

## Order Instituting Disciplinary Proceedings, Making Findings, and Imposing Sanctions

*In the Matter of RT LLP,*

Respondent.

PCAOB Release No. 105-2023-002

April 11, 2023

By this Order Instituting Disciplinary Proceedings, Making Findings, and Imposing Sanctions (“Order”), the Public Company Accounting Oversight Board (“Board” or “PCAOB”) is:

- (1) censuring RT LLP (“RT,” the “Firm,” or “Respondent”), a registered public accounting firm;
- (2) revoking the registration of RT;<sup>1</sup>
- (3) imposing a \$50,000 civil money penalty upon the Firm; and
- (4) in the event RT submits any future registration application and as a condition to the Board granting such an application, requiring the Firm to undertake certain remedial measures, including that it establish quality control policies and procedures to give the Firm reasonable assurance that: (1) issuer audits and reviews are conducted in accordance with applicable professional standards; and (2) the Firm complies with PCAOB reporting requirements.

The Board is imposing these sanctions on RT on the basis of its findings that Respondent violated: (1) PCAOB rules and AS 1215, *Audit Documentation*, in connection with the audit and reviews of Dunxin Financial Holdings Limited (“Dunxin”) for the year ended December 31, 2017 (the “2017 Dunxin Audit”); (2) PCAOB Rule 3211, *Auditor Reporting of Certain Audit Participants*, by failing to timely file required Form APs; and (3) PCAOB rules and quality control

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<sup>1</sup> RT may reapply for registration after two years from the date of this Order.

standards by failing to design and implement quality control procedures to ensure that its personnel complied with PCAOB standards.

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 (“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. 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 is admitted, Respondent consents to the entry of this Order as set forth below.<sup>2</sup>

III.

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

**A. Respondent**

1. **RT LLP** is a firm headquartered in Singapore. The Firm is, and at all relevant times was, registered with the Board pursuant to Section 102 of the Act and PCAOB rules.

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<sup>2</sup> 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.

<sup>3</sup> 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 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.

## B. Issuer

2. **Dunxin Financial Holdings Limited** was, at all relevant times, an entity organized under the laws of the Cayman Islands and headquartered in Wuhan City, Hubei Province, People's Republic of China. Dunxin's public filings disclose that it is a lending company primarily engaged in the business of providing loan facilities to enterprises and sole proprietorships in Hubei Province, People's Republic of China. The Firm issued an audit report on Dunxin's 2017 financial statements on April 30, 2018.<sup>4</sup>

3. At all relevant times, Dunxin was an issuer as that term is defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii).

## C. Summary

4. This matter concerns Respondent's violation of PCAOB rules and AS 1215 in connection with the 2017 Dunxin Audit. As detailed below, Respondent failed to assemble for retention a complete and final set of audit documentation for the 2017 Dunxin Audit by the documentation completion date, as required by AS 1215.

5. The Firm also violated PCAOB Rule 3211 because it did not timely file required Form APs in connection with the 2017 Dunxin Audit and 2017 Restatement Audit.

6. Finally, the Firm violated PCAOB quality control standards because, during the time it was conducting the 2017 Dunxin Audit, the Firm did not have policies and procedures relating to performing audits under PCAOB standards. In addition, the Firm did not have sufficient policies and procedures related to the monitoring of its quality control system as required by PCAOB standards.

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<sup>4</sup> Subsequent to the filing of Dunxin's 2017 Form 20-F, the Firm was appointed to express an opinion on Dunxin's restated 2017 financial statements, which were included in Dunxin's 2018 Form 20-F ("2017 Restatement Audit"). On May 15, 2019, the Firm issued an audit report that contained an unqualified opinion on the specified accounts identified in the report, which was included in Dunxin's 2018 Form 20-F filed that same day.

#### **D. Respondent Violated AS 1215 by Failing to Assemble for Retention a Complete and Final Set of Audit Documentation for the 2017 Dunxin Audit**

7. PCAOB rules require that registered public accounting firms and their associated persons comply with all applicable auditing and related professional practice standards.<sup>5</sup> AS 1215 provides, among other things, that the auditor must prepare audit documentation in connection with each engagement conducted pursuant to the standards of the PCAOB.<sup>6</sup> PCAOB standards further require that “a complete and final set of audit documentation should be assembled for retention as of a date not more than 45 days after the report release date (*documentation completion date*).”<sup>7</sup>

8. The Firm issued an audit report containing an unqualified audit opinion on Dunxin’s 2017 financial statements on April 30, 2018. Thus, the Firm was required to assemble for retention (*i.e.*, “archive”) a final set of audit documentation for the 2017 Dunxin Audit by no later than June 14, 2018.

