

ORDER**III.**

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

A. Respondent

1. Seul Hyang Wee, age 45, is a certified public accountant licensed in the Republic of Korea ("South Korea") by the Korean Institute of Certified Public Accountants (registration no. 5601). Until September 2018, Wee was a partner at Deloitte Anjin LLC ("Deloitte Korea" or "Firm"),⁴ a firm based in South Korea with its single office in Seoul. During the relevant period, Wee was the engagement partner responsible for the audit of the 2013 consolidated financial statements and internal control over financial reporting of Issuer A ("2013 Audit"). Wee is, and at all relevant times 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. Issuer A

2. Issuer A is a financial services company based in South Korea with American Depositary Shares listed on the New York Stock Exchange. Issuer A is structured as a holding company ("Holding Company") with numerous subsidiaries, the largest of which holds most of its assets and generates most of its revenue ("Subsidiary"). At all relevant times, Issuer A was an issuer as defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii).

C. Summary

3. This matter concerns Wee's failure to cooperate with a Board inspection and to comply with PCAOB audit documentation requirements. In connection with the 2013 Audit, Wee and other Firm audit personnel who performed the audit of the Holding Company ("Holding Company Auditors") backdated certain electronic work papers related to audit procedures concerning the Holding Company. Wee was also copied on communications indicating that audit personnel who performed audit procedures concerning the Subsidiary ("Subsidiary Auditors") were improperly altering a number of hard-copy work papers related to the Subsidiary in advance of a scheduled PCAOB inspection. Wee took no action to stop the misconduct or to report it to senior

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: (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.

⁴ See *In the Matter of Deloitte Anjin LLC*, PCAOB Release No. 105-2019-025 (October 31, 2019).

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management. Moreover, during the Board's inspection, Wee met several times with PCAOB inspectors to discuss audit procedures concerning the Holding Company and the Subsidiary. Wee never disclosed to the inspectors that electronic work papers had been backdated nor informed them of the communications she had received about efforts to alter hard-copy work papers.

D. Respondent Violated PCAOB Rules and Standards

4. 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.⁵ Auditing Standard No. 3, *Audit Documentation* ("AS 3"), requires that audit documentation "contain sufficient information to enable an experienced auditor, having no previous connection with the engagement:

- a. To understand the nature, timing, extent, and results of the procedures performed, evidence obtained, and conclusions reached, and
- b. To determine who performed the work and the date such work was completed as well as the person who reviewed the work and the date of such review."⁶

Any documentation added after the documentation completion date⁷ "must indicate the date the information was added, the name of the person who prepared the additional documentation, and the reason for adding it."⁸

⁵ See PCAOB Rule 3100, *Compliance with Auditing and Related Professional Practice Standards*; PCAOB Rule 3200T, *Interim Auditing 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 Release No. 2015-002 (March 31, 2015); see also *PCAOB Auditing Standards Reorganized and Pre-Reorganized Numbering* (January 2017).

⁶ AS 3 ¶ 6.

⁷ Paragraph 15 of AS 3 requires that a complete and final set of audit documentation 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 the audit report.

⁸ AS 3 ¶ 16.

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5. PCAOB Rule 4006, *Duty to Cooperate with Inspectors*, requires registered firms and their associated persons to cooperate with inspections conducted by the Board. "Implicit in this cooperation requirement is that auditors provide accurate and truthful information."⁹

6. On March 25, 2014, PCAOB inspection staff informed Deloitte Korea that it would be inspecting the Firm and planned to start inspection fieldwork at the Firm's office in Seoul on July 14, 2014. At the time, Deloitte Korea served as the principal auditor of two issuer clients and performed referred audit work in connection with other issuers. The 2013 Audit had the most personnel assigned and the most hours recorded of all these engagements, and Issuer A was the larger of Deloitte Korea's two issuer clients by market capitalization. Based on those considerations, the Firm, Wee, and others assigned to the 2013 Audit believed that the 2013 Audit would be selected for review by PCAOB inspection staff.

7. As engagement partner, Wee was responsible for the performance of the 2013 Audit. The engagement was structured such that Wee directly supervised the audit of the Holding Company, while other Firm partners supervised the audits of several components of the Holding Company, including the Subsidiary, and reported the results to Wee.

8. The financial statements of the Subsidiary were significant to the consolidated financial statements of Issuer A. The Subsidiary's revenue constituted most of Issuer A's revenue, and the Subsidiary's assets totaled approximately 69 percent of Issuer A's consolidated assets. The audit procedures performed by the Subsidiary Auditors were an integral part of the 2013 Audit. The Subsidiary Auditors regularly communicated with Wee about the timing, conduct, and results of their audit work, and apprised her of issues and developments concerning that work.

9. On April 30, 2014, Wee authorized the issuance of Deloitte Korea's audit report on Issuer A's consolidated financial statements as of and for the year ended, and internal control over financial reporting as of, December 31, 2013. The audit report was included in a Form 20-F filed with the U.S. Securities and Exchange Commission.

