2023 Inspection ASA & Associates LLP

(Headquartered in New Delhi, Republic of India)

November 16, 2023

THIS IS A PUBLIC VERSION OF A PCAOB INSPECTION REPORT

PORTIONS OF THE COMPLETE REPORT ARE OMITTED FROM THIS DOCUMENT IN ORDER TO COMPLY WITH SECTIONS 104(g)(2) AND 105(b)(5)(A) OF THE SARBANES-OXLEY ACT OF 2002

PCAOB RELEASE NO. 104-2024-004

PCAOB
PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD

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2023 INSPECTION

In the 2023 inspection of ASA & Associates LLP, the Public Company Accounting Oversight Board (PCAOB) assessed the firm's compliance with laws, rules, and professional standards applicable to the audits of public companies.

We selected for review two audits of issuers, one with a fiscal year ending in 2021 and one with a fiscal year ending in 2019. For each issuer audit selected, we reviewed a portion of the audit. We also evaluated elements of the firm's system of quality control.

2023 Inspection Approach

In selecting issuer audits for review, we use a risk-based method of selection. We make selections based on (1) our internal evaluation of audits we believe have a heightened risk of material misstatement, including those with challenging audit areas, and (2) other risk-based characteristics, including issuer and firm considerations. In certain situations, we may select all of the firm's issuer audits for review.

When we review an audit, we do not review every aspect of the audit. Rather, we generally focus our attention on audit areas we believe to be of greater complexity, areas of greater significance or with a heightened risk of material misstatement to the issuer's financial statements, and areas of recurring deficiencies. We may also select some audit areas for review in a manner designed to incorporate unpredictability.

Our selection of audits for review does not necessarily constitute a representative sample of the firm's total population of issuer audits. Additionally, our inspection findings are specific to the particular portions of the issuer audits reviewed. They are not an assessment of all of the firm's audit work or of all of the audit procedures performed for the audits reviewed.

View the details on the scope of our inspections and our inspections procedures.

OVERVIEW OF THE 2023 INSPECTION AND HISTORICAL DATA BY INSPECTION YEAR

The following information provides an overview of our 2023 inspection as well as data from the previous inspection. We use a risk-based method to select audits for review and to identify areas on which we focus our review. Because our inspection process evolves over time, it can, and often does, focus on a different mix of audits and audit areas from inspection to inspection and firm to firm. Further, a firm's business, the applicable auditing standards, or other factors can change from the time of one inspection to the next. As a result of these variations, we caution that our inspection results are not necessarily comparable over time or among firms.

Firm Data and Audits Selected for Review

	2023	2020
Firm data		
Total issuer audit clients in which the firm was the principal auditor	2	2
Total issuer audits in which the firm was not the principal auditor	0	0
Total engagement partners on issuer audit work[1]	2	2
Audits reviewed		
Total audits reviewed	2	2
Audits in which the firm was the principal auditor	2	2
Integrated audits of financial statements and internal control over financial reporting (ICFR)	1	2
Audits with Part I.A deficiencies	1	1
Percentage of audits with Part I.A deficiencies	50%	50%

If we include a deficiency in Part I.A of our report, it does not necessarily mean that the firm has not addressed the deficiency. In many cases, the firm has performed remedial actions after the deficiency was identified. Depending on the circumstances, remedial actions may include performing additional

[1] The number of engagement partners on issuer audit work represents the total number of firm personnel (not necessarily limited to personnel with an ownership interest) who had primary responsibility for an issuer audit (as defined in AS 1201, *Supervision of the Audit Engagement*) or for the firm's role in an issuer audit during the twelve-month period preceding the outset of the inspection or, in cases where the firm has not issued an audit report in that period, since the prior inspection or since the firm's registration with the PCAOB.

audit procedures, informing management of the issuer of the need for changes to the financial statements or reporting on ICFR, or taking steps to prevent reliance on prior audit reports.

Our inspection may include a review, on a sample basis, of the adequacy of a firm's remedial actions, either with respect to previously identified deficiencies or deficiencies identified during the current inspection. If a firm does not take appropriate actions to address deficiencies, we may criticize its system of quality control or pursue a disciplinary action.

If we include a deficiency in our report — other than those deficiencies for audits with incorrect opinions on the financial statements and/or ICFR — it does not necessarily mean that the issuer's financial statements are materially misstated or that undisclosed material weaknesses in ICFR exist. It is often not possible for us to reach a conclusion on those points based on our inspection procedures and related findings because, for example, we have only the information that the auditor retained and the issuer's public disclosures. We do not have direct access to the issuer's management, underlying books and records, and other information.

Audit Areas Most Frequently Reviewed

This table reflects the audit areas we have selected most frequently for review in the 2023 inspection and the previous inspection. For the issuer audits selected for review, we selected these areas because they were generally significant to the issuer's financial statements, may have included complex issues for auditors, and/or involved complex judgments in (1) estimating and auditing the reported value of related accounts and disclosures and (2) implementing and auditing the related controls.

