

ORDER

Respondent consents to entry of this Order Instituting Disciplinary Proceedings, Making Findings, and Imposing Sanctions ("Order") as set forth below.¹

III.

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

A. Respondent

1. Crowe MacKay LLP is, and at all relevant times was, a Canadian limited liability partnership headquartered in Edmonton, Alberta, with a total of eight offices, each in Canada. The Firm is registered with the Board pursuant to Section 102 of the Act and PCAOB rules. The Firm is licensed to practice public accounting by the Institute of Chartered Accountants of British Columbia, License No. 002067. At all relevant times, the Firm was the independent auditor for the issuer identified in this Order.

B. Summary

2. This matter concerns Respondent's violations of PCAOB rules and standards in connection with its audits of the fiscal year ended December 31, 2014 and December 31, 2015 financial statements of Hunt Mining Corp. ("HMC"), as well as violations of PCAOB quality control standards in the areas of client acceptance and continuance, and engagement performance.

C. The Firm Violated PCAOB Rules and Standards

3. 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 PCAOB's auditing and related professional practice standards.² PCAOB

¹ The findings herein are made pursuant to the Respondent's Offer and are not binding on any other persons or entities in this or any other proceeding.

² PCAOB Rule 3100, *Compliance with Auditing and Related Professional Practice Standards*; PCAOB Rule 3200T, *Interim Auditing Standards*. All references to PCAOB rules and standards are to the versions of those rules and standards in effect at the time of the relevant audits. 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 Release No. 2015-002 (Mar. 31, 2015); see also *PCAOB Auditing Standards Reorganized and Pre-Reorganized Numbering* (Jan. 2017).

ORDER

standards also provide that due professional care be exercised in the planning and performance of the audit and the preparation of the report.³

4. PCAOB auditing standards state that the auditor should perform certain activities at the beginning of the audit, including performing procedures regarding the continuance of a client relationship and the specific audit engagement.⁴ PCAOB standards also require that the auditor plan and perform audit procedures to obtain sufficient appropriate audit evidence to provide a reasonable basis for his or her opinion.⁵

5. 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

6. As described below, Respondents failed to comply with PCAOB rules and standards during the 2014 and 2015 HMC audits.

D. The Firm's 2014 and 2015 HMC Audits

7. HMC, at all relevant times, was a Canadian corporation incorporated in British Columbia, and headquartered in the United States, in Liberty Lake, Washington. HMC's public filings disclose that it is an "exploration-stage" mineral company engaged in the acquisition and exploration of mineral properties. At all relevant times, HMC was an "issuer" as that term is defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii).

8. In January 2015, HMC engaged the Firm as its auditor, and the Firm agreed to audit HMC's fiscal year ended December 31, 2014 financial statements. However, in accepting the client and planning the audit, the Firm failed to exercise due care and

³ See AU § 150, *Generally Accepted Auditing Standards*; AU § 230, *Due Professional Care in the Performance of Work*.

⁴ Auditing Standard ("AS") No. 9, *Audit Planning*, ¶ 6.

⁵ AS No. 15, *Audit Evidence*, ¶ 4.

⁶ AS No. 9 ¶ 7.

ORDER

professional skepticism, and failed to plan audit procedures to obtain sufficient appropriate audit evidence to provide a reasonable basis for the Firm's audit report.⁷

9. In particular, the Firm failed to evaluate relevant public information about matters important to the company's financial statements and internal control over financial reporting, namely HMC's most recent annual filings with the Canadian Securities Administrators, which stated that HMC was a registered "foreign private issuer for the purposes of United States federal securities laws."⁸

10. The Firm also failed to consider information in the prior year's audit working papers obtained from the predecessor auditor. Specifically, these working papers indicated that HMC was a United States foreign private issuer and its 2013 financial statements were required to be audited under PCAOB standards as a result of filing a registration statement with the Securities and Exchange Commission ("Commission") on Form F-1 in 2012.

11. Generally speaking, the Firm used International Standards on Auditing audit programs in performing audits, which did not include, or sufficiently address, PCAOB auditing standards requirements.

12. On May 1, 2015, HMC filed a Form 20-F with the Commission that included its financial statements as of and for the year ended December 31, 2014, and the Firm's audit report dated April 30, 2015. The Firm's audit report stated that its audit was conducted in accordance with both Canadian Generally Accepted Auditing Standards ("Canadian GAAS") and PCAOB standards.

13. The Firm also performed an audit of HMC's 2015 financial statements. At the outset of the 2015 audit, the Firm failed to perform sufficient procedures regarding the continuance of the client relationship with HMC.⁹ As in the prior year, the Firm's working papers included documentation indicating that HMC was a United States issuer, including a copy of the Form 20-F filed with the Commission on May 1, 2015. Despite having this information, the Firm again failed to exercise due care and professional skepticism, and failed to perform sufficient procedures during audit planning to evaluate relevant public information about the company, or obtain sufficient appropriate audit evidence to provide a reasonable basis for the Firm's audit report.¹⁰

⁷ See AU §§ 150, 230; AS No. 15 ¶ 4.

