



Public Company Accounting Oversight Board

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ORDER INSTITUTING DISCIPLINARY
PROCEEDINGS, MAKING FINDINGS, AND
IMPOSING SANCTIONS

*In the Matter of P. Parikh & Associates,
Ashok B. Rajagiri, CA, Sandeep P. Parikh,
CA, and Sundeeep P S G Nair, CA,*

Respondents.

PCAFOB Release No. 105-2013-002

April 24, 2013

By this Order, the Public Company Accounting Oversight Board ("Board" or "PCAFOB") is: (1) censuring P. Parikh & Associates^{1/} (the "Firm" or "Parikh & Associates"), revoking Parikh & Associates' registration and imposing a civil money penalty in the amount of \$10,000 upon Parikh & Associates;^{2/} (2) censuring Ashok B. Rajagiri, CA ("Rajagiri") and barring him from being an associated person of a registered public accounting firm; (3) censuring Sandeep P. Parikh, CA ("Parikh") and barring him from being an associated person of a registered public accounting firm;^{3/} and (4) censuring Sundeeep P S G Nair, CA ("Nair") and for a period of two years, limiting his activities in connection with audits, as that term is defined in Section 110(1) of the Sarbanes-Oxley Act of 2002, as amended (the "Act"), by prohibiting him from serving in the role of engagement partner or engagement quality reviewer, and requiring that he complete forty (40) additional hours of continuing professional education in subjects that are directly related to the audits of issuer financial statements under PCAOB standards.

The Board is imposing these sanctions on the basis of its findings that: (a) Rajagiri and Parikh & Associates violated Section 10(b) of the Securities Exchange Act

^{1/} The Firm has issued audit reports under the name of P. Parikh & Associates, Chartered Accountants.

^{2/} Parikh & Associates may reapply for registration after two (2) years from the date of this Order.

^{3/} Parikh may file a petition for Board consent to associate with a registered public accounting firm after three (3) years from the date of this Order.



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of 1934 ("Exchange Act") and Rule 10b-5 thereunder and PCAOB rules and auditing standards in auditing the financial statements of an issuer client from 2006 to 2007; (b) Rajagiri, Nair, and Parikh & Associates violated PCAOB rules and auditing standards in auditing the financial statements of an issuer client from 2008 to 2010; (c) Parikh, Nair, and Parikh & Associates violated PCAOB rules and auditing standards in auditing the financial statements of an issuer client in 2011; (d) Rajagiri and Parikh & Associates violated Section 10A of the Exchange Act and PCAOB rules in connection with the audit of the financial statements of an issuer client in 2008; (e) Parikh & Associates violated PCAOB quality control standards; and (f) Parikh directly and substantially contributed to a registered public accounting firm's violation of PCAOB quality control standards.

I.

The Board deems it necessary and appropriate, for the protection of investors and to further the public interest in the preparation of informative, accurate, and independent audit reports, that disciplinary proceedings be, and hereby are, instituted pursuant to Section 105(c) of the Act and PCAOB Rule 5200(a)(1) against Parikh & Associates, Rajagiri, Parikh, and Nair (collectively, "Respondents").

II.

In anticipation of the institution of these proceedings, and pursuant to PCAOB Rule 5205, Respondents have each submitted an Offer of Settlement ("Offers") that the Board has determined to accept. Solely for purposes of these proceedings and any other proceedings brought by or on behalf of the Board, or to which the Board is a party, and without admitting or denying the findings herein, except as to the Board's jurisdiction over Respondents and the subject matter of these proceedings, which are admitted, Respondents consent to entry of this Order Instituting Disciplinary Proceedings, Making Findings, and Imposing Sanctions ("Order") as set forth below.^{4/}

^{4/} The findings herein are made pursuant to the Respondents' Offers and are not binding on any other person or entity in this or any other proceeding.

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III.

On the basis of Respondents' Offers, the Board finds^{5/} that:

A. Respondents

1. Parikh & Associates is a public accounting firm headquartered in Mumbai, the Republic of India. The Firm's website states that the Firm has seventeen partners. According to the Firm's most recent Annual Report Form filed with the Board, the Firm has seven offices in the Republic of India and seven offices located in countries outside of India. The Firm is registered with the Institute of Chartered Accountants of India (Firm Registration No. 107564W). At all relevant times, the Firm was registered with the Board pursuant to Section 102 of the Act and PCAOB Rules. Since registering with the Board, the Firm has issued audit reports for one issuer client, Mahanagar Telephone Nigam Limited ("MTNL"), for the years ended March 31, 2006 through March 31, 2012.

