

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

**DISCIPLINE COMMITTEE**

**IN THE MATTER OF:** Allegations against **Fathi Abu-Farah, CPA, CA**, a member of the Chartered Professional Accountants of Ontario, under **Rule 206.1** of the CPA Ontario Code of Professional Conduct.

**BETWEEN:**

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

**-and-**

**Fathi Abu-Farah**

**APPEARANCES:**

<b>For the Professional Conduct Committee:</b>	Julia McNabb (she/her), Counsel
<b>For Fathi Abu-Farah:</b>	Present (he/him) Joshua Freedman (he/him), Counsel
Heard:	January 27 and 28, 2026
Decision:	January 27, 2026
Order:	February 12, 2026
Release of written reasons:	April 16, 2026

**REASONS FOR THE DECISION MADE JANUARY 27, 2026 AND ORDER MADE AND REISSUED FEBRUARY 12, 2026**

**I. OVERVIEW**

- [1] The Professional Conduct Committee (“PCC”) of the Chartered Professional Accountants of Ontario (“CPA Ontario”) made Allegations that Fathi Abu-Farah (“the Member”) 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 Ontario Code of Professional Conduct (“the Code”).
- [2] The Member has been a member of CPA Ontario since 2020, and has held a Public Accounting Licence (“PAL”) since 2021. He had previously been associated with a Big Four accounting firm for over 10 years in Kuwait and Jordan before setting up the Jordan branch another large international accounting firm in 2003.
- [3] In 2017, the Member began working in Canada and founded the International Professional

Group (“IPG”), to provide bookkeeping, accounting assistance and business advisory services. IPG was not registered with CPA Ontario.

- [4] The Member also owned and operated Abu-Farah Professional Corporation (“the Firm”) which was registered with CPA Ontario. The Firm offered complete accounting, tax, audit, and advisory services. As of January 2026, the Firm had four reporting issuer audit clients, one private company audit client, two review engagement clients, and one compilation engagement client.

### *The Complaint and Investigation*

- [5] The matter was referred to Standards Enforcement (“SE”) by the Practice Inspection Committee (“PIC”) following an initial inspection of the Member’s practice in October 2023 and a full reinspection in January 2025. Practice Inspection (“PI”) inspected four files during the reinspection: two audits, one review and one compilation.
- [6] Based on the results of the reinspection, the PIC determined that the failure to meet professional standards was sufficiently serious to refer to SE.
- [7] In March of 2025, Audey Mercier (“Mercier”) was appointed as investigator by the PCC to review the standards of practice of the Member in relation to the four files referred by the PIC as well as four additional assurance files.
- [8] Following completion of the investigation, on July 17, 2025 the PCC brought eight Allegations that the Member 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. The Allegations relate to three audits of reporting issuers, an audit engagement of a private company, two assurance reviews, and two compilation engagements.
- [9] The onus was on the PCC to establish on a balance of probabilities that the Member’s conduct breached Rule 206.1 of the Code and constituted professional misconduct.

### *The Outcome of the Hearing*

- [10] The hearing took place on January 27 and 28, 2026. Through an Agreed Statement of Fact (“ASF”), the Member admitted the Allegations. For the reasons set out below in Section IV, the Panel found that the Allegations had been established and constituted professional misconduct.
- [11] Following this finding, the Panel presided over a contested hearing on sanction. The Panel admitted documents into evidence, heard testimony from four witnesses, and received submissions from the parties. The Panel reserved its decision on sanction, which was issued with a correction on February 12, 2026.
- [12] For the reasons set out below in Section VI, the Panel ordered (in summary) that the Member’s assurance practice be restricted, permanently prohibiting him from performing all audit engagements of reporting issuers; that the Member enter into a Supervision Agreement with an Independent Supervisor who shall review all non-reporting issuer assurance engagements and compilations undertaken by the Member for a period of 18 months; that the PCC shall reinvestigate the Member’s assurance practice following the

18 month period of supervised practice; that the Member shall be responsible for all costs associated with the Supervision Agreement and reinspection, that the Member be fined \$25,000, that the Member be reprimanded in writing; that the Decision and Order be made public and the practice restriction be published in the *Globe and Mail* newspaper, and that the Member pay costs of \$42,000 to CPA Ontario.

## II. ISSUES ON CONDUCT

[13] 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 these facts were established on the evidence on a balance of probabilities, did the facts as alleged constitute professional misconduct?

## III. DECISION ON CONDUCT

[14] The Panel found that the evidence established, on a balance of probabilities, the facts on which the Allegations by the PCC were based.

[15] The Panel was satisfied that the facts alleged constituted breaches of Rule 206.1 of the Code, and having breached that Rule, the Member had committed professional misconduct.

## IV. REASONS FOR THE DECISION ON MISCONDUCT

### *Findings Regarding the Conduct of the Member*

[16] The Panel admitted the ASF as Exhibit 1, and the Joint Document Brief as Exhibit 2. The following section summarizes the facts agreed by the Member in the ASF as they relate to each Allegation.

Allegation 1 – That while engaged to perform an audit of the financial statements of “P Inc.” (a reporting issuer) for the year ended March 31, 2024, the Member 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 Code

[17] P Inc. is an e-commerce company specializing in a range of plant-based brands, available on online platforms. The auditor’s report was issued July 29, 2024. The file was reviewed by PI during the January 2025 reinspection and was also reviewed by Mercier as part of the investigation.

*Allegation 1(a): the Member failed to ensure that the disclosures relating to the reclassification of certain balances and transactions were included in the financial statements*

[18] Mercier compared the 2024 financial statements to the 2023 financial statements. There were material differences between the amounts reported in the 2023 comparative column in the 2024 financial statements and the final numbers reported in the 2023 financial statements.

- [19] When the presentation or classification of items in the financial statements are changed and comparative amounts are reclassified in the current year, the financial statements must disclose the reason for the reclassification, the amount of each item or class of items being reclassified, and the nature of the reclassification (IAS 1, para 41).
- [20] There was no such disclosure in the reclassification listed in the 2024 financial statements. Accordingly, the Member failed to ensure that the disclosures relating to the reclassification of certain balances and transactions were included in the financial statements.

*Allegation 1(b): the Member failed to ensure that an engagement quality control review was performed*

- [21] An engagement quality review is mandatory for audits of a listed entity, such as P Inc. (CSQM 1.34, CSQM 2.25, 29-30, and CAS 220.19). As no engagement quality review was completed, the Member failed to meet this standard.

*Allegation 1(c): The Member failed to obtain an appropriate understanding of the information technology environment and the general information technology controls*

- [22] P Inc. operates an e-commerce platform and coffee shops. The point-of-sale (“POS”) system is a significant component of the information technology environment and is central to the financial reporting of sales.
- [23] CAS 315 includes requirements related to the auditor’s understanding of the information technology (“IT”) environment and the identification of general information technology controls (“GITCs”).
- [24] Whereas the Member documented his understanding of the IT environment in the working paper file, this understanding was minimal and there was no consideration by the Member of the POS system that was used to recognize the online and store sales. Given that the POS system was integral to revenue recognition, it was necessary for the Member to obtain an understanding of this process to ensure the completeness and accuracy of the data contained in the sales records.
- [25] The Member failed to recognize this requirement. He did not perform any procedures to satisfy himself on the design implementation or operating effectiveness of controls related to the POS system. Accordingly, he failed to obtain an appropriate understanding of the IT environment and the GITCs.

*Allegation 1(d): The Member failed to sufficiently perform or document the substantive audit procedures performed for the material classes of transactions and account balances listed below at (i) – (xiv)*

- [26] The auditor must 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 Canadian Audit Standards (“CAS”) and applicable legal and regulatory requirements and the results of the audit

procedures performed and the audit evidence obtained.

[27] Pursuant to CAS 330.18, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure. The auditor shall also design and perform audit procedures that are appropriate in the circumstances for the purpose of obtaining sufficient appropriate audit evidence, pursuant to CAS 500.6.

[28] The documentation of substantive audit procedures performed shall include:

(a) The overall responses to address the assessed risks of material misstatement at the financial statement level and the nature, timing, and extent of the further audit procedures performed; and

(b) The linkage of those procedures with the assessed risks at the assertion level and the results of the audit procedures, including the conclusions where these are not otherwise clear.

[29] The substantive audit procedures performed by the Member were not sufficiently documented for the following material classes of transactions and account balances:

i) *Existence, accuracy and completeness of accounts payable*

[30] The Member performed procedures centering around testing the accounts payable listing against subsequent payments. However, subsequent payments do not provide evidence as to when the accounts payable was created, the nature of the accounts payable, the terms and conditions of accounts payable and the ownership of the accounts payable.

[31] The Member did not perform any of the traditional procedures which include either obtaining audit confirmations from the suppliers on a sample basis, reviewing contracts and invoices, reviewing supplier statements, vouching to receiving documents, reviewing statements of work and performing cut-off testing. The Member did not send any confirmations, review contracts, or perform cut-off testing.

[32] Accordingly, the Member failed to perform sufficient and appropriate substantive procedures to audit the existence, accuracy, and completeness of accounts payable.

ii) *Existence of accrued liabilities*

[33] The Member performed inquiry and analytical procedures only with respect to accrued liabilities. In an audit, inquiry alone ordinarily does not provide sufficient audit evidence of the absence of a material misstatement at the assertion level nor of the operative effectiveness of controls (CAS 500.A6) it must be used in conjunction with other audit procedures such as inspection, observation, confirmation, recalculation, reperformance, and analytical procedures, often in some combination, in addition to inquiry.

[34] As the Member did not perform these procedures and instead relied solely on inquiry and analysis, he failed to perform sufficient and appropriate substantive procedures to audit the existence of accrued liabilities.

*iii) Right of offset of certain debit balances against accounts payable*

- [35] There were various debit balances included in accounts payable.
- [36] IAS 31, at paras. 42-48, indicates that a financial asset and a financial liability shall be offset, and the net amount reported in the balance sheet, only when an enterprise:
- (a) Currently has a legally enforceable right to offset the recognized amounts; and
  - (b) Intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.
- [37] When the asset and the liability are not with the same party, there is no legally enforceable right to offset the balances.
- [38] There was no documentation as to why there was a right to offset these debit balances against the accounts payable. Accordingly, the Member failed to document why it was appropriate to offset certain debt balances against accounts payable.

