
2024 Inspection

K G Somani & Co. LLP

(Headquartered in New Delhi, India)

March 27, 2025

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

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2024 INSPECTION

In the 2024 inspection of K G Somani & Co. 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 one audit of an issuer with a fiscal year ending in 2022. For the issuer audit selected, we reviewed a portion of the audit. We also evaluated elements of the firm's system of quality control.

2024 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 2024 INSPECTION

The following information provides an overview of our 2024 inspection, which was our first inspection of this firm. 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

	2024
Firm data	
Total issuer audit clients in which the firm was the principal auditor	1
Total issuer audits in which the firm was not the principal auditor	0
Total engagement partners on issuer audit work¹	1
Audits reviewed	
Total audits reviewed	1
Audits in which the firm was the principal auditor	1
Integrated audits of financial statements and internal control over financial reporting (ICFR)	1
Audits with Part I.A deficiencies	1
Percentage of audits with Part I.A deficiencies	100%

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 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.

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.

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 2024 inspection. For the issuer audit 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.

2024	
Audit area	Audits reviewed
Revenue and related accounts	1
Cash and cash equivalents	1
Goodwill and intangible assets	1
Going concern	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 – Information Technology

Type of audit and related areas affected

In our review, we identified deficiencies in the financial statement and ICFR audits related to **Revenue, Accounts Receivable, Cash, Goodwill and Intangible Assets, Journal Entries, and Corrected and Uncorrected Misstatements.**

Description of the deficiencies identified

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

The issuer recognized revenue from multiple business entities. The following deficiencies were identified:

- The firm did not test transaction prices used in recording revenue for one business entity. (AS 2301.08 and .11) In addition, the firm did not test, or identify and test any controls over, the completeness of a system-generated report used in its substantive procedures to test revenue for this business entity. (AS 1105.10)
- The firm did not perform any procedures to test the occurrence and allocation of certain revenue for another business entity. (AS 2301.08 and .11)
- The firm did not perform sufficient procedures to test certain revenue for the above business entity and a third business entity because its procedures were limited to (1) agreeing revenue to sales invoices and (2) documenting the terms of the agreement with customers for certain transactions. (AS 2301.08 and .11)
- The sample sizes the firm used in its substantive procedures to test revenues for each of the three above business entities were too small to provide sufficient appropriate audit evidence because the firm did not take into account the relevant factors in determining its sample size, including tolerable misstatement for the populations, the allowable risk of incorrect acceptance, and the characteristics of the populations. (AS 2315.16, .19, .23, and .23A)
- The firm did not perform sufficient procedures to test revenue for a fourth business entity because it did not test the adjustment of revenue for the redemption of gift cards. (AS 2301.08 and .11)
- The firm did not perform sufficient procedures to test revenue for a fifth business entity because its procedures were limited to agreeing revenue to issuer-produced sales invoices. (AS 2301.08 and .11)

The firm selected for testing a control over the review of a revenue variance analysis but 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)

The firm did not perform any procedures to test the disclosure related to revenue allocated to remaining performance obligations. (AS 2301.08 and .11)

With respect to **Accounts Receivable**:

The issuer reported accounts receivables, including unbilled receivables, for multiple business entities.

The firm did not identify and test any controls over accounts receivable for one of the issuer's business entities. (AS 2201.39)

The firm selected for testing a control over the review of outstanding accounts receivable for another business entity but did not perform any procedures to test the design and operating effectiveness of the control. (AS 2201.42 and .44)

The firm selected for testing a control over the review of delinquent accounts receivable for a third business entity but did not evaluate the specific review procedures that the control owner performed to assess the reasonableness of the reserve for the recorded accounts receivable. (AS 2201.42 and .44)

The firm did not test, or test controls over, the accuracy and completeness of system-generated reports used in its substantive testing. (AS 1105.10)

The firm selected for testing a sample of accounts receivable for certain business entities and unbilled receivables for certain other business entities. The following deficiencies were identified:

- The firm did not perform any procedures over accounts receivable selected for testing that were not collected or were only partially collected in subsequent periods. (AS 2301.08)
- The firm did not perform any procedures to test whether services had been rendered prior to the issuer's recording of certain unbilled receivables. (AS 2301.08)
- The sample sizes the firm used in its substantive procedures were too small to provide sufficient appropriate audit evidence because the firm did not take into account the relevant factors in determining its sample size, including tolerable misstatement for the populations, the allowable risk of incorrect acceptance, and the characteristics of the populations. (AS 2315.16, .19, .23, and .23A)

The firm did not perform sufficient procedures to test the valuation of accounts receivable and unbilled receivables because its procedures to test the allowance for doubtful accounts were limited to inquiry of management. (AS 2301.08)

