

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

In the Matter of PricewaterhouseCoopers,

Respondent.

PCAOB Release No. 105-2024-015

March 28, 2024

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

- (1) Censuring PricewaterhouseCoopers (“PwC Australia,” “Firm,” or “Respondent”);
- (2) Imposing a \$600,000 civil money penalty on PwC Australia; and
- (3) Requiring PwC Australia 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 PwC Australia violated PCAOB rules and quality control standards in connection with its failure to timely report certain matters to the Board.

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. **PricewaterhouseCoopers** is a partnership organized under Australian law and headquartered in Sydney, Australia. It is a member firm of the PwC network, of which PricewaterhouseCoopers International Limited is the coordinating entity. At all relevant times, PwC Australia was registered with the Board pursuant to Section 102 of the Act and PCAOB rules. During the period covered by this Order, the Firm served as principal auditor for nine or more issuer audit clients.

B. Summary

2. This matter concerns PwC Australia's failure to timely report the initiation and conclusion of proceedings against the Firm by the Australian Tax Practitioners Board ("TPB"). The TPB proceedings related to failures on the part of the Firm to properly manage conflicts of interest that arose from the participation of certain partners in confidential consultations with the Australian government. In an order issued November 25, 2022, the TPB found that PwC Australia violated the TPB's Code of Professional Conduct because the Firm "would have [been], or should have been, aware of the perceived and actual conflict of interest which existed in relation to its duties and activities as a tax agent and it failed to ensure that there were adequate arrangements in place to manage these conflicts."² Despite being put on notice in February 2022 of the TPB's initiation of proceedings against the Firm, and the issuance of the TPB's order in November 2022, the Firm did not report the initiation or conclusion of those proceedings to the Board on PCAOB Form 3, *Special Report*, until June 2023, well after the applicable deadlines.

3. This matter also concerns the failure of PwC Australia to properly monitor compliance with its quality control policies and procedures that were meant to provide

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

² See Tax Practitioners Board Order (available at [PriceWaterhouseCoopers | Tax Practitioners Board \(tpb.gov.au\)](https://www.tpb.gov.au)).

reasonable assurance that the Firm met its Form 3 reporting requirements. Significantly, the Firm's then-Chief Executive Officer, and members of the Firm's Office of General Counsel ("OGC"), Strategy, Risk, and Reputation Group, and Financial Advisory Services practice, were aware of the TPB investigation as early as March 2021 and related proceedings as early as February 2022. They also participated in preparing the Firm's responses to the TPB, yet none of those involved shared information about the proceedings with those at the Firm responsible for Form 3 reporting compliance. Indeed, the individuals responsible for Form 3 reporting learned of the proceedings only after reading about them in the press during early May 2023. Even then, the Firm failed to file mandatory Form 3s until June 20, 2023.

4. The Firm's monitoring processes failed to identify the siloed nature of the Firm's primary practice areas and the impact it might have on the Firm's compliance with its PCAOB reporting requirements. The Firm's monitoring process further failed to (i) timely identify necessary corrective actions and improvements to be made in the Firm's system of quality control; (ii) communicate to appropriate Firm personnel any weaknesses in the quality control system or in the level of understanding or compliance therewith; and (3) follow up with appropriate firm personnel to ensure that any necessary modifications were made to the quality control policies and procedures in a timely manner.

C. PwC Australia Violated PCAOB Rules and Standards

i. PwC Australia Failed to Timely File Form 3s

5. PCAOB Rule 2203, *Special Reports*, requires registered public accounting firms to file Form 3s disclosing certain reportable events to the Board within 30 days of the occurrence of those events.³ One such specified event occurs when a firm "has become aware that, in a matter arising out of the Firm's conduct in the course of providing professional services for a client, the Firm has become a defendant or respondent in a civil or alternative dispute resolution proceeding initiated by a government entity or in an administrative or disciplinary proceeding other than a Board disciplinary proceeding."⁴

6. Another reportable event occurs when a firm has become aware that a reportable proceeding (*i.e.*, a reportable event under Items 2.4 – 2.9 of Form 3) has been concluded as to the firm or certain of its associated persons.⁵

³ See PCAOB Rule 2203(a)(1).

⁴ PCAOB Form 3, at Item 2.7 (italics in the original removed).

⁵ *Id.* at Item 2.10.

7. In March 2021, as described more fully below, certain people within PwC Australia became aware that the TPB had commenced an investigation into the Firm. No later than February 16, 2022, the TPB initiated proceedings against the Firm when the TPB indicated it was concerned about the Firm's conflict of interest policies and procedures and requested a statement of position from the Firm. The request for a statement of position reflected a change in the posture of the TPB's investigation, and the Firm should have understood that the TPB's request for a statement of position constituted the TPB's commencement of a proceeding against the Firm.