2023		2020	
Audit area	**Audits reviewed**	**Audit area**	**Audits reviewed**
Revenue and related accounts	2	**Revenue and related accounts**	2
Cash and cash equivalents	2	**Cash and cash equivalents**	2
Long-lived assets	1	**Long-lived assets**	1
Debt	1	**Inventory**	1

PART I: INSPECTION OBSERVATIONS

Part I.A of our report discusses deficiencies, if any, that were of such significance that we believe the firm, at the time it issued its audit report(s), had not obtained sufficient appropriate audit evidence to support its opinion(s) on the issuer's financial statements and/or ICFR.

Part I.B discusses certain deficiencies, if any, that relate to instances of non-compliance with PCAOB standards or rules other than those where the firm had not obtained sufficient appropriate audit evidence to support its opinion(s). This section does not discuss instances of potential non-compliance with SEC rules or instances of non-compliance with PCAOB rules related to maintaining independence.

Part I.C discusses instances of potential non-compliance with SEC rules or instances of non-compliance with PCAOB rules, if any, related to maintaining independence.

Consistent with the Sarbanes-Oxley Act ("Act"), it is the Board's assessment that nothing in Part I of this report deals with a criticism of, or potential defect in, the firm's quality control system. We discuss any such criticisms or potential defects in Part II. Further, you should not infer from any Part I deficiency, or combination of deficiencies, that we identified a quality control finding in Part II. Section 104(g)(2) of the Act restricts us from publicly disclosing Part II deficiencies unless the firm does not address the criticisms or potential defects to the Board's satisfaction no later than 12 months after the issuance of this report.

Classification of Audits with Part I.A Deficiencies

Within Part I.A of this report, we classify each issuer audit in one of the categories discussed below based on the Part I.A deficiency or deficiencies identified in our review.

The purpose of this classification system is to group and present issuer audits by the number of Part I.A deficiencies we identified within the audit as well as to highlight audits with an incorrect opinion on the financial statements and/or ICFR.

Audits with an Incorrect Opinion on the Financial Statements and/or ICFR

This classification includes instances where a deficiency was identified in connection with our inspection and, as a result, an issuer's financial statements were determined to be materially misstated, and the issuer restated its financial statements. It also includes instances where a deficiency was identified in connection with our inspection and, as a result, an issuer's ICFR was determined to be ineffective, or there were additional material weaknesses that the firm did not identify, and the firm withdrew its opinion, or revised its report, on ICFR.

This classification does not include instances where, unrelated to our review, an issuer restated its financial statements and/or an issuer's ICFR was determined to be ineffective. We include any deficiencies identified in connection with our reviews of these audits in the audits with multiple deficiencies or audits with a single deficiency classification below.

Audits with Multiple Deficiencies

This classification includes instances where multiple deficiencies were identified that related to a combination of one or more financial statement accounts, disclosures, and/or important controls in an ICFR audit.

Audits with a Single Deficiency

This classification includes instances where a single deficiency was identified that related to a financial statement account or disclosure or to an important control in an ICFR audit.

PART I.A: AUDITS WITH UNSUPPORTED OPINIONS

This section of our report discusses the deficiencies identified, by specific issuer audit reviewed, in the audit work supporting the firm's opinion(s) on the issuer's financial statements and/or ICFR.

We identify each issuer by a letter (e.g., Issuer A) and industry sector. Each deficiency could relate to several auditing standards, but we reference the PCAOB standard that most directly relates to the requirement with which the firm did not comply.

We present issuer audits below within their respective deficiency classifications (as discussed previously). Within the classifications, we generally present the audits based on our assessment as to the relative significance of the identified deficiencies, taking into account the significance of the financial statement accounts and/or disclosures affected, and/or the nature or extent of the deficiencies.

Audits with an Incorrect Opinion on the Financial Statements and/or ICFR

None

Audits with Multiple Deficiencies

Issuer A – Communication Services

Type of audit and related areas affected

In our review, we identified deficiencies in the financial statement and ICFR audits related to **Revenue** and **Cash and Cash Equivalents**. The firm's internal inspection program inspected this audit and reviewed these areas but did not identify the deficiencies below.

