PCAOB
Public Company Accounting Oversight Board

1666 K Street, N.W.
Washington, DC 20006
Telephone: (202) 207-9100
Facsimile: (202) 862-8433
www.pcaobus.org

Report on

2014 Inspection of Pinaki & Associates LLC
(Headquartered in Newark, Delaware)

Issued by the

Public Company Accounting Oversight Board

December 18, 2014

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. 104-2015-067A
(Includes portions of Parts II and IV of the full report that were not included in PCAOB Release No. 104-2015-067)

PCAOB Release No. 104-2015-067A

2014 INSPECTION OF PINAKI & ASSOCIATES LLC

Preface

In 2014, 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 the PCAOB inspections generally). Overall, the inspection process included a review of portions of an issuer audit completed by the Firm. This review was intended to identify whether deficiencies existed in those portions of the inspected audit, 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.

PROFILE OF THE FIRM[1]

Number of offices	1 (Newark, Delaware)
Ownership structure	Limited liability company
Number of partners	1
Number of professional staff[2]	None
Number of issuer audit clients	3

The Firm is a successor to the registration status of Kostandinos Jerry Georgatos, following a PCAOB Form 4 filing in which the Firm reported an acquisition of, or combination with, that predecessor firm. For purposes of the Board's authority with respect to registered public accounting firms, the Firm has retained or assumed responsibility for the conduct of Kostandinos Jerry Georgatos before the combination, and audits performed by Kostandinos Jerry Georgatos could be within the scope of a Board inspection of the Firm.[3]

[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.

[3] The Firm's filing on PCAOB Form 4 relating to the succession is available at http://pcaobus.org/Registration/rasr/Pages/RASR_Search.aspx.

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 3, 2014 to March 7, 2014.[4]

A. Review of Audit Engagement

The inspection procedures included a review of portions of one issuer audit 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 the 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.

---

[4] For this purpose, "primary procedures" includes 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 generally performed prior to primary procedures, and (2) inspection follow-up procedures, wrap-up, analysis of results, and the preparation of the inspection report, which generally extend beyond the primary procedures.

Certain of the 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 financial reporting framework. In other words, in this audit, 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 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 –

Issuer A

(1) the Firm's failure to identify, or to address appropriately, departures from Generally Accepted Accounting Principles ("GAAP") that related to

---

[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 a 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 the inspections staff may include in its procedures monitoring or assessing a firm's compliance.

potentially material misstatements in the audited financial statements concerning a business combination (AS No. 14, paragraphs 30 and 31);

(2) the failure to perform sufficient procedures to test the valuation of equity consideration received, including the failure to identify and assess the risks of material misstatement at the assertion level (AS No. 12, paragraph 59; AS No. 13, paragraph 8; AU 328, paragraph .23); and

(3) the failure to perform sufficient procedures to test cash, including the failure to identify and assess the risks of material misstatement at the assertion level (AS No. 12, paragraph 59; AS No. 13, paragraph 8).

B. Auditing Standards

Each deficiency described above could relate to several applicable provisions of the standards that govern the conduct of audits, including both the paragraphs of the standards that are cited at the end of each description of the deficiency included in Part I.A of this report and one or more of the specific paragraphs discussed below.

Many audit deficiencies involve a lack of due professional care. AU 230, *Due Professional Care in the Performance of Work* ("AU 230"), 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 Auditing Standard ("AS") No. 13, *The Auditor's Responses to the Risks of Material Misstatement* ("AS No. 13"), 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* ("AS No. 15"), 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 support of the related conclusions.

The table below lists the specific auditing standards that are referenced for each deficiency included in Part I.A of this report. See the descriptions of the deficiencies in Part I.A for identification of the specific paragraphs, in addition to those noted above, that relate to the individual deficiencies.

