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Order Instituting Disciplinary Proceedings, Making Findings, and Imposing Sanctions

In the Matter of PricewaterhouseCoopers LLP,

Respondent.

PCAOB Release No. 105-2025-018

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 PricewaterhouseCoopers LLP (“PwC Singapore,” the “Firm,” or “Respondent”);
- (2) imposing a civil money penalty in the amount of \$1,500,000 on PwC Singapore; 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 in connection with the Firm’s administration of Personal Independence Compliance Testing (“PICT”), the Firm violated PCAOB rules and quality control standards over approximately two years.

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 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. **PwC Singapore** is a public accounting firm located in Singapore. PwC Singapore is a member firm of the PricewaterhouseCoopers network, of which PricewaterhouseCoopers International Limited is the coordinating entity (“PwC Global”). The Firm registered with the Board on July 13, 2004, pursuant to Section 102 of the Act and PCAOB rules. The Firm 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 2022 until mid-2024, PwC Singapore violated PCAOB rules and quality control standards related to integrity and administration of its system of quality control. The Firm’s violations stemmed from its failures to establish and implement appropriate policies and procedures over its PICT process and to foster an appropriate ethical culture within its Independence Office. While these deficiencies in its PICT process existed, firm personnel in the Independence Office developed and implemented methods to influence the results of the PICT data the Firm reported to the PCAOB’s Division of Registration and Inspections (DRI) and understate the rates at which Firm personnel failed to timely report their financial interests and relationships.

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. PwC Singapore Violated PCAOB Rules and Quality Control 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

5. To provide reasonable assurance that the firm's quality control system "achieves its objectives, appropriate consideration should be given to the assignment of quality control responsibilities within the firm . . . and the extent to which the policies and procedures and compliance therewith should be documented."⁶ A firm should assign responsibility for the design and maintenance of quality control policies and procedures to appropriate individuals, giving consideration to "the proficiency of the individuals, the authority to be delegated to them, and the extent of supervision to be provided."⁷ A firm should also prepare appropriate documentation to demonstrate compliance with its quality control policies and procedures.⁸ Such documentation "should be retained for a period of time sufficient to enable those performing monitoring procedures . . . to evaluate the extent of the firm's compliance with its quality control policies and procedures."⁹

6. PCAOB quality control standards recognize that "[t]he elements of quality control are interrelated,"¹⁰ and that monitoring procedures are necessary "to provide the firm with reasonable assurance that the policies and procedures related to each of the other

³ See PCAOB Rule 3100, *Compliance with Auditing and Related Professional Practice Standards*; see also 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 *Id.* at .09.

⁶ *Id.* at .21.

⁷ *Id.* at .22.

⁸ *Id.* at 25.

⁹ *Id.*

¹⁰ *Id.* at .08.

elements of quality control are suitably designed and are being effectively applied.”¹¹ Under PCAOB standards, monitoring involves an ongoing consideration and evaluation of, among other things, compliance with the firm’s policies and procedures.¹²

ii. PICT Requirements

7. PwC Singapore’s Independence Office administers PICT to provide reasonable assurance that its audit professionals are fulfilling the financial disclosure requirements prescribed under the Firm’s independence policies. Most notably, the Firm requires all Partners and professionals of Senior Associate grade and above to maintain a “Checkpoint” portfolio to track their and their immediate family members’ financial interests and relationships. The Firm’s audit professionals are selected on a variety of bases for PICT to monitor their portfolio maintenance and identify any exceptions, i.e., any failures to properly or timely record their financial interests in the Checkpoint database.

8. Checkpoint exceptions identified during PICT are included in the Firm’s PICT exception rate. Conversely, exceptions that personnel “self-report” prior to the initiation of the PICT process are not included in the Firm’s PICT exception rate calculation.

9. As part of PCAOB inspections of the Firm, DRI requested and PwC Singapore provided information related to its PICT efforts and related results.

iii. Direction to Reduce PICT Exception Rates

10. In 2020, PwC Singapore was inspected by the PCAOB. In connection with that inspection, the PCAOB, citing the Firm’s PICT exception rates for fiscal years 2019 and 2020, identified a quality control criticism related to the Firm’s PICT process.¹³

11. This quality control criticism, together with a target from PwC Global to reduce PICT exception rates to below 15%, prompted Firm Risk Management leadership to direct the Independence Office to initiate measures intended to reduce the Firm’s PICT exception rate.

