

*Canadian Public Accountability Board
And
Smythe LLP*

PART I – Preamble

1. The Canadian Public Accountability Board's (CPAB) mandate includes the oversight of firms that conduct audits of Canadian reporting issuers¹. In 2024, CPAB conducted an inspection of two reporting issuer files audited by Smythe LLP (the "Firm" or "Smythe") pursuant to Section 400 of the Rules of the Canadian Public Accountability Board (the "Rules"), as authorized by the *Canadian Public Accountability Board Act*, R.S.O. 2006, C. C-33 (the "Act").
2. During the 2024 inspection, no significant inspection findings² were identified. In consideration of Smythe's improved inspection results, and compliance with all previously imposed enforcement actions and recommendations outlined in the 2023 inspection report, CPAB modified a previously imposed restriction on the acceptance of new reporting issuers under Rule 601(f) to prohibit the Firm from accepting high-risk reporting issuers. Various previously imposed requirements were also modified. These actions have been taken in accordance with CPAB's mandate to foster confidence in the integrity of financial reporting by Canadian reporting issuers.

PART II – The Parties

3. Smythe is a limited liability partnership with offices in the province of British Columbia and is registered with CPAB as a Participating Audit Firm pursuant to section 8 of the *Act* and section 200 of the Rules. At the time of CPAB's inspection, the firm had 62 reporting issuer clients.
4. Pursuant to National Instrument 52-108 – Auditor Oversight, auditors of Canadian reporting issuers are required to be registered with CPAB as a Participating Audit Firm. Participating Audit Firms are authorized to audit financial statements issued by Canadian reporting issuers. Smythe was, at all relevant times, registered with CPAB pursuant to Rule 201.

PART III – Facts

5. In both 2021 and 2022, CPAB inspected two audit files (four in total) and identified nine

¹A reporting issuer is a company that has gone public by issuing securities under a prospectus or is listed on a recognized stock exchange. Reporting issuer is defined within Part/Section 1 of each province and territories *Securities Act*.

² A significant inspection finding is defined as a significant deficiency in the application of generally accepted auditing standards related to a material financial balance or transaction stream where the audit firm must perform additional audit work in the current year to support the audit opinion and/or is required to make significant changes to its audit approach.

significant inspection findings in the Firm's application of the Canadian Generally Accepted Auditing Standards related to a material financial statement balance or transaction stream. As a consequence of the 2021 inspection results and in the interests of improving audit quality, certain requirements were imposed on the firm. The results of the 2022 inspection indicated that concerns over audit quality had not been sufficiently addressed. As a consequence, the enforcement actions were escalated and a restriction on the Firm's acceptance of new reporting issuers was imposed.

6. In 2023 CPAB inspected 3 audit files and identified one significant inspection finding. During the 2024 inspection, two files were inspected, and no significant findings were identified.

PART IV – Enforcement actions modified and continued

7. In view of various factors, including the Firm's improved inspection results over the previous two inspections (2023 and 2024) and compliance with all previously imposed enforcement actions, CPAB determined it appropriate to modify the practice restriction as follows:
 - The Firm was previously prohibited from accepting new reporting issuers. The restriction is modified, and the Firm is prohibited from accepting new high-risk reporting issuers, including those resulting from initial public offerings, reverse takeovers or other transactions.
8. CPAB determined that certain requirements should remain in effect, with some modifications, including reperformance of a culture survey, development and implementation of an audit quality action plan and enhanced regulatory monitoring.
9. Each enforcement action shall continue until the Firm has, to CPAB's satisfaction, demonstrated sustained improvement in audit quality or until the above noted enforcement actions are otherwise terminated pursuant to an application under Rule 605.