



1666 K Street NW
Washington, DC 20006

Office: 202-207-9100
Fax: 202-862-8430

www.pcaobus.org

Order Instituting Disciplinary Proceedings, Making Findings, and Imposing Sanctions

In the Matter of KPMG LLP (Canada),

Respondent.

PCAOB Release No. 105-2022-028

October 19, 2022

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

- (1) censuring KPMG LLP (“KPMG Canada,” the “Firm,” or “Respondent”); and
- (2) imposing a civil money penalty in the amount of \$150,000 upon the Firm.

The Board is imposing these sanctions on the basis of its findings that the Firm failed to file accurate Form APs concerning the Firm’s audits of Celestica Inc. (“Celestica”) for fiscal years ended December 31, 2017, 2018, and 2019, in violation of PCAOB Rule 3211, *Auditor Reporting of Certain Audit Participants*. Specifically, in its Form AP submissions relating to its audits of Celestica for those years, the Firm misidentified a component auditor that performed 5% or more of the work on the relevant audits.

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 against Respondent pursuant to Section 105(c) of the Sarbanes-Oxley Act of 2002, as amended (the “Act”), and PCAOB Rule 5200(a)(1).

II.

In anticipation of the institution of these proceedings, and pursuant to PCAOB Rule 5205, KPMG Canada 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.¹

III.

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

A. Respondent

1. **KPMG LLP (Canada)** is a limited liability partnership headquartered in Toronto, Ontario, Canada. It is a member firm of the KPMG International Limited global network of firms ("KPMG Global"). At all relevant times, KPMG Canada was registered with the Board pursuant to Section 102 of the Act and PCAOB rules. During the period covered by this Order, the Firm annually served as the principal auditor for more than 65 issuer clients.

B. Issuer

2. Celestica Inc. ("Celestica") is a Canadian corporation headquartered in Toronto, Ontario, Canada. Its public filings disclose that it is a manufacturer and supply chain service provider in various industry sectors, including aerospace, defense, and communications. Celestica was, at all relevant times, an issuer as that term is defined in Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii). KPMG Canada issued audit reports that Celestica included in its Form 20-Fs filed with the U.S. Securities and Exchange Commission ("Commission") for fiscal years 2017, 2018 and 2019.

C. Other Relevant Entities

3. **KPMG Romania SRL ("KPMG Romania")** is a limited liability company headquartered in Bucharest, Romania. It is a member firm of KPMG Global. At all relevant times, KPMG Romania was registered with the Board pursuant to Section 102 of the Act and PCAOB rules. At all relevant times, it was licensed by the Romanian Chamber of Chartered Accountants (Lic. No. 000151/26.01.2000), but not licensed to perform local statutory audits in Romania.

4. **KPMG Audit SRL ("KPMG Audit")** is a limited liability company headquartered in Bucharest, Romania. It is also a member firm of KPMG Global. At all relevant times, KPMG Audit was the sole KPMG-affiliated firm that performed statutory and non-statutory audits in Romania, including international engagements pursuant to PCAOB standards. At all relevant

¹ The findings herein are made pursuant to KPMG Canada's Offer and are not binding on any other person or entity in this or any other proceeding.

times, it was registered with the Camera Auditorilor Financiari Din Romania (autorizatie/certificat No. 9). KPMG Audit is not now, and never has been, registered with the Board.

D. Respondent Failed to File Accurate Form APs in Violation of PCAOB Rule 3211

5. PCAOB Rule 3211, which 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.

6. In particular, Rule 3211(a) provides that, “[f]or each audit report it issues for an issuer, a registered public accounting firm must file with the Board a report on Form AP in accordance with the instructions to that form.”

7. The Form AP Instructions for “Part IV – Responsibility for the *Audit* Is Not Divided” require that an auditor who uses an “other accounting firm” that incurs more than 5% of the total audit hours “[s]tate the legal name of *other accounting firms* and the extent of participation in the *audit*” in its Form AP.²

8. In connection with KPMG Canada’s audits of Celestica’s 2017, 2018, and 2019 financial statements (the “Celestica Audits”), KPMG Canada used the work of KPMG Audit each year to perform a portion of the audit. Following each of the Celestica Audits, KPMG Canada filed a Form AP pursuant to Rule 3211.

9. In each Form AP filing for the Celestica Audits, KPMG Canada failed to identify KPMG Audit as a participant in the audits. Instead, KPMG Canada incorrectly identified PCAOB registrant KPMG Romania as an other participating accounting firm, even though KPMG Romania played no role in any of the Celestica Audits.

² In the adopting release that included proposed Rule 3211, the Board indicated that information provided on Form AP was intended to “help investors understand how much of the audit was performed by the accounting firm signing the auditor's report and how much was performed by other accounting firms,” and allow investors to “research publicly available information about the firms identified in the form, such as whether a participating firm is registered with the PCAOB, whether it has been inspected and, if so, what the results were and whether it has any publicly available disciplinary history.” See *Improving the Transparency of Audits: Rules to Require Disclosure of Certain Audit Participants on a New PCAOB Form and Related Amendments to Auditing Standards*, PCAOB Rel. No. 2015-008, at 4 (Dec. 15, 2015).

10. Accordingly, KPMG Canada repeatedly violated PCAOB Rule 3211 in connection with the Celestica Audits.

11. On March 18, 2021, nearly three years after making its first incorrect Form AP filing for the Celestica Audits, KPMG Canada filed three amended Form APs (on Form AP/A)—one for each of the Celestica Audits. Each Form AP/A identified the unregistered firm KPMG Audit as the participating other accounting firm in Romania.

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 \$150,000 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 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 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.

ISSUED BY THE BOARD.

/s/ Phoebe W. Brown

Phoebe W. Brown
Secretary

October 19, 2022