

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 64184 / April 5, 2011

ACCOUNTING AND AUDITING ENFORCEMENT
Release No. 3257 / April 5, 2011

ADMINISTRATIVE PROCEEDING
File No. 3-14321

In the Matter of

**Lovelock & Lewes,
Price Waterhouse, Bangalore,
Price Waterhouse & Co., Bangalore,
Price Waterhouse, Calcutta, and
Price Waterhouse & Co., Calcutta,**

Respondents.

**ORDER INSTITUTING PUBLIC
ADMINISTRATIVE AND CEASE-
AND-DESIST PROCEEDINGS PURSUANT
TO SECTIONS 4C AND 21C OF THE
SECURITIES EXCHANGE ACT OF 1934
AND RULE 102(e) OF THE
COMMISSION'S RULES OF PRACTICE,
MAKING FINDINGS, AND IMPOSING
REMEDIAL SANCTIONS AND A CEASE-
AND-DESIST ORDER**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate that public administrative and cease-and-desist proceedings be, and hereby are, instituted against Lovelock & Lewes (“Lovelock”), Price Waterhouse, Bangalore (“PW Bangalore”), Price Waterhouse & Co., Bangalore (“PW Co. Bangalore”), Price Waterhouse Calcutta (“PW Calcutta”), and Price Waterhouse & Co., Calcutta (“PW Co. Calcutta”) (collectively “PW India,” the “PW India Firms” or “Respondents”) pursuant to Sections 4C¹ and 21C of the Securities Exchange Act of 1934

¹ Section 4C provides, in relevant part, that:

The Commission may censure any person, or deny, temporarily or permanently, to any person the privilege of appearing or practicing before the Commission in any way, if that person is found . . . (1) not to possess the requisite qualifications to represent others; (2) to be lacking in character or integrity, or to have engaged in unethical or improper professional conduct; or (3) to have willfully violated, or willfully aided and abetted the violation of, any provision of the securities laws or the rules and regulations thereunder.

(“Exchange Act”) and Rule 102(e)(1)(ii) of the Commission’s Rules of Practice.²

II.

In anticipation of the institution of these proceedings, Respondents have submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over Respondents and the subject matter of these proceedings, which are admitted, Respondents consent to the entry of this Order Instituting Public Administrative and Cease-and-Desist Proceedings Pursuant to Sections 4C and 21C of the Securities Exchange Act of 1934 and Rule 102(e) of the Commission’s Rules of Practice, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Respondents’ Offer, the Commission finds³ that:

A. SUMMARY

1. This matter involves violations of federal securities laws and improper professional conduct by PW India while PW Bangalore served as auditor of record for Satyam Computer Services Limited (“Satyam”) from 2005 through January 2009. In connection with Satyam’s 2005-2008 publicly-filed financial statements, Satyam engaged in fraudulent financial accounting by falsifying the company’s revenue, income, earnings per share, cash, and interest bearing deposits. Satyam acknowledged that it falsely reported over \$1 billion in revenue and cash, among other items, in its publicly filed financial statements. In January 2009, Satyam submitted a Form 6-K with the Commission indicating that “Price Waterhouse’s audit reports and opinions in relation to Satyam’s financial statements from the quarter ended June 30, 2000 until the quarter ended September 30, 2008 should no longer be relied upon.”

2. Former officers and senior managers at Satyam, an Indian information technology service company with depository shares traded on the New York Stock Exchange (“NYSE”) during the relevant period, directed the creation of over 6,000 false invoices that they ensured were entered into the company’s general ledger and falsely recorded as, among other things, revenue, income, and accounts receivable in Satyam’s publicly filed financial statements. Former senior management at Satyam manufactured scores of false bank statements, confirmations, and supporting documents

² Rule 102(e)(1)(ii) provides, in pertinent part, that: “[t]he Commission may censure a person or deny, temporarily or permanently, the privilege of appearing or practicing before it . . . to any person who is found . . . to have engaged in unethical or improper professional conduct.”

³ The findings herein are made pursuant to Respondents’ Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

to reflect payment of the false invoices and created over \$1 billion in fictitious cash balances and other interest bearing deposits. This false information made Satyam appear to be substantially more profitable and financially sound than was actually the case. When the fraud was revealed, the price of Satyam's depository shares plummeted and institutional investors located in the United States sustained realized losses of over \$450 million.

