

US demands Deloitte cooperate in China fraud probe

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US regulators blasted global accounting giant Deloitte Touche Tohmatsu on Thursday for failing to cooperate in their probe of suspected fraud by Longtop, a Chinese software company.

The US [Securities and Exchange Commission](#) said Deloitte's Shanghai unit was not complying with a subpoena that the agency had issued in May for documents pertaining to the suspected accounting fraud.

The unit, D&T [Shanghai](#), has "vast amounts of documents" of interest to the investigation but has not yet responded to the SEC's subpoena despite a July deadline, the agency said in a statement.

"These documents may reveal information about D&T Shanghai's discovery of false financial records at Longtop, how any fraud schemes at Longtop were able to continue undetected, and basic information necessary to ferret out whether there was a fraud, who was behind it, how significant it was, and how it was conducted," the SEC said.

The agency said it had filed a subpoena enforcement action to force Deloitte to cooperate, and warned that refusal to hand over the documents could have "serious legal consequences".

The SEC halted trading of Longtop's shares on the New York Stock Exchange in May after Deloitte abruptly quit as the company's auditor, with the accountancy firm accusing Longtop managers of falsifying records about the firm's cash balances and sales.

In previous years, Deloitte's auditors had repeatedly given a clean bill of health to financial statements released by Longtop, a maker of financial software based in the southeastern Chinese city of Xiamen.

Longtop is one of several Chinese firms on North American stock markets that have been embroiled in accounting scandals and a crackdown by regulators this year; some have been suspended and others delisted.

The scandals have shaken the faith of investors in Chinese companies and raised doubts about corporate governance practices in China.

Last month, Canadian regulators halted trading of Chinese timber company Sino-Forest Corp. on the Toronto Stock Exchange, accusing it of inflating the size of its revenues and timber holdings.

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