Inspection of
Dale Matheson Carr-Hilton Labonte,
Chartered Accountants

Issued by the

Public Company Accounting Oversight Board

September 24, 2007

THIS IS A PUBLIC VERSION OF A PCAOB INSPECTION REPORT
PORTIONS OF THE COMPLETE REPORT ARE OMITTED
FROM THIS DOCUMENT IN ORDER TO COMPLY WITH
SECTIONS 104(g)(2) AND 105(b)(5)(A)
OF THE SARBANES-OXLEY ACT OF 2002

PCAOB RELEASE NO. 104-2007-117A
(Includes portions of Part II of the full report that
were not included in PCAOB Release No. 104-2007-117)
Notes Concerning this Report

1. Portions of this report may describe deficiencies or potential deficiencies in the systems, policies, procedures, practices, or conduct of the firm that is the subject of this report. The express inclusion of certain deficiencies and potential deficiencies, however, should not be construed to support any negative inference that any other aspect of the firm's systems, policies, procedures, practices, or conduct is approved or condoned by the Board or judged by the Board to comply with laws, rules, and professional standards.

2. Any references in this report to violations or potential violations of law, rules, or professional standards should be understood in the supervisory context in which this report was prepared. Any such references are not a result of an adversarial adjudicative process and do not constitute conclusive findings of fact or of violations for purposes of imposing legal liability. Similarly, any description herein of a firm's cooperation in addressing issues constructively should not be construed, and is not construed by the Board, as an admission, for purposes of potential legal liability, of any violation.

3. Board inspections encompass, among other things, whether the firm has failed to identify departures from U.S. Generally Accepted Accounting Principles ("GAAP") or Securities and Exchange Commission ("SEC" or "Commission") disclosure requirements in its audits of financial statements. This report's descriptions of any such auditing failures necessarily involve descriptions of the related GAAP or disclosure departures. The Board, however, has no authority to prescribe the form or content of an issuer's financial statements. That authority, and the authority to make binding determinations concerning an issuer's compliance with GAAP or Commission disclosure requirements rests with the Commission. Any description, in this report, of perceived departures from GAAP or Commission disclosure requirements should not be understood as an indication that the Commission has considered or made any determination regarding these issues unless otherwise expressly stated.
INSPECTION OF DALE MATHESON CARR-HILTON LABONTE, CHARTERED ACCOUNTANTS

The Public Company Accounting Oversight Board ("PCAOB" or "the Board") has conducted an inspection of the registered public accounting firm Dale Matheson Carr-Hilton Labonte, Chartered Accountants ("the Firm"). The Board is issuing this report of that inspection in accordance with the requirements of the Sarbanes-Oxley Act of 2002 ("the Act").

The Board is making portions of the report publicly available. Specifically, the Board is releasing to the public Part I of the report and portions of Part IV of the report. Part IV of the report consists of the Firm's comments, if any, on a draft of the report.1/

The Board has elsewhere described in detail its approach to making inspection-related information publicly available consistent with legal restrictions.2/ A substantial portion of the Board's criticisms of a firm (specifically criticisms of the firm's quality control system), and the Board's dialogue with the firm about those criticisms, occurs out of public view, unless the firm fails to make progress to the Board's satisfaction in addressing those criticisms. In addition, the Board generally does not disclose otherwise nonpublic information, learned through inspections, about the firm or its clients. Accordingly, information in those categories generally does not appear in the publicly available portion of an inspection report.

1/ The Board does not make public any of a firm's comments that address a nonpublic portion of the report. 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 at all. The Board notes that it routinely grants confidential treatment, if requested, for any of a firm's comments that identify factually inaccurate statements in the draft that the Board corrects in the final report.

PART I

INSPECTION PROCEDURES AND CERTAIN OBSERVATIONS

Members of the Board’s inspection staff (“the inspection team”) conducted fieldwork for the inspection from October 31, 2005 to November 17, 2005. The fieldwork included procedures tailored to the nature of the Firm, certain aspects of which the inspection team understood at the outset of the inspection to be as follows:

Number of offices 3 (Vancouver, Surrey, and Port Coquitlam, British Columbia, Canada)

Ownership structure Partnership of corporations

Number of partners 10

Number of professional staff 53

Number of issuer audit clients 42

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3/ The Board’s inspection was conducted in cooperation with the Canadian Public Accountability Board.

4/ "Professional staff" includes all personnel of the Firm, except partners or shareholders and administrative support personnel. The number of partners and professional staff is provided here as an indication of the size of the Firm, and does not necessarily represent the number of the Firm's professionals who participate in audits of issuers or are "associated persons" (as defined in the Act) of the Firm.

5/ The number of issuer audit clients shown here is based on the Firm's self-reporting and the inspection team's review of certain information for inspection planning purposes. It does not reflect any Board determination concerning which, or how many, of the Firm's audit clients are "issuers" as defined in the Act.
Board inspections are designed to identify and address weaknesses and deficiencies related to how a firm conducts audits. To achieve that goal, Board inspections include reviews of certain aspects of selected audits performed by the firm and reviews of other matters related to the firm's quality control system.

In the course of reviewing aspects of selected audits, an inspection may identify ways in which a particular audit is deficient, including failures by the firm to identify, or to address appropriately, respects in which an issuer's financial statements do not present fairly the financial position, results of operations, or cash flows of the issuer in conformity with GAAP. It is not the purpose of an inspection, however, to review all of a firm's audits or to identify every respect in which a reviewed audit is deficient. Accordingly, a Board inspection report should not be understood to provide any assurance that the firm's audits, or its issuer clients' financial statements, are free of any deficiencies not specifically described in an inspection report.

