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\$60,000, respectively, for rules violations.

Jason Bramwell • Feb. 23, 2024



Baker Tilly, Mazars USA, and Withum were fined a combined total of \$2.14 million earlier this week for breaking various Public Company Accounting Oversight Board auditing rules. Grant Thornton's India arm and an Australian audit firm also received penalties from the PCAOB.

The biggest fine was given to top 25 accounting firm Withum, which was [docked \\$2 million on Feb. 21](#) for “pervasive” quality control violations found in its audits of special-purpose acquisition companies (SPACs) in 2020 and 2021.

Those two years saw historic growth in the SPAC market, in which these so-called

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half of Withum's \$70 million in public company audit fees during the two boom years. Marcum's SPAC clients contributed a fifth of its \$184 million in audit fees, according to Audit Analytics data.

But as the two firms' revenues soared, so did their workloads. Missed deadlines and pervasive errors mounted as overloaded partners churned out audit after audit, the Bloomberg Tax analysis found. More than two-thirds of Marcum's and Withum's SPAC audits required either a restatement or late filing.

Last June, [Marcum was fined \\$10 million by the Securities and Exchange Commission and \\$3 million by the PCAOB](#) for several years' worth of quality control failures and violations of auditing standards during its audits of SPACs. The \$3 million penalty the PCAOB gave Marcum was the largest doled out to a "non-affiliate firm," meaning an audit firm that isn't a member of a global network.

And as part of its settlement with the PCAOB, Marcum was required to create a new role and hire an individual to serve as head of the firm's quality control system and to create a committee responsible for the oversight function for the audit practice. That was the first time the PCAOB had ever made those demands to an audit firm.



Erica Williams

While the sanctions on Withum weren't as severe as Marcum's, PCAOB Chair Erica Williams said on Wednesday that growth in Withum's audit practice due to the

influx of SPAC clients “must not come at the expense of quality. The PCAOB will hold

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As shown in the chart below, during Withum's 2021 busy season, from January through March of that year, the average billable utilization for the group of five engagement partners responsible for 40 or more issuer audits was 141%, 148%, and 178%, for each month, respectively, the PCAOB said. In addition to the billable hours worked, these five partners also averaged 15 hours per week on non-billable work over the same period, which further added to the workload for these partners.

Engagement Partner 1, who had the highest number of assigned issuer audits, also had the highest monthly utilization during the period of 220% in March 2021. Moreover, for two weeks during March 2021, Engagement Partner 1 was working approximately 100 hours per week.

Utilization Summary

Engagement Partner	Number of audit reports issued in 2021	Utilization - January 2021 (%)	Utilization - February 2021 (%)	Utilization - March 2021 (%)
Engagement Partner 1	73	184%	165%	220%
Engagement Partner 2	62	138%	154%	197%
Engagement Partner 3	52	132%	162%	168%
Engagement Partner 4	44	137%	153%	155%
Engagement Partner 5	44	114%	104%	150%
Average	55	141%	148%	178%

Chart courtesy of the PCAOB.

Withum's quality control system failed to provide reasonable assurance that its personnel complied with applicable professional standards and regulatory requirements, including those related to appropriately staffing issuer audits.

The disciplinary order states:

The firm's system of quality control failed to provide reasonable assurance that the firm would (a) undertake only those issuer engagements that the firm could reasonably expect to be completed with professional competence and appropriately consider the risks

associated with providing professional services in the particular

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assumptions underlying the estimate; (e) make all required communications to issuer audit committees; (f) perform sufficient procedures to determine whether certain matters were critical audit matters (CAMs); (g) perform sufficient procedures to test journal entries; and (h) timely file Form APs.

“Today’s order should serve as a stark reminder that firms must have both the staff and necessary expertise to perform the audits they agree to perform,” Robert Rice, director of the PCAOB’s Division of Enforcement and Investigations, said on Feb. 21. “If they do not, we will hold them accountable for those failures.”

Withum settled with the PCAOB, without admitting or denying the findings, and consented to the \$2 million civil money penalty. The sanctions also require the firm to engage an independent consultant who will review and make recommendations concerning Withum’s quality control policies and procedures. The firm is also required to conduct certain training for all audit staff.

## **Baker Tilly and Mazars fined \$80,000 and \$60,000, respectively**

On Feb. 20, the PCAOB said four audit firms—[Baker Tilly](#), [Mazars USA](#), [Grant Thornton Bharat](#) in India, and [SW Audit](#) in Australia—were found to have violated U.S. auditing rules and standards related to communications that firms are required to make to audit committees. The firms were sanctioned as part of a sweep, which enables the PCAOB to collect information on potential violations from several firms at the same time.

“Engaged and informed audit committees play a key role in promoting audit quality and protecting investors, and they must be kept informed in accordance with our

standards,” Williams said on Tuesday. “Sweeps are a valuable tool in our

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- Grant Thornton Bharat failed to ensure that an issuer client's audit committee received a copy of management's representation letter, in violation of AS 1301 and AS 2805, *Management Representations*.
- SW Audit failed to satisfy independence requirements in violation of PCAOB Rule 3520, *Auditor Independence*, and PCAOB Rule 3524, *Audit Committee Pre-Approval of Certain Tax Services*, by failing to obtain audit committee pre-approval of tax compliance and other services and by engaging an issuer audit client pursuant to an indemnification agreement. SW Audit also violated PCAOB quality control standards in failing to maintain effective policies and procedures with respect to independence and audit documentation.

Without admitting or denying the findings, top 10 U.S. accounting firm Baker Tilly was censured and fined \$80,000; top 35 firm Mazars USA and SW Audit were both censured and each fined \$60,000; and Grant Thornton Bharat was censured and fined \$40,000.

Each firm also consented to comply with revised policies and procedures concerning adherence to PCAOB rules and standards related to these violations.

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