

*Canadian Public Accountability Board (“CPAB” or the “Board”)  
And  
Marcum LLP (the “Firm”)*

## **Part I – Preamble**

1. CPAB conducted an inspection of two reporting issuer<sup>1</sup> audit files during the 2022 inspection cycle, pursuant to Section 400 of the Rules of the Canadian Public Accountability Board (CPAB) (the “Rules”), as authorized by the *Canadian Public Accountability Board Act*, R.S.O. 2006, C. C-33 (the “Act”). Both files inspected contained significant inspection findings<sup>2</sup>, each of which constitute separate Violation Events<sup>3</sup> (as defined in the Rules). As a result of these Violation Events and to protect the investing public, CPAB imposed a restriction on the Firm’s practice under Rule 601(f) as well as requirements under Rule 601 (i) and (k) and a sanction under Rule 601(h).

## **PART II – The Parties**

2. Marcum LLP is a limited liability partnership headquartered in the City of New York with multiple locations in the United States of America. It has a public company practice and at the time of CPAB’s inspection had approximately 21 Canadian reporting issuer audit clients. The Firm does not have offices within Canada.
3. Pursuant to National Instrument 52-108 Auditor Oversight, auditors of 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. Marcum was, at all relevant times, registered with CPAB pursuant to Rule 200.
4. In addition to registration with CPAB, each Canadian provincial regulatory body having oversight of Chartered Professional Accountants also has additional licensing and registration prerequisites for the provision of audit services by audit firms and individuals.

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<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> “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 the Board.

## PART III – Facts

5. Marcum is subject to periodic inspections by CPAB. In 2022, CPAB inspected two audit files and identified nine significant inspection findings, among other deficiencies, in its application of Canadian Generally Accepted Auditing Standards related to a material financial statement balance or transaction stream.
6. Each of the deficiencies identified during CPAB's 2022 inspection represents a breach of one or more professional standards<sup>4</sup> over which CPAB has jurisdiction and constitutes a Violation Event as defined in CPAB's Rules.
7. The Violation Events involved breaches of the following Canadian Auditing Standards (CAS):
  - CAS 230, Audit Documentation;
  - CAS 250, Consideration of Laws and Regulations in an Audit of Financial Statements;
  - CAS 315, Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and its Environment;
  - CAS 330, The Auditor's Responses to Assessed Risks;
  - CAS 402, Audit Considerations Relating to an Entity using a Service Organization;
  - CAS 500, Audit Evidence;
  - CAS 520, Analytical Procedures;
  - CAS 530, Audit Sampling;
  - CAS 701, Communicating Key Audit Matters in the Independent Auditor's Report; and
  - Canadian Standard on Quality Control 1 - quality control for firms that perform audits and reviews of financial statements, and other assurance engagements.
8. In addition, the Firm was not registered or licensed by the relevant provincial CPA body to perform audits of the financial statements in the respective jurisdiction.

## Part IV – Enforcement actions imposed

9. In view of the multiple Violation Events identified, and to protect the interests of investors and further the public interest through the preparation of informative, accurate and independent audit reports, CPAB determines it appropriate to impose the following enforcement actions:
  - a) The Firm is prohibited from accepting new high risk 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 Canadian reporting issuer through initial public offering, reverse takeover or other transaction is considered a new Canadian reporting issuer for the purposes of this restriction.

In compliance with this restriction, the Firm has provided a definition of high risk Canadian reporting issuer acceptable to CPAB.

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<sup>4</sup> CPAB Rules require that a participating audit firm and the designated professionals of such firm shall comply with auditing standards generally accepted in Canada, including the Canadian Auditing Standards, and Canadian Standards on Quality Control.

b) The Firm shall be publicly censured<sup>5</sup>.

10. In addition to the above enforcement actions, CPAB also required the Firm to inform the audit committee of each of its Canadian high risk reporting issuer clients of the restriction being imposed as reflected in subparagraph 9.(a) and pay a monetary assessment to recover the costs of enhanced regulatory oversight and monitoring of the Firm's compliance with the enforcement actions, including costs of a follow up inspection if conducted by CPAB at an interval earlier than that which would have otherwise been appropriate during CPAB's normal course inspection cycle.
11. CPAB determined that multiple Violation Events occurred and provided notice to the Firm of the proposed enforcement actions CPAB intended to impose under Rule 601. No petition for review was filed by the Firm and accordingly the enforcement actions took effect on February 21, 2023.
12. Each enforcement action imposed on the Firm shall continue until CPAB has carried out a follow-up inspection and the Firm has, to CPAB's satisfaction, demonstrated a sustained improvement in audit quality.

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<sup>5</sup> The censure will remain on the CPAB website for four (4) years following the termination of the restriction noted in subparagraph 9. a).