2023 Inspection M. S. Madhava Rao

(Headquartered in Bengaluru, India)

April 28, 2025

PCAOB
PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD

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2023 INSPECTION

In the 2023 inspection of M. S. Madhava Rao, 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 three audits of issuers with fiscal years ending in 2022. 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

The following information provides an overview of our 2023 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

	2023
Firm data	
Total issuer audit clients in which the firm was the principal auditor	8
Total issuer audits in which the firm was not the principal auditor	0
Total engagement partners on issuer audit work[1]	1
Audits reviewed	
Total audits reviewed	3
Audits in which the firm was the principal auditor	3
Integrated audits of financial statements and internal control over financial reporting (ICFR)	0
Audits with Part I.A deficiencies	3
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 2023 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	
Audit area	Audits reviewed
Accruals and other liabilities	2
Revenue and related accounts	2
Related party transactions	2
Significant transactions	1
Debt	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 on the issuer's financial statements.

We identify each issuer by a letter (e.g., Issuer A). 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 audit related to **Litigation, Claims, and Assessments**, **Revenue**, **Convertible Debt**, **Derivative Liabilities,** and **Journal Entries**.

Description of the deficiencies identified

With respect to **Litigation, Claims, and Assessments**:

The firm's procedures for identifying litigation, claims, and assessments and determining whether the financial accounting and reporting of such matters was complete and accurate consisted solely of obtaining letters of audit inquiry from the client's lawyers, without evaluating such responses and performing other necessary procedures. (AS 2505.05)

With respect to **Revenue**:

The firm did not perform any substantive procedures to test certain revenue. (AS 2301.08)

For certain other revenue, the following deficiencies were identified:

- The firm did not perform procedures to evaluate whether the issuer's recognition of this revenue was in conformity with FASB ASC Topic 606, *Revenue from Contracts with Customers*. (AS 2301.08)

- The sample size the firm used in its substantive procedures to test this revenue was too small to provide sufficient appropriate audit evidence because, in determining its sample, the firm did not take into account the relevant factors in determining its sample size, including tolerable misstatement, the allowable risk of incorrect acceptance, and the characteristics of the population. (AS 2315.16, .19, .23, and .23A)

- The firm did not identify and evaluate a GAAP departure related to the issuer's omission of disclosures related to significant payment terms for its customer contracts as required by FASB ASC Topic 606. (AS 2810.30 and .31)

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

The issuer reported convertible notes payable with conversion features that were recorded as derivative liabilities. The following deficiencies were identified with respect to convertible notes payable:

- The firm did not perform any procedures to test certain convertible notes payable. (AS 2301.08 and .11)

- The firm sent a positive confirmation request to the issuer's lender for a convertible note payable. The confirmation was returned with an exception, and the firm did not consider the nature of the exception and whether additional evidence was needed. (AS 2310.33)

- The firm did not perform any procedures to test the unamortized debt discount related to the convertible notes payable. (AS 2301.08 and .11)

- The firm did not perform any procedures to test the disclosures related to the convertible notes payable. (AS 2301.08 and .11)

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

The following deficiencies were identified with respect to the derivative liabilities recorded for the conversion features embedded in the convertible debt:

- The firm did not perform any procedures to evaluate the accounting treatment of the embedded conversion features as derivative liabilities. (AS 2301.08 and .11)

- The firm did not perform substantive procedures to test the fair value of the derivative liabilities, beyond obtaining and reading a company-provided memo. (AS 2501.07)

- The firm did not perform any procedures to test the disclosures related to the derivative liabilities. (AS 2301.08 and .11)

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

The firm did not identify and select journal entries and other adjustments for testing to address the potential for material misstatement due to fraud. (AS 2401.58)

Issuer B – Information Technology

Type of audit and related areas affected

In our review, we identified deficiencies in the financial statement audit related to a **Liability**, **Related Party Transactions**, **Significant Transactions**, **Journal Entries**, and **Subsequent Events**.

