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Order Instituting Disciplinary Proceedings, Making Findings, and Imposing Sanctions

In the Matter of Pan-China Singapore PAC,

Respondent.

PCAOB Release No. 105-2024-021

April 9, 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 Pan-China Singapore PAC (“Pan-China,” “Firm,” or “Respondent”);
- (2) imposing a civil money penalty in the amount of \$75,000 on the Firm; and
- (3) requiring Pan-China 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 the Firm violated PCAOB rules and quality control standards by failing to implement and maintain quality control policies and procedures to ensure that its personnel complied with applicable professional standards, regulatory requirements, and the Firm’s standards of quality.

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 (the “Offer”) that the Board has determined to accept. Solely for the purpose of these proceedings and any other proceeding

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:²

A. Respondent

1. **Pan-China Singapore PAC** is a partnership organized under the laws of Singapore and headquartered in Singapore. Pan-China is licensed by the Singapore Accounting and Corporate Regulatory Authority (License No. 201603521D). Pan-China is, and at all relevant times was, registered with the PCAOB, pursuant to Section 102 of the Act and PCAOB rules.

B. Summary

2. This matter concerns the Firm's failure to comply with PCAOB rules and quality control standards. During 2019 and 2020, the Firm failed to establish and maintain a system of quality control to provide it with reasonable assurance that Firm personnel would comply with PCAOB rules and standards and regulatory requirements. Specifically, the Firm's system of quality control failed to provide reasonable assurance that the Firm used an audit methodology, guidance materials, and practice aids designed to comply with PCAOB auditing standards and other regulatory requirements; that staff participated in relevant training; and that the Firm met requirements with respect to audit documentation, auditor reporting of certain audit participants, and audit committee communications.

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 The Board finds that Respondent's conduct described in this Order meets the conditions set out in Section 105(c)(5) of the Act, 15 U.S.C. § 7215(c)(5), which provides that certain sanctions may be imposed in the event of: (1) intentional or knowing conduct, including reckless conduct, that results in a violation of the applicable statutory, regulatory, or professional standard; or (2) repeated instances of negligent conduct, each resulting in a violation of the applicable statutory, regulatory, or professional standard.

C. The Firm Violated PCAOB Quality Control Standards

3. PCAOB rules require a registered public accounting firm and its associated persons to comply with PCAOB quality control standards.³ These standards require that a registered public accounting firm have a system of quality control for its accounting and auditing practice.⁴ A firm’s system of quality control provides a critical foundation and infrastructure for a firm’s audit quality as it should “ensure that services are competently delivered and adequately supervised.”⁵ A firm should establish policies and procedures 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.⁶

4. Quality control policies and procedures for engagement performance should encompass all phases of the design and execution of an engagement.⁷ To the extent appropriate and as required by applicable professional standards, including U.S. Securities and Exchange Commission (“Commission”) and PCAOB rules and/or standards, these policies and procedures should also cover planning, performing, supervising, reviewing, documenting, and communicating the results of each engagement.⁸

5. Quality control policies and procedures for personnel management should provide reasonable assurance that personnel participate in general and industry-specific continuing professional education and other professional development activities that enable them to fulfill responsibilities assigned and satisfy applicable continuing professional education requirements.⁹

³ See PCAOB Rule 3100, *Compliance with Auditing and Related Professional Practice Standards*; PCAOB Rule 3400T, *Interim Quality Control Standards*.

⁴ See Quality Control Standard 20.01, *System of Quality Control for a CPA Firm’s Accounting and Auditing Practice* (“QC § 20”).

⁵ QC § 20.02.

⁶ QC § 20.17; *see also* QC § 20.03.

⁷ QC § 20.18.

⁸ *Id.*

⁹ QC § 20.13

6. As described below, Pan-China failed to establish policies and procedures sufficient to provide reasonable assurance that its personnel complied with applicable professional standards and regulatory requirements.

i. Pan-China’s Quality Control Policies and Procedures Failed to Provide the Firm with Reasonable Assurance that the Work Performed by Engagement Personnel Met Professional Standards and that Personnel Participated in Relevant Training

7. A firm should establish policies and procedures 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.¹⁰ The Firm did not maintain adequate policies, procedures, or guidance materials related to performing audits under PCAOB rules and standards.

8. In addition, the Firm failed to establish and implement training policies and procedures that provided reasonable assurance that personnel assigned to issuer audit work would receive appropriate training on PCAOB standards and rules, Commission rules and regulations, and U.S. generally accepted accounting principles, including through participation in general and industry-specific continuing professional education and other professional development activities that would enable them to fulfill responsibilities assigned and satisfy applicable continuing professional education requirements of professional organizations and regulatory agencies.

9. As a result, the Firm violated QC § 20.13 and QC § 20.17 by failing to have established policies and procedures to provide reasonable assurance that Firm personnel were: (i) using an audit methodology on issuer audit work that was in accordance with PCAOB auditing standards; and (ii) receiving appropriate training on PCAOB standards and rules, Commission rules and regulations, and U.S. GAAP.

ii. Pan-China’s System of Quality Control Failed to Provide Reasonable Assurance with Respect to Compliance with Audit Documentation Requirements

10. A registered public accounting firm should establish quality control policies and procedures to provide reasonable assurance that the Firm complies with applicable professional standards and regulatory requirements.¹¹ During 2019 and 2020, the Firm’s system of quality control did not provide reasonable assurance that the Firm’s personnel would comply

¹⁰ QC § 20.17.

¹¹ QC §§ 20.03, .17.

with AS 1215, *Audit Documentation*, which establishes requirements for documentation the auditor should prepare and retain in connection with issuer engagements.

