2021 Inspection JP Centurion & Partners PLT

(Headquartered in Kuala Lumpur, Malaysia)

October 20, 2022

<u>THIS IS A PUBLIC VERSION OF A PCAOB INSPECTION REPORT</u>

PCAOB
PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD

PCAOB RELEASE NO. 104-2022-248A
(Includes portions of Part II of the full report
that were not included in PCAOB Release No. 104-2022-070)

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2021 INSPECTION

In the 2021 inspection of JP Centurion & Partners PLT, 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.

We selected for review three audits of issuers with fiscal years 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, 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	9
Total issuer audits in which the firm was not the principal auditor	0
Total engagement partners on issuer audit work[1]	3
Audits reviewed	
Total audits reviewed[2]	3
Audits in which the firm was the principal auditor	3
Integrated audits of financial statements and internal control over financial reporting (ICFR)	0
Audits with Part I.A deficiencies	3

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 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.

[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.

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	3
Business combinations	2
Cash and cash equivalents	2
Certain assets	1
A significant estimate	1

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 **Revenue**, a **Business Combination**, a **Certain Asset**, and **Related Party Transactions**.

Description of the deficiencies identified

With respect to **Revenue**:

The issuer entered into a contract with a customer that contained multiple products and services. The following deficiencies were identified:

- The firm did not identify, and appropriately address, a departure from GAAP related to the issuer's recognition of all revenue under this arrangement up front, which is not in conformity with FASB ASC Topic 606, *Revenue from Contracts with Customers*. (AS 2810.30)

- The firm did not identify, and appropriately address, a departure from GAAP related to the issuer's omission of a disclosure required by FASB ASC Topic 280, *Segment Reporting*. (AS 2810.30 and .31)

- In its testing, the firm identified evidence indicating that the issuer may not have had legal title to the products and services it offered under this arrangement. The firm did not perform any substantive procedures to evaluate this contradictory evidence and the related effect on revenue recognition. (AS 2301.08; AS 2810.03)

- The firm did not perform any substantive procedures to evaluate whether the issuer's conclusion that the products and services sold under this arrangement consisted of a single performance obligation was in conformity with FASB ASC Topic 606. (AS 2810.30)

- The firm did not perform any substantive procedures, beyond inquiry of management, to test whether the performance obligation was satisfied prior to the recognition of revenue. (AS 2301.08)

With respect to a **Business Combination**:

During the year, the issuer merged with another company in a business combination. The firm did not evaluate whether the issuer appropriately recognized and measured this merger in conformity with FASB ASC Topic 805, *Business Combinations*. (AS 2810.30)

With respect to a **Certain Asset**:

The firm did not perform any substantive procedures to test the value of a certain asset. (AS 2301.08)

To evaluate the possible impairment of this asset, the issuer estimated the fair value of this asset using forecasted cash flows and other assumptions. The firm did not perform any procedures, beyond inquiry of management and reviewing the issuer's analysis, to test the issuer's fair value measurement. (AS 2502.15) In addition, the firm did not perform any procedures to evaluate whether events and circumstances continued to support the established useful life for this asset. (AS 2301.08)

With respect to **Related Party Transactions**:

The firm included evidence in its audit work papers indicating that an entity associated with a related party transaction was inconsistent with the entity disclosed in the financial statements for this transaction. The firm did not perform any procedures to evaluate this contradictory evidence and whether it had an effect on the financial statement disclosures. (AS 2410.17; AS 2810.03)

Issuer B

Type of audit and related areas affected

In our review, we identified deficiencies in the financial statement audit related to **Accounts Receivable**, a **Business Combination**, and a **Significant Estimate**.

