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**Inspection of
Chandabhoy & Jassoobhoy
(Headquartered in Mumbai, Republic of India)**

**Issued by the
Public Company Accounting Oversight Board
March 31, 2011**

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. 104-2011-097



Notes Concerning this Report

1. Portions of this report may describe deficiencies or potential deficiencies in the systems, policies, procedures, practices, or conduct of the firm that is the subject of this report. The express inclusion of certain deficiencies and potential deficiencies, however, should not be construed to support any negative inference that any other aspect of the firm's systems, policies, procedures, practices, or conduct is approved or condoned by the Board or judged by the Board to comply with laws, rules, and professional standards.
2. Any references in this report to violations or potential violations of law, rules, or professional standards should be understood in the supervisory context in which this report was prepared. Any such references are not a result of an adversarial adjudicative process and do not constitute conclusive findings of fact or of violations for purposes of imposing legal liability. Similarly, any description herein of a firm's cooperation in addressing issues constructively should not be construed, and is not construed by the Board, as an admission, for purposes of potential legal liability, of any violation.
3. Board inspections encompass, among other things, whether the firm has failed to identify financial statement misstatements, including failures to comply with Securities and Exchange Commission ("SEC" or "Commission") disclosure requirements, in its audits of financial statements. This report's descriptions of any such auditing failures necessarily involve descriptions of the apparent misstatements or disclosure departures. The Board, however, has no authority to prescribe the form or content of an issuer's financial statements. That authority, and the authority to make binding determinations concerning whether an issuer's financial statements are misstated or fail to comply with Commission disclosure requirements, rests with the Commission. Any description, in this report, of financial statement misstatements or failures to comply with Commission disclosure requirements should not be understood as an indication that the Commission has considered or made any determination regarding these issues unless otherwise expressly stated.



INSPECTION OF CHANDABHOY & JASSOOBHOY

The Public Company Accounting Oversight Board ("PCAOB" or "the Board") has conducted an inspection of the registered public accounting firm Chandabhoy & Jassoobhoy^{1/} ("the Firm"). The Board is issuing this report of that inspection in accordance with the requirements of the Sarbanes-Oxley Act of 2002 ("the Act").

The Board is making portions of the report publicly available. Specifically, the Board is releasing to the public Part I of the report and portions of Part IV of the report. Part IV of the report consists of the Firm's comments, if any, on a draft of the report.^{2/}

The Board has elsewhere described in detail its approach to making inspection-related information publicly available consistent with legal restrictions.^{3/} A substantial portion of the Board's criticisms of a firm (specifically criticisms of the firm's quality control system), and the Board's dialogue with the firm about those criticisms, occurs out of public view, unless the firm fails to make progress to the Board's satisfaction in addressing those criticisms. In addition, the Board generally does not disclose otherwise nonpublic information, learned through inspections, about the firm or its clients. Accordingly, information in those categories generally does not appear in the publicly available portion of an inspection report.

^{1/} The Firm has issued audit reports under the name of Chandabhoy & Jassoobhoy Chartered Accountants.

^{2/} 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 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 at all. 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.

^{3/} See Statement Concerning the Issuance of Inspection Reports, PCAOB Release No. 104-2004-001 (August 26, 2004).

PART I

INSPECTION PROCEDURES AND CERTAIN OBSERVATIONS

Members of the Board's inspection staff ("the inspection team") conducted primary procedures for the inspection from March 15, 2010 to March 19, 2010. These procedures were tailored to the nature of the Firm, certain aspects of which the inspection team understood at the outset of the inspection to be as follows:

Number of offices	2 (Mumbai and New Delhi, Republic of India)
Ownership structure	Partnership
Number of partners	7
Number of professional staff ^{4/}	44
Number of issuer audit clients ^{5/}	None

^{4/} "Professional staff" includes all personnel of the Firm, except partners or shareholders and administrative support personnel. The number of partners and professional staff is provided here as an indication of the size of the Firm, and does not necessarily represent the number of the Firm's professionals who participate in audits of issuers or are "associated persons" (as defined in the Act) of the Firm.

^{5/} The number of issuer audit clients shown here is based on the Firm's self-reporting and the inspection team's review of certain information for inspection planning purposes. It does not reflect any Board determination concerning which, or how many, of the Firm's audit clients are "issuers" as defined in the Act. In some circumstances, a Board inspection may include a review of a firm's audit of financial statements of an issuer that ceased to be an audit client before the inspection, and any such former clients are not included in the number shown here.