Description of the deficiencies identified

With respect to **Revenue**, for which the firm identified a fraud risk:

The issuer used certain data to recognize certain revenue. The firm did not identify and test controls over the accuracy and completeness of this data. (AS 2201.39) In addition, the firm used this data to substantively test certain revenue. The firm did not perform any procedures to test, or identify and test controls over, the accuracy and completeness of this data, as discussed above. (AS 1105.10)

With respect to **Cash and Cash Equivalents**:

The firm selected for testing a control that consisted of the issuer's review of bank reconciliations. The firm did not evaluate the review procedures that the control owner performed, including the procedures to identify items for follow up and the procedures to determine whether those items were appropriately resolved. (AS 2201.42 and .44)

Audits with a Single Deficiency

None

PART I.B: OTHER INSTANCES OF NON-COMPLIANCE WITH PCAOB STANDARDS OR RULES

This section of our report discusses certain deficiencies that relate to instances of non-compliance with PCAOB standards or rules other than those where the firm had not obtained sufficient appropriate audit evidence to support its opinion(s). This section does not discuss instances of potential non-compliance with SEC rules or instances of non-compliance with PCAOB rules related to maintaining independence.

When we review an audit, we do not review every aspect of the audit. As a result, the areas below were not necessarily reviewed on every audit. In some cases, we assess the firm's compliance with specific PCAOB standards or rules on other audits that were not reviewed and include any instances of non-compliance below.

The deficiencies below are presented in numerical order based on the PCAOB standard or rule with which the firm did not comply. We identified the following deficiencies:

- In one audit reviewed, the engagement team performed procedures to determine whether or not matters were critical audit matters but, in performing those procedures, did not include certain matters that were communicated to the issuer's audit committee and that related to accounts or disclosures that were material to the financial statements. In this instance, the firm was non-compliant with AS 3101, *The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion*. This instance of non-compliance does not necessarily mean that other critical audit matters should have been communicated in the auditor's report.

- In one audit reviewed, the firm's audit report did not include explanatory language about the firm's responsibilities with respect to ICFR in a non-integrated audit. In this instance, the firm was non-compliant with AS 3105, *Departures from Unqualified Opinions and Other Reporting Circumstances*.

PART I.C: INDEPENDENCE

This section of our report discusses instances of potential non-compliance with SEC rules or instances of non-compliance with PCAOB rules related to maintaining independence. An instance of potential non-compliance with SEC rules or an instance of non-compliance with PCAOB rules does not necessarily mean that the Board has concluded the firm was not objective and impartial throughout the audit and professional engagement period. Although this section includes instances of potential non-compliance that we identified, there may be other instances of non-compliance with SEC or PCAOB rules related to independence that were not identified through our procedures or the firm's monitoring activities.

PCAOB-Identified

We identified the following instances of potential non-compliance with SEC rules or instances of non-compliance with PCAOB rules related to maintaining independence:

Under Rule 2-01(c)(7) of Regulation S-X, an accountant is not independent if it does not obtain audit committee pre-approval for audit and non-audit services. In one audit reviewed, we identified eleven instances for one issuer in which this circumstance appears to have occurred related to certain audit and non-audit services.

Firm-Identified

The firm did not bring to our attention any instances of potential non-compliance with SEC rules or instances of non-compliance with PCAOB rules related to maintaining independence.

While the firm did not bring to our attention any instances of potential non-compliance, the number, large or small, of firm-identified instances of potential non-compliance may be reflective of the size of the firm, including the number of associated firms; the design and effectiveness of the firm's independence monitoring activities; and the size and/or complexity of the issuers it audits, including the number of affiliates of those issuers. Therefore, we caution against making any comparison of firm-identified instances of potential non-compliance across firms.

PART II: OBSERVATIONS RELATED TO QUALITY CONTROL

Part II of our report discusses criticisms of, and potential defects in, the firm's system of quality control.

We include deficiencies in Part II if an analysis of the inspection results, including the results of the reviews of individual audits, indicates that the firm's system of quality control does not provide reasonable assurance that firm personnel will comply with applicable professional standards and requirements. Generally, the report's description of quality control criticisms is based on observations from our inspection procedures.

This report does not reflect changes or improvements to the firm's system of quality control that the firm may have made subsequent to the period covered by our inspection. The Board does consider such changes or improvements in assessing whether the firm has satisfactorily addressed the quality control criticisms or defects no later than 12 months after the issuance of this report.

When we issue our reports, we do not make public criticisms of, and potential defects in, the firm's system of quality control, to the extent any are identified. If a firm does not address to the Board's satisfaction any criticism of, or potential defect in, the firm's system of quality control within 12 months after the issuance of our report, we will make public any such deficiency.

APPENDIX A: FIRM'S RESPONSE TO THE DRAFT INSPECTION REPORT

Pursuant to Section 104(f) of the Act, 15 U.S.C. § 7214(f), and PCAOB Rule 4007(a), the firm provided a written response to a draft of this report. Pursuant to Section 104(f) of the Act and PCAOB Rule 4007(b), the firm's response, excluding any portion granted confidential treatment, is attached hereto and made part of this final inspection report.

The Board does not make public any of a firm's comments that address a nonpublic portion of the report unless a firm specifically requests otherwise. In some cases, the result may be that none of a firm's response is made publicly available.