Description of the deficiencies identified

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

The firm sent a positive confirmation request for a liability at year end. The respondent did not respond to the aspect of the confirmation request related to the amount of liability outstanding and informed the firm that the loans were sold to another entity. The firm did not perform any alternative procedures, including confirmation with the purchaser of the loans. (AS 2310.31)

With respect to **Related Party Transactions**:

The firm did not perform procedures to test the identified transactions with related parties, including whether the transactions were properly accounted for and disclosed in the issuer's financial statements, beyond inquiry and obtaining information provided by the issuer about the transactions. (AS 2410.12 and .17)

The firm did not evaluate whether the issuer had properly identified all of its related parties and relationships and transactions with related parties, including testing the accuracy and completeness of the related parties and relationships and transactions with related parties identified by the issuer. (AS 2410.14 and .17)

The firm did not identify and evaluate a departure from GAAP related to the issuer's omission of disclosures required by FASB ASC Topic 850, *Related Party Disclosures*. (AS 2410.17; 2810.30 and .31)

With respect to **Significant Transactions**:

The issuer entered into certain significant transactions during the year. The firm did not evaluate the business purpose (or lack thereof) of these transactions that appeared unusual due to the timing, size, or nature, including whether they may have been entered into to engage in fraudulent financial reporting or conceal misappropriation of assets given certain facts regarding these transactions. (AS 2401.67)

In addition, the firm did not perform procedures to test the transactions, including the appropriateness of the accounting treatment, the valuation, and the related disclosures. (AS 2301.08)

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

The firm did not identify and select journal entries and other adjustments for testing to address the potential for material misstatement due to fraud. (AS 2401.58)

With respect to **Subsequent Events**:

The firm did not perform procedures to test a subsequent event transaction, beyond inquiry and obtaining a board resolution regarding the planned transaction. (AS 2301.08)

Issuer C

Type of audit and related areas affected

In our review, we identified deficiencies in the financial statement audit related to **Liabilities**, **Related Party Transactions**, **Share-Based Payment Transactions**, and **Journal Entries**.

Description of the deficiencies identified

With respect to **Liabilities**:

The firm did not perform any procedures to test certain liabilities. (AS 2301.08)

To test another liability, the firm sent a positive confirmation request to an external party and received the response via email. The firm did not consider performing procedures to address the risks associated with electronic responses, such as verifying the source and contents of the confirmation responses. (AS 2310.29) In addition, the firm obtained bank statements showing certain deposits related to this liability. The firm did not perform procedures to verify the source of those deposits. (AS 2301.08)

With respect to **Related Party Transactions**:

The firm did not perform procedures to test certain related party transactions and balances, including whether they were properly disclosed in the financial statements, beyond inquiry with management. (AS 2410.12 and .17)

With respect to **Share-Based Payment Transactions**

The issuer issued stock in exchange for services provided. The firm did not perform any procedures to test whether share-based expenses were recognized in the appropriate period and in accordance with the terms of the relevant agreements, including whether the issuance of shares of common stock was approved by the issuer's Board of Directors. (AS 2301.08)

The firm did not identify and evaluate a departure from GAAP related to the issuer's omission of certain disclosures related to certain share-based payment transactions required by FASB ASC Topic 718, *Compensation—Stock Compensation*. (AS 2810.30 and .31)

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

The firm did not identify and select journal entries and other adjustments for testing to address the potential for material misstatement due to fraud. (AS 2401.58)

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 two of three audits reviewed, the firm did not assemble a complete and final set of audit documentation for retention within 45 days following the report release date. In the other audit reviewed, the firm did not include all relevant work papers in the final set of audit documentation it was required to assemble. In these instances, the firm was non-compliant with AS 1215, *Audit Documentation.*

- In the three audits reviewed, the firm did not make certain required communications to the audit committee related to (1) the significant risks identified through its risk assessment procedures and (2) the firm's evaluation of the issuer's ability to continue as a going concern. In these instances, the firm was non-compliant with AS 1301, *Communications with Audit Committees*.

- In one of three audits reviewed, the firm did not make certain required communications to the audit committee related to (1) corrected misstatements; (2) certain critical accounting estimates; and (3) the firm's evaluation of the quality of the issuer's financial reporting. In one other audit reviewed, the firm did not make a required communication to the audit committee related to the firm's evaluation of the quality of the issuer's financial reporting. In these instances, the firm was non-compliant with AS 1301, *Communications with Audit Committees*.

- In the three audits reviewed, the firm did not provide or discuss with the audit committee a draft of the firm's audit report. In these instances, the firm was non-compliant with AS 1301, *Communications with Audit Committees*.

