2023 Inspection Antares Professional Corporation

(Headquartered in Calgary, Canada)

February 22, 2024

PCAOB RELEASE NO. 104-2024-047

PCAOB
PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD

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2023 INSPECTION

In the 2023 inspection of Antares Professional Corporation, the Public Company Accounting Oversight Board (PCAOB) assessed the firm's compliance with laws, rules, and professional standards applicable to the audits of public companies. Our inspection was conducted in cooperation with the Canadian Public Accountability Board.

We selected for review one audit of an issuer with a fiscal year ending in 2021. For the issuer audit selected, we reviewed a portion of the audit. We also evaluated elements of the firm's system of quality control.

2023 Inspection Approach

In selecting issuer audits for review, we use a risk-based method of selection. We make selections based on (1) our internal evaluation of audits we believe have a heightened risk of material misstatement, including those with challenging audit areas, and (2) other risk-based characteristics, including issuer and firm considerations. In certain situations, we may select all of the firm's issuer audits for review.

When we review an audit, we do not review every aspect of the audit. Rather, we generally focus our attention on audit areas we believe to be of greater complexity, areas of greater significance or with a heightened risk of material misstatement to the issuer's financial statements, and areas of recurring deficiencies. We may also select some audit areas for review in a manner designed to incorporate unpredictability.

Our selection of audits for review does not necessarily constitute a representative sample of the firm's total population of issuer audits. Additionally, our inspection findings are specific to the particular portions of the issuer audits reviewed. They are not an assessment of all of the firm's audit work or of all of the audit procedures performed for the audits reviewed.

View the details on the scope of our inspections and our inspections procedures.

OVERVIEW OF THE 2023 INSPECTION

The following information provides an overview of our 2023 inspection, which was our first inspection of this firm. We use a risk-based method to select audits for review and to identify areas on which we focus our review. Because our inspection process evolves over time, it can, and often does, focus on a different mix of audits and audit areas from inspection to inspection and firm to firm. Further, a firm's business, the applicable auditing standards, or other factors can change from the time of one inspection to the next. As a result of these variations, we caution that our inspection results are not necessarily comparable over time or among firms.

Firm Data and Audits Selected for Review

	2023
Firm data	
Total issuer audit clients in which the firm was the principal auditor	1
Total issuer audits in which the firm was not the principal auditor	0
Total engagement partners on issuer audit work[1]	1
Audits reviewed	
Total audits reviewed	1
Audits in which the firm was the principal auditor	1
Integrated audits of financial statements and internal control over financial reporting (ICFR)	1
Audits with Part I.A deficiencies	1
Percentage of audits with Part I.A deficiencies	100%

If we include a deficiency in Part I.A of our report, it does not necessarily mean that the firm has not addressed the deficiency. In many cases, the firm has performed remedial actions after the deficiency was identified. Depending on the circumstances, remedial actions may include performing additional audit procedures, informing management of the issuer of the need for changes to the financial statements or reporting on ICFR, or taking steps to prevent reliance on prior audit reports.

[1] The number of engagement partners on issuer audit work represents the total number of firm personnel (not necessarily limited to personnel with an ownership interest) who had primary responsibility for an issuer audit (as defined in AS 1201, *Supervision of the Audit Engagement*) or for the firm's role in an issuer audit during the twelve-month period preceding the outset of the inspection.

Our inspection may include a review, on a sample basis, of the adequacy of a firm's remedial actions, either with respect to previously identified deficiencies or deficiencies identified during the current inspection. If a firm does not take appropriate actions to address deficiencies, we may criticize its system of quality control or pursue a disciplinary action.

If we include a deficiency in our report — other than those deficiencies for audits with incorrect opinions on the financial statements and/or ICFR — it does not necessarily mean that the issuer's financial statements are materially misstated or that undisclosed material weaknesses in ICFR exist. It is often not possible for us to reach a conclusion on those points based on our inspection procedures and related findings because, for example, we have only the information that the auditor retained and the issuer's public disclosures. We do not have direct access to the issuer's management, underlying books and records, and other information.

Our 2023 inspection procedures involved one audit for which the issuer, unrelated to our review, restated its financial statements to correct a misstatement and the firm revised and reissued its report on the financial statements.