2. Ashok B. Rajagiri, age 47, of Mumbai, India, is a chartered accountant licensed by the Institute of Chartered Accountants of India (License Number 46070). Rajagiri is a partner of Parikh & Associates. At all relevant times, Rajagiri was an associated person of a registered public accounting firm as that term is defined in Section 2(a)(9) of the Act and PCAOB Rule 1001(p)(i). Rajagiri had final responsibility for the fiscal year 2006, 2007, 2008, 2009, and 2010 audits within the meaning of AU § 311, *Planning and Supervision*, was responsible for the supervision of the Parikh & Associates engagement teams, and authorized the issuance of Parikh & Associates' reports for each of the fiscal year 2006-2010 audits.

3. Sandeep P. Parikh, age 53, of Mumbai, India, is a chartered accountant licensed by the Institute of Chartered Accountants of India (License Number 39713). Parikh is a partner of Parikh & Associates. At all relevant times, Parikh was an associated person of a registered public accounting firm as that term is defined in Section 2(a)(9) of the Act and PCAOB Rule 1001(p)(i). Parikh had final responsibility

^{5/} The sanctions that the Board is imposing on Respondents in this Order may be imposed only if a respondent's conduct meets one of the conditions set out in Section 105(c)(5) of the Act, 15 U.S.C. § 7215(c)(5). The Board finds that Respondents' conduct described in this Order meets the condition set out in Section 105(c)(5), which provides that such sanctions may be imposed in the event of (A) intentional or knowing conduct, including reckless conduct, that results in violation of the applicable statutory, regulatory, or professional standard; or (B) repeated instances of negligent conduct, each resulting in a violation of the applicable statutory, regulatory, or professional standard.



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for the fiscal year 2011 audit within the meaning of AU § 311, was responsible for the supervision of the Parikh & Associates engagement team, and authorized the issuance of Parikh & Associates' report for the fiscal year 2011 audit.

4. Sundeep P S G Nair, age 32, of Mumbai, India, is a chartered accountant licensed by the Institute of Chartered Accountants of India (License Number 131489). Nair is a partner of Parikh & Associates. At all relevant times, Nair was an associated person of a registered public accounting firm as that term is defined in Section 2(a)(9) of the Act and PCAOB Rule 1001(p)(i). For the fiscal year 2008 through 2011 audits of MTNL's financial statements discussed below, Nair served in the role of audit manager, under the supervision of Rajagiri, the engagement partner for the fiscal year 2008-2010 audits, and Parikh, the engagement partner for the fiscal year 2011 audit. For the fiscal year 2011 MTNL audit, Nair assumed responsibility for coordinating and managing the audit.

B. Summary

5. This matter concerns Respondents' numerous and repeated violations of PCAOB rules, quality control standards, and auditing standards in connection with the audits of its sole issuer client MTNL's financial statements for the fiscal years ended March 31, 2006 through March 31, 2011. After Parikh & Associates registered with the Board on November 19, 2007, the Firm has issued audit reports for MTNL. The Firm staffed the audits with partners who had no formal training or experience with PCAOB standards or U.S. Generally Accepted Accounting Principles ("U.S. GAAP"). The Firm failed to establish, implement, and communicate quality control policies and procedures sufficient to provide the Firm with reasonable assurance that the work performed by engagement personnel met applicable professional standards. The Firm's quality control violations resulted in or contributed to numerous and repeated violations of PCAOB auditing standards. The Firm also failed to establish monitoring procedures sufficient to enable the Firm to obtain reasonable assurance that its system of quality control was effective, and its personnel were complying with the professional standards. Parikh, as a senior partner of the Firm with responsibility for, among other things, designing, implementing, communicating, and monitoring the Firm's quality control system, directly and substantially contributed to the Firm's quality control violations.

6. In connection with the MTNL audits, the Firm failed to plan and perform audit work on critical aspects of the audits in violation of PCAOB auditing standards. In 2008, the Firm and Rajagiri also violated Section 10(b) of the Exchange Act by issuing an audit report regarding the 2006 and 2007 MTNL financial statements that represented that the audits had been conducted in accordance with PCAOB standards when they knew or were reckless in not knowing that such representations were false.

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During the 2008-2011 MTNL audits, Rajagiri, Parikh, Nair, and the Firm performed few to no audit procedures in connection with the issuance of audit reports in violation of PCAOB rules and auditing standards.

C. Parikh and the Firm Violated PCAOB Rules and Quality Control Standards

7. PCAOB rules require that a registered public accounting firm comply with certain quality control standards.^{6/} A firm should establish policies and procedures to provide it with reasonable assurance that the work performed by engagement personnel meets applicable professional standards, regulatory requirements, and the firm's standards of quality.^{7/} A firm's policies and procedures should provide reasonable assurance that the firm "[u]ndertakes only those engagements that the firm can reasonably expect to be completed with professional competence."^{8/} Policies and procedures, as well, should be established to provide the firm with reasonable assurance that work "is assigned to personnel having the degree of technical training and proficiency required in the circumstances."^{9/} One element of quality control is monitoring, and the firm should implement monitoring procedures to provide a firm with reasonable assurance that "its system of quality control is effective."^{10/} In addition, PCAOB rules prohibit an associated person of a registered public accounting firm from taking or omitting to take an action knowing, or recklessly not knowing, that the act or omission would directly and substantially contribute to a violation of Board standards

^{6/} See PCAOB Rules 3100, *Compliance with Auditing and Related Professional Practice Standards* & 3400T, *Interim Quality Control Standards*.