PCAOB Auditing Standards	Issuer
AS No. 12, *Identifying and Assessing Risks of Material Misstatement*	A
AS No. 14, *Evaluating Audit Results*	A
AU 328, *Auditing Fair Value Measurements and Disclosures*	A

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

Board inspections include reviews of certain portions of selected audit work performed by the inspected firm and reviews of certain aspects of the firm's quality control system. The inspections are designed to identify deficiencies in audits 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 failures to perform, or to perform sufficiently, certain necessary audit procedures. The inspection may not involve the review of all of a 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 applicable accounting principles, 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* ("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. In reaching its conclusions, the inspection team considers whether audit documentation or any persuasive other evidence that a firm might provide to the inspection team supports a 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*, 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.

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

[8] Not every audit deficiency suggests a defect or potential defect in a firm's quality control system.

[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.

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

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]

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 –

Testing Appropriate to the Audit

The Firm's system of quality control appears not to provide sufficient assurance that the Firm will conduct all testing appropriate to a particular audit, specifically with respect to the following issues:

* * * *

Valuation of Equity Consideration Received

As discussed above, in the audit reviewed, the inspection team identified a significant deficiency related to the Firm's auditing of the valuation of equity

---

[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 the 12-month remediation process following the issuance of this report.

consideration received. This information provides cause for concern regarding the Firm's quality control policies and procedures related to the auditing of the valuation of equity consideration received. [Issuer A]

* * * *

Planning and Risk Assessment

The Firm's system of quality control appears not to provide sufficient assurance that the Firm will perform sufficient planning and risk assessment procedures in accordance with PCAOB Auditing Standard No. 11, *Consideration of Materiality in Planning and Performing an Audit*, and PCAOB Auditing Standard No. 12, *Identifying and Assessing Risks of Material Misstatement*. Specifically, the Firm failed to (1) establish a materiality level for the financial statements taken as a whole; (2) determine an amount of tolerable misstatement for purposes of assessing risks of material misstatement and planning and performing audit procedures at the account or disclosure level; (3) perform the necessary risk assessment procedures; and (4) identify and assess the risks of material misstatement at the financial statement level and the assertion level, including identifying significant accounts and disclosures and their relevant assertions. This information provides cause for concern about whether the Firm will perform the necessary risk assessment procedures, and to identify and assess the risk of material misstatement at the financial statement level and the assertion level to design and perform further audit procedures whose nature, timing, and extent are appropriate. [Issuer A]

Fraud Procedures

The Firm's system of quality control appears not to provide sufficient assurance that the Firm will perform all of the procedures necessary to identify, assess, and respond to the risk of material misstatement due to fraud. Specifically, there was no evidence in the audit documentation, and no persuasive other evidence, that the Firm had (1) performed analytical procedures to enhance the Firm's understanding of the issuer's business and identify areas that may represent specific risks relevant to the audit, and (2) developed a response to the identified fraud risk of management override of controls, including testing journal entries and other adjustments for evidence of possible misstatements due to fraud. [Issuer A]

Engagement Quality Review

In light of certain audit performance deficiencies described in Part II.A (and summarized in Part I.A), 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 PCAOB Auditing Standard No. 7, *Engagement Quality Review* ("AS No. 7"). An engagement quality review performed with due care in compliance with AS No. 7 should have detected, and resulted in the Firm addressing, the deficiencies described in Part II.A related to the accounting and reporting of a controlled entity and related to the Firm's auditing of equity consideration received. [Issuer A]

* * * *

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.[11]

[11] The Board does not make public any of a firm's comments that address a nonpublic portion of the report unless a firm specifically requests otherwise. In some cases, the result may be that none of a firm's response is made publicly available. In addition, pursuant to section 104(f) of the Act, 15 U.S.C. § 7214(f), and PCAOB Rule 4007(b), if a firm requests, and the Board grants, confidential treatment for any of the firm's comments on a draft report, the Board does not include those comments in the final report 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.

DRAFT RESPONSE

Pinaki & Associates LLC,

Certified Public Accountants

625 Barksdale Rd, Ste# 113

Newark, DE 19711

510-274-5471

November 3, 2014

Helen A. Munter
Director
Division of Registration and Inspections
1666 K. Street, N.W.
Washington, DC, 20006

RE: 2014 Inspection Report of Pinaki & Associates LLC

Dear Ms Helen;

Thank you for the opportunity to respond to your report of Inspection dated March 3, 2014.

