

ORDER

Respondent consents to the entry of this Order Instituting Disciplinary Proceedings, Making Findings and Imposing Sanctions ("Order") as set forth below.²

III.

On the basis of Respondent's Offer, the Board finds that:³

A. Respondent

1. Juan Edgar Mata Castro, age 41, of Mexico City, Mexico, was a senior manager in the Mexico City, Mexico office of Galaz, Yamazaki, Ruiz Urquiza, S.C. ("Deloitte Mexico" or "Firm") and an associated person of a registered public accounting firm as that term is defined in Section 2(a)(9) of the Act and PCAOB Rule 1001(p)(i). The Firm is a member of the Deloitte Touche Tohmatsu Limited global network. Mata served as the senior manager for the audits of Southern Copper Corporation ("SCC" or "Company") for years ending December 31, 2009 through December 31, 2011. In August 2012, Mata took employment elsewhere and left Deloitte Mexico.

B. Issuer

2. SCC is a Delaware corporation headquartered in Phoenix, Arizona. SCC's public filings disclose that SCC is a large integrated copper producer with mining, smelting and refining facilities located in Peru and Mexico. Its common stock is listed on both the New York and Lima Stock Exchanges under the symbol "SCCO." At all relevant times, SCC was an issuer as that term is defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii).

C. Summary

3. This matter concerns Respondent's violations of PCAOB rules and standards following the Firm's audits of the Company's December 31, 2010 financial

² The findings herein are made pursuant to the Respondent's Offer and are not binding on any other person or entity in this or any other proceeding.

³ 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: (A) intentional or knowing conduct, including reckless conduct, that results in a violation of the applicable statutory, regulatory, or professional standard; or (B) repeated instances of negligent conduct, each resulting in a violation of the applicable statutory, regulatory, or professional standard.



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statements and the Company's internal control over financial reporting ("ICFR") as of December 31, 2010 (the "Audit"), as well as his misconduct in connection with a subsequent PCAOB inspection.⁴ Respondent had served as the senior manager for the Company's audits since 2009. In that role, Respondent was supervised by the engagement partner on the Audit. Respondent also served as the senior manager on the part of the Audit related to SCC's Mexican subsidiary, Industrial Minera Mexico, S.A. de CV ("IMMSA"). As a senior manager on the IMMSA portion of the Audit, Respondent also was supervised by the IMMSA audit partner.

4. After the documentation completion date for the Audit, Respondent and certain other members of the engagement team improperly altered the documentation for the Audit.⁵ Specifically, in advance of a post-audit internal practice review performed by the Firm ("Practice Review"),⁶ Respondent and certain other members of the engagement team violated PCAOB Auditing Standard No. 3, *Audit Documentation* ("AS3"), by deleting work papers from and making other alterations to documentation that had previously been assembled for retention for the Audit. In addition, Respondent and certain other members of the engagement team made additions to the previously assembled documentation, without identifying when the additions were made, who made them, and why they were made, as required by AS3.

5. Beginning in March 2012, the staff of the Board's Division of Registration and Inspections ("Inspections") inspected the Audit. In connection with the inspection, the Firm made available to Inspections the Audit work papers Respondent and other members of the engagement team had previously improperly altered, as well as other

⁴ All references to PCAOB rules and standards are to the versions of those rules and standards in effect at the time of the relevant conduct. As of December 31, 2016, the PCAOB reorganized its auditing standards using a topical structure and a single, integrated numbering system. See *Reorganization of PCAOB Auditing Standards and Related Amendments to PCAOB Standards and Rules*, PCAOB Release No. 2015-002 (Mar. 31, 2015); see also *PCAOB Auditing Standards Reorganized and Pre-Reorganized Numbering* (January 2016), <https://pcaobus.org/Standards/Auditing/Documents/PrintableReferenceTable.pdf>.

⁵ See *Arturo Vargas Arellano, CPC*, PCAOB Rel. No. 105-2016-045 (Dec. 5, 2016); *Miguel Angel Asencio Asencio*, PCAOB Rel. No. 105-2016-046 (Dec. 5, 2016); *Aldo Hidalgo de la Rosa*, PCAOB Rel. No. 105-2016-047 (Dec. 5, 2016).

