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

*In the Matter of PricewaterhouseCoopers LLP,*

Respondent.

PCAOB Release No. 105-2022-002

February 24, 2022

By this Order Instituting Disciplinary Proceedings, Making Findings, and Imposing Sanctions (“Order”), the Public Company Accounting Oversight Board (“Board” or “PCAOB”) is imposing sanctions upon PricewaterhouseCoopers LLP (“PwC Canada,” the “Firm,” or “Respondent”). The Board is:

- (1) censuring the Firm;
- (2) imposing a \$750,000 civil money penalty on the Firm; and
- (3) requiring the Firm to undertake certain remedial actions as described in Section IV of this Order.

The Board is imposing these sanctions on the basis of its findings that PwC Canada violated PCAOB rules and quality control standards over several years in connection with the Firm’s internal training program.

In ordering these sanctions, the Board took into account the Firm’s extraordinary cooperation in this matter, including self-reporting and remedial actions, as described in more detail below.

### 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 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 entry of this Order as set forth below.<sup>1</sup>

## III.

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

### A. Respondent

1. **PricewaterhouseCoopers LLP** is an unincorporated partnership in Canada and is headquartered in Toronto, Ontario. It is a member firm of the PricewaterhouseCoopers International Limited global network of firms (“PwC Global”). At all relevant times, the Firm was registered with the Board pursuant to Section 102 of the Act and PCAOB rules. During the period covered by this Order, the Firm served as the principal auditor for over 55 issuer audit clients. Additionally, at all relevant times, the Firm performed audit work that other PCAOB-registered firms, including member firms of PwC Global, used or relied on in issuing audit reports for their issuer clients.

### B. Summary

2. From at least 2016 until early 2020, PwC Canada violated PCAOB rules and quality control standards related to integrity and personnel management by failing to establish appropriate policies and procedures for administering and overseeing internal training tests, including tests designed to help the Firm’s audit professionals satisfy the requirements for maintaining their accounting certifications. Those quality control failures prevented the Firm from identifying that more than 1,200 Firm professionals were involved in improper answer sharing—either by providing or receiving answers—in connection with tests for mandatory internal training courses covering topics that included auditing, accounting, and professional independence. More than 1,100 of these professionals were from the Firm’s Assurance practice.

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<sup>1</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.

3. After discovering the training-related misconduct in January 2020, PwC Canada reported the matter to the PCAOB and began implementing remedial policies and procedures.

## C. PwC Canada Violated PCAOB Rules and Standards

### i. Applicable PCAOB Rules and Quality Control Standards

4. PCAOB rules require that a registered public accounting firm comply with the Board's quality control standards,<sup>2</sup> which provide that a registered firm "shall have a system of quality control for its accounting and auditing practice."<sup>3</sup>

5. As part of a firm's system of quality control, "[p]olicies and procedures should be established to provide the firm with reasonable assurance that personnel . . . perform all professional responsibilities with integrity."<sup>4</sup> In addition, PCAOB quality control standards related to personnel management state that "policies and procedures should be established to provide the firm with reasonable assurance that . . . [w]ork is assigned to personnel having the degree of technical training and proficiency required in the circumstances."<sup>5</sup> Moreover, "policies and procedures should be established to provide the firm with reasonable assurance that . . . [p]ersonnel participate in general and industry-specific continuing professional education and other professional development activities that enable them to fulfill responsibilities assigned, and satisfy applicable continuing professional education requirements of . . . regulatory agencies."<sup>6</sup>

6. PCAOB quality control standards recognize that "[t]he elements of quality control are interrelated,"<sup>7</sup> and that monitoring procedures are necessary "to provide the firm with reasonable assurance that the policies and procedures related to each of the other elements of quality control are suitably designed and are being effectively applied."<sup>8</sup> Under PCAOB standards, monitoring involves an ongoing consideration and evaluation of, among

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<sup>2</sup> See PCAOB Rule 3400T, *Interim Quality Control Standards*.

