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

*In the Matter of KPMG Samjong Accounting Corp.,*

Respondent.

PCAOB Release No. 105-2025-014

March 11, 2025

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

- (1) censuring KPMG Samjong Accounting Corp. (“KPMG Samjong,” the “Firm,” or “Respondent”);
- (2) imposing a civil money penalty in the amount of \$275,000 upon the Firm; and
- (3) requiring the Firm 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, between 2020 and 2023, the Firm: (a) filed 10 inaccurate Form APs in connection with its audits of five different issuer clients, in violation of PCAOB Rule 3211(a), *Auditor Reporting of Certain Audit Participants*; and (b) violated PCAOB quality control standards.

### 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 (the “Act”), and PCAOB Rule 5200(a)(1) against Respondent.

### II.

In anticipation of the institution of these proceedings, and pursuant to PCAOB Rule 5205, KPMG Samjong 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.<sup>1</sup>

### III.

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

#### A. Respondent

1. **KPMG Samjong Accounting Corp.** is a public accounting firm headquartered in Seoul, Republic of Korea. It is a member firm of the KPMG International Limited network of firms ("KPMG International"). At all relevant times, KPMG Samjong was registered with the Board pursuant to Section 102 of the Act and PCAOB rules. During the period covered by this Order, the Firm reported that it annually served as the principal auditor for between five and seven issuer clients.

#### B. Issuers

2. **Gravity Co., Ltd.** ("Gravity") is headquartered in Seoul, Republic of Korea. Its public filings disclose that it is an online and mobile game developer. KPMG Samjong issued audit reports that Gravity included in its Form 20-Fs filed with the U.S. Securities and Exchange Commission ("Commission") for fiscal years ended December 31, 2020, and 2021.

3. **KB Financial Group Inc.** ("KB Financial") is headquartered in Seoul, Republic of Korea. Its public filings disclose that it is a banking and financial services company. KPMG Samjong issued audit reports that KB Financial included in its Form 20-Fs filed with the Commission for fiscal years ended December 31, 2020, and 2021.

4. **LG Display Co., Ltd.** ("LG Display") is headquartered in Seoul, Republic of Korea. Its public filings disclose that it is a technology equipment manufacturer primarily for televisions and mobile devices. KPMG Samjong issued an audit report that LG Display included in its Form 20-F filed with the Commission for fiscal year ended December 31, 2020.

5. **POSCO** is headquartered in Seoul, Republic of Korea. Its public filings disclose that it is a steel manufacturer. KPMG Samjong issued audit reports that POSCO included in its Form 20-Fs filed with the Commission for the fiscal year ended December 31, 2019 and 2020.

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<sup>1</sup> 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.

6. **SK Telecom Co., Ltd.** (“SK Telecom”) is headquartered in Seoul, Republic of Korea. Its public filings disclose that it is a telecommunications services provider. KPMG Samjong issued audit reports that SK Telecom included in its Form 20-Fs filed with the Commission for fiscal years ended December 31, 2019, 2020 and 2021.

7. Each of the entities identified in paragraphs 2 through 6 was, at all relevant times, an “issuer” as that term is defined in Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii).

### C. Other Relevant Entities

8. **KPMG Huazhen LLP** (“KPMG Huazhen”) is a public accounting firm headquartered in Beijing, People’s Republic of China. At all relevant times, KPMG Huazhen was a member firm of KPMG International, was registered with the Board pursuant to Section 102 of the Act and PCAOB rules and participated in one or more of KPMG Samjong’s issuer audits.

9. **KPMG Limited** (“KPMG Vietnam”) is a public accounting firm headquartered in Hanoi, Vietnam. At all relevant times KPMG Vietnam was a member firm of KPMG International, was not registered with the Board, and participated in one or more of KPMG Samjong’s issuer audits.

### D. Summary

10. This matter concerns KPMG Samjong’s violations of PCAOB rules and standards in connection with its reporting on the participation of other accounting firms in issuer audits. Specifically, KPMG Samjong filed 10 inaccurate Form APs from 2020 through 2022 in connection with 10 audits of five different issuer clients, in violation of PCAOB Rule 3211(a).