⁶ During the relevant period, the Firm performed annual audit practice reviews. According to the Firm's policies, audit practice reviews serve to provide reasonable assurance that the firm's system of quality control is appropriately designed, relevant, adequate, operating effectively and complied with in practice.



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misleading information. At no time did Respondent inform Inspections of the improper alterations and other misleading information. As a result, Respondent violated PCAOB Rule 4006, *Duty to Cooperate with Inspectors*.

D. Respondent Violated PCAOB Rules and Standards After the Issuance of the Audit Reports

6. The Firm has been the external auditor for SCC since 2009. On February 25, 2011, the Firm issued unqualified opinions in the Audit reports that were included in the Company's Form 10-K filed with the U.S. Securities and Exchange Commission ("Commission") on February 28, 2011. The Audit reports stated that, in the Firm's opinion, the Company's financial statements presented fairly, in all material respects, the Company's financial position, and the results of its operations and cash flows in conformity with U.S. Generally Accepted Accounting Principles, and that the Company maintained, in all material respects, effective ICFR as of December 31, 2010. The Audit reports also stated that the Audit was conducted in accordance with PCAOB standards.

7. PCAOB rules require that registered public accounting firms and their associated persons comply with applicable auditing and related professional practice standards.⁷

8. PCAOB audit documentation standards require that the complete and final set of documentation for an audit be assembled for retention by the "documentation completion date," a date no later than 45 days from the date on which the auditor grants permission to use its report.⁸ After the documentation completion date, audit documentation must not be deleted or discarded from the audit file, but it may be added as long as the auditor documents the date of the addition, the person who prepared the additional documentation, and the reason for adding the documentation.⁹

⁷ See PCAOB Rule 3100, *Compliance with Auditing and Related Professional Practice Standards*.

⁸ See AS3 ¶ 15.

⁹ See *id.* ¶ 16.

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Respondent Violated the PCAOB Audit Documentation Standard in Anticipation of an Internal Practice Review of the Audit

Improper Alterations to the Audit Work Papers

9. On April 11, 2011, the engagement team assembled for retention the complete and final set of documentation for the Audit (the "April Archive"). On or before July 20, 2011, Respondent was notified that the Audit had been selected for an internal Practice Review. The Practice Review, which was part of the Firm's system of quality control, was scheduled to take place in early August 2011. In connection with the Practice Review, Respondent and other members of the engagement team violated PCAOB standards by improperly altering audit work papers.

10. When Respondent and the engagement team created the April Archive, the work papers did not include certain audit documentation required to support the Audit reports pursuant to PCAOB standards. For example, the April Archive did not contain an engagement completion document,¹⁰ certain tax work papers, and other work papers that were necessary to support the Audit reports but were not timely assembled for retention.

11. Upon learning of the impending Practice Review, in late July 2011, Respondent and certain other members of the engagement team, at the direction of the engagement partner, reviewed the April Archive. Through that process, Respondent and certain other members of the engagement team became aware that the April Archive did not contain numerous work papers that were necessary to support the Audit reports and, in fact, contained work papers that did not even relate to the Audit.

12. In response, Respondent and certain other members of the engagement team reopened the April Archive in late July 2011 ("July Reopening"). The request for the July Reopening was submitted by Respondent and approved by the engagement partner and one other Firm audit partner, in accordance with the Firm's internal policies.

13. During the July Reopening, Respondent and certain other members of the engagement team violated AS3 by improperly deleting 21 work papers from the April Archive, improperly altering 36 existing work papers, and improperly adding 41 work papers.

¹⁰ PCAOB audit documentation standards require that "[t]he auditor must identify all significant findings or issues in an *engagement completion document*." AS3 ¶ 13. Significant findings or issues are substantive matters that are important to the procedures performed, evidence obtained, or conclusions reached. AS3 ¶ 12.

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14. Among the work papers added was a memorandum that the engagement partner directed the Respondent and other engagement team members to create in order to describe procedures purportedly performed during the Audit to address the journal entry testing requirements of PCAOB standards ("July JET Memorandum").¹¹ During the July Reopening, engagement team members, including Respondent, created the July JET Memorandum, as the engagement partner directed, improperly backdated it to make it appear that it had been created during the Audit, backdated all electronic sign-offs, including Respondent's, and placed the memorandum in the Firm's documentation archiving system. During the July Reopening, Respondent and certain other members of the engagement team also added other significant work papers to the audit documentation, including an engagement completion document. Respondent submitted a request to close the file which did not indicate the dates the documents were added to the work papers, the names of the persons preparing the additional documentation, and the reason for adding the documentation months after the documentation completion date.

