

ORDER

the Board has determined to accept. Solely for purposes of this proceeding 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 Respondents and the subject matter of these proceedings, which are admitted, Respondents consent to entry of this Order Instituting Disciplinary Proceedings, Making Findings, and Imposing Sanctions ("Order") as set forth below.

III.

On the basis of Respondents' Offers, the Board finds that:^{2/}

A. Respondents

1. Bentleys Brisbane Partnership is a public accounting firm headquartered in Brisbane, Commonwealth of Australia. In 2006, the Firm registered with the Board pursuant to Section 102 of the Act and PCAOB Rules.^{3/} Since registering with the Board, the Firm has issued one audit report for one issuer client, Alloy Steel International, Inc. ("Alloy Steel") for the year ended September 30, 2006. At the time of the 2006 audit of Alloy Steel, Bentleys Brisbane was a member of Bentleys MRI (now known as Bentleys, and referred to herein as the "Bentleys MRI network"), an independent association of Australian accounting firms. Members of the Bentleys MRI network were affiliated only, and were not in partnership with one another.

^{2/} The findings herein are made pursuant to Respondents' Offers and are not binding on any other person or entity in this or any other proceeding. The sanctions that the Board is imposing on Respondents in this Order may be imposed only if a respondent's conduct meets one of the conditions set out in Section 105(c)(5) of the Act, 15 U.S.C. § 7215(c)(5). The Board finds that Respondents' conduct described in this Order meets the condition set out in Section 105(c)(5), which provides that such sanctions may be imposed in the event of: (A) intentional or knowing conduct, including reckless conduct, that results in 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.

^{3/} The Firm registered with the Board (effective April 25, 2006) under the name "Bentleys MRI Brisbane Partnership," and it conducted its sole audit of an issuer client under that name. The Firm changed its name to Bentleys Brisbane Partnership in 2008.

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2. Robert John Forbes, 57, was at all relevant times a registered company auditor licensed by the Australian Securities and Investments Commission (License Number 5927) and a chartered accountant licensed by the Institute of Chartered Accountants in Australia. At all relevant times, Forbes was the office managing partner of Bentleys Brisbane and 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. Summary

3. In connection with the preparation and issuance of an audit report, PCAOB rules require that a registered public accounting firm and its associated persons comply with the Board's auditing standards and related professional practice standards.^{4/} An auditor may express an unqualified opinion on an issuer's financial statements only when the auditor has formed such an opinion on the basis of an audit performed in accordance with PCAOB standards.^{5/} Among other things, those standards require that an auditor exercise due professional care, exercise professional skepticism, and obtain sufficient competent evidence to afford a reasonable basis for an opinion regarding the financial statements.^{6/} Auditing standards in effect at the time of the 2006 Alloy Steel audit required that the auditor with final responsibility for the audit adequately plan the audit and supervise any assistants.^{7/}

4. Respondents failed to meet these standards in connection with the audit of Alloy Steel for the year ended September 30, 2006. As detailed below, Respondents failed to plan, perform or supervise the 2006 Alloy Steel audit in accordance with PCAOB auditing standards. Rather, a Bentleys MRI network member firm that was not registered with the Board ("Firm A") purportedly performed the 2006 audit of Alloy Steel,

^{4/} PCAOB Rules 3100, *Compliance with Auditing and Related Professional Practice Standards*, 3200T, *Interim Auditing Standards*.

^{5/} AU § 508.07, *Reports on Audited Financial Statements*.

^{6/} AU § 150.02, *Generally Accepted Auditing Standards*; AU § 230, *Due Professional Care in the Performance of Work*; and AU § 326, *Evidential Matter*.

^{7/} AU § 311, *Planning and Supervision* (superseded by Auditing Standard No. 9, *Audit Planning*, and Auditing Standard No. 10, *Supervision of the Audit Engagement*, effective for audits of fiscal years beginning on or after December 15, 2010).

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and Respondents performed a limited review of the work papers. Nonetheless, Bentleys Brisbane expressed an unqualified opinion in its audit report on Alloy Steel's 2006 financial statements filed with the U.S. Securities and Exchange Commission (the "Commission").

