PCAOB
PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD

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Order Instituting Disciplinary Proceedings, Making Findings, and Imposing Sanctions

In the Matter of Smythe LLP,

Respondent.

PCAOB Release No. 105-2023-026

October 24, 2023

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

(1) censuring Smythe LLP ("Smythe," the "Firm," or "Respondent");

(2) imposing a civil money penalty in the amount of $175,000 upon the Firm; and

(3) requiring the Firm to undertake certain remedial actions as described in Section IV of this Order.

The Board is imposing these sanctions on the basis of its findings that Smythe violated PCAOB rules and standards in connection with four audits of issuer clients. Smythe also violated the Board's quality control standards.

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 against Respondent pursuant to Section 105(c) of the Sarbanes-Oxley Act of 2002, as amended (the "Act"), and PCAOB Rule 5200(a)(1).

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. **Smythe LLP** is a limited liability partnership located in British Columbia, Canada, and is registered to provide accounting services by the Chartered Professional Accountants of British Columbia. It is a member of Allinial Global, an association of independent firms specializing in accounting and advisory services. At all relevant times, the Firm was registered with the Board pursuant to Section 102 of the Act and PCAOB rules.

B. Issuers

2. **Scully Royalty, Ltd.** ("Scully") is a corporation incorporated under the laws of the Cayman Islands, with its principal office at all relevant times in Hong Kong. Scully's public filings disclose that it is a merchant bank that provides financial services and has a royalty interest in the Scully iron ore mine in Newfoundland and Labrador, Canada. Smythe issued audit reports that Scully included in Forms 20-F filed with the United States Securities and Exchange Commission ("Commission") for Scully's consolidated financial statements for fiscal year ended ("FYE") December 31, 2020 and FYE December 31, 2021. At all relevant times, Scully was an issuer as that term is defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii).

3. **Tower One Wireless Corp.** ("Tower One") is a corporation incorporated under the laws of British Columbia, Canada, with its principal place of business at all relevant times in Vancouver, Canada. Tower One's public filings disclose that it is a build-to-suit tower owner, operator, and developer of multitenant communications structures. Smythe issued audit reports that Tower One included in Forms 20-F filed with the Commission for Tower One's consolidated financial statements for FYE December 31, 2020 and December 31, 2021. At all relevant times, Tower One was an issuer as that term is defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii).

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[1] The findings herein are made pursuant to Smythe's Offer and are not binding on any other person or entity in this or any other proceeding.

C. Other Relevant Entities

4. **PKF Audisur SRL** ("PKF Audisur") is a limited liability company headquartered in Buenos Aires, Argentina. At all relevant times, PKF Audisur was a public accounting firm, as that term is defined in Section 2(a)(11) of the Act and PCAOB Rule 1001(p)(iii), and an associated person of a registered public accounting firm, as that term is defined in Section 2(a)(9) of the Act and PCAOB Rule 1001(p)(i). PKF Audisur is part of PKF International, a global network of accountancy firms. PKF Audisur is not now, and never has been, registered with the Board.

5. **PricewaterhouseCoopers Malta Ltd.** ("PwC Malta") is a limited liability company headquartered in Qormi, Malta. At all relevant times, PwC Malta was a public accounting firm, as that term is defined in Section 2(a)(11) of the Act and PCAOB Rule 1001(p)(iii), and an associated person of a registered public accounting firm, as that term is defined in Section 2(a)(9) of the Act and PCAOB Rule 1001(p)(i). PwC Malta is part of PwC, a global network of accountancy firms. PwC Malta is not now, and never has been, registered with the Board.

D. Summary

6. This matter concerns Smythe's violations of PCAOB rules and standards in connection with four audits of issuer clients. In particular, Smythe used the work of two public accounting firms not registered with the PCAOB—PKF Audisur and PwC Malta (each, an "Unregistered Firm")—in a substantial role capacity in four issuer audits,[2] and repeatedly violated PCAOB rules and professional standards in connection with those audits. The Firm also violated the Board's quality control standards.