In addition, pursuant to Section 104(f) of the Act, 15 U.S.C. § 7214(f), and PCAOB Rule 4007(b), if a firm requests, and the Board grants, confidential treatment for any of the firm's comments on a draft report, the Board does not include those comments in the final report. The Board routinely grants confidential treatment, if requested, for any portion of a firm's response that addresses any point in the draft that the Board omits from, or any inaccurate statement in the draft that the Board corrects in, the final report.

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September 27, 2023

Mr. George Botic
Director
Division of Registration and Inspection
1666 K Street, NW
Washington DC 20006

Re Response to Part I and II of the Public Company Accounting Oversight Board (PCAOB) Draft report on 2023 Inspection of ASA & Associates LLP

Dear Mr. George Botic

We appreciate the opportunity to read and respond to Part I and II of the PCAOB's Draft report on 2023 Inspection of ASA & Associates LLP dated August 28, 2023 ("Draft Report").

Our responses on the comments of the Draft Report are stated in 'Annexure 1' for Issuer A and Issuer B. Kindly consider the same.

We conducted an evaluation of the matters identified in the Draft report and addressed the engagement specific findings in a manner consistent with PCAOB auditing standards and our own policies and procedures. We continue to believe that the audit procedures performed, evidences obtained and conclusions reached were appropriate in the circumstances.

However, in our constant endeavour to enhance audit quality, we have incorporated some of the procedures suggested by the PCAOB during their inspection.

We would like to acknowledge the professionalism and commitment of PCAOB staff and the important role the PCAOB plays in improving audit quality.

PCAOB's inspection process serves to assist us in identifying areas where we can continue to improve our performance and strengthen our system of audit quality control. We remain dedicated to evaluating our system of quality control, monitoring audit quality and implementing changes to our policies and practices in order to enhance audit quality. We are mindful of our responsibility to the capital markets and are committed to continually improving our firm and the profession and working constructively with the PCAOB to improve audit quality.

Yours truly

ASA & Associates LLP

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Annexure 1

Re: Response to Part I and II of the Public Company Accounting Oversight Board (PCAOB) Draft report in 2023 on ASA & Associates LLP

Public Portion

Part I.A

1. Comment No. 1

1.1 With respect to the Revenue, for which the firm identified a fraud risk:

The Issuer used certain data to recognize certain revenue. The firm did not identify and test controls over the accuracy and completeness of this data. (AS 2201.39) In addition, the firm used this data to substantively test certain revenue.

The firm did not perform any procedures to test, or in the alternative, identify and test controls over, the accuracy and completeness of the data, as discussed above. (AS 1105.10).

Response

1.2 We disagree with the PCAOB comment in Part I.A because of the following reasons.

1.3 The statement by PCAOB inspection team "*identified a fraud risk related to revenue recognition*" is incorrect. In our *Assessment of Fraud Risk and Audit Plan Response* document, Revenue recognition has not been considered as Fraud risk. In fact, point 7 of this document– "*Consideration of Fraud risk in Management Estimates*", we have specifically mentioned that there is no fraud risk with respect to Revenue recognition and given rationale for the same. *Refer the above work paper, page E5 – section -"Consideration of Fraud Risk in Management Estimates".*

1.4 . The usage report generated from Digitalk application is a standard report , no customizations were made on this report during the two years the application was used during our audit tenure i.e.. from 2019-20 onwards. This is evidenced by the Change log taken from the portal provided by the vendor for the application.

1.5. In the walkthrough of Voice controls , mail exchanged between Voice NOC of VR Telecom, a new customer onboarded in August 2020 and Voice NOC and Revenue Assurance team of Issuer A (represented by *** respectively) is given. As part of the customer onboarding process, the minutes generated on both the switches (customer and Sify) are verified with each other. Sify generates this data from the Usage report – the report that has been used for substantive testing.
Please note that no difference in the minutes were identified between the customer and Sify giving assurance on the accuracy and occurrence of the Usage report and also the fact that there are no unauthorized changes regarding the minute usage in the application.

1.6. a. The company providing the application is certified for ISO 27001:2013 during the audit period. ET had provided the certificate which also specifies the scope area of the certification i.e.. *The provision of cloud-based infrastructure, communications platforms and related software development for fixed and mobile network operators, wholesale voice operator and complete consumer solutions for pre-paid and calling card services, broadband, IP Telephony and mobile VOIP services. This is in accordance with Statement of Applicability version 3.0.*

*** As a matter of policy, the PCAOB makes reasonable efforts to redact from firms' responses to draft inspection reports personal identifying information about individuals not associated with the firm.