8. No later than November 25, 2022, the TPB notified the Firm that it had concluded its proceedings against the Firm by issuing its order against the Firm. The TPB's order found that the Firm violated the TPB's Code of Professional Conduct because the Firm would have, or should have, been "aware of the perceived and actual conflict of interest which existed in relation to its duties and activities as a tax agent and it failed to ensure that there were adequate arrangements in place to manage these conflicts."⁶ As part of the order, the TPB required the Firm to undertake certain remedial measures.

9. The initiation and conclusion of the TPB proceedings against the Firm constituted reportable events under Form 3. Accordingly, the Firm was required to report those events to the PCAOB on Form 3 within thirty days of their occurrence.⁷ However, PwC Australia reported the two events on June 20, 2023, more than a year after the TPB proceedings were initiated and more than six months after the proceedings were concluded.

ii. PwC Australia's Monitoring Procedures Failed to Provide Reasonable Assurance that Reportable Events Were Identified and Timely Reported

10. PCAOB rules also require that a registered accounting firm comply with the Board's quality control standards,⁸ which provide that a registered accounting firm "shall have a system of quality control for its accounting and auditing practice."⁹ "A system of quality control is . . . a process to provide the firm with reasonable assurance that its personnel comply with applicable professional standards and the firm's standards of quality."¹⁰ "A firm's system of quality control encompasses the firm's organizational structure and the policies adopted and

⁶ See [PriceWaterhouseCoopers | Tax Practitioners Board \(tpb.gov.au\)](https://www.tpb.gov.au).

⁷ See PCAOB Rule 2203(a).

⁸ See Rule 3100, *Compliance with Auditing and Related Professional Practice Standards*; Rule 3400T, *Interim Quality Control Standards*.

⁹ QC § 20.01, *System of Quality Control for a CPA Firm's Accounting and Auditing Practice*.

¹⁰ *Id.* at .03.

procedures established to provide the firm with reasonable assurance of complying with professional standards.”¹¹

11. PCAOB standards require that a firm establish policies and procedures to monitor its system of quality control. Such procedures should “provide the firm with reasonable assurance that the policies and procedures established by the firm for each of the other elements of quality control . . . are suitably designed and are being effectively applied.”¹²

12. 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 . . . [and] compliance with the firm’s policies and procedures.”¹³ When monitoring, a firm should consider “the effects of the firm’s management philosophy.”¹⁴ A firm’s “[m]onitoring procedures taken as a whole should enable the firm to obtain reasonable assurance that its system of quality control is effective.”¹⁵

13. Monitoring procedures may include: (i) “Determination of any corrective actions to be taken and improvements to be made in the quality control system”; (ii) “Communication to appropriate firm personnel of any weaknesses identified in the quality control system or in the level of understanding or compliance therewith”; and (iii) “Follow-up by appropriate firm personnel to ensure that any necessary modifications are made to the quality control policies and procedures on a timely basis.”¹⁶

14. Between 2015 and 2017, certain PwC partners were engaged by Australia’s Department of the Treasury (“Treasury”) in confidential consultations on proposed tax legislation. Under the terms of those consultations, the partners agreed to keep confidential information obtained from Treasury. In March 2021, after the TPB had commenced an inquiry into the Firm, PwC Australia, through its OGC, undertook an internal inquiry. As part of its internal inquiry, PwC Australia’s OGC learned that certain PwC Australia partners had shared confidential tax information with others within the firm despite signing confidentiality

¹¹ *Id.* at .04.

¹² QC § 30.02, *Monitoring a CPA Firm’s Accounting and Auditing Practice*.

¹³ *Id.*

¹⁴ *Id.*

¹⁵ *Id.* at .03.

¹⁶ *Id.*

agreements with Treasury.¹⁷ The findings of the internal inquiry, including details of the confidentiality breaches, were shared with the Firm's then-Chief Executive Officer ("CEO") and its then-Chief Strategy, Risk, and Reputation Officer. Significantly, the CEO was in a unique position to assess the merits of the concerns raised by the TPB as he was the leader of the tax practice at the time the PwC Australia partners were asked to participate in confidential Treasury consultations and was advised of their participation at the time. He was also aware, as early as January 2016, that information obtained by a partner participating in Treasury consultations had been used to market and sell tax services to existing and prospective clients.

15. From March 2021 until November 2022, the Firm's former CEO, the Firm's then-Financial Advisory Services Leader and OGC were directly involved in and had oversight over the Firm's handling of the TPB matter. Despite the direct involvement of Firm leadership, the existence of the TPB matter was not shared with those at the Firm responsible for compliance with PCAOB reporting requirements.

16. Under the Firm's existing policies and procedures, threatened or potential investigations by a regulator required internal reporting intended to trigger notice to and consideration by the individuals responsible for Form 3 compliance. Such reporting did not occur either at the time the TPB investigation commenced in March 2021 or when the TPB proceedings commenced in February 2022. Indeed, the individuals responsible for Form 3 compliance learned of the TPB matter only after hearing about it in the press in May 2023.