5. Bentleys Brisbane also violated PCAOB rules and quality control standards by failing to develop policies and procedures to provide it with reasonable assurance that the work performed by its engagement personnel met applicable PCAOB auditing standards and to provide reasonable assurance that the Firm undertook only those engagements that the Firm could reasonably expect to be completed with professional competence. Forbes substantially contributed to those quality control violations.

C. Respondents Violated PCAOB Rules And Auditing Standards In Connection With The 2006 Alloy Steel Audit

6. Alloy Steel International, Inc. was, at all relevant times, a Delaware corporation headquartered in Malaga, Commonwealth of Australia. According to its public filings, Alloy Steel manufactured and distributed a specialized alloy for the mining, mineral-processing and steel manufacturing industries, through a wholly-owned Australian operating subsidiary. At all relevant times, Alloy Steel's common stock was registered under Section 12(g) of the Securities Exchange Act of 1934; its stock was quoted on the OTC Bulletin Board; and it was an "issuer" as defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii).^{8/}

7. In June 2006, Bentleys Brisbane (through Forbes) was contacted by an unregistered member of the Bentleys MRI network, Firm A, and the two firms agreed that Firm A would perform the audit of Alloy Steel for the year ended September 30, 2006, and that Bentleys Brisbane and Forbes would review the work papers and sign the audit opinion. Respondents knew that Firm A was not registered with the PCAOB, and that Alloy Steel required an audit opinion issued by a PCAOB-registered accounting firm.

8. Forbes served as the engagement partner for the 2006 Alloy Steel audit and had final responsibility for the audit as that phrase is used in AU § 311, *Planning and Supervision*. He authorized the issuance of Bentley Brisbane's audit report dated December 22, 2006, which was included in a Form 10-KSB that Alloy Steel filed with the

^{8/} On September 27, 2010, Alloy filed a Form 15, *Certification and Notice of Termination of Registration Under Section 12(g) of the Securities and Exchange Act*.

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Commission on the same day. In that report, Bentleys Brisbane expressed an unqualified opinion on Alloy Steel's consolidated balance sheet as of September 30, 2006, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the two years in the period ended September 30, 2006. Bentleys Brisbane's audit report stated that the audit had been conducted in accordance with PCAOB standards, and that, in Bentleys Brisbane's opinion, Alloy Steel's financial statements presented fairly, in all material respects, its financial position in conformity with United States generally accepted accounting principles ("US GAAP").

Respondents Failed To Perform The 2006 Alloy Steel Audit In Accordance With PCAOB Standards

9. On December 22, 2006, Respondents issued an unqualified opinion on Alloy Steel's financial statements without forming its opinion on the basis of an audit performed in accordance with PCAOB standards.^{9/} In fact, Respondents neither performed the 2006 Alloy Steel audit, nor did they ensure that that the audit by Firm A was performed in accordance with PCAOB standards. Respondents performed no audit procedures, and collected no evidential matter.^{10/} They never visited Alloy Steel;^{11/} they performed none of the fieldwork in the 2006 Alloy Steel audit; and they prepared no work papers relating to the audit. Respondents' audit procedures were limited to Forbes's review of work papers provided by Firm A. Bentleys Brisbane recorded only 6.3 hours of work for the audit, all related to that limited review of Firm A work papers, performed within four days of issuance of the Firm's audit opinion. (Other than Forbes, no one at Bentleys Brisbane worked on the 2006 Alloy Steel audit.) Firm A purportedly performed the 2006 Alloy Steel audit.

10. Respondents failed to exercise due professional care in connection with this audit.^{12/} Indeed, Forbes, who had final responsibility for the engagement, did not

^{9/} AU § 508.07.

^{10/} AU § 326, *Evidential Matter* (superseded by Auditing Standard No. 15, *Audit Evidence*, effective for audits of fiscal years beginning on or after December 15, 2010).

^{11/} Alloy Steel is located approximately 2,200 miles (3,600 kilometers) from Brisbane.