7. In particular, Smythe used the work of PKF Audisur on the audits of the FYE 2020 and 2021 consolidated financial statements of Tower One (the "Tower One Audits") and the work of PwC Malta on the audits of the FYE 2020 and 2021 consolidated financial statements of Scully (the "Scully Audits") (collectively, the "Audits").

8. In connection with each of the Audits, Smythe issued an audit report as principal auditor. During the Audits, PKF Audisur audited Tower One subsidiaries constituting between 88% and 97% of Tower One's assets and between 80% and 90% of its revenues, and PwC Malta audited Scully subsidiaries constituting between 21% and 23% of Scully's assets and between 17% and 24% of its revenues. Both PKF Audisur and PwC Malta thus audited significant assets and revenues of the issuers' subsidiaries, which were important to the issuers' financial

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[2] *See* PCAOB Rule 1001(p)(ii), *Play a Substantial Role in the Preparation or Furnishing of an Audit Report*.

statements as a whole, and each of the Unregistered Firms performed services that Smythe used or relied on in issuing its audit reports.

9. When Smythe's audit reports were issued, the Unregistered Firms' portion of the total audit hours ranged from 40% to 73%, and the Unregistered Firms' portion of the total audit fees ranged from 27% to 32%, each above the 20% level constituting substantial role participation by the Unregistered Firms.

10. Smythe knew from inquiries it made concerning the professional reputation of both firms that PKF Audisur and PwC Malta were not registered with the PCAOB, and also knew that the Unregistered Firms were required to register with the Board before the firms played a substantial role in any issuer audits. Smythe's quality control policies and procedures did not address, however, the use of the work of other auditors, or the participation of other accounting firms in a substantial role capacity. During each of the Audits, Smythe failed to evaluate the professional reputation of the Unregistered Firms with due professional care insofar as the firms were not PCAOB-registered, yet they audited significant assets and revenues of the issuers' subsidiaries that were important to the issuers' financial statements as a whole.

11. Smythe also did not adequately plan the Audits and failed, in establishing the overall audit strategy for the Audits, to adequately consider the violations of PCAOB rules and standards that would result if the Unregistered Firms played a substantial role in the Audits, as well as the nature, timing, and extent of the resources necessary to perform the Audits given the involvement of the Unregistered Firms.

12. Smythe also failed to appropriately coordinate its activities with the Unregistered Firms. In particular, Smythe asked the Unregistered Firms to perform their work in accordance with International Standards on Auditing ("ISA"), not PCAOB standards, concluding, without adequate analysis, that the Unregistered Firms' audit work relied on by Smythe was compliant with PCAOB standards.

13. Despite concluding that the Unregistered Firms would be playing a substantial role in the Audits, Smythe also concluded, incorrectly and without adequate basis, that performing additional audit procedures would somehow serve to "overcome" the Unregistered Firms' substantial role participation. Among other things, the Firm failed to consider that even after Smythe's performance of additional audit procedures, an Unregistered Firm exceeded 20% of the total audit hours and total audit fees in each of the Audits.

14. In addition, Smythe failed during the Tower One Audits to perform an adequate analysis to determine whether it could serve as principal auditor and issue its audit reports

without reference to the work performed by or reports of PKF Audisur, and whether it could use the work of PKF Audisur, given that PKF Audisur had performed the majority of audit procedures with respect to between 88% and 97% of Tower One's assets and between 80% and 90% of its revenues.

15. Smythe thus failed, as described in more detail below, to comply with PCAOB rules and standards during the Audits.

16. Moreover, the repeated violations during the Audits described above demonstrate Smythe's failure to establish and implement adequate quality control policies and procedures, including monitoring procedures, concerning the use of the work of other accounting firms, in violation of PCAOB quality control standards.