Audit Areas Most Frequently Reviewed

This table reflects the audit areas we have selected most frequently for review in the 2023 inspection. For the issuer audit selected for review, we selected these areas because they were generally significant to the issuer's financial statements, may have included complex issues for auditors, and/or involved complex judgments in (1) estimating and auditing the reported value of related accounts and disclosures and (2) implementing and auditing the related controls.

2023	
Audit area	**Audits reviewed**
Business combinations	1
Revenue and related accounts	1

PART I: INSPECTION OBSERVATIONS

Part I.A of our report discusses deficiencies, if any, that were of such significance that we believe the firm, at the time it issued its audit report(s), had not obtained sufficient appropriate audit evidence to support its opinion(s) on the issuer's financial statements and/or ICFR.

Part I.B discusses certain deficiencies, if any, that relate to instances of non-compliance with PCAOB standards or rules other than those where the firm had not obtained sufficient appropriate audit evidence to support its opinion(s). This section does not discuss instances of potential non-compliance with SEC rules or instances of non-compliance with PCAOB rules related to maintaining independence.

Part I.C discusses instances of potential non-compliance with SEC rules or instances of non-compliance with PCAOB rules, if any, related to maintaining independence.

Consistent with the Sarbanes-Oxley Act ("Act"), it is the Board's assessment that nothing in Part I of this report deals with a criticism of, or potential defect in, the firm's quality control system. We discuss any such criticisms or potential defects in Part II. Further, you should not infer from any Part I deficiency, or combination of deficiencies, that we identified a quality control finding in Part II. Section 104(g)(2) of the Act restricts us from publicly disclosing Part II deficiencies unless the firm does not address the criticisms or potential defects to the Board's satisfaction no later than 12 months after the issuance of this report.

Classification of Audits with Part I.A Deficiencies

Within Part I.A of this report, we classify each issuer audit in one of the categories discussed below based on the Part I.A deficiency or deficiencies identified in our review.

The purpose of this classification system is to group and present issuer audits by the number of Part I.A deficiencies we identified within the audit as well as to highlight audits with an incorrect opinion on the financial statements and/or ICFR.

Audits with an Incorrect Opinion on the Financial Statements and/or ICFR

This classification includes instances where a deficiency was identified in connection with our inspection and, as a result, an issuer's financial statements were determined to be materially misstated, and the issuer restated its financial statements. It also includes instances where a deficiency was identified in connection with our inspection and, as a result, an issuer's ICFR was determined to be ineffective, or there were additional material weaknesses that the firm did not identify, and the firm withdrew its opinion, or revised its report, on ICFR.

This classification does not include instances where, unrelated to our review, an issuer restated its financial statements and/or an issuer's ICFR was determined to be ineffective. We include any deficiencies identified in connection with our reviews of these audits in the audits with multiple deficiencies or audits with a single deficiency classification below.

Audits with Multiple Deficiencies

This classification includes instances where multiple deficiencies were identified that related to a combination of one or more financial statement accounts, disclosures, and/or important controls in an ICFR audit.

Audits with a Single Deficiency

This classification includes instances where a single deficiency was identified that related to a financial statement account or disclosure or to an important control in an ICFR audit.

PART I.A: AUDITS WITH UNSUPPORTED OPINIONS

This section of our report discusses the deficiencies identified, by specific issuer audit reviewed, in the audit work supporting the firm's opinion(s) on the issuer's financial statements and/or ICFR.

We identify each issuer by a letter (e.g., Issuer A) and industry sector. Each deficiency could relate to several auditing standards, but we reference the PCAOB standard that most directly relates to the requirement with which the firm did not comply.

We present issuer audits below within their respective deficiency classifications (as discussed previously). Within the classifications, we generally present the audits based on our assessment as to the relative significance of the identified deficiencies, taking into account the significance of the financial statement accounts and/or disclosures affected, and/or the nature or extent of the deficiencies.

Audits with an Incorrect Opinion on the Financial Statements and/or ICFR

None

Audits with Multiple Deficiencies

Issuer A – Consumer Staples

Type of audit and related areas affected

In our review, we identified deficiencies in the financial statement audit related to **Business Combinations**, **Accounts Receivable**, and **Journal Entries**. The firm's internal inspection program inspected this audit and reviewed these areas but did not identify the deficiencies below.