Description of the deficiencies identified

With respect to **Accounts Receivable**:

The issuer did not record an allowance for doubtful accounts based on an assumption. The firm's approach for evaluating the reasonableness of this assumption was to develop an independent expectation of the issuer's assumption. The following deficiencies were identified:

- The firm did not demonstrate that it had a reasonable basis for an assumption it used to develop its independent expectation. (AS 2501.16)
- The firm did not perform any procedures to test, or in the alternative, identify and test any controls over, the accuracy and completeness of issuer data that the firm used to develop its independent expectation. (AS 1105.10)

With respect to a **Business Combination**:

During the year, the issuer merged with another company in a business combination. The firm did not evaluate whether the issuer appropriately recognized and measured this merger in conformity with FASB ASC Topic 805. (AS 2810.30)

With respect to a **Significant Estimate**:

The firm's approach for substantively testing a significant estimate was to develop an independent expectation. The firm did not demonstrate that it had a reasonable basis for its independent expectation. (AS 2501.22)

Issuer C – Consumer Staples

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's substantive procedures to test revenue included testing a sample of revenue transactions and performing year-end cut-off procedures. The following deficiencies were identified:

- For certain selected transactions, the firm did not perform any procedures to test whether performance obligations had been satisfied prior to the recognition of revenue. (AS 2301.08)
- For contracts with multiple performance obligations, the firm did not perform substantive procedures to test the allocation of the transaction price to each performance obligation, beyond comparing the allocation to the payment terms in the contract. (AS 2501.07)

- The firm did not perform any procedures to test, or in the alternative, identify and test any controls over, the completeness of the revenue transactions tested in its cut-off procedures. (AS 1105.10)

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 three audits reviewed, the firm did not make certain required communications to the issuer's audit committee, or equivalent, related to (1) the significant risks identified through its risk assessment procedures; (2) an overview of the overall audit strategy; (3) the results of the audit; and (4) the firm's evaluation of the quality of the issuer's financial reporting. In these instances, the firm was non-compliant with AS 1301, *Communications with Audit Committees*.

- In two of three audits reviewed, the firm did not make a required communication to the issuer's audit committee, or equivalent, related to the firm's evaluation of the issuer's ability to continue as a going concern. In these instances, the firm was non-compliant with AS 1301, *Communications with Audit Committees*.

- In one of three audits reviewed, the firm did not provide a copy of the management representation letter to the issuer's audit committee equivalent. In this instance, the firm was non-compliant with AS 1301, *Communications with Audit Committees*, and AS 2805, *Management Representations*.

- In the three audits reviewed, the firm did not provide to management and the audit committee, or equivalent, the required communications in writing of all significant deficiencies and material weaknesses identified during the audit prior to the issuance of the auditor's report. In these instances, the firm was non-compliant with AS 1305, *Communications About Control Deficiencies in an Audit of Financial Statements.*

- In the three audits reviewed, the firm did not make certain required communications to the issuer's audit committee, or equivalent, related to its evaluation of the issuer's identification of, accounting for, and disclosure of its relationships and transactions with related parties. In these instances, the firm was non-compliant with AS 2410, *Related Parties.*

- In one audit, the firm's audit report did not include an explanatory paragraph related to the correction of a material misstatement in previously issued financial statements. In this instance, the firm was non-compliant with AS 2820, *Evaluating Consistency of Financial Statements*.

- In one audit reviewed, the engagement team performed procedures to determine whether or not matters were critical audit matters but did not include in those procedures certain matters that were communicated to the audit committee equivalent and that related to accounts or disclosures that were material to the financial statements. In this instance, the firm was non-compliant with AS 3101, *The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion*. This instance of non-compliance does not necessarily mean that critical audit matters should have been communicated in the auditor's report.

- In one audit, the firm's audit report incorrectly identified one of the issuer's financial statements. In this instance, the firm was non-compliant with AS 3101, *The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion*.

- In one audit, the firm did not file its report on Form AP by the relevant deadline. In this instance, the firm was non-compliant with PCAOB Rule 3211, *Auditor Reporting of Certain Audit Participants*.

- In the three audits reviewed, the firm's independence communications with the audit committee, or equivalent, inaccurately described the professional standards related to required communications. In these instances, the firm was non-compliant with PCAOB Rule 3526, *Communication with Audit Committees Concerning Independence.*

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 Estimates, Including Fair Value Measurements

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 estimates, including fair value measurements, will meet the requirements of AS 2501 and AS 2502.[3] (QC 20.03 and .17)

In three audits,[4] all of which are included in Part I.A, the inspection team identified deficiencies related to the firm's testing of estimates, including fair value measurements.