11. During 2019 and 2020, Pan-China personnel failed to timely assemble a complete and final set of audit documentation within 45 days of the report release date in connection with issuer audit engagements. The Firm's policies and procedures did not address the requirement that a complete and final set of audit documentation be assembled for retention within 45 days following the report release date.¹² Instead, the Firm's policy set forth a 60-day requirement that on its face was inconsistent with AS 1215.

12. In addition, the Firm's policies and procedures included storing a complete and final set of audit documentation on a USB drive in a secured locker. Firm personnel were required to check out and check in the USB drive when accessing the audit documentation. Under Firm policy if a USB drive is checked out, firm personnel are required to make a copy of the original USB drive and return it to the secured locker.

13. In one issuer audit performed by the Firm, Pan-China personnel checked out the USB drive containing the archived audit documentation to make a copy for use in subsequent audit work. During an inspection by the PCAOB, the Firm discovered that the original USB drive was not returned to the secured locker and had been lost. All that was available for the inspection team was a copy of the USB drive that contained changes made in connection with subsequent audit work. Consequently, the Firm did not have a complete and final set of audit documentation for the original audit. While the changes were not significant in relation to the original audit, the loss of the USB drive demonstrated deficiencies in the Firm's controls over archived audit documentation.

14. These violations illustrate that the Firm failed to have policies and procedures related to audit documentation sufficient to provide it with reasonable assurance that it would comply with the requirements of AS 1215.15, in violation of QC § 20.

iii. Pan-China's System of Quality Control Failed to Provide Reasonable Assurance with Respect to Auditor Reporting of Certain Audit Participants

15. A registered public accounting firm should establish quality control policies and procedures to provide reasonable assurance that the work performed by engagement personnel complies with applicable professional standards and regulatory requirements.¹³

¹² AS 1215.15.

¹³ QC §§ 20.03, .17.

PCAOB Rule 3211, *Auditor Reporting of Certain Audit Participants*, requires registered public accounting firms to report information about engagement partners and other accounting firms that participated in the audits of issuers by filing a Form AP for each audit report issued by the firm for an issuer. Form APs must be filed by the 35th day after the date the audit report is first included in a document filed with the Commission,¹⁴ subject to a shorter filing deadline that applies when the audit report is first included in a registration statement under the Securities Act of 1933 filed with the Commission.¹⁵

16. During 2019 and 2020, Pan-China did not comply with PCAOB Rule 3211. With respect to seven audit reports for two issuers, the Firm failed to timely file Form APs by the relevant deadlines.

17. These violations illustrate that the Firm failed to maintain effective policies and procedures to provide it with reasonable assurance that it would comply with the requirements of PCAOB Rule 3211, in violation of QC § 20.

iv. Pan-China’s System of Quality Control Failed to Provide Reasonable Assurance with Respect to Audit Committee Communications

18. A registered public accounting firm should establish quality control policies and procedures to provide reasonable assurance that the Firm complies with applicable professional standards and regulatory requirements.¹⁶ AS 1301, *Communications with Audit Committees*, requires the auditor to communicate certain matters related to the conduct of an audit to an issuer’s audit committee, including significant risks that were identified by the auditor.¹⁷

19. In one issuer audit, Pan-China did not communicate to, and discuss with the issuer’s audit committee, the significant risk related to management override of controls identified during its risk assessment procedures. In another issuer audit, the Firm did not communicate to, and discuss with the issuer’s audit committee equivalent, the significant risks

¹⁴ PCAOB Rule 3211(b)(1).

¹⁵ In that instance, a firm is required to file the Form AP by the tenth day after the date the audit report is first included in a document filed with the Commission. PCAOB Rule 3211(b)(2).

¹⁶ QC §§ 20.03, .17.

¹⁷ AS 1301.09.

related to management override of controls and revenue recognition identified during its risk assessment procedures.¹⁸

20. These violations illustrate that Pan-China failed to establish policies and procedures sufficient to provide it with reasonable assurance that it would comply with AS 1301, in violation of QC § 20.

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), Pan-China is hereby 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 in the amount of \$75,000 on Pan-China.
 1. All funds collected by the PCAOB 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. The Firm shall pay the civil money penalty within ten days of the issuance of this Order by (a) wire transfer in accordance with instructions furnished by PCAOB staff; or (b) United States Postal Service money order, bank money order, certified check, or bank cashier's check (i) made payable to the Public Company Accounting Oversight Board, (ii) delivered to the Office of Finance, Public Company Accounting Oversight Board, 1666 K Street, N.W., Washington D.C. 20006, and (iii) submitted under a cover letter, which identifies the Firm 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,

¹⁸ *Id.*

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), Pan-China is required:
1. Within ninety (90) days from the date of the Order, to establish policies and procedures, or revise and/or supplement existing policies and procedures, for the purpose of providing the Firm with reasonable assurance of compliance with applicable PCAOB rules and standards; and to establish policies and procedures, or revise and/or supplement existing policies and procedures, for the purpose of ensuring training, whether internal or external, on an annual or more frequent regular basis, concerning applicable PCAOB rules and standards, of any Firm audit personnel who participate in any way in the planning or performing of any audit or interim review of an issuer or any SEC Registered Broker-Dealer Engagement, which includes any engagement that provides a

report—whether an audit report, an examination report, or a review report—required under paragraph (d)(1)(i)(C) of Securities Exchange Act of 1934 and Rule 17a-5, 17 C.F.R. § 240.17a-5, as amended.

2. Within 120 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 paragraph 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. Pan-China shall also submit such additional evidence of, and information concerning, compliance as the staff of the Division of Enforcement and Investigations may reasonably request.
- D. The Firm understands that the failure to satisfy these conditions 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

April 9, 2024