E. Smythe Violated PCAOB Rules and Standards in Connection with the Audits

17. Smythe served as the principal auditor during each of the Audits. In each independent auditor's report issued by Smythe in connection with the Audits, Smythe stated that it had conducted its audits in accordance with PCAOB standards. The audit reports did not make reference to using the work of another auditor.[3]

18. In connection with the preparation or issuance of any audit report, PCAOB rules require that a registered public accounting firm and its associated persons comply with the Board's auditing and related professional practice standards.[4] An auditor may express an unqualified opinion on an issuer's financial statements only when the auditor has formed such an opinion on the basis of an audit performed in accordance with PCAOB standards.[5] In addition, AS 1015, *Due Professional Care in the Performance of Work*, requires "[d]ue

[3] *See* AS 1205.04-.05, *Part of the Audit Performed by Other Independent Auditors*.

[4] *See* PCAOB Rule 3100, *Compliance with Auditing and Related Professional Practice Standards*; PCAOB Rule 3200, *Auditing Standards*.

[5] *See* AS 3101.02, *The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion* ("The auditor is in a position to express an unqualified opinion on the financial statements when the auditor conducted an audit in accordance with the standards of the Public Company Accounting Oversight Board ('PCAOB') and concludes that the financial statements, taken as a whole, are presented fairly, in all material respects, in conformity with the applicable financial reporting framework.").

professional care . . . to be exercised in the planning and performance of the audit and the preparation of the report."[6]

19. AS 1205 establishes requirements that apply when an auditor of an issuer's financial statements uses the work and reports of other independent auditors who have audited the financial statements of one or more subsidiaries, divisions, branches, components, or investments included in that issuer's financial statements.[7]

20. In circumstances when a significant part of the audit is performed by another auditor, a firm, in considering whether it can serve as principal auditor, must decide whether its own participation in the audit is sufficient to enable it to serve as the principal auditor and to report as such on the financial statements.[8]

21. In deciding this question, the auditor should consider, among other things, the materiality of the portion of the financial statements the firm audited in comparison with the portion audited by other auditors, the extent of the auditor's knowledge of the overall financial statements, and the importance of the components the firm audited in relation to the enterprise as a whole.[9]

22. Whether or not the principal auditor decides to make reference to the audit of the other auditor, it should make inquiries concerning the professional reputation and independence of the other auditor.[10] In addition, the principal auditor should adopt appropriate measures to assure the coordination of its activities with those of the other auditor in order to achieve a proper review of the matters affecting the consolidating or combining of accounts in the financial statements.[11]

23. A public accounting firm that plays a substantial role in the preparation or furnishing of an audit report with respect to any issuer, broker, or dealer must be registered

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[6] AS 1015.01.

[7] AS 1205.01.

[8] *See* AS 1205.02.

[9] *See id*.

[10] *See* AS 1205.10.

[11] *See id.*

with the Board.[12] A public accounting firm plays a substantial role in the preparation or furnishing of an audit report and is thus required to register when it: (1) performs material services that a public accounting firm uses or relies on in issuing all or part of its audit report; or (2) performs the majority of the audit procedures with respect to a subsidiary or component of any issuer, broker, or dealer, the assets or revenues of which constitute 20% or more of the consolidated assets or revenues of such issuer, broker, or dealer, necessary for the principal auditor to issue an audit report.[13]

24. The term "material services" means "services, for which the engagement hours or fees constitute 20% or more of the total engagement hours or fees, respectively, provided by the principal auditor in connection with the issuance of all or part of its audit report."[14]

F. Smythe's Use of the Unregistered Firms' Work in the Audits

25. During the Tower One Audits, Smythe understood that for the relevant fiscal periods, PKF Audisur would be auditing Tower One's three subsidiaries, located in Argentina and Mexico. Smythe knew that the three subsidiaries constituted between 88% and 97% of Tower One's assets and between 80% and 90% of its revenues and, as such, that the subsidiaries' audits were important to Tower One's financial statements as a whole. During audit planning for each of the Tower One Audits, Smythe inquired as to PKF Audisur's professional reputation and independence, and understood from its inquiries that PKF Audisur was not registered with the PCAOB.

26. During the Scully Audits, Smythe understood that Scully had historically selected PwC Malta to complete statutory audits of three Scully subsidiaries located predominantly in Malta and Germany. Smythe knew that the three Scully subsidiaries constituted between 21% and 23% of Scully's assets and between 17% and 24% of its revenues, and as such, that the subsidiaries' audits were important to Scully's financial statements as a whole. During audit planning for each of the Scully Audits, Smythe inquired as to PwC Malta's professional reputation and independence, and understood from its inquiries that PwC Malta was not registered with the PCAOB.