^{7/} QC § 20.17, *System of Quality Control for a CPA Firm's Accounting and Auditing Practice*.

^{8/} QC § 20.15a.

^{9/} QC § 20.13; QC §§ 40.03 and 40.06, *The Personnel Management Element of a Firm's System of Quality Control – Competencies Required by a Practitioner-in-Charge of an Attest Engagement*. See also AU § 230.06, *Due Professional Care in the Performance of Work*.

^{10/} QC § 30.03, *Monitoring a CPA Firm's Accounting and Auditing Practice*.

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by that firm.^{11/} As described below, the Firm violated the Board's quality control standards, and Parikh directly and substantially contributed to those violations.

8. At the time of the Firm's MTNL audits, the Firm assigned personnel who had no prior experience with performing audits under PCAOB standards or education regarding U.S. GAAP. The Firm's partners who acted as auditors with final responsibility during the MTNL audits had no formal training in PCAOB standards or U.S. GAAP. The Firm provided no training to its staff who worked on the MTNL audits with respect to performing audits in compliance with PCAOB standards. In addition, the Firm did not require its personnel to participate in continuing professional education or professional development activities to ensure that its staff understood U.S. GAAP and applicable SEC reporting requirements.

9. Policies and procedures should be established to provide the firm with reasonable assurance that the policies and procedures established by the firm related to each of the elements of quality control are suitably designed and are being effectively applied.^{12/} There were no policies and procedures in place at the Firm to ensure that the staff performed procedures necessary to comply with PCAOB standards and regulatory requirements.

10. At all relevant times, Parikh was a senior partner of the Firm during the relevant time period. In this capacity, Parikh was responsible for, among other things, designing, implementing, communicating, and monitoring the Firm's quality control system. Parikh was aware that he, Rajagiri, Nair, and other Parikh & Associates personnel had no training or experience in conducting audits pursuant to PCAOB auditing standards. All of the Firm's quality control violations described in paragraphs 7-9, above, were the result of either Parikh's conduct or omissions to act for which Parikh was responsible. With respect to all such acts and omissions, Parikh knew, or was reckless in not knowing, that his acts and omissions would directly and substantially contribute to the Firm's quality control failures described above, which constituted violations of the Board's quality control standards. Parikh thereby violated PCAOB Rule 3502.

^{11/} See PCAOB Rule 3502, *Responsibility Not to Knowingly or Recklessly Contribute to Violations*.

^{12/} QC § 20.20.

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D. Respondents Violated the Securities Laws, PCAOB Rules and Auditing Standards

11. Section 10(b) of the Exchange Act and Commission Rule 10b-5 thereunder prohibit a person, in connection with the purchase or sale of a security, from making an untrue statement of a material fact or from omitting to state a material fact necessary to make statements made, in light of the circumstances under which they were made, not misleading. PCAOB rules require that a registered public accounting firm and its associated persons comply with the Board's auditing standards and related professional practice standards.^{13/} An auditor may express an unqualified opinion on an issuer's financial statements only when the auditor has formed such an opinion on the basis of an audit performed in accordance with PCAOB standards.^{14/} Among other things, those standards require that an auditor exercise due professional care, exercise professional skepticism, and obtain sufficient competent evidential matter to afford a reasonable basis for an opinion regarding the financial statements under audit.^{15/} An auditor must also prepare audit documentation in sufficient detail to provide a clear understanding of its purpose, source, and the conclusions reached.^{16/} In addition, the auditor must document the procedures performed, evidence obtained, and conclusions reached with respect to relevant financial statement assertions, and clearly demonstrate that the work was in fact performed.^{17/} As detailed below, Respondents violated the Exchange Act and failed to meet the aforementioned standards in connection with the audits of MTNL's financial statements.

^{13/} See PCAOB Rule 3100 and PCAOB Rule 3200T, *Interim Auditing Standards*.

^{14/} See AU § 508.07, *Reports on Audited Financial Statements*.

^{15/} See AU § 150.02, *Generally Accepted Auditing Standards*; AU § 230, *Due Professional Care in the Performance of Work*; and AU § 326, *Evidential Matter*.

^{16/} See Auditing Standard No. 3 ("AS3"), *Audit Documentation*, paragraph 4.

^{17/} See AS3, ¶ 6.