*iv) Completeness, occurrence and accuracy of payroll*

- [39] To perform payroll testing the Member obtained the pay period of a given employee and agreed their annual salary to the most recent salary increase letter available for that period, and compared the total payroll amount to the general ledger and banking records. The test was performed for a sample of five selected employees over three pay periods.
- [40] However, according to the Member's audit methodology, the Member had calculated that a sample of 22 employees was required. The sample of only five employees was insufficient and did not follow his audit methodology. Other than the above-noted procedure, no other work was performed on payroll. Accordingly, the Member failed to perform sufficient substantive procedures to audit the completeness, occurrence and accuracy of payroll.

*v) Accounting treatment of the convertible debt*

- [41] The company had debt financing from an arm's length creditor in the form of a secured convertible promissory note. The holder had the right to convert at its discretion, in whole or in part, the outstanding eligible conversion amount into common shares.
- [42] To support the existence of this convertible debt, the Member obtained confirmation from the lender. The confirmation detailed the loan amount in the various terms and conditions attached to the loan.
- [43] As convertible debts are complex financial instruments, the accounting treatment of convertible debts requires a detailed review of documentation, significant analysis, in-depth discussions with all parties involved, and research in accounting literature. Often, the conversion option may need to be recognized separately from the convertible debt.
- [44] As the Member did not include in the file any analysis of the accounting treatment of the convertible promissory note, he failed to properly document the accounting treatment of the convertible debt.

*vi) Existence and accuracy of share capital*

- [45] During the fiscal year the company issued common shares in accordance with the terms of the convertible loan agreement, the terms of the share-based compensation, the terms of a debt settlement agreement, the terms of an acquisition of another company, and also issued additional shares for vested performance stock units and restricted stock units to certain directors, officers, employees, and consultants of the company.
- [46] The Member performed minimal work on the above transactions. He did not include in the file any memorandum on the accounting treatment of these transactions, nor copies of agreements supporting the transactions or other audit evidence.
- [47] The Member relied on the work of an expert to support the value of the share capital. However, it is unclear from the file to what extent the expert was only responsible for maintaining the records of the number of shares or whether they were responsible for the accounting of the share capital under the International Financial Review Standards (“IFRS”).
- [48] The Member performed limited procedures on the work done by the expert. The Member did not obtain any spreadsheets, analysis or memorandum to support the share capital transactions reflected by the expert. Accordingly, he failed to perform sufficient and appropriate substantive procedures to ascertain the existence and accuracy of share capital.

*vii) Accuracy and valuation of share-based compensation*

- [49] During the fiscal year, the company recognized a share-based compensation expense. However, there was no memorandum of the accounting treatment of the transactions, copies of agreements supporting the transactions, or other audit evidence in the file. Accordingly, the Member failed to perform any substantive audit procedures on the accuracy and valuation of the share-based compensation.

*viii) Foreign exchange on foreign operations*

- [50] P Inc. owned several subsidiaries around the world, mostly in the United Kingdom and the United States, that used the US dollar and the Pound Sterling as their functional currency. It was therefore necessary for the foreign operations to be translated to Canadian dollars in the financial statements.
- [51] The Member obtained a detailed consolidation spreadsheet from the client, but he did not verify that the translation of the foreign operations from their local currency to Canadian currency was properly performed.
- [52] The Member did not recognize at the time that he was required to perform further audit procedures to ascertain whether the translation of foreign operations was properly accounted for and accordingly did not perform adequate audit procedures on the foreign exchange on foreign operations.

*ix) Due to related party*

- [53] The financial statements indicated that the company recognized a due to related party of

\$552,000, but there was no documentation in the file on this issue. The Member ought to have obtained an audit confirmation or alternatively obtained the contract with the related party to substantiate the balance. Accordingly, the Member failed to obtain audit evidence to support the classification, presentation and disclosure of the due to related party.

x) *Right-of-use assets and lease liabilities*

- [54] On the financial statements, the company presented right-of-use assets and lease liabilities.
- [55] The Member obtained the client's calculations supporting the lease obligations as a right-of-use asset under IFRS 16 and he reperformed the calculations. However, the audit file did not include a copy of the lease agreement and there was no documentation in the file to show that the Member had validated the inputs of the calculation to the lease agreement. In addition, the Member did not document his assessment of the accounting treatment selected for the lease, he did not analyze the nature of the lease or the appropriateness of the treatment applied, in accordance with IFRS 16.
- [56] Accordingly, the Member failed to obtain sufficient audit evidence to support the accounting of the right of use assets and lease liabilities.

xi) *Accuracy and valuation of the investment in a private company*

- [57] The company recognized on the statement of financial position an investment in a private company amounting to \$1.6 million. The Member reviewed the investment documentation, assessed the carrying amount of the investment, verified the calculations of the share profit/loss and reperformed the calculation of the loss recognized with respect to the disposal of a portion of the investment.
- [58] However, the Member's analysis of the disposal transactions was superficial. In addition, the Member did not perform any work to ascertain that the value of the investment was not impaired. It was necessary in the circumstances for the Member to first obtain financial information on the performance and financial position of the private company to determine whether there were any indications that the value of the investment on the financial statements may be overstated. If there were such indications, a proper impairment test was required to be performed.
- [59] As the Member did not recognize the need to perform audit procedures on the evaluation of the investment in the private company, he failed to perform sufficient and appropriate audit procedures to support the accuracy and valuation of the investment.

xii) *Related party transactions*

- [60] CAS 552.20 requires the auditor to design and perform further audit procedures to obtain sufficient appropriate audit evidence about the assessed risks of material misstatement associated with related party relationships and transactions.
- [61] However, there was no evidence in the file that the Member performed procedures on related party transactions. There were no questionnaires nor working papers related to related party transactions. In addition, the Member did not perform any audit procedures

on the due to related party amounting to \$552,000.

[62] Accordingly, the Member failed to design and perform audit procedures about the assessed risks of material misstatement associated with related party relationships and transactions.

*xiii) use of service organization*

[63] P Inc. used a service organization, OC, responsible for managing the share capital of the company. CAS 402 requires the auditor to obtain an understanding of the services provided by a service organization.

[64] However, the Member's documentation of risk assessment procedures did not include an understanding and assessment of how P Inc. used the services of OC in the company's operations. While the Member properly identified OC as a service organization, and he prepared a memorandum on his audit procedures and findings, the memorandum does not include documentation of the results of the procedures. The Member did not describe the nature of the services and the significance of these services to the financial reporting of the company. In addition, he did not document the internal controls in place at OC or at P Inc. to ensure the financial information generated by OC was complete and accurate.

[65] Accordingly, the Member failed to obtain sufficient understanding and assessment of the nature of the services provided by the service organization, the significance of those services to the company and the effect on the company's internal controls.

*xiv) Group audit requirements*

[66] Pursuant to CAS 600, the Group engagement team is required to obtain sufficient appropriate audit evidence on the financial information of significant components, group wide controls, the consolidation process and analytical procedures performed at the group level.

[67] The Member used a component auditor for the UK subsidiaries of P Inc. He prepared detailed audit instructions for the component auditor and obtained significant audit evidence to support the financial information of the UK subsidiaries.

[68] However, while the Member also used a component auditor for the US entities, the documentation received from the component auditor was minimal, and the Member did not document any work performed on the work of this component auditor.

[69] Accordingly, the Member failed to obtain sufficient audit evidence on which to base the group audit opinion from the work performed by the component auditor for the US entities.

*Allegation 1(e): The Member 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*

[70] CAS 220.32 requires the engagement partner to perform the audit on or before the date of the auditor's report and that he must ensure sufficient appropriate audit evidence was obtained on or before that date.

[71] According to the Caseware file, the sign-offs were all completed prior to the issuance of

the audit report. However, when PI reviewed the metadata associated with the documents contained in the Caseware file, it was noted that several working papers were modified following the issuance of the audit report.

- [72] During the investigative interview, the Member stated that the Firm had not fully implemented Caseware and had only one active license, resulting in documentation being maintained outside of Caseware. The Member explained that this was why several working papers appeared to have been prepared or uploaded after the file was selected for inspection. The Member maintained that all required audit evidence was obtained and documented prior to the report's issuance.
- [73] However, because Caseware was not properly utilized, and an adequate lockdown process was not in place, it was not possible to determine whether or not the documentation was completed prior to the issuance of the report.
- [74] Pursuant to CAS 230.14, the auditor is required to assemble 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. CSQM 1 also requires firms to establish policies and procedures for the timely completion of the assembly of audit files, which is generally considered to be within 60 days of the date of the engagement report.
- [75] The Caseware file did not include evidence that it was locked down properly and in a timely fashion. Typically, Caseware will include clear evidence of the lockdown process in the "History" functionality. However, the "History" functionality was not activated on this file. As the Member did not have a formal policy with respect to lockdown and archiving the engagement files, the audit file was not subject to a formal lockdown process.
- [76] Accordingly, the Member failed to assemble the final audit file on a timely basis after the date of the auditor's report and failed to ensure that the file was subject to a formal lockdown process.

Allegation 2 – That while engaged to perform an audit of the financial statements of "X Inc." (a reporting issuer) for the year ended December 31, 2023, the Member 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 Code

- [77] X Inc. is a Fintech creator of payment innovations, providing on-demand pay for many large brands. The Auditor's report was issued on September 30, 2024. The file was reviewed by PI and subsequently by Mercier as part of her investigation.

*Allegation 2(a): The Member failed to ensure that disclosures relating to the reclassification of certain balances and transactions were included in the financial statements*

- [78] The comparison of the 2023 financial statements to the 2022 financial statements show differences between the amounts reported in the 2022 comparative column in the 2023 financial statements and the final numbers reported in the 2022 financial statements.
- [79] As noted above in paragraph 19, it is required that financial statements disclose the reclassification and information relating to the reclassification. This was not included in the

financial statements.

- [80] Accordingly, the Member failed to ensure that disclosures relating to the reclassification of certain balances and transactions were included in the financial statements.

*Allegation 2(b): The Member failed to ensure that an engagement quality control review was performed*

- [81] As noted above in paragraph 21, an engagement quality review is mandatory for audits of financial statements of listed entities. As no engagement quality control review was performed with respect to this engagement, the Member failed to ensure that an engagement quality control review was performed.

