
2021 Inspection PAN-CHINA SINGAPORE PAC

(Headquartered in Singapore, Republic of
Singapore)

August 31, 2022

THIS IS A PUBLIC VERSION OF A PCAOB INSPECTION REPORT

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(Includes portions of Part II of the full report
that were not included in PCAOB Release No. 104-2022-188)



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2021 INSPECTION

In the 2021 inspection of PAN-CHINA SINGAPORE PAC, the Public Company Accounting Oversight Board (PCAOB) assessed the firm's compliance with laws, rules, and professional standards applicable to the audits of public companies. Our inspection was conducted in cooperation with the Accounting and Corporate Regulatory Authority.

We selected for review two audits of issuers, one with a fiscal year ending in 2019 and one with a fiscal year ending in 2020. For each issuer audit selected, we reviewed a portion of the audit. We also evaluated elements of the firm's system of quality control.

2021 Inspection Approach

In selecting issuer audits for review, we use a risk-based method of selection. We make selections based on (1) our internal evaluation of audits we believe have a heightened risk of material misstatement, including those with challenging audit areas, and (2) other risk-based characteristics, including issuer and firm considerations. In certain situations, we may select all of the firm's issuer audits for review.

When we review an audit, we do not review every aspect of the audit. Rather, we generally focus our attention on audit areas we believe to be of greater complexity, areas of greater significance or with a heightened risk of material misstatement to the issuer's financial statements, and areas of recurring deficiencies. We may also select some audit areas for review in a manner designed to incorporate unpredictability.

Our selection of audits for review does not necessarily constitute a representative sample of the firm's total population of issuer audits. Additionally, our inspection findings are specific to the particular portions of the issuer audits reviewed. They are not an assessment of all of the firm's audit work nor of all of the audit procedures performed for the audits reviewed.

View the details on the [scope of our inspections and our inspections procedures](#).

OVERVIEW OF THE 2021 INSPECTION

The following information provides an overview of our 2021 inspection, which was our first inspection of this firm. We use a risk-based method to select audits for review and to identify areas on which we focus our review. Because our inspection process evolves over time, it can, and often does, focus on a different mix of audits and audit areas from inspection to inspection and firm to firm. Further, a firm's business, the applicable auditing standards, or other factors can change from the time of one inspection to the next. As a result of these variations, we caution that our inspection results are not necessarily comparable over time or among firms.

Firm Data and Audits Selected for Review

	2021
Firm data	
Total issuer audit clients for which the firm was the principal auditor at the outset of the inspection procedures	1
Total issuer audits in which the firm was not the principal auditor	0
Total engagement partners on issuer audit work ¹	2
Audits reviewed	
Total audits reviewed ²	2
Audits in which the firm was the principal auditor	2
Integrated audits of financial statements and internal control over financial reporting (ICFR)	0
Audits with Part I.A deficiencies	2

If we include a deficiency in Part I.A of our report, it does not necessarily mean that the firm has not addressed the deficiency. In many cases, the firm has performed remedial actions after the deficiency was identified. Depending on the circumstances, remedial actions may include performing additional

¹ The number of engagement partners on issuer audit work represents the total number of firm personnel (not necessarily limited to personnel with an ownership interest) who had primary responsibility for an issuer audit (as defined in AS 1201, *Supervision of the Audit Engagement*) or for the firm's role in an issuer audit during the twelve-month period preceding the outset of the inspection.

² The population of issuer audits from which audits are selected for review may differ from the issuer audits at the outset of the inspection procedures due to variations such as new issuer audit clients for which the firm has not yet issued an audit report or issuer audit clients lost prior to the outset of the inspection.

audit procedures, informing management of the issuer of the need for changes to the financial statements or reporting on ICFR, or taking steps to prevent reliance on prior audit reports.

Our inspection may include a review, on a sample basis, of the adequacy of a firm's remedial actions, either with respect to previously identified deficiencies or deficiencies identified during the current inspection. If a firm does not take appropriate actions to address deficiencies, we may criticize its system of quality control or pursue a disciplinary action.

If we include a deficiency in our report — other than those deficiencies for audits with incorrect opinions on the financial statements and/or ICFR — it does not necessarily mean that the issuer's financial statements are materially misstated or that undisclosed material weaknesses in ICFR exist. It is often not possible for us to reach a conclusion on those points based on our inspection procedures and related findings because, for example, we have only the information that the auditor retained and the issuer's public disclosures. We do not have direct access to the issuer's management, underlying books and records, and other information.