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1. Audits of MTNL's 2006 and 2007 Financial Statements

Rajagiri and the Firm Violated PCAOB Rules and Auditing Standards and Violated Section 10(b) of the Exchange Act and Commission Rule 10b-5 Thereunder

12. MTNL was, at all relevant times, an Indian corporation headquartered in New Delhi, India. According to its public filings, MTNL was established by the government of India in 1986 and provides basic or fixed-line, cellular, broadband, Internet, and other telecommunications services in New Delhi and Mumbai in India.^{18/} MTNL provides all of its telecommunications services, other than Internet, under a single, general, non-exclusive license granted by the Indian Department of Telecommunications.^{19/} MTNL derives its revenue primarily from local, domestic long distance, and international calls that originate from its network.^{20/} At all relevant times, MTNL's common stock was registered under Section 12(b) of the Exchange Act. Its American Depository Shares were listed on the New York Stock Exchange and was an "issuer," as that term is defined by Section 2(a)(7) of the Sarbanes-Oxley Act and PCAOB Rule 1001(i)(iii).

13. In February 2008, MTNL engaged Parikh & Associates as the U.S. GAAP auditor for MTNL's fiscal year 2008 and 2009 financial statements. Two different audit firms previously issued audit reports for MTNL's fiscal year 2006 and 2007 financial statements, respectively. MTNL was unable to obtain permission from the two predecessor audit firms to issue reports previously issued for the fiscal year 2006 and 2007 financial statements. On August 29, 2008, MTNL engaged Parikh & Associates to be the U.S. GAAP auditor for the fiscal year 2006 and 2007 financial statements. The Firm continued to serve as MTNL's U.S. GAAP auditor for fiscal years 2009, 2010, and 2011.

14. In its 2008 audit report, dated September 25, 2008, the Firm expressed unqualified opinions on MTNL's financial statements. Rajagiri, the partner with final responsibility for the audit, authorized the issuance of the audit report. The September 25, 2008 audit report concerned MTNL's consolidated balance sheet as of March 31,

^{18/} MTNL, Annual Report (Form 20-F), at 20-21 (Sep. 29, 2011).

^{19/} *Id.* at 21.

^{20/} *Id.* at 20.

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2008 and March 31, 2007 and related Consolidated Statements of Operations, Shareholders' Equity, and Cash Flow Statement for the years ended March 31, 2008, March 31, 2007, and March 31, 2006. The audit report was included in the Form 20-F that MTNL filed with the United States Securities and Exchange Commission (the "Commission") on September 29, 2008.^{21/} In the audit report, the Firm stated that MTNL's financial statements presented fairly, in all material respects, the company's financial position as of March 31, 2007 and 2008, and results of operations and cash flows for the years ended March 31, 2006, March 31, 2007, and March 31, 2008 in conformity with U.S. GAAP, and that the Parikh & Associates' audits were conducted in accordance with PCAOB standards.

15. Rajagiri and the Firm failed to perform any audit procedures relating to MTNL's 2006 and 2007 financial statements prior to issuing its 2008 audit report and consenting to its inclusion in MTNL's 2008 Form 20-F. When asked in the course of the Board's investigation about whether the Firm performed any audit procedures relating to MTNL's 2006 and 2007 financial statements, Rajagiri admitted that he did not audit the financial statements. Despite not performing any audit procedures, Rajagiri authorized the Firm's issuance of an audit report on September 25, 2008, containing an unqualified opinion.^{22/}

16. Section 10(b) of the Exchange Act and Commission Rule 10b-5 thereunder prohibit a person, in connection with the purchase or sale of a security, from making an untrue statement of a material fact or from omitting to state a material fact necessary to make statements made, in light of the circumstances under which they were made, not misleading. To violate Section 10(b) or Rule 10b-5, a defendant must act with scienter,^{23/} which the Supreme Court has defined as "a mental state embracing intent to deceive, manipulate, or defraud."^{24/} Scienter encompasses knowing or intentional conduct, or recklessness.^{25/} An auditor violates Section 10(b) of the Exchange Act and Commission Rule 10b-5 thereunder by issuing an audit report

^{21/} MTNL, Annual Report (Form 20-F), at F-1 and F-2 (Sep. 29, 2008).

^{22/} MTNL, Annual Report (Form 20-F), at F-1 and F-2 (Sep. 29, 2008).

^{23/} *Aaron v. SEC*, 446 U.S. 680, 695, 701-02 (1980).

^{24/} *Ernst & Ernst v. Hochfelder*, 425 U.S. 185, 193 n. 12 (1976).

^{25/} See, e.g., *IIT v. Cornfeld*, 619 F.2d 909, 923 (2d Cir. 1980).



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stating that the audit has been performed in accordance with PCAOB standards when he or she knows, or is reckless in not knowing, that the statement is false.^{26/} These statements are clearly material, as "[f]ew matters could be more important to investors than that of whether an issuer's financial statements, contained in its filings with the Commission, had, in fact, been subjected to an annual audit conducted in accordance with [PCAOB standards] in all material respects."^{27/}

17. Rajagiri and the Firm violated Section 10(b) of the Exchange Act and Commission Rule 10b-5 thereunder by their issuance of an audit report that falsely stated that the MTNL fiscal year 2006 and 2007 audits had been conducted in accordance with PCAOB standards, when Rajagiri and the Firm knew, or were reckless in not knowing, that Parikh & Associates personnel had not performed any audit procedures prior to the issuance of the Firm's audit report. Rajagiri and the Firm nevertheless authorized the issuance of the 2008 audit report on those financial statements.

