

Press Release

Deloitte Japan Charged With Violating Auditor Independence Rules

FOR IMMEDIATE RELEASE

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Washington D.C., Feb. 13, 2019 — The Securities and Exchange Commission today announced that Deloitte Touche Tohmatsu LLC (Deloitte Japan) will pay \$2 million to settle charges that it issued audit reports for an audit client at a time when dozens of its employees maintained bank accounts with the client's subsidiary. According to the SEC's order, the accounts had balances that exceeded depositary insurance limits in violation of the SEC audit independence rules. Deloitte Japan's former CEO Futomichi Amano and former reputation and risk leader and director of independence Yuji Itagaki settled related charges.

Under the SEC's rules, accountants are not considered to be independent if they maintain bank accounts with an audit client with balances greater than FDIC or similar depositary insurance limits. According to the SEC's order, Deloitte Japan knew but failed to adequately disclose that Amano maintained bank account balances with the audit client's subsidiary bank that compromised his independence. A subsequent investigation by the firm revealed that 88 other Deloitte Japan employees had financial relationships with the audit client that compromised their independence as well. The SEC's order also found that Deloitte Japan's system of quality controls did not provide reasonable assurances that the firm and its auditors were independent from audit clients. For example, the SEC's order found that Deloitte Japan failed to adequately staff and supervise its Office of Independence and caused certain independence violations by making deposits to partners' bank accounts that exceeded the deposit insurance limits.

"Auditor independence is critical to the integrity of the financial reporting process," said Melissa Hodgman, Associate Director of the SEC's Division of Enforcement. "The auditor independence rules addressing bank account balances that exceed deposit insurance limits are clear, and audit firms must devote adequate resources to ensuring the independence of the firm and its personnel."

The SEC's order finds that Deloitte Japan violated the auditor independence provisions of the federal securities laws and that Amano and Itagaki caused those violations. The order also finds that Deloitte Japan, Amano, and Itagaki caused the audit client to violate its reporting obligations, and that all respondents engaged in improper professional conduct within the meaning of Rule 102(e) of the SEC's Rules of Practice by virtue of their violations of the auditor independence requirements.

Deloitte Japan, Amano, and Itagaki consented to the SEC's order without admitting or denying the findings and were ordered to cease-and-desist from future violations. Deloitte Japan agreed to pay \$2 million in monetary sanctions and be censured. Amano and Itagaki agreed to be suspended from appearing and practicing before the SEC as accountants, which includes not participating in the financial reporting or audits of public companies. The SEC's order permits Amano and Itagaki to apply for reinstatement after two years and one year, respectively. In determining to accept Deloitte Japan's offer of settlement, the SEC considered remedial acts promptly undertaken by Deloitte Japan and cooperation afforded the SEC staff.

The SEC's investigation was conducted by James Bresnicky and Sarah Lamoree, and supervised by J. Lee Buck II and Ms. Hodgman.

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Related Materials

- [SEC Order](#)