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**Order Instituting Disciplinary Proceedings,
Making Findings, and Imposing Sanctions**

*In the Matter of Dale Matheson Carr-Hilton
LaBonte LLP,*

Respondent.

PCAOB Release No. 105-2021-021

December 14, 2021

By this Order Instituting Disciplinary Proceedings, Making Findings, and Imposing Sanctions (“Order”), the Public Company Accounting Oversight Board (“Board” or “PCAOB”) is:

- (1) censuring Dale Matheson Carr-Hilton LaBonte LLP (the “Firm,” or “Respondent”), a registered public accounting firm;
- (2) imposing a \$50,000 civil money penalty on the Firm; and
- (3) requiring the Firm to undertake certain remedial measures.

The Board is imposing these sanctions on the basis of its findings that Respondent violated PCAOB rules and standards in connection with two issuer audits and also violated PCAOB quality control standards concerning client acceptance and continuance and engagement performance.

I.

The Board deems it necessary and appropriate, for the protection of investors and to further the public interest in the preparation of informative, accurate, and independent audit reports, that disciplinary proceedings be, and hereby are, instituted pursuant to Section 105(c) of the Sarbanes-Oxley Act of 2002, as amended (“Act”), and PCAOB Rule 5200(a)(1) against Respondent.

II.

In anticipation of the institution of these proceedings, and pursuant to PCAOB Rule 5205, Respondent has submitted an Offer of Settlement (“Offer”) that the Board has determined to accept. Solely for purposes of these proceedings and any other proceedings brought by or on behalf of the Board, or to which the Board is a party, and without admitting or denying the findings herein, except as to the Board’s jurisdiction over Respondent and the subject matter of these proceedings, which is admitted, Respondent consents to the entry of this Order as set forth below.¹

III.

On the basis of Respondent’s Offer, the Board finds that:

A. Respondent

1. **Dale Matheson Carr-Hilton LaBonte LLP** is, and at all relevant times was, a Canadian limited liability partnership headquartered in Vancouver, British Columbia, Canada. The Firm currently has a total of four offices, each in Canada. The Firm is associated with Moore Global Network Limited, and is licensed to practice public accounting by the Chartered Professional Accountants of British Columbia (License No. 100002080). At all relevant times, the Firm was registered with the Board pursuant to Section 102 of the Act and PCAOB rules.

B. Issuers

2. Issuer A was, at all relevant times, a Canadian corporation incorporated in British Columbia, Canada, and headquartered in Vancouver, British Columbia, Canada. Issuer A’s public filings disclose that, at all relevant times, it was engaged in the business of mineral exploration and development. Issuer A filed a Form F-4 registration statement with the Commission on April 10, 2017. From the time that it filed its Form F-4, and at all relevant times thereafter, Issuer A was an “issuer” as that term is defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii).

3. Issuer B was, at all relevant times, a Canadian corporation incorporated in British Columbia, Canada, and headquartered in Vancouver, British Columbia, Canada. Issuer B’s public filings disclose that, at all relevant times, it was engaged in the business of developing and

¹ The findings herein are made pursuant to the Respondent’s Offer and are not binding on any other person or entity in this or any other proceeding.

manufacturing electric vehicles. Issuer B was, at all relevant times, an “issuer” as that term is defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii).

C. Summary

4. This matter concerns Respondent’s violations of PCAOB rules and standards in connection with its audit of the financial statements of Issuer A for the fiscal year ended October 31, 2016 (“2016 Issuer A Audit”), and its audit of the financial statements of Issuer B for the fiscal year ended December 31, 2017 (“2017 Issuer B Audit”) (collectively, the “Audits”), as well as violations of PCAOB quality control standards in the areas of client acceptance and continuance and engagement performance.²

5. Despite information available to the Firm that the Audits were required to be performed in accordance with PCAOB standards, the Firm planned and performed the Audits in accordance with Canadian Generally Accepted Auditing Standards (“CGAAS”). In each instance, the Firm initially issued an audit report stating the audit had been performed in accordance with CGAAS, and its report did not refer to PCAOB standards.

6. In both cases, the staff of the U.S. Securities and Exchange Commission (“Commission”) notified the relevant issuer that its filing required an audit report stating the audit had been performed in accordance with PCAOB standards. The Firm amended each of its initial audit reports to indicate that the audit had been performed in accordance with PCAOB standards, and consented to the inclusion of the amended audit reports in the issuers’ amended filings when, in fact, the Audits had not been performed in accordance with PCAOB standards. Indeed, the Firm failed to plan or perform any additional procedures to support the assertions in the amended reports that the audits were conducted in accordance with PCAOB standards.