3. PW Bangalore issued unqualified opinions on Satyam's March 31, 2005, March 31, 2006, March 31, 2007, and March 31, 2008 financial statements. Each of these audit reports stated that "Price Waterhouse" conducted its audits in accordance with generally accepted auditing standards in the United States ("GAAS") and that Satyam's financial statements were presented in conformity with generally accepted accounting principles ("GAAP"). Each audit report also stated that the underlying audit was conducted in accordance with Public Company Accounting Oversight Board ("PCAOB") Standards. Contrary to the audit reports, PW India did not conduct Satyam's audits in accordance with PCAOB Standards, which is now understood to include GAAS.⁴ Specifically, the PW India partners and staff on the Satyam engagement team ("Satyam engagement team" or "engagement team") failed to maintain control of the confirmation process with respect to cash and cash equivalent balances as well as Satyam's accounts receivables. The failure to properly execute third-party confirmation procedures resulted in the fraud at Satyam going undetected until the former chairman's public confession in January 2009.

4. The failures in the confirmation process on the Satyam audit were not limited to that engagement, but were indicative of a quality control failure throughout PW India. During the relevant period, PW India's quality control system failed to detect that engagement teams throughout PW India routinely relinquished control of the delivery and receipt of cash confirmations to their audit clients and rarely, if ever, questioned the integrity of the confirmation responses they received from the clients. Despite annual quality reviews, PW India did not recognize this compliance failure until after January 2009.

5. By failing to comply with PCAOB Standards, PW Bangalore issued audit reports in connection with the Satyam engagement that were not accurate and, as a result, the PW India Firms were a cause of Satyam's issuing materially false and misleading financial statements and its violations of Sections 13(a) and 13(b)(2)(A) of the Exchange Act and Exchange Act Rules 12b-20, 13a-1 and 13a-16 thereunder. The PW India Firms also violated Section 10A(a) of the Exchange Act by failing to conduct procedures designed to provide reasonable assurance of detecting illegal acts that would have a direct and material effect on the determination of financial statement amounts.

⁴ References in Commission rules and staff guidance and in the federal securities laws to GAAS or to specific standards under GAAS, as they related to issuers, should be understood to mean the standards of the PCAOB plus any applicable rules of the Commission. See Release Nos. 33-8422; 34-49708; FR-73 at <http://www.sec.gov/rules/interp/33-8422.htm>.

B. RESPONDENTS

6. Lovelock & Lewes (“Lovelock”) is a public accounting firm organized as a partnership under the laws of the Republic of India, and headquartered in Kolkata, West Bengal, India.

7. Price Waterhouse, Bangalore (“PW Bangalore”) is a public accounting firm organized as a partnership under the laws of the Republic of India, and headquartered in Bangalore, Karnataka, India.

8. Price Waterhouse & Co., Bangalore (“PW Co. Bangalore”) is a public accounting firm organized as a partnership under the laws of the Republic of India, and headquartered in Bangalore, Karnataka, India.

9. Price Waterhouse & Co., Calcutta (“PW Co. Calcutta”) is a public accounting firm organized as a partnership under the laws of the Republic of India, and headquartered in Kolkata, West Bengal, India.

10. Price Waterhouse, Calcutta (“PW Calcutta”) is a public accounting firm organized as a partnership under the laws of the Republic of India, and headquartered in Kolkata, West Bengal, India.

11. Lovelock, PW Bangalore, PW Co. Bangalore, PW Co. Calcutta, and PW Calcutta are member firms of PricewaterhouseCoopers International Limited, a United Kingdom-based private company.⁵ Respondents are registered in the United States with the PCAOB and in India with the Institute of Chartered Accountants of India (“ICAI”). Section 102 of the Sarbanes-Oxley Act of 2002 (“SOX”) prohibits accounting firms that are not registered with the PCAOB from preparing or issuing audit reports on United States public companies and from participating in such audits. Section 106(a) of SOX further authorizes the PCAOB to require that non-US public accounting firms that do not issue such reports, but that play a substantial role in the preparation of the audit reports, register with the PCAOB.

12. PW India, along with five other India-based PwC Network Firms,⁶ operate as a domestic Indian network of related audit firms. As such, these firms share common audit and other assurance and assurance risk management leadership and follow common audit and other assurance policies and procedures, including in the areas of audit and assurance risk management, training and supervision.