B. Reliance on Data and Reports

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 to establish a basis for reliance on data or reports will meet the requirements of AS 1105. (QC 20.03 and .17)

[3] AS 2502, *Auditing Fair Value Measurements and Disclosures*, which was in effect for one of the audits that was the subject of this review, was replaced by AS 2501, *Auditing Accounting Estimates, Including Fair Value Measurements*, which is effective for audits of financial statements for fiscal years ending on or after December 15, 2020.

[4] Issuers A, B, and C

In three audits,[5] two[6] of which are included in Part I.A, the inspection team identified deficiencies related to unwarranted reliance on data and reports. In two audits,[7] the firm did not test, or in the alternative, test controls over, the accuracy and/or completeness of certain data and reports that it used in its substantive testing. In addition, in two audits,[8] the firm did not sufficiently test the completeness of the population from which it selected journal entries for testing.

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 2301 and AS 2810. (QC 20.03 and .17)

In two audits,[9] both of which are included in Part I.A, the inspection team identified deficiencies related to the firm's testing of revenue, including a deficiency related to the firm not identifying and appropriately addressing a departure from GAAP.

D. Testing Business Combinations

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 business combinations will meet the requirements of AS 2810. (QC 20.03 and .17)

In two audits,[10] both of which are included in Part I.A, the inspection team identified deficiencies related to the firm's testing of whether the issuer appropriately recognized and measured business combinations.

E. Testing Certain Assets

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 certain assets will meet the requirements of AS 2301. (QC 20.03 and .17)

In one audit,[11] which is included in Part I.A, the inspection team identified deficiencies related to the firm's testing of the value of a certain asset and evaluation of the useful life of that asset.

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[5] Issuers A, B, and C

[6] Issuers B and C

[7] Issuers B and C

[8] Issuers A and C

[9] Issuers A and C

[10] Issuers A and B

[11] Issuer A

F. Evaluating Disclosures

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 to evaluate disclosures will meet the requirements of AS 2410 and AS 2810. (QC 20.03 and .17)

In one audit,[12] which is included in Part I.A, the inspection team identified deficiencies related to the firm's evaluation of financial statement disclosures related to segment reporting and related party transactions, including a deficiency related to not identifying and appropriately addressing a departure from GAAP.

G. 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 three audits,[13] all of which are included in Part I.A and two[14] of which are included in Part I.B, the inspection team identified deficiencies in areas that the EQR partner was required to evaluate. In these audits, the EQR partner did not identify a deficiency in an area in which the engagement team had identified a significant risk, including in some cases a fraud risk. In one audit,[15] the EQR partner did not identify deficiencies in the audit report. In addition, in one audit,[16] the EQR partner did not identify a deficiency in the engagement team's determination of whether or not matters were critical audit matters.

H. Fraud Procedures

The inspection results indicate that the firm's system of quality control does not provide reasonable assurance that the firm's personnel will perform the procedures necessary to comply with AS 2110 and AS 2401. (QC 20.03 and .17)

In three audits,[17] the firm did not perform procedures to obtain an understanding of the issuer's financial reporting process and controls over journal entries and other adjustments. In addition, in one

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[12] Issuer A

[13] Issuers A, B, and C

[14] Issuers A and C

[15] Issuer A

[16] Issuer C

[17] Issuers A, B, and C

audit,[18] the firm did not (1) hold a discussion among key engagement team members regarding the susceptibility of the issuer's financial statements to material misstatement due to error or fraud and (2) inquire of management regarding the risks of material misstatement, including fraud risks.

I. 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, AS 1305, AS 2110, AS 2410, AS 2805, and PCAOB Rule 3526. (QC 20.03 and .17)

In three audits,[19] all 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. In addition, in these audits, the firm did not inquire of the audit committee, or equivalent, regarding (1) its knowledge of violations or possible violations of laws or regulations; (2) the risks of material misstatement, including fraud risks; and (3) its understanding of the issuer's relationships and transactions with related parties that are significant to the issuer.

J. Audit Reports and Critical Audit Matters

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 2820 and AS 3101. (QC 20.03 and .17)

In one audit,[20] which is included in Part I.B, the inspection team identified deficiencies related to the firm's audit report. In addition, in one audit,[21] which is included in Part I.B, the inspection team identified a deficiency related to the firm's procedures for determining whether or not matters were critical audit matters.

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[18] Issuer C

[19] Issuers A, B, and C

[20] Issuer A

[21] Issuer C

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.