Board inspections are designed to identify and address weaknesses and deficiencies related to how a firm conducts audits.^{6/} To achieve that goal, Board inspections include reviews of certain aspects of selected audits performed by the firm and reviews of other matters related to the firm's quality control system.

In the course of reviewing aspects of selected audits, an inspection may identify ways in which a particular audit is deficient, including failures by the firm to identify, or to address appropriately, respects in which an issuer's financial statements do not present fairly the financial position, results of operations, or cash flows of the issuer in conformity with U.S. Generally Accepted Accounting Principles ("GAAP"), or, as applicable, International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").^{7/} It is not the purpose of an inspection, however, to review all of a firm's audits or to identify every respect in which a reviewed audit is deficient. Accordingly, a Board inspection report should not be understood to provide any assurance that the firm's audits, or its issuer clients' financial statements, are free of any deficiencies not specifically described in an inspection report.

A. Review of Audit Engagement

The inspection procedures included a review of aspects of the Firm's auditing of financial statements of one issuer. The scope of this review was determined according to the Board's criteria, and the Firm was not allowed an opportunity to limit or influence the scope.

The inspection team identified what it considered to be audit deficiencies.^{8/} The deficiencies identified in the audit reviewed included a deficiency of such significance

^{6/} This focus necessarily carries through to reports on inspections and, accordingly, Board inspection reports are not intended to serve as balanced report cards or overall rating tools.

^{7/} When it comes to the Board's attention that an issuer's financial statements appear not to present fairly, in a material respect, the financial position, results of operations, or cash flows of the issuer in conformity with GAAP or IFRS, the Board's practice is to report that information to the SEC, which has jurisdiction to determine proper accounting in issuers' financial statements.

^{8/} PCAOB standards require a firm to take appropriate actions to assess the importance of audit deficiencies identified after the date of the audit report to the firm's present ability to support its previously expressed opinions. See AU 390, *Consideration*

that it appeared to the inspection team that the Firm did not obtain sufficient competent evidential matter to support its opinion on the issuer's financial statements.^{9/} That deficiency was the failure to perform sufficient procedures to test revenue.

B. Review of Quality Control System

In addition to evaluating the quality of the audit work performed on a specific audit, the inspection included review of certain of the Firm's practices, policies, and procedures related to audit quality. This review addressed practices, policies, and procedures concerning audit performance, training, compliance with independence standards, client acceptance and retention, and the establishment of policies and procedures. Any defects in, or criticisms of, the Firm's quality control system are discussed in the nonpublic portion of this report and will remain nonpublic unless the Firm fails to address them to the Board's satisfaction within 12 months of the date of this report.

END OF PART I

of Omitted Procedures After the Report Date, and AU 561, Subsequent Discovery of Facts Existing at the Date of the Auditor's Report (both included among the PCAOB's interim auditing standards, pursuant to PCAOB Rule 3200T). Failure to comply with these PCAOB standards could be a basis for Board disciplinary sanctions.

^{9/} In some cases, an inspection team's observation that a firm failed to perform a procedure may be based on the absence of documentation and the absence of persuasive other evidence, even if a firm claims to have performed the procedure. PCAOB Auditing Standard No. 3, *Audit Documentation* ("AS No. 3"), provides that, in various circumstances including PCAOB inspections, a firm that has not adequately documented that it performed a procedure, obtained evidence, or reached an appropriate conclusion must demonstrate with persuasive other evidence that it did so, and that oral assertions and explanations alone do not constitute persuasive other evidence. See AS No. 3, paragraph 9; Appendix A to AS No. 3, paragraph A28. For purposes of the inspection, an observation that the Firm did not perform a procedure, obtain evidence, or reach an appropriate conclusion may be based on the absence of such documentation and the absence of persuasive other evidence.

PARTS II AND III OF THIS REPORT ARE NONPUBLIC
AND ARE OMITTED FROM THIS PUBLIC DOCUMENT

PART IV

RESPONSE OF THE FIRM TO 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, minus any portion granted confidential treatment, is attached hereto and made part of this final inspection report.^{10/}

^{10/} In any version of an inspection report that the Board makes publicly available, any portions of a firm's response that address nonpublic portions of the report are omitted. In some cases, the result may be that none of a firm's response is made publicly available.