15. During the July Reopening, Respondent and certain other members of the engagement team also improperly backdated multiple review sign-offs on other work papers to make it appear that all of the reviews of work papers had taken place prior to the release date of the Audit reports.

Improper Alterations to the IMMSA-Related Work Papers

16. In late July 2011, Respondent was also directed by the IMMSA audit partner to review the IMMSA-related work papers that had been assembled for retention in June for completeness and to identify work papers that had been omitted.¹² Through that process, Respondent and certain other members of the engagement team became aware of deficiencies in the IMMSA-related work papers for the Audit.

17. In response, Respondent and certain other members of the engagement team accessed the IMMSA-related work papers that had been assembled for retention ("IMMSA Reopening"). The form completed by Respondent and other engagement team members stated that the IMMSA Reopening was necessary to make limited administrative corrections to add a single work paper, and no other changes would be

¹¹ See AU §§ 316.58 - .62, *Consideration of Fraud in a Financial Statement Audit*.

¹² The IMMSA-related work papers were assembled for retention in June 2011, the month before Respondent was informed of the Practice Review. However, they had not been assembled for retention by the documentation completion date for the Audit, as required by AS3.

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made to the separate IMMSA file. Respondent thereafter signed and entered into the Firm's archiving system a declaration stating that, during the IMMSA Reopening, only one IMMSA-related work paper would be added to the previously-assembled work papers and no IMMSA-related work papers would be deleted or altered. The IMMSA audit partner signed and entered into the Firm's archiving system a similar declaration and approved the IMMSA Reopening. The Engagement Quality Reviewer for the part of the Audit related to IMMSA approved the IMMSA Reopening based on the information in these declarations.

18. Contrary to Respondent's declaration, during the IMMSA Reopening, Respondent and certain other members of the engagement team violated AS3 by improperly deleting from the separate IMMSA file 26 IMMSA-related work papers that had previously been assembled for retention, improperly altering 90 existing IMMSA-related work papers, and improperly adding 17 IMMSA-related work papers to the separate IMMSA file.

The Firm's Practice Review of the Audit

19. In August 2011, the Firm's Practice Review team commenced its review of the Audit based on the July Archive, and not based on the audit work the team documented in the original April Archive. After reviewing the documentation contained in the July Archive, the Practice Review team made multiple negative observations concerning the work documented. In response, the engagement partner arranged for the July Archive to be reopened in December 2011 for the stated reason of adding work papers that existed prior to the documentation completion date but were not previously included in the Audit archive ("December Reopening").

20. On or about November 22, 2011, Respondent and others on the engagement team prepared a memorandum ("November Memorandum"), for inclusion in the Audit archive, which stated that seven work papers were modified and 39 work papers were added to the July Archive during the December Reopening. The November Memorandum, however, contained multiple errors and did not satisfy the requirements of AS3. Contrary to the text of the November Memorandum, during the December Reopening, four work papers were modified and 43 work papers were added to the July Archive. Once Respondent and certain other members of the engagement team completed the alterations to the July Archive, they closed the Audit archive, thus creating a new Audit archive ("December Archive").

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21. As a result of his improper alteration of audit documentation, including the improper alteration of the work paper that was identified as the justification for the July Reopening, Respondent violated AS3.¹³

Respondent Failed to Cooperate with the Board's Inspection

22. On February 6, 2012, the Board notified the Firm that Inspections would inspect the Audit ("Board's Inspection"). The Act "requires the Board to conduct a 'continuing program of inspections to assess the degree of compliance of each registered public accounting firm and associated persons . . . with [the Act], the rules of the Board, the rules of the Commission, or professional standards.'"¹⁴

23. PCAOB rules require an associated person of a registered public accounting firm to "cooperate with the Board in the performance of any Board inspection."¹⁵ This cooperation obligation "includes an obligation not to provide misleading documents or information in connection with the Board's inspection processes."¹⁶

Respondent and the Engagement Partner Completed a Misleading Engagement Profile

24. Field work for the Board's Inspection took place during the weeks of March 26 and April 2, 2012. On or before February 23, 2012, Respondent was notified that the Audit would be inspected. Before field work began, Inspections asked the Firm to complete a document entitled Public Company Accounting Oversight Board 2011 Inspection Period International Engagement Profile ("Engagement Profile"). Respondent and certain other members of the engagement team drafted responses to relevant portions of the Engagement Profile. One of the sections in the Engagement Profile was entitled "Documentation completion date." In responding to this section,

¹³ See AS3 ¶ 16.

