

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 57756 / May 1, 2008**

**ACCOUNTING AND AUDITING ENFORCEMENT**  
**Release No. 2823 / May 1, 2008**

**ADMINISTRATIVE PROCEEDING**  
**FILE NO. 3-13033**

**In the Matter of**

**SAVVIDES & PARTNERS/PKF**  
**CYPRUS**

**Respondent.**

**ORDER INSTITUTING PUBLIC**  
**ADMINISTRATIVE PROCEEDINGS**  
**PURSUANT TO RULE 102(e) OF THE**  
**COMMISSION'S RULES OF PRACTICE,**  
**MAKING FINDINGS AND IMPOSING**  
**REMEDIAL SANCTIONS**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be instituted against Respondent Savvides & Partners/PKF Cyprus (“PKF Cyprus” or “Respondent”) pursuant to Rule 102(e)(3)(i) of the Commission’s Rules of Practice.<sup>1</sup>

**II.**

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, prior to a hearing pursuant to the Commission’s Rules of Practice, 17 C.F.R. § 201.1 *et seq.*, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over them, the subject matter of these

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<sup>1</sup> Rule 102(e)(3)(i) provides, in pertinent part, that: The Commission, with due regard to the public interest and without preliminary hearing, may, by order, ... suspend from appearing or practicing before it any ... accountant ... who has been by name ... permanently enjoined by any court of competent jurisdiction, by reason of his or her misconduct in an action brought by the Commission, from violating or aiding and abetting the violation of any provision of the Federal securities laws or of the rules and regulations thereunder.

proceedings, and the findings contained in Section III subsection (2) below, which are admitted, Respondent consents to the entry of this Order Instituting Public Administrative Proceedings Pursuant to Rule 102(e) of the Commission's Rules of Practice, Making Findings, and Imposing Remedial Sanctions ("Order"), as set forth below.

### III.

On the basis of this Order and Respondent's Offer, the Commission finds that:

1. PKF Cyprus is a Limassol, Cyprus accounting firm operating in the form of a partnership. The firm's primary address is Meliza Court, 229, Arch. Makarios III Avenue, Limassol, Cyprus. PKF Cyprus is a member of PKF International Ltd., a network of independent firms of accountants and business advisors with more than 430 offices and 12,800 staff and partners in more than 100 countries.
2. On March 21, 2006, the Commission filed a complaint against Respondent in *SEC v. Savvides & Partners/PKF Cyprus, et al.* Civil Action No. 06 CV 2223 (S.D.N.Y.) naming Savvides & Partners/PKF Cyprus, Pavlos Meletiou ("Meletiou"), R.K. Dhawan and Co., and R.K. Dhawan as defendants. On March 7, 2008, Respondent, without admitting or denying the allegations in the complaint, consented to the entry of a final judgment against it, permanently enjoining it from future violations of Section 17(a) of the Securities Act of 1933 and Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") and Exchange Act Rule 10b-5 and from aiding and abetting future violations of Sections 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act, and Exchange Act Rules 12b-20, 13a-1 and 13b2-1. On April 29, 2008, the Court entered the aforementioned permanent injunction. The final judgment also orders PKF Cyprus to pay total disgorgement of \$155,052 (including prejudgment interest of \$48,539), and to pay a \$106,513 civil penalty.
3. The Commission's complaint alleged, among other things, that PKF Cyprus issued unqualified audit reports for one AremisSoft Corporation ("AremisSoft") subsidiary in 1999 and two AremisSoft subsidiaries in 2000 that falsely stated that its audits were conducted in accordance with U.S. Generally Accepted Auditing Standards ("GAAS") and that the AremisSoft subsidiaries' financial statements were fairly presented in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"). The complaint further alleged that Meletiou was a partner of PKF Cyprus while AremisSoft was a public company, that he was responsible for the audits and reviews conducted by PKF Cyprus of the three AremisSoft subsidiaries, and that he had no training or experience in GAAS or GAAP.
4. The complaint also alleged that PKF Cyprus failed to meet numerous GAAS requirements in that Meletiou: (a) did not obtain sufficient competent evidential matter to afford a reasonable basis for an opinion regarding the financial statements under audit; (b) did not exercise due professional care in the performance of the audits and the preparation of the audit reports; (c) did not have adequate technical training and proficiency with respect to GAAS and GAAP; (d) did not consider the risk of misstatement arising from fraudulent financial reporting during the planning of the audits

and the performance of substantive audit procedures; and (e) did not obtain a sufficient understanding of the internal controls of the two AremisSoft subsidiaries that PKF audited in 2000 to plan the audit.