27. Smythe concluded and documented its expectation that an Unregistered Firm would be playing a substantial role in each of the Audits and its understanding that a

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12 PCAOB Rule 2100, *Registration Requirements for Public Accounting Firms*; *see also* Section 102(a) of the Act.

13 *See* PCAOB Rule 1001(p)(ii).

14 *See* Note 1 to Rule 1001(p)(ii).

component auditor—such as PKF Audisur or PwC Malta—that plays a substantial role in the preparation or furnishing of an audit report by Smythe was required to be registered with the PCAOB.

28. Smythe reasoned, however, without adequate basis, that Smythe's performance of additional audit procedures would somehow serve to "overcome" the Unregistered Firms' substantial role participation.

29. Smythe did not consider during the Audits that its performance of additional audit procedures did not: reduce the percentages of issuer assets and revenues that the Unregistered Firms audited; reduce the importance of the component audits performed by the Unregistered Firms in relation to the issuers' enterprises as a whole; subtract from the total audit hours performed by the Unregistered Firms or the total audit fees incurred by the Unregistered Firms; or ultimately reduce the Unregistered Firms' participation percentages to levels below substantial role participation.

30. In each of the Audits, an Unregistered Firm played a substantial role—a level of participation that Smythe knew required PCAOB registration.[15] PKF Audisur performed the majority of the audit procedures with respect to the assets and revenues held by Tower One's three subsidiaries, which constituted between 88% and 97% of Tower One's assets and between 80% and 90% of its revenues—substantially above the "20% or more" substantial role participation threshold.[16] In addition, PwC Malta performed the majority of the audit procedures with respect to the assets and revenues held by Scully's three subsidiaries. The assets audited by PwC Malta during the Scully Audits constituted between 21% and 23% of Scully's total assets—also over the substantial role participation threshold.[17] PwC Malta also exceeded the 20% or more threshold with respect to revenues during the FYE Scully 2020 audit, at 24%.[18]

31. The Unregistered Firms' engagement hours and fees also amounted to "material services" that Smythe relied upon in issuing its reports, and further constituted substantial role participation in the Audits.[19] Indeed, at the time of the issuance of Smythe's audit reports for

15 *See* PCAOB Rule 2100; PCAOB Rule 1001(p)(ii)(1), (p)(ii)(2).

16 *See* PCAOB Rule 1001(p)(ii)(1).

17 *See id*.

18 Although PwC Malta audited 17% of Scully's revenue during the FYE 2021 audit, the firm audited more than 20% of Scully's assets during the FYE 2021 audit, reflecting substantial role participation.

19 *See* PCAOB Rule 1001(p)(ii)(2).

the Audits, the percentage participation by the Unregistered Firms exceeded the 20% substantial role threshold in both total audit hours and total audit fees. As shown in the table below, the Unregistered Firms' portion of the total audit hours on the Audits ranged from 40% to 73%, and the Unregistered Firms' portion of the total audit fees ranged from 27% to 32%.

Issuer	FYE	Unregistered Firm Total Audit Hours	Unregistered Firm Total Audit Fees
Tower One	Dec. 31, 2020	69%	27%
Tower One	Dec. 31, 2021	73%	28%
Scully	Dec. 31, 2020	40%	29%
Scully	Dec. 31, 2021	53%	32%

32. In its Form APs filed with the Board in connection with the Audits, Smythe confirmed the Unregistered Firms' substantial role participation. On May 14, 2021, Smythe reported on Form AP that PKF Audisur performed 68% of the total audit hours for the FYE 2020 Tower One Audit, and revised that percentage on March 7, 2022, on an amended Form AP/A, to 69%. On May 31, 2022, Smythe reported on Form AP that PKF Audisur performed 73% of the total audit hours for the FYE 2021 Tower One Audit. On June 4, 2021, Smythe reported on Form AP that PwC Malta performed 38% of the total audit hours for the FYE 2020 Scully Audit. On March 7, 2022, Smythe revised that amount on an amended Form AP/A, to 40%. On June 3, 2022, Smythe reported on Form AP that PwC Malta performed 53% of the total audit hours for the FYE 2021 Scully Audit.

