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ORDER INSTITUTING DISCIPLINARY PROCEEDINGS, MAKING FINDINGS, AND IMPOSING SANCTIONS

PCAOB Release No. 105-2018-009

In the Matter of Adam M. Sanderson,

May 23, 2018

Respondent.

By this Order, the Public Company Accounting Oversight Board ("Board" or "PCAOB") is: (1) censuring Adam M. Sanderson ("Sanderson" or "Respondent"); (2) barring Sanderson from being an associated person of a registered public accounting firm; and (3) if Sanderson is permitted to associate once again with any registered public accounting firm, limiting his activities in connection with any "audit," as that term is defined in Section 110(1) of the Sarbanes-Oxley Act of 2002, as amended (the "Act"), until two (2) years from the date of this Order, by prohibiting Sanderson from serving in certain capacities in any audit as described in Section IV herein. The Board is imposing these sanctions on the basis of its findings that Sanderson violated PCAOB audit documentation standards in connection with one engagement involving the subsidiary of one issuer.

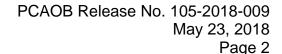
I.

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 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. Respondent admits to the facts, findings, and violations set

Sanderson may petition for Board consent to associate with a registered public accounting firm after one (1) year from the date of this Order.





forth below, and consents to entry of this Order Instituting Disciplinary Proceedings, Making Findings, and Imposing Sanctions ("Order").<sup>2</sup>

III.

On the basis of Respondent's Offer, the Board finds<sup>3</sup> that:

## A. Respondent

1. **Adam M. Sanderson**, 32, of London, United Kingdom, is an accountant who was employed by Deloitte LLP ("Deloitte UK" or the "Firm") between November 2009 and April 2017. During the relevant times in which he was employed by Deloitte UK, Respondent was a manager in the audit and assurance practice area. Respondent was an audit manager on Deloitte UK's audit of the year-end 2015 financial statements and internal control over financial reporting of an issuer ("Issuer A"). At all relevant times, Respondent was 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).

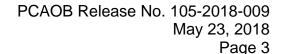
# B. Respondent Violated PCAOB Audit Documentation Standards

2. In connection with the preparation or issuance of an audit report, PCAOB rules require that associated persons of registered public accounting firms comply with applicable auditing and related professional practice standards.<sup>4</sup> Auditing Standard No. 3, *Audit Documentation* ("AS No. 3"), requires that the complete and final set of

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.

The Board finds that Respondent's conduct described in this Order meets the condition set out in Section 105(c)(5)(A) of the Act, which provides that certain sanctions may be imposed in the event of intentional or knowing conduct, including reckless conduct, that results in violation of the applicable statutory, regulatory, or professional standard.

<sup>&</sup>lt;sup>4</sup> <u>See</u> PCAOB Rule 3100, *Compliance with Auditing and Related Professional Practice Standards*. 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 Rel. No. 2015-002 (Mar. 31, 2015).





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 ("report release date"). AS No. 3 also requires that "[p]rior to the report release date, the auditor must have completed all necessary auditing procedures and obtained sufficient evidence to support the representations in the auditor's report. The further requires that the auditor "document the procedures performed, evidence obtained, and conclusions reached with respect to relevant financial assertions. Audit documentation must clearly demonstrate that the work was in fact performed. And it requires that "[a]ny documentation added [after the documentation completion date] must indicate the date the information was added, the name of the person who prepared the additional documentation, and the reason for adding it."

- 3. In violation of AS No. 3, Sanderson, who served as the engagement manager on the Deloitte UK component engagement team that audited a subsidiary of Issuer A, improperly created a work paper to falsely indicate that the component engagement team had performed work before the release of the audit opinion when, in fact, the team had not done so. This improper alteration occurred shortly after Sanderson learned that the PCAOB would be inspecting Deloitte UK's 2015 audit of Issuer A.<sup>10</sup>
- 4. On August 2, 2016, Sanderson learned that the PCAOB was going to inspect Deloitte UK's audit of Issuer A. On August 9, 2016, Sanderson created audit documents which he added to the work papers. One of the newly created audit documents falsely described the performance of certain journal entry testing work that he was responsible for making sure the subsidiary component engagement team completed but that the subsidiary component engagement team had never actually completed.

<sup>&</sup>lt;sup>5</sup> AS No. 3 ¶ 15.

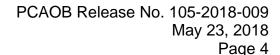
<sup>&</sup>lt;sup>6</sup> Id. ¶ 14.

<sup>&</sup>lt;sup>7</sup> <u>ld</u>.

<sup>&</sup>lt;sup>8</sup> <u>Id</u>. ¶ 6.

<sup>&</sup>lt;sup>9</sup> Id. ¶ 16.

Deloitte UK released its audit opinion in April 2016, and therefore the documentation completion date for the audit was some time in May 2016.





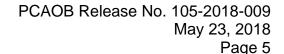
- 5. Further, in a separate memorandum also dated August 9, 2016 which Sanderson primarily authored and then added to the work papers, Sanderson falsely indicated that, though the new audit document described in Paragraph 4 above had not been signed off prior to the release of the audit opinion, the underlying journal entry testing work described in it was performed prior to the release of the audit opinion. As a result of these actions, Sanderson violated AS No. 3.
- 6. Prior to any documents being provided to the Board's inspectors, the Firm discovered that Sanderson had improperly altered the new audit documents. Upon making this discovery, the Firm terminated Sanderson, reported the issue to the Board's staff, and did not archive the improperly altered audit documents.

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), Adam M. Sanderson, is hereby censured;
- B. Pursuant to Section 105(c)(4)(B) of the Act and PCAOB Rule 5300(a)(2), Adam M. Sanderson, 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);<sup>11</sup>
- C. After one (1) year from the date of this Order, Adam M. Sanderson, may file a petition, pursuant to PCAOB Rule 5302(b), for Board consent to associate with a registered public accounting firm; and
- D. If Adam M. Sanderson is permitted to associate once again with a registered public accounting firm, pursuant to Section 105(c)(4)(C) of the

As a consequence of the bar, the provisions of Section 105(c)(7)(B) of the Act will apply with respect to Sanderson. 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."





Act and PCAOB Rule 5300(a)(3), for a period of two (2) years from the date of this Order, his role in any "audit," as that term is defined in Section 110(1) of the Act and PCAOB Rule 1001(a)(v), shall be restricted as follows: Sanderson shall not (1) serve, or supervise the work of another person serving, as an "engagement partner," as that term is used in the Board's AS 1201, Supervision of the Audit Engagement, (2) serve, or supervise the work of another person serving, as an "engagement quality reviewer," as that term is used in the Board's AS 1220, Engagement Quality Review, (3) serve, or supervise the work of another person serving, in any role that is equivalent to, but differently denominated from, engagement partner (such as "lead partner" or "practitioner-in-charge") or engagement quality reviewer (such as "concurring partner"); (4) exercise authority, or supervise the work of another person exercising authority, either to sign a registered public accounting firm's name to an audit report, or to consent to the use of a previously issued audit report, for any issuer, broker, or dealer; (5) assist the engagement partner in fulfilling his or her responsibilities under Paragraph 4 of AS 1201, Supervision of the Audit Engagement, (6) serve, or supervise the work of another person serving, as the "other auditor," or "another auditor," as those terms are used in the Board's AS 1205, Part of the Audit Performed by Other Independent Auditors; or (7) serve, or supervise the work of another individual serving. as a professional practice director.

ISSUED BY THE BOARD.

/s/ Phoebe W. Brown

Phoebe W. Brown Secretary

May 23, 2018