⁵ Member firms of PricewaterhouseCoopers International Limited (“PwC IL”), are collectively referred to herein as “PwC Network Firms.”

⁶ The five other India-based firms are registered with the ICAI but not with the PCAOB. They do not perform audit work for SEC registrants.

13. PW India and the five other India-based PwC Network Firms operate their audit practices under resource sharing arrangements that facilitate the provision of audit services as a network of related firms. With respect to the PW India Firms, pursuant to these arrangements, Lovelock and PW Calcutta have both partners and staff who perform audit procedures and provide staffing for their own audit engagements, as well as for engagements of the other PW India Firms. The partners of the remaining PW India Firms, PW Bangalore, PW Co. Bangalore, and PW Co. Calcutta, undertake audit engagements, oversee the audit work conducted by engagement personnel, and sign audit opinions. PW India partners typically are affiliated with several firms within the domestic network of audit firms simultaneously. During the relevant period, PW India and the other domestic India-based firms shared resources and settled inter-firm balances at the end of each fiscal year.

14. PW India and the five other India-based PwC Network Firms operate in a manner that generally does not make any distinctions among the individual firms in the network. For example, the PW India Firms share office space and have identical telephone numbers. In addition, the Respondents' website makes no obvious distinction among the individual PwC Network Firms located in India.

15. Satyam's Forms 20-F during the relevant period list the company's independent registered public accounting firm as "Price Waterhouse," the name of PW Bangalore set forth in its partnership deed. During the relevant period, the Satyam audit reports were signed by PW Bangalore engagement partners who were also partners at Lovelock.⁷ Audit work on the Satyam engagement was performed predominately by partners and staff associated with these firms, although staff from PW Calcutta and partners of all five PW India firms billed time on the Satyam audits during the relevant period.

C. ISSUER

16. Satyam Computer Services Limited ("Satyam") is a large information technology service company incorporated in India with its principal executive offices in Hyderabad. Satyam's equity shares trade on the Bombay Stock Exchange and the National Stock Exchange of India. Satyam also has 65 million American Depository Shares ("ADS") representing approximately 11 percent of the company's equity shares. At all relevant times, Satyam's equity shares underlying the ADS were registered pursuant to Section 12(b) of the Exchange Act, and Satyam's ADS were listed on the NYSE. On October 4, 2010, Satyam filed a Form 25 with the Commission voluntarily removing its securities from listing on the NYSE and from registration under Section 12(b). Satyam's equity shares underlying the ADS are currently deemed registered pursuant to Section 12(g) of the Exchange Act, and Satyam's ADS are currently quoted on the OTC Market under the symbol SAYCY.PK.

⁷ The lead engagement partner for the audit of Satyam's fiscal year ended March 31, 2008 was also listed as a partner of PW Co. Calcutta.

17. Shortly after the fraud became public, the Government of India assumed control of the company. In mid-February 2009, the Company Law Board of India authorized the company to select a strategic investor for Satyam. As a result of the bidding process, Tech Mahindra Limited, an Indian information technology competitor, through its subsidiary Venturbay Consultants Private Limited, purchased approximately 42 percent of Satyam's shares in India and became the new controlling shareholder of Satyam. In June 2009, Satyam filed a press release announcing "Mahindra Satyam" as the company's new "brand identity." The company continues to conduct business in the United States as Satyam and is registered as a corporation doing business in the State of New York and as a foreign private issuer with the Commission under the name Satyam.

D. FACTS

18. In connection with fiscal years 2005 through 2008, as well as earlier years, Satyam engaged in certain practices relating to its revenue, income, cash, interest-bearing deposits, and accounts receivable that made its financial statements materially false and misleading. PW India's audits of Satyam's financial statements for fiscal years 2005 through 2008 were deficient. Among other things, PW India departed from applicable PCAOB Standards by failing to maintain control of the confirmation process with respect to cash, interest bearing deposits, and accounts receivable balances. As a result, PW India failed to uncover Satyam's fraud and, instead, issued unqualified audit opinions in connection with its audits of Satyam's financial statements until its former Chairman admitted that the company had been engaged in a billion dollar financial fraud and Satyam publicly disclosed that admission in a Form 6-K. As indicated herein, the failures PW India experienced on the Satyam audit were not limited to that engagement, but were indicative of a quality control failure throughout PW India.