Description of the deficiencies identified

With respect to **Business Combinations**, for which the firm identified a significant risk:

During the year, the issuer acquired certain businesses and engaged a specialist to assist in determining the fair value of consideration for the acquisitions and certain acquired assets. The firm used an auditor-engaged specialist to assist it with testing the fair value of the consideration for the acquisitions. The following deficiencies were identified:

- The firm did not identify that the auditor-engaged specialist did not perform procedures to evaluate the relevance of certain external data the company's specialist used to develop significant assumptions. (AS 1105.A8a; AS 1210.09 and .12)

- The firm did not perform sufficient procedures to evaluate the reasonableness of certain significant assumptions, because it limited its procedures to evaluating the consistency of the assumptions with industry information. Further, the firm did not evaluate significant differences between the assumptions and the industry information. (AS 1105.A8b)

With respect to **Accounts Receivable**, for which the firm identified a fraud risk:

The firm sent positive confirmation requests to certain customers. The following deficiencies were identified:

- The firm did not perform alternative procedures for certain positive confirmation requests for which it did not receive a response. (AS 2310.31)

- For certain confirmations that were returned with exceptions, the firm did not evaluate the nature of those exceptions. Further, for certain other confirmations that were returned with exceptions, the firm did not perform alternative procedures that provided sufficient appropriate audit evidence that recorded amounts of accounts receivable existed and were accurate at the confirmation date. (AS 2310.33)

Unrelated to our review, the issuer reevaluated its accounting for accounts receivable and concluded that a material misstatement existed that had not been previously identified. The issuer subsequently corrected this misstatement in a restatement of its financial statements, and the firm revised and reissued its report on the financial statements.

With respect to **Journal Entries**, for which the firm identified a fraud risk:

The firm identified fraud criteria for journal entries and obtained a listing of all journal entries that met the criteria. The firm did not perform sufficient substantive procedures to test those journal entries, because it limited its procedures to certain journal entries, without having an appropriate rationale for limiting its procedures to those journal entries. Further, the firm did not examine the underlying support for the selected journal entries and, instead, limited its procedures to obtaining the details of the journal entries, reading the journal entry descriptions, and/or inquiring of management. (AS 2401.61)

Audits with a Single Deficiency

None

PART I.B: OTHER INSTANCES OF NON-COMPLIANCE WITH PCAOB STANDARDS OR RULES

This section of our report discusses certain deficiencies that relate to instances of non-compliance with PCAOB standards or rules other than those where the firm had not obtained sufficient appropriate audit evidence to support its opinion(s). This section does not discuss instances of potential non-compliance with SEC rules or instances of non-compliance with PCAOB rules related to maintaining independence.

When we review an audit, we do not review every aspect of the audit. In some cases, we assess the firm's compliance with specific PCAOB standards or rules on other audits that were not reviewed and include any instances of non-compliance below.

The deficiencies below are presented in numerical order based on the PCAOB standard or rule with which the firm did not comply. We identified the following deficiencies:

- In the audit reviewed, the firm, when testing journal entries for evidence of possible material misstatement due to fraud, did not perform procedures to determine whether the journal entry population from which it made its selections was complete. In this instance, the firm was non-compliant with AS 1105, *Audit Evidence*.

- In the audit reviewed, the firm did not make certain required communications to the audit committee related to (1) all of the significant risks identified through its risk assessment procedures and (2) certain critical accounting estimates. In these instances, the firm was non-compliant with AS 1301, *Communications with Audit Committees*.

- In the audit reviewed, the firm did not communicate all accumulated misstatements to management on a timely basis to provide management with an opportunity to correct them. In this instance, the firm was non-compliant with AS 2810, *Evaluating Audit Results*.

- In the audit reviewed, the firm's audit report did not include the country from which the audit report had been issued. In this instance, the firm was non-compliant with AS 3101, *The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion.*

- In the audit reviewed, the engagement team performed procedures to determine whether or not matters were critical audit matters but, in performing those procedures, did not include a matter that was communicated to the audit committee and that related to accounts or disclosures that were material to the financial statements. In this instance, the firm was non-compliant with AS 3101, *The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion*. This instance of non-compliance does not necessarily mean that other critical audit matters should have been communicated in the auditor's report.