i. Smythe Failed to Adequately Assess the Unregistered Firms' Professional Reputation

33. During the Audits, Smythe made inquiries concerning the professional reputation of the Unregistered Firms. Smythe's inquiries, however, lacked due professional care. An adequate inquiry and analysis performed with due professional care concerning the Unregistered Firms' professional reputation should have revealed that Smythe should not have used their audit work, given the significance of the assets and revenues that Smythe was requesting the Unregistered Firms to audit, the hours and fees the Unregistered Firms reasonably could be expected to incur, and Smythe's expectation that the Unregistered Firms would not be not registered with the PCAOB yet would play a substantial role in the Audits.[20]

[20] *See* AS 1015.01; AS 1205.10.

ii. Smythe Failed to Appropriately Plan the Audits

34. PCAOB standards provide that, as part of audit planning, "the auditor should establish an overall audit strategy."[21] The auditor should take into account, among other points, "[t]he nature, timing, and extent of resources necessary to perform the engagement."[22] "The auditor should modify the overall audit strategy and the audit plan as necessary if circumstances change significantly during the course of the audit."[23] PCAOB standards also require that "[d]ue professional care . . . be exercised in the planning and performance of the audit and the preparation of the report."[24]

35. Smythe conducted all audit planning and designed all audit programs and audit procedures during the Audits.

36. In establishing the overall audit strategy for the Audits, Smythe did not adequately plan the Audits and failed to adequately take into account: (1) the fact that the Unregistered Firms' participation in the Audits would constitute a violation of PCAOB rules if they played a substantial role, as Smythe expected; and (2) the nature, timing, and extent of the resources necessary to perform the Audits, insofar as those resources included the involvement of the Unregistered Firms.[25] As a result of these failures, Smythe did not engage in adequate planning to ensure that the Unregistered Firms would not violate PCAOB registration requirements.

37. Moreover, as the Audits were being performed, Smythe failed to modify the Firm's audit strategies and audit plans to ensure compliance with the relevant regulatory requirements. Instead, the Firm throughout the Audits continued to believe, incorrectly, that the Unregistered Firms could play a substantial role in the Audits but not violate PCAOB rules and standards.

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21 AS 2101.08, *Audit Planning*.

22 AS 2101.09.

23 AS 2101.15.

24 AS 1015.01.

25 *See* AS 2101.05 ("Planning is not a discrete phase of an audit but, rather, a continual and iterative process that . . . continues until the completion of the current audit.").

38. Accordingly, in violation of PCAOB Rules 3100 and 3200, Smythe violated AS 2101. Smythe also violated AS 1015 by failing to exercise due professional care in planning the Audits.

iii. Smythe Failed to Appropriately Coordinate its Activities with the Unregistered Firms

39. Smythe failed during the Audits to adopt appropriate measures to assure the coordination of its activities with the Unregistered Firms in order to achieve a proper review of the matters affecting the consolidating or combining of accounts in Tower One and Scully's financial statements.[26]

40. At the outset of each of the Tower One Audits, Smythe sent PKF Audisur a group audit instructions letter. For each of the Tower One Audits, the letter detailed the procedures Smythe, as principal auditor, was directing PKF Audisur to perform in connection with the audits. The letter addressed, among other things, Smythe's expectations of the engagement timeline, Smythe's assessed materiality at the group level and materiality assigned to the relevant Tower One subsidiaries, significant risks of the audit assessed by Smythe during the planning process for the audit, and specific instructions regarding the nature, timing, and extent of the audit work Smythe expected to see performed by PKF Audisur. In connection with each of the Scully Audits, Smythe sent a similar instructions letter to PwC Malta.