17. It appears the siloed nature of the Firm's practices, combined with a lack of candor by Firm leadership, led to the failure to share information on the matter with the appropriate individuals. Moreover, the Firm's monitoring procedures failed to properly consider and respond to the Firm's fragmented governance structure and the culture of the tax practice under its former leader, who became the Firm's CEO in March 2020. As a result, the Firm's monitoring procedures failed to identify the Firm's non-compliance with Rule 2203 and the need for updated quality control policies and procedures. The Firm's monitoring procedures further failed to communicate weaknesses identified in the relevant quality control policies and

¹⁷ In 2019, Firm leadership and the Australian Tax Office ("ATO") met on several occasions. After conducting an investigation into the improper handling of confidential information, PwC Australia concluded that during at least one of those 2019 meetings, the ATO raised concerns "about the culture in the [F]irm's Tax practice." See Review of Tax Confidentiality Breaches and Related Questions, available at <https://www.pwc.com.au/about-us/commitments-to-change/pwc-australias-statement-of-facts.pdf> (italics omitted). These concerns were reported to the Firm's Governance Board shortly after that 2019 meeting. See *id.* The Firm's investigation also found that, during 2019, the ATO put the Firm on notice of confidentiality breaches within its tax practice. See *id.*

procedures or in the level of understanding or compliance therewith, and ensure necessary modifications were timely made.

18. As illustrated by the Form 3 violations described above, from at least 2021 to 2023, the Firm failed to establish and implement appropriate monitoring procedures to provide the Firm with reasonable assurance that its Form 3-related policies and procedures were suitably designed and being effectively applied. As a result, the Firm violated QC § 30.

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.

In ordering sanctions, the Board took into account the Firm's extraordinary cooperation in this matter.¹⁸ The Firm provided substantial assistance to the PCAOB's investigation by sharing the results of the Firm's investigation into the confidentiality breaches and its related root cause analysis. Additionally, the Firm subsequently instituted remedial measures to address the above-described issues, including retaining an independent consultant to evaluate and report on the Firm's governance and culture to identify shortcomings and areas for improvement at the Firm. The Firm also made changes to its leadership, replacing its CEO, Chief Strategy, Risk, and Reputation Officer, and Financial Advisory Services Leader. The Chairs of the Firm's Governance Board and the Governance Board's designated risk committee were also replaced. The Firm also represented that it has (i) created a new role, Chief Risk and Ethics Leader, and a new compliance function, and (ii) revised its Annual Compliance Confirmation to include questions to identify Form 3 reportable events.¹⁹ Accordingly, it is hereby ORDERED that:

- A. Pursuant to Section 105(c)(4)(E) of the Act and PCAOB Rule 5300(a)(5), PricewaterhouseCoopers 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 \$600,000 is imposed on PricewaterhouseCoopers.

¹⁸ See *Policy Statement Regarding Credit for Extraordinary Cooperation in Connection with Board Investigations*, PCAOB Rel. No. 2013-003 (Apr. 24, 2013).

¹⁹ In 2023, the Firm added four new PCAOB-related questions to its Annual Compliance Confirmation designed to identify potential reportable events. The first period covered by the new requirements was May 1, 2022 – April 30, 2023.

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. PricewaterhouseCoopers shall pay this civil money penalty within ten (10) 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 postal 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 PricewaterhouseCoopers 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 W. Brown, Secretary, Public Company Accounting Oversight Board, 1666 K Street, N.W., Washington, D.C. 20006.
3. With respect to any civil money penalty amounts that PricewaterhouseCoopers shall pay pursuant to this Order, PricewaterhouseCoopers 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 (except Respondent may seek or accept reimbursement or indemnification of any civil money penalty amounts from self-insurance provided through a captive insurer owned by Respondent and/or other firms within the network of which Respondent is a member that provides insurance solely to Respondent and other firms within the network); (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 PricewaterhouseCoopers's payment of the civil money penalty pursuant to this Order, in any private action brought against PricewaterhouseCoopers based on substantially the same facts as set out in the findings in this Order.
4. 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.
5. PricewaterhouseCoopers understands that failure to pay the civil money penalty described above may result in summary suspension of its

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), PricewaterhouseCoopers is required:
1. Within 120 days of the entry of this Order, to establish, revise, or supplement, as necessary, policies and procedures, including monitoring procedures, to provide the Firm with reasonable assurance that (a) personnel comply with the Firm's policies and procedures related to compliance with Form 3 reporting requirements; and (b) the above-described policies and procedures are suitably designed and are being effectively applied.
 2. Within 150 days of the entry of this Order, to provide a certification, signed by its CEO, to the Director of the PCAOB's Division of Enforcement and Investigations, stating that the Firm has complied with Section IV.C.1. above. The certification shall identify the actions undertaken to satisfy the conditions specified above (including any remedial actions taken prior to the date of this Order), provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. PricewaterhouseCoopers shall also submit such additional evidence of, and information concerning, compliance as the staff of the Division of Enforcement and Investigations may reasonably request.
 3. The Firm understands that the failure to satisfy any provision of Section IV.C. 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

March 28, 2024