

Report on
2016 Inspection of Pinaki & Associates LLC
(Headquartered in Newark, Delaware)

Issued by the
Public Company Accounting Oversight Board

September 29, 2016

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**



2016 INSPECTION OF PINAKI & ASSOCIATES LLC

Preface

In 2016, the Public Company Accounting Oversight Board ("PCAOB" or "the Board") conducted an inspection of the registered public accounting firm Pinaki & Associates LLC ("the Firm") pursuant to the Sarbanes-Oxley Act of 2002 ("the Act").

Inspections are designed and performed to provide a basis for assessing the degree of compliance by a firm with applicable requirements related to auditing issuers. For a description of the procedures the Board's inspectors may perform to fulfill this responsibility, see Part I.C of this report (which also contains additional information concerning PCAOB inspections generally). The inspection included reviews of portions of selected issuer audits. These reviews were intended to identify whether deficiencies existed in the reviewed audit work, and whether such deficiencies indicated defects or potential defects in the Firm's system of quality control over audits. In addition, the inspection included a review of policies and procedures related to certain quality control processes of the Firm that could be expected to affect audit quality.

The Board is issuing this report in accordance with the requirements of the Act. 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. If the nonpublic portions of the report discuss criticisms of or potential defects in the firm's system of quality control, those discussions also could eventually be made public, but only to the extent the firm fails to address the criticisms to the Board's satisfaction within 12 months of the issuance of the report. Appendix A presents the text of the paragraphs of the auditing standards that are referenced in Part I.A. in relation to the description of auditing deficiencies there.

Note on this report's citations to auditing standards: On March 31, 2015, the PCAOB adopted a reorganization of its auditing standards using a topical structure and a single, integrated numbering system. See *Reorganization of PCAOB Auditing Standards and Related Amendments to PCAOB Standards and Rules*, PCAOB Release No. 2015-002 (Mar. 31, 2015). The reorganization will be effective as of December 31, 2016, but the reorganized numbering system may be used before that date. In this report, citations to PCAOB auditing standards use the numbering system and titles of standards that were in effect at the time of the primary inspection procedures. A table cross-referencing the section numbers of those standards included in Part I of this report as reorganized is included at Appendix B.

PROFILE OF THE FIRM¹

Offices	1 (Newark, Delaware)
Ownership structure	Limited liability company
Partners / professional staff ²	1 / None
Issuer audit clients	7
Lead partners on issuer audit work ³	1

¹ The information presented here is as understood by the inspection team, generally as of the outset of the inspection, based on the Firm's self-reporting and the inspection team's review of certain information. Additional information, including additional detail on audit reports issued by the Firm, is available in the Firm's filings with the Board, available at http://pcaobus.org/Registration/rasr/Pages/RASR_Search.aspx.

² 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. The number of partners cited above represents the number of individuals with an ownership interest in the Firm.

³ The number of lead 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 No. 10, *Supervision of the Audit Engagement*) during the twelve-month period preceding the outset of the inspection.

PART I

INSPECTION PROCEDURES AND CERTAIN OBSERVATIONS

Members of the Board's inspection staff ("the inspection team") conducted primary procedures for the inspection from April 4, 2016 to April 8, 2016.⁴

A. Review of Audit Engagements

The inspection procedures included a review of portions of four issuer audits performed by the Firm. The inspection team identified matters that it considered to be deficiencies in the performance of the work it reviewed.

The descriptions of the deficiencies in Part I.A of this report include, at the end of the description of each deficiency, references to specific paragraphs of the auditing standards that relate to those deficiencies. The text of those paragraphs is set forth in Appendix A to this report. The references in this sub-Part include only standards that primarily relate to the deficiencies; they do not present a comprehensive list of every auditing standard that applies to the deficiencies. Further, certain broadly applicable aspects of the auditing standards that may be relevant to a deficiency, such as provisions requiring due professional care, including the exercise of professional skepticism; the accumulation of sufficient appropriate audit evidence; and the performance of procedures that address risks, are not included in any references to the auditing standards in this sub-Part, unless the lack of compliance with these standards is the primary reason for the deficiency. These broadly applicable provisions are described in Part I.B of this report.