10. Wee and other auditors working on the 2013 Audit applied preparation and review dates to the electronic work papers that were earlier than the actual dates when the work was performed or when the work papers were prepared or reviewed. In some

⁹ *Kabani & Company, Inc.*, Exchange Act Release No. 80201, at 13-14 (March 10, 2017) (sustaining Board finding that respondents failed to cooperate with inspection where improper work paper alterations "interfered with the PCAOB's ability to fulfill its regulatory function of ensuring that auditors comply with their professional responsibilities"), petition for review denied, 733 Fed. Appx. 918 (9th Cir. 2018); see also *DRT Bagimsiz Denetim ve Serbest Muhasebeci Mali Musavirlik A.Ş.*, PCAOB Release No. 105-2017-050 (December 19, 2017).

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instances, those preparation and review dates were backdated to conceal the post-issuance performance of procedures. In other instances, those dates were backdated to conceal the post-issuance preparation or review of work papers reflecting procedures performed prior to issuance. Wee was aware that Holding Company Auditors engaged in backdating to conceal post-issuance procedures, and was aware of and participated in the backdating to conceal post-issuance preparation and review of audit documentation with respect to the Holding Company. Wee thus violated AS 3.¹⁰

11. On June 9, 2014, PCAOB inspection staff notified Deloitte Korea that it had selected the 2013 Audit for review. Shortly thereafter, Firm personnel—including Wee, the Holding Company Auditors, and the Subsidiary Auditors—learned that the 2013 Audit had been selected by the PCAOB for inspection.

12. Deloitte Korea was required to assemble a final and complete set of audit documentation for the 2013 Audit no later than June 14, 2014. The Firm archived a final set of work papers for the 2013 Audit by that date—the hard-copy work papers on June 13, and the electronic work papers on June 14, 2014. Beginning on June 20, 2014, and over the next several days, a number of Subsidiary Auditors improperly altered several hard-copy work papers by adding handwritten descriptions of procedures relating to the Subsidiary's internal controls over (i) valuation of unlisted securities and (ii) loan receivables.

13. Wee received emails sent among the Subsidiary Auditors concerning efforts to improperly alter Subsidiary-related hard-copy work papers in advance of the PCAOB inspection and after the documentation completion date. In one such email dated June 20, 2014, one of the Subsidiary Auditors listed 13 internal controls related to the Subsidiary's loan allowance and, for each of those controls, specified certain items that should be added to the control descriptions contained in the hard-copy work papers.

14. Wee took no action to stop the efforts to improperly alter hard-copy work papers or report them to the Firm's senior management. Subsidiary Auditors subsequently included in the Firm's assembled set of audit documentation for the 2013 Audit several work papers that were supplemented with handwritten descriptions after the documentation completion date but did not disclose when, why, or by whom the descriptions were added. As a result of her knowledge of the efforts to improperly alter hard-copy work papers and her overall responsibility for the 2013 Audit, Wee again violated AS 3.

15. Wee was aware that on or about July 14, 2014, the first day of the PCAOB inspection, the Firm provided Subsidiary-related hard-copy work papers and backdated electronic work papers to the inspectors. The hard-copy work papers provided to the inspectors included ones to which handwritten descriptions had been added without disclosing—as required by AS 3—when, why, and by whom the additions were made.

¹⁰ AS 3 ¶ 6.

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Moreover, from July 14 through July 24, 2014, Wee met on several occasions with PCAOB inspectors to discuss the 2013 Audit. At some of those meetings, the PCAOB inspectors and Wee reviewed work papers and discussed audit procedures concerning the Holding Company and the Subsidiary. Wee failed to inform the inspectors during any of those meetings that electronic work papers had been backdated or to disclose to them the efforts to improperly alter hard-copy work papers. As a result, Wee violated PCAOB Rule 4006.

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), Seul Hyang Wee is hereby censured;
- B. Pursuant to Section 105(c)(4)(B) of the Act and PCAOB Rule 5300(a)(2), Seul Hyang Wee 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);¹¹
- C. After two (2) years from the date of this Order, Seul Hyang Wee may file a petition, pursuant to PCAOB Rule 5302(b), for Board consent to associate with a registered public accounting firm; and
- D. Pursuant to Section 105(c)(4)(D) of the Act and PCAOB Rule 5300(a)(4), a civil money penalty in the amount of \$10,000 is imposed. All funds collected by the Board as a result of the assessment of this civil money penalty will be used in accordance with Section 109(c)(2) of the Act. Seul Hyang Wee shall pay this civil money penalty within 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, certified check, bank cashier's check or bank money order (a) made payable to the Public Company Accounting Oversight Board; (b) delivered to the Controller, Public Company Accounting Oversight Board, 1666 K Street, N.W.,

¹¹ As a consequence of the bar, the provisions of Section 105(c)(7)(B) of the Act will apply with respect to Wee. Section 105(c)(7)(B) of the Act provides that "[i]t 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."

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Washington, D.C. 20006; and (c) submitted under a cover letter which identifies Seul Hyang Wee 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 the Office of the Secretary, Attention: Phoebe W. Brown, Secretary, Public Company Accounting Oversight Board, 1666 K Street, N.W., Washington, D.C. 20006.

ISSUED BY THE BOARD.

/s/ Phoebe W. Brown

Phoebe W. Brown
Secretary

October 31, 2019