D. The Firm Violated PCAOB Rules and Standards

7. In connection with the preparation and issuance of an audit report, PCAOB rules require that a registered public accounting firm and its associated persons comply with the

² As of December 31, 2016, the PCAOB reorganized its auditing standards using a topical structure and a single, integrated numbering system. *See Reorganization of PCAOB Auditing Standards and Related Amendments to PCAOB Standards and Rules*, PCAOB Rel. No. 2015-002 (Mar. 31, 2015); *see also PCAOB Auditing Standards Reorganized and Pre-Reorganized Numbering* (Jan. 2017). The reorganization did not impose additional requirements on auditors or substantively change the requirements of PCAOB standards. While Respondent’s conduct occurred both before and after the reorganization, the reorganized standards are cited herein for clarity.

PCAOB's auditing and related professional practice standards.³ PCAOB standards also provide that due professional care be exercised in the planning and performance of the audit and the preparation of the report.⁴

8. PCAOB auditing standards state that the auditor should perform certain activities at the beginning of the audit, including procedures regarding the continuance of a client relationship and the specific audit engagement.⁵

9. As part of planning activities, PCAOB auditing standards also require that the auditor evaluate whether certain matters are important to the company's financial statements and internal control over financial reporting, and if so, how they will affect the auditor's procedures, including, but not limited to: matters affecting the industry in which the company operates, such as financial reporting practices, economic conditions, laws and regulations; matters relating to the company's business, including its organization, operating characteristics, and capital structure; and legal or regulatory matters of which the company is aware.⁶

10. PCAOB standards also require that the auditor plan and perform audit procedures to obtain sufficient appropriate audit evidence to provide a reasonable basis for the opinion expressed in the auditor's report.⁷ An auditor's standard report stating that the financial statements present fairly, in all material respects, an entity's financial position, results of operations, and cash flows in conformity with generally accepted accounting principles may be expressed only when the auditor has formed such an opinion on the basis of an audit performed in accordance with the standards of the PCAOB.⁸

³ PCAOB Rule 3100, *Compliance with Auditing and Related Professional Practice Standards*; PCAOB Rule 3200T, *Interim Auditing Standards* (applicable before December 31, 2016); PCAOB Rule 3200, *Auditing Standards* (applicable as of December 31, 2016).

⁴ See AS 1015.01, *Due Professional Care in the Performance of Work*.

⁵ AS 2101.06, *Audit Planning*.

⁶ AS 2101.07.

⁷ AS 1105.04, *Audit Evidence*.

⁸ See AS 3101.07, *Reports on Audited Financial Statements* (applicable to audits for fiscal years ending on or before December 14, 2017); AS 3101.02, *The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion* (applicable to audits for fiscal years ending on or after December 15, 2017).

11. As described below, the Firm failed to comply with PCAOB rules and standards during the Firm's 2016 Issuer A Audit and the Firm's 2017 Issuer B Audit.

i. The Firm's 2016 Issuer A Audit

12. In September 2016, Issuer A engaged the Firm to audit Issuer A's financial statements for the fiscal year ended October 31, 2016. Issuer A was a new audit client. However, the Firm failed to exercise due professional care and professional skepticism in planning and performing the audit.⁹

13. Specifically, the Firm was aware prior to its consent to the inclusion of its audit report that Issuer A was in the process of becoming a U.S. public company, and knew that audits of U.S. public companies were required to be performed in accordance with PCAOB standards.¹⁰ Indeed, the Firm's work papers contained a summary of press releases indicating that Issuer A was in the process of becoming a U.S. public company—including announcements in February 2017 that Issuer A's securities were trading in the U.S. on an over-the-counter market and that Issuer A planned to file a Form F-4 registration statement with the Commission in March 2017.

14. Despite this awareness, in planning and performing the audit, the Firm failed to evaluate whether Issuer A's plan to become a U.S. public company was important to its financial statements and how it would affect the Firm's audit procedures.¹¹ In particular, the Firm failed to evaluate matters related to the financial reporting practices and laws and regulations concerning Issuer A's plans to include the Firm's audit report in its registration statement to be filed with the Commission. Specifically, the Firm was required to plan and perform its audit of Issuer A's financial statements in accordance with PCAOB standards and include in the audit report a statement that the audit was conducted in accordance with PCAOB standards.¹²

15. As a result of this failure, the Firm's audit documentation and its audit report reflect that the Firm planned and performed the 2016 Issuer A audit in accordance with CGAAS rather than in accordance with PCAOB standards. For example, the Firm's independence questionnaire, prepared after Issuer A's February 2017 press releases, identified Issuer A only

⁹ See AS 1015.01.