- In the audit reviewed, the firm’s reports on Form AP omitted information related to the participation in the audit by one or more other accounting firms. In these instances, the firm was non-compliant with PCAOB Rule 3211, *Auditor Reporting of Certain Audit Participants*.

PART I.C: INDEPENDENCE

In the 2023 inspection, we did not identify, and the firm did not bring to our attention, any instances of potential non-compliance with SEC rules or instances of non-compliance with PCAOB rules related to maintaining independence. Although this section does not include any instances of potential non-compliance that we identified or the firm brought to our attention, there may be instances of non-compliance with SEC or PCAOB rules related to independence that were not identified through our procedures or the firm’s monitoring activities.

While the firm did not bring to our attention any instances of potential non-compliance, the number, large or small, of firm-identified instances of potential non-compliance may be reflective of the size of the firm, including the number of associated firms; the design and effectiveness of the firm’s independence monitoring activities; and the size and/or complexity of the issuers it audits, including the number of affiliates of those issuers. Therefore, we caution against making any comparison of firm-identified instances of potential non-compliance across firms.

PART II: OBSERVATIONS RELATED TO QUALITY CONTROL

Part II of our report discusses criticisms of, and potential defects in, the firm's system of quality control.

We include deficiencies in Part II if an analysis of the inspection results, including the results of the reviews of individual audits, indicates that the firm's system of quality control does not provide reasonable assurance that firm personnel will comply with applicable professional standards and requirements. Generally, the report's description of quality control criticisms is based on observations from our inspection procedures.

This report does not reflect changes or improvements to the firm's system of quality control that the firm may have made subsequent to the period covered by our inspection. The Board does consider such changes or improvements in assessing whether the firm has satisfactorily addressed the quality control criticisms or defects no later than 12 months after the issuance of this report.

When we issue our reports, we do not make public criticisms of, and potential defects in, the firm's system of quality control, to the extent any are identified. If a firm does not address to the Board's satisfaction any criticism of, or potential defect in, the firm's system of quality control within 12 months after the issuance of our report, we will make public any such deficiency.

APPENDIX A: FIRM'S RESPONSE TO THE DRAFT INSPECTION REPORT

Pursuant to Section 104(f) of the Act, 15 U.S.C. § 7214(f), and PCAOB Rule 4007(a), the firm provided a written response to a draft of this report. Pursuant to Section 104(f) of the Act and PCAOB Rule 4007(b), the firm's response, excluding any portion granted confidential treatment, is attached hereto and made part of this final inspection report.

The Board does not make public any of a firm's comments that address a nonpublic portion of the report unless a firm specifically requests otherwise. In some cases, the result may be that none of a firm's response is made publicly available.

In addition, pursuant to Section 104(f) of the Act, 15 U.S.C. § 7214(f), and PCAOB Rule 4007(b), if a firm requests, and the Board grants, confidential treatment for any of the firm's comments on a draft report, the Board does not include those comments in the final report. The Board routinely grants confidential treatment, if requested, for any portion of a firm's response that addresses any point in the draft that the Board omits from, or any inaccurate statement in the draft that the Board corrects in, the final report.

January 15, 2024

Ms. Christine Gunia
Acting Director
Division of Registration and Inspections
Public Company Accounting Oversight Board
1666 K Street NW Washington, DC 20006
United States of America

Dear Ms. Gunia,

Re: Response to the Draft Report on the 2023 Inspection of PKF Antares Professional Corporation

We are pleased to submit our response to the Public Company Accounting Oversight Board's ("PCAOB") draft report dated December 14, 2023, on the 2023 inspection of one engagement of PKF Antares Professional Corporation ("we" or the "Firm"). We continue to support the PCAOB's goal of improving audit quality in order to protect investors and promote public trust through promoting informative, accurate, and independent audit reports.