11. In addition, between 2020 and 2023, KPMG Samjong violated PCAOB quality control standards related to engagement performance by failing to establish appropriate policies and procedures, including monitoring procedures, to provide reasonable assurance that the Firm’s audit professionals would accurately identify in required Form AP filings the accounting firms that participated in KPMG Samjong audits and their percentage of participation.

### E. KPMG Samjong Filed 10 Inaccurate Form APs in Violation of PCAOB Rule 3211(a)

12. PCAOB Rule 3211 provides that each registered public accounting firm must provide information about engagement partners and other accounting firms that participate in

audits of issuers by filing a Form AP, *Auditor Reporting of Certain Audit Participants*, for each audit report issued by the firm for an issuer.<sup>2</sup>

13. PCAOB Rule 3211(a) provides that, “[f]or each audit report it issues for an issuer, a registered public accounting firm must file with the Board a report on Form AP in accordance with the instructions to that form.”

14. The instructions to Item 4.1 of Form AP “Part IV - Responsibility for the *Audit Is Not Divided*” require that an auditor who uses an “other accounting firm”<sup>3</sup> that incurs more than 5% of the total audit hours “[s]tate the legal name of *other accounting firms* and the extent of participation in the *audit*” in its Form AP.<sup>4</sup>

15. The instructions to Item 4.2 of Form AP “Part IV – Responsibility for the *Audit Is Not Divided*” require that an auditor “[s]tate the number of *other accounting firm(s)* individually representing less than 5% of total *audit* hours” and “[i]ndicate the aggregate percentage of participation” by those other accounting firms.<sup>5</sup>

16. Form AP Item 3.2 notes that an other accounting firm participated in the audit if “the Firm assume[d] responsibility for the work and report of the *other accounting firm* as described in . . . AS 1205, *Part of the Audit Performed by Other Independent Auditors*,” or “the *other accounting firm* or any of its principals or professional employees was subject to supervision under AS 1201, *Supervision of the Audit Engagement*.”<sup>6</sup>

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<sup>2</sup> Form APs must be filed by the 35th day after the date the audit report is first included in a document filed with Commission, see PCAOB Rule 3211(b)(1), subject to a shorter filing deadline that applies when the audit report is first included in a registration statement filed under the Securities Act of 1933, as amended, see PCAOB Rule 3211(b)(2).

<sup>3</sup> See General Instruction No. 2 of Form AP (“[O]ther accounting firm’ means (i) a *registered public accounting firm* other than the Firm; or (ii) any other *person* or entity that opines on the compliance of any entity’s financial statements with an applicable financial reporting framework”).

<sup>4</sup> In the adopting release for PCAOB Rule 3211, the Board explained that information provided on Form AP was “intended to help investors understand how much of the audit was performed by the accounting firm signing the auditor’s report and how much was performed by other accounting firms,” and allow investors to “research publicly available information about the firms identified in the form, such as whether a participating firm is registered with the PCAOB, whether it has been inspected and, if so, what the results were and whether it has any publicly available disciplinary history.” See *Improving the Transparency of Audits: Rules to Require Disclosure of Certain Audit Participants on a New PCAOB Form and Related Amendments to Auditing Standards*, PCAOB Rel. No. 2015-008, at 4 (Dec. 15, 2015).

<sup>5</sup> See Item 4.2 and Part IV of Form AP.

<sup>6</sup> See Note to Item 3.2 of Form AP.

17. For 10 audits across five different issuer clients with fiscal years ending from 2019 through 2021, KPMG Samjong filed Form APs that failed to accurately report information concerning other accounting firm participants in the audits.<sup>7</sup> In particular, the Firm failed to file accurate Form APs in connection with the following:

- the Firm’s use of other accounting firms to review and evaluate the Firm’s critical audit matters (“CAMs”); and
- the Firm’s use and reporting of component auditors.

**i. Audits Using a “CAM Hub”**

18. In connection with preparing an audit report, “[t]he auditor must determine whether there are any [CAMs] in the audit of the current period’s financial statements.”<sup>8</sup> A CAM is “any matter arising from the audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved especially challenging, subjective, or complex auditor judgment.”<sup>9</sup>

19. During the relevant audits, guidance followed by KPMG Samjong required that one of several specifically-designated KPMG International member firms review and evaluate certain CAMs that KPMG Samjong would communicate in its auditor’s reports prior to the issuance of the reports. KPMG Samjong referred to those designated member firms as “CAM Hubs.”