FROM : C. & J.

FAX NO. : 0091 22 24981718

Nov. 26 2010 12:19PM P2

A K Kotwal
S M Chinoy
B T Nagda
B S Chandrasekar
S P Hansraj
A A Diwan
M D Shah

CHANDABHOY & JASSOOBHOY
CHARTERED ACCOUNTANTS

Ref. No. 890

November 26, 2010

George H. Diacont
Director
Division of Registration and Inspections
Public Company Accounting Oversight Board
1666 K Street, N.W.
Washington, DC 20006
USA

Dear Mr. Diacont

Draft report of inspection

We refer to your letter dated October 27, 2010 and the Draft Report of Inspection ('the Report') attached thereto.

We attach in the Annexures listed below, our response to the issues raised in Part I and II of the Report:

Annexure A: Our response to the Review of Audit Engagement (Part IA and Part IIA)
Annexure B: Our response to the Review of Quality Control System (Part IB and Part IIB)

We trust this meets with your requirements and suitably clarifies our position.

We would also like to place on record the tremendous value our Firm has derived from the inspection process. We believe this has enabled us to take steps to further systemise our audit and quality control procedures and our endeavours to this end are an integral part of our training, growth and development process to meet the highest professional standards.

We thank you for the opportunity to offer our responses to the Report. Please let us know if you require any further information or clarifications with regards to our responses. We will be pleased to provide you with the same.

Yours faithfully,

For Chandabhoi & Jassoobhoi
Chartered Accountants

A. K. Kotwal

Adil Kotwal
Partner

Encl: As above



— CHANDABHOY & JASSOQBHOY —

Annexure A

As referred to in Letter dated November 25, 2010 to George H. Diacont

For the sake of convenience, we are giving a reference to the relevant portions of the Report and our comments thereon follow.

PART IA – Review of Audit Engagement

PART IIA – Detailed discussion of Inspection Results

Our Comments:

The conclusions in the Report are essentially, as follows:

- a) The Firm did not obtain sufficient competent evidential matter to support its opinion on the issuer's financial statements.
- b) Such deficiency was the failure to perform sufficient procedures to test revenue.
- c) The analytical review procedure adopted by the Firm did not provide the necessary degree of assurance that the differences in comparing revenues on a year-on-year basis suggesting potential material misstatements, individually or in the aggregate, be identified.

With regard to the above, we have to respond as under:

- a) The analytical review procedure was not the only procedure adopted by the Audit Engagement Team (AET).
- b) The AET carried out and conducted other substantive audit procedures that provided competent evidential matter and the necessary assurances to support the Firm's opinion on the issuer's financial statements. The details and information regarding such other audit procedures have also been provided to the inspection team. We have documented the findings from our audit procedures to the extent we thought was reasonable and appropriate in the circumstances.
- c) While we accept that the analytical review procedure may not have been conducted exactly in accordance with the requirements of AU 329, sufficient procedures were conducted and test results of the analytical procedure review conducted by the AET were further corroborated and adequately documented. The Variance Analysis Sheet (with our comments and observations) was reviewed by the inspection team as well.
- d) We believe that our assessment of the audit risk was appropriate in the overall scheme of our audit program and in the context of the financial statements of the issuer taken as a whole, which have been duly backed up by necessary auditing procedures, required documentation and resulting conclusions.
- e) The audit procedures applied by us during the course of the assignment as well as the documentation undertaken and evidential matter obtained were in our opinion sufficient to reach an informed audit opinion, after exercising due care and application of our professional judgement based on the circumstances. While we appreciate that application of audit procedures/standards and the documentation aspect is an important and integral part of the audit process and arriving at an audit opinion, it is difficult to arrive at a consensus on what constitutes 'adequate' documentation and application of audit tools and techniques. There is judgement



— CHANDABHOY & JASSOOBHOY —

involved and this is based on the analysis by professionals having an insight in the business of the issuer.

- f) We have also reviewed the audited financial statements of the issuer for the subsequent year (for which we were not the auditors). Such review was done from the on-line details available for public access on the issuer's web-site. We have not come across any information that would lead us to believe that the financial information for the year audited by us, had undergone any changes at all. As such, we were unable to perform any additional tests as required by AU 390 – Consideration of Omitted Procedures after the Report.

END OF ANNEXURE A

