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Order Instituting Disciplinary Proceedings, Making Findings, and Imposing Sanctions

In the Matter of Imelda & Rekan,

Respondent.

PCAOB Release No. 105-2024-024

April 10, 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 Imelda & Rekan (“DT Indonesia,” the “Firm,” or “Respondent”);
- (2) imposing a civil money penalty in the amount of \$1,000,000 on DT Indonesia; and
- (3) requiring DT Indonesia 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 DT Indonesia violated PCAOB rules and quality control standards over several years in connection with the Firm’s internal training program.

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 (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 contained herein, except as to the Board’s jurisdiction over Respondent and the subject matter of this proceeding, 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. **DT Indonesia** is a public accounting firm located in Jakarta, Indonesia. DT Indonesia is an affiliate of a member of the Deloitte Touche Tohmatsu Limited (“Deloitte Global”) network. The Firm registered with the Board on March 23, 2021, pursuant to Section 102 of the Act and PCAOB rules. DT Indonesia is, and at all relevant times was, a “registered public accounting firm” as that term is defined by Section 2(a)(12) of the Act and PCAOB Rule 1001(r)(i).

B. Summary

2. From 2021 to 2023, DT Indonesia violated PCAOB rules and quality control standards related to integrity and personnel management by failing to establish appropriate policies and procedures for administering and overseeing internal training tests, including tests designed to help the Firm’s audit professionals satisfy the requirements for maintaining their professional certifications. Those quality control failures prevented the Firm from identifying that, during the relevant period, more than 200 Firm professionals were involved in improper answer sharing—either by providing answers or using answers—or received answers without reporting such sharing in connection with online tests for mandatory internal training courses. DT Indonesia’s failure to detect and deter improper answer sharing by its personnel occurred

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.

despite numerous warnings from Deloitte Global and regional leadership that answer sharing was impermissible.

C. DT Indonesia Violated PCAOB Rules and Standards

i. Applicable PCAOB Rules and Quality Control Standards

3. PCAOB rules require that a registered public accounting firm comply with the Board’s quality control standards,³ which provide that a registered firm “shall have a system of quality control for its accounting and auditing practice.”⁴

4. As part of a firm’s system of quality control, “[p]olicies and procedures should be established to provide the firm with reasonable assurance that personnel . . . perform all professional responsibilities with integrity.”⁵ In addition, PCAOB quality control standards related to personnel management state that “policies and procedures should be established to provide the firm with reasonable assurance that . . . [w]ork is assigned to personnel having the degree of technical training and proficiency required in the circumstances.”⁶ Moreover, “policies and procedures should be established to provide the firm with reasonable assurance that . . . [p]ersonnel 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 of . . . regulatory agencies.”⁷

5. PCAOB quality control standards recognize that “[t]he elements of quality control are interrelated,”⁸ and that monitoring procedures are necessary “to provide the firm with reasonable assurance that the policies and procedures related to each of the other elements of quality control are suitably designed and are being effectively applied.”⁹ Under

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

⁴ QC § 20.01, *System of Quality Control for a CPA Firm’s Accounting and Auditing Practice*.

⁵ QC § 20.09.

⁶ QC § 20.13.b; QC § 40.02.b, *The Personnel Management Element of a Firm’s System of Quality Control—Competencies Required by a Practitioner-in-Charge of an Attest Engagement*.

⁷ QC § 20.13.c; QC § 40.02.c.

⁸ QC § 20.08.

⁹ *Id.*; QC § 30.02, *Monitoring a CPA Firm’s Accounting and Auditing Practice*; see also QC § 20.20.

PCAOB standards, monitoring involves an ongoing consideration and evaluation of, among other things, the effectiveness of professional development activities and compliance with the firm's policies and procedures.¹⁰

ii. Training Requirements

6. As part of DT Indonesia's personnel management systems, the Firm administers internal training programs for all of its professionals. The training programs the Firm uses are designed to serve multiple purposes, including to provide personnel with technical instruction, to further their professional development, and to help licensed certified public accountants satisfy some of the continuing professional education requirements imposed by relevant professional bodies. The Firm's training requirements are intended to be relevant to, among other things, the independence of their personnel, the audit work they perform, and the integrity with which they carry out their professional responsibilities. The training requirements can vary by a professional's position, role, and industry practice area.