Satyam's Accounting Fraud

19. Satyam falsified its reported revenue by manufacturing false invoices for services never provided and, in some cases, for customers that did not exist. From at least 2005 through 2008, Satyam's former senior management instructed certain employees to generate thousands of false invoices and record them in the company's invoice management system. The invoice management system exported the fake invoices into Satyam's financial system where the revenues were recorded in the company's general ledger. Based upon the fictitious invoices, Satyam materially overstated revenue and net income from at least fiscal year 2005 through the first two quarters of fiscal year 2009 by over \$1 billion.

20. To support the false revenue and income that Satyam was reporting in its financial statements, Satyam prepared materially false bank statements, from at least fiscal year 2005 through 2008, reflecting materially false cash deposits in the company's bank accounts at, among other places, the Bank of Baroda ("BOB"), which were recorded within the cash and cash equivalent balances in Satyam's publicly-filed financial statements.

21. To make it appear that Satyam was investing its false income during the relevant time period, Satyam's former senior management manufactured scores of false bank statements and

also materially falsified the company's publicly filed financial statements with regard to the balance and fixed deposit receipts (hereinafter "interest bearing deposits") and corresponding interest income in accounts held at HSBC, BNP Paribas, HDFC, Citibank, and ICICI.

22. In Satyam's 2005, 2006, 2007, and 2008 financial statements, the company reported, among other assets, balance sheet line items entitled (a) "cash and cash equivalents," and (b) investments in bank deposits" (collectively, the "cash" line items). During these years, Satyam's cash line items represented the largest asset on its reported balance sheet, making up 50% or more of Satyam's total assets during the relevant period. For example, in 2008, Satyam reported cash of \$1.1 billion, constituting approximately 50 percent of total reported assets. The vast majority of the cash purportedly was on deposit at BOB, HSBC, BNP Paribas, HDFC, Citibank, and ICICI.

23. On January 7, 2009, Satyam submitted a Form 6-K with the Commission that included a letter prepared by the then-Chairman of Satyam, B. Ramalinga Raju ("Raju"), admitting that the company had been engaged in a billion dollar fraud. According to Raju's letter, as of September 30, 2008, Satyam's balance sheet reflected over \$1 billion in fictitious cash and bank balances when the actual amount was \$66 million.

24. On January 14, 2009, Satyam submitted a Form 6-K with the Commission indicating that "Price Waterhouse" had advised that all audit reports and opinions in relation to Satyam's financial statements during the relevant period should no longer be relied upon.

25. On February 21, 2009, Satyam submitted a Form 6-K with the Commission indicating that Satyam's Board of Directors accepted the resignation of "Price Waterhouse" as Satyam's independent auditor.

26. The two PW India lead engagement partners for the Satyam audits during the relevant period are defendants, along with a significant number of former senior and mid-level executives of Satyam, including the former Chairman, the former Managing Director and Chief Executive Officer, and the former Chief Financial Officer, in a criminal trial in India arising out of the Satyam fraud. The trial is underway. The two PW India engagement partners have also been the subject of ongoing disciplinary matters in India before the ICAI and the Securities and Exchange Board of India involving their role in the Satyam audit. The two PW India lead partners and the two PW India senior managers who were the engagement managers on the Satyam audits during the relevant period were relieved of all auditing responsibilities in January 2009. The two engagement managers resigned in February 2010 and the lead engagement partner for the audits of Satyam's fiscal years ended March 1999-2007 retired in March 2009. The lead engagement partner for the audit of Satyam's fiscal year ended March 31, 2008 is on administrative leave from PW India pending the outcome of the various proceedings against him. On March 16, 2010, the two former PW India engagement managers were barred by the PCAOB from being associated persons of a registered public accounting firm for their failure to comply with a demand requiring their testimony in a PCAOB-related investigation into the Satyam audit engagements. These PW India managers are also the subject of ongoing disciplinary proceedings before the ICAI.