<sup>3</sup> QC § 20.01, *System of Quality Control for a CPA Firm's Accounting and Auditing Practice*.

<sup>4</sup> QC § 20.09.

<sup>5</sup> QC § 20.13.b; QC § 40.02.b, *The Personnel Management Element of a Firm's System of Quality Control—Competencies Required by a Practitioner-in-Charge of an Attest Engagement*.

<sup>6</sup> QC § 20.13.c; QC § 40.02.c.

<sup>7</sup> QC § 20.08.

<sup>8</sup> *Id.*; QC § 30.02, *Monitoring a CPA Firm's Accounting and Auditing Practice*; see also QC § 20.20.

other things, the effectiveness of professional development activities and compliance with the firm's policies and procedures.<sup>9</sup>

**ii. Training Requirements for PwC Canada Personnel**

7. As part of PwC Canada's personnel management system, the Firm administers an internal training program for all of its professionals. The Firm has designed its training program to serve multiple purposes, including to provide Firm personnel with technical instruction, to further their professional development, and to satisfy some of the continuing professional education requirements imposed by the accountancy boards that grant CPA certifications to the Firm's auditors. The Firm's training requirements vary by each professional's position, role, and industry practice area, and are intended to be relevant to, among other things, the independence of its personnel, the audit work they perform, and the integrity with which they carry out their professional responsibilities. The Firm's internal training often includes a testing component.

8. Since at least 2016, the Firm has utilized an online platform to offer training to its personnel. The platform enables the Firm to deliver, track, and record completion of mandatory training and testing. The platform records the dates and times when personnel access and complete mandatory training and testing. For training courses with a testing component, the Firm does not credit personnel with completing the training until they satisfactorily pass the related test.

9. Since at least 2016, the Firm has required all personnel to take certain online courses, including courses containing content regarding professional independence and performing professional responsibilities with integrity. These courses include a testing component at the end. During the same period, the Firm has also administered a number of online courses related to auditing and accounting. The particular courses the Firm's auditors must take vary based on their experience levels. Many of these audit-related courses include a testing component and are mandatory for the Firm's audit personnel.

**iii. Failures by PwC Canada to Establish Adequate Quality Control Policies and Procedures Related to Integrity and Personnel Management**

10. Between 2016 and early 2020, PwC Canada had in place certain quality control policies and procedures intended to address integrity and personnel management. None of those policies and procedures, however, were designed to provide reasonable assurance that Firm personnel acted with integrity when taking internal training tests. In fact, on only one occasion between 2016 and early 2020 did the Firm formally advise its Assurance personnel

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<sup>9</sup> See QC § 20. 20.c-.d; QC § 30.02.c-.d.

that they should perform training tests on their own. During this time period, the Firm also employed certain monitoring procedures related to internal training, but those procedures were limited to tracking completion of courses and related tests. The monitoring procedures were not designed to detect other compliance issues, such as answer sharing.

11. As described below, these policies and procedures were inadequate to prevent or detect the extensive answer sharing on training tests that occurred among Firm personnel over multiple years.

**iv. Widespread Sharing of Answers to Training Tests at PwC Canada**

12. From at least 2016 to early 2020, more than 1,200 PwC Canada personnel were involved in improper answer sharing related to training tests. Firm personnel primarily shared answers through use of several shared drives that professionals had created on the Firm's computer network (the "Shared Drives"), and on which professionals had posted the answers for others to view and provide supplemental answers. In addition, individuals shared answers by sending emails with attached documents containing answers to training test questions, by providing answers in hard copy documents, or by discussing answers when taking tests in the presence of others.

13. Instances of improper answer sharing primarily occurred in connection with tests that were a part of the Firm's mandatory Assurance training. The Shared Drives contained answers for at least 46 of the Firm's approximately 55 mandatory Assurance tests, as well as answers for some mandatory Firm-wide tests containing content concerning professional integrity and professional independence.