Thus, the company is certified for Information security aspects including IT General Control areas of Access Management, Change Management, Computer operations and Program changes. This is because in ISO 27001, of the 114 controls listed, there are some controls that almost every organization should implement to be certified under the standard. This is adopted as a practice by the certification bodies. These controls are –

Clause no	Description	Mapping to ITGC controls
7.1.2 and A.13.2.4	Definition of security roles and responsibilities	Overall IT Governance
8.1.1	An inventory of assets	Overall IT Governance
8.1.3	Rules for the acceptable use of assets	Overall IT Governance
8.2.1	Information classification scheme	Overall IT Governance
9.1.1	Access control policy	Access Management
12.1.1	Operating procedures for IT Management (Change management is included in this clause)	Change Management and Program Changes
12.4.1 and A.12.4.3	Logs of user activities, exceptions and security events	Computer Operations
14.2.5	Secure system engineering principles	Change Management and Program Changes
15.1.1	Supplier security policy	Overall IT Governance
16.1.5	Incident Management procedure	Overall IT Governance
17.1.2	Business Continuity procedures	Computer Operations
18.1.1	Statutory, regulatory and contractual requirements	Overall IT Governance

Hence, this certification has been considered as report from Service auditor and reliance placed on the controls operating therein.

1.6 . b. The above certification has been provided by BSI, which is an Institute of Global reputation and in fact the body that establishes these standards. This is an independent organization with trained and certified Infosec professionals as auditors.

1.6. c. The above certification process requires mandatory documentation on aspects like Scope, policy, Risk assessment process, Risk treatment plan, Statement of Applicability, Information Security objectives, Evidence of competence, Operational planning and control, Results of information security risk assessment and treatment, evidence of monitoring and measuring results, Evidence of audit programs and audit results, evidence of the results of management reviews, evidence of nature of non-conformities if any, Evidence of results of any corrective action.

All the above are in compliance with the planning, testing and documentation standards of PCAOB. Hence, reliance has been placed on the operating effectiveness of the controls contained in the certification.

1.7. We have also evaluated the risks and controls in the use of the application by Sify. These controls have been identified both at the process and IT general controls aspects.

It may be noted that the following controls exist for Sify users of Digitalk as follows –

- Application access restricted to authorized users.
- No privileged access to application except to a limited extent.
- No access to database
- No access to make changes to the application. Changes are made only through tickets raised to vendor.
- No segregation of duty conflicts.
- Data entered only by authorized persons.

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- Data entered is only approved / authorized data.

The above controls evaluated did not give any exceptions. Thereby accuracy of the data is established.

1.8. We also understand that there have been no disputes / contention from either the customer or vendor on the minutes usage or rates applied in the invoices.

2. **Comment no. 2**

With respect to cash and cash equivalents:

The firm selected for testing a control that consisted of the issuer's review of bank reconciliations. The firm did not evaluate the review procedures that the control owner performed, including the procedures to identify items for follow-up and the procedures to determine whether those items were appropriately resolved (AS 2201.42 and .44)

Response

2.1. We disagree with the PCAOB comment in Part I.A because of the following reasons

2. 2. Engagement Team (ET) identified the following what can go wrong in the Risk and Control Matrix (RCM) - There may be unreconciled differences between bank balances and book accounts.

2.3. Control identified – BRS is prepared monthly, Bank balance and book balance reconciled. Necessary adjustment are accounted except for timing differences.

2.4. Assertions Tested - Accuracy and Completeness

2.5. Procedures Performed by reviewer – The control owner (***) ensures the BRS is performed on a monthly basis as intended, by reviewing the checklists and the BRS along with the annexures sent by BRS preparers.

Annexure 1 – Collection or credits by bank, not yet accounted by us.
Annexure 2- Charges debited by the bank, not yet accounted by us.
Annexure 3 – Deposits not yet credited.
Annexure 4 – Cheques issued but not presented.

2.6. As evidence of review, he has approved the BRS and checklist through the mail . The BRS checklist is comprehensive and provides guidance to both the preparer and reviewer and ensures that all the significant aspects and data in the process are considered. Review is performed consistently on the monthly basis. The process is thus made more objective.

Criteria for investigation

2.7. Reconciling items are followed up for action which is evidenced through 1 month – March 21 mail from the reviewer for the follow up actions to be done. In our view, approval of BRS evidenced by control owner (as given in point 2.6 above) should be considered as follow up and resolution.

2.8. All items are considered for investigation and follow up. For easy review, all reconciling items are also aged as <1 month and > 1 month. >1 month represent items that are continuing as reconciling items into the subsequent months also and needs actioning.

2.9. Hence threshold for review can be considered as monthly – as the follow-up happens every month and the ageing is also done on this basis. Each review can have different criteria for investigation and it is not always a monetary threshold.

Procedures performed by Audit team.

2. 10. ET has verified the BRS performed and checklist for 8 months and ensured the following.