20. During the period covered by this Order, several different KPMG member firms served as CAM Hubs for KPMG Samjong, and KPMG Samjong used those firms to review and evaluate the CAM determinations that it would communicate in its auditor’s reports. As a result, one or more KPMG International member firms participated in the following seven audits (“CAM Hub Reviews”), as follows:

<b>Issuer</b>	<b>Fiscal Year</b>
KB Financial	2020
KB Financial	2021
Gravity	2020

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<sup>7</sup> Each of the other accounting firm participants referenced in the Order meets the definition of an “other accounting firm” requiring reporting on Form AP in accordance with the instructions of Form AP. See Rule 3211(a) and *supra* note 3.

<sup>8</sup> AS 3101.11, *The Auditor’s Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion*.

<sup>9</sup> *Id.*

Gravity	2021
SK Telecom	2019
SK Telecom	2020
SK Telecom	2021

21. Following each of the CAM Hub Reviews, KPMG Samjong filed a Form AP. Despite utilizing the work of CAM Hubs, KPMG Samjong failed to report the participation of the relevant accounting firms in those audits in its Form AP filings.

22. Accordingly, KPMG Samjong violated PCAOB Rule 3211(a) in connection with Form APs filed for the CAM Hub Reviews.

23. Between May 2023 and June 2024, KPMG Samjong filed amended Form APs—one for each of the CAM Hub Reviews—to report the participation of the relevant participating CAM Hubs and other accounting firms—each representing less than 5% of total audit hours.

**ii. Audits Using Component Auditors**

**a. KPMG Samjong Failed to Accurately Identify a Component Auditor**

24. In connection with KPMG Samjong’s audit of LG Display’s 2020 financial statements (the “LG Display Audit”), KPMG Samjong utilized work performed by other KPMG International member firms. Specifically, in connection with the LG Display Audit, KPMG Samjong engaged KPMG Vietnam along with other accounting firms, including KPMG Huazhen to perform audit procedures and serve as component auditors.

25. At the time of the LG Display Audit, KPMG Samjong was aware of KPMG Vietnam’s role and participation in the audit.

26. Following the LG Display Audit, KPMG Samjong filed a Form AP that included KPMG Vietnam as an other accounting firm reflecting less than 5% of total audit hours.

27. Following the filing of the Form AP for the LG Display Audit, KPMG Samjong determined that KPMG Vietnam’s participation was in fact over 5%. Accordingly, the Firm violated PCAOB Rule 3211(a) in connection with the LG Display Audit.

28. On May 25, 2022, KPMG Samjong filed an amended Form AP for the LG Display Audit, which (1) identified KPMG Vietnam in Item 4.1 at a 5% to 10% level rather than the previous less than 5% level of participation; and (2) decreased KPMG Huazhen’s reported participation from a 30% to 40% level to a 20% to 30% level.

### **b. KPMG Samjong Failed to Report the Participation of a Component Auditor**

29. In connection with KPMG Samjong’s audits of POSCO’s 2019 and 2020 financial statements (the “POSCO Audits”), KPMG Samjong utilized work performed by an other accounting firm in India (the “Indian Firm”) to audit a component entity of POSCO.

30. Following the POSCO Audits, KPMG Samjong filed Form APs. Despite utilizing the work of the Indian Firm, KPMG Samjong failed to report the participation of the Indian Firm in the POSCO Audits.

31. Accordingly, KPMG Samjong violated PCAOB Rule 3211(a) in connection with the Form APs for the POSCO Audits.

32. On July 19, 2023, KPMG Samjong filed amended Form APs for the POSCO Audits. The amended Form APs reported the participation of the Indian Firm in both audits as an other accounting firm representing less than 5% of total audit hours.