A. Review of Audit Engagements

The scope of the inspection procedures performed included reviews of aspects of the performance of six of the Firm's audits of the financial statements of issuers. Those aspects were selected according to the Board's criteria, and the Firm was not allowed an opportunity to limit or influence the selection process.

The inspection team identified matters that it considered to be audit deficiencies. The deficiencies identified in two of the audits reviewed included

6/ This focus necessarily carries through to reports on inspections and, accordingly, Board inspection reports are not intended to serve as balanced report cards or overall rating tools.

7/ When it comes to the Board's attention that an issuer's financial statements appear not to present fairly, in a material respect, the financial position, results of operations or cash flows of the issuer in conformity with GAAP, the Board reports that information to the SEC, which has jurisdiction to determine proper accounting in issuers' financial statements.

8/ PCAOB standards require a firm to take appropriate actions to assess the importance of audit deficiencies identified after the date of the audit report to the firm's present ability to support its previously expressed opinions. See AU 390, Consideration
deficiencies of such significance that it appeared to the inspection team that the Firm
did not obtain sufficient competent evidential matter to support its opinion on the issuer's
financial statements. In each case, the deficiency was the failure to perform and
document adequate audit procedures related to revenue.

B. Review of Quality Control System

In addition to evaluating the quality of the audit work performed on specific
audits, the inspection included review of certain of the Firm's practices, policies and
procedures related to audit quality. This review addressed practices, policies and
procedures concerning audit performance, training, compliance with independence
standards, client acceptance and retention, and the establishment of policies and
procedures. As described above, any defects in, or criticisms of, the Firm's quality
control system are discussed in the nonpublic portion of this report and will remain
nonpublic unless the Firm fails to address them to the Board's satisfaction within 12
months of the date of this report.

END OF PART I
PORTIONS OF THE REST OF THIS REPORT ARE NONPUBLIC AND ARE OMITTED FROM THIS PUBLIC DOCUMENT
PART II

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B. Issues Related to Quality Controls

The inspection of the Firm included consideration of aspects of the Firm's system of quality control. Assessment of a firm's quality control system rests both on review of a firm's stated quality control policies and procedures and on inferences that can be drawn from respects in which a firm's system has failed to assure quality in the actual performance of engagements. On the basis of the information reported by the inspection team, the Board has the following concerns about aspects of the Firm's system of quality control.

Audit Performance

A firm's system of quality control should provide reasonable assurance that the work performed on an audit engagement will meet applicable professional standards and regulatory requirements. On the basis of the information reported by the inspection team, including the audit performance deficiencies described in Part II.A and any other deficiencies identified below, the Board has concerns that the Firm's system of quality control fails to provide such reasonable assurance in at least the following respects **

b. Appropriate Procedures

The Firm's system of quality control appears not to provide reasonable assurance that the Firm will conduct all testing appropriate to a particular audit. The information reported by the inspection team suggests an apparent pattern of failures to perform the appropriate procedures related to testing revenues. [Issuers A and B]

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9/ A firm's failure to comply with the requirements of PCAOB standards when performing an audit may be an indication of a potentially significant defect in a firm's quality control system even if that failure did not result in an insufficiently supported audit opinion.
PART IV

RESPONSE OF THE FIRM TO DRAFT INSPECTION REPORT

Pursuant to section 104(f) of the Act, 15 U.S.C. § 7214(f), and PCAOB Rule 4007(a), the Board provided the Firm an opportunity to review and comment on a draft of this report. The Firm provided a written response.

Pursuant to section 104(f) of the Act 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 of a firm’s comments that identify factually inaccurate statements in the draft that the Board corrects in the final report.

Pursuant to section 104(f) of the Act and PCAOB Rule 4007(b), the Firm's response, minus any portion granted confidential treatment, is attached hereto and made part of this final inspection report. In any version of this report that the Board makes publicly available, any portions of the Firm's response that address nonpublic portions of the report are omitted.
June 12, 2007

Mr. George H. Diascont, Director
Division of Registration and Inspections
Public Company Accounting Oversight Board
1665 K Street, N.W
Washington, DC 20006

Re: Dale Matheson Carr-Hilton LaBoante Chartered Accountants LLP ("DMCL")
response to 2005 PCAOB Draft Report of Inspection

Dear Mr. Diascont,

DMCL acknowledges receipt of the Draft Report of Inspection from the Public Company Accounting Oversight Board (the “PCAOB”) dated May 11, 2007 regarding its initial inspection performed in October and November 2005.

We fully support the mandate of PCAOB and believe that as a result of the new auditing standards adopted both in Canada and the United States over the past three years overall audit quality has improved significantly. While we may have differences of opinion with PCAOB staff regarding matters requiring professional judgment and sufficiency of audit procedures, we do appreciate the matters brought to our attention and the productive dialogue with the PCAOB inspection team.

Specifically, we acknowledge that certain documentation matters regarding revenue testing were deficient but disagree that there were any deficiencies in the overall performance of these audits.

Since the inspection in the fall of 2005, DMCL has committed significant resources to ensuring that the firm’s quality control processes, monitoring, and audit methodologies are followed by all professional staff. We have also engaged the firm in substantial training initiatives in audit methodologies and in particular in response to matters raised by the PCAOB. We believe we have fully addressed the issues raised as a result of your inspection.

We thank the PCAOB inspection team for their professional courtesy and efforts in conducting its inspection.

Respectfully submitted,

Dale Matheson Carr-Hilton LaBoante Chartered Accountants LLP