- BRS for each bank is performed on a monthly basis. BRS is performed at each bank level which is the lowest level of aggregation and hence it is appropriate. Further the frequency of preparing and reviewing Bank reconciliation statement on monthly basis is adequate as the bank statement is available on monthly basis.
- Control is performed by *** , who is a CPA with more than 10 years of experience, and he is the functional head of BRS. He has the required competency and a level of authority to perform the review of BRS. Evidence of BRS review performed by *** (2nd level below ***) is also available in our audit working papers file

2.11. The checklist prepared has the following investigative/review type questions;

- Check the balance as per balance confirmation with closing balance as per bank statement.
- Download relevant GL dump(s) from Oracle.
- Arrive at the closing balance and match with the balance as per Trial Balance
- Check if adjustment entries, if any, passed have been considered in BRS

The above questions in the checklist gives the required precision for the review of BRS as it confirms the review of balances as per GL, Bank and Adjustments and follow up of all the items in Annexures such as unaccounted credits, unaccounted debits etc.

Based on our inquiry and observation, noted that the following aspects are considered for review. These questions are asked orally to the team –

- Whether the BRS checklist is completed?
- Reviewing the BRS to ensure that all banks are covered?
- Whether bank statement received for all balances?
- Accuracy and completeness of the reconciling items and bank accounts ensured through the roll forward of bank balances?
- Reconciling items are reviewed for material items and ageing.

2.12. Corrective actions initiated by the reviewer /team for the month of August 2020 and March 2021 has been observed and mail evidences are available for the same.

2.13. Also, ET has reviewed the annexures, which consists of the reconciling items and noted the following.

Annexure 1 - Collection or credits by bank, not yet accounted by us –We can see the movement of unreconciled balances in Annexure 1 where from April 1. 2020, the balance of INR 91.41mn has reduced to INR 12.92mn as of March 31, 2021 (Reduction by 86%) . Further, of the balance on March 31, 2021 of INR 151.53 Mn, INR 88.36 mn pertains to last 2 months – i.e.. current items only. It is evident from the movement that follow-up exists and the aged items are actioned.

In cases where there is no adequate information on the credits in bank, e.g. Customer details missing, the company has not accounted the credits in their books of accounts on a prudent basis.

Annexure 2 - Charges debited by the bank, not yet accounted for by us.
We have reviewed the ageing of these charges, and it is evident that the follow-up exists and all the aged items are actioned. Annexure 2 shows this movement from April 2020 with the balance of INR 23.34Mn which has moved to INR 0.043 mn as of March 31, 2021 (Reduced by 98%). Further the amount as of March 31, 2021, is INR 2.53 Mn of which INR 0.87 Mn pertains to last 2 months, which are current items only.

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Annexure 3. Deposits not yet credited.
It is evident from the ageing of the items, that the follow-up exists, and the aged items are actioned. Further, we can see the movement in Annexure 3. From April 1, 2020, the balance of INR 57.15 mn is moved to INR 1.08Mn as of March 31, 2021 (reduced by 98%). The amount as of March 31, 2021, is INR 88.13 Mn of which INR 86.03 Mn pertains to last 2 months, which are current items.

Annexure 4 – Cheques issued but not presented.

It is evident from the ageing of the items, that the follow-up exists, and the aged items are actioned. Further we can see the movement in the Annexure 4. From April 1,2020, the balance is INR 76.60mn which is moved to INR 1.08mn (reduced by 99%) as of March 31, 2021. The amount as of March 31, 2021, is INR 3.26 Mn of which INR 0.5 Mn pertains to last 2 months, which are current items.

2.14 Other factors that mitigate the risk for the BRS control.

- There are 8 months' evidence of BRS Reviewer *** who is very experienced personnel. There are mails where he has confirmed 'OK and approved' in so many terms. (we have kept 8 of these in the WP).

- There are also months in which questions were raised in the review by the reviewer which reflects rigor of the review (***'s mail of 30 March 21 towards year end which gives the focus. There are also mails of *** (BRS preparer) and *** (1st level BRS reviewer) for follow-up action in the months of August 2020 and March 2021.

- The evidences are just not reflected by sign offs. The MRC elements are taken care –

    - Documentation (BRS Check list of management), mails confirming review.
    - Reperformance (Rigor, Data quality confirmed),
    - Person with more than 10 years' experience reviewing (***)
    - Checklist highlights focus on risks in BRS (adjustment entries).

- Samples for control testing are sufficient.

- Results of BRS reperformance for 5 major banks of 6 months (October 2020- March 2021) which was part of audit file and roll forward gave no exceptions. Hence comfort derived for the area is high and the resultant categorization of the area as low control risk.

- Cash and Bank is not a Significant Risk area in Audit planning, and we addressed accordingly.

- Since confirmation was received by us 100% through direct and independent process at year end (and Company gets confirmation quarterly) for all the banks, the control risk is low.