Certain deficiencies identified were of such significance that it appeared to the inspection team that the Firm, at the time it issued its audit report, had not obtained sufficient appropriate audit evidence to support its opinion that the financial statements were presented fairly, in all material respects, in accordance with the applicable

⁴ For this purpose, "primary procedures" include field work, other review of audit work papers, and the evaluation of the Firm's quality control policies and procedures through review of documentation and interviews of Firm personnel. Primary procedures do not include (1) inspection planning, which is performed prior to primary procedures, and (2) inspection follow-up procedures, wrap-up, analysis of results, and the preparation of the inspection report, which extend beyond the primary procedures.

financial reporting framework. In other words, in these audits, the auditor issued an opinion without satisfying its fundamental obligation to obtain reasonable assurance about whether the financial statements were free of material misstatement.

The fact that one or more deficiencies in an audit reach this level of significance does not necessarily indicate that the financial statements are materially misstated. It is often not possible for the inspection team, based only on the information available from the auditor, to reach a conclusion on those points.

Whether or not associated with a disclosed financial reporting misstatement, an auditor's failure to obtain the reasonable assurance that the auditor is required to obtain is a serious matter. It is a failure to accomplish the essential purpose of the audit, and it means that, based on the audit work performed, the audit opinion should not have been issued.⁵

The audit deficiencies that reached this level of significance are described below—

A.1. Issuers A, B, C, and D

the failure, in four audits, to plan and perform an audit to provide a reasonable basis for an audit opinion. (AS No. 8, paragraph 3; AS No. 9, paragraphs 8 and 10; AS No. 11, paragraph 3; AS No. 12, paragraph 4; AS No. 13, paragraph 8; AS No. 14, paragraphs 30 and 31; and AS No. 15, paragraph 4)

⁵ Inclusion in an inspection report does not mean that the deficiency remained unaddressed after the inspection team brought it to the Firm's attention. Depending upon the circumstances, compliance with PCAOB standards may require the Firm to perform additional audit procedures, or to inform a client of the need for changes to its financial statements or reporting on internal control, or to take steps to prevent reliance on its previously expressed audit opinions. The Board expects that firms will comply with these standards, and an inspection may include a review of the adequacy of a firm's compliance with these requirements, either with respect to previously identified deficiencies or deficiencies identified during that inspection. Failure by a firm to take appropriate actions, or a firm's misrepresentations in responding to an inspection report, about whether it has taken such actions, could be a basis for Board disciplinary sanctions.

B. Auditing Standards

Each deficiency described above could relate to several applicable provisions of the standards that govern the conduct of audits. The paragraphs of the standards that are cited for each deficiency are those that most directly relate to the deficiency. The deficiencies also relate, however, to other paragraphs of those standards and to other auditing standards, including those concerning due professional care, responses to risk assessments, and audit evidence.

Many audit deficiencies involve a lack of due professional care. AU 230, *Due Professional Care in the Performance of Work*, paragraphs .02, .05, and .06, requires the independent auditor to plan and perform his or her work with due professional care and sets forth aspects of that requirement. AU 230, paragraphs .07 through .09, and AS No. 13, *The Auditor's Responses to the Risks of Material Misstatement*, paragraph 7, specify that due professional care requires the exercise of professional skepticism. These standards state that professional skepticism is an attitude that includes a questioning mind and a critical assessment of the appropriateness and sufficiency of audit evidence.

AS No. 13, paragraphs 3, 5, and 8, requires the auditor to design and implement audit responses that address the risks of material misstatement, and AS No. 15, *Audit Evidence*, paragraph 4, requires the auditor to plan and perform audit procedures to obtain sufficient appropriate audit evidence to provide a reasonable basis for the audit opinion. Sufficiency is the measure of the quantity of audit evidence, and the quantity needed is affected by the risk of material misstatement (in the audit of financial statements) and the quality of the audit evidence obtained. The appropriateness of evidence is measured by its quality; to be appropriate, evidence must be both relevant and reliable in providing support for the related conclusions.

The paragraphs of the standards that are described immediately above are not cited in Part I.A, unless those paragraphs are the most directly related to the relevant deficiency.

B.1. List of Specific Auditing Standards Referenced in Part I.A.