¹⁰ See PCAOB Rule 3100.

¹¹ See AS 2101.07.

¹² See PCAOB Rule 3100; AS 3101.08 (applicable to audits for fiscal years ending on or before December 14, 2017).

as a Canadian public company, without acknowledging Issuer A's intent to file a registration statement with the Commission the following month. In addition, in conducting the audit, the Firm did not use its checklist and templates designed for U.S. issuer audits, and instead used documentation meant for performing audits in accordance with CGAAS.

16. The Firm's audit report dated March 29, 2017, which opined on Issuer A's financial statements for the fiscal years ended October 31, 2015 and October 31, 2016, and was included with Issuer A's Form F-4 registration statement filed with the Commission on April 10, 2017, stated that the audit was conducted in accordance with CGAAS and did not refer to PCAOB standards.

17. In a comment letter dated May 5, 2017, the Commission's Division of Corporation Finance staff informed Issuer A that it should obtain a revised independent auditor's report indicating the audit had been performed in accordance with PCAOB standards. The issuer informed the Firm of the comment letter. The Firm, in response, issued an amended audit report bearing the same March 29, 2017 date as the original audit report, but adding a statement that the audit was conducted in accordance with PCAOB standards ("Amended Issuer A Report"). The Firm then consented to the inclusion of its Amended Issuer A Report to accompany Issuer A's amended registration statement filed on May 25, 2017.

18. The Firm failed, however, to perform any additional audit procedures in connection with the Amended Issuer A Report prior to its consent to include the Amended Issuer A Report in Issuer A's amended registration statement. Instead, the Firm inappropriately relied upon the work it had performed under CGAAS, which did not sufficiently address PCAOB standards. Consequently, the Firm failed to plan and perform audit procedures to obtain sufficient appropriate audit evidence to provide a reasonable basis for the audit opinion in the Amended Issuer A Report,¹³ and expressed that audit opinion without having conducted an audit in accordance with PCAOB standards.¹⁴

ii. The Firm's 2017 Issuer B Audit

19. In February 2018, Issuer B engaged the Firm to audit Issuer B's financial statements for the fiscal year ended December 31, 2017. The Firm had served as Issuer B's auditor since 2015. From the outset of the 2017 Issuer B Audit, the Firm was aware that Issuer B was a U.S. public company, having audited Issuer B's financial statements for the previous fiscal year ended December 31, 2016 and issued an audit report filed with the Commission

¹³ See AS 1105.04.

¹⁴ See AS 3101.07 (applicable to audits for fiscal years ending on or before December 14, 2017).

indicating the 2016 audit had been conducted in accordance with PCAOB standards. The Firm, as noted above, was also aware during the relevant time frame that audits of U.S. public companies were required to be performed in accordance with PCAOB standards.

20. However, the Firm failed to exercise due professional care and professional skepticism in conducting its client continuance procedures and in planning and performing the audit.¹⁵ Similar to the 2016 Issuer A Audit, the Firm failed to identify that a PCAOB audit was required, and instead conducted the 2017 Issuer B Audit in accordance with CGAAS.

21. No information was brought to the Firm's attention during the 2017 Issuer B Audit suggesting the circumstances had changed with respect to Issuer B's status as a U.S. public company. Indeed, while planning the audit, the Firm was aware that Issuer B had filed an application in October 2017 to list its stock on a major U.S.-based stock exchange. Moreover, a Firm audit work paper concerning materiality noted that "[t]he company recent[ly] went public in the [U.S.] and is trying to increase the capital to fund future operations."