We conducted a thorough evaluation of the matters identified in the draft report, including involvement of external consultant with over ten years of prior inspection experience with the PCAOB. Considering all the facts and circumstances related to certain findings, we believe the engagement team has obtained sufficient appropriate audit evidence, and any contrary conclusion is patently erroneous. After careful analysis we respectfully have conveyed our disagreements with the PCAOB's conclusions as outlined in Attachment 1 (public portion) and Attachment 2 (non-public portion).

Nevertheless, we remain dedicated to evaluating and improving our system of audit quality control, monitoring audit quality and implementing changes to our policies and practices in order to enhance the audit quality. We look forward to continue working with the PCAOB regarding the most effective means of achieving these objectives.

Our firm continues to be steadfast in our dedication to making audit quality our top priority. We appreciate the PCAOB's inspection process as it aids in enhancing our audit performance and improving our internal quality control systems, including monitoring compliance with independence rules.

Yours sincerely,

PKF Antares

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APPENDIX A: FIRM'S RESPONSE TO THE DRAFT INSPECTION REPORT

Attachment 1 – Public Portion

Part I.A

Issuer A

Business Combinations:

The PCAOB draft report states that:

> *The firm did not identify that the auditor-engaged specialist did not perform procedures to evaluate the relevance of certain external data the company's specialist used to develop significant assumptions. (AS 1105.A8a; AS 1210.09 and .12)*
>
> *The firm did not perform sufficient procedures to evaluate the reasonableness of certain significant assumptions, because it limited its procedures to evaluating the consistency of the assumptions with industry information. Further, the firm did not evaluate significant differences between the assumptions and the industry information. (AS 1105.A8b)*

We respectfully disagree that the Firm did not perform sufficient procedures to:

(a) evaluate the relevance of certain external data;
(b) monitor and evaluate the work of the auditor-engaged specialist and
(c) evaluate the reasonableness of certain significant assumptions.

We note that the workpapers clearly and unequivocally documented that the engagement team performed the following procedures:

(a)

- The engagement team evaluated the relevance of certain external data used by the company's specialist to develop significant assumptions through the discussion with the auditor-engaged specialist. We organized the work performed by the auditor-engaged specialist as discussed in (b) below, evaluated his work and concluded that it contained sufficient appropriate audit evidence.

(b)

- The engagement team supervised the auditor-engaged specialist's work and scoping. Also, the team was actively involved in arranging and participating in all conference calls between auditor-engaged specialist and the company's specialist, and gained the comfort over the depth of the analysis performed by the auditor-engaged specialist. During the inspection we provided an email containing an agenda for one of these calls and subsequent follow-up email in which engagement team was copied, clearly showing the level of details and depth of points raised by the auditor-engaged specialist. As documented in the specialist report (Exhibit 1), the specialist performed the work to evaluate to the applied Discount for Lack of Marketability ("DLOM") assessment. Specifically, he assessed the selection of guideline (peer comparable) companies for reasonableness, reviewed the relative volatilities of the guideline companies and replicated the option pricing model. Based on the extensive work performed, he concluded that DLOM developed by the company's specialist is reasonable. The engagement team evaluated the work performed by the auditor-engaged specialist by taking active part in his call with the Issuer's specialist, as well as analyzed his memo and challenged his decisions, and concluded it contained sufficient appropriate audit evidence.

- The engagement team clearly communicated the auditor-engaged specialist regarding the nature and scope of the work, responsibilities of the expert, provided supplemental information about the business environment of the acquired companies (i.e. industry analysis in Location 1 for Unit 1, and in Location 2 for Unit 2) and peer companies in the industry (refer to documentation in Exhibits 8 and 9). Accordingly, the auditor-engaged specialist was well informed of the industry and size of the acquiring entities and was able to determine appropriateness of selected peer companies which are used for DLOM analysis.

<u>(c)</u>

- The engagement team assessed significance of assumptions following AS 2501.15 requirements and focused on key drivers such as i) discount rate; ii) revenue growth and iii) gross margin profitability.
  - i) With the assistance of the auditor-engaged specialist the engagement team:
    - evaluated the Company's selection of valuation methodologies and
    - evaluated the reasonableness of the discount rate by (1) testing the source information underlying the determination of the discount rate and testing the mathematical accuracy of the calculation and (2) developing a range of independent estimates and comparing those to the discount rate selected by management.
  - ii) The engagement team have assessed the reasonableness of the projected revenues and related growth by verifying key management's assumptions, such as population penetration to the Issuer's industry market in different jurisdictions and other to external sources. We also reconciled base sale prices to actual sales contracts and verified accuracy of historical information underlying projections.
  - iii) The engagement team have assessed the reasonableness of profitability by comparing projected margins with historical and annualized actual data, as well as with market trends indicated in external independent reputable sources.