PW India's Audits of Cash and Cash Equivalent Balances
Were Not Performed in Accordance with PCAOB Standards
for Fiscal Years 2005-2008

27. Respondents failed to identify the material overstatement of Satyam's assets, in part, because the engagement team failed to carry out the confirmation processes and procedures related to cash and interest bearing deposits in accordance with PCAOB Standards -- and its own audit plan -- for fiscal years 2005-2008. PCAOB Standards require, among other things, that auditors test the existence and valuation of reported cash and interest bearing deposit balances. In order to test the cash and interest bearing deposit balances during the relevant period, the audit plans for each year during the relevant period called for the confirmation of Satyam's major bank balances and interest bearing deposits with third parties. The working papers for each year during the relevant period document that the engagement team confirmed cash balances and interest bearing deposits for all banks at which Satyam had "major" accounts.

28. Respondents failed to make direct contact with either BOB, the New York branch that held Satyam's purported largest bank account, or the five largest banks purportedly holding Satyam's interest bearing deposits to confirm the cash and cash equivalent balances that Satyam reported in its financial statements. Instead, and in violation of PCAOB Standards, the engagement team relied on the company's senior management to mail out confirmation requests to Satyam's banks, and on the purported responses to those letters from the banks, including purported responses provided to the engagement team by Satyam management. Respondents never attempted to contact the banks directly at any time during the audits.

29. Respondents also failed to conduct appropriate inquiry after receiving confirmations directly from banks that were potentially conflicting with those received from Satyam management. During the fiscal year 2005, 2006, 2007 and 2008 audits, the Satyam engagement team received confirmations, in the requested format, directly from branches of certain banks that purportedly held Satyam's largest interest bearing fixed deposit balances. The engagement team also received confirmations from Satyam's management that purported to confirm fixed deposit balances at a different branch of the same bank. The confirmations received from Satyam management were not in the format requested by the engagement team. The bank-provided confirmation responses reflected significantly lesser cash balances than Satyam management represented to be held in fixed deposits at the same banks, and significantly lesser cash balances than what was reflected in the purported bank confirmations that Satyam provided to the engagement team. The engagement team could have, but did not, contact the banks directly to determine the amounts that Satyam had on deposit with the banks. Had the engagement team done so, such inquiry should have revealed that cash and cash equivalent balances reported in Satyam's financial statements were significantly overstated. The following chart provides several examples of these differences:

Period Ending	Bank	Confirmations PW India Received Directly from Bank (in \$ USD)	Confirmations PW India Received from Satyam (in \$ USD)
9/30/08	BNP Paribas	\$1,860,280	\$100,753,498
9/30/08	HSBC	No balance identified	\$172,000,153
6/30/08	BNP Paribas	\$1,919,404	\$109,014,675
3/31/08	Citibank	\$330,172	\$152,923,538
3/31/08	HDFC	No balance identified	\$175,952,024
3/31/07	BNP Paribas	\$11,192,807	\$108,584,687
3/31/06	BNP Paribas	\$13,082,509	\$96,830,036
3/31/06	HSBC	No balance identified	\$53,282,374

30. Rather than contact the banks to obtain an explanation for the differences, the engagement team erroneously accepted both confirmations as genuine and purported to “corroborate” the interest bearing fixed deposit balances with fabricated fixed deposit receipts and other support supplied by Satyam.

31. Respondents did not reconcile this potentially conflicting audit evidence during the fiscal years 2005, 2006, 2007 and 2008. After the fraud was revealed, members of the Satyam engagement team indicated that they had ceded control of the confirmation process to the client and relied on Satyam’s representations, in large part, because they believed that Satyam’s former chairman and senior management were honest and that they did not suspect that Satyam was fabricating audit documents. Members of the Satyam engagement team conceded that, in hindsight, the confirmation process they employed for the Satyam audits was not in compliance with PCAOB Standards.

32. During Satyam’s fiscal year 2008 audit, a partner from another PwC Network Firm outside of India (“The PwC Network Firm Partner”) alerted members of the Satyam engagement team that its cash confirmation procedures appeared substantially deficient. Specifically, in May 2008, in response to questions raised by the “Appendix K filing reviewer” of Satyam’s draft Form 20-F,⁸ PW India requested that the PwC Network Firm Partner review the electronic workpapers

⁸ Under Rule 3400T(b), *Interim Quality Control* Standards, audit firms must comply with portions of the Requirements of Membership of the AICPA SEC Practice Section (“SECPS”). Audit firms associated with international firms are required to seek the adoption of policies and procedures consistent with the objectives set

for the 2008 Satyam audit. In response to that request, the PwC Network Firm Partner provided the Satyam engagement team with a detailed set of comments, including remarks on the cash and interest bearing deposit confirmation workpapers. In particular, the PwC Network Firm Partner informed the Satyam engagement team that their cash confirmation procedures appeared inadequate because the working papers indicated that “the confirmation was obtained either directly or from copies obtained from the client. We can only take credit for confirms we send and receive directly.”

