

*Canadian Public Accountability Board
And
Clearhouse LLP*

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 2024, CPAB conducted an inspection of two reporting issuer files audited by Clearhouse LLP (the “Firm” or “Clearhouse”) 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. During the 2024 inspection of the two files, five significant inspection findings² were identified, each of which constitutes a separate Violation Event³ (as defined in the Rules). As a result of these Violation Events and Clearhouse’s elevated inspection findings over the last two consecutive inspections (and 2024), CPAB imposed a restriction on Clearhouse’s practice under Rule 601(f), as well as requirements under Rule 601(a), (b), (c), (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. Clearhouse is a limited liability partnership located in Ontario. It has a public company auditing practice and at the time of CPAB’s 2024 inspection the Firm audited approximately 49 reporting issuer clients.
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

¹A 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.

Firms are authorized to audit financial statements issued by Canadian reporting issuers. Clearhouse was, at all relevant times, registered with CPAB pursuant to Rule 201.

PART III – Facts

5. Clearhouse is subject to periodic inspections by CPAB. In 2022, CPAB inspected two files and identified three 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. In 2024, CPAB inspected two and identified five significant inspection findings. Each of the files reviewed in both the 2022 and 2024 inspections had at least one significant finding.
6. Each of the significant inspection findings identified during CPAB's 2024 inspection represents a breach of one or more professional standards⁴ and constitutes a Violation Event as defined in CPAB's Rules. Specifically, the following Canadian Auditing Standards (CAS) were breached:
 - i. CAS 240, The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements.
 - ii. CAS 265, Communicating Deficiencies in Internal Control to those Charged with Governance and Management.
 - iii. CAS 315, Identifying and Assessing the Risks of Material Misstatement;
 - iv. CAS 330, The Auditor's Responses to Assessed Risks.
 - v. CAS 402, Audit Considerations Relating to an Entity Using a Service Organization;
 - vi. CAS 500, Audit Evidence.
 - vii. CAS 501, Audit Evidence – Specific Considerations for Selected Items.
 - viii. CAS 520, Analytical Procedures.
 - ix. CAS 530, Audit Sampling.
 - x. CAS 540, Auditing Accounting Estimates and related Disclosures.
 - xi. CAS 600, Special Considerations - Audits of Group Financial Statements (including the work of component auditors).

PART IV – Enforcement actions imposed

7. In view of the Violation Events outlined above, the multiple significant inspection findings identified in two consecutive inspections and to contribute to public confidence in the integrity of the financial reporting by public companies, CPAB determined it appropriate to impose the following enforcement actions:
 - a) The Firm is prohibited from accepting new high and moderate risk⁵ reporting issuers including those resulting from initial public offerings, reverse takeovers or other transactions. An existing private company audit client seeking to become a reporting issuer through initial public offering, reverse takeover or other

⁴ As defined in Section 300 of the CPAB Rules.

⁵ In compliance with this restriction, the Firm has provided definitions of moderate and high risk Canadian reporting issuers that are acceptable to CPAB.

transaction is considered a new reporting issuer for the purposes of this restriction.

b) The Firm shall be publicly censured.

8. 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 for certain moderate and high risk reporting issuers; ii) engagement of an external party to provide professional education and training to all reporting issuer assurance partners and staff; iii) development and implementation of a formal engagement budgeting process for all reporting issuers and a resource scheduling process for all engagement team resources involved in the audits of reporting issuers; iv) performance of an in-depth review of the portfolio allocation for each engagement partner, engagement quality reviewer, senior manager, and manager involved in the reporting issuer practice, inclusive of all chargeable and non-chargeable hours by period; v) and appointment of an external professional to review, evaluate and report to CPAB on the Firm's assessment of its system of quality management.
9. CPAB determined that a number of 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 June 2, 2025.
10. 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, implemented each of the enforcement actions imposed and has demonstrated a sustained improvement in audit quality.