- The company's specialist stated in their report (documented in Exhibit 2) that the projections provided by management and utilized in evaluating the transaction considered projected revenue contributions attributable to the licensing agreements for the Fiscal year 2021 through Fiscal year 2024 and were then extended thereafter based on guidance from management pertaining to the licensing agreements. Consequently, we inquired the management regarding their assumptions for their forecasts for the years after 2024 (documented in Exhibit 3). We also compared the growth projections for the years 2025 onwards against the information about industry trends in the analyzed jurisdiction from the well-known independent reliable sources (statista.com) and concluded that the management's assumptions were conservative, which considered to be prudent.

Accordingly, we kindly request the PCAOB to reconsider these findings and exclude them in the final inspection report.

Accounts Receivable:

The PCAOB draft report states:

> *The firm did not perform alternative procedures for certain positive confirmation requests for which it did not receive a response. (AS 2310.31)*
>
> *For certain confirmations that were returned with exceptions, the firm did not evaluate the nature of those exceptions. Further, for certain other confirmations that were returned with exceptions, the firm did not perform alternative procedures that provided sufficient appropriate audit evidence that recorded amounts of accounts receivable existed and were accurate at the confirmation date. (AS 2310.33)*
>
> *Unrelated to our review, the Issuer reevaluated its accounting for accounts receivable and concluded that a material misstatement existed that had not been previously identified. The Issuer subsequently corrected this misstatement in a restatement of its financial statements, and the firm revised and reissued its report on the financial statements.*

A. We respectfully disagree that the Firm did not perform sufficient procedures to:

> *(a) perform alternative procedures for certain positive confirmation requests for which it did not receive a response, and*
> *(b) evaluate exceptions and perform alternative procedures for those responses which contained exceptions.*

We note that the workpapers clearly and unequivocally documented that the engagement team performed the following procedures:

Procedures performed in course of IFRS audit:
(a)

- The engagement team performed following alternative procedures on Accounts Receivable balances without confirmation response (as documented in Exhibit 4 and Exhibit 5):
  - Subsequent Cash receipts testing
  - Detailed screening of ageing reports
  - Detailed testing of supporting documentation
  - Inquiries of Management etc.

- We believe by performing combination of subsequent cash receipts, detail screening of aging reports for reasonableness of recoveries, detail testing of supporting documentation, and inquiries of management, the engagement team obtained sufficient evidence necessary to reduce audit risk to an acceptably low level and any omitted procedures did not affect the auditor's decision about whether the financial statements are materially misstated in accordance with AS 2310.31.

(b)

- We targeted the largest and the oldest Accounts Receivable balances and performed procedures to obtain direct confirmations from the debtors. We sent 18 confirmations and received 12 responses, where 6 contained differences with the amounts per general ledger. Two of the differences (balances from Customer 1 and Customer 2) were satisfactorily explained by timing differences in invoice receipt and chargeback accrual and resolved, and the unexplained differences were clearly below trivial threshold. The amount of the variance was not extrapolated to the remaining population, as the nature of the sampling/selection was based on target selection which does not require an extrapolation.

B. Regarding restatement of the Issuer's financial statements, we would like to draw your attention to the fact that the Issuer reevaluated Revenue recognition and decided to adjust the financial statements even the amount of the impact was quantitatively immaterial due to the conservative approach by the Issuer. Adjustment made to Accounts Receivable of USD 4,143 thousand was immaterial (below tolerable misstatement of USD 11,800 thousand). Furthermore, we note that during the initial audit the engagement team obtained satisfactory confirmations with no unexplained differences from certain customers which balances were subjected to the restatement. As direct confirmations provide best available audit evidence, we believe the engagement team exercised sufficient appropriate level of professional skepticism. For detailed information refer to Non-public portion.