^{12/} AU § 150; AU § 230.06.

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know the relevant professional accounting and auditing standards that governed the 2006 Alloy Steel audit.^{13/} Moreover Forbes knew or should have known that the members of the Firm A audit team that performed the audit probably had no experience with US GAAP or PCAOB auditing standards, and that Firm A conducted the 2006 Alloy Steel audit in accordance with Australian auditing standards (not PCAOB auditing standards).^{14/}

11. Further, when Respondents learned during the audit that the engagement partner on the Firm A team on the 2006 Alloy Steel audit had been sanctioned by Australian regulators for auditing misconduct, Respondents made no effort to learn about the facts underlying the sanction, nor to consider whether these facts raised concerns about Firm A engagement partner's level of knowledge, skill, and ability.^{15/}

12. Respondents failed to plan the 2006 Alloy Steel audit, as required under PCAOB standards.^{16/} Respondents did not consider or determine the nature, extent and timing of the work to be performed, and they did not prepare a written audit program for the audit setting forth the audit procedures they believed were necessary to accomplish the objectives of the audit.^{17/} Among other things, Respondents did not consider (or even review) the applicable PCAOB standards before or during the 2006 Alloy Steel audit; review the prior years' work papers; read the current year's interim financial statements; discuss the type, scope and timing of the audit with the client's management; or establish the timing of the audit work; or establish and coordinate staffing requirements for the audit.^{18/}

^{13/} "The auditor with final responsibility for the engagement should know, at a minimum, the relevant professional accounting and auditing standards..." AU § 230.06 (as in effect at the time of the audit).

^{14/} AU § 230.06.

^{15/} "Auditors should be assigned to tasks and supervised commensurate with their level of knowledge, skill, and ability so that they can evaluate the audit evidence they are examining The auditor with final responsibility is responsible for the assignment of tasks to, and supervision of, assistants." AU § 230.06.

^{16/} AU § 311.

^{17/} AU § 311.05.

^{18/} AU § 311.04.

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13. Respondents also failed to supervise the audit work performed during the 2006 Alloy Steel audit, in violation of PCAOB standards.^{19/} Specifically, Respondents did not: instruct the Firm A audit team; review the work performed (except for a limited review of work papers provided by Firm A in the days before the audit report was signed); inform members of the audit team of their responsibilities or the objectives of the procedures to be performed; or inform members of the Firm A audit team of matters that may have affected the nature, extent, and timing of procedures they were to perform.^{20/}

14. As Alloy Steel's new auditors for 2006, Respondents were required to make specific inquiries of Alloy Steel's predecessor auditor.^{21/} Respondents, however, failed to make the required inquiries of the predecessor auditor, either before or after accepting the Alloy Steel engagement.

15. As a result of Respondents' failures to comply with PCAOB standards, Forbes improperly authorized the issuance of the Firm's audit report (dated December 22, 2006) on Alloy's financial statements for 2006 year, which incorrectly stated that the Firm had conducted an audit in accordance with PCAOB standards.^{22/}

D. Respondents Violated PCAOB Rules and Quality Control Standards

16. PCAOB rules require that a registered public accounting firm comply with certain quality control standards.^{23/} Specifically, a firm should develop policies and procedures to provide it with reasonable assurance that the work performed by engagement personnel meets applicable professional standards, regulatory requirements, and the firm's standards of quality.^{24/} A firm's policies and procedures

^{19/} AU § 311.11.

^{20/} AU § 311.11 - .12.

^{21/} AU § 315, *Communications Between Predecessor And Successor Auditors*.

^{22/} AU § 508.07.

^{23/} PCAOB Rules 3100 and 3400T, *Interim Quality Control Standards*.

^{24/} QC § 20.17, *System of Quality Control for a CPA Firm's Accounting and Auditing Practice - Engagement Performance*.