¹⁴ *Gately & Associates, LLC*, SEC Release No. 34-62656 at 2 (Aug. 5, 2010) (quoting Section 104(a) of the Act).

¹⁵ PCAOB Rule 4006.

¹⁶ *Deloitte Touche Tohmatsu Auditores Independentes*, PCAOB Rel. No. 105-2016-031, ¶ 62 (December 5, 2016); *José Domingos do Prado*, PCAOB Rel. No. 105-2016-032, ¶ 55 (December 5, 2016); *Arturo Vargas Arellano, CPC*, PCAOB Rel. No. 105-2016-045 ¶ 38.

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Respondent and the engagement partner made reference to the April Archive and the December Archive, but failed to reveal the existence of the July Archive.

25. The next section in the Engagement Profile asked: "Have there been any changes made to the audit documentation subsequent to the documentation completion date [?] If yes, please explain the nature of the changes below, and provide a summary log of when the changes were made." In reply to this question, Respondent and the engagement partner checked the box signifying that changes had been made and attached the November Memorandum which described, in part, the alterations made during the December Reopening. Respondent and the engagement partner did not, however, reveal any of the numerous alterations made to the April Archive during the July Reopening.

26. At no point in time did Respondent disclose to Inspections that Respondent and certain other members of the engagement team had, in fact, improperly created, added, backdated, modified and deleted numerous work papers during the July Reopening, months after the documentation completion date, and shortly before the Practice Review. By providing misleading information to Inspections in the Engagement Profile, Respondent violated PCAOB Rule 4006.

Misleading Work Papers Made Available to Inspections

27. During field work for the Board's Inspection, the Firm made the work papers from the December Archive available to Inspections in electronic form. The December Archive included the documents improperly created, added, backdated, and modified from the April Archive, and excluded the documents improperly deleted from the April Archive. During the inspection process, Respondent had numerous conversations with PCAOB inspectors concerning the work he and others had performed during the Audit. At no time, however, did Respondent advise the PCAOB inspectors that any of these documents were improperly altered during the July Reopening even though he understood that Inspections was relying upon the December Archive to perform the inspection. For example, at no time did Respondent disclose to Inspections that the July JET Memorandum was improperly created, backdated and added to the April Archive during the July Reopening.

28. As a result of the conduct described above, Respondent failed to cooperate with the Board's Inspection, in violation of Rule 4006.

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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), Juan Edgar Mata Castro is hereby censured;
- B. Pursuant to Section 105(c)(4)(B) of the Act and PCAOB Rule 5300(a)(2), Juan Edgar Mata Castro is barred from being an associated person of a registered public accounting firm, as that term is defined in Section 2(a)(9) of the Act and PCAOB Rule 1001(p)(i);¹⁷ and
- C. After two (2) years from the date of this Order, Juan Edgar Mata Castro may file a petition, pursuant to PCAOB Rule 5302(b), for Board consent to associate with a registered public accounting firm.

ISSUED BY THE BOARD.

/s/ Phoebe W. Brown

Phoebe W. Brown
Secretary

May 24, 2017

¹⁷ As a consequence of the bar imposed in this Order, the provisions of Section 105(c)(7)(B) of the Act will apply with respect to Respondent. Section 105(c)(7)(B) provides: "It shall be unlawful for any person that is suspended or barred from being associated with a registered public accounting firm under this subsection willfully to become or remain associated with any issuer, broker, or dealer in an accountancy or a financial management capacity, and for any issuer, broker, or dealer that knew, or in the exercise of reasonable care should have known, of such suspension or bar, to permit such an association, without the consent of the Board or the Commission."