We would like to begin our response by recognizing the Board's insight and comments. We found the inspection process smooth and professional, and realize that the goal in this process is to make our firm, and by extension our clients, better because of the relationship. We listen carefully to regulators and take pride in serving our clients while adhering to the standards of the profession. We have taken steps to address the matters of the Board's report.

In addition to the above, we would like to thank the Board for timely feedback and report.

REDACTED. Comments on Non-public Aspects of Report

DRAFT RESPONSE

B. <u>Issues Related to Quality Controls</u>

1. **Audit Performance**

Observance:

a. **Testing Appropriate to the Audit**

The firm's system of quality control appears not to provide sufficient assurance that the Firm will conduct all testing appropriate to a particular audit, specifically with respect to the following issues:

REDACTED. Comments on Non-public Aspects of Report

(ii) Valuation of Equity Consideration Received

As discussed above, in the audit reviewed, the inspection team identified a significant deficiency related to the Firm's auditing of the valuation of equity consideration received. This information provides cause for concern regarding the Firm's quality control policies and procedures related to the auditing of the valuation of equity consideration received. [Issuer A]

REDACTED. Comments on Non-public Aspects of Report

Response:

We will modify our Firm's quality control system to make sure all procedures will be followed to test appropriately to complete an audit.
We will make sure to subscribe different accounting journals and attend more seminars to enhance our technical competence.

DRAFT RESPONSE

We will be using PPC audit programs, check list, practice aids in all our issuers audit engagements.

REDACTED. Comments on Non-public Aspects of Report

b. **Planning and Risk Assessment**

The Firm's system of quality control appears not to provide sufficient assurance that the Firm will perform sufficient planning and risk assessment procedures in accordance with PCAOB Auditing Standard No. 11, Consideration of Materiality in Planning and Performing an Audit, and PCAOB Auditing Standard No. 12, Identifying and Assessing Risks of Material Misstatement. Specifically, the Firm failed to (1) establish a materiality level for the financial statements taken as whole; (2) determine an amount of tolerable misstatement for purpose of assessing risks of material misstatement and planning and performing audit procedures at the account or disclosure level; (3) perform the necessary risk assessment procedures; and (4) identify and assess the risks of material misstatement at the financial statement level and the assertion level, including identifying significant accounts and disclosures and their relevant assertions. This information provides cause for concern about whether the Firm will perform the necessary risk assessment procedures, and to identify and assess the risk of material misstatement at the financial statement level and the assertion level to design and perform further audit procedures whose nature, timing, and extent are appropriate. [Issuer A]

Response:

As our client was very small and the volumes of transactions were low, we checked all the transactions behind any number shown in the financials to make sure of their accuracy.

Due to low volume of transactions we didn't establish any materiality level as every transaction has impact in financials and so we decided to check every transaction.

But we have made necessary changes in our Quality Control system to make it more robust and will address this short coming of our audit in our future engagements.

We have adopted the PPC checklist and practice aids.

DRAFT RESPONSE

c. **Fraud procedures**

The Firm's system of quality control appears not to provide sufficient assurance that the Firm will perform all procedures necessary to identify, assess, and respond to the risk of material misstatement due to fraud. Specifically, there was no evidence in the audit documentation, and no persuasive other evidence, that the Firm had (1) performed analytical procedures to enhance the Firm's understanding of the issuer's business and identify areas that may represent specific risks relevant to the audit, and (2) developed a response to the identified fraud risk of management override of controls, including testing journal entries and other adjustments for evidence of possible misstatements due to fraud. [Issuer A]

Response:

As our client was very small and the volumes of transactions were low, we checked all the transactions behind any number shown in the financials to make sure of their accuracy.

We have conducted the interviews with the staff to find out any risk of fraud.

But we have made necessary changes in our Quality Control system to make it more robust and will address all the provisions of AU 316 & AS 12.