The table below lists the specific auditing standards that are referenced in Part I.A of this report, cross-referenced to the issuer audits for which each standard is cited.

PCAOB Auditing Standards	Issuers
AS No. 8, <i>Audit Risk</i>	A, B, C, and D
AS No. 9, <i>Audit Planning</i>	A, B, C, and D
AS No. 11, <i>Consideration of Materiality in Planning and Performing an Audit</i>	A, B, C, and D
AS No. 12, <i>Identifying and Assessing Risks of Material Misstatement</i>	A, B, C, and D
AS No. 13, <i>The Auditor's Responses to the Risks of Material Misstatement</i>	A, B, C, and D
AS No. 14, <i>Evaluating Audit Results</i>	A, B, C, and D
AS No. 15, <i>Audit Evidence</i>	A, B, C, and D

C. Information Concerning PCAOB Inspections that is Generally Applicable to Triennially Inspected Firms

A Board inspection includes a review of certain portions of selected audit work performed by the inspected firm and a review of certain aspects of the firm's quality control system. The inspections are designed to identify deficiencies in audit work and defects or potential defects in the firm's system of quality control related to the firm's audits. The focus on deficiencies, defects, and potential defects 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. Further, the inclusion in an inspection report of certain deficiencies, defects, and potential defects should not be construed as an indication that the Board has made any determination about other aspects of the inspected firm's systems, policies, procedures, practices, or conduct not included within the report.

C.1. Reviews of Audit Work

Inspections include reviews of portions of selected audits of financial statements and, where applicable, audits of internal control over financial reporting ("ICFR"). For these audits, the inspection team selects certain portions of the audits for inspection, and it reviews the engagement team's work papers and interviews engagement personnel regarding those portions. If the inspection team identifies a potential issue that it is unable to resolve through discussion with the firm and any review of additional work papers or other documentation, the inspection team ordinarily provides the firm with a written comment form on the matter and the firm is allowed the opportunity to provide a written response to the comment form. If the response does not resolve the inspection team's concerns, the matter is considered a deficiency and is evaluated for inclusion in the inspection report.

The inspection team selects the audits, and the specific portions of those audits, that it will review, and the inspected firm is not allowed an opportunity to limit or influence the selections. Audit deficiencies that the inspection team may identify include a firm's failure to identify, or to address appropriately, financial statement misstatements, including failures to comply with disclosure requirements,⁶ as well as a firm's failure to perform, or to perform sufficiently, certain necessary audit procedures. An inspection may not involve the review of all of the firm's audits, nor is it designed to identify every deficiency in the reviewed audits. Accordingly, a Board inspection report should not be understood to provide any assurance that a firm's audit work, or the relevant issuers' financial statements or reporting on ICFR, are free of any deficiencies not specifically described in an inspection report.

⁶ 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 the applicable financial reporting framework, the Board's practice is to report that information to the Securities and Exchange Commission ("SEC" or "the Commission"), which has jurisdiction to determine proper accounting in issuers' financial statements. Any description in this report of financial statement misstatements or failures to comply with SEC disclosure requirements should not be understood as an indication that the SEC has considered or made any determination regarding these issues unless otherwise expressly stated.

In some cases, the conclusion that a firm did not perform a procedure may be based on the absence of documentation and the absence of persuasive other evidence, even if the firm claimed to have performed the procedure. AS No. 3, *Audit Documentation*, 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. In reaching its conclusions, an inspection team considers whether audit documentation or other evidence that a firm might provide to the inspection team supports the firm's contention that it performed a procedure, obtained evidence, or reached an appropriate conclusion. In the case of every matter cited in the public portion of a final inspection report, the inspection team has carefully considered any contention by the firm that it did so but just did not document its work, and the inspection team has concluded that the available evidence does not support the contention that the firm sufficiently performed the necessary work.

Identified deficiencies in the audit work that exceed a significance threshold (which is described in Part I.A of the inspection report) are summarized in the public portion of the inspection report.⁷

The Board cautions against extrapolating from the results presented in the public portion of a report to broader conclusions about the frequency of deficiencies throughout the firm's practice. Individual audits and areas of inspection focus are most often selected on a risk-weighted basis and not randomly. Areas of focus vary among selected audits, but often involve audit work on the most difficult or inherently uncertain areas of financial statements. Thus, the audit work is generally selected for inspection based on factors that, in the inspection team's view, heighten the possibility that auditing deficiencies are present, rather than through a process intended to identify a representative sample.