Audit Areas Most Frequently Reviewed

This table reflects the audit areas we have selected most frequently for review in the 2021 inspection. For the issuer audits selected for review, we selected these areas because they were generally significant to the issuer's financial statements, may have included complex issues for auditors, and/or involved complex judgments in (1) estimating and auditing the reported value of related accounts and disclosures and (2) implementing and auditing the related controls.

2021	
Audit area	Audits reviewed
Revenue and related accounts	2
Cash and cash equivalents	2

PART I: INSPECTION OBSERVATIONS

Part I.A of our report discusses deficiencies, if any, that were of such significance that we believe the firm, at the time it issued its audit report(s), had not obtained sufficient appropriate audit evidence to support its opinion on the issuer's financial statements and/or ICFR.

Part I.B discusses deficiencies, if any, that do not relate directly to the sufficiency or appropriateness of evidence the firm obtained to support its opinion(s) but nevertheless relate to instances of non-compliance with PCAOB standards or rules.

Consistent with the Sarbanes-Oxley Act ("Act"), it is the Board's assessment that nothing in Part I of this report deals with a criticism of, or potential defect in, the firm's quality control system. We discuss any such criticisms or potential defects in Part II. Further, you should not infer from any Part I deficiency, or combination of deficiencies, that we identified a quality control finding in Part II. Section 104(g)(2) of the Act restricts us from publicly disclosing Part II deficiencies unless the firm does not address the criticisms or potential defects to the Board's satisfaction no later than 12 months after the issuance of this report.

Classification of Audits with Part I.A Deficiencies

Within Part I.A of this report, we classify each issuer audit in one of the categories discussed below based on the Part I.A deficiency or deficiencies identified in our review.

The purpose of this classification system is to group and present issuer audits by the number of Part I.A deficiencies we identified within the audit as well as to highlight audits with an incorrect opinion on the financial statements and/or ICFR.

Audits with an Incorrect Opinion on the Financial Statements and/or ICFR

This classification includes instances where a deficiency was identified in connection with our inspection and, as a result, an issuer's financial statements were determined to be materially misstated, and the issuer restated its financial statements. It also includes instances where a deficiency was identified in connection with our inspection and, as a result, an issuer's ICFR was determined to be ineffective, or there were additional material weaknesses that the firm did not identify, and the firm withdrew its opinion, or revised its report, on ICFR. This classification does not include instances where, unrelated to our review, an issuer restated its financial statements and/or an issuer's ICFR was determined to be ineffective. We include any deficiencies identified in connection with our reviews of these audits in the audits with multiple deficiencies or audits with a single deficiency classification below.

Audits with Multiple Deficiencies

This classification includes instances where multiple deficiencies were identified that related to a combination of one or more financial statement accounts, disclosures, and/or important controls in an ICFR audit.

Audits with a Single Deficiency

This classification includes instances where a single deficiency was identified that related to a financial statement account or disclosure or to an important control in an ICFR audit.

PART I.A: AUDITS WITH UNSUPPORTED OPINIONS

This section of our report discusses the deficiencies identified, by specific issuer audit reviewed, in the audit work supporting the firm's opinion on the issuer's financial statements.

We identify each issuer by a letter (e.g., Issuer A). Each deficiency could relate to several auditing standards, but we reference the PCAOB standard(s) that most directly relates to the requirement with which the firm did not comply.

We present issuer audits below within their respective deficiency classifications (as discussed previously). Within the classifications, we generally present the audits based on our assessment as to the relative significance of the identified deficiencies, taking into account the significance of the financial statement accounts and/or disclosures affected, and/or the nature or extent of the deficiencies.

Audits with an Incorrect Opinion on the Financial Statements and/or ICFR

None

Audits with Multiple Deficiencies

Issuer A

Type of audit and related areas affected

In our review, we identified deficiencies in the financial statement audit related to **Cash** and **Related Party Transactions**.

Description of the deficiencies identified

With respect to **Cash**:

The firm did not perform any procedures, beyond inquiry, to test the existence of certain cash. (AS 2301.08)

With respect to **Related Party Transactions**:

To test an amount due to a related party, the firm sent a positive confirmation request with an amount that did not agree with the amount on the balance sheet. The firm received a response from the related

party without any exceptions. The firm subsequently sent another request, with the amount recorded on the balance sheet, and received a response without any exceptions. The firm did not sufficiently evaluate the evidence provided by the two confirmations because it did not consider the reliability of the confirmations, the nature of the exceptions between the two confirmations, and whether additional evidence was needed. (AS 2310.33; AS 2810.03)

Issuer B

Type of audit and related area affected

In our review, we identified deficiencies in the financial statement audit related to **Revenue**.