⁸ AS No. 9 ¶ 7.

⁹ See AS No. 9 ¶ 6; QC Section 20.14, *System of Quality Control for a CPA Firm's Accounting and Auditing Practice*.

¹⁰ See AU §§ 150, 230; AS No. 9 ¶ 7; AS No. 15 ¶ 4.

ORDER

14. On May 26, 2016, HMC filed a Form 20-F that included its financial statements as of and for the year ended December 31, 2015, and the Firm's audit report dated May 5, 2016. Although the audit was required to be performed in accordance with PCAOB standards, the Firm's audit report on the issuer's December 31, 2015 financial statements indicated that the audit was conducted in accordance with Canadian GAAS, and did not make reference to PCAOB standards.

15. After the two aforementioned audits were performed, the PCAOB conducted an inspection of the Firm in January 2017. During the inspection, PCAOB Division of Registration and Inspections staff ("Inspections staff") identified that the Firm's audit reports were included in HMC's filings with the Commission, even though the Firm had not included HMC in its initial list of issuer clients provided to the PCAOB. As a result, the Firm notified the Inspections staff during fieldwork that it only then became aware that its reports were included with these filings and that HMC was a United States issuer that required audits pursuant to PCAOB standards.

16. As a result, the Firm resigned as HMC's auditor, informed HMC that its 2014 and 2015 reports were filed without its knowledge, withdrew its audit reports, and asked HMC to advise the appropriate regulators, including the Commission, that the reports had been withdrawn.

17. On April 3, 2017, HMC filed a Form 8-K dated March 31, 2017 with the Commission indicating that the Firm had resigned as the issuer's independent registered public accountant effective March 20, 2017. The filing stated that there were no disagreements or reportable events as defined in Item 304 of Regulation S-K in connection with the Firm's resignation, and did not mention that the Firm had withdrawn its reports.

18. On April 13, 2017, the Firm, in a letter to the Commission, stated that it agreed with the statements in HMC's March 31, 2017 Form 8-K. The letter, which was included in HMC's Form 8-K filed with the Commission on April 14, 2017, did not inform the Commission that the Firm had withdrawn its reports, had no knowledge of their inclusion with HMC's filings, and that the 2014 and 2015 audits had not been conducted pursuant to PCAOB standards.

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

19. PCAOB rules require that a registered public accounting firm and its associated persons comply with the Board's quality control standards.¹¹ PCAOB quality control standards 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,

¹¹ PCAOB Rule 3100; PCAOB Rule 3400T, *Interim Quality Control Standards*.

ORDER

and the firm's standards of quality.¹² PCAOB quality control standards also require that registered firms establish quality control policies and procedures for deciding whether to accept or continue a client relationship and whether to perform a specific engagement for that client.¹³ These policies and procedures are required to provide reasonable assurance that the firm undertakes only those engagements that the firm can reasonably expect to be completed with professional competence.¹⁴ PCAOB quality control standards also require, "[t]o minimize the risk of misunderstandings regarding the nature, scope, and limitations of the services to be performed," that a firm's quality control policies and procedures "provide for obtaining an understanding with the client regarding those services."¹⁵

20. Throughout the relevant time period, the Firm failed to have in place procedures providing reasonable assurance that the work performed by the engagement personnel met applicable professional standards, regulatory requirements, and the firm's standards of quality. As described above, the Firm failed to establish and implement procedures necessary to decide whether to accept or continue a client relationship and whether to perform a specific engagement for that client.¹⁶ The Firm also 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.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), Crowe MacKay 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 \$25,000 is imposed upon Crowe

¹² QC Section 20.17.

¹³ QC Section 20.14.

¹⁴ See QC Section 20.15.

¹⁵ See QC Section 20.16.

¹⁶ See QC Section 20.14-.16.

¹⁷ QC Section 20.17.

ORDER

MackKay 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. Crowe MacKay 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 Controller, Public Company Accounting Oversight Board, 1666 K Street, N.W., Washington, D.C. 20006; and (e) submitted under a cover letter which identifies Crowe MacKay LLP 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 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), Crowe MacKay LLP is required:

1. within ninety (90) days from the date of this Order, to establish policies and procedures, or review and/or supplement existing quality control policies and procedures, for the purpose of providing the Firm with reasonable assurance that:

- a. The Firm undertakes only those engagements that the Firm can reasonably expect to be completed with professional competence, and that such policies and procedures provide for obtaining an understanding with the client regarding services to be performed, in compliance with QC Section 20.15-.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 audit standards for all Firm personnel involved in audit services; and

ORDER

3. 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 submit such certification within one hundred twenty (120) days from the date of this Order. 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.

ISSUED BY THE BOARD.

/s/ Phoebe W. Brown

Phoebe W. Brown
Secretary

December 20, 2018