⁷ The discussion in this report of any deficiency observed in a particular audit reflects information reported to the Board by the inspection team and does not reflect any determination by the Board as to whether the Firm has engaged in any conduct for which it could be sanctioned through the Board's disciplinary process. In addition, any references in this report to violations or potential violations of law, rules, or professional standards are not a result of an adversarial adjudicative process and do not constitute conclusive findings for purposes of imposing legal liability.

C.2. Review of a Firm's Quality Control System

QC 20, *System of Quality Control for a CPA Firm's Accounting and Auditing Practice* ("QC 20"), provides that an auditing firm has a responsibility to ensure that its personnel comply with the applicable professional standards. This standard specifies that a firm's system of quality control should encompass the following elements: (1) independence, integrity, and objectivity; (2) personnel management; (3) acceptance and continuance of issuer audit engagements; (4) engagement performance; and (5) monitoring.

The inspection team's assessment of a firm's quality control system is derived both from the results of its procedures specifically focused on the firm's quality control policies and procedures, and also from inferences that can be drawn from deficiencies in the performance of individual audits. Audit deficiencies, whether alone or when aggregated, may indicate areas where a firm's system has failed to provide reasonable assurance of quality in the performance of audits. Even deficiencies that do not result in an insufficiently supported audit opinion may indicate a defect or potential defect in a firm's quality control system.⁸ If identified deficiencies, when accumulated and evaluated, indicate defects or potential defects in the firm's system of quality control, the nonpublic portion of this report would include a discussion of those issues. When evaluating whether identified deficiencies in individual audits indicate a defect or potential defect in a firm's system of quality control, the inspection team considers the nature, significance, and frequency of deficiencies;⁹ related firm methodology, guidance, and practices; and possible root causes.

⁸ Not every audit deficiency suggests a defect or potential defect in a firm's quality control system, and this report may not discuss every audit deficiency the inspection team identified.

⁹ An evaluation of the frequency of a type of deficiency may include consideration of how often the inspection team reviewed audit work that presented the opportunity for similar deficiencies to occur. In some cases, even a type of deficiency that is observed infrequently in a particular inspection may, because of some combination of its nature, its significance, and the frequency with which it has been observed in previous inspections of the firm, be cause for concern about a quality control defect or potential defect.

Inspections also include a review of certain of the firm's practices, policies, and processes related to audit quality, which constitute a part of the firm's quality control system. This review addresses practices, policies, and procedures concerning audit performance, training, compliance with independence standards, client acceptance and retention, and the establishment of policies and procedures.

END OF PART I



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PORTIONS OF THE REST OF THIS REPORT ARE NONPUBLIC AND ARE OMITTED
FROM THIS PUBLIC DOCUMENT

PART II

* * * *

B. Issues Related to Quality Controls

The inspection of the Firm included consideration of aspects of the Firm's system of quality control.¹⁰

B.1. Practice Monitoring

The Firm's system of quality control appears not to provide sufficient assurance that the Firm will effectively monitor its accounting and auditing practice as required by QC 20 and QC 30, *Monitoring a CPA Firm's Accounting and Auditing Practice*. Specifically, although the Firm has existed under its current ownership since at least 2011 and has regularly been issuing audit reports for issuers since that time, it has not in that time performed an internal inspection or other alternative procedures to monitor its auditing practice.

B.2. Audit Performance

A firm's system of quality control should provide reasonable assurance that the work performed on an audit engagement will meet applicable professional standards and regulatory requirements. On the basis of the information reported by the inspection team, including the audit performance deficiencies described in Part II.A (and summarized in Part I.A) and any other deficiencies identified below, the Board has concerns that the Firm's system of quality control fails to provide such reasonable assurance in at least the following respects –

¹⁰ This report's description of quality control issues is based on the inspection team's observations during the primary inspection procedures. Any changes or improvements that the Firm may have made in its system of quality control since that time may not be reflected in this report, but will be taken into account by the Board during its assessment of whether the Firm has satisfactorily addressed the quality control criticisms or defects within the twelve months after the issuance of this report.