22. In planning and performing the audit, however, the Firm failed to evaluate whether Issuer B's status as a U.S. public company was important to the company's financial statements and how it would affect the Firm's audit procedures.¹⁶ In particular, the Firm failed to consider that because the 2017 Issuer B audit was an audit of a U.S. public company and the audit report would accompany a Form 20-F filed with the Commission, the Firm was required to plan and perform the audit in accordance with PCAOB standards, and include in the audit report a statement that the audit was conducted in accordance with PCAOB standards.¹⁷

23. Despite issuing an audit report for the prior fiscal year stating that the audit was conducted in accordance with PCAOB standards and being aware of Issuer B's plans to list its stock on a U.S. based exchange, the Firm planned and performed the 2017 Issuer B Audit in accordance with CGAAS rather than in accordance with PCAOB standards. For example, during the audit, the Firm used a client continuance checklist that referred only to Canadian standards. The Firm's engagement letter and communications with Issuer B's Audit Committee indicated that the audit would be conducted in accordance with CGAAS and under the auditor independence requirements of the Code of Professional Conduct of the Chartered Professional Accountants of British Columbia. The Firm did not use its checklist or templates designed for U.S. issuer audits during the audit, and instead used audit documentation meant for performing

¹⁵ See AS 1015.01; AS 2101.06.

¹⁶ See AS 2101.07.

¹⁷ See PCAOB Rule 3100; AS 3101.09 (applicable to audits for fiscal years ending on or after December 15, 2017).

audits in accordance with CGAAS. The Firm's audit report for the 2017 Issuer B Audit, dated April 2, 2018, indicated that the audit was conducted in accordance with CGAAS and did not make reference to PCAOB standards. This report accompanied Issuer B's Form 20-F for the fiscal year ended December 31, 2017, filed with the Commission on April 19, 2018.

24. In failing to evaluate Issuer B's status as a U.S. public company and recognize that a PCAOB audit was required, the Firm failed to perform sufficient procedures regarding the continuance of the client relationship and the specific audit engagement.¹⁸

25. In the weeks following the filing of the April 19, 2018 Form 20-F, Issuer B prepared to file a Form F-1/A amended registration statement with the Commission. Because Issuer B intended to include its audited financial statements for the year ended December 31, 2017 in the Form F-1/A, members of the engagement team discussed via email whether the accompanying audit report needed to state that the audit had been performed in accordance with PCAOB standards. Following these discussions, the Firm amended its April 2, 2018 report to state that the audit was conducted in accordance with PCAOB standards ("Amended Issuer B Report"). On May 29, 2018, Issuer B filed a Form F-1/A registration statement, and the Firm consented to the inclusion of the Amended Issuer B Report to accompany the filing. The Firm, however, failed to perform any additional procedures prior to its consent to include the Amended Issuer B Report in Issuer B's amended registration statement to support the assertion in the Amended Issuer B Report that the audit was conducted in accordance with PCAOB standards.¹⁹ Instead, the Firm inappropriately relied upon the work it had performed under CGAAS, which did not sufficiently address PCAOB standards.

26. On August 21, 2018, Issuer B received a comment letter from the Commission's Division of Corporation Finance staff requesting Issuer B to include with its April 19, 2018 Form 20-F an audit report indicating that the Firm conducted its audit in accordance with PCAOB standards. On August 29, 2018, Issuer B filed an amended Form 20-F/A, and the Firm reissued the Amended Issuer B Report stating that the audit had been conducted in accordance with PCAOB standards and consented to the inclusion of the Amended Issuer B Report in the filing. The Firm, however, failed to perform any additional procedures prior to its consent to include the reissued Amended Issuer B Report to accompany the amended Form 20-F/A. Indeed, even after being aware of the Commission's comment letter, the Firm failed to plan and perform audit procedures to obtain sufficient appropriate audit evidence to provide a reasonable basis

¹⁸ See AS 2101.06(a).

¹⁹ See AS 1105.04; AS 3101.02 (applicable to audits for fiscal years ending on or after December 15, 2017).

for the audit opinion in the Amended Issuer B Report,²⁰ and expressed that audit opinion without having conducted an audit in accordance with PCAOB standards.²¹

iii. The Firm Violated PCAOB Rules and Standards Related to Quality Control

27. PCAOB rules require that a registered public accounting firm and its associated persons comply with the Board's quality control standards.²² PCAOB quality control standards require that "[t]o minimize the risk of misunderstandings regarding the nature, scope, and limitations of the services to be performed," a firm's quality control policies and procedures "should provide for obtaining an understanding with the client regarding those services."²³ Throughout the relevant time period, the Firm's quality control policies and procedures concerning the acceptance and continuance of clients and engagements did not require engagement teams to obtain an understanding with the client regarding the services to be performed. Indeed, as described above, in both Audits, the engagement teams misunderstood the services to be performed, and performed audits in accordance with CGAAS rather than the required PCAOB standards.