12. In response, the Independence Office began a concerted effort to improve compliance with the Firm’s independence policies with the aim of achieving a targeted PICT exception rate of 15%. Specifically, the Independence Office increased training on personal independence obligations and internal messaging promoting the importance of compliance

¹¹ *Id.*; see also QC § 30.02, *Monitoring a CPA Firm’s Accounting and Auditing Practice*; QC § 20.20.

¹² See QC § 20.20.d; see also QC § 30.02.d.

¹³ The PCAOB issued the inspection report on March 24, 2022.

with PwC Singapore's personal independence program and self-reporting exceptions. However, when these actions failed to achieve the desired effect, the Independence Office began implementing other measures to reduce the PICT exception rate.

13. Specifically, in an effort to reduce the PICT exception rate, the Independence Office started "proactively" contacting PICT selectees to direct them to review their financial holdings before providing them to PICT administrators. These selectees were further instructed to report all noted exceptions to the Independence Office before the PICT process commenced (the "Proactive Communication Approach"). Exceptions reported in this manner were characterized as "self-reported." In certain instances, the Independence Office also instructed PICT selectees to self-report Checkpoint exceptions identified during PICT. Exceptions reported in this manner were also designated as "self-reported."

14. Updated PICT guidance from PwC Global in November 2022 expressly stated that exceptions identified after personnel were notified of their selection for PICT but before PICT commenced should be considered PICT exceptions, not self-reported. In response, the Independence Office ceased the Proactive Communication Approach.

15. PwC Global's updated guidance prompted Independence Office personnel to implement two new approaches in or around February 2023 to reduce the Firm's PICT exception rate: the "Deferral Approach" and the "Advance Notice Approach."

16. Under the "Deferral Approach," Independence Office personnel contacted PICT selectees to instruct them to review their financial holdings and report any noted exceptions to the Independence Office prior to disclosing their financial holdings to PICT administrators. Anyone who reported an exception to the Independence Office was then issued a new PICT selection notice dated after the exception was reported, and the previously reported exception was improperly characterized as "self-reported."

17. Under the "Advance Notice Approach," Independence Office personnel notified Firm employees that they would be selected for PICT at a later date and instructed them to review their financial holdings for a specific period that would be subject to PICT so they could self-report any exceptions to the Independence Office prior to being officially notified of their selection for PICT. By providing the specific period the individual would be tested for, the Independence Office improperly influenced the PICT process. Any exceptions reported to the Independence Office following Advance Notice but before PICT notification were classified as "self-reported."

iv. PwC Singapore Provided Incorrect PICT Data to DRI

18. In March 2023, PwC Singapore submitted to the PCAOB a document entitled “Final Remediation Plan in Response to the 2020 PCAOB Inspection Quality Control Criticisms” (“Final Response”). The Final Response was prepared by the Firm’s Head of Independence and reviewed by the individual the Firm had appointed as the Partner Responsible for Independence (the “PRI”). The Final Response set forth several remedial actions undertaken by the Firm and stated that PICT exception rates had decreased to 13% in fiscal year 2022. The Firm also stated that the year-to-date fiscal year 2023 exception rate was 15%. The Final Response did not disclose the Proactive Communication Approach, the Deferral Approach, or the Advance Notice Approach employed by the Independence Office despite their impact on the Firm’s reported exception rates.

19. In August 2023, DRI requested, and the Firm provided, updated PICT exception rates. Shortly thereafter, DRI notified the Firm that it had concluded its review of the Firm’s remediation response and planned to recommend that the Board make a favorable determination. In September 2023, the Board made a final determination that the Firm had satisfactorily remediated the Board’s 2020 quality control criticism.

20. The PICT exception rates the Firm provided to DRI in March and August 2023 improperly excluded exceptions characterized by the Independence Office as “self-reported.”

v. Failures by PwC Singapore to Establish Adequate Quality Control Policies and Procedures Related to Integrity, Administration of the Firm’s System of Quality Control, and Monitoring

21. PwC Singapore failed to establish and implement policies and procedures sufficient to provide reasonable assurance that its Independence Office personnel would perform their professional responsibilities with integrity.¹⁴ Independence Office personnel went unchecked in their development and implementation of the various methods to modify the Firm’s PICT exception rates for fiscal years 2022 and 2023. Those PICT exception rates were ultimately reported to the PCAOB.

22. Firm leadership was focused on achieving the targeted PICT exception rate. As a consequence, Firm Risk Management leadership directed the Independence Office, to “do all possible to reverse” the elevated PICT exception rates. Firm Risk Management leadership did not obtain an understanding of how the Independence Office was ultimately able to reduce the

¹⁴ See QC § 20.03, .09.

