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ORDER INSTITUTING DISCIPLINARY  
PROCEEDINGS, MAKING FINDINGS  
AND IMPOSING SANCTIONS

*In the Matter of Aldo Hidalgo de la Rosa,*  
  
*Respondent.*

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) PCAOB Release No. 105-2016-047  
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) December 5, 2016  
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By this Order, the Public Company Accounting Oversight Board ("Board" or "PCAOB") is censuring Aldo Hidalgo de la Rosa ("Hidalgo" or "Respondent"). The Board is imposing this sanction on the basis of its findings that Hidalgo violated PCAOB rules and standards by improperly altering audit documentation for an issuer audit in violation of PCAOB Auditing Standard No. 3, *Audit Documentation* ("AS3").

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 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 the entry of this Order Instituting Disciplinary Proceedings, Making Findings and Imposing Sanctions ("Order") as set forth below.<sup>1</sup>

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<sup>1</sup> 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.

**ORDER**

**III.**

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

**A. Respondent**

1. Aldo Hidalgo de la Rosa, age 36, of Del Venustiano Carranza, Mexico, is a registered public accountant who is licensed under the laws of Mexico (license no. 4258172). At all relevant times and beginning in 2009, Hidalgo was an audit senior in the Mexico City, Mexico office of Galaz, Yamazaki, Ruiz Urquiza, S.C. ("Deloitte Mexico" or "Firm") and 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). The Firm is a member of the Deloitte Touche Tohmatsu Limited global network. Hidalgo served as an audit senior for the audits of Southern Copper Corporation ("SCC" or "Company") for the years ended December 31, 2009 through December 31, 2010. In the fourth quarter of 2011, Hidalgo took employment elsewhere and left Deloitte Mexico.

**B. Issuer**

2. SCC is a Delaware corporation headquartered in Phoenix, Arizona. SCC's public filings disclose that SCC is a large integrated copper producer with mining, smelting and refining facilities located in Peru and Mexico. Its common stock is listed on both the New York and Lima Stock Exchanges under the symbol "SCCO." At all relevant times, SCC was an issuer as that term is defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii).

**C. Summary**

3. This matter concerns Respondent's violations of PCAOB rules and standards following the Firm's audits of the Company's December 31, 2010 financial statements and the Company's internal control over financial reporting ("ICFR") as of December 31, 2010 (the "Audit").<sup>2</sup> Respondent was the audit senior for the Audit and had served as the audit senior for the Company's audits since 2009. Respondent was supervised by the engagement partner and a senior manager on the Audit.<sup>3</sup>

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<sup>2</sup> 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.

<sup>3</sup> See Arturo Vargas Arellano, PCAOB Rel. No. 105-2016-045 (Dec. 5, 2016).

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4. After the issuance of the Audit reports, Respondent and certain other members of the engagement team improperly altered the documentation for the Audit after the documentation completion date. Specifically, in advance of a post-audit internal practice review performed by the Firm ("Practice Review"),<sup>4</sup> Respondent and certain other members of the engagement team violated AS3 by deleting work papers and making other alterations to documentation that had previously been assembled for retention for the Audit. In addition, Respondent and certain other members of the engagement team made additions to the previously assembled documentation without identifying when the additions were made, who made them, and why they were made, as required by AS3.

**D. Respondent Violated PCAOB Rules and Standards After the Audit**

5. The Firm has been the external auditor for SCC since 2009. On February 25, 2011, the Firm issued unqualified opinions in the Audit reports that were included in the Company's Form 10-K filed with the U.S. Securities and Exchange Commission ("Commission") on February 28, 2011. The Audit reports stated that, in the Firm's opinion, the Company's December 31, 2010 financial statements presented fairly, in all material respects, the Company's financial position, and the results of its operations and cash flows in conformity with U.S. Generally Accepted Accounting Principles, and that the Company maintained, in all material respects, effective ICFR as of December 31, 2010. The Audit reports also stated that the Audit was conducted in accordance with PCAOB standards.