With respect to **Cash**, for which the firm identified a significant risk:

The firm did not perform procedures, beyond obtaining a certification from issuer personnel, to extend its conclusions regarding the existence of cash on hand from the interim date in which the audit procedures were performed to year end. (AS 2301.45)

In addition, the firm did not perform any procedures to test certain other cash held at banking institutions. (AS 2301.08 and .11)

With respect to **Goodwill**, for which the firm identified a significant risk, **and Intangible Assets**:

The firm selected for testing certain controls that included the review of goodwill and intangible assets for potential impairment. The firm did not evaluate the specific review procedures performed by the control owners to assess the reasonableness of the methodologies and assumptions used in the issuer's goodwill and indefinite-lived intangible assets impairment analyses. (AS 2201.42 and .44)

The firm did not perform any procedures to test (1) the appropriateness of the issuer's determination that it operated as a single reporting unit for purposes of its impairment analysis in accordance with FASB ASC Topic 350, *Intangibles – Goodwill and Other*, and (2) whether the issuer's conclusion that the customer relationship intangible asset had an indefinite life was in accordance with FASB ASC Topic 350. (AS 2301.08 and .11)

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

The firm did not (1) appropriately consider the characteristics of potentially fraudulent journal entries when identifying and selecting journal entries for testing, and (2) examine the underlying support for journal entries selected for testing. (AS 2401.61)

With respect to **Corrected and Uncorrected Misstatements**:

The firm identified corrected and uncorrected misstatements during its substantive audit procedures. The firm did not evaluate whether the uncorrected misstatements were material, individually or in combination with other misstatements. (AS 2810.17) In addition, the firm did not evaluate the effects of the corrected and uncorrected misstatements on its conclusions regarding the effectiveness of ICFR. (AS 2201.B8)

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. 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 the audit reviewed, the firm, when testing journal entries for evidence of possible material misstatement due to fraud, did not perform procedures to determine whether the journal entry population that it used to identify selections was complete. In this instance, the firm was non-compliant with AS 1105, *Audit Evidence*.
- In the audit reviewed, the firm did not perform procedures to determine whether all individuals who participated in the audit were in compliance with independence requirements. In this instance, the firm was non-compliant with AS 2101, *Audit Planning*.
- In the audit reviewed, the firm did not inquire of the audit committee and the internal audit function about the risks of material misstatement, including fraud risks. In this instance, the firm was non-compliant with AS 2110, *Identifying and Assessing Risks of Material Misstatement*.
- In the audit reviewed, the firm issued a separate report on internal control over financial reporting but that opinion did not identify the financial statements for one of the years included in the Form 10-K. In this instance, the firm was non-compliant with AS 2201, *An Audit of Internal Control Over Financial Reporting That Is Integrated with An Audit of Financial Statements*.
- In the audit reviewed, the firm's audit report (1) did not express an opinion on the financial statements for one of the years presented and (2) did not disclose the full name of the engagement partner. In these instances, 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*.
- In the 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 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 the audit reviewed, the firm's communication of certain critical audit matters in the audit report included language that was inconsistent with information in the firm's audit documentation. 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*.

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 an instance 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:

An audit client's agreement to indemnify its auditor with respect to certain liabilities is inconsistent with the general standard of independence set out in Rule 2-01(b) of Regulation S-X and impairs the accountant's independence with respect to an audit client. In one audit reviewed, we identified one instance for one issuer in which this circumstance appears to have occurred.

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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Ms. Christine Gunia
Director, Division of Registration and Inspections
Public Company Accounting Oversight Board
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Re: Response to the Draft Report on the 2024 Inspection of K G Somani & Co LLP

Dear Ms. Gunia,

K G Somani & Co LLP is pleased to provide our response to the Public Company Accounting Oversight Board's ("PCAOB") Draft Report on the 2024 Inspection of K G Somani & Co LLP ("the Draft Report").

We have reviewed the matters identified by PCAOB's inspection team in the draft report and are actively working to address the engagement specific findings in a manner consistent with both the PCAOB standards and our own policies and procedures.

Our firm is committed to the highest standards on audit quality. We recognize the critical role of the PCAOB's inspection process in enhancing audit quality and safeguarding the interests of investors and the public. Our commitment to the shared objective of protecting investors and promoting transparency in the capital markets remains steadfast. We are dedicated to continually improving our audit practices and overall performance. In furtherance to it, the firm had appointed an Independent Consultant to review and make recommendations concerning its system of quality control which were duly implemented.

We continue to support the PCAOB and look forward to continuing to work with the PCAOB to achieve our shared objective of continual improvement in audit quality.

Respectfully submitted,

KISHAN
GOPAL
SOMANI

Digitally signed
by KISHAN
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