

CHARTERED PROFESSIONAL ACCOUNTANTS OF ONTARIO

CHARTERED PROFESSIONAL ACCOUNTANTS OF ONTARIO ACT, 2017

TO: Fathi Abu-Farah, CPA, CA

AND TO: The Discipline Committee of CPA Ontario

The Professional Conduct Committee of CPA Ontario hereby makes the following Allegations of professional misconduct against Fathi Abu-Farah, CPA, CA, a member of CPA Ontario:

1. THAT the said Fathi Abu-Farah, in or about the period of June 1, 2024 to September 30, 2024, while engaged to perform an audit of the financial statements of "P Inc.", a reporting issuer, for the year ended March 31, 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 CPA Code of Professional Conduct, in that:
 - a. He failed to ensure that disclosures relating to the reclassification of certain balances and transactions were included in the financial statements;
 - b. He failed to ensure that an engagement quality control review was performed;
 - c. He failed to obtain an appropriate understanding of the information technology environment and the general information technology controls;
 - d. He failed to sufficiently perform and/or document the substantive audit procedures performed for the following material classes of transactions and account balances:
 - i. Existence, accuracy and completeness of accounts payable;
 - ii. Existence of accrued liabilities;
 - iii. Right of offset of certain debit balances against accounts payable;
 - iv. Completeness, occurrence and accuracy of payroll;
 - v. Accounting treatment of the convertible debt;
 - vi. Existence and accuracy of share capital;
 - vii. Accuracy and valuation of share-based compensation;
 - viii. Foreign exchange on foreign operations;
 - ix. Due to related party;
 - x. Right-of-use assets and lease liabilities;
 - xi. Accuracy and valuation of the investment in a private company;
 - xii. Related party transactions;
 - xiii. Use of service organization; and
 - xiv. Group audit requirements.
 - e. He failed to assemble the final audit file on a timely basis after the date of the auditor's report and ensure the file was subject to a formal lockdown process.
2. THAT the said Fathi Abu-Farah, in or about the period of August 1, 2024 to December 31, 2024, while engaged to perform an audit of the financial statements of "X Inc.", a reporting

issuer, for the year ended December 31, 2023, failed to perform his professional services in accordance with generally accepted standards of practice of the profession, contrary to Rule 206.1 of the CPA Code of Professional Conduct, in that:

- a. He failed to ensure that disclosures relating to the reclassification of certain balances and transactions were included in the financial statements;
- b. He failed to ensure that an engagement quality control review was performed;
- c. He failed to obtain an appropriate understanding of the information technology environment and the general information technology controls;
- d. He failed to recognize that the company's inappropriate use of the restricted cash resulted in a significant risk of material misstatements;
- e. He failed to sufficiently perform and/or document the substantive audit procedures performed for the following material classes of transactions and account balances:
 - i. Existence and accuracy of restricted cash;
 - ii. Existence, accuracy and completeness of accounts payable;
 - iii. Right of offset, existence and accuracy of due from/to related parties;
 - iv. Accounting of the lease obligation;
 - v. Existence, accuracy and cut-off of program deposits;
 - vi. Accuracy and valuation of warrants;
 - vii. Unearned revenues and contract assets;
 - viii. Related party transactions; and
 - ix. Use of a management expert.
- f. He failed to communicate with those charged with governance in writing on a timely basis; and
- g. He failed to assemble the final audit file on a timely basis after the date of the auditor's report and ensure the file was subject to a formal lockdown process.

3. THAT the said Fathi Abu-Farah, in or about the period of February 1, 2025, to May 31, 2025, while engaged to perform an audit of the financial statements of "X Inc.", a reporting issuer, for the year ended December 31, 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 CPA Code of Professional Conduct, in that:

- a. He failed to ensure that the engagement quality review performed satisfied the CSQM 1 requirements;
- b. He failed to evaluate the competence, capabilities and objectivity of the information technology expert and to evaluate the adequacy of the expert's work;
- c. He failed to recognize that the inappropriate use of the restricted cash resulted in a significant risk of material misstatements;
- d. He failed to sufficiently perform and/or document the substantive audit procedures performed for the following material classes of transactions and account balances:
 - i. Existence and accuracy of restricted cash;
 - ii. Existence, accuracy and completeness of accounts payable;
 - iii. Right of offset, existence and accuracy of due from/to related parties existence, accuracy and cut-off of program deposits;
 - iv. Accounting of the lease obligation;
 - v. Accuracy and valuation of warrants;

- vi. Unsupported substantive analytical procedures; and
- vii. Related party transactions.