PICT exception rate to below 15%. This focus, combined with a lack of appropriate PICT-related policies and procedures and related controls enabled the Independence Office's misconduct.

23. In addition, the Firm failed to give appropriate consideration to the assignment of QC responsibilities when selecting the individual it appointed as the PRI.¹⁵ At the time of the appointment, the PRI had no prior experience in independence and was already serving in other administrative roles within the Firm, as well as serving on client engagements. The Firm then failed to ensure that the PRI had sufficient knowledge of the PICT procedures utilized by Independence Office personnel and failed to provide sufficient resources to the Independence Office. Consequently, the PRI had insufficient time to devote to independence-related responsibilities, was deferential to incumbent Independence Office personnel, and had insufficient resources to ensure appropriate administration of the PICT process.

24. The Firm also failed to design and implement appropriate monitoring procedures to provide reasonable assurance that the Firm and its personnel were complying with the Firm's quality control policies and procedures. The improper means by which the Independence Office administered the PICT process went undetected for approximately two years. Indeed, the misconduct was not discovered until an internal investigation was conducted following the PCAOB's commencement of its inquiry into the matter.

25. Lastly, the Firm failed to design and implement adequate policies and procedures to ensure that Firm personnel prepared and retained documentation for a period of time sufficient to enable those performing monitoring procedures to evaluate the extent of the Firm's compliance with its quality control policies and procedures.¹⁶ Independence Office personnel who improperly modified PICT exception rates purposefully used MS Teams (which, under Firm policy, preserves chats for only 24 hours and does not record or retain calls) as the primary means to communicate directives to PICT selectees to avoid creating a permanent paper trail memorializing their actions.

26. Accordingly, the Firm violated PCAOB quality control standards related to integrity, administration of the Firm's system of quality control, and monitoring.¹⁷

¹⁵ See *id.* at .21-.22.

¹⁶ See *id.* at .25.

¹⁷ See QC §§ 20.09, .20-.22, .24-.25; QC §§ 30.03, .06.

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 shared with the PCAOB the results of its internal investigation which revealed the circumstances surrounding the Independence Office's efforts to improperly reduce the Firm's reported PICT exception rates. Additionally, the Firm voluntarily instituted remedial measures to address the above-described issues, including: (1) increasing trainings and workshops focusing on the importance of employee adherence to both the letter and spirit of the Firm's independence policies; (2) undertaking efforts to transform the culture within the Independence Office and the Firm to incentivize personnel to act with integrity and report unethical behavior; (3) appointing a new PRI, Ethics and Business Conduct Leader, and Risk and Quality Leader; (4) requiring the newly appointed PRI and any successor to devote at least 50% of their time to independence matters; (5) forming an Advisory Working Group to support and provide guidance and subject matter expertise to the Independence Office; and (6) appointing a new Head of PICT to lead the team assigned to administer the PICT process.

Absent the Firm's extraordinary cooperation, the civil money penalty imposed against the Firm would have been 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), Respondent 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 \$1,500,000 is imposed on PwC Singapore.
 1. All funds collected by the Board as a result of the assessment of these civil money penalties will be used in accordance with Section 109(c)(2) of the Act.
 2. Respondent shall pay the 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

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

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 the entity 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. The Firm 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 PwC Singapore 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), PwC Singapore is required:
1. Within 90 days of the entry of the Order, to provide ten hours of personal independence training to the Partner Responsible for Independence and PwC Singapore Independence Office personnel.
 2. Within 120 days of the entry of the Order, to establish, revise, or supplement, as necessary, policies and procedures, including monitoring procedures, to provide the Firm with reasonable assurance that: (a) all personnel perform all independence-related compliance procedures with integrity; (b) all personnel to whom independence-related compliance procedures are assigned have the degree of technical training and proficiency required under the circumstances and are sufficiently supervised; (c) instructions for performing independence-related compliance procedures are appropriately established and implemented; (d) appropriate documentation is prepared and retained to demonstrate compliance with independence-related compliance policies and procedures; and (e) the above-described policies and procedures are suitably designed and effectively applied.
 3. Within 120 days of the entry of the Order, to provide: (a) four hours of ethics training to the Partner Responsible for Independence and PwC Singapore

Independence Office personnel; and (b) four hours of personal independence training to all Firm personnel.

4. Within 180 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 paragraphs IV.D.1.-3. 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. PwC Singapore 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. Respondent understands that a failure to satisfy the undertakings and conditions prescribed herein 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 11, 2025