ASA & Associates LLP * Chartered Accountants * Chennai

Part I B:

3. Comment No. 1

In one audit reviewed, the engagement team performed procedures to determine whether or not matters were critical audit matters but, in performing those procedures, did not include certain matters that were communicated to the issuer's audit committee and that related to accounts or disclosures that were material to the financial statements. In this instance, the firm was non-compliant with AS 3101, The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion. This instance of non-compliance does not necessarily mean that other critical audit matters should have been communicated in the auditor's report.

Response

3.1 We disagree with the facts noted in the Comment.

3.2 According to PCAOB standard 'paragraph 11 AS 3101: The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion' ---- A critical audit matter is any matter arising from the audit of the financial statements that was communicated or required to be communicated to the audit committee and that:

(1) relates to accounts or disclosures that are material to the financial statements and

(2) involved especially challenging, subjective, or complex auditor judgment.

3.3 We consider that the matters referred in the comment relating to Income Tax, Intangible asset, litigation, leases and accumulated deficit (Ind AS and IFRS) do not fall under aspect which qualifies for CAM identification. The Communication was only for information and not from the angle that it was material to financial statements, challenging, subjective and complex auditor judgement.

3.4 We have taken each of the matters and discussed below in the following paragraphs the rationale why we feel we had done procedures by way of discussing the reason for communication to AC and finally identified only one CAM which was Valuation of Trade Receivable. The discussion in AC presentation indicates the evaluation of each matter is CAM or not.

3.4.1 Income Tax – This matter was neither communicated to the audit committee nor a matter for Audit committee communication. In none of the AC presentation, income tax matter was discussed.

3.4.2 Intangible Assets – The AC presentations of 28.1.21 (slide 6) and 14.5.21 (slide 3) discusses about demerger of 3 Business Units (BUs) which happened in 2020-21 between Holding company and wholly owned subsidiaries. The transaction was at book values because of which there is no intangible. Since it is within the Group there is no impact on the consolidated financial statements. We had provided to the PCAOB inspection team an e mail documentation which disposes off the 3 BU matters and concludes why we didn't consider it as a CAM).

3.4.3 Litigation – The AC presentation towards year end are relevant for CAM evaluation. The litigation discussed in 28.1.21 meeting (slide on page 5) related to licence fee where Company received favourable order and carried provision for expenses on a conservative basis. There was no uncertainty in the matter and our communication and wording does not indicate it.

Slide 4 of AC meeting presentation (28.7.20) discussed Supreme court ruling of licence fee for non telecom revenue for mobile telephone companies. This ruling does not apply to Enterprise Bandwidth company like Sify. This we stated and it was presented for information only. There is no uncertainty mentioned. .

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3.4.4 With regard to Ind AS accumulated deficit Vs IFRS, it was only given for information purpose in a separate paragraph in the AC points (of AC meeting on 28.7.21) and we have not mentioned that its challenging, judgemental, material to make it eligible for CAM. The said difference is because of accounting treatment permitted by Indian GAAP of set off of accumulated losses of the Company which was set off with securities premium in an earlier year consequent to a scheme of amalgamation. This was mentioned for information purpose only. It was not discussed in the separate paragraph on 'Judgement and Estimation' where AR matter alone was discussed which was communicated as CAM. Hence , we consider this matter also does not qualify for evaluation of CAM (i.e. not a type of matter set out in paragraph 11 of AS 3101).

3.4.5 Ind AS 116 or IFRS 16 (Leases) was mentioned a bullet ' Ind AS 116' as a focus area in the Audit Approach slide in the AC presentation (of 28.7.21 and 14.5.21) There was no mention of any issue or need for Assessment of Indian accounting standard IAS 116 (leases) in AC presentation.
Leases is not mentioned or documented as 'Significant Risk' in the planning memo by the engagement team.

3.5 In slide 5 of AC presentation of 14.5.2021, we have clearly mentioned that 'based on our professional judgement we consider the following matter was of most significance in the audit of financial statements' and set out as only CAM (Critical Audit Matter) Valuation of Trade receivables. This we consider as CAM evaluation and documentation.

3.6 There was an excel documentation we prepared during the audit which we passed on to the PCAOB inspection team for consideration. Further, we also provided PCAOB inspection team with an E mail written by our Engagement Manager which is CAM disposal regarding company re-organisation.

4. Comment No. 2

In one audit reviewed, the firm's audit report did not include explanatory language about the firm's responsibilities with respect to ICFR in a non-integrated audit. In this instance, the firm was non compliant with AS 3105, Departures from Unqualified Opinions and Other Reporting circumstances.

Response

We disagree with the comment on the following grounds:

4.1 During the time of finalisation of audit report, we referred the requirements of AS 3101, AS 3105 and AS 2710 in the given context.