We believe the engagement team obtained sufficient and appropriate audit evidence in relation to outstanding Accounts Receivable balances, in course of initial IFRS engagement and subsequently in course of US GAAP Transition and IFRS Restatement engagements. Accordingly, we kindly request the PCAOB to reconsider these findings and do not include them in the inspection report.

Journal Entries:

The PCAOB draft report states:

> *The firm identified fraud criteria for journal entries and obtained a listing of all journal entries that met the criteria. The firm did not perform sufficient substantive procedures to test those journal entries, because it limited its procedures to certain journal entries, without having an appropriate rationale for limiting its procedures to those journal entries. Further, the firm did not examine the underlying support for the selected journal entries and, instead, limited its procedures to obtaining the details of the journal entries, reading the journal entries descriptions, and/or inquiring of management (AS 2401.61)*

We respectfully disagree that the Firm did not perform sufficient procedures to obtain comfort over journal entries testing.

We note that the workpapers clearly and unequivocally documented that the engagement team performed the following procedures:

- The engagement team performed audit work to obtain comfort that for each of the tests the excluded population of the journal entries were below clearly trivial amount and in aggregate did not exceed performance materiality. Those tests were not retained in the file due to the size of the files. During the inspection, we demonstrated that excluded population of the journal entries did not exceed performance materiality including the original source.

- Using our cumulative audit knowledge gained through several years of audit of the Issuer's financial statements, we exercised our professional judgement to determine the nature and extent of journal entries testing. We excluded from significant transactions population those

entries which had no impact on Profit or Loss (except for the Revenue subsequent reverse journal entries).
Per our professional judgement, Revenue – Financial Statement Line Item affecting Profit or Loss – was determined to be affected by fraud risk. Journal entries with no Profit or Loss impact are less exposed to fraud and manipulation as well as the engagement team has performed enough procedures on high-risk balance sheet items (cash etc).

- We designed the journal entries test to identify and test the entries outside of the normal course of business with a 3-step procedure as follows:
  - Develop criteria to identify significant and/or unusual journal entries,
  - Use internally developed tool to identify the entries falling under specific criteria,
  - Implement further scanning and filtering out using professional judgement to identify unusual entries falling out of the normal course of the business for further detail testing.

  As a result of the latter procedure, we noted that all significant unusual entries related to transactions which were tested in the other audit areas; consequently, we have provided references to the relevant working papers. No other significant unusual transactions requiring additional separate detail testing were identified.

Accordingly, we kindly request the PCAOB to reconsider these findings and do not include them in the final inspection report.

Part I.B

A. The PCAOB draft report states:

> *In the audit reviewed, the firm, when testing journal entries for evidence of possible material misstatement due to fraud, did not perform procedures to determine whether the journal entry population from which it made selections was complete. In this instance, the firm was non-compliant with AS 1105, Audit Evidence.*

We respectfully disagree that the Firm did not perform sufficient procedures to determine whether the journal entry population from which it made selections was complete.

We note that the workpapers clearly and unequivocally documented that the engagement team performed the following procedures:

- We believe the engagement team performed sufficient appropriate audit work and obtained comfort over completeness of the populations of journal entries during the course of the audit, including:
  - Obtained direct access to general ledger (GL) systems,
  - Independently downloaded GLs to the Firm's shared drive,
  - Compared beginning and closing balances to trial balance (tie-outs)

  Due to the size of the file, the original files were not retained in the audit file. During the inspection, we demonstrated by re-performing the test for completeness for 1 entity derived from Dynamics and 1 entity derived from Business Central to demonstrate the results. We have provided the evidence to the Inspectors during the inspection that the dates of those files were not modified since 2022 and located in the Firm's server.

B. The PCAOB draft report states:

> *In the audit reviewed, the firm did not make certain required communications to the audit committee relating to (1) all of the significant risks identified through its risk assessment procedures and (2) certain critical accounting estimates. In these instances, the firm was non-compliant with AS 1301, Communication with the Audit Committees.*

We respectfully disagree that the Firm did not perform sufficient procedures to make certain required communications to the audit committee relating to (1) all of the significant risks identified through its risk assessment procedures and (2) certain critical accounting estimates.