*Allegation 2(c): The Member failed to obtain an appropriate understanding of the information technology environment and the general information technology controls*

- [82] As noted above in paragraph 23, CAS 315 includes requirements relating to the auditor's understanding of the IT environment and the identification of GITCs.
- [83] X Inc. operates its on-demand pay system through a cardholder management platform. All revenue transactions are recorded through this platform. The Member obtained and documented his general understanding of the IT environment for X Inc., but this understanding was focused on the general policies of the entity and was not system-specific. There was no consideration of the cardholder management platform in the IT understanding obtained by the Member.
- [84] As the cardholder management policy was integral to revenue recognition, it was necessary for the Member to obtain an understanding of this process and of the GITCs relating to these applications to ensure the completeness and accuracy of the data contained in the sales records. The Member did not fulfill this requirement.
- [85] In performing his substantive work the Member implicitly relied on the GITCs and application controls relating to the cardholder management program without testing it himself. He did not perform any procedures to satisfy himself on the design, implementation, or operating effectiveness of controls related to the cardholder management platform.
- [86] Accordingly, the Member failed to obtain an appropriate understanding of the information technology environment and the general information technology controls.

*Allegation 2(d): The Member failed to recognize that the company's inappropriate use of the restricted cash resulted in a significant risk of material misstatements*

- [87] In assessing risks of material misstatement at the assertion level, the auditor must determine whether any of the assessed risks of material misstatement were significant risks (CAS 240 paras 28, 45 and CAS 315 paras 32, 38).
- [88] In the financial statements of X Inc., the restricted cash balance was the company's largest asset. There was a deficit of \$7.9 million as of December 31 2023. The use of restricted

cash for the company's operating and program management purposes constitutes a breach of contract under the customer agreements. The total estimated potential liability to the company was \$7.9 million.

[89] The Member identified five risks relating to the cash and bank balances, including restricted cash. All five risks were evaluated as medium risks. However, given that the company was in breach of its contracts with respect to the restricted cash, there existed a potential bias for the company to overstate the restricted cash to limit the breach of contract. This bias gives rise to fraud risk. CAS 240 requires fraud risks to be assessed as significant risks.

[90] Accordingly, the Member failed to recognize that the Company's inappropriate use of the restricted cash resulted in a significant risk of material misstatements.

*Allegation 2(e): The Member failed to significantly 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*

[91] As discussed above, in the financial statements the company recognized restricted cash, which was the largest asset. This cash balance is restricted to settle the program customer deposits' liabilities. Given that the cash balance is insufficient to cover the program customer deposits, the risk for the restricted cash should have been assessed as significant.

[92] CAAS 315, paragraph 26 requires the auditor to identify controls that address a risk that is determined to be a significant risk, and for each control identified to evaluate whether the control is designed effectively, and to determine whether the control has been implemented.

[93] The Member did not identify controls addressing the significant risk related to restricted cash. As a result, he did not complete the required evaluation of the design of these controls and the required determination of whether they were implemented.

[94] While the Member obtained copies of the bank statements, that alone does not provide sufficiently reliable audit evidence to support a cash balance. The requirement is to obtain bank confirmations directly from the bank to support the existence and accuracy of the cash balance.

[95] Given the materiality of the restricted cash and its significant risk assessment, this is a significant audit deficiency. Failing to obtain a bank confirmation reflects a lack of professional judgment and professional skepticism. Accordingly, the Member failed to obtain sufficient and appropriate audit evidence to support the existence and accuracy of restricted cash.

*ii) Existence, accuracy and completeness of accounts payable*

[96] With respect to accounts payable, the Member performed the same limited procedures as for the P Inc. file, as set out in paragraphs 30-31. The Member did not perform the

traditional and proper procedures such as obtaining audit confirmations from the suppliers on a sample basis, reviewing contracts and invoices, vouching to receiving invoices, reviewing statements of work, and performing cut off testing.

[97] Accordingly, he failed to perform sufficient and appropriate substantive procedures to audit the existence, accuracy and completeness of accounts payable.

*iii) Right of offset, existence and accuracy of due from/to related parties*

[98] Per the financial statements, the company has a balance payable comprising funds payable to a board member and funds payable to the CEO. The Member offset this balance with an amount receivable from entities controlled by the CEO.

[99] In relation to the rate of offset, as noted above, when the asset and liability are not with the same party, there is no legally enforceable right to offset the balances. Because these are not the same parties, the Member incorrectly netted the amount receivable against the gross amount payable resulting in liabilities being understated.

[100] With respect to the audit procedures on the due from/to related parties transactions, the Member obtained audit confirmations for all five balances. However, the confirmation did not provide any details on the terms and conditions of the balances receivable and payable, and there was no other documentation in the file related to this issue. There were also no formal contracts in the file.

[101] Accordingly, the Member did not obtain sufficient and appropriate audit evidence to support the right of offset and the existence and accuracy of the due from/to related parties balances.

*iv) Accounting of the lease obligation*

[102] The Member did not obtain the lease agreement to obtain an understanding of the agreement. In addition, he did not document the assessment of the accounting treatment selected for the lease, and did not analyze the nature of the lease and the appropriateness of the treatment applied, in accordance with IFRS 16.

[103] Accordingly, the Member did not obtain sufficient and appropriate audit evidence to support the accounting of the lease obligation.

*v) Existence, accuracy and cut-off of program deposits*

[104] The procedures performed by the Member in respect of the program deposits by customers were insufficient to substantiate the balance. The Member did not perform any completeness procedures to ensure the liability reported was not understated. This is a critical risk in the audit. Because the company is already in a position where the restricted cash is insufficient to cover the program deposits obligation, the company has a bias to understate the obligation.

[105] Given this context, the audit evidence needed to be sufficiently persuasive to respond

appropriately to the significant risks identified and a higher level of professional skepticism was therefore required. The Member failed to appreciate that this was required. Accordingly, the Member did not obtain sufficient and appropriate audit evidence to support the existence, accuracy and cut off-of program deposits.

*vi) Accuracy and valuation of warrants*

- [106] X Inc. issued various share-based payments during the year, which included stock options, restricted stock units, and warrants.
- [107] Whereas the Member performed audit procedures on the stock options and restricted stock units, he did not complete any procedures on the warrants to confirm the existence of the warrants and to validate the terms of the transactions. He also did not document the accounting treatment applied by the company and did not perform sufficient audit procedures to ascertain the value of the share-based payments issued. He also did not use a valuation model to verify the value of each grant.
- [108] When testing how management made an accounting estimate, such as the value of warrants, CAS 540 22 requires that the auditor design and perform audit procedures to obtain sufficient appropriate audit evidence regarding the risks of material misstatement relating to the selection and application of the methods, significant assumptions and the data used by management in making the accounting estimate and how management selected the point estimate and developed related disclosures about estimation uncertainty.
- [109] The Member did not address this in his working paper files and accordingly he failed to perform substantive audit procedures on the accuracy and valuation of the warrants.

*vii) Unearned revenues and contract assets*

- [110] In preparing a substantive analytical procedure to substantiate the value of the unearned revenues and contract assets, the Member compared on a quarterly basis the amount of unearned revenues and contract assets in the management report to the amount recognized in the general ledger.
- [111] However, this approach did not comply with CAS 520 because the Member did not evaluate the reliability of the data from the management report. Management reports are considered to be internal evidence, as they are prepared by the client. Accordingly, the Member should have performed some tests of details on a sampling basis to verify the existence, the accuracy, and the completeness of the data contained in the management report.
- [112] The Member failed to obtain sufficient external audit evidence to evaluate the reliability of the management report data, which was relied upon in performing substantive analytical procedures on unearned revenues and contract assets.

*viii) Related party transactions*

- [113] Pursuant to the CAS 550 requirement that the auditor shall respond to assessed risks, the auditor must design and perform further audit procedures to obtain sufficient appropriate audit evidence about the assessed risks of material misstatement associated with related party relationships and transactions.
- [114] There was no evidence in the file that the Member performed these procedures on related party transactions. In addition, the Member did not identify that the remuneration to key management and directors required disclosure under the requirements of IAS 24.17.
- [115] Accordingly, the Member failed to obtain sufficient appropriate audit evidence about the assessed risks of material misstatement associated with related party relationships and transactions.

*ix) Use of a management expert*

- [116] According to CAS 500.08 Audit Evidence, when information used as audit evidence was prepared using the work of a management's expert, the auditor must evaluate the appropriateness of the expert's work as audit evidence for the relevant assertion and the competence, capabilities and objectivity of the expert.
- [117] The Member relied on a management expert in the context of inventory administered and counted by a third party. The custodian of the inventory performed an inventory count for the company and the Member. To substantiate the inventory count, the Member documented that he conducted a telephone discussion with the custodian of the inventory where he sought to confirm the accuracy of the inventory records and any relevant discrepancies. The file did not contain any other information on the evaluation of the appropriateness of the expert's work as audit evidence.
- [118] The minimal documentation in the file is not sufficient in order to ascertain whether the procedures performed by the custodian were sufficient and appropriate. In addition, the level of detail in the confirmation provides little insight on the work performed and results obtained.
- [119] Accordingly, the Member failed to perform a sufficient and appropriate evaluation of the appropriateness of the expert's work as audit evidence for the relevant assertion and the competence, capabilities and objectivity of the expert.

*Allegation 2(f): The Member failed to communicate with those charged with governance in writing on a timely basis*

- [120] CAS 260 states that the auditor shall communicate with those charged with governance in writing on a timely basis, and outlines various items that must be communicated. CAS 701 states that the auditor shall communicate with those charged with governance regarding key audit matters, or the auditor's determination that there are no key audit matters.

[121] The Member's audit file did not include any evidence of communications with those charged with governance. The Member advised that there were no written communications, that he did not prepare any presentations, and that all communications with those charged with governance were done virtually or via email with no formal documentation of those communications in the file.

[122] Accordingly, the Member failed to communicate with those charged with governance and writing on a timely basis.

*Allegation 2(g): The Member 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*

[123] The applicable standards are set out above in paras. 70 and 74 relating to P Inc. As with P Inc., PI and Mercier identified that several working papers were modified subsequent to the issuance of the audit report. The Member explained that documentation was maintained outside of Caseware at the time.

