

*Canadian Public Accountability Board
And
BF Borgers CPA PC*

PART I – Preamble

1. The Canadian Public Accountability Board’s (“CPAB”) mandate includes the oversight of firms that conduct audits of Canadian reporting issuers.¹ In 2023, CPAB conducted an inspection of two reporting issuers audited by BF Borgers CPA PC (the “Firm” or “Borgers”) pursuant to Section 400 of the Rules of the Canadian Public Accountability Board (the “Rules”), as authorized by the Canadian Public Accountability Board Act, R.S.O. 2006, C. C-33 (the “Act”).
2. The files inspected contained nineteen (19) significant inspection findings² each of which constitute a separate Violation Event³ (as defined in the Rules). As a result of these Violation Events, CPAB imposed restrictions on the firm’s practice under Rule 601(f) and (g) as well as requirements under Rule 601(a), (b), (c), (d), (e), (i) and (k) and a sanction under Rule 601(h). These actions have been taken in accordance with CPAB’s mandate to foster confidence in the integrity of financial reporting by Canadian reporting issuers.

PART II – The Parties

3. Borgers is a public accounting firm headquartered in Lakewood, Colorado. It has a public company audit practice and at the time of CPAB’s 2023 inspection, the Firm audited fewer than 50 Canadian reporting issuers. The Firm does not have offices within Canada.
4. Pursuant to National Instrument 52-108 Auditor Oversight, auditors of Canadian reporting issuers are required to be registered with CPAB as a Participating Audit Firm. Participating Audit Firms are authorized to audit financial statements issued by Canadian reporting issuers. Borgers was, at all relevant times, registered with CPAB pursuant to Rule 200.
5. In addition to registration with CPAB, each Canadian provincial regulatory body having oversight of Chartered Professional Accountants (CPA) also has licensing and registration prerequisites for the provision of audit services by audit firms and individuals.

¹ A reporting issuer is a company that has gone public by issuing securities under a prospectus or is listed on a recognized stock exchange. Reporting issuer is defined within Part/Section 1 of each province and territories Securities Act.

² A significant inspection finding is defined as a significant deficiency in the application of generally accepted auditing standards related to a material financial balance or transaction stream where the audit firm must perform additional audit work in the current year to support the audit opinion and/or is required to make significant changes to its audit approach.

³ “Violation Event” means (i) an act or practice, or omission to act, in violation of the Rules or Professional Standards that may have an effect on the provision of audit services to reporting issuers, (ii) a failure to supervise appropriately a person with a view to preventing violations of the Rules or Professional Standards, and such person has committed an act or omitted to act in violation of the Rules or Professional Standards that may have an effect on the provision of audit services to reporting issuers, (iii) a failure to cooperate with the terms of an Inspection or Investigation; or (iv) a failure to comply with the terms of any requirement, restriction or sanction imposed by CPAB.

PART III – Facts

6. Borgers is subject to periodic inspections by CPAB. Two audit files were inspected in 2023 and CPAB identified multiple significant inspection findings (nineteen) in the Firm’s application of the Canadian Generally Accepted Auditing Standards related to a material financial statement balance or transaction stream.
7. Each of the significant inspection findings identified during CPAB’s 2023 inspection represents a breach of one or more professional standards⁴ and constitutes a Violation Event as defined in CPAB’s Rules. The Canadian Auditing Standards (CAS) breached include:
 - i. CAS 220 Quality Management for an Audit of Financial Statements
 - ii. CAS 230 Audit Documentation
 - iii. CAS 240, Auditor’s Responsibilities Relating to Fraud in the Financial Statements
 - iv. CAS 250 Consideration of Laws and Regulations in an Audit of Financial Statements
 - v. CAS 260 Communication with Those Charged with Governance
 - vi. CAS 315 Identifying and Assessing the Risks of Material Misstatement
 - vii. CAS 330 The Auditor’s Responses to Assessed Risk
 - viii. CAS 402, Audit Considerations Relating to an Entity Using a Service Organization
 - ix. CAS 500 Audit Evidence
 - x. CAS 501 Audit Evidence – Specific Considerations for Selected Items
 - xi. CAS 505 External Confirmations
 - xii. CAS 530 Audit Sampling
 - xiii. CAS 540 Auditing Accounting Estimates and Related Disclosures.
 - xiv. CAS 620 Using the Work of an Auditor’s Expert.
 - xv. CAS 701 Communicating key audit matters in the independent auditor’s report.
8. In addition, the Firm failed to properly consider the Canadian provincial licensing requirements during the Firm’s client acceptance procedures.

PART IV – Enforcement actions imposed

9. In view of the multiple Violation Events identified and to contribute to public confidence in the integrity of financial reporting by public companies, CPAB determined it appropriate to impose the following enforcement actions:
 - a. The Firm is prohibited from accepting Canadian reporting issuer clients including those resulting from initial public offerings, reverse takeovers or other transactions. For greater clarity, an existing private company audit client seeking to become a reporting issuer through initial public offering, reverse takeover or other transaction is considered a new reporting issuer.

⁴ CPAB Rules require that a participating audit firm and the designated professionals of such firm shall comply with Canadian Auditing Standards, including Canadian Standards on Quality Control up until December 14, 2022 and Canadian Standards on Quality Management effective December 15, 2022, or equivalent standards.

- b. The Firm is prohibited from assigning Partner A to audits of financial statements of reporting issuers in any Canadian jurisdiction in which Partner A is not properly licensed to provide public accounting services by the relevant provincial Chartered Professional Accountant (CPA) regulatory body.
 - c. The Firm shall be publicly censured⁵.
10. In addition to the actions outlined above, CPAB requires the Firm to implement a variety of measures aimed at improving audit quality including:
- i. Appointment of an external professional to act as the engagement quality reviewer,
 - ii. Engagement of an external professional to provide professional education,
 - iii. Engagement of an external professional to conduct a root cause analysis,
 - iv. Development and implementation of an audit quality action plan,
 - v. Assessment of its portfolio of reporting issuer audit engagements in relation to specified criteria,
 - vi. The development and implementation of an enhanced client acceptance and continuance processes; and
 - vii. The appointment of an independent monitor to oversee and report to CPAB on the implementation of the audit quality requirements outlined herein.
11. The Firm is also subject to enhanced CPAB oversight in the form of monthly meetings and is required to pay a monetary assessment to recover CPAB's costs of enhanced regulatory oversight and monitoring the Firm's compliance with the various enforcement actions.
12. CPAB determined that multiple Violation Events occurred and provided notice to the Firm of the proposed enforcement actions that CPAB intended to impose under Rule 601. The enforcement actions imposed took effect on November 28, 2023.
13. Each enforcement action imposed on the Firm shall continue until the Firm has, to CPAB's satisfaction, implemented each of the enforcement actions imposed and has demonstrated a sustained improvement in audit quality.

⁵ The censure will remain on the CPAB website for four years following the termination of the restriction noted in subparagraph 9. a).