5. The complaint further alleged that Meletiou knew or was reckless in not knowing that the statements in PKF Cyprus' 2000 audit reports of two AremisSoft subsidiaries were materially false and misleading. The complaint also alleged that the false financial statements of the two AremisSoft subsidiaries were included in AremisSoft's consolidated financial statements for 2000, AremisSoft's 2000 Form 10-K, and in AremisSoft's registration statements that incorporated the financial information.
6. In addition, the complaint alleged that PKF Cyprus issued an unqualified audit report on an AremisSoft subsidiary covering the period 1997 through 1999 that stated PKF Cyprus had conducted its audit in accordance with GAAS and that the subsidiary's financial statements presented the subsidiary's consolidated financial position fairly, in conformity with GAAP. The complaint also alleged that the PKF Cyprus audit report was included in AremisSoft's 1999 Annual Report on Form 10-K filed with the Commission. The complaint further alleged that contrary to the representations in PKF Cyprus' audit report, the subsidiary's financial statements did not conform to GAAP and the audit was not conducted in accordance with GAAS in effect at the time of the audit. The complaint also alleged that, among other things, the PKF Cyprus audit report stated that the subsidiary had more than three million dollars of revenues in 1999, when in fact the company had virtually no assets, business, revenues, or income and, according to its own corporate records, had not even begun business operations as of March 31, 2000.
7. The complaint also alleged that the PKF Cyprus audit workpapers prepared by Meletiou during the 2000 audits of two AremisSoft subsidiaries, which were found in a trash heap outside AremisSoft's Indian offices, included phony customer and bank confirmations.

#### **IV.**

#### **UNDERTAKINGS BY PKF CYPRUS**

PKF Cyprus undertakes to:

1. maintain for a period of not less than seven years, all audit work papers and other information with respect to any issuer<sup>2</sup> audit report filed with the Commission prior to the date of this Order;
2. produce to the SEC within 10 days upon request all audit or review documentation associated in any way with any issuer audit report filed with the Commission prior to the date of this Order; and

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<sup>2</sup> As used in this order, the term "issuer" has the same meaning as in Section 2(a)(7) of the Sarbanes-Oxley Act of 2002.

3. obtain an independent partner review on any future engagements associated in any way with any issuer audit report.

In determining whether to accept PKF Cyprus' Offer, the Commission has considered these undertakings.

## V.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent's Offer.

Accordingly, IT IS HEREBY ORDERED, effective immediately, that:

- A. PKF Cyprus is censured pursuant to Rule 102(e) of the Commission's Rules of Practice.
- B. PKF Cyprus is suspended from appearing or practicing before the Commission as an accountant.
- C. After five years from the date of this order, Respondent PKF Cyprus may request that the Commission consider its reinstatement by submitting an application (attention: Office of the Chief Accountant) to resume appearing or practicing before the Commission as an independent accountant. Such an application must satisfy the Commission that:

1. Respondent PKF Cyprus is registered with the Public Company Accounting Oversight Board ("Board") in accordance with the Sarbanes-Oxley Act of 2002, and such registration continues to be effective. However, if registration with the Board is dependant upon reinstatement by the Commission, the Commission will consider an application on its other merits;

2. Respondent PKF Cyprus has hired an independent CPA consultant ("consultant"), who is not unacceptable to the staff of the Commission and is affiliated with a public accounting firm registered with the Board, that has conducted a review of PKF Cyprus's quality control system and submitted to the staff of the Commission a report that describes the review conducted and procedures performed, and represents that the review did not identify any criticisms of or potential defects in the firm's quality control system that would indicate that any of PKF Cyprus' employees will not receive appropriate supervision. PKF Cyprus agrees to require the consultant, if and when retained, to enter into an agreement that provides that for the period of review and for a period of two years from completion of the review, the consultant shall not enter into any employment, consultant, attorney-client, auditing or other professional relationship with PKF Cyprus, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity. The agreement will also provide that the consultant will require that any firm with which he/she is affiliated or of which he/she is a member, and any person engaged to assist the consultant in performance of his/her duties under this Order shall not, without prior written consent of the staff, enter into any employment, consultant, attorney-client, auditing or other professional relationship with PKF Cyprus, or any of its present or former affiliates,

directors, officers, employees, or agents acting in their capacity as such for the period of the review and for a period of two years after the review.

3. Respondent PKF Cyprus has resolved all disciplinary issues with the Board, and has complied with all terms and conditions of any sanctions imposed by the Board (other than reinstatement by the Commission); and

4. Respondent PKF Cyprus acknowledges its responsibility, as long as Respondent PKF Cyprus appears or practices before the Commission as an independent accountant, to comply with all requirements of the Commission and the Board, including, but not limited to, all requirements relating to registration, inspections, concurring partner reviews and quality control standards.

D. The Commission will consider an application by Respondent PKF Cyprus to resume appearing or practicing before the Commission provided that its licenses with the Institute of Certified Public Accountants of Cyprus (“ICPAC”) or the successor regulatory organization are current and it has resolved any disciplinary issues with ICPAC. The Commission’s review may include consideration of, in addition to the matters referenced above, any other matters relating to Respondent’s character, integrity, professional conduct, or qualifications to appear or practice before the Commission.

By the Commission.

Nancy M. Morris  
Secretary