[124] As in the case of P Inc., it was not possible for Mercier to determine whether the documentation was completed prior to, or subsequent to, the issuance of the report. The Member acknowledges that the X Inc. file was not subject to a formal lockdown process. Accordingly, the Member 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.

Allegation 3 – That while engaged to perform an audit of the financial statements of X Inc. (a reporting issuer) for the year ended December 31, 2024, the Member 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 Code

[125] Allegation 3 pertains to the same audit client as Allegation 2. The auditor's report was issued on May 7, 2025. This subsequent year was selected as an additional file as part of the investigation.

*Allegation 3(a): The Member failed to ensure that the engagement quality review performed satisfied the CSQM 1 requirements*

[126] As noted above at paragraph 21, for audits of listed entities, an engagement quality control review is required.

[127] The Member advised Mercier that he had appointed an engagement quality control reviewer, but the only evidence of review in the file is the presence of an audit questionnaire. This questionnaire describes various steps performed by the reviewer, but details are limited. As there was no sign off of documents in Caseware, a reviewer of the file is not able to ascertain what documents were reviewed by the reviewer and the level of his involvement.

[128] Accordingly, the Member failed to ensure that the engagement quality review performed

satisfied the CSQM 1 requirements.

*Allegation 3(b): The Member failed to evaluate the competence, capabilities and objectivity of the information technology expert and to evaluate the adequacy of the expert's work*

[129] As previous indicated in paragraphs 82-86, the Member failed to obtain an appropriate understanding of the IT environment in the GITCs in the prior year audit file (Allegation 2c).

[130] CAS 620 outlines the auditor's responsibilities relating to the work of an individual or organization in a field of expertise other than accounting or auditing when that work is used in obtaining sufficient appropriate audit evidence. The auditor must, among other things, evaluate the competence, capabilities and objectivity of the expert and evaluate the adequacy of the expert's work for its purposes.

[131] However, the file did not include any documentation of the evaluation of the competence, capabilities, and objectivity of the expert, nor was there any commentary or analysis of the expert's work. The Member failed to recognize that it was necessary for the auditor to assess and evaluate whether the education and experience of the expert was appropriate for the work undertaken, and document this. Accordingly, the Member failed to evaluate the competence, capabilities, and objectivity of the IT expert and to evaluate the adequacy of the IT expert's work for its purposes.

*Allegation 3(c): The Member failed to recognize that the inappropriate use of the restricted cash resulted in a significant risk of material misstatements*

[132] As previously noted in paragraphs 87-90, in the prior year audit file, the Member failed to recognize that the company's inappropriate use of the restricted cash resulted in a significant risk of material misstatements.

[133] In the 2024 financial statements, the same issues arose. In the risk assessment, the Member identified several risks relating to the cash and bank balances including restricted cash, but none of the risks were noted as significant. As previously noted, given that the company was in breach of its contracts with respect to the restricted cash, there existed a potential bias to overstate the restricted cash which gave rise to a fraud risk. CAS 240 requires fraud risks to be assessed as significant risks. Accordingly, the Member failed to recognize that the inappropriate use of the restricted cash resulted in a significant risk of material misstatements.

*Allegation 3(d): the Member 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*

[134] This deficiency remained unchanged from the prior year audit file.

ii) *Existence, accuracy and completeness of accounts payable*

[135] This deficiency remained unchanged from the prior year audit file.

iii) *Right of offset, existence and accuracy of due from/to related parties; existence, accuracy and cut-off of program deposits*

[136] These deficiencies remained unchanged from the prior year audit file.

iv) *Accounting of the lease obligation*

[137] This deficiency remained unchanged from the prior year audit file.

v) *Accuracy and valuation of warrants*

[138] This deficiency remained unchanged from the prior year audit file.

vi) *Unsupported substantive analytical procedures (unearned revenues and contract assets)*

[139] This deficiency remained unchanged from the prior year audit file.

vii) *Related party transactions*

[140] This deficiency remained unchanged from the prior year audit file.

Allegation 4 – That while engaged to perform an audit of the financial statements of N Inc. for the year ended October 31, 2023, the Member 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 Code

[141] N Inc. is a not-for-profit organization that creates economic and social opportunities for refugee women in Toronto. The Auditor's report was issued on January 13, 2025. This file was selected as an additional file as part of the investigation.

*Allegation 4(a): the Member 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*

[142] Pursuant to CAS 315, the auditor shall identify and assess the risks of material misstatement due to fraud at the financial statement level, and at the assertion level for classes of transactions, account balances and disclosures. 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. The auditor shall treat those assessed risks of material misstatement due to fraud as significant risks and accordingly, to the extent not already done so, the auditor shall identify the entity's controls that address such risks, and evaluate their design and determine whether they have been implemented.

- [143] In a planning memo, the Member identified the fraud risk on revenue recognition as significant. However, elsewhere in the audit file, on multiple occasions, the risk of revenue recognition was not identified as significant.
- [144] Based on the file, it is unclear for the engagement team whether the risk for revenue recognition is significant or not. It is important for the engagement partner to establish clear risk identification and evaluation to determine proper audit responses.
- [145] Accordingly, the Member 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.

*Allegation 4(b): The Member failed to document the "stand back" requirement at the end of the identification and assessment of the risks of material misstatement*

- [146] Paragraph 35 of CAS 315 mandates that the auditor evaluate the effectiveness of the initial risk assessment through a stand-back requirement. The auditor shall evaluate whether the audit evidence obtained from the risk assessment procedures provides an appropriate basis for the identification and assessment of the risks of material misstatement. If not, the auditor shall perform additional risk assessment procedures until audit evidence has been obtained to provide such a basis. In identifying and assessing the risks of material misstatement, the auditor shall take into account all audit evidence obtained from the risk assessment procedures, whether corroborative or contradictory to assertions made by management.
- [147] The stand-back assessment questions were included in an engagement scoping questionnaire in the file, however, the Member did not complete the questions related to the stand-back assessment. Accordingly, the Member failed to document the stand-back requirement at the end of the identification and assessment of the risks of material misstatement.

*Allegation 4(c): The Member failed to perform the required testing of the design and implementation of controls that addressed the significant risk of revenue recognition*

- [148] As noted above, the Member assessed revenue recognition as a significant risk at the planning stage. CAS 315 paragraph 26 requires the auditor to identify controls that address a risk that is determined to be a significant risk and for each control identified to evaluate whether the control is designed effectively and to determine whether the control has been implemented.
- [149] However, the audit file did not contain information or audit work on internal controls relating

to revenues, other than a brief system description on the revenue cycle. The Member did not identify controls addressing the risk of revenue recognition. Consequently, he did not complete the required evaluation of the design of these controls and the required determination of whether they were implemented.

*Allegation 4(d): The Member 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*

[150] On the balance sheet, liabilities included a government remittances payable, a material line item. With respect to the completeness of accounts payable, the Member documented in one sentence having “performed the cut-off test to verify the receipts and payments are recorded in correct accounting period.” However, there were no details provided to explain the extent of the cut-off testing performed. Proper documentation would normally include whether the cut-off work was completed before or after year end depending on the risk assessment, the time period, the samples selected, the results of the test performed on the specific samples, and the findings from this audit procedure.

[151] Accordingly, the Member failed to prepare complete audit documentation with respect to the cut-off procedures performed and therefore failed to gather sufficient and appropriate audit evidence with respect to the completeness of accounts payable.

*ii) Government remittances payable*

[152] In the audit file, the Member described the government remittances payable balance as representing “the company advances from [Immigration, Refugees and Citizenship Canada (“IRCC”)] grant” and referred to the balance as a loan. The characterization of a balance owed to the IRCC as a government remittances payable is not correct. Instead, it should have been presented on the balance sheet as an advance or loan payable to IRCC. It was also necessary to disclose the terms and conditions associated with this advance. Also, the audit work performed to substantiate the balance was limited and did not include a formal audit confirmation sent to IRCC or a review of a contract or letter documenting the advance.

[153] Accordingly, the Member failed to obtain sufficient and appropriate audit evidence to support the Government remittances payable balance.

*iii) Expenses*

[154] The statement of operations includes operating expenses in a material amount. The Member audited these expenses by tracing a sample of 36 expenses to the related invoices. The Member also verified interest, and reviewed the professional fees and consulting fees on the rental agreements. However, minimal details were provided as to the selection of the 36 samples and the actual procedures performed. The Member only

provided a summarized list of the invoices tested with no documentation of the results of the procedures on each sample.

[155] Accordingly, the Member failed to prepare sufficient audit documentation with respect to the expense procedures performed and therefore failed to gather sufficient and appropriate audit evidence with respect to the expenses.

*iv) Payroll*

[156] The statement of operations includes management salaries and benefits amounting to \$357,000, a material amount.

[157] Pursuant to CAS 315.20 the auditor must obtain an understanding of the accounting procedures and the internal controls present with respect to payroll.

[158] The Member obtained a limited understanding of the payroll cycle which was documented in a brief one-page system description. This description was not sufficient to properly understand the accounting procedures of the company, to adequately identify the internal controls, and to develop the proper audit procedures to respond to the audit risks identified.

[159] Also, to test the payroll expenses, the Member relied solely on the payroll records as audit evidence to build an expectation of the salaries. Payroll records are internal evidence as they are prepared by the client. As a result, insufficient external audit evidence was obtained to verify the existence and accuracy of the payroll expense. The Member should have performed some tests on a sampling basis to verify the existence of the employees, the accuracy of salary and the accuracy of taxes and deductions.

[160] In estimating the amount of the management salaries and benefits, the Member arrived at an amount of \$370,000, and compared this amount in the financial statements of \$357,000, a difference of approximately \$12,000. The Member did not recognize that the difference noted was greater than the materiality of \$6000 and he did not request that management adjust the financial statements.

[161] Accordingly, the Member did not design and perform audit procedures that were appropriate in the circumstances for the purpose of obtaining sufficient appropriate audit evidence with respect to payroll.

*Allegation 4(e): the Member 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*

[162] CAS 700, paragraph 49 requires the auditor's report to be dated no earlier than the date on which the auditor has obtained sufficient appropriate audit evidence on which to base the auditor's opinion on the financial statements, including evidence that those with the recognized authority have asserted that they have taken responsibility for those financial statements.