28. PCAOB quality control standards also require that a registered public accounting firm establish policies and procedures to provide the firm with reasonable assurance that the work performed by engagement personnel meets applicable professional standards, regulatory requirements, and the firm's standards of quality.²⁴ As described above, throughout the relevant time period, the Firm failed to establish and implement quality control policies and procedures to provide reasonable assurance that the work performed by the Firm met applicable PCAOB standards and regulatory requirements, and the Firm's standards of quality. Although the Firm developed audit checklists and templates, the Firm's quality control policies and procedures did not instruct engagement teams to evaluate the circumstances in which the various templates should be used. Nor did the Firm's quality control policies and procedures instruct engagement teams to evaluate whether an audit needed to be performed in accordance with PCAOB standards.

²⁰ See AS 1105.04.

²¹ See AS 3101.02 (applicable to audits for fiscal years ending on or after December 15, 2017).

²² PCAOB Rule 3100; PCAOB Rule 3400T, *Interim Quality Control Standards*.

²³ QC § 20.16, *System of Quality Control for a CPA Firm's Accounting and Auditing Practice*.

²⁴ QC § 20.17.

IV.

In view of the foregoing, and to protect the interests of investors and further the public interest in the preparation of informative, accurate, and independent audit reports, the Board determines it appropriate to impose the sanctions agreed to in Respondent's Offer. Accordingly, it is hereby ORDERED that:

- A. Pursuant to Section 105(c)(4)(E) of the Act and PCAOB Rule 5300(a)(5), Dale Matheson Carr-Hilton LaBonte LLP, is hereby censured;
- B. Pursuant to Section 105(c)(4)(D) of the Act and PCAOB Rule 5300(a)(4), a civil money penalty in the amount of \$50,000 is imposed upon Dale Matheson Carr-Hilton LaBonte LLP. All funds collected by the Board as a result of the assessment of this civil money penalty will be used in accordance with Section 109(c)(2) of the Act. Dale Matheson Carr-Hilton LaBonte LLP shall pay this civil money penalty within 10 days of the issuance of this Order by (a) wire transfer in accordance with instructions furnished by Board staff; or (b) United States Postal Service postal money order, certified check, bank cashier's check or bank money order; (c) made payable to the Public Company Accounting Oversight Board; (d) delivered to the Office of Finance, Public Company Accounting Oversight Board, 1666 K Street, N.W., Washington, D.C. 20006; and (e) submitted under a cover letter which identifies Dale Matheson Carr-Hilton LaBonte LLP as the Respondent in these proceedings, sets forth the title and PCAOB Release Number of these proceedings, and states that payment is made pursuant to this Order, a copy of which cover letter and money order or check shall be sent to the Office of the Secretary, Attention: Phoebe Brown, Secretary, Public Company Accounting Oversight Board, 1666 K Street, N.W., Washington, D.C. 20006;
- C. Pursuant to Section 105(c)(4)(G) of the Act and PCAOB Rule 5300(a)(9), Dale Matheson Carr-Hilton LaBonte LLP is required:
 1. within ninety (90) days from the date of this Order, to establish quality control policies and procedures, or revise and/or supplement existing quality control policies and procedures, for the purpose of providing the Firm with reasonable assurance that:
 - a. The Firm's policies and procedures provide for obtaining an understanding with the client regarding services to be performed, in compliance with QC Section 20.16;

- b. The work performed by engagement personnel meets applicable professional standards, regulatory requirements, and the Firm's standards of quality, in compliance with QC Section 20.17;
 - c. The Firm's quality control monitoring procedures taken as a whole enable the Firm to obtain reasonable assurance that its system of quality control is effective, in compliance with QC Section 30.03;
2. within ninety (90) days from the date of this Order, to establish a policy of ensuring training, whether internal or external, on an annual or more frequent basis, concerning identification of audit clients subject to PCAOB auditing standards for all Firm personnel involved in audit services; and
3. within one hundred twenty (120) days from the date of this Order, to certify in writing to the Director of the Division of Enforcement and Investigations, Public Company Accounting Oversight Board, 1666 K Street, N.W., Washington D.C. 20006, the Firm's compliance with paragraphs C(1) & C(2) above. The certification shall identify the undertakings, provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. The Firm shall also submit such additional evidence of and information concerning compliance as the staff of the Division of Enforcement and Investigations may reasonably request. The Firm understands that the failure to satisfy these undertakings may constitute a violation of PCAOB Rule 5000 that could provide a basis for the imposition of additional sanctions in a subsequent disciplinary proceeding.

ISSUED BY THE BOARD.

/s/ Phoebe W. Brown

Phoebe W. Brown
Secretary

December 14, 2021