PCAOB
Public Company Accounting Oversight Board

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ORDER INSTITUTING DISCIPLINARY PROCEEDINGS, MAKING FINDINGS, AND IMPOSING SANCTIONS *In the Matter of Deloitte Accountants B.V.*, Respondent.	PCAOB Release No. 105-2016-051 December 13, 2016

By this Order, the Public Company Accounting Oversight Board (the "Board" or "PCAOB") is censuring Deloitte Accountants B.V. (the "Firm" or "Respondent") and imposing a civil money penalty of $300,000. The Board is imposing these sanctions on the basis of its findings that the Firm violated PCAOB rules and standards related to the Firm's system of quality control and independence.

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 the institution of these proceedings, and pursuant to PCAOB Rule 5205, Respondent has submitted an Offer of Settlement (the "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 Instituting Disciplinary

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Proceedings, Making Findings, and Imposing Sanctions (the "Order") as set forth below.[1]

III.

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

A. <u>Respondent</u>

1. Deloitte Accountants B.V. is a limited liability corporation organized under the laws of the Kingdom of the Netherlands and headquartered in Rotterdam, the Netherlands. The Firm is licensed by the Netherlands Authority for the Financial Markets ("AFM") to practice public accountancy (License No. 13000015) and is a member firm in the Deloitte Touche Tohmatsu Limited network. The Firm is, and at all relevant times was, registered with the Board pursuant to Section 102 of the Act and PCAOB rules. The Firm was at all relevant times the external auditor of the consolidated financial statements of RBS Holdings N.V. ("RBS Holdings")[2] and Reed Elsevier NV ("Reed Elsevier")[3] addressed below.

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[1] The findings herein are made pursuant to the Respondent's Offer and are not binding on any other persons or entities in this or any other proceeding.

[2] RBS Holdings N.V. is a limited liability company incorporated under the laws of the Netherlands. The company is affiliated with the Royal Bank of Scotland Group offering banking and financial services globally. The company is a foreign private issuer of a series of debt securities registered under Section 12(b) of the Exchange Act and is listed on the New York Stock Exchange and NYSE Arca. At all relevant times, RBS Holdings was an issuer as that term is defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii).

[3] Reed Elsevier NV was incorporated in the Netherlands and together with Reed Elsevier Plc formed the Reed Elsevier Group, which name was changed in 2015 into RELX Group. The company is a provider of professional information solutions to the scientific, medical, legal, business and government sectors. The company is a foreign private issuer of American Depositary Shares registered under Section 12(b) of the Exchange Act and is listed on the New York Stock Exchange. At all relevant times, Reed Elsevier was an issuer as that term is defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii).

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B. Other Relevant Entities and Person

2. Deloitte Holding B.V. ("DHBV") is a limited liability company and the parent company of the Firm. It is headquartered in Rotterdam, the Netherlands.

3. Piet Hein Meeter ("Meeter") joined Deloitte Belastingadviseurs B.V. ("DBBV") in 2002 as a partner. DBBV is a wholly owned subsidiary of DHBV that provides tax services to clients. Meeter was the managing partner of DBBV until January 1, 2012, when he became the Chief Executive Officer ("CEO") of DHBV and all of its subsidiaries and affiliates, including the Firm.

C. Summary

4. This matter concerns the Firm's failure to comply with PCAOB rules and standards requiring that a registered public accounting firm: (1) have a system of quality control for its accounting and auditing practice that, among other things, provides the firm with reasonable assurance that personnel maintain independence (in fact and in appearance) in all required circumstances and that these policies and procedures were suitably designed and were being effectively applied;[4] and (2) be independent of the firm's audit clients throughout the audit and professional engagement period.[5] As described below, the Firm's system of quality control regarding independence failed to comply with PCAOB standards and the Firm violated the independence rules with respect to RBS Holdings and Reed Elsevier during the audit and professional engagement periods for the audits of their 2011 and 2012 financial statements because of financial interests that the Firm's CEO's spouse held in these two issuers through a Dutch family foundation trust.

D. The Firm Failed to Comply With Quality Control Standards and Auditor Independence Requirements

5. PCAOB Rules require that a registered public accounting firm comply with the Board's quality control standards.[6] PCAOB quality control standards require that a

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[4] Interim Quality Control Standard ("QC") § 20.01, .09, .10, .20, *System of Quality Control for a CPA Firm's Accounting and Auditing Practice*; QC § 30.03, *Monitoring a CPA Firm's Accounting and Auditing Practice*.

[5] PCAOB Rule 3520, *Auditor Independence*; AU § 220, *Independence*.

[6] PCAOB Rule 3400T, *Interim Quality Control Standards.*

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registered public accounting firm have a system of quality control for its accounting and auditing practice, including policies and procedures that provide the firm with reasonable assurance that personnel maintain independence (in fact and in appearance) in all required circumstances.[7] In addition, PCAOB quality control standards provide that policies and procedures should be established to provide the firm with reasonable assurance that the policies and procedures established by the firm for each of the other elements of quality control are suitably designed and being effectively applied.[8] Firms are required to establish monitoring procedures to enable the firm to obtain reasonable assurance that its system of quality control is effective.[9] Such monitoring procedures may include, among other things, inspection procedures, post-issuance reviews of selected engagements, and analysis and assessment of the results of independence confirmations.[10]

6. In connection with the preparation or issuance of an audit report, PCAOB rules require that a registered public accounting firm and its associated persons comply with the Board's auditing and related professional practice standards.[11] PCAOB rules and standards also require a registered public accounting firm and its associated persons to be independent of the firm's audit clients throughout the audit and professional engagement period.[12]

7. A registered public accounting firm's or associated person's independence obligation with respect to an issuer audit client encompasses not only an obligation to satisfy the independence criteria set out in the rules and standards of the PCAOB, but also an obligation to satisfy all other independence criteria applicable to the engagement, including the independence criteria set out in the rules and regulations of

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[7] QC § 20.01, .09.