[163] In the file there was no evidence of the approval of the financial statements by the

recognized authority, as the copy of the draft financial statements was unsigned. The Member subsequently provided Mercier a signed copy of the final draft financial statements from the Chairman. However, the metadata of the document revealed that it had been created by the chairman on February 4, 2025, which is subsequent to the auditor's report date of January 13, 2025.

[164] Accordingly, the Member 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 failed to include the signed letter as evidence in his file.

*Allegation 4(f): The Member 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*

[165] As previously noted in paragraph 70, CAS 220.32 requires the engagement partner to perform their review on or before the date of the auditor's report and that they must ensure sufficient audit evidence was obtained on or before that date.

[166] The sign-offs in the Caseware file indicate that the Member signed off on the review of the documents prior to the issuance of the Auditor's report on January 13, 2025.

[167] However, when the investigator reviewed the documents contained in the Caseware file, it was noted that several working papers were modified subsequent to the issuance of the report. The Caseware file reviewed by the investigator did not include evidence that it was locked down properly as the "History" functionality was not activated. Accordingly, the investigator was unable to determine the extent of the modifications, if any, that were made subsequent to the issuance of the report.

[168] During the investigation, the Member stated that the lockdown process was new at his Firm and that he had been experiencing difficulties with the Caseware lockdown functions. Although he stated that no documents had been modified subsequent to the 60-day period, this could not be verified by the investigator.

[169] Accordingly, the Member failed to assemble the final audit file on a timely basis after the date of the Auditor's report and ensure that the file was subject to a formal lockdown process.

Allegation 5 – That while engaged to perform a review of the financial statements of 2 Inc. for the year ended December 31, 2023, the Member 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 Code

[170] Allegations 5 and 6 involve review engagements. CSRE 2400, Engagements to Review Historical Financial Statements, requires that the practitioner design and perform analytical procedures to address material items in the financial statements, including disclosures as well as any areas where misstatements are likely to arise. The practitioners should apply analytical procedures to evaluate the financial information underlying the financial statements through analysis of plausible relationships among both financial and

non-financial data, and assessment of results for consistency with expected values, with a view to identifying relationships and individual items that appear unusual, or that vary from expected trends or values.

[171] The company 2 Inc. is engaged in the trucking services business. The Member issued a review report on April 29, 2024. The file was reviewed by PI during the January 2025 reinspection, and was also reviewed by Mercier.

*Allegation 5(a): the Member failed to document that a bank reconciliation was performed to ascertain the accuracy of the cash balance at year end*

[172] The balance sheet of the company was composed of two separate bank accounts. The Member obtained a copy of the bank statements for each account and compared the balance as at December 31, 2023 to the balance recorded in the general ledger. He concluded that there were no issues noted.

[173] However, he did not obtain a copy of the bank reconciliation or document his review of the bank reconciliation. He also did not confirm that the process undertaken by the company to complete a bank reconciliation on the accounting process during the year was completed at year end. Accordingly, the Member failed to document that a bank reconciliation was performed to ascertain the accuracy of the cash balance at year end.

*Allegation 5(b): the Member failed to obtain sufficient appropriate evidence to support the classification and evaluation of the due from related parties*

[174] The balance sheet included a receivable from related parties, increased significantly from the prior year. It was classified as a current asset on the balance sheet. The balance sheet was composed of two separate loans to two separate sister companies.

[175] The Member did not document the rationale for the classification of the advances as current assets. In order to support the classification as current assets, he should have validated whether there was an intention and capability to repay this balance in the next 12 months. This could have been obtained through inquiry of management, through a confirmation process or review of the contract.

[176] In addition, the Member did not analyze the collectability of the receivable from related parties. He should have documented whether the sister companies were in a financial position to repay the funds. Given that this was a material asset of 2 Inc., failing to complete a collectability analysis is a significant deficiency.

[177] Accordingly, the Member failed to obtain sufficient appropriate evidence to support the classification and the valuation of the due from related parties.

*Allegation 5(c): the Member 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*

- [178] The balance sheet included a due from shareholders of \$421,000, classified as a long-term asset. The Member documented that it was a loan to certain shareholders of the corporation. However, he did not document the terms and the conditions of the loan nor did he document any inquiry into the terms and conditions of the loan. In addition, he did not disclose the repayment terms of the loans.
- [179] The Member did not document the reason behind the classification of the due from shareholders as long-term. In order to support a long-term classification, he should have validated that the shareholders had agreed to forgo repayment of the loan in the next 12 months. This was not done.
- [180] In addition, CSRE 2400, paragraph 50 requires that the practitioner perform additional procedures with respect to significant related party transactions outside of the normal course of business. It requires that the practitioner inquire of management about the nature of those transactions; whether related parties could be involved; and the business rationale for those transactions. The documentation in the file was minimal and did not address the business rationale for these transactions.
- [181] Accordingly, the Member 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.

*Allegation 5(d): The Member failed to obtain sufficient appropriate evidence to support the vehicle financing recognized on the balance sheet*

- [182] The balance sheet included vehicle financing amounting to \$214,000, a \$195,000 increase from the prior year. The Member documented that the company had entered into two new vehicle leases during the year, and he noted the interest, length of the term, and the monthly payments.
- [183] However, the Member did not perform any formal variance analysis to explain the increase in the vehicle financing. He did not obtain a copy of the contracts or confirmation to validate the existence, accuracy and completeness of the vehicle financing liability. He did not obtain or prepare a loan amortization schedule to ensure the current and long-term portions were properly accounted for.
- [184] Accordingly, the Member failed to obtain sufficient appropriate evidence to support the vehicle financing recognized on the balance sheet.

*Allegation 5(e): the Member failed to obtain sufficient and appropriate evidence with respect to the total revenues*

- [185] Total gross margin amounted to \$4.23 million, compared to \$2.37 million in the prior year, a difference of \$1.85 million. As a percentage of sales, gross margin varied by 6.09% compared to the prior year. The Member performed variance analysis and review work on

the cost of sales and gross margin. With respect to the gross margin, he documented that “gross margin has increased by 6.98% and is within our expectation.”

- [186] The Member also documented that he did not expect significant changes compared to the prior year, since there were no significant changes to operations. However, based on this expectation, he should have documented an explanation for the variance. In addition, given the increase in sales of more than 35%, this significant increase would raise the question as to whether there were significant changes in operations. The Member documented in his file that the increase in sales was related to the purchase of new servicing trucks which allowed the service of a greater sales volume. This documentation does not, however, provide any information to conclude as to the plausibility of the gross margin in accordance with CSRE 2400.
- [187] Accordingly, the Member failed to obtain sufficient and appropriate evidence with respect to total revenues.

*Allegation 5(f): the Member 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*

- [188] CSRE 2400.23 requires that the engagement partner take overall responsibility for being sufficiently and appropriately involved throughout the engagement and for the direction, supervision, planning and performance of the review engagement and compliance with professional standards and applicable legal and regulatory requirements. Furthermore, CSRE 2400.103 requires that the practitioner date the report no earlier than the date on which the practitioner has obtained sufficient appropriate evidence as the basis for the practitioner’s conclusion on the financial statements.
- [189] The sign-offs in the Caseware file indicate that the Member signed off on the review of the documents prior to the issuance of the review report on April 29, 2024.
- [190] However, when the investigator reviewed the documents contained in the Caseware file, it was noted that several working papers were modified subsequent to the issuance of the report.
- [191] As explained above, during the investigation, the Member stated that prior to the inspection, his Firm had not fully implemented Caseware and documentation was maintained outside of Caseware. He stated that all required evidence was obtained and documented prior to the report’s issuance. However, as previously noted, without a proper utilization of Caseware and an adequate lockdown process, it was not possible for the investigator to determine whether or not documents had been modified subsequent to the issuance of the report.
- [192] CSRE 2400 indicates that CSQM requires the firm to establish a quality objective that engagement documentation is assembled on a timely basis after the date of the engagement report. Ordinarily this is not more than 60 days after the date of the engagement report. The Caseware file does not include evidence of proper lockdown in a timely fashion as the “History” functionality was not activated. Prior to the January 2025 reinspection, the Member did not have a formal policy with respect to lockdown and

archival of engagement files, and the file was not subject to a formal lockdown process.

[193] Accordingly, the Member 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.

Allegation 6 - That while engaged to perform a review of the financial statements of W Inc. for the year ended December 31, 2024, the Member 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 Code

[194] W Inc. is engaged in the construction services business. The Review Engagement Report was dated March 21, 2025. The file was selected as an additional file by Mercier as part of the investigation.

*Allegation 6(a): the Member failed to identify and document areas in the Financial Statements where material misstatements are likely to arise*

[195] CSRE 2400 states that based on the practitioner's understanding, the practitioner shall identify areas in the financial statements where material misstatements are likely to arise. This step is essential. The practitioner will then design and perform procedures to address these areas specifically. This approach ensures the review is both targeted and risk-based and that sufficient appropriate evidence is performed.

[196] In this file, the Member did not document his identification of the areas in the financial statements where material misstatements are likely to arise.

*Allegation 6(b): the Member failed to document that a bank reconciliation was performed to ascertain the accuracy of the cash balance at year end*

[197] Similar to the 2 Inc. file above (paragraphs 173-174), the Member did not obtain a copy of the bank reconciliation or document his review of the bank reconciliation. Although he documented that the company completed a bank reconciliation process on the accounting process of the company during the year, he did not validate that the reconciliation process was completed at year end. Accordingly, the Member failed to document that a bank reconciliation was performed to ascertain the accuracy of the cash balance at year end.

*Allegation 6(c): the Member failed to obtain sufficient and appropriate evidence to support the classification and devaluation of the dividend receivable*

[198] There is very limited documentation in the working paper file on the dividend receivable. The Member documented that this was a dividend receivable that was incurred during the year, but there was no other work performed on the dividend receivable.