### **F. KPMG Samjong Violated PCAOB Quality Control Standards**

33. PCAOB rules require that a registered firm comply with PCAOB quality control standards.<sup>10</sup> Those standards require a firm to “have a system of quality control for its accounting and auditing practice.”<sup>11</sup> As part of this requirement, “[p]olicies and procedures should be established 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.”<sup>12</sup>

34. PCAOB quality control standards also recognize that monitoring procedures are necessary “to provide the firm with reasonable assurance that the policies and procedures relating to each of the other elements of quality control are suitably designed and are being effectively applied.”<sup>13</sup> Under PCAOB standards, monitoring involves an ongoing consideration and evaluation of, among other things, compliance with the firm’s policies and procedures.<sup>14</sup>

35. From 2020 through 2023, KPMG Samjong failed to establish and implement adequate policies and procedures, including monitoring procedures, to provide the Firm with reasonable assurance that the work performed by engagement personnel met applicable

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<sup>10</sup> PCAOB Rule 3400T, *Interim Quality Control Standards*.

<sup>11</sup> QC § 20.01, *System of Quality Control for a CPA Firm’s Accounting and Auditing Practice*.

<sup>12</sup> QC § 20.17.

<sup>13</sup> QC § 30.02, *Monitoring a CPA Firm’s Accounting and Auditing Practice*; see also QC § 20.20.

<sup>14</sup> See QC § 20.20.d; QC § 30.02.d.

regulatory requirements related to accurately reporting on Form AP the participation, including the percentage of participation, of other accounting firms in issuer audits.

36. Although KPMG Samjong had certain quality control policies and procedures relating to Form AP reporting in connection with the use of other accounting firms, the Firm failed to implement and monitor them in an adequate manner. As a result, the Firm filed inaccurate Form APs between 2020 and 2022.

37. Accordingly, the Firm failed to comply with QC § 20 and 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. Accordingly, it is hereby ORDERED that:

- A. Pursuant to Section 105(c)(4)(E) of the Act and PCAOB Rule 5300(a)(5), KPMG Samjong 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 \$275,000 is imposed on KPMG Samjong.
  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. The Firm shall pay this civil money penalty within twenty (20) 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 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 KPMG Samjong 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, Secretary, Public Company Accounting Oversight Board, 1666 K Street, N.W., Washington D.C. 20006.



3. If timely payment is not made, 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. Respondent 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), the Board orders that:
1. Review by KPMG Samjong. Within three months of the date of this Order, KPMG Samjong shall review and evaluate its quality control policies and procedures to assess whether those policies and procedures provide the firm with reasonable assurance that its personnel and other associated persons comply with PCAOB Rule 3211.
  2. Reporting. Within three months of the date of this Order, KPMG Samjong shall submit a written report to the Director of the Division of Enforcement and Investigations summarizing the review and evaluation of the areas specified in paragraph C.1 above (“Report”). The Report shall describe any modified or additional policies or procedures adopted or to be adopted by KPMG Samjong or, if KPMG Samjong concludes no such modifications or additions should be adopted, a detailed and satisfactory explanation of why the Firm believes changes are not warranted. In addition, KPMG Samjong shall submit any additional information and evidence concerning the Report, the information in the Report, and KPMG Samjong’s compliance with this Order as the staff of the Division of Enforcement and Investigations may reasonably request.
  3. Certificate of Implementation. Within six months of the date of this Order, KPMG Samjong’s Chief Executive Officer shall certify in writing (“Certificate of Implementation”) to the Director of the Division of Enforcement and Investigations that KPMG Samjong has implemented all of the modifications and additions, if any, to its policies and procedures that were described in the Report. The Certificate of Implementation shall provide written evidence of KPMG Samjong’s adoption of such modifications and additions in narrative form, identify the actions taken to implement such modifications and additions, and be supported by exhibits sufficient to demonstrate implementation. KPMG Samjong shall

also submit such additional evidence of, and information concerning, implementation as the staff of the Division of Enforcement and Investigations may reasonably request.

4. Noncompliance. KPMG Samjong understands that a failure to satisfy all applicable undertakings may constitute a violation of PCAOB Rule 5000 and could provide a basis for the imposition of additional sanctions in a subsequent disciplinary proceeding.

ISSUED BY THE BOARD.

/s/ Phoebe W. Brown

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Phoebe W. Brown  
Secretary

March 11, 2025