4.2 The text of para .59 of AS 3105, *Departures from Unqualified Opinions and Other Reporting Circumstances* is reproduced as under:

"In situations in which management is required to report on the company's internal control over financial reporting but such report is not required to be audited, and the auditor has not been engaged to perform an audit of management's assessment of the effectiveness of internal control over financial reporting, the auditor should refer to the auditor's responsibilities regarding other information in documents containing audited financial statements and the independent auditor's report under AS 2710, Other Information in Documents Containing Audited Financial Statements."

In response to above para, we verified above requirement and found that the Issuer has had appropriately disclosed the fact that auditor has not performed an audit of management's assessment of the effectiveness of internal control over financial reporting in the financial statements through note no 41 which is reproduced as under:

"Management has evaluated and obtained a legal opinion that confirms the shareholding as at March 31, 2019 and concluded that there is no applicability of auditor's attestation on Internal Financial Control Over Financial Reporting (IFCFR) in the Financial Year Ended March 31, 2019."

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We found no inconsistency with the information provided in the other information in the documents containing audited financial statements (Form 20-F) and hence concluded the compliance with para .59 of AS 3105.

4.3 The para .60 of AS 3105 is reproduced as under:

In situations described in paragraph .59, the auditor must include statements in the auditor's report that

- *The company is not required to have, nor was the auditor engaged to perform, an audit of its internal control over financial reporting;*
- *As part of the audit, the auditor is required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting; and*
- *The auditor expresses no such opinion.*

The above para starts with phrase - that in situations described in para .59 (i.e after looking the required discloses of other information) an explanation para should be added. As matter was duly disclosed and requirement of para .59 was satisfied, in our considered view, specifically considering that standard is silent on situation where last year, we carried out testing and not in the current year, we concluded that requirements of the standard as per para .59 and .60 of AS 3105 were complied.

4.4 Further, Auditor's reporting on effectiveness of internal control over financial reporting (ICFR) was made by us in the previous year i.e Year Ended March 31, 2018 and same was not applicable for the current year i.e Year Ended March 31, 2019.

Moreover, the standard AS 3105 is nowhere stating any explanatory para for the situation where in the previous year, auditor has reported on effectiveness of internal control over financial reporting (ICFR) and in the current financial year, there is no requirement of such reporting. Since the audit report was having the opinion on both of the financial years, it could have been misleading to mention the suggested paragraph as per para .60 of AS 3105 which is relevant only for the current financial year.

4.5 This was discussed with the PCAOB inspection team in detail and explained that ambiguity exists in the standard for this particular situation. However, going forward we have already added this aspect into our audit checklist and training module.

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Part I C:

5. Comment

Under Rule 2-01(c)(7) of Regulation S-X, an accountant is not independent if it does not obtain audit committee pre-approval for audit and non-audit services. In one audit reviewed, we identified eleven instances for one issuer in which this circumstance appears to have occurred related to certain audit and non-audit services.

Response

5.1 We disagree with the comment because of the following reasons.

5.2 We have a reappointment letter signed by the Issuer's Company Secretary that specifically mentions that -Quote ' Based on recommendation of Audit committee , the Board of Directors of the Company has approved on 5 May 2020 the appointment of ASA & Associates as Independent Accountant under PCAOB Rules for the Financial year 2020-21 to carry out the audit as well as non audit services in compliance with Section 201 of Sarbanes Oxley Act 2002. The Board also approved the fee for audit as well as non audit services to be carried out by ASA & Associates for the financial Year 20-21 and authorized *** , Executive Director to finalise the Remuneration with ASA & Associates LLP' Unquote.

5.3 The letter is based on the Audit Committee and Board resolutions with the Company which are confidential documents of the Company. We consider that the Company Secretary letter is the medium through which the compliance of Regulation SX is addressed. This Company Secretary letter is part of the work papers we gave the PCAOB inspection team. Since the letter refers to compliance with section 201 of Sarbanes Oxley Act 2002, the statutory audit and non audit services of the issuer and subsidiaries are given approval for.

5.4 We consider that the statutory audit of subsidiaries which are approved by the Board resolution and Shareholder resolution of the respective subsidiaries is the requirement of the law of India.

5.5 We have also provided to the PCAOB inspection team .- Statutory audit engagement letter (Standalone & consolidation) of Sify technologies Limited which covers all the subsidiaries audited by us for statutory purpose. All the subsidiaries are wholly owned with the same Parent. Individual engagement letters were addressed to the respective subsidiary's board of directors as per the local statutory requirement. With respect to consolidation, it was addressed to the Audit Committee of Sify Technologies Limited (Issuer) which takes care of the compliance that the Issuer's Audit committee has to approve the statutory audit of all the subsidiaries as well. We believe that it satisfies the PCAOB/SEC requirement as the Audit committee has approved the statutory audit including all the subsidiaries which is evidenced through counter signature in Statutory Audit Engagement letter by AC chairman *** .

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