2. Audits of MTNL's 2008, 2009, 2010, and 2011 Financial Statements

18. The Firm continued to serve as MTNL's auditors for the fiscal year 2008-2011 MTNL audit engagements. Rajagiri served as the engagement partner for the fiscal year 2008 through 2010 MTNL audits and had final responsibility for the audit as that phrase is used in AU § 311. He authorized the issuance of MTNL's audit reports dated September 25, 2008, September 25, 2009, and September 30, 2010.^{28/} Parikh was the engagement partner for the fiscal year 2011 MTNL audit and had final responsibility for the audit as that phrase is used in AU § 311. He authorized the

^{26/} See *Lawrence H. Wolfe, CPA*, PCAOB Rel. No. 105-2012-005, at *5 (Sep. 7, 2012); *The Blackwing Group, LLC and Sara L. Jenkins, CPA*, PCAOB Rel. No. 105-2009-007, at *9-10 (Dec. 22, 2009); *Moore & Associates, Chartered and Michael J. Moore, CPA*, PCAOB Rel. No. 105-2009-006, at *16 (Aug. 27, 2009); and *In re Richard P. Scalzo, CPA*, Exchange Act Rel. No. 48328, 2003 SEC LEXIS 1915 (August 13, 2003).

^{27/} *Scalzo*, 2003 SEC LEXIS 1915, at *52-53.

^{28/} MTNL, Annual Report (Form 20-F), at F-1 and F-2 (Sep. 29, 2008); MTNL, Annual Report (Form 20-F), at F-1 and F-2 (Sep. 29, 2009); MTNL, Annual Report (Form 20-F), at F-2 and F-3 (Sep. 30, 2010).

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issuance of MTNL's audit report dated September 29, 2011.^{29/} Nair was a partner of Parikh & Associates, and a member of the engagement team for the fiscal year 2008-2011 MTNL audits. For the fiscal year 2011 MTNL audit, Nair assumed responsibility for coordinating and managing the audit. In connection with the MTNL engagements, the Firm issued audit reports on MTNL's 2008, 2009, 2010, and 2011 financial statements. Each report stated that the audits had been conducted in accordance with PCAOB standards, expressed an unqualified opinion, and stated that, in Parikh & Associates' opinion, MTNL's financial statements were fairly presented in all material respects in conformity with U.S. GAAP. The audit reports were dated September 25, 2008, September 25, 2009, September 30, 2010, and September 29, 2011, and were included as part of the following MTNL filings with the Commission: (a) the Form 20-F filed on September 29, 2008; (b) the Form 20-F filed on September 29, 2009; (c) the Form 20-F filed on September 30, 2010; and (d) the Form 20-F filed on September 29, 2011.^{30/}

19. Audit work should be adequately planned.^{31/} In planning an audit, an auditor should consider the nature, extent, and timing of work to be performed and should prepare a written audit program.^{32/} The audit program should set forth in reasonable detail the audit procedures that the auditor believes are necessary to accomplish the objectives of the audit.^{33/}

20. During their respective tenures on the fiscal year 2008-2011 audits, Respondents failed to comply with this standard in connection with the audits of MTNL's 2008, 2009, 2010, and 2011 financial statements. Respondents failed to perform or document adequate planning procedures.^{34/} Respondents failed to consider

^{29/} MTNL, Annual Report (Form 20-F), at F-1, F-2, and F-3 (Sep. 29, 2011).

^{30/} MTNL, Annual Report (Form 20-F), at F-1 and F-2 (Sep. 29, 2008); MTNL, Annual Report (Form 20-F), at F-1 and F-2 (Sep. 29, 2009); MTNL, Annual Report (Form 20-F), at F-2 and F-3 (Sep. 30, 2010); MTNL, Annual Report (Form 20-F), at F-1, F-2, and F-3 (Sep. 29, 2011).

^{31/} AU § 311.

^{32/} AU § 311.05.

^{33/} *Id.*

^{34/} *Id.*

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or determine the nature, extent, and timing of the work to be performed, and they failed to prepare a written audit program for the audit setting forth the audit procedures they believed were necessary to accomplish the objectives of the audit.