9. The Firm failed to archive a complete and final set of audit documentation by the documentation completion date for the 2017 Dunxin Audit. In fact, the engagement partner on the audit subsequently left the Firm and, as a result, the work papers for the 2017 Dunxin Audit were never archived. As a result, the Firm violated AS 1215.

#### **E. Respondent Violated PCAOB Rule 3211 by Failing to Timely File Form APs**

10. PCAOB Rule 3211, which initially took effect for issuer audit reports issued on or after January 31, 2017, provides that each registered public accounting firm must provide information about engagement partners and other accounting firms that participate in audits of issuers by filing a Form AP, *Auditor Reporting of Certain Audit Participants*, for each audit report issued by the firm for an issuer. Form APs generally must be filed by the 35th day after the date the audit report is first included in a document filed with the U.S. Securities and Exchange

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<sup>5</sup> See PCAOB Rule 3100, *Compliance with Auditing and Related Professional Practice Standards*; PCAOB Rule 3200, *Auditing Standards*.

<sup>6</sup> See AS 1215.04.

<sup>7</sup> *Id.* at .15.

Commission (SEC),<sup>8</sup> subject to a shorter filing deadline that applies when the audit report is first included in a registration statement filed under the Securities Act of 1933, as amended.<sup>9</sup>

11. As stated above, the Firm audited Dunxin’s financial statements for the year ended December 31, 2017 and issued an audit report on those financial statements dated April 30, 2018, which was included in Dunxin’s Form 20-F filed with the SEC on that same day. However, the Firm failed to file the required Form AP for the 2017 Dunxin Audit by June 4, 2018, the 35th day after the date the audit report was included with the filing made with the SEC, in violation of PCAOB Rule 3211. The Firm belatedly filed the Form AP related to the 2017 Dunxin Audit on August 21, 2018.

12. In addition, the Firm issued an audit report on Dunxin’s restated 2017 financial statements on May 15, 2019, which was included in Dunxin’s Form 20-F filed with the SEC on that same day. However, the Firm failed to file the required Form AP for the 2017 Restatement Audit by June 19, 2019, in violation of PCAOB Rule 3211. The Firm belatedly filed the Form AP related to the 2017 Restatement Audit on February 16, 2023.

## F. Respondent Violated PCAOB Quality Control Standards

13. PCAOB rules require that a registered public accounting firm and its associated persons comply with the Board’s quality control standards.<sup>10</sup> These standards require that a registered firm have a system of quality control for its accounting and auditing practice.<sup>11</sup> “A system of quality control is broadly defined as a process to provide the firm with reasonable assurance that its personnel comply with applicable professional standards and the firm’s standards of quality.”<sup>12</sup> The Firm violated PCAOB quality control standards in a number of ways.

14. First, PCAOB quality control standards require firms to establish policies and procedures sufficient to provide it with “reasonable assurance that the work performed by engagement personnel meets applicable professional standards, regulatory requirements, and

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<sup>8</sup> See Rule 3211(b)(1).

<sup>9</sup> In that instance, a firm is required to file the Form AP by the tenth day after the date the audit report is first included in a document filed with the SEC. See Rule 3211(b)(2).

<sup>10</sup> See PCAOB Rule 3100; PCAOB Rule 3400T, *Interim Quality Control Standards*.

<sup>11</sup> See Quality Control Standard 20.01, *System of Quality Control for a CPA Firm’s Accounting and Auditing Practice* (“QC § 20”).

<sup>12</sup> *Id.* at .03.

the Firm's standard of quality."<sup>13</sup> However, during the time period that it was conducting the 2017 Dunxin Audit, while the Firm had a system of quality control based on local and international standards, it failed to have any policies, procedures, or guidance materials related to performing audits under PCAOB standards. Likewise, while the Firm provided training to its staff related to local and international auditing standards, the Firm failed to provide any training to its staff, including the staff that worked on the 2017 Dunxin Audit, related to performing audits in accordance with PCAOB rules and standards. As a result, the Firm violated QC § 20.17.

15. Second, PCAOB quality control standards specifically require a firm to establish policies and procedures that provide it with reasonable assurance that engagement quality reviews would be performed on all audits in accordance with PCAOB standards.<sup>14</sup> However, during the time period that it was conducting the 2017 Dunxin audit, while, as stated, the Firm had a system of quality control based on local and international standards, the Firm failed to have any policies, procedures, or guidance materials related to performing engagement quality reviews in accordance with AS 1220, *Engagement Quality Review*. As a result, the Firm violated QC §§ 20.17-.18.