33. Notwithstanding the above-described warnings it received from the PwC Network Firm Partner, the Satyam engagement team failed to take any corrective action to confirm Satyam’s cash and cash equivalent balances in a manner that complied with PCAOB Standards during the fiscal year 2008 audit. Had direct confirmation of the BOB bank balances been performed in response to the PwC Network Firm Partner’s comment, Satyam’s fraud could have been uncovered in the summer of 2008.

34. Respondents failed to perform the 2005-2008 Satyam audits with respect to cash and cash equivalent balances in accordance with PCAOB Standards. First, Respondents failed to maintain control over confirmation requests and responses by 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, as required by PCAOB Standard *AU § 330.28*. Second, Respondents failed to exercise appropriate professional skepticism throughout the confirmation process, as required by PCAOB Standard *AU § 330.15*. Third, Respondents failed to comply with PCAOB Standards *AU § 333.02 and 326.01* when it neglected to obtain sufficient competent evidential matter to afford a reasonable basis to determine the accuracy and completeness of the cash and cash equivalent balances reported in the financial statements. Instead, Respondents repeatedly substituted management representations for competent evidence, which also does not comply with PCAOB Standards *AU § 333.02 and 326.01*. Fourth, Respondents failed to take appropriate action in response to warning signs regarding the sufficiency of the cash confirmation procedures and caused the issuance of inaccurate audit reports, which resulted from a failure to comply with the several PCAOB Standards, including *AU § 230.07* (“[d]ue professional care requires the auditor to exercise professional skepticism. Professional skepticism is an attitude that includes a questioning mind and a critical assessment of audit evidence.”) and *AU § 230.09* (“[i]n exercising professional skepticism, the auditor should not be satisfied with less than persuasive evidence because of a belief that management is honest.”).⁹ The failure to properly execute third-party confirmation procedures contributed to the fraud at Satyam going undetected for years.

forth in the Requirements of Membership of the SECPS at Appendix K, SECPS Section 1000.45 (“Appendix K”). See SECPS Section 1000.08(n). Those objectives include having policies and procedures for certain filings of SEC registrants which are the clients of foreign associated firms to be reviewed by persons knowledgeable in PCAOB standards.

⁹ See also PCAOB Standards *AU § 150.02 and AU § 230*, which require due professional care to be exercised in the performance of the audit and preparation of the report.

Deficiencies in the Cash Confirmation Process
Occurred Throughout PW India

35. From at least 2008 forward, the failures in the confirmation process on the Satyam audit were not limited to that engagement, but were indicative of a quality control failure throughout PW India. In a large number of other audit engagements conducted by PW India, its auditors planned to test the existence and valuation of cash balances by performing direct confirmations, and then failed to control the confirmation process by relying on audit clients for confirmation requests and responses. PW India's quality control system failed to detect that, for several years, and on multiple audit engagements, audit personnel at PW India were not complying with PCAOB standards governing the cash confirmation process.

36. PW India staff conceded that they routinely relinquished control of the delivery and receipt of cash confirmations entirely to their audit clients and rarely, if ever, questioned the integrity of the confirmation responses they received from the client by following up with the banks prior to January 2009. Similarly, PW India partners, including a partner formerly responsible for audit risk and quality throughout PW India, indicated that client involvement in the confirmation process during the relevant period was the norm because bankers rarely, if ever, responded directly to confirmation requests made by auditors.

37. Despite annual quality reviews, PW India did not recognize the extensive nature of this quality control failure until after January 2009, when PW India conducted a firm-wide review of confirmation workpapers taken from completed and ongoing engagements for the current and prior fiscal year.