41. The instructions given by Smythe to the Unregistered Firms during each of the Audits instructed the Unregistered Firms to perform the component audits in accordance with ISA.[27] Smythe did not provide the Unregistered Firms with any comparison or analysis of relevant ISA or PCAOB standards.

42. During each of the Audits, in response to the instructions letter, PKF Audisur and PwC Malta sent Smythe an executed acknowledgement letter and agreed, among other things, to perform the requested procedures pursuant to ISA, with the explicit understanding that the work performed by the Unregistered Firms would be relied upon by Smythe in issuing the audit reports for the Audits. Smythe did not provide the Unregistered Firms with any guidance regarding PCAOB standards.

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26 *See* AS 1205.10.

27 The instructions in each of the Audits contemplated Smythe's use of PKF Audisur and PwC Malta pursuant to AS 1205.

43. Smythe did not adequately evaluate whether ISA differed from PCAOB standards and did not perform any procedures to address the Unregistered Firms' work having been performed under ISA rather than PCAOB standards.

44. Smythe thus failed, during the Audits, to perform adequate procedures to determine whether the work the Unregistered Firms performed complied with the PCAOB standards referenced in its audit reports.[28]

iv. Smythe's Consideration of Whether to Serve as Tower One's Principal Auditor Lacked Sufficient Basis

45. Although Smythe documented its consideration of the materiality of the portion of the financial statements the Firm audited in comparison with the portion audited by PKF Audisur and the importance of the components PKF Audisur audited in relation to Tower One's enterprises as a whole, Smythe's consideration lacked a sufficient basis under these circumstances to conclude that its own participation was sufficient to enable it to serve as the principal auditor for the Tower One Audits and to report as such on the relevant financial statements.[29] In particular, Smythe failed to perform an adequate analysis to determine whether it could, given the performance by PKF Audisur of the majority of audit procedures with respect to between 88% and 97% of Tower One's assets and between 80% and 90% of its revenues, use the work of PKF Audisur during the Tower One Audits and issue its audit reports without reference to the work performed by or reports of PKF Audisur.[30] Smythe thus violated AS 1205. Smythe also violated AS 1015 by failing to exercise due professional care in its consideration of whether to serve as principal auditor during the Tower One Audits.

v. Smythe's Opinions Were Not Formed on the Basis of Audits Performed Pursuant to PCAOB Standards

46. In addition, because Smythe issued audit reports containing unqualified opinions on Tower One's and Scully's financial statements when the Firm had in fact failed during those audits to exercise due professional care and to adhere to PCAOB standards relating to the use of the work of other auditors and audit planning, as described above, Smythe violated AS 3101 during the Audits.[31]

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28 *See* AS 3101.02.

29 *See* AS 1205.02.

30 *See* AS 1205.02-.05.

31 *See* AS 3101.02.

G. Smythe Violated PCAOB Quality Control Standards

47. PCAOB rules require that a registered firm comply with PCAOB quality control standards.[32] Those standards require a firm to "have a system of quality control for its accounting and auditing practice."[33] As part of this requirement, "[p]olicies and procedures should be established 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."[34]

48. PCAOB quality control standards also recognize that monitoring procedures are necessary "to provide the firm with reasonable assurance that the policies and procedures relating to each of the other elements of quality control are suitably designed and are being effectively applied."[35] Under PCAOB standards, monitoring involves an ongoing consideration and evaluation of, among other things, the "[r]elevance and adequacy of the firm's policies and procedures."[36]

49. Smythe failed to establish and implement adequate policies and procedures, including monitoring procedures, to provide the Firm with reasonable assurance that the work performed by engagement personnel met applicable professional standards and regulatory requirements related to using the work of other accounting firms.

50. During the Audits, Smythe's quality control policies and procedures did not address the use of other auditors or substantial role participation by other accounting firms, and the Firm failed to implement such policies and procedures and failed to monitor the relevance and adequacy of its existing policies and procedures with respect to using the work of other accounting firms. As a result, Smythe repeatedly used the Unregistered Firms to play a substantial role in the Audits.

51. Accordingly, Smythe failed to comply with QC § 20 and QC § 30.

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32 PCAOB Rule 3400T, *Interim Quality Control Standards*.

