

*Canadian Public Accountability Board
And
Abu-Farah Professional Corporation*

PART I – Preamble

1. The Canadian Public Accountability Board’s (“CPAB”) mandate includes the oversight of firms that conduct audits of Canadian reporting issuers. In 2024, CPAB commenced an investigation of Abu-Farah Professional Corporation (“Firm”) into the allegations contained herein pursuant to Section 500 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”).
2. Twenty six (26) Violation Events (as defined in s. 103(hh)¹ of the Rules) were uncovered based on the evidence gathered during the investigation. As a result, CPAB imposed requirements, a restriction and sanction (“enforcement actions”) on the Firm.
3. Once CPAB determined that Violation Events had occurred, it provided notice to the Firm of the enforcement actions that CPAB proposed to impose under Rule 601. The Firm did not petition for a review hearing. Accordingly, the enforcement actions took effect on July 17, 2025.

PART II – The Parties

4. Abu-Farah Professional Corporation is a public accounting firm headquartered in Mississauga, Ontario, and registered with CPAB as a Participating Audit Firm pursuant to section 8 of the Act and section 200 of the Rules. The Firm is the auditor for fewer than 50 reporting issuers.
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. The Firm was, at all relevant times, registered with CPAB pursuant to CPAB Rule 201.

¹ “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 – Facts²

6. Together the Canadian Auditing Standards (“CAS”) and the Canadian Standard on Quality Management 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements (“CSQM 1”) (collectively “Professional Standards”) provide for detailed and comprehensive audit documentation requirements that, pursuant to the CPAB Rules, Participating Audit Firms must follow in auditing Canadian reporting issuers.
7. During the investigation, CPAB reviewed the work papers for two of the Firm’s current and/or past reporting issuer audits and discovered multiple significant violations of audit documentation standards.
8. On one engagement file, CPAB identified a significant number of audit working papers that were finalized, signed off or added to the audit file after the audit report date. The firm has acknowledged that its file finalization practices were not in accordance with professional standards. The firm has since taken steps to strengthen its documentation controls.
9. On the other file, CPAB found that the Firm’s audit file did not contain the necessary components required by Canadian Auditing Standard 230³, such that an experienced auditor would not understand what work was completed on the audit prior to the report release date or when the required engagement partner or engagement quality control reviewer reviews were completed.
10. In addition, on one or both files reviewed, the Firm did not complete appropriate substantive procedures to test multiple financial statement line items. The Firm also did not comply with Professional Standards pertaining to the auditor’s responsibility related to fraud in an audit of financial statements. The Firm did not perform audit procedures over the fair value of consideration paid related to an acquisition or the existence, accuracy, completeness and valuation of assets acquired and key assumptions in management’s forecast were not tested. Bank confirmations were either not obtained for material cash balances as at the balance sheet date or the engagement team did not maintain control of the confirmation process. The Firm did not consider whether substantive procedures alone provide sufficient appropriate audit evidence to support the audit opinion.
11. The investigative findings identified multiple violations of one or more Professional Standards, each of which constitute a Violation Event as defined in CPAB’s Rules. Specifically, the following Canadian auditing standards were breached:
 - i. CAS 230, Audit Documentation.⁴
 - ii. CAS 220, Quality Management for an Audit of Financial Statements.⁵

² Certain details of the investigative findings have been omitted to prevent the disclosure of information about the business or affairs of the reporting issuers.

³ CAS 230 - Audit documentation.

⁴ Paragraphs 7, 8, 8a, 9b and c, 13, 16

⁵ Paragraphs 15-17, 19-21, 25, 29, 30, 30a, 31, 32, 33, 36

- iii. CAS 700, Forming an Opinion and Reporting on Financial Statements.⁶
- iv. CAS 315, Identification and Assessment of the Risks of Material Misstatement.⁷
- v. CAS 330, The Auditor's Responses to Assessed Risks.⁸
- vi. CAS 500, Audit Evidence.⁹
- vii. CAS 505, External Confirmations.¹⁰
- viii. CAS 240, The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements.¹¹
- ix. CAS 530, Audit Sampling.¹²
- x. CAS 540, Auditing Accounting Estimates and Disclosures.¹³
- xi. CAS 402, Audit Considerations Relating to an Entity Using a Service Organization.¹⁴
- xii. CAS 300, Planning an Audit of Financial Statements.¹⁵
- xiii. CAS 320, Materiality in Planning and Performing an Audit.¹⁶
- xiv. CAS 570, Going Concern.¹⁷
- xv. CAS 250, Consideration of Laws and Regulations in an Audit of Financial Statements.¹⁸
- xvi. CAS 580, Written Representations.¹⁹
- xvii. CSQM 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements.²⁰

