

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 multiple significant inspection findings² each of which constitute a separate Violation Event³ (as defined in the Rules). On November 28, 2023, as a result of these Violation Events, multiple enforcement actions were imposed on the Firm. The Firm has failed to provide evidence of compliance with the terms of the enforcement actions for which the deadlines have passed. As a result of the numerous Violation Events identified in the context of both the 2023 inspection and the Firm’s non-compliance with the enforcement actions previously imposed, CPAB has ordered the termination of Borgers’ status as a Participating Audit Firm and its Participation Agreement under Rule 601(j).
3. 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

4. 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.
5. 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, until April 8, 2024, registered with CPAB pursuant to Rule 200.

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 Section 103 - “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 nineteen (19) significant inspection findings 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 represented a breach of one or more professional standards⁴ and constitutes a Violation Event as defined by CPAB’s Rules. The Canadian Auditing Standards (CAS) breached included:
 - i. CAS 220 Quality Management for an Audit of Financial Statements
 - ii. CAS 230 Audit Documentation
 - iii. CAS 240 The Auditor’s Responsibilities Relating to Fraud in an Audit of 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 Risks
 - 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. As a result of the 2023 inspection, CPAB had concerns about the Firm’s ability to conduct quality audits that complied with Canadian auditing standards. In order to mitigate these concerns a number of enforcement actions were imposed which were required to be implemented expeditiously⁵. The actions include, but were not limited to, the following:
 - Prohibition on the acceptance of new reporting issuer audit engagements.
 - Requirement to terminate two audit engagements which were the subject of CPAB’s 2023 inspection.
 - Appointment of an independent monitor, with the requisite knowledge and experience and acceptable to CPAB.
 - Appointment of an external Engagement Quality Reviewer, with the requisite knowledge and experience and who is acceptable to CPAB, for all the Firm’s Canadian reporting issuer clients.
 - Engagement of an external party, with the requisite knowledge and experience and acceptable to CPAB, to provide professional education and training to all Canadian reporting issuer assurance partners and professional staff before being assigned to further audits of Canadian reporting issuers.

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.

⁵ Deadlines for implementation of each were imposed and ranged from November 30, 2023 to February 28, 2024.

- Engagement of an external party to perform a root cause analysis.
 - Development and implementation of an audit quality plan.
 - Assessment of the Firm's portfolio of reporting issuer audit engagements and implementation of actions resulting from the assessment.
 - Assessment of whether staff were properly allocated to reporting issuer clients and implement changes required to address issues identified in the assessment.
 - Implementation of an engagement budgeting and time tracking tool for all reporting issuer clients and a resource scheduling tool for all professional staff involved in the audits of reporting issuer clients.
 - Inform the audit committee of each of its Canadian reporting issuer clients of the restriction on the acceptance of new reporting issuers and provide to each a copy of the public censure/[Enforcement Report](#) dated December 7, 2023.
9. Despite numerous requests for the Firm to provide evidence and confirmation of compliance with these enforcement actions, none was received. Rather, CPAB obtained evidence of the Firm's violation of various actions including i) the Firm's acceptance of an engagement of a new reporting issuer subsequent to the effective date of the practice restriction, ii) completion of two Canadian reporting issuer audit engagements without the required oversight of an approved external engagement quality reviewer and iii) termination of two audit engagements after the imposed deadlines.
10. Since the enforcement actions were imposed, CPAB communicated verbally and in writing with the Firm on multiple occasions requesting that the Firm provide evidence of compliance with the enforcement actions outlined in paragraph 8. The firm failed to provide a substantive response or evidence of compliance with any of these enforcement actions.

PART IV – Enforcement actions imposed

11. As a result of the numerous Violation Events identified in the context of both the 2023 inspection and the Firm's non-compliance with the enforcement actions, and to contribute to public confidence in the integrity of financial reporting by public companies, CPAB determined it appropriate to impose the following sanctions:
- The Firm shall be terminated as a Participating Audit Firm.
 - The Firm shall immediately terminate each of its Canadian reporting issuer audit engagements.
 - The Firm shall be publicly censured⁶.
12. CPAB provided notice of its proposal to impose the sanctions outlined in paragraph 11, pursuant to Section 601 of the Rules. The Firm did not petition for a review proceeding. Accordingly, the enforcement actions took effect on April 8, 2024 and the Firm is no longer authorized to sign audit opinions for Canadian reporting issuers.

⁶ The censure will remain on the CPAB website in perpetuity.