- [199] On the financial statements of W Inc., there is no subsidiary, significant influence, investment, or other financial instrument. In order to have a dividend receivable, an entity would typically own some type of investment and therefore it is very unusual to have a dividend receivable without an investment. Accordingly, this should have raised the Member's professional skepticism and led him to perform further procedures to determine whether a dividend receivable in these circumstances was plausible.
- [200] CSRE 2400.20 indicates that the practitioner shall plan and perform the engagement with professional skepticism recognizing that circumstances may exist that cause the financial statements to be materially misstated. As well, CSRE 2400.40 indicates that, during the review, the practitioner shall remain alert for arrangements or information that may indicate the existence of related party relationships or transactions that management has not previously identified or disclosed to the practitioner. In these circumstances, the Member ought to have further investigated.
- [201] In addition, the Member did not document the rationale behind the classification of the advances as current assets. In order to support this classification, he should have validated whether there was an intention and capability to repay this balance in the next 12 months.
- [202] In addition, the Member did not analyze the collectability of the due from related parties. There is no documentation of an inquiry of this in the file. The Member was required to determine whether the entity that issued the dividend was in a financial position to repay the funds. Given that this was a material asset of the company, failing to complete a collectability analysis is a serious deficiency.
- [203] Accordingly, the Member failed to obtain sufficient and appropriate evidence to support the classification and the evaluation of the dividend receivable.

*Allegation 6(d): the Member failed to obtain sufficient and appropriate evidence with respect to salaries and benefits*

- [204] Salaries and wages amounted to \$268,000 in 2024 compared to \$165,000 in 2023, which represented an increase of \$119,000, or 72%.
- [205] The Member documented the following variance analysis in his file: "The payroll expenses have increased due to hiring 12 more employees in 2024 due to the increase in work capacity resulting in higher payroll expenses in CY compared to PY."
- [206] With an increase in salaries of \$119,000, 12 new employees would reflect an increase of approximately \$9000 per employee. This increase in salaries and wages appears significantly understated in light of this explanation.
- [207] The Member's documentation does not provide sufficient information to conclude on the plausibility of the salaries and wages in accordance with CSRE 2400. Without any additional information, the salaries and wages appear understated and may be materially misstated. In these circumstances, it was necessary for the Member to obtain further explanation to support the plausibility of the increase.

[208] Accordingly, the Member failed to obtain sufficient and appropriate evidence with respect to salaries and benefits.

*Allegation 6(e): the Member failed to ensure that those with the recognized authority had taken responsibility for the financial statements prior to dating and issuing the review report*

[209] CRSE 2400.103 requires the practitioner to date the report no earlier than the date on which those with the recognized authority have asserted responsibility for the financial statements. The file contained a representation letter and the final copy of the financial statements, signed by the recognized authority. The signatures were dated May 2, 2025, which is after the report date of March 21, 2025.

[210] Accordingly, the Member failed to ensure that those with the recognized authority had taken responsibility for the financial statements prior to the dating and issuing of the review report.

*Allegation 6(f): the Member failed to ensure that the file was subject to a formal lockdown process*

[211] CSRE 2400.103 requires that the practitioner date the report no earlier than the date on which the practitioner has obtained sufficient appropriate evidence as the basis for the practitioner's conclusions on the financial statements. CSQM 1.A83 requires the firm to establish a quality objective that engagement documentation is assembled on a timely basis, generally defined as 60 days after the date of the engagement report.

[212] The sign offs in the Caseware file indicate that the file documentation was prepared and reviewed by the Member prior to the issuance of the report on March 21 2025. The investigator noted that several working papers were modified subsequent to the issuance of the report, but within the 60-day period for file assembly. It is not possible to determine the extent of the modifications that were made subsequent to the issuance of the report.

[213] Consistent with the earlier files reviewed, the Caseware file does not include evidence that it was locked down prior to the expiry of the 60-day period, as the "History" functionality was not activated in the version of the file provided to the investigator.

[214] Although the Member stated that he had not modified any documents subsequent to the 60-day period, the investigator was unable to confirm this based on the above. Accordingly, the Member failed to ensure that the file was subject to a formal lockdown process.

Allegation 7 - That while engaged to perform a compilation of the financial information of A Inc. for the year ended December 31, 2023, the Member 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 Code

[215] A Inc. is a company operating in the real estate business. The Member issued a compilation engagement report on April 5, 2024. The file was reviewed by PI during the

January 2025 reinspection, and again by Mercier as part of her investigation.

*Allegation 7(a): the Member failed to appropriately document an acknowledgement from management of the basis of accounting to be applied in the preparation of the compiled financial information*

[216] CSRE 4200, paragraphs 24 and 41 require that, prior to accepting or continuing a compilation engagement, the practitioner must obtain an acknowledgement from management of the basis of accounting expected to be applied in the preparation of the compiled financial information. This acknowledgment may take different forms, including a written communication or oral communication documented by the practitioner.

[217] The Member documented that “only oral communication has been done.” This documentation is incomplete as it does not include what was communicated orally when the communication occurred and with whom. Accordingly, the Member failed to appropriately document an acknowledgment from management of the basis of accounting to be applied in the preparation of the compiled financial information.

*Allegation 7(b): the Member failed to obtain a signed engagement letter or other suitable form of written engagement*

[218] CSRE 4200, Paragraphs 27 and 41 require that the agreed terms of the engagement be recorded in an engagement letter and include five enumerated elements. The Member did not obtain a signed engagement letter in relation to this engagement.

*Allegation 7(c): the Member 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*

[219] CSRE 4200, paragraphs 29 and 41 require the practitioner to obtain knowledge of the following matters, sufficient to be able to perform the compilation engagement: the entity’s business and operations; the entity’s accounting system and accounting records; and the basis of accounting to be applied. Obtaining this knowledge is an ongoing process that occurs throughout the performance of the compilation engagement.

[220] The Member’s documentation in the file regarding knowledge of the entity is limited. In addition, the discussion on the entity’s business and operations was limited to the fact that the entity operates in the real estate business. There was no discussion on the basis of accounting. Further, the description of the entity’s accounting system does not appear to be that of a real estate business. It is a generic description which refers to the sales of goods and services. It also addresses in significant detail the payroll cycle. However, the company does not have payroll expenses.

[221] Accordingly, the Member 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.

*Allegation 7(d): the Member 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*

- [222] CSRS 4200, paragraphs 30 and 41 require that the compiled financial information be prepared in accordance with the basis of accounting as described in the note in the compiled financial information. The purpose is to assist users in understanding how the compiled financial information is prepared. For instance, some compiled financial information may be prepared in accordance with a cash basis of accounting, or a basis of accounting prescribed by a contract.
- [223] In the A Inc. financial statements, Note 2 indicated that the financial statements were prepared in accordance with the “Canadian Generally Accounting Standards.” This is not a recognized accounting framework. In Canada, recognized accounting frameworks for private enterprises include IFRS, Canadian Accounting Standards for Private Enterprises and Generally Accepted Accounting Principles. “Canadian Generally Accounting Standards” do not exist.
- [224] The use of “Canadian Generally Accounting Standards” is misleading to users of the financial statements as it does not refer to a recognized general purpose framework, and it implies full compliance to a framework. Accordingly, the Member 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.

*Allegation 7(e): the Member 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*

- [225] CSRS 4200, paragraphs 35 and 41 require that the practitioner obtain an acknowledgement from management or those charged with governance that it has taken responsibility for the final version of the compiled financial information.
- [226] In the working paper file, the Member documented affirmatively in response to all questions relating to acknowledgement of responsibility. However, the file did not contain a copy of a signature on the final version of the compiled financial information or of any written communication. The file also did not include any documentation of the oral acknowledgement including what was communicated orally, when the communication occurred and with whom. Accordingly, it is unclear whether or not the Member obtained the proper acknowledgement.

Allegation 8 - That while engaged to perform a compilation of the financial information of A Inc. for the year ended December 31, 2024, the Member 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 Code

[227] This allegation pertains to the same client as Allegation 7, and is the subsequent year end engagement. The Member issued a compilation engagement report on March 28 2025. This file was selected as an additional file by Mercier as part of the investigation.

*Allegation 8(a): the Member failed to appropriately document the acknowledgement from management of the basis of accounting to be applied in the preparation of the compiled financial information*

[228] In the 2024 Compilation Engagement the Member did comply with the requirements related to agreed terms of engagement, and did obtain an acknowledgment from those charged with governance that it has taken responsibility for the final version of the compiled financial information.

[229] However, the Member did not obtain the acknowledgement of the basis of accounting in a formal matter, whether written or oral. The Member included the same documentation in the 2024 file as in the 2023 file: "Only oral communication has been done." In addition to being inaccurate, this documentation is again incomplete as it does not include what was communicated orally, when the communication occurred, and with whom.

[230] Accordingly, the Member failed to obtain and appropriately document the acknowledgement from management of the basis of accounting to be applied in the preparation of the compiled financial information.

*Allegation 8(b): the Member 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*

[231] As previously sent out in paragraph 222, the compiled financial information must be prepared in accordance with the basis of accounting as described in the note in the compiled financial information.

[232] Note 2 in the financial statements indicated that the financial statements were prepared in accordance with "Canadian Standard on Related Services (GAAP)." This is not a recognized accounting framework. It is an assurance standard established for services which do not provide assurance opinions. It is not a basis of accounting. Accordingly, the Member 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.

*Allegation 8(c): the Member failed to sufficiently document his knowledge of the entities business and operations, the entity's accounting system and the accounting records, and the basis of accounting to be applied*

[233] The 2024 file documentation contains the same deficiencies as in 2023.

*Allegation 8(d): the Member failed to appropriately document information relating to a receivable for an Ontario manufacturing credit*

[234] In the income tax payable section, a receivable for an Ontario manufacturing credit is included in the amount of \$1 million. As A Inc. is a real estate business, it is unlikely that it is eligible for this manufacturing investment credit. When asked about it during the investigative interview, the Member was not able to explain why this credit was appropriate in the context of a real estate business, or provide any additional information.

[235] In these circumstances, this credit ought to have elicited further scrutiny from the Member in addition to further documentation regarding the credit. Accordingly, the Member failed to appropriately document information relating to a receivable for an Ontario manufacturing credit.

#### *Finding of Professional Misconduct*

[236] Through the ASF the Member admitted the Allegations and that that they constituted breaches of Rule 206.1 of the Code, amounting to professional misconduct.

[237] The Panel found that the Allegations, having been proven on the evidence on a balance of probabilities, constituted breaches of Rule 206.1 of the Code and constituted professional misconduct.