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also should provide reasonable assurance that the firm "undertakes only those engagements that the firm can reasonably expect to be completed with professional competence."^{25/}

17. In 2006, Bentleys Brisbane's quality control policies and procedures did not provide the Firm with reasonable assurance that its work complied with PCAOB auditing standards. The Firm provided no training to its staff with respect to PCAOB auditing standards or US GAAP, and did not require its personnel to participate in continuing professional education or professional development activities to ensure that its staff would conduct its audits of US issuers in accordance with PCAOB auditing standards, US GAAP, and applicable Commission reporting requirements. There were no policies and procedures in place to ensure that the staff performed procedures necessary to comply with PCAOB standards or to even be aware of what those standards required. The Bentleys MRI network's Audit and Assurance Services Manual (used by all members of the Bentleys MRI network, including Bentleys Brisbane) did not even mention PCAOB auditing standards, but rather focused on compliance with Australian Auditing Standards and International Auditing Standards.

18. Bentleys Brisbane's policies and procedures also did not provide reasonable assurance that the Firm undertook only those engagements that the Firm could reasonably expect to be completed with professional competence. Bentleys Brisbane did not require that partners obtain approvals before taking on audit clients, to provide reasonable assurance that the Firm could provide audit services to the client with professional competence and in accordance with PCAOB auditing standards.

19. Forbes was the managing partner of Bentleys Brisbane during the relevant time period. As the managing partner, Forbes was responsible for designing, implementing and monitoring the Firm's system of quality control.^{26/} Accordingly, Forbes had overall responsibility for ensuring that the Firm complied with PCAOB rules and standards. Forbes was aware that he, other Bentleys Brisbane personnel, and the Firm A team that performed the 2006 Alloy Steel audit, had no training or experience in conducting audits pursuant to PCAOB auditing standards. Notwithstanding the lack of adequate training and experience, he accepted the 2006 Alloy Steel audit engagement

^{25/} QC § 20.15.a, *System of Quality Control for a CPA Firm's Accounting and Auditing Practice - Independence, Integrity, and Objectivity - Acceptance and Continuance of Clients and Engagements.*

^{26/} QC § 20.20.

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on behalf of Bentleys Brisbane (and allowed Firm A personnel to conduct the 2006 Alloy Steel audit).

20. All of the Firm's quality control violations described in paragraphs 17-18, above, were the result of either the conduct of Forbes or of omissions to act for which Forbes was responsible. With respect to all such acts and omissions, Forbes knew, or was reckless in not knowing, that his acts and omissions would directly and substantially contribute to the Firm's quality control failings described above, which constituted violations of the Board's quality control standards. Forbes thereby violated PCAOB Rule 3502, *Responsibility Not to Knowingly or Recklessly Contribute to Violations*.

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 Respondents' Offers. Accordingly, it is hereby ORDERED that:

- A. Pursuant to Section 105(c)(4)(A) of the Act and PCAOB Rule 5300(a)(1), the registration of Bentleys Brisbane Partnership is revoked;
- B. After two (2) years from the date of this Order, Bentleys Brisbane Partnership may reapply for registration by filing an application pursuant to PCAOB Rule 2101;
- C. 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 Bentleys Brisbane Partnership. 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. Bentleys Brisbane Partnership shall pay this civil money penalty within 10 days of the issuance of this Order by (a) wire transfer in accordance with instructions furnished by Board staff; or (b) United States postal money order, certified check, bank cashier's check or bank money order; (c) made payable to the Public Company Accounting Oversight Board; (d) delivered to the Controller, Public Company Accounting Oversight Board, 1666 K Street, N.W., Washington, D.C. 20006; and (e) submitted under a cover letter which identifies Bentleys Brisbane Partnership 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

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letter and money order or check shall be sent to Office of the Secretary, Attention: J. Gordon Seymour, General Counsel and Secretary, Public Company Accounting Oversight Board, 1666 K Street, N.W., Washington, D.C. 20006.

- D. Pursuant to Section 105(c)(4)(B) of the Act and PCAOB Rule 5300(a)(2), Robert John Forbes 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); and
- E. After two (2) years from the date of this Order, Robert John Forbes 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/ J. Gordon Seymour

J. Gordon Seymour
Secretary

December 20, 2011