7. The Firm's online internal trainings often include a testing component. For training courses with a testing component, the Firm does not credit personnel with completing the training until they satisfactorily pass the related test.

iii. Failures by DT Indonesia to Establish Adequate Quality Control Policies and Procedures Related to Integrity and Personnel Management

8. DT Indonesia's quality control policies and procedures concerning ethics and integrity as well as personnel management were inadequate to prevent or detect improper answer sharing on training tests that occurred among DT Indonesia personnel from March 2021 until 2023.

9. During the relevant time period, large numbers of DT Indonesia personnel were involved in improper answer sharing. Indeed, more than 200 of its personnel, including two partners, participated in instances of improper answer sharing by, among other means, sending emails with answers to training test questions, providing screenshots of training questions and answers, or discussing answers when taking tests in the presence of others.

10. Despite this widespread answer sharing by the Firm's personnel, none of those aware of the improper answer sharing timely reported the answer sharing (a) to anyone at the Firm not involved in answer sharing; (b) to anyone within regional leadership or Deloitte Global; or (c) to any relevant regulator. Moreover, the misconduct occurred notwithstanding numerous

¹⁰ See QC § 20.20.c-.d; QC § 30.02.c-.d.

warnings from Deloitte Global and regional leadership that answer sharing was improper. Beginning in October 2019 through September 2022, DT Indonesia partners were repeatedly told through a series of calls, townhalls, meetings, emails, and mandatory e-learnings that answer sharing was not acceptable. Despite these warnings, answer sharing at DT Indonesia continued until 2023, when the Firm discovered the misconduct and began an internal investigation.

11. As illustrated by the misconduct described above, from 2021 to 2023, DT Indonesia failed to establish and implement policies and procedures, including monitoring procedures, to provide the Firm with reasonable assurance that (1) DT Indonesia personnel performed all professional responsibilities with integrity; (2) DT Indonesia personnel to whom work was assigned had the degree of technical training and proficiency required in the circumstances; and (3) DT Indonesia personnel participated in general and industry-specific continuing professional education that enabled them to fulfill responsibilities assigned and satisfy applicable continuing professional education requirements for licensed certified public accountants of relevant professional bodies. Accordingly, the Firm violated PCAOB quality control standards related to integrity and personnel management.¹¹

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 with respect to certain aspects of its response to discovering improper answer sharing on internal trainings. Specifically, the Firm voluntarily and timely self-reported to PCAOB staff the answer sharing misconduct it had discovered. The Firm then provided substantial assistance to the PCAOB's investigation by conducting, and providing to the PCAOB the results of, its internal investigation, including evidence relating to the Firm's interviews of personnel it suspected of engaging in improper answer sharing.

Additionally, since the answer sharing misconduct occurred, the Firm has implemented remedial and corrective measures aimed at successfully ending improper answer sharing. Among other actions, the Firm has made changes to its quality control policies and procedures to promote professional integrity, especially as it relates to training examinations, and to

¹¹ See QC §§ 20.09, .13.b-c, .20; QC § 30.02; and QC § 40.02.b-c.

ensure that its personnel obtain the degree of technical training and proficiency required without engaging in improper answer sharing.

Absent this extraordinary cooperation, the civil money penalty imposed would have been significantly larger, and the Board may have imposed additional sanctions. Accordingly, it is hereby ORDERED that:

- A. Pursuant to Section 105(c)(4)(E) of the Act and PCAOB Rule 5300(a)(5), Imelda & Rekan 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 \$1,000,000 is imposed on Imelda & Rekan.
 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. Imelda & Rekan shall pay this civil money penalty within ten (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, 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 Imelda & Rekan 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 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 Imelda & Rekan shall pay pursuant to this Order, Imelda & Rekan 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 Imelda & Rekan's payment of the civil money penalty pursuant to

this Order, in any private action brought against Imelda & Rekan 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. Imelda & Rekan 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), Imelda & Rekan 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 as described in QC § 20.20, *System of Quality Control for a CPA Firm's Accounting and Auditing Practice*, to provide the Firm with reasonable assurance that (a) personnel perform all internal training and tests associated with such training with integrity; (b) personnel to whom work has been assigned have the degree of technical training and proficiency required in the circumstances; (c) personnel participate in general and industry-specific continuing professional education that enable them to fulfill responsibilities assigned and satisfy applicable continuing professional education requirements of regulatory agencies; and (d) 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. Imelda & Rekan 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

April 10, 2024