#### **V. DECISION AS TO SANCTION**

[238] In summary, after receiving documentary and oral evidence on sanction and hearing the submissions of the parties, the Panel ordered that:

- i) the Member's assurance practice be restricted, permanently prohibiting him from performing all audit engagements of reporting issuers;
- ii) within 30 days of the Order, the Member enter into a Supervision Agreement with an Independent Supervisor who shall review all non-reporting issuer assurance engagements and compilations undertaken by the Member for a period of 18 months, with the Member bearing all associated costs;
- iii) the PCC shall reinvestigate the Member's assurance practice following the 18-month period of supervised practice, with the Member bearing all associated costs;
- iv) the Member be fined \$25,000, payable within one year;
- v) the Member be reprimanded in writing;

- vi) the Decision and Order be made public and published in the *Globe and Mail* newspaper;
- vii) in the event the Member fails to comply with any term in the Order, his membership with CPA Ontario will be suspended until he complies, but if he does not comply within 30 days, his membership with CPA Ontario will be revoked.

## **VI. REASONS FOR THE DECISION AS TO SANCTION**

### *Additional Evidence on Sanction*

- [239] In reaching its determination on sanction, the Panel considered additional evidence that was not before it in respect of the Allegations of misconduct. Additional documentary evidence included Section F of the ASF which addressed the Practice Profile Questionnaire (“PPQ”) submitted by the Member to CPA Ontario; Schedules A – F of the ASF which identified other deficiencies respecting P Inc., X Inc., N Inc., 2 Inc., and W Inc. which did not form the basis of the Allegations; and the parties’ Joint Document Brief on Sanctions (Exhibit 3).<sup>1</sup>
- [240] The Panel also admitted oral testimony related to sanction from four witnesses. The PCC called Mercier, FCPA, CFE, CFF, CBV, who was qualified as an expert witness in the areas of generally accepted auditing standards, generally accepted accounting principles, Canadian standards on quality control, and Canadian standards on quality management. The Member called AO, CPA, a senior manager with the Firm, KA, FCPA, who provided training to the Firm, and provided testimony himself.

### *Position of the Parties on Sanction*

- [241] The PCC’s primary submission was that the Member should be subject to a practice restriction relating to all assurance engagements and compilations, prohibiting him from performing any audits, reviews or compilations. It also sought revocation of his PAL, a \$50,000 fine to be paid within 12 months, and the necessary publicity including newspaper publicity of the practice restriction and revocation of the PAL.
- [242] The Member submitted that the appropriate sanction would be an order that he enter into a Supervision Agreement with a qualified Independent Supervisor who would review his non-reporting and reporting issuer assurance work for 12-18 months, following which he would be subject to a re-investigation, with the Member bearing the associated costs up to \$4,500. The Member also submitted that a \$20,000 fine was appropriate, along with the necessary publicity.
- [243] During oral submissions, the PCC introduced a secondary position, which it termed a

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<sup>1</sup> Among the documents in Exhibit 3 is a report of the Canadian Public Accountability Board (“CPAB”) entitled “Enforcement Actions imposed against Abu-Farah Professional Corporation” dated August 8, 2025. The Panel did not rely on the findings of this report in making its determination on sanction, but notes the relevance of this report the evidence relating to the training required by CPAB.

“hybrid” option. The PCC submitted that if the Panel were considering ordering a Supervision Agreement, such an agreement should be limited to non-reporting issuers, with the Member’s practice restricted to non-reporting issuers.

### *Factors to Consider in Determining Sanction*

- [244] Pursuant to [Regulation 6-2](#), in determining appropriate sanctions the Panel shall consider aggravating and mitigating factors, and may consider the relevant principles of sanction, including protecting members of the public, promoting public confidence in the profession, denouncing the misconduct, achieving specific and general deterrence, maintaining high ethical standards of the profession, and facilitating rehabilitation.
- [245] As set out in *Wilson (2023)* at para. 76, for cases involving a failure to comply with professional standards, the primary objective of sanctions is the protection of the public.<sup>2</sup> Further, members of the public must have confidence that the CPA Ontario member they have retained will perform their professional services in accordance with the generally accepted standards of practice of the profession. Where appropriate, the sanctions should also aim to rehabilitate the member and provide deterrence.
- [246] In determining the appropriate sanction, the Panel considered the nature of the misconduct, aggravating and mitigating circumstances, the principles of sanction, and the relevant case law cited by the parties.

### *Nature of the Misconduct*

- [247] The scope of the Member’s proven deficiencies was striking. Every file reviewed in the inspection, reinspection, and investigation revealed significant deficiencies leading to findings of professional misconduct. The Panel was provided no evidence of any proper assurance file, in any type of engagement performed by the Member, including compilation agreements. According to Mercier’s testimony, it was rare to find such deficiencies within compilation agreements.
- [248] The deficiencies were serious in nature. Their full extent is set out above in the findings of misconduct. Mercier highlighted the Member’s failures to perform key testing in audit work, a lack of understanding of key concepts, a lack of execution, and testified that the Member had a lower-than-expected level of professional judgment and skepticism. The Panel found that these deficiencies go to the core of the Member’s role as engagement partner. As engagement partner, the Member was responsible for the direction, supervision and performance of the audit and review engagements in compliance with professional standards. His actions fell far short in each of these crucial areas.
- [249] The serious deficiencies relating to the Member’s audits of reporting issuers created heightened risks to the protection of the public. As Mercier testified, since public users of financial statements of reporting issuers typically do not have access to the company’s books, records, or management, they rely heavily on the work of auditors to assess the

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<sup>2</sup> *Chartered Professional Accountants of Ontario v Wilson*, [2023 ONCPA 2](#)

financial performance of the company. The higher level of risk to the public interest in audits of reporting issuers necessitates a more stringent application of the auditing standards to this category of assurance engagement, a standard the Member consistently failed to meet.

- [250] The Panel found the Member's failure to rectify deficiencies, even after specific direction was provided to him, further demonstrated the seriousness of his misconduct. As an example, Allegation 3 relates to the audit of X Inc., a reporting issuer, for the year ending December 31, 2024. The previous year-end audit of X Inc. was the subject of a PI which identified numerous deficiencies. Notwithstanding the prior identification of these deficiencies, in the 2024 year-end audit seven of the deficiencies previously identified remained unchanged. Even in other areas where there was evidence of improvement in the 2024 audit, the Member still fell short of the applicable professional standards, leading to additional findings of professional misconduct.

### *Mitigating Factors*

- [251] The Panel found that the manner in which the Member responded to the discipline process was a mitigating factor. He acknowledged his wrongdoing, admitted the misconduct, and cooperated fully, including participating in the drafting of an ASF. These actions demonstrate the Member taking responsibility for his actions and cooperating with his regulator, reducing the costs and time required for the proceeding.
- [252] The Panel also found the openness and efforts of the Member to improve his practice to constitute a mitigating factor. Mercier confirmed in her testimony that the Member had good intentions to improve his practice. AO testified to the changes that had been implemented at the Firm in response to the deficiencies identified by CPAB and CPA Ontario, including changes to resource planning, staffing, and training. KA testified that the Member was determined to do what was necessary to correct the deficiencies and "get it right," and spoke to the total change in approach that she witnessed, including staffing changes, the increased use of Caseware, the adoption of CPA Canada's Professional Engagement Guide (PEG), and the utilization of external quality review. The Member testified to the improvements he had overseen, such as increasing the number of Caseware licenses from 2 to 6, purchasing PEG and customizing it to his Firm's requirements, and the establishment of, among other policies, a System of Quality Management (Exhibit 3, Tab 8), a Targeted Audit Quality Action Plan (Exhibit 3, Tab 9), and an Audit Engagement Completion and CaseWare Archiving Policy (Exhibit 3, Tab 10). He also testified about the 50 hours of training that he arranged to be delivered to the Firm by KA, as required by CPAB, at considerable cost to the Firm.
- [253] The Panel found, however, that the mitigating effect of these measures was limited to two facts. First, these improvements were necessary merely to reach the minimum standards required of the Member's practice. They were not so much enhancements as they were basic, overdue corrective measures that should have been in place before the Member took on his first assurance client. Second, because these corrective measures were taken so late, there was no evidence before the Panel at the time of the hearing as to whether they did in fact lead to sufficient improvement.

### *Aggravating Factors*

- [254] That the Member had previously received a letter of guidance was an aggravating factor. The letter, dated March 24, 2022 (Exhibit 3, Tab 3) cautioned the Member that his conduct in providing compilation services through the non-registered IPG company may have violated the Code. The letter indicated that the Member performed five compilation agreements through IPG in 2020, which effectively circumvented the practice inspection process given his representation that his Firm had not performed any engagements including compilations in that year. The letter also indicated that the Member associated himself with false or misleading advertising relating to IPG, which advertised assurance services including audits, notwithstanding that IPG was not registered and that the Member did not have a PAL at that time. Among other things the letter reminded the Member that if he was in doubt about the interpretation or implementation of any of the bylaws, regulations or rules of the Code, he could contact a professional advisor at CPA Ontario.
- [255] The Panel acknowledges that the concerns expressed in the letter of guidance differ from the findings of misconduct in the present case. However, the Panel found it an aggravating factor that the underlying problem leading to the guidance letter – the Member’s failure to ensure he understood the applicable rules and requirements in the area of his IPG practice – was repeated again in respect of his Firm’s practice, leading to findings of misconduct in the present case. The Member’s failure to take basic steps to investigate the legislative, regulatory and compliance environment in which he chose to set up and operate his Firm, even after receiving the letter of guidance, was of significant concern to the Panel and constituted an aggravating factor.
- [256] The Panel found that the Member’s lack of insight into the seriousness of his misconduct was an aggravating factor which could lead to a higher risk of recurrence of misconduct in the future. While the Member admitted all of the Allegations, his testimony revealed a difficulty in accepting personal responsibility for the misconduct and acknowledging its seriousness. The Member repeatedly characterized the deficiencies as relating primarily to documentation. He testified: “I was on top of everything with the clients, but lack of documentation is what happened;” and “everything was discussed but needed evidence.” Even when he was directly asked by a Panel member to address Mercier’s finding that his level of judgment and skepticism was low, he stated that the main problem was a lack of documentation, not a lack of knowledge.
- [257] This position of the Member is inconsistent with the evidence as set out in the ASF, which found, among other things, a lack of understanding of basic accounting principles, a lack of planning, a lack of investment in training, poor professional judgment, and a failure to design and plan required audit procedures. The Member’s failure to recognize that the deficiencies in his practice went well beyond documentation reveals a lack of insight and portends a higher risk of recurrence of misconduct in the future.
- [258] The Panel also found it an aggravating factor that the Member submitted inaccurate PPQs between 2022 and 2024, as set out in paras. 298-401 of the ASF. Specifically, the Member

on his 2024 PPQ reported no reporting issuer audits when he should have reported two; on his 2022 and 2023 PPQs reported no audits of not-for-profit entities, when he should have reported one; on his 2023 PPQ he reported no compilations when it should have been at least five. As the primary purpose of the PPQ is to provide accurate information to determine which offices will be subject to a PI, the result of his inaccurate PPQs was to undermine the effectiveness of the PI process.