[8] QC §§ 20.20 and 30.02.

[9] QC § 30.03.

[10] Id.

[11] PCAOB Rule 3100, *Compliance with Auditing and Related Professional Practice Standards*, and PCAOB Rule 3200T, *Interim Auditing Standards*.

[12] PCAOB Rule 3520; AU § 220.

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the U.S. Securities and Exchange Commission (the "Commission") under the federal securities laws.[13]

8. During the period from 2009 through the first quarter of 2012 (the "relevant period"), the Firm lacked adequate policies and procedures designed to provide reasonable assurance that individuals who became "covered persons" by being appointed to leadership positions in the "chain of command"[14] were free of financial interests that may violate the Commission's independence requirements. The Firm's policies and procedures failed to evaluate whether those individuals who became "covered persons" held financial interests in the Firm's audit clients that impaired independence.[15]

9. For example, during the relevant period, five individuals were appointed to leadership roles and none of them were reviewed for independence purposes in connection with their appointment. The Firm failed to evaluate whether any of these individuals held financial interests in the Firm's audit clients which would impair independence once they became "covered persons".

10. During the relevant time period, the Firm's system of quality control regarding independence failed to provide the Firm with reasonable assurance that personnel maintained independence (in fact and in appearance) in all required circumstances, and that the policies and procedures regarding independence were suitably designed and effectively applied, in violation of the PCAOB's quality control standards.

11. Rule 2-01 of Commission Regulation S-X states that an accountant is not independent of an audit client if, at any point during the audit and professional engagement period, the accounting firm, any covered person in the firm, or any of his or her immediate family members has any direct investment in an audit client,[16] which the rule defines to include, among other things, investments through a trust on which an

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[13] PCAOB Rule 3520, Note 1.

[14] 17 C.F.R. § 210.2-01(f)(8) and (11).

[15] 17 C.F.R. § 210.2-01(c)(1).

[16] 17 C.F.R. § 210.2-01(c)(1)(i).

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immediate family member of a covered person serves as voting trustee and has authority to make investment decisions for the trust.[17]

12. As RBS Holding's external auditor, the Firm issued audit reports on the company's 2011 and 2012 financial statements included in the Forms 20-F filed with the Commission, respectively, on March 23, 2012 and March 28, 2013.

13. As Reed Elsevier's external auditor, the Firm also issued audit reports on the company's 2011 and 2012 financial statements, which were included in the Forms 20-F filed with the Commission, respectively, on March 12, 2012 and March 12, 2013.

14. From January 1, 2012 to March 26, 2012, Meeter held a leadership role as the CEO of the Firm's parent, DHBV, and was therefore in the "chain of command" for purposes of Regulation S-X.[18] Accordingly, Meeter was a "covered person" during that period with respect to the Firm's issuer audit clients, including RBS Holdings and Reed Elsevier.[19]

15. The Firm failed to undertake a review of Meeter's financial interests prior to Meeter becoming the CEO to evaluate the impact his new status as a covered person might have on his and the Firm's independence.

16. A Dutch family foundation trust ("Family Trust") established by Meeter's father-in-law for the benefit of Meeter's spouse ("Mrs. Meeter") and other family members included investments in RBS Holdings and Reed Elsevier. Mrs. Meeter was a member of the board of the Family Trust with the authority to make investment decisions for the trust.[20]

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[17] 17 C.F.R. § 210.2-01(c)(1)(i)(C).

[18] 17 C.F.R. § 210.2-01(f)(8).

[19] 17 C.F.R. § 210.2-01(f)(11).

[20] 17 C.F.R. § 2.01(d) provides that, if certain conditions are satisfied, an accounting firm's independence will not be impaired solely because a covered person in the firm is not independent of an audit client. The Firm concluded that Meeter did not know that Mrs. Meeter was a member of the board with authority to make investment decisions for the trust. That lack of knowledge would satisfy one of the conditions described in 17 C.F.R. § 2.01(d). The Firm, however, did not satisfy a separate condition, set out in 17 C.F.R. § 2.01(d)(3), in that the Firm did not have a quality control

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17. The Firm violated the independence rules in connection with the audits of the 2011 and 2012 financial statements of RBS Holdings and Reed Elsevier, including PCAOB Rule 3520 and AU § 220 because Mrs. Meeter was a member of the board of the Family Trust with the authority to make investment decisions regarding these issuer client holdings.[21]

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 the Respondent's Offer. In considering appropriate sanctions, the Board considered remedial actions undertaken by the Firm prior to the issuance of this Order. Accordingly, it is hereby ORDERED that:

A. Pursuant to Section 105(c)(4)(E) of the Act and PCAOB Rule 5300(a)(5), Deloitte Accountants B.V. is hereby censured; and

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 $300,000 is imposed upon Deloitte Accountants B.V. 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. Deloitte Accountants B.V. shall pay this civil money penalty within 10 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 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 Controller, Public Company Accounting Oversight Board, 1666 K Street, N.W., Washington D.C. 20006, and (c) submitted under a cover letter, which identifies Deloitte Accountants B.V. 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:

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system that provided reasonable assurance that the Firm and its employees did not lack independence.

[21] 17 C.F.R. § 210.2-01(c)(1)(i)(C).

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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

December 13, 2016