21. Inquiry of the predecessor auditor is a necessary procedure because the predecessor auditor may be able to provide information that will assist the successor auditor in determining whether to accept the engagement.^{35/} As MTNL's new auditors, Respondents were required to make specific inquiries of MTNL's predecessor auditor. Further, Respondents were required to obtain sufficient competent evidential matter to afford a reasonable basis for expressing an opinion on the financial statements they were engaged to audit, including evaluating the consistency of the application of accounting principles.^{36/} Respondents, however, failed to make the required inquiries of the predecessor auditor before accepting the MTNL engagement and failed to obtain sufficient competent evidential matter to analyze the impact of the opening balances on current financial statements.

22. As described in detail below, Respondents also failed to perform any procedures regarding significant balances and transactions reported in the financial statements of MTNL. Specifically, Respondents failed to test the balances of: (1) cash and bank deposits, (2) accounts receivable, due from related parties, and other receivables, (3) property and equipment, and (4) accounts payable, accrued expenses and other current liabilities, as well as accrued employee cost.

23. In its 2008, 2009, 2010, and 2011 financial statements, MTNL reported cash and bank deposits of \$845 million (USD), \$947 million (USD), \$1.088 billion (USD), and \$39 million (USD), respectively. These asset balances represented 17%, 24%, 16%, and 1% of the total assets at the end of each of the respective years. Respondents failed to test cash and bank deposits balances during the audit periods by failing to: (a) test the existence of cash and bank deposits; (b) test whether the company had the rights to the cash and bank deposits; and (c) determine whether the values included in the financial statements for cash and bank deposits were appropriate.

^{35/} AU § 315.07, *Communications Between Predecessor and Successor Auditors*.

^{36/} AU § 315.12.

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24. For example, despite the fact that Rajagiri and Nair thought it was necessary to confirm cash balances, they failed to perform confirmation procedures concerning MTNL's cash balances at banks for the fiscal year 2008 and 2009 audits. In addition, Rajagiri and Nair failed to maintain control over the cash confirmation requests sent by MTNL for fiscal year 2010, and Parikh and Nair failed to maintain control over the cash confirmation requests sent by MTNL for fiscal year 2011. Rajagiri, Parikh, and Nair failed to comply with the PCAOB standards governing the confirmation process, which requires the auditor to make direct contact with a third party.^{37/} MTNL requested the purported confirmations from its banks. MTNL subsequently received the responses directly from the banks. The Firm obtained the purported confirmations responses from MTNL. As a result, Respondents failed to maintain control over purported confirmation requests and responses for the fiscal year 2010 and 2011 MTNL audits.^{38/}

25. In its 2008, 2009, 2010, and 2011 financial statements, MTNL reported certain asset balances, including accounts receivables, due from related parties (current and non-current), and other receivables of \$1.267 billion (USD), \$1.045 billion (USD), \$1.335 billion (USD), and \$1.316 billion (USD), respectively. These asset balances represented 26%, 27%, 19%, and 24% of MTNL's total assets at the end of each of the respective years. Other than relying on management's representations on the non-current portion of due from related parties, Respondents failed to test the asset balances during the audit periods by failing to: (a) test the existence of these assets; (b) test whether the company had the rights to these assets; and (c) determine whether the values included in the financial statements for these assets were appropriate.

^{37/} AU § 330.28 states that: "[d]uring the performance of confirmation procedures, the auditor should maintain control over the confirmation requests and responses. Maintaining control means establishing direct communication between the intended recipient and the auditor to minimize the possibility that the results will be biased because of interception and alteration of the confirmation requests or responses."

^{38/} See *Price Waterhouse, Bangalore, Lovelock & Lewes, Price Waterhouse & Co., Bangalore, Price Waterhouse, Calcutta, and Price Waterhouse & Co., Calcutta*, PCAOB Rel. No. 105-2011-002 (April 5, 2011) where the Board found that auditors failed to control the cash confirmation process by relying on audit clients to send cash confirmation requests to banks and to return cash confirmation responses to the auditors.

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26. For example, PCAOB standards state that confirmation of accounts receivable is a generally accepted auditing procedure. There is a presumption that the auditor will request the confirmation of accounts receivable during an audit.^{39/} In the aforementioned audits, Respondents failed to request confirmations for MTNL's claims against customers that arose from the sale of goods and services in the normal course of business.

27. In its 2008, 2009, 2010, and 2011 financial statements, MTNL reported net property and equipment balances of \$2.036 billion (USD), \$1.545 billion (USD), \$1.828 billion (USD), and \$1.862 billion (USD), respectively. These asset balances represented 42%, 39%, 26%, and 34% of the total assets at the end of each of the respective years. The predecessor auditor stated in its 2007 audit report that it had identified the following material weakness: "the Company did not maintain effective controls over the accounting for properties and equipments. Specifically, the Company has ineffective controls in its Mumbai unit over physical verification and reconciling the results thereof with the assets register as well as updating and reconciling the assets register with the books of account."^{40/} Despite being aware of this material weakness, Respondents failed to test the balances of property and equipment, including the opening balances^{41/} during the audits by failing to: (a) test the existence of the property and equipment balances; (b) test whether the company had the rights to the property and equipment; and (c) determine whether the values included in the financial statements for property and equipment were appropriate.