Description of the deficiencies identified

The firm did not perform any substantive procedures to test, or in the alternative, test controls over, the completeness of information that the firm used in its substantive testing. (AS 1105.10)

The issuer recorded an adjustment to ensure that revenue was appropriately recognized at year end. The firm did not perform any procedures to test the adjustment to revenue. (AS 2301.08)

Audits with a Single Deficiency

None

PART I.B: OTHER INSTANCES OF NON-COMPLIANCE WITH PCAOB STANDARDS OR RULES

This section of our report discusses any deficiencies we identified that do not relate directly to the sufficiency or appropriateness of evidence the firm obtained to support its opinion(s) but nevertheless relate to instances of non-compliance with PCAOB standards or rules.

When we review an audit, we do not review every aspect of the audit. As a result, the areas below were not necessarily reviewed on every audit. In some cases, we assess the firm's compliance with specific PCAOB standards or rules on other audits that were not reviewed and include any instances of non-compliance below.

The deficiencies below are presented in numerical order based on the PCAOB standard or rule with which the firm did not comply. We identified the following deficiencies:

- In the two audits reviewed, the firm did not assemble a complete and final set of audit documentation for retention within 45 days following the report release date. In these instances, the firm was non-compliant with AS 1215, *Audit Documentation*.

- In the two audits reviewed, the firm did not communicate to the issuer's audit committee, or equivalent, all of the significant risks identified through its risk assessment procedures. In these instances, the firm was non-compliant with AS 1301, *Communications with Audit Committees*.
- In the two audits reviewed and in two previous audits of one of these issuers, the firm did not file one or more reports on Form AP by the relevant deadline. In these instances, the firm was non-compliant with PCAOB Rule 3211, *Auditor Reporting of Certain Audit Participants*.

PART II: OBSERVATIONS RELATED TO QUALITY CONTROL

Part II of our report discusses criticisms of, and potential defects in, the firm's system of quality control.

We include deficiencies in Part II if an analysis of the inspection results, including the results of the reviews of individual audits, indicates that the firm's system of quality control does not provide reasonable assurance that firm personnel will comply with applicable professional standards and requirements. Generally, the report's description of quality control criticisms is based on observations from our inspection procedures.

This report does not reflect changes or improvements to the firm's system of quality control that the firm may have made subsequent to the period covered by our inspection. The Board does consider such changes or improvements in assessing whether the firm has satisfactorily addressed the quality control criticisms or defects no later than 12 months after the issuance of this report.

When we issue our reports, we do not make public criticisms of, and potential defects in, the firm's system of quality control, to the extent any are identified. If a firm does not address to the Board's satisfaction any criticism of, or potential defect in, the firm's system of quality control within 12 months after the issuance of our report, we will make public any such deficiency.

A. Testing Cash

The inspection results indicate that the firm's system of quality control does not provide reasonable assurance that the work performed by the firm's personnel with respect to testing cash will meet the requirements of AS 2301. (QC 20.03 and .17)

In one audit,³ which is included in Part I.A, the inspection team identified a deficiency related to the firm's testing of cash.

B. Use of Confirmations

The inspection results indicate that the firm's system of quality control does not provide reasonable assurance that the work performed by the firm's personnel when obtaining and evaluating confirmations will meet the requirements of AS 2310 and AS 2810. (QC 20.03 and .17)

In one audit,⁴ which is included in Part I.A, the inspection team identified deficiencies related to the firm's use of confirmations, including considering the reliability of the confirmations, the nature of exceptions between the two responses, and whether additional evidence was needed.

³ Issuer A

⁴ Issuer A

C. Testing Revenue

The inspection results indicate that the firm's system of quality control does not provide reasonable assurance that the work performed by the firm's personnel with respect to testing revenue will meet the requirements of AS 1105 and AS 2301. (QC 20.03 and .17)

In two audits,⁵ one of which is included in Part I.A,⁶ the inspection team identified deficiencies related to testing the completeness of information used in substantive testing and testing adjustments to revenue.

D. Engagement Quality Review

The inspection results indicate that the firm's system of quality control does not provide reasonable assurance that the review procedures performed by the firm's engagement quality review (EQR) partners will meet the requirements of AS 1220. (QC 20.03 and .17)

In one audit,⁷ which is included in Part I.A, the inspection team identified a deficiency in an area that the EQR partner was required to evaluate. In this audit, the EQR partner did not identify a deficiency in an area in which the engagement team had identified a fraud risk.

E. Practice Monitoring

The inspection results indicate that the firm's system of quality control does not provide reasonable assurance that the firm is effectively monitoring its accounting and auditing practice. (QC 20.20)

Although the firm's policies and procedures for monitoring its accounting and auditing practice require the performance of annual internal inspections, the firm has not provided any written evidence on the annual internal inspections procedures or alternative procedures performed in accordance with its policies and procedures.

