashion, as required by CSRE 2400 and CSQM 1.

**c. He failed to lockdown the file in a timely manner after the issuance of the Review Report**

73. Sudan was required to comply with CSRE 2400.104 & A172. In addition, CSQM 1.31(f) requires that in addition to documentation being assembled on a timely basis after the date of the engagement report, that it be appropriately maintained and retained to meet the needs of the firm and comply with law, regulation, relevant ethical requirements, or professional standards.

74. CSQM 1.A84 states that the retention and maintenance of engagement documentation may include managing the safe custody, integrity, accessibility or retrievability of the underlying data and the related technology. The retention and maintenance of engagement documentation may involve the use of IT applications. The integrity of engagement documentation may be compromised if it is altered, supplemented or deleted without authorization to do so, or if it is permanently lost or damaged.

75. Professional standards require that files be locked down to prevent modifications to their contents without additional processes taking place. Sudan does not lock down his completed assurance files, which will be discussed further with respect to Allegation 4.

76. Sudan did not lock down the GMMI Review file subsequent to the Review Report being issued and on a timely basis after the administrative process of assembling review documentation, as required by CSRE 2400 and CSQM 1.

**d. He failed, on or before the date of the Review Report, to document his evaluation of whether sufficient appropriate evidence had been obtained to support the conclusions reached and for the Review Report to be issued**

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

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

79. In forming the required conclusion, CSRE 2400.77 requires that the practitioner determine whether limited assurance has been obtained that the financial statements as a whole are free from material misstatement, including evaluating:

- (a) The evidence obtained from the procedures performed;
- (b) The effect of uncorrected misstatements identified during the review, and the effect of uncorrected misstatements in the prior period, on the financial statements as a whole;
- (c) The qualitative aspects of the entity's accounting practices, including indicators of possible management bias in management's judgements; and

- (d) Whether the financial statements comply with the requirements of the applicable financial reporting framework.

80. CSRE 2400.104, as previously noted, requires the practitioner to document evidence that the review was performed 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 the standard, and applicable legal and regulatory requirements.

81. There is no documentation in the file that Sudan evaluated whether sufficient appropriate evidence was obtained to enable him to issue an unmodified conclusion that nothing has come to his attention that causes him to believe that the financial statements are not prepared, in all material respects, in accordance with ASPE. Forming a review conclusion requires evaluation of the items identified in paragraph 85, above.

82. The Engagement Completion Checklist is used in a review engagement to document the engagement partner's: independence, review and sign off on working papers, and conclusions that sufficient appropriate evidence has been obtained and that nothing has come to the partner's attention that causes him/her to believe that the financial statements are not prepared, in all material respects, in accordance with the applicable financial reporting framework. Sudan confirmed that the Completion checklist in the GMMI Review was signed off within the document itself and on the CDM on October 19, 2023, but backdated by him to October 30, 2022.

83. On or before the date that the Review Report was issued, Sudan failed to document his evaluation of whether sufficient appropriate evidence had been obtained to support the conclusions reached and for the Review Report to be issued, contrary to CSRE 2400.

**e. He failed to document how he complied with relevant ethical requirements of performing professional services with due care**

84. CSRE 2400.19 requires the practitioner to comply with relevant ethical requirements, including those pertaining to independence. CSRE 2400.A17 states that relevant



independence and other ethical requirements establish the fundamental principles of professional ethics relevant to the practitioner when conducting a review of financial statements and provide a conceptual framework for applying those principles. The fundamental principles with which the practitioner is required to comply related to independence and ethical requirements include professional competence and due care.

85. There is no documentation in the Caseware file to evidence Sudan's involvement with the file, including his review of the file prior to issuing the review conclusion, or completing relevant checklists related to ethical requirements. As a result, he failed to document his compliance with ethical requirements of performing professional services with due care, as required by CSRE 2400.

- f. He failed to document how he took responsibility for management and had sufficient and appropriate involvement in the review engagement, including the direction and supervision of the planning and performance of the review engagement**

86. As previously stated, Sudan was obligated to comply with CSRE 2400.104. CSRE 2400.23 requires the engagement partner to take overall responsibility for, amongst other things, managing and achieving quality on each review engagement to which that partner is assigned and being sufficiently and appropriately involved throughout the engagement; and, the direction, supervision, planning and performance of the review engagement in compliance with professional standards and applicable legal and regulatory requirements.

87. CSRE 2400.A30 states that the actions of the engagement partner and appropriate messages to the other members of the engagement team, in the context of the engagement partner taking overall responsibility for managing and achieving quality on each review engagement, emphasize the fact that quality is essential in performing a review engagement, and the importance to the quality of the review engagement of, in part:

- (a) Performing work that complies with professional standards and regulatory and legal requirements;

- (b) Complying with the firm's quality management policies or procedures as applicable; and
- (c) Issuing a report for the engagement that is appropriate in the circumstances.

88. On or before the date of the Review Report, none of the documents included in the Caseware file were signed off as reviewed by Sudan contemporaneously with the performance and completion of the review engagement. As a result, he failed to document in Caseware his management and sufficient and appropriate involvement in the review engagement; and, direction and supervision of the planning and performance of the review engagement, as required by CSRE 2400.