We note that the workpapers clearly and unequivocally documented that the engagement team performed the following procedures:

- The risk at the Existence assertion level for Cash was determined by the engagement team to be a significant risk as only related to the cash at the vaults and was not considered as a stand-alone significant risk, but consequential part of the cash revenue fraud and significant risk at Existence/Occurrence assertion level, which we appropriately communicated as significant and fraud risk related to revenue to the Audit Committee. The risk at the Valuation assertion for Account Receivable was assessed as moderate (not significant), therefore no communication to the Audit Committee was required.

- We believe that we appropriately communicated all critical accounting estimates to the Audit Committee as part of significant and elevated risks communication in the audit plan (documented in the working paper 400).

C. The PCAOB draft report states:

> *In the audit reviewed, the firm did not communicate all accumulated misstatements to management on a timely basis to provide management with an opportunity to correct them. In this instance, the firm was non-compliant with AS 2810, Evaluating Audit Results.*

We respectfully disagree that the Firm did not perform sufficient procedures to communicate all accumulated misstatements to management on a timely basis.

We note that the workpapers clearly and unequivocally documented that the engagement team performed the following procedures:

- The engagement team communicated all accumulated misstatements to the Audit Committee through the Report to the Audit Committee (Exhibit 7), delivered and presented to the Audit Committee on a meeting as described below.

- The reporting practice of the Issuer encourages that the Audit Committee meeting is held a few days before the issue of the financial statements. The audit engagement partner attending the meeting reports on the status of the audit including open items. Open items are normally resolved during a few days between the Audit Committee meeting and the issuance of the financial statements. During the inspection we have provided the evidence that the audit engagement partner held a call with the Chair of the Audit Committee, which is supported by the time booked in the engagement partner's calendar, to give an update on the open items, as well as follow up "all clear" email from the Chair of the Audit Committee on March 2, 2022. Accordingly, before the issuance of the auditor's report for IFRS engagement in March 2022, as well as US GAAP and IFRS restatement engagement in May 2023, the engagement partner had a call with the chair of the Audit Committee where, among other matters, discussed the following:

- Summary of omitted disclosures, which qualitatively and quantitatively did not affect the financial statements;
- How the open items were resolved and conclusions thereon.

D. The PCAOB draft report states:

In the audit reviewed, the firm's audit report did not communicate the country from which the audit report had been issued. In this instance, the firm was non-compliant with AS 3101, The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion.

We respectfully disagree that the Firm did not communicate the country from which the audit report had been issued.

We note that the workpapers clearly and unequivocally documented that the engagement team performed the following procedures:

- The audit report which we issued and sent to the Issuer contained city and country in the footer. When the Issuer combined financial statements and the audit report to file on Edgar and Sedar, the footer of the opinion was corrupted due to the technical issue. The original opinion sent to the Issuer dated March 7th, 2022 has had the required information in the opinion (reference to Exhibit 6).

E. The PCAOB draft report states:

In the audit reviewed, the engagement team performed procedures to determine whether or not matters were critical audit matters but, in performing those procedures, did not include a matter that was communicated to the audit committee and that related to accounts or disclosures that were material to the financial statements. In this instance, the firm was not compliant with AS 3101, The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion. This instance of non-compliance does not necessarily mean that other critical audit matters should have been communicated in the auditor's report.

We respectfully disagree that the Firm did not perform sufficient procedures to determine whether or not a matter was critical audit matter.

We note that the workpapers clearly and unequivocally documented that the engagement team performed the following procedures:

- In our opinion, a Matter mentioned here did not involve especially challenging, subjective, or complex auditor judgement, therefore we did not consider it to constitute a critical audit matter. Furthermore, Note 19 to the financial statements provided sufficient disclosures to the public on this matter.

F. The PCAOB draft report states:

In the audit reviewed, the firm's report on Form AP omitted information related to the participation in the audit by one or more other accounting firms. In these instances, the firm was non-compliant with PCAOB Rule 3211, Auditor Reporting of Certain Audit Participants.

We note that before the delivery of this response to the inspection the engagement team filed amended Form AP with the inclusion of information about Accounting Firm 1 participation.