F. Audit Policies, Procedures, and Methodologies

The inspection results indicate that the firm's system of quality control does not provide reasonable assurance that the firm and its personnel will comply with applicable professional standards and regulatory requirements. (QC 20.03 and .17)

The firm has not established policies and procedures to ensure that the firm is using an audit methodology on issuer audit work that is in accordance with current PCAOB auditing standards.

⁵ Issuers A and B

⁶ Issuer B

⁷ Issuer B

G. Risk Assessment

The inspection results indicate that the firm's system of quality control does not provide reasonable assurance that the work performed by the firm's personnel with respect to assessing risks will meet the requirements of AS 2110. (QC 20.03 and .17)

In two audits,⁸ the firm did not perform any risk assessment procedures to identify and assess the risk of material misstatement at the financial statement level and assertion level.

H. Assigning Personnel with Adequate Training and Proficiency

The inspection results indicate that the firm's system of quality control does not provide reasonable assurance that the firm will assign work to personnel who have the technical training and proficiency required in the circumstances in accordance with QC 20 and AS 1010. (QC 20.03 and .13)

The firm does not have training requirements that require professionals assigned to issuer audit work to receive training on PCAOB standards and rules, SEC rules and regulations, and U.S. GAAP.

I. Independence

The inspection results indicate that the firm's system of quality control does not provide reasonable assurance that the firm and its personnel will comply with the firm's policies and procedures with respect to independence-related regulatory requirements. (QC 20.04, .09, and .10)

The firm's policies and procedures require that the personnel assigned to an assurance engagement confirm to the engagement partner that they are independent. Specifically, firm personnel are required to complete an Independence Questionnaire and Client and Engagement Independence Confirmation for each assurance engagement. In two audits,⁹ firm personnel did not complete the required Independence Questionnaire and Client and Engagement Independence Confirmation to confirm their independence of the firm's issuer.

In addition, the firm's policies and procedures require that all personnel complete and sign an independence confirmation upon hire and on an annual basis thereafter, stating that they understand and have complied with the firm's independence policies and procedures. Although the firm's policies and procedures require independence representations from all personnel, those policies and procedures do not require that the representations from all personnel who work on issuer audits address compliance with SEC and PCAOB independence rules.

⁸ Issuers A and B

⁹ Issuers A and B

J. Communications with Audit Committees

The inspection results indicate that the firm's system of quality control does not provide reasonable assurance that the firm's personnel will comply with the requirements of AS 1301. (QC 20.03 and .17)

In two audits,¹⁰ both of which are included in Part I.B, the inspection team identified deficiencies related to the firm's communications with the issuer's audit committee, or equivalent.

K. Auditor Reporting of Certain Audit Participants

The inspection results indicate that the firm's system of quality control does not provide reasonable assurance that the firm's personnel will comply with PCAOB Rule 3211. (QC 20.03 and .17)

In four audits,¹¹ including the current and two prior year audits of one issuer¹² and dual-dated auditor's reports for the two prior year audits, all of which are included in Part I.B, the inspection team identified deficiencies related to the firm's reporting on Form AP.

L. Compliance with Certain Audit Documentation Requirements

The inspection results indicate that the firm's system of quality control does not provide reasonable assurance that the firm's personnel will comply with the requirements of AS 1215. (QC 20.03 and .17)

The firm's policies and procedures do 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; instead, the firm's policy includes a 60-day requirement.

The firm's policies and procedures include storing a complete and final set of audit documentation on a thumb drive in a secured locker. Firm personnel are required to check in or check out the thumb drive. Once a thumb drive is checked out, firm personnel are required to make a copy of the audit documentation and return the thumb drive to the secured locker. In one audit,¹³ firm personnel checked out the thumb drive to make a copy because the firm was engaged to re-audit the financial statements as part of a subsequent audit by the successor auditor. The thumb drive was lost and the firm overrode a local copy of the audit documentation with the work performed for the re-audit. As a result, the firm did not have a complete and final set of audit documentation for the audit.

¹⁰ Issuers A and B

¹¹ Issuers A and B

¹² Issuer A

¹³ Issuer A

APPENDIX A: FIRM'S RESPONSE TO THE DRAFT INSPECTION REPORT

Pursuant to Section 104(f) of the Act, 15 U.S.C. § 7214(f), and PCAOB Rule 4007(a), the Board provided the firm an opportunity to review and comment on a draft of this report. The firm did not provide a written response.