B.2.a. Competence to Perform Issuer Audits

In the four audits reviewed, the inspection team identified that the Firm had issued unqualified audit opinions, with each including an explanatory paragraph citing a substantial doubt regarding the issuer's ability to continue as a going concern, without having planned and performed procedures to evaluate whether the issuers' financial statements were fairly presented in conformity with the applicable financial reporting framework.

The inspection team attempted to identify apparent or likely causes of the Firm's conduct. Based on discussion with the engagement partner, it appeared to the inspection team that the conduct was attributable, at least in part, to the Firm choosing to issue audit reports without having obtained even a basic understanding of what is necessary to perform an audit, and issue an audit report, in accordance with PCAOB standards. This information provides cause for concern regarding whether the Firm possesses the necessary competence with respect to auditing, and the necessary regard for professional standards, to perform audits for issuers. [Issuers A, B, C, and D]

B.2.b. Audit Reports

In one of the audits reviewed, the Firm failed to include an appropriate title including the word "independent" on its audit report, to refer to the correct financial accounting framework adopted by the issuer (International Financial Reporting Standards, as opposed to U.S. GAAP), and to summarize appropriately the report of the predecessor auditor on the prior year financial statements as that report was not included in the filing. [Issuer A]

B.2.c. Communications with Audit Committees

B.2.c.i. Communications Related to the Conduct of the Audit

The Firm's system of quality control appears not to provide sufficient assurance that the required auditor communications to the audit committee, or equivalent, occur and are appropriately documented in accordance with AS No. 16, *Communications with Audit Committees*. Specifically, in the four audits reviewed, the Firm failed to make the required communications. [Issuers A, B, C, and D] In addition, in one audit reviewed, the Firm failed to establish an understanding of the terms of the audit with the audit committee. [Issuer C]

B.2.c.ii. Communications Concerning Independence

The Firm's system of quality control appears not to provide sufficient assurance that the Firm will provide to the audit committee, or equivalent, required independence communications in accordance with PCAOB Rule 3526, *Communication with Audit Committees Concerning Independence*. In the four audits reviewed, the Firm failed to provide such communications. [Issuers A, B, C, and D]

B.2.d. Engagement Quality Review

Questions exist about the effectiveness of the Firm's system of quality control with respect to the execution of engagement quality reviews in compliance with AS No. 7, *Engagement Quality Review*. An engagement quality review performed with due professional care in compliance with AS No. 7 should have detected, and resulted in the Firm addressing, each of the deficiencies described in Part II.A. [Issuers A, B, C, and D] In addition, in the four audits reviewed, the documentation of the engagement quality review did not contain sufficient information to enable an experienced auditor, having no previous connection with the engagement, to identify the documents reviewed by, or otherwise to understand the procedures performed by, the engagement quality reviewer. [Issuers A, B, C, and D]

B.3. State Law Qualification Requirements

The Firm's system of quality control appears not to provide sufficient assurance that the Firm will comply with relevant state requirements concerning qualification to practice in a state. The inspection team observed that the Firm had performed the audits of two issuers whose principal executive offices were located in states that require state registration or licensure as a prerequisite to performing audits for clients in those states, but the Firm was not registered or licensed with those states. [Issuers A and D]

B.4. Independence

The Firm's system of quality control appears not to provide sufficient assurance that the Firm will comply with independence requirements. As described in Part II.C below, the inspection team reported that, in two engagements reviewed, the Firm appeared not to have satisfied applicable independence criteria. [Issuers C and D]

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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 Board provided the Firm an opportunity to review and comment on a draft of this report. The Firm did not provide a written response.

APPENDIX A

AUDITING STANDARDS REFERENCED IN PART I

This appendix provides the text of the auditing standard paragraphs that are referenced in Part I.A of this report. Footnotes that are included in this appendix, and any other Notes, are from the original auditing standards that are referenced. While this appendix contains the specific portions of the relevant standards cited with respect to the deficiencies in Part I.A of this report, other portions of the standards (including those described in Part I.B of this report) may provide additional context, descriptions, related requirements, or explanations; the complete standards are available on the PCAOB's website at <http://pcaobus.org/STANDARDS/Pages/default.aspx>.