We will make sure to audit the transactions with fraud prospective and document in detail all the procedures we performed to satisfy AU 316 & AS 12

We have adopted the PPC checklist and practice aids. We have included in our response the specific practice aids in PPC that addresses the fraud quality control criticism.

d. **Engagement Quality Review**

In light of certain audit performance deficiencies described in Part II.A (and summarized in Part I.A), 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 PCAOB Auditing Standard No. 7, Engagement Quality Review ("AS No. 7"). An engagement quality review performed with due care in compliance with AS No. 7 should have detected, and resulted in the Firm addressing, the deficiencies described in Part II.A related to the accounting and reporting of a controlled entity and related to the Firm's auditing of equity consideration received. [Issuer A]

DRAFT RESPONSE

Response:

We will make sure to strengthen our Engagement Quality Review and encourage the reviewer to document more in details regarding their findings and reasoning of the conclusion of all the financial presentations.

We are highly appreciative of the professionalism, knowledge, integrity, and courtesy exhibited by Board personnel during their inspection of our firm.

Very truly yours;

Pinaki

Pinaki Mohapatra
Partner
Pinaki & Associates LLC

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. 12, *Identifying and Assessing Risks of Material Misstatement*		
IDENTIFYING AND ASSESSING THE RISKS OF MATERIAL MISSTATEMENT		
AS No. 12.59	The auditor should identify and assess the risks of material misstatement at the financial statement level and the assertion level. In identifying and assessing risks of material misstatement, the auditor should: a. Identify risks of misstatement using information obtained from performing risk assessment procedures (as discussed in paragraphs 4-58) and considering the characteristics of the accounts and disclosures in the financial statements. Note: Factors relevant to identifying fraud risks are discussed in paragraphs 65-69 of this standard. b. Evaluate whether the identified risks relate pervasively to the financial statements as a whole and potentially affect many assertions. c. Evaluate the types of potential misstatements that could result from the identified risks and the accounts, disclosures, and assertions that could be affected. Note: In identifying and assessing risks at the assertion level, the auditor should evaluate how risks at the financial	Issuer A

	statement level could affect risks of misstatement at the assertion level. d. Assess the likelihood of misstatement, including the possibility of multiple misstatements, and the magnitude of potential misstatement to assess the possibility that the risk could result in material misstatement of the financial statements. Note: In assessing the likelihood and magnitude of potential misstatement, the auditor may take into account the planned degree of reliance on controls selected to test. e. Identify significant accounts and disclosures and their relevant assertions (paragraphs 60-64 of this standard). Note: The determination of whether an account or disclosure is significant or whether an assertion is a relevant assertion is based on inherent risk, without regard to the effect of controls. f. Determine whether any of the identified and assessed risks of material misstatement are **significant risks** (paragraphs 70-71 of this standard).	

AS No. 13, *The Auditor's Responses to the Risks of Material Misstatement*		
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.	Issuer A
AS No. 14, *Evaluating Audit Results*		
Evaluating the Presentation of the Financial Statements, Including Disclosures		
AS No. 14.30	The auditor must evaluate whether the financial statements are presented fairly, in all material respects, in conformity with the applicable financial reporting framework.	Issuer A
AS No. 14.31	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.	Issuer A

AU 328, *Auditing Fair Value Measurements and Disclosures*		
Testing the Entity's Fair Value Measurements and Disclosures		
AU 328.23	Based on the auditor's assessment of the risk of material misstatement, the auditor should test the entity's fair value measurements and disclosures. Because of the wide range of possible fair value measurements, from relatively simple to complex, and the varying levels of risk of material misstatement associated with the process for determining fair values, the auditor's planned audit procedures can vary significantly in nature, timing, and extent. For example, substantive tests of the fair value measurements may involve (*a*) testing management's significant assumptions, the valuation model, and the underlying data (see paragraphs .26 through .39), (*b*) developing independent fair value estimates for corroborative purposes (see paragraph .40), or (*c*) reviewing subsequent events and transactions (see paragraphs .41 and .42).	Issuer A