PW India's Audits of Accounts Receivable Balances
Were Not Performed in Accordance with PCAOB Standards
for Fiscal Years 2006-2008

38. During the relevant period, Satyam's former senior management recorded fictitious receivables by exploiting weaknesses in the internal controls of the company's accounts receivable system. Specifically, the company's invoicing system allowed for the manual entry of customer invoices via the intervention of a "super user," acting outside the regular controls of the billing and invoicing process. Satyam's former senior management used this super user function to create thousands of fake invoices totaling over \$1 billion during the entirety of the fraud.

39. For the 2006-2008 fiscal year audits, Respondents failed to carry out the audits of the accounts receivable balance in accordance with PCAOB Standards. As with the cash confirmation process, the Satyam engagement team did not maintain control of the accounts receivable confirmations and did not perform adequate follow-up procedures on confirmations that were sent but not received from customers with purported accounts receivable balances recorded on Satyam's 2006-2008 fiscal year end financial statements.

40. For example, from the period March 31, 2006 through August 31, 2007, the Satyam engagement team prepared accounts receivable confirmation requests on five occasions but received few, if any, responses to those requests. During the relevant period, Respondents made no attempt to follow up on those non-responses. Further, as part of the 2007 fiscal year audit, the engagement team sent out confirmation requests to 22 customers with outstanding receivables balances on August 31, 2006, including seven that were later exposed as fictitious customers. No customers responded to those requests. Appropriate diligence and follow-up procedures could have exposed the true nature of these customers.

41. In other periods, instead of employing confirmation procedures to verify accounts receivable balances, the Satyam engagement team purported to implement “alternative procedures” to validate receivables through an attempt to verify their subsequent receipts. The subsequent receipt totals were obtained from Satyam’s management and then divided by the total outstanding receivables as of the period end to arrive at a percentage of receivables that had been subsequently collected. There was no other documented substantive analysis to go along with this calculation. The above-described alternative audit procedures performed during the 2006-2008 fiscal audit years did not provide adequate audit evidence to corroborate the existence of receivables because they were not designed to ensure that the subsequent receipts had any relationship to the actual outstanding receivables at the end of the respective fiscal year.

42. Further, the engagement team was aware of factors that increased the potential for fraud at Satyam during at least the fiscal year 2007 audit, but failed to recognize the increased risk, and therefore did not alter its planning and execution of the Satyam audits to take these risks into account as required under PCAOB Standards. In connection with the audit of the company’s fiscal year ended March 31, 2007, PW India’s Systems and Process Assurance (“SPA”) personnel tested Satyam’s Information Technology (“IT”) internal controls. This testing revealed over 170 deficiencies in those controls, including eight significant deficiencies identified by the SPA team. The nature of these deficiencies should have alerted the engagement team to a heightened risk with respect to receivables.

43. In an area that called for increased audit vigilance, Respondents failed to develop an audit plan that addressed the increased risk of a material misstatement of the receivables balance. Instead, the 2007 and 2008 year-end audits excluded confirmation of the year-end receivables balances.

44. Respondents failed to adequately plan and perform the 2006-2008 audits with respect to accounts receivable in accordance with relevant PCAOB Standards. First, the engagement team ignored internal control deficiencies which should have alerted it to the heightened fraud risk with respect to receivables, as required by PCAOB Standards *AU § 312.16* (an auditor must consider the effect of an assessment of the risk of material misstatement due to

fraud on the overall audit strategy).¹⁰ Second, the receivables audit plan failed to address an increased risk of a material misstatement of the receivables balance, as required by PCAOB Standard *AU § 312.17* (higher risk may cause the auditor to expand or modify the extent or nature of procedures to obtain more persuasive evidence). Third, the engagement team failed to follow up on confirmation requests that were not returned, which resulted in a failure to comply with several PCAOB Standards, including *AU § 316.28* (describing instances in which audit procedures need to be changed to obtain evidence that is more reliable or to obtain additional corroborative information, including from independent sources), *§330.30* (describing follow-up confirmation request process), and *§330.32* (describing alternative procedures to be employed in the examination of accounts receivable, including the matching of subsequent cash receipts with the actual items being paid). Fourth, Respondents did not obtain sufficient competent evidential matter to verify the existence of receivables, as required by PCAOB Standard *AU § 326.01*.¹¹