6. PCAOB rules require that registered public accounting firms and their associated persons comply with applicable auditing and related professional practice standards.<sup>5</sup>

7. The PCAOB audit documentation standard requires that the complete and final set of documentation for an audit be assembled for retention by the documentation completion date, a date no later than 45 days after the date on which the auditor grants permission to use its audit reports.<sup>6</sup> After the documentation completion date, audit

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<sup>4</sup> During the relevant period, the Firm performed annual audit practice reviews. According to the Firm's policies, audit practice reviews serve to provide reasonable assurance that the firm's system of quality control is appropriately designed, relevant, adequate, operating effectively and complied with in practice.

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

<sup>6</sup> See AS3 ¶ 15.

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documentation must not be deleted, modified, or discarded from the audit file, but it may be added as long as the auditor documents the date of the addition, the name of the person who prepared the additional documentation, and the reason for adding the documentation.<sup>7</sup>

### Respondent Violated the PCAOB Audit Documentation Standard in Anticipation of an Internal Practice Review of the Audit

8. On April 11, 2011, the engagement team assembled for retention the complete and final set of documentation for the Audit (the "April Archive"). During July 2011, Respondent was informed by his supervisors on the engagement team that the Audit had been selected for a Practice Review. The Practice Review, which was part of the Firm's system of quality control, was scheduled to take place in early August 2011. In anticipation of the Practice Review, Respondent and other members of the engagement team violated PCAOB standards as a result of the improper creation, addition, modification, deletion, and backdating of audit work papers.

9. When Respondent and the engagement team created the April Archive, the work papers did not include certain audit documentation required to support the Audit reports pursuant to PCAOB standards. For example, the April Archive did not contain an engagement completion document, certain tax work papers, and other work papers that were necessary to support the Audit reports but were not timely assembled for retention.

10. Upon learning of the impending Practice Review, in late July 2011, Respondent and certain other members of the engagement team, at the direction of the SCC engagement partner, reviewed the April Archive for completeness and to identify work papers that were omitted from the April Archive. Through that process, Respondent and certain other members of the engagement team became aware that the April Archive did not contain numerous work papers that were necessary to support the Audit reports and, in fact, contained work papers that did not even relate to the Audit.

11. In response, Respondent and certain other members of the engagement team reopened the April Archive in late July 2011 ("July Reopening"). The request for the July Reopening was submitted by the senior manager and approved by the engagement partner and one other Firm audit partner, as required by the Firm's internal policies.

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See id. ¶ 16.

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12. During the July Reopening, Respondent and certain other members of the engagement team violated AS3 by improperly deleting 21 work papers from the April Archive, improperly altering 36 existing work papers, and improperly adding 41 work papers.

13. Among the work papers added in the July Reopening was a memorandum that the engagement partner directed the Respondent and other engagement team members to create in order to describe procedures purportedly performed during the Audit to address the journal entry testing requirements of PCAOB standards ("July JET Memorandum"). During the July Reopening, engagement team members, including Respondent, created the July JET Memorandum, as the engagement partner directed, improperly backdated it to make it appear that it had been created during the Audit, backdated all electronic sign-offs, including Respondent's, and placed the July JET Memorandum in the Firm's documentation archiving system. During the July Reopening, Respondent and certain other engagement team members also added other significant work papers to the audit documentation, including an engagement completion document. Other engagement team members submitted a request to close the file which did not indicate the dates the documents were added to the work papers, the names of the persons preparing the additional documentation, and the reason for adding the documentation months after the documentation completion date.

14. During the July Reopening, Respondent and certain other members of the engagement team backdated multiple preparation and review sign offs on other work papers as well to make it appear that preparation and review of the work papers had taken place prior to the release date of the Audit reports.

15. As a result of his improper alteration of audit documentation, Respondent violated AS3.

**ORDER**

**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, pursuant to Section 105(c)(4)(E) of the Act and PCAOB Rule 5300(a)(5), Aldo Hidalgo de la Rosa is hereby censured.

ISSUED BY THE BOARD.

/s/ Phoebe W. Brown

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Phoebe W. Brown  
Secretary

December 5, 2016