- In one of three audits reviewed, the firm did not provide a copy of the management representation letter to the audit committee. In this instance, the firm was non-compliant with AS 1301, *Communications with Audit Committees*, and AS 2805, *Management Representations*.

- In two of three audits reviewed, the firm did not perform analytical procedures as part of its risk assessment procedures. In these instances, the firm was non-compliant with AS 2110, *Identifying and Assessing Risks of Material Misstatement*.

- In the three audits reviewed, the firm did not hold a discussion among the key engagement team members about the potential for material misstatement due to fraud. In these instances, the firm was non-compliant with AS 2110, *Identifying and Assessing Risks of Material Misstatement*.

- In the three audits reviewed, the firm did not inquire of the audit committee and others within the company about the risks of material misstatement, including fraud risks. In addition, in these audits, the firm did not make certain of the required inquiries of management about fraud risks. In these instances, the firm was non-compliant with AS 2110, *Identifying and Assessing Risks of Material Misstatement*.

- In two of three audits reviewed, the firm did not evaluate certain information that indicated that fraud risk factors were present and should have been taken into account in identifying and assessing fraud risks. In these instances, the firm was non-compliant with AS 2110, *Identifying and Assessing Risks of Material Misstatement*.

- In two of three audits reviewed, the firm did not presume that there was a fraud risk involving improper revenue recognition and did not have an appropriate rationale for how this presumption was overcome. In these instances, the firm was non-compliant with AS 2110, *Identifying and Assessing Risks of Material Misstatement*.

- In one of three audits reviewed, the firm did not identify and assess the risks of material misstatement related to related parties and relationships and transactions with related parties. In this instance, the firm was non-compliant with AS 2110, *Identifying and Assessing Risks of Material Misstatement*, and AS 2410, *Related Parties*.

- In one of three audits reviewed, the firm did not make certain required communications to the audit committee related to its evaluation of the issuer's identification of, accounting for, and disclosure of its relationships and transactions with related parties. In this instance, the firm was non-compliant with AS 2410, *Related Parties*.

- In one audit, the firm included in its audit report an explanatory paragraph describing substantial doubt about the issuer's ability to continue as a going concern, but did not place it immediately following the opinion paragraph and did not include an appropriate title. In this instance, the firm was non-compliant with AS 2415, *Consideration of an Entity's Ability to Continue as a Going Concern*.

- In one audit, the firm did not perform inquiries of the predecessor auditor in determining whether to accept the engagement. In this instance, the firm was non-compliant with AS 2610, *Initial Audits – Communications Between Predecessor and Successor Auditors*.

- In one of three audits reviewed, the firm did not make a required communication to management related to an identified misstatement. In this instance, the firm was non-compliant with AS 2810, *Evaluating Audit Results*.

- In one audit, the firm's audit report did not state the year the firm began serving consecutively as the company's auditor. 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.*

- In one of three audits reviewed, the firm's audit reports did not include, or contained inaccurate information regarding, the opinion city and state. 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 three audits 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, or required to be communicated, to the audit committee and that related to accounts or disclosures that were material to the financial statements. 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*. These instances of non-compliance do not necessarily mean that other critical audit matters should have been communicated in the auditor's report.

- In one audit, the firm's communication of critical audit matters in the audit report did not describe how the critical audit matter was addressed in the audit. 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*.

- In one of three audits 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*.

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

- In two of three audits reviewed, the firm did not file its report on Form AP by the relevant deadline. In these instances, the firm was non-compliant with PCAOB Rule 3211, *Auditor Reporting of Certain Audit Participants*.

- In one audit, the firm's report on Form AP included inaccurate information regarding the audit report date. In this instance, the firm was non-compliant with PCAOB Rule 3211, *Auditor Reporting of Certain Audit Participants*.

- In the three audits reviewed, the firm did not affirm to the audit committee that it was independent in compliance with PCAOB Rule 3520, *Auditor Independence*. In addition, in these audits, the firm's independence communications were as of the financial statement date rather than as of the date of the communication. In these instances, the firm was non-compliant with PCAOB Rule 3526, *Communication with Audit Committees Concerning Independence.*

PART I.C: INDEPENDENCE

In the 2023 inspection, we did not identify, and 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. Although this section does not include any instances of potential non-compliance that we identified or the firm brought to our attention, there may be 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.

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.