AS No. 8, Audit Risk (AS 1101)		
Audit Risk		
AS No. 8.3	To form an appropriate basis for expressing an opinion on the financial statements, the auditor must plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement ^{2/} due to error or fraud. Reasonable assurance ^{3/} is obtained by reducing audit risk to an appropriately low level through applying due professional care, including obtaining sufficient appropriate audit evidence.	Issuers A, B, C, and D
Footnotes to AS No. 8.3		
^{2/} Misstatement is defined in Appendix A of Auditing Standard No. 14, <i>Evaluating Audit Results</i> .		
^{3/} See AU sec. 110, <i>Responsibilities and Functions of the Independent Auditor</i> , and paragraph .10 of AU sec. 230, <i>Due Professional Care in the Performance of Work</i> , for a further discussion of reasonable assurance.		

AS No. 9, Audit Planning (AS 2101)		
Planning an Audit		
AUDIT STRATEGY		
AS No. 9.8	The auditor should establish an overall audit strategy that sets the scope, timing, and direction of the audit and guides the development of the audit plan.	Issuers A, B, C, and D
AUDIT PLAN		
AS No. 9.10	The auditor should develop and document an audit plan that includes a description of: <ol style="list-style-type: none"> a. The planned nature, timing, and extent of the risk assessment procedures;^{11/} b. The planned nature, timing, and extent of tests of controls and substantive procedures;^{12/} and c. Other planned audit procedures required to be performed so that the engagement complies with PCAOB standards. 	Issuers A, B, C, and D
Footnotes to AS No. 9.10		
^{11/} Auditing Standard No. 12, <i>Identifying and Assessing Risks of Material Misstatement</i> .		
^{12/} Auditing Standard No. 13 and Auditing Standard No. 5, <i>An Audit of Internal Control Over Financial Reporting That Is Integrated with An Audit of Financial Statements</i> .		

AS No. 11, Consideration of Materiality in Planning and Performing an Audit (AS 2105)		
MATERIALITY IN THE CONTEXT OF AN AUDIT		
AS No. 11.3	To obtain reasonable assurance about whether the financial statements are free of material misstatement, the auditor should plan and perform audit procedures to detect misstatements that, individually or in combination with other misstatements, would result in material misstatement of the financial statements. This includes being alert while planning and performing audit procedures for misstatements that could be material due to quantitative or qualitative factors. Also, the evaluation of uncorrected misstatements in accordance with Auditing Standard No. 14, <i>Evaluating Audit Results</i> ,	Issuers A, B, C, and D

AS No. 11, <i>Consideration of Materiality in Planning and Performing an Audit (AS 2105)</i>		
	requires consideration of both qualitative and quantitative factors. ^{4/} However, it ordinarily is not practical to design audit procedures to detect misstatements that are material based solely on qualitative factors.	
Footnote to AS No. 11.3		
	^{4/} Appendix B of Auditing Standard No. 14.	

AS No. 12, <i>Identifying and Assessing Risks of Material Misstatement (AS 2110)</i>		
Performing Risk Assessment Procedures		
AS No. 12.4	The auditor should perform risk assessment procedures that are sufficient to provide a reasonable basis for identifying and assessing the risks of material misstatement, whether due to error or fraud, ^{3/} and designing further audit procedures. ^{4/}	Issuers A, B, C, and D
Footnotes to AS No. 12.4		
	^{3/} AU sec. 316, <i>Consideration of Fraud in a Financial Statement Audit</i> , discusses fraud, its characteristics, and the types of misstatements due to fraud that are relevant to the audit, i.e., misstatements arising from fraudulent financial reporting and misstatements arising from asset misappropriation.	
	^{4/} Auditing Standard No. 15, <i>Audit Evidence</i> , describes further audit procedures as consisting of tests of controls and substantive procedures.	