[259] Taking the scope of misconduct and additional sanction evidence into account, the Panel was unable to find that the misconduct was out of character for the Member.

### *The Sanctions Ordered by the Panel*

#### Practice Restriction and Supervision Agreement

[260] The primary difference between the parties was whether the Member should have his assurance practice restricted and/or whether he should be subject to a Supervision Agreement. The PCC's primary position was that the Member's PAL should be revoked and his practice restricted to exclude any assurance engagements. In support of this position the PCC submitted that given the number and nature of errors committed by the Member, his lack of understanding of technical requirements, his lack of accuracy, and his lack of understanding of the nature of the errors, only a complete practice restriction on all assurance engagements could adequately protect the public. The PCC submitted that a Supervision Agreement presupposes insight into one's errors, which the Member lacked, and submitted that the Member had demonstrated that he is beyond rehabilitation.

[261] The Panel did not accept that the Member was beyond rehabilitation. While the Panel had significant concerns arising from the breadth and seriousness of the deficiencies identified, the Panel found that protection of the public could be obtained through a practice restriction prohibiting engagements with reporting issuers, in combination with a Supervision Agreement and reinspection procedure covering all other engagements. This approach is in line with the PCC's 'hybrid' submission.

[262] The Panel found that it was appropriate to limit the restriction of the Member's assurance practice to non-reporting issuer engagements on the basis that audits of reporting issuers raised challenges of complexity and public protection beyond other assurance engagements. As Mercier testified, audits of reporting issuers entail greater risk to the public, given that shareholders rely more on the financial statements than would users of financial statements of private companies, who would often have direct access to management, finance teams, and additional documents.

[263] Audits of reporting issuers also typically involve more complex issues, due to their nature and how they are financed. The issuance of shares, private placements, and similar transactions are complicated, necessitating a high level of scrutiny. This is particularly so in the case of venture companies, which constituted a significant portion of the Member's clients. Venture companies typically have more difficulty obtaining traditional financing, so may rely on more complex debt financing, such as convertible debt, with warrants or other instruments attached to the debt, or embedded derivatives, the accounting for which is also complicated. Stock-based compensation is another complexity often found in

reporting issuers. The ventures and start-ups in the Member's client base often would also have less-experienced finance teams, which would entail additional work on the part of the auditor.

- [264] The Panel concluded that given the breadth and seriousness of the deficiencies of the Member's practice in relation to reporting issuer clients, and the inherent complexity of the challenges involved in auditing these clients, public protection required that the Member's practice be restricted to exclude all assurance engagements for reporting issuers. Notice of the practice restriction was ordered to be published on the CPA Ontario website and the *Globe and Mail* newspaper, in accordance with section 48 of Regulation 6-2.
- [265] In finding that the Member was not entirely beyond rehabilitation, the Panel relied on the evidence of the Member's willingness to improve, and the steps he had taken in an attempt to bring his practice up to professional standards. The Panel found that the public would be protected by a Supervision Agreement of 18 months with a qualified independent supervisor approved by CPA Ontario, covering all non-reporting issuer assurance engagements and compilations, followed by a re-inspection by the Professional Conduct Committee. The Panel found that this sanction would also allow the Member the opportunity to demonstrate his ability to fully rehabilitate himself and uphold the standards of the profession.
- [266] Of the many cases provided by the parties, the Panel found that only a few were helpful in determining the appropriate sanction. In none of the cases was the issue of a practice restriction versus a Supervision Agreement contested. One reason for this may be found in *Sheik (2025)*, where at para. 39 the panel took note of a PCC explanation that members often prefer to surrender their PAL rather than enter into a Supervision Agreement, given that they are costly and involve a reinvestigation of the practice.
- [267] The Panel found that *Jackson (2024)* was the most similar to the case at hand.<sup>3</sup> In that case the panel found numerous failures to perform professional services in accordance with the generally accepted standards of the profession, both in relation to reporting issuers and other assurance engagements. While not a joint submission, in that case both parties agreed, and the Panel ordered, that the member would be restricted from accepting engagements of reporting issuers, and that he would be subject to a Supervision Agreement in respect of non-reporting issuer engagements. As in the present case, the panel in *Jackson* also found that the Member had undertaken measures to address the identified deficiencies in his assurance practice. Because the sanction ordered in *Jackson* was not the result of a joint submission or a settlement agreement, it carries more weight as it reflected the result of that panel exercising its discretion to impose the penalty it considered most appropriate in all the circumstances.
- [268] The Panel emphasizes that its concerns about the Member's lack of insight into the scope of his deficiencies and his delay in implementing measures to address those deficiencies could have justified an order for a complete practice restriction on all assurance engagements. The Panel places confidence in a robust Supervision Agreement and reinspection process, but emphasizes that for the Member to succeed in his practice, he

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<sup>3</sup> *Chartered Professional Accountants of Ontario v Jackson*, [2024 ONCPA 14](#)

must take complete responsibility for the full scope of the identified deficiencies, which go well beyond documentation and include his own knowledge, his judgment, and his skepticism, going to the heart of his role as engagement partner.

### The Amount of the Fine

- [269] The parties agreed that a fine was appropriate but differed on the appropriate amount of the fine. The PCC submitted that the aggravating factors justified a fine of \$50,000. The Member submitted that a fine of \$20,000 was appropriate, given the mitigating factors and taking into consideration the funds that the Member had already spent to address the deficiencies in his practice.
- [270] In reviewing the caselaw provided by the parties, the Panel found that the cases in which a fine in the range sought by the PCC was ordered typically were characterized by additional aggravating factors or allegations of the type not present in this case. For example, where a fine of \$50,000 was ordered in *Wattie* (2023), the Member failed to supervise over 50 audit engagements and was also found to have failed to uphold the reputation of the profession.<sup>4</sup> In *Hinchcliffe* (2022), where a fine of \$50,000 was ordered, there were additional findings of professional misconduct, including failure to carry out professional services with integrity, objectivity and due care, and failure to safeguard against threats to auditor independence.<sup>5</sup> In the case of *MacNeil* (2021) the panel elected not to order the suspension or Supervision Agreement sought by the PCC on the basis that there was no evidence of ongoing problems, but instead increased the fine to \$75,000 to ensure that the objectives of specific and general deterrence were met, and that the fine did not merely constitute the cost of doing business.<sup>6</sup>
- [271] In the present case, the Panel found that a fine of \$25,000 was appropriate in conjunction with the other sanctions imposed. The quantum of \$25,000 was well within the range of fines ordered in cases with the most similar facts, being *Jackson*, where a \$20,000 fine was ordered, and *Viola*, where a fine of \$25,000 was ordered.<sup>7</sup>
- [272] The Panel found that the fine of \$25,000 is sufficient to deter the Member from engaging in such misconduct in the future, and to act as a general deterrent to the profession at large by demonstrating that the price to be paid for this type of misconduct is a significant one. Given the size of the Member's practice, the amount of this fine would not be seen as simply constituting the cost of doing business.
- [273] In determining the amount of the fine, the Panel did not find it appropriate to take into account the expenses incurred by the Member in addressing the deficiencies in his practice. Those expenses were necessary for the Member to bring his practice in line with the minimum standards required, and should have been incurred by the Member when initially establishing his assurance practice. It is not appropriate to give the Member a discount for his failure to take the necessary steps until after multiple deficiencies in his practice had been identified. Had the Member properly investigated the applicable

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<sup>4</sup> *Chartered Professional Accountants of Ontario v Wattie*, [2023 ONCPA 18](#)

<sup>5</sup> *Chartered Professional Accountants of Ontario v. Hinchcliffe*, [2022 ONCPA 16](#)

<sup>6</sup> *Chartered Professional Accountants of Ontario v MacNeil*, [2021 ONCPA 5](#)

<sup>7</sup> *Chartered Professional Accountants of Ontario v Viola*, [2023 ONCPA 21](#)

standards and regulatory requirements at the outset, and implemented the required measures with care and professionalism, the deficiencies which led to these proceedings could well have been avoided.

[274] The Panel accepted the position of both parties that the time to pay the fine should be set at one year from the date of the Order.

#### The Written Reprimand

[275] The Panel felt that this was an appropriate case for a written reprimand, as it wished to impress upon the Member that the continuation of the high respect that Chartered Professional Accountants enjoy in the community depends equally on the quality of the professional work and the professional conduct of each member of CPA Ontario. The Panel also wished to ensure that the Member appreciated that managing an assurance practice further requires effortful due diligence and sound professional judgment, rather than doing the minimum.

#### **VII. COSTS**

[276] The law is settled that an order for costs against the Member 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 as a whole should not bear all of the costs of the investigation, prosecution and hearing arising from the Member's misconduct.

[277] Costs are ordered at the discretion of the Discipline Committee. It has become customary for the PCC to file a Costs Outline in the same form as used in civil proceedings, and to seek two-thirds of the costs incurred in the investigation and prosecution of the matter.

[278] The PCC's Costs Outline is at Tab 2 of Exhibit 3. It indicates that total costs were approximately \$65,000, of which the PCC was seeking \$42,000 to be paid within 12 months. The Member joined the PCC in that submission. The Panel found that the amount of actual costs incurred was reasonable, and that it was appropriate to order that the Member pay \$42,000, which is just under two-thirds of the total costs, within 12 months.

**DATED** this 16<sup>th</sup> day of April, 2026



Jim Huang, CPA, CGA  
Discipline Committee – Deputy Chair

#### Members of the Panel

Brian Killah, CPA, CGA, LPA  
Fiona Teape, Public Representative

#### Independent Legal Counsel

John Dent, Barrister & Solicitor