**g. He failed to perform any review of certain review engagement documents prior to signing off on those documents**

89. As previously stated, Sudan was required to comply with CSRE 2400.19 & .A17. One of the fundamental principles of the ethical requirements that a practitioner is required to comply with is integrity.

90. Sudan reviewed the financial statements, trial balance, adjusting entries and reclassification entries of GMMI, and based upon that review signed off on certain documents within the Caseware file even though he never actually reviewed the Caseware documents. He states that this was a "mistake of judgement". Sudan failed to act with integrity by signing off on documents that he had not reviewed, as required by CSRE 2400.

**Allegation 4 – Quality Assurance**

**That the said Chander Sudan, in or about the period of July 1, 2022 to August 21, 2024, failed to perform his professional services in accordance with generally accepted standards of practice of the profession, contrary to Rule 206.1 of the Code, in that:**

- a. He failed to have peer reviews performed of his assurance files on a cyclical basis**

91. CSQM 1.38 requires a firm to include the inspection of completed engagements in its monitoring activities, by selecting at least one completed engagement for each engagement partner on a cyclical basis, that is determined by the firm, to be peer reviewed.
92. The Firm's quality control manual had been in place since July 2022 but did not address the requirement to complete a peer review of completed engagements.
93. Sudan took no steps to ensure that any completed engagement files were peer reviewed and admits that none of his files have been peer reviewed since the Firm was formed in July 2022, as required by CSQM 1.

**b. He failed to implement a procedure or policy for the lockdown of his assurance files**

94. As previously stated, CSQM 1.31 requires that assurance files be appropriately maintained and retained to meet the needs of the firm and comply with law, regulation, relevant ethical requirements, or professional standards. CSQM 1.A84 also requires the retention and maintenance of documentation, which may include managing the integrity, accessibility or retrievability of the underlying data. Integrity of engagement documentation may be compromised if it is altered or supplemented.
95. Professional standards require that files be locked down to prevent modifications to their contents without additional processes taking place. Sudan does not lock down any of his completed assurance files, nor has he at any time since the Firm's inception in July 2022. This was noted at the time of the 2023 PI, and Sudan was advised of the issue. However, as of August 21, 2024, Mr. Sudan had not developed a suitable procedure for lockdown and there were still no controls in place to prevent changes being made to Sudan's files or to prevent additions and deletions of documents, as required by CSQM 1. Mr. Sudan states that lockdown procedures have been instituted as of November and December 2024, for audits and reviews respectively.



### **Acknowledgement**

96. Sudan admits that he failed to act in a manner that maintained the good reputation of the profession and serve the public interest for having backdated sign-offs in working papers after being notified that the files had been selected for practice inspection, contrary to Rule 201.1 of the Code.

97. Furthermore, Sudan admits that while acting as the engagement partner for the following engagements:

(a) The audit of the financial statements of “AWO” for the year ended March 31, 2023; [Doc 2] and

(b) The review of the financial statements of “GMMI” for the year ended April 30, 2022; [Doc 3]

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.

98. Sudan further acknowledges that he failed to meet the required standard set out in the CSQM with respect to cyclical inspections and lockdown of assurance files, which 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**

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

### **Terms of Settlement**

100. Sudan and the PCC agree to the following Terms of Settlement:

- (a) Sudan's Membership with CPA Ontario shall be suspended for a period of four (4) months, from the time the Discipline Committee accepts this agreement;
- (b) Sudan shall pay a fine of \$20,000 to CPA Ontario;
- (c) Sudan's Public Accounting Licence shall be suspended for a period of four (4) months, from the time the Discipline Committee accepts this agreement;
- (d) Notice of the terms of this Settlement is to be published in the manner set out in CPA Ontario Regulation 6-2 sections 45, 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 suspension of Sudan's Public Accounting Licence shall be published in the *Globe & Mail*, with all costs of publication to be borne by Sudan and paid within 30 days of invoicing;
- (f) Sudan shall take such professional development courses, or their relevant successor courses, as directed by the PCC, by no later than 12 months from the time the Discipline Committee accepts this agreement, and specifically:
  - a. *Quality Management: Application for Assurance Providers*
  - b. *Quality Management: Monitoring and Remediation for Assurance Providers*
  - c. *Audit Hot Topics*
  - d. *Practice Management: Efficient File Review*
- (g) Sudan shall pay costs in the amount of \$17,500 to CPA Ontario;
- (h) Sudan will be allowed 18 months from the time the Discipline Committee accepts this Agreement to pay the fine and costs referred to in paragraphs 106(b) and (g); and,

- (i) A failure by Sudan 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.

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

102. The PCC and Sudan 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.

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

104. 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.

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

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

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

108. Sudan agrees and confirms that he has received legal advice from his legal counsel. As a result, Sudan agrees and confirms that he fully understands the effect of this Agreement and consequences of signing this Agreement.

All of which is agreed to for the purpose of this proceeding alone this 20<sup>th</sup> day of January, 2024.

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A handwritten signature in blue ink, appearing to read "J. Smith".

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

A handwritten signature in blue ink, appearing to read "Chander Sudan".

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Chander Sudan, CPA, CA  
on his own behalf