16. Third, PCAOB quality control standards specifically require a firm to establish policies and procedures that provide the firm with reasonable assurance that its engagement teams would comply with PCAOB audit documentation requirements.<sup>15</sup> However, during the time period that it was conducting the Dunxin audit, while, as stated, the Firm had a system of quality control based on local and international standards, the Firm failed to have any policies and procedures related to the retention of audit documentation under PCAOB standards. And, as explained above, the Firm failed to assemble for retention a complete and final set of audit documentation as of the documentation completion date for the 2017 Dunxin Audit in accordance with AS 1215. Therefore, the Firm violated QC §§ 20.17-.18 because it failed to establish policies and procedures that provided it with reasonable assurance that its engagement teams would comply with PCAOB audit documentation requirements.

17. Finally, registered public accounting firms are also required to maintain an effective monitoring component in their systems of quality control through the "establish[ment] [of] policies and procedures to provide the firm with reasonable assurance that the policies and procedures related to each of the other elements of quality control are

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<sup>13</sup> *Id.* at .17

<sup>14</sup> *See id.* at 20.17-.18.

<sup>15</sup> *See id.*

suitably designed and are being effectively applied.”<sup>16</sup> Monitoring involves an ongoing consideration and evaluation of the: (a) relevance and adequacy of the firm’s policies and procedures; (b) appropriateness of the firm’s guidance materials and any practice aids; (c) effectiveness of professional development activities; and (d) compliance with the firm’s policies and procedures.<sup>17</sup> During the time period that it was conducting the 2017 Dunxin Audit, the Firm failed to conduct monitoring of its quality control system in accordance with the applicable standards, and, therefore, violated QC § 20 and QC § 30.

#### 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 determined 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), RT is censured.
- B. Pursuant to Section 105(c)(4)(A) of the Act and PCAOB Rule 5300(a)(1), the registration of RT is hereby revoked.
- C. Pursuant to PCAOB Rule 2101, after two years from the date of this Order, RT may reapply for registration.
- 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 \$50,000 is imposed upon RT.
  1. 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.
  2. RT 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 Office of Finance, Public Company Accounting Oversight Board, 1666 K Street, N.W.,

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<sup>16</sup> Quality Control Section 30.02, *Monitoring a CPA Firm’s Accounting and Auditing Practice* (“QC § 30”); *see also* QC § 20.20.

<sup>17</sup> *See* QC § 30.02; *see also* QC § 20.20.

Washington D.C. 20006, and (c) submitted under a cover letter, which identifies RT 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.

3. RT understands that its failure to pay the civil money penalty imposed upon it may alone be grounds to deny any application, pursuant to PCAOB Rule 2106, for registration with the Board.
  4. If timely payment is not made, interest shall accrue at the federal debt collection rate set for the current quarter pursuant to 31 U.S.C. § 3717. Payments shall be applied first to post-order interest.
  5. With respect to any civil money penalty amounts that RT shall pay pursuant to this Order, RT shall not, directly or indirectly, (a) seek or accept reimbursement or indemnification from any source including, but not limited to, any current or former affiliated firm or professional or any payment made pursuant to any insurance policy; (b) claim, assert, or apply for a tax deduction or tax credit in connection with any federal, state, local, or foreign tax; nor (c) seek or benefit by any offset or reduction of any award of compensatory damages, by the amount of any part of RT's payment of the civil money penalty pursuant to this Order, in any private action brought against RT based on substantially the same facts as set out in the findings in this Order.
- E. Pursuant to Section 105(c)(4)(G) of the Act and PCAOB Rule 5300(a)(9), RT is required:
1. before filing with the Board any future registration application, to (a) establish policies and procedures for the purpose of providing RT with reasonable assurance of compliance with regulatory requirements applicable to audits and reviews of issuers, brokers, and dealers, including reporting requirements;<sup>18</sup> (b) establish a policy of ensuring training of personnel,

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<sup>18</sup> See PCAOB Rule 1001(b)(iii) (defining "broker"); Rule 1001(d)(iii) (defining "dealer"); Rule 1001(i)(iii) (defining "issuer").



whether internal or external, on an annual or more frequent regular basis, concerning requirements applicable to audits and reviews of issuers, brokers, and dealers, including reporting requirements; and (c) ensure training pursuant to that policy on at least one occasion prior to submission of the registration application; and

2. to provide with any future registration application a written certification of compliance with the above requirements, written evidence of compliance in the form of a narrative, exhibits sufficient to demonstrate compliance, and such additional evidence of and information concerning compliance as the Registration staff of the Division of Registration and Inspections may reasonably request.

ISSUED BY THE BOARD.

/s/ Phoebe W. Brown

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Phoebe W. Brown  
Secretary

April 11, 2023