28. For example, during fiscal years 2008-2011, MTNL purchased additional property and equipment. However, in its audits, Respondents failed to test the additions during the year. Further, Respondents failed to test the depreciation rates, salvage values, and useful lives used in the calculation during the fiscal year 2008-2011 audits.

^{39/} AU § 330.34, *The Confirmation Process*.

^{40/} MTNL, Annual Report (Form 20-F), at F-2 (Oct. 15, 2007).

^{41/} As described in paragraph 21 above, no audit procedures were performed on any opening balances, including property and equipment. The untested opening balance amounts remaining in property and equipment was 95% for the year-end 2008, 84% for the year-end 2009, 66% for the year-end 2010, and 51% for the year-end 2011.

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29. In its 2008, 2009, 2010, and 2011 financial statements, MTNL's reported certain liability balances, including accounts payable, accrued expenses and other current liabilities, and accrued employee cost of \$1.935 billion (USD), \$1.562 billion (USD), \$2.494 billion (USD), and \$2.606 billion (USD), respectively. These liability balances represented 74%, 72%, 44%, and 53% of the total liabilities at the end of each of the respective years. Respondents failed to test the balances of current liabilities during the audit periods by failing to: (a) test the existence of these liabilities; (b) test whether the company had the obligations for these liabilities; and (c) determine whether the values included in the financial statements of these liabilities were appropriate.

30. For example, MTNL used actuaries to estimate its liabilities related to the retirement benefits and obtained actuarial reports supporting the estimates. PCAOB standards require auditors to perform certain procedures when using the work of a specialist, including evaluating the specialist's professional qualifications,^{42/} obtaining an understanding of the methods and assumptions used by the specialist, and making appropriate tests of data provided to the specialist.^{43/} Respondents obtained the actuary reports, but failed to perform these audit procedures.

31. Respondents failed to comply with Auditing Standard No. 3 in connection with the audit of MTNL's 2008-2010 financial statements. An auditor must identify all significant findings or issues in an engagement completion document. Respondents failed to create an engagement completion document for each of the fiscal year 2008-2010 MTNL audits.^{44/}

E. Rajagiri and the Firm Violated Section 10A of the Exchange Act and PCAOB Rule 3520 in the Audit of MTNL's 2008 Financial Statements

32. PCAOB rules require registered public accounting firms and associated persons to comply with the Board's auditing standards and independence standards in connection with an audit.^{45/} PCAOB rules also require that an auditor be independent.

^{42/} AU § 336.08, *Using the Work of a Specialist*.

^{43/} AU §§ 336.08,.12.

^{44/} AS3, ¶ 13.

^{45/} See PCAOB Rule 3100, PCAOB Rule 3200T, PCAOB Rule 3520, *Auditor Independence*, and PCAOB Rule 3600T, *Interim Independence Standards*.

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Section 10A(g) of the Exchange Act prohibits an accounting firm and associated persons from providing internal audit outsourcing services during the audit engagement period.^{46/} Under PCAOB rules, "a registered public accounting firm or associated person's independence obligation with respect to an audit client that is an issuer encompasses not only an obligation to satisfy the independence criteria set out in the rules and standards of the PCAOB, but also an obligation to satisfy all other independence criteria applicable to the engagement, including the independence criteria set out in the rules and regulations of the Commission under the federal securities laws."^{47/}

33. Rule 2-01(c)(4) of Commission Regulation S-X provides that an accountant is not independent if, at any point during the audit and professional engagement period, the accountant provides any internal audit service that has been outsourced by the audit client that relates to the audit client's internal controls, financial systems, or financial statements.^{48/} The "audit and professional engagement period" includes both the "period covered by any financial statements being audited or reviewed (the 'audit period'); and . . . [t]he period of the engagement to audit or review the audit client's financial statements or to prepare a report filed with the Commission (the 'professional engagement period') . . ."^{49/}

34. Rajagiri and the Firm failed to comply with Section 10A(g) of the Exchange Act and PCAOB Rule 3520 by providing internal audit outsourcing services for units of MTNL from April 1, 2007 through January 31, 2008 and auditing MTNL's consolidated balance sheet as of March 31, 2008 and related consolidated statements of operations, shareholders' equity, and cash flow statement for the year ended March 31, 2008. Specifically, Rajagiri and the Firm were engaged to provide internal audit services from June 1, 2005 to January 31, 2008 and the Firm issued quarterly internal audit reports for certain MTNL units for fiscal years 2006-2008. On February 4, 2008, MTNL appointed Parikh & Associates as the U.S. GAAP auditor for MTNL's fiscal year 2008 and 2009 financial statements, and the Firm accepted the engagement on February 5, 2008.

^{46/} Exchange Act, Section 10A(g).

^{47/} See PCAOB Rule 3520, Note 1.