PART IV – Enforcement Actions Imposed

12. In assessing the appropriate enforcement actions under CPAB Rule 601, CPAB considered the Firm's cooperation in this matter, including that the Firm acknowledged the deficiencies and causal factors identified.
13. Due to the numerous Violation Events identified in the engagements of two reporting issuers, 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 under Rule 601:
 - a. The Firm is prohibited from accepting all new reporting issuer audit engagements.

⁶ Paragraphs 46, 49

⁷ Paragraphs 13, 13a, 19a, 20, 21, 25, 26, 30, 32, 34,

⁸ Paragraphs 6, 7, 20, 20b

⁹ Paragraphs 5, 6, 7, 8, 9, 9a, 11a

¹⁰ Paragraphs A12, 2, 3, 7c and d, 10

¹¹ Paragraphs 9, 11c, 13, 21, 26, 27, 30a, 31, 32, 33a and c, 34, 36, 37, 48

¹² Paragraphs 6, 7, 8

¹³ Paragraphs 13, 18, 22-26, 28, 29, 30

¹⁴ Paragraphs 9-11, 12a, 13, 14

¹⁵ Paragraphs 7, 8

¹⁶ Paragraphs A4, A5, A6, A8, 4, 5, 9b, 10, 11, 14c

¹⁷ Paragraphs 10, 16c and d, 21, 24

¹⁸ Paragraphs 13-15

¹⁹ Paragraph 14

²⁰ Paragraph 31a and f, 32f

- b. The Firm shall complete a detailed root cause analysis of CPAB's investigation findings, other regulatory findings and internal inspection findings.
- c. The Firm shall develop a targeted Audit Quality Action Plan for fiscal 2025 designed to achieve the sustained execution of high-quality audits and responsive to the themes identified in the root cause analysis.
- d. The Firm shall assess the client risk and audit risk of its portfolio of reporting issuer audit engagements as of April 30, 2025. Based on this analysis, the Firm shall determine whether it has the appropriate skills, experience and capacity to continue to service its current portfolio of engagements.
- e. The Firm shall perform an in-depth review of the portfolio allocation for each engagement partner, engagement quality control reviewer, senior manager, manager and professional staff involved in the reporting issuer practice.
- f. The Firm shall engage an external party to provide 50 hours of professional education and training to all reporting issuer assurance partners and professional staff.
- g. The Firm shall develop and implement an enhanced client acceptance and continuance process to support the evaluation and approval of client relationships.
- h. In regard to its system of quality management, the Firm shall:
 - (i) revise its risk assessment ensuring it has identified all quality risks that address quality objectives applicable to the Firm, design and implement a process for the evaluation of the likelihood and impact assessment across quality risks and the impact from a testing perspective, and incorporate all information available to the Firm when assessing risks;
 - (ii) clearly define the monitoring and remediation role to ensure independence and objectivity; and
 - (iii) ensure its testing strategy provides relevant, reliable and timely information about the design, implementation and operation of the system of quality management.
- i. The Firm shall engage in enhanced regulatory monitoring in the form of bi-monthly meetings with CPAB.
- j. The Firm shall deliver bi-monthly written status reports to update CPAB on the Firm's progress on implementing each of the enforcement actions imposed.
- k. The Firm shall be publicly censured.

- l. The Firm must inform the audit committee, or those charged with governance, of each of its reporting issuers of the prohibition and provide to each a copy of this publication.
 - m. The Firm must deliver a detailed summary of CPAB's investigative findings to the audit committee of the reporting issuer to which it relates.
 - n. The Firm shall pay a monetary assessment to recover CPAB's costs of enhanced regulatory oversight.
14. In addition to the above noted enforcement actions, the Firm has paid approximately \$50,000 of CPAB's investigation costs.²¹

²¹ Pursuant to paragraph 2 (d) of the Participation Agreement between CPAB and the Firm.