14. Improper sharing of training test answers occurred among junior staff, managers, directors, and partners at the Firm. After Firm leadership learned of the practice, it conducted an internal investigation. The Firm's investigation revealed that the misconduct was widespread within the Firm's audit practice, including among those who performed work on audits governed by PCAOB standards. At least 1,100 professionals in the Firm's Assurance practice were involved in answer sharing.

15. As illustrated by the misconduct described above, from 2016 to early 2020, PwC Canada failed to establish policies and procedures, including monitoring procedures, to provide the Firm with reasonable assurance that (1) Firm personnel performed all professional responsibilities with integrity; (2) personnel to whom work was assigned had the degree of technical training and proficiency required in the circumstances; and (3) personnel participated in general and industry-specific continuing professional education that enabled them to fulfill responsibilities assigned and satisfy applicable continuing professional education requirements

of regulatory agencies. Accordingly, the Firm violated PCAOB quality control policies related to integrity and personnel management.<sup>10</sup>

#### 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.

In ordering sanctions, the Board took into account the Firm's extraordinary cooperation in this matter.<sup>11</sup> The Firm voluntarily self-reported the matter to PCAOB staff after learning about the misconduct. Additionally, the Firm promptly instituted remedial measures, including conducting periodic searches across certain Firm systems to identify improper answer sharing, and requiring personnel to re-take certain training and testing. Absent the Firm's extraordinary cooperation, the civil money penalty imposed would have been significantly larger, and the Board may have imposed additional sanctions.

Accordingly, it is hereby ORDERED that:

- A. Pursuant to Section 105(c)(4)(E) of the Act and PCAOB Rule 5300(a)(5), PricewaterhouseCoopers LLP is hereby censured;
- B. Pursuant to Section 105(c)(4)(D) of the Act and PCAOB Rule 5300(a)(4), the Board imposes a civil money penalty of \$750,000 on PricewaterhouseCoopers LLP. 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. PricewaterhouseCoopers LLP shall pay this civil money penalty within ten 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 Office of Finance, Public Company Accounting Oversight Board, 1666 K Street, N.W., Washington, D.C. 20006; and (c) submitted under a cover letter which identifies PricewaterhouseCoopers LLP as the 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.

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<sup>10</sup> See QC § 20.09, .13.b-.c, .20; QC § 30.02; and QC § 40.02.b-.c.

<sup>11</sup> See *Policy Statement Regarding Credit for Extraordinary Cooperation in Connection with Board Investigations*, PCAOB Rel. No. 2013-003 (Apr. 24, 2013).

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), PricewaterhouseCoopers LLP is required:
1. Within 90 days of the entry of this Order, to establish, revise, or supplement, as necessary, policies and procedures, including monitoring procedures, to provide the Firm with reasonable assurance that (a) personnel perform all internal training and tests associated with such training with integrity; (b) personnel to whom work has been assigned have the degree of technical training and proficiency required in the circumstances; (c) personnel participate in general and industry-specific continuing professional education that enable them to fulfill responsibilities assigned and satisfy applicable continuing professional education requirements of regulatory agencies; and (d) the above-described policies and procedures are suitably designed and are being effectively applied.
  2. Within 120 days of the entry of this Order, to provide a certification, signed by its CEO, to the Director of the PCAOB's Division of Enforcement and Investigations, stating that the Firm has complied with paragraph IV.C.1. above. The certification shall identify the actions undertaken to satisfy the conditions specified above (including any remedial actions taken prior to the date of this Order), provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. PricewaterhouseCoopers LLP shall also submit such additional evidence of, and information concerning, compliance as the staff of the Division of Enforcement and Investigations may reasonably request.

ISSUED BY THE BOARD.

/s/ Phoebe W. Brown

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Phoebe W. Brown  
Secretary

February 24, 2022