4. THAT the said Fathi Abu-Farah, in or about the period of October 1, 2023 to March 31, 2025, while engaged to perform an audit of the financial statements of “N Inc.”, for the year ended October 31, 2023 failed to perform his professional services in accordance with generally accepted standards of practice of the profession, contrary to Rule 206.1 of the CPA Code of Professional Conduct, in that:
- a. He failed to assess the fraud risk on revenue recognition in a consistent manner throughout the audit file and in some instances failed to recognize that there was a risk of material misstatement with respect to fraud for revenue recognition;
 - b. He failed to document the “stand back” requirement at the end of the identification and assessment of the risks of material misstatement;
 - c. He failed to perform the required testing of the design and implementation of controls that addressed the significant risk of revenue recognition;
 - d. He failed to sufficiently perform and/or document the substantive audit procedures performed for the following material classes of transactions and account balances:
 - i. Completeness of accounts payable;
 - ii. Government remittances payable;
 - iii. Expenses; and
 - iv. Payroll;
 - e. He failed to ensure that those with the recognized authority had taken responsibility for the financial statements prior to dating and issuing the auditor’s report; and
 - f. He failed to assemble the final audit file on a timely basis after the date of the auditor’s report and ensure the file was subject to a formal lockdown process.
5. THAT the said Fathi Abu-Farah, in or about the period of December 1, 2023 to December 31, 2024, while engaged to perform a review of the financial statements of “2 Inc.”, for the year ended December 31, 2023, failed to perform his professional services in accordance with generally accepted standards of practice of the profession, contrary to Rule 206.1 of the CPA Code of Professional Conduct, in that:
- a. He failed to document that a bank reconciliation was performed to ascertain the accuracy of the cash balance at year end;
 - b. He failed to obtain sufficient appropriate evidence to support the classification and the valuation of the due from related parties;
 - c. He failed to obtain sufficient and appropriate evidence as a basis to conclude that the due from shareholders was a long-term asset and failed to perform required additional procedures with respect to significant related party transactions outside of the normal course of business;
 - d. He failed to obtain sufficient appropriate evidence to support the vehicle financing recognized on the balance sheet;
 - e. He failed to obtain sufficient and appropriate evidence with respect to total revenues; and

- f. He failed to assemble the review file on a timely basis after the date of the engagement report and ensure that the file was subject to a formal lockdown process.
6. THAT the said Fathi Abu-Farah, in or about the period of March 1, 2025 to May 31, 2025, while engaged to perform a review of the financial statements of "W Inc.", for the year ended December 31, 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 CPA Code of Professional Conduct, in that:
 - a. He failed to identify and document areas in the financial statements where material misstatements are likely to arise;
 - b. He failed to document that a bank reconciliation was performed to ascertain the accuracy of the cash balance at year end;
 - c. He failed to obtain sufficient and appropriate evidence to support the classification and the valuation of the dividend receivable;
 - d. He failed to obtain sufficient and appropriate evidence with respect to salaries and benefits;
 - e. He failed to ensure that those with the recognized authority had taken responsibility for the financial statements prior to dating and issuing the review report; and
 - f. He failed to ensure that the file was subject to a formal lockdown process.
7. THAT the said Fathi Abu-Farah, in or about the period of December 1, 2023 to April 30, 2024, while engaged to perform a compilation of the financial information of "A Inc.", for the year ended December 31, 2023, failed to perform his professional services in accordance with generally accepted standards of practice of the profession, contrary to Rule 206.1 of the CPA Code of Professional Conduct, in that:
 - a. He failed to appropriately document an acknowledgement from management of the basis of accounting to be applied in the preparation of the compiled financial information;
 - b. He failed to obtain a signed engagement letter or other suitable form of written agreement;
 - c. He failed to sufficiently document his knowledge of the entity's business and operations, the entity's accounting system and the accounting records, and the basis of accounting to be applied;
 - d. He failed to ensure that the financial information were prepared in accordance with a basis of accounting described in the note in the compiled financial information; and
 - e. He failed to properly document an acknowledgement from management or those charged with governance that they had taken responsibility for the final version of the compiled financial information.
8. THAT the said Fathi Abu-Farah, in or about the period of December 1, 2024 to March 31, 2025, while engaged to perform a compilation of the financial information of "A Inc.", for the year ended December 31, 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 CPA Code of Professional Conduct, in that:

- a. He failed to appropriately document the acknowledgement from management of the basis of accounting to be applied in the preparation of the compiled financial information;
- b. He failed to ensure that the financial information was prepared in accordance with a basis of accounting described in the note in the compiled financial information;
- c. He failed to sufficiently document his knowledge of the entity's business and operations, the entity's accounting system and the accounting records, and the basis of accounting to be applied; and
- d. He failed to appropriately document information relating to a receivable for an Ontario manufacturing credit.

Dated at Markham, Ontario this 17th day of July, 2025.

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M.S. MIRANDA, CPA, CA – DEPUTY CHAIR
PROFESSIONAL CONDUCT COMMITTEE