33 QC § 20.01, *System of Quality Control for a CPA Firm's Accounting and Auditing Practice*.

34 QC § 20.17.

35 QC § 30.02, *Monitoring a CPA Firm's Accounting and Auditing Practice*; *see also* QC § 20.20.

36 *See id*.

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 Rules 5300(a)(5), Smythe is censured;

B. Pursuant to Section 105(c)(4)(D) of the Act and PCAOB Rule 5300(a)(4), the Board imposes a civil money penalty of $175,000 on Smythe.

1. 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.

2. Respondent shall pay this civil money penalty within ten days of the issuance of this Order by (1) wire transfer in accordance with instructions furnished by Board staff; or (2) United States Postal Service money order, bank money order, certified check, or bank cashier's check (a) made payable to the Public Company Accounting Oversight Board, (b) delivered to the Office of Finance, Public Company Accounting Oversight Board, 1666 K Street, N.W., Washington D.C. 20006, and (c) submitted under a cover letter, which identifies Smythe as a 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 Office of the Secretary, Attention: Phoebe W. Brown, Secretary, Public Company Accounting Oversight Board, 1666 K Street, N.W., Washington D.C. 20006.

3. If timely payment is not made, additional interest shall accrue at the federal debt collection rate set for the current quarter pursuant to 31 U.S.C. § 3717. Payments shall be applied first to post-Order interest.

4. With respect to any civil money penalty amounts that Respondent shall pay pursuant to this Order, Respondent shall not, directly or indirectly, (a) seek or accept reimbursement or indemnification from any source including, but not limited to, any current or former affiliated firm or professional or any payment made pursuant to any insurance policy; (b) claim, assert, or apply for a tax deduction or tax credit in connection with any federal, state, local,

or foreign tax; nor (c) seek or benefit by any offset or reduction of any award of compensatory damages, by the amount of any part of Respondent's payment of the civil money penalty pursuant to this Order, in any private action brought against Respondent based on substantially the same facts as set out in the findings in this Order.

5. Respondent understands that failure to pay the civil money penalty described above may result in summary suspension of Respondent's registration, pursuant to PCAOB Rule 5304(a), following written notice to Respondent at the address on file with the PCAOB at the time of the issuance of this Order.

C. Pursuant to Section 105(c)(4)(G) of the Act and PCAOB Rule 5300(a)(9), the Board orders that:

1. Review by Smythe. Within three months of the date of this Order, Smythe shall review and evaluate its quality control policies and procedures to assess whether those policies and procedures provide the Firm with reasonable assurance that its personnel and other associated persons comply with applicable professional standards and regulatory requirements when the Firm uses audit work performed or supervised by other accounting firms.

2. Reporting. Within three months of the date of this Order, Smythe shall submit a written report to the Director of the Division of Enforcement and Investigations summarizing the review and evaluation of the areas specified in paragraph C.1 above ("Report"). The Report shall describe any modified or additional policies or procedures adopted or to be adopted by Smythe or, if Smythe concludes no such modifications or additions should be adopted, provide a detailed and satisfactory explanation of why the Firm believes changes are not warranted. In addition, Smythe shall submit any additional information and evidence concerning the Report, the information in the Report, and Smythe's compliance with this Order as the staff of the Division of Enforcement and Investigations may reasonably request.

3. Certificate of Implementation. Within six months of the date of this Order, Smythe's managing partner shall certify in writing ("Certificate of Implementation") to the Director of the Division of Enforcement and Investigations that Smythe has implemented all of the modifications and additions to its policies and procedures that were described in the Report. The Certificate of Implementation shall provide written evidence of Smythe's

adoption of such modifications and additions in narrative form, identify the actions taken to implement such modifications and additions, and be supported by exhibits sufficient to demonstrate implementation. Smythe shall also submit such additional evidence of, and information concerning, implementation as the staff of the Division of Enforcement and Investigations may reasonably request.

4. Noncompliance. Smythe understands that a failure to satisfy these undertakings may constitute a violation of PCAOB Rule 5000 and 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

October 24, 2023