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Order Instituting Disciplinary Proceedings, Making Findings and Imposing Sanctions

In the Matter of East Asia Sentinel Limited,

Respondent.

PCAOB Release No. 105-2020-016

September 29, 2020

By this Order, the Public Company Accounting Oversight Board (“Board” or “PCAOB”) is censuring East Asia Sentinel Limited (the “Firm” or “Respondent”), a registered public accounting firm, imposing a civil money penalty in the amount of \$10,000 upon the Firm, and requiring the Firm to undertake certain remedial measures, including measures to establish policies and procedures directed toward ensuring compliance with PCAOB reporting requirements. The Board is imposing these sanctions on the basis of its findings that the Firm failed to disclose certain reportable events to the Board on PCAOB Form 3, *Special Report*, in violation of PCAOB rules.

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 Sarbanes-Oxley Act of 2002, as amended (the “Act”), and PCAOB Rule 5200(a)(1) against Respondent.

II.

In anticipation of 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. Solely for purposes of these proceedings and any other proceedings brought by or on behalf of the Board, or to which the Board is a party, and without admitting or denying the findings herein, except as to the Board’s jurisdiction over Respondent and the subject matter of these proceedings, which are admitted, Respondent consents to entry of this Order Instituting

Disciplinary Proceedings, Making Findings, and Imposing Sanctions (“Order”) as set forth below.¹

III.

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

A. Respondent

1. **East Asia Sentinel Limited** is, and at all relevant times was, a limited liability corporation organized under Hong Kong law, and headquartered in Hong Kong. It is part of the East Asia Sentinel Group and is associated with the BKR International network. At all relevant times, the Firm has been registered with the Board pursuant to Section 102 of the Act and PCAOB rules. The Firm is licensed in Hong Kong by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

B. Summary

2. This matter concerns the Firm’s failures to disclose two reportable events, concerning one disciplinary proceeding, to the Board on Form 3 as required by PCAOB rules. PCAOB rules required the Firm to complete and file a PCAOB special report on Form 3 to report any event specified in that form within 30 days of the event’s occurrence. Among the events that the Firm was required to report on Form 3 were its becoming a respondent in certain disciplinary proceedings and the conclusion of such proceedings.

3. In 2018, the Firm and two of its associated persons became respondents in a disciplinary proceeding initiated by the HKICPA. The initiation of this proceeding against the Firm and its associated persons was a reportable event under Form 3. With respect to the proceeding, the Firm failed to file a Form 3 reporting that it and two associated persons had become respondents in the proceeding.

4. In addition, the conclusion of each proceeding was a reportable event under Form 3. The Firm also failed to file a report of the conclusion of the proceeding on Form 3.

¹ 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.

C. Respondent Failed to Disclose Certain Reportable Events to the Board, in Violation of PCAOB Rules

5. PCAOB Rule 2203 provides that a registered public accounting firm must file a special report on Form 3 to report any event specified in that form within thirty days of the event's occurrence.² One such specified event occurs when a firm "has become aware that, in a matter arising out of the Firm's conduct in the course of providing professional services for a client, the Firm has become a defendant or respondent in a civil or alternative dispute resolution proceeding initiated by a governmental entity or in an administrative or disciplinary proceeding other than a Board disciplinary proceeding."³ Another such specified event occurs when a firm has become aware that a reportable proceeding (i.e., a reportable event under Items 2.4 – 2.9 of Form 3) has been concluded as to the firm or certain of its associated persons.⁴

6. With respect to two such reportable events occurring in 2018, the Firm failed to file a Form 3 with the Board.

7. No later than May 17, 2018, the Firm became aware that the HKICPA had initiated a disciplinary proceeding against it and two of its associated persons. The proceeding related to the provision of professional services by the Firm to a company that was not an issuer.⁵

8. In violation of Rule 2203, the Firm failed to file a Form 3 with respect to the initiation of this proceeding.

² See PCAOB Rule 2203, *Special Reports*. As the Board noted when adopting its rules on special reporting, "[R]eportable events will sometimes occur, and the public interest, as well as the ability to consider whether prompt action is warranted by the Board's inspection staff or enforcement staff, will be served by contemporaneous reporting of the event." PCAOB Rel. No. 2008-004, at 17 (June 10, 2008).

³ PCAOB Form 3, at Item 2.7 (italics in the original removed). To be reportable under Item 2.7, the proceeding only has to relate to professional services for a client, and does not necessarily have to involve an audit of an issuer, broker, or dealer, as those terms are defined under PCAOB rules.

⁴ PCAOB Form 3, at Item 2.10.

⁵ The term "issuer" means an issuer (as defined in Section 3 of the Securities Exchange Act of 1934 ("Exchange Act")), the securities of which are registered under Section 12 of the Exchange Act, or that is required to file reports under Section 15(d) of the Exchange Act, or that files or has filed a registration statement that has not yet become effective under the Securities Act of 1933, and that it has not withdrawn. See PCAOB Rule 1001(i)(iii).

9. The proceeding against the Firm concluded on or around November 5, 2018.
10. In violation of Rule 2203, the Firm failed to file a Form 3 with respect to the conclusion of this proceeding.
11. The Firm's internal compliance and reporting systems failed to identify the initiation of the proceeding described above, and their conclusion, as being reportable to the PCAOB. As a result, the Firm inappropriately failed to notify the PCAOB of the initiation and conclusion of the disciplinary proceeding.

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), the Firm is hereby censured;
- B. 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 upon the Firm. 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. The Firm shall pay this civil money penalty within ten (10) days of the issuance of this Order by: (1) wire transfer pursuant to instructions provided by Board staff; or (2) United States Postal Service money order, bank money order, certified check, or bank cashier's check (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., Washington D.C. 20006, and (c) submitted under a cover letter, which identifies the Firm 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 Office of the Secretary, Attention: Phoebe W. Brown, Secretary, Public Company Accounting Oversight Board, 1666 K Street, N.W., Washington D.C. 20006; and
- C. Pursuant to Section 105(c)(4)(G) of the Act and PCAOB Rule 5300(a)(9), the Firm is required:

1. within ninety (90) days from the date of this Order, to establish policies and procedures, or revise and/or supplement existing policies and procedures, for the purpose of providing the Firm with reasonable assurance of compliance with PCAOB reporting requirements, including policies and procedures providing reasonable assurance that reportable events are identified by Firm personnel who participate in the Firm's PCAOB reporting process and that those events are reported on the applicable PCAOB form in a timely and complete manner;
2. within ninety (90) days from the date of this Order, to establish policies to ensure training concerning PCAOB reporting requirements, at least annually, of any Firm personnel who participate in the Firm's PCAOB reporting process;
3. within ninety (90) days from the date of this Order, to assign the role of compliance with PCAOB reporting matters to an individual within the Firm who possesses adequate knowledge and experience with PCAOB reporting requirements and sufficient authority within the Firm to fulfill those requirements on behalf of the Firm; and
4. within one hundred twenty (120) days from the date of this Order, to have the individual referenced in paragraph C.3 above certify in writing to the Director of the Division of Enforcement and Investigations, Public Company Accounting Oversight Board, 1666 K Street, N.W., Washington D.C. 20006, the Firm's compliance with paragraphs C.1 through C.3 above.

ISSUED BY THE BOARD.

/s/ Phoebe W. Brown

Phoebe W. Brown
Secretary

September 29, 2020