AS No. 13, <i>The Auditor's Responses to the Risks of Material Misstatement (AS 2301)</i>		
Responses Involving the Nature, Timing, and Extent of Audit Procedures		
AS No. 13.8	The auditor should design and perform audit procedures in a manner that addresses the assessed risks of material misstatement for each relevant assertion of each significant account and disclosure.	Issuers A, B, C, and D

AS No. 14, <i>Evaluating Audit Results</i> (AS 2810)		
EVALUATING THE PRESENTATION OF THE FINANCIAL STATEMENTS, INCLUDING THE DISCLOSURES		
AS No. 14.30	<p>The auditor must evaluate whether the financial statements are presented fairly, in all material respects, in conformity with the applicable financial reporting framework.</p> <p>Note: AU sec. 411, <i>The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles</i>, establishes requirements for evaluating the presentation of the financial statements. Auditing Standard No. 6, <i>Evaluating Consistency of Financial Statements</i>, establishes requirements regarding evaluating the consistency of the accounting principles used in financial statements.</p> <p>Note: The auditor should look to the requirements of the Securities and Exchange Commission for the company under audit with respect to the accounting principles applicable to that company.</p>	Issuers A, B, C, and D
AS No. 14.31	<p>As part of the evaluation of the presentation of the financial statements, the auditor should evaluate whether the financial statements contain the information essential for a fair presentation of the financial statements in conformity with the applicable financial reporting framework. Evaluation of the information disclosed in the financial statements includes consideration of the form, arrangement, and content of the financial statements (including the accompanying notes), encompassing matters such as the terminology used, the amount of detail given, the classification of items in the statements, and the bases of amounts set forth.</p> <p>Note: According to AU sec. 508, if the financial statements, including the accompanying notes, fail to disclose information that is required by the applicable financial reporting framework, the auditor should express a qualified or adverse</p>	Issuers A, B, C, and D

AS No. 14, Evaluating Audit Results (AS 2810)		
	opinion and should provide the information in the report, if practicable, unless its omission from the report is recognized as appropriate by a specific auditing standard. ^{18/}	
Footnote to AS No. 14.31		
	^{18/} AU secs. 508.41-.44.	

AS No. 15, Audit Evidence (AS 1105)		
Sufficient Appropriate Audit Evidence		
AS No. 15.4	The auditor must plan and perform audit procedures to obtain sufficient appropriate audit evidence to provide a reasonable basis for his or her opinion.	Issuers A, B, C, and D

APPENDIX B

REORGANIZED STANDARDS REFERENCED IN REPORT

On March 31, 2015, the PCAOB adopted the reorganization of its auditing standards using a topical structure and a single, integrated numbering system. See *Reorganization of PCAOB Auditing Standards and Related Amendments to PCAOB Standards and Rules*, PCAOB Release No. 2015-002 (Mar. 31, 2015). On September 17, 2015, the SEC approved the PCAOB's adoption of the reorganization. The reorganized standards will be effective as of December 31, 2016. The citations to PCAOB auditing standards included in this report use the numbering system and titles of standards that were in effect at the time of the primary inspection procedures. This table provides the section numbers of those standards included in Part I of this report as reorganized, as well as the titles of the standards both before and after the reorganization. The complete standards are available on the PCAOB's website at <http://pcaobus.org/STANDARDS/Pages/default.aspx>.

Auditing Standards – before the reorganization		Auditing Standards – as reorganized	
AS No. 3	<i>Audit Documentation</i>	AS 1215	<i>Audit Documentation</i>
AS No. 8	<i>Audit Risk</i>	AS 1101	<i>Audit Risk</i>
AS No. 9	<i>Audit Planning</i>	AS 2101	<i>Audit Planning</i>
AS No. 11	<i>Consideration of Materiality in Planning and Performing an Audit</i>	AS 2105	<i>Consideration of Materiality in Planning and Performing an Audit</i>
AS No. 12	<i>Identifying and Assessing Risks of Material Misstatement</i>	AS 2110	<i>Identifying and Assessing Risks of Material Misstatement</i>
AS No. 13	<i>The Auditor's Responses to the Risks of Material Misstatement</i>	AS 2301	<i>The Auditor's Responses to the Risks of Material Misstatement</i>
AS No. 14	<i>Evaluating Audit Results</i>	AS 2810	<i>Evaluating Audit Results</i>
AS No. 15	<i>Audit Evidence</i>	AS 1105	<i>Audit Evidence</i>
AU 230	<i>Due Professional Care in the Performance of Work</i>	AS 1015	<i>Due Professional Care in the Performance of Work</i>