^{48/} Rule 2-01 of Regulation S-X, 17 C.F.R. § 210.2-01(c)(4).

^{49/} Rule 2-01 of Regulation S-X, 17 C.F.R. § 210.2-01(f)(5).

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IV.

In view of the foregoing and to protect the interests of investors and further the public interest in the preparation of informative, accurate, and independent audit reports, the Board determines it appropriate to impose the sanctions agreed to in Respondents' Offers. Accordingly, it is hereby ORDERED that:

- A. Pursuant to Section 105(c)(4)(E) of the Act and PCAOB Rule 5300(a)(5), P. Parikh & Associates is hereby censured;
- B. Pursuant to Section 105(c)(4)(A) of the Act and PCAOB Rule 5300(a)(1), the registration of P. Parikh & Associates is revoked;
- C. After two (2) years from the date of this Order, P. Parikh & Associates may reapply for registration by filing an application pursuant to PCAOB Rule 2101;
- D. Pursuant to Section 105(c)(4)(D) of the Act and PCAOB Rule 5300(a)(4), a civil money penalty in the amount of \$10,000 is imposed upon P. Parikh & Associates. All funds collected by the Board as a result of the assessment of this civil money penalty will be used in accordance with Section 109(c)(2) of the Act. P. Parikh & Associates shall pay this civil money penalty within 10 days of the issuance of this Order by (a) wire transfer in accordance with instructions furnished by Board staff; or (b) United States postal money order, certified check, bank cashier's check or bank money order; (c) made payable to the Public Company Accounting Oversight Board; (d) delivered to the Controller, Public Company Accounting Oversight Board, 1666 K Street, N.W., Washington, D.C. 20006; and (e) submitted under a cover letter which identifies P. Parikh & Associates as the Respondent in these proceedings, sets forth the title and PCAOB Release Number of these proceedings, and states that payment is made pursuant to this Order, a copy of which cover letter and money order or check shall be sent to the Office of the Secretary, Attention: Phoebe Brown, Secretary, Public Company Accounting Oversight Board, 1666 K Street, N.W., Washington, D.C. 20006;
- E. Pursuant to Section 105(c)(4)(E) of the Act and PCAOB Rule 5300(a)(5), Ashok B. Rajagiri, CA is hereby censured;

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- F. Pursuant to Section 105(c)(4)(B) of the Act and PCAOB Rule 5300(a)(2), Ashok B. Rajagiri, CA is barred from being an associated person of a registered public accounting firm, as that term is defined in Section 2(a)(9) of the Act and PCAOB Rule 1001(p)(i);
- G. Pursuant to Section 105(c)(4)(E) of the Act and PCAOB Rule 5300(a)(5), Sandeep P. Parikh, CA is hereby censured;
- H. Pursuant to Section 105(c)(4)(B) of the Act and PCAOB Rule 5300(a)(2), Sandeep P. Parikh, CA is barred from being an associated person of a registered public accounting firm, as that term is defined in Section 2(a)(9) of the Act and PCAOB Rule 1001(p)(i);
- I. After three (3) years from the date of this Order, Sandeep P. Parikh, CA may file a petition, pursuant to PCAOB Rule 5302(b), for Board consent to associate with a registered public accounting firm;
- J. Pursuant to Section 105(c)(4)(E) of the Act and PCAOB Rule 5300(a)(5), Sundeeep P S G Nair, CA is hereby censured;
- K. Pursuant to Section 105(c)(4)(C) of the Act and PCAOB Rule 5300(a)(3), for a period of two (2) years from the date of the issuance of this Order, Sundeeep P S G Nair, CA's role in any "audit," as that term is defined in Section 110(1) of the Act, shall be restricted as follows: Nair shall not (1) serve as the "engagement partner," as that term is used in the Board's Auditing Standard No. 10, *Supervision of the Audit Engagement*; (2) serve as the "engagement quality reviewer," as that term is used in the Board's Auditing Standard No. 7, *Engagement Quality Review*; (3) serve in any role that is equivalent to engagement partner or engagement quality review partner, but differently denominated (such as "lead partner," "practitioner-in-charge," or "concurring partner"); or (4) exercise authority either to sign a registered public accounting firm's name to an audit report, or to consent to the use of a previously issued audit report, for any issuer, broker or dealer; and
- L. Pursuant to Section 105(c)(4)(F) of the Act and PCAOB Rule 5300(a)(6), Sundeeep P S G Nair, CA is required to complete, within two (2) years from the date of the issuance of this Order, forty (40) hours of continuing professional education ("CPE") in subjects that are directly related to the audits of issuer financial statements under PCAOB standards (such hours

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shall be in addition to, and shall not be counted in, the CPE that he is required to obtain in connection with any Indian Chartered Accountant licenses).

ISSUED BY THE BOARD.

/s/ Phoebe W. Brown

Phoebe W. Brown
Secretary

April 24, 2013