Failure to Issue Accurate Audit Reports

45. PCAOB Standards require that the auditor's report contain an opinion on the financial statements taken as a whole and contain a clear indication of the character of the auditor's work. PCAOB Standard *AU § 508.04*. The auditor can determine that he or she is able to issue an audit report containing an unqualified opinion only if he has conducted his audit in accordance with PCAOB Standards and that the financial statements have been prepared in conformity with GAAP. PCAOB Standard *AU §§ 508.08, 508.14*.¹²

46. PW India acted unreasonably in rendering audit reports containing unqualified opinions for the fiscal year 2005-2008 publicly-filed financial statements. PW India issued audit reports on Satyam's financial statements even though they should have known that Satyam's audits had not been conducted in accordance with PCAOB Standards and that Satyam's financial statements did not present fairly, in all material respects, Satyam's financial position, operating results, and cash flows in conformity with GAAP.

PW India Did Not Comply with PCAOB Auditing Standard No.3.

47. PW India was notified by the PCAOB in November 2007 that the PCAOB would perform an inspection of PW India. This inspection was to include a review of PW India's 2007 fiscal year audit of Satyam. The audit opinion included in Satyam's 2007 Form 20-F was dated

¹⁰ See also PCAOB Standard *AU § 110.02*, which requires that an "auditor has the responsibility to plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud."

¹¹ See also PCAOB Standards *AU § 150.02 and AU § 230*, which require due professional care to be exercised in the performance of the audit and preparation of the report.

¹² PCAOB Standard *AU § 508.14* was in effect for reports issued from the beginning of the relevant period until November 15, 2008.

and released on April 27, 2007. Satyam submitted its Form 20-F to the SEC on April 30, 2007. The PCAOB inspection began in February 2008.

48. Under PCAOB Auditing Standard No. 3, *Audit Documentation* (“AS No. 3”), audit documentation may not be deleted after the document completion date (*i.e.*, the date that the “complete and final set of audit documentation” has been assembled for retention, which must occur within 45 days after the audit report release date). AS No. 3 ¶15. AS No. 3 also requires that an auditor make certain written disclosures if the auditor adds or alters working papers after the documentation completion date. In particular, AS No. 3 specifies, in relevant part, that any additions or alterations to audit documentation after the audit report release date “must indicate the date the information was added, the name of the person who prepared the additional documentation, and the reason for adding it.” AS No. 3 ¶16.

49. After the audit “documentation completion date,” but before the PCAOB inspection of the Satyam audit for fiscal year ended March 31, 2007, members of the Satyam engagement team created certain documents, and gathered other documents, none of which previously were in the 2007 Satyam audit workpapers. The workpapers added by the Satyam engagement team included the management letter and debtor confirmation requests. The added workpapers did not include any notations indicating that they were added or altered after the documentation completion date. The added workpapers also neglected to provide the date the information was added, the name of the person who prepared the additional documentation, and the reason for adding it. Accordingly, PW India failed to comply with AS No.3 ¶¶ 15, 16.

E. VIOLATIONS

Because of Its Failure to Comply With PCAOB Standards, PW India Was a Cause of Satyam’s Violations of Sections 13(a) and 13(b)(2)(A) of the Exchange Act and Relevant Rules Thereunder

50. Section 13(a) of the Exchange Act and Rules 13a-1 and 13a-16 thereunder require issuers with registered securities to file and furnish factually accurate annual and other reports. Rule 12b-20 of the Exchange Act requires that, in addition to the information expressly required to be included in such reports, the reports shall contain such further material information as may be necessary to ensure that the required statements are not misleading. As a foreign private issuer, Satyam is required to file annual reports on Form 20-F pursuant to Rule 13a-1 under the Exchange Act and to furnish reports on Form 6-K pursuant to Rule 13a-16 under the Exchange Act. The information required by Form 6-K is whatever information the registrant makes, or is required to make, public pursuant to the laws of the jurisdiction of its domicile or in which the registrant is incorporated or organized. The obligation to furnish these periodic reports includes the obligation that they be true and correct in all material respects. *See, e.g., SEC v. IMC International, Inc.*, 384 F.Supp. 889, 893 (N.D. Texas), *aff’d mem.* 505 F.2d 733 (5th Cir. 1974), *cert. denied sub nom.* No showing of scienter is necessary to establish a violation of Section 13(a) of the Exchange Act and Rules 13a-1, 13a-16, and 12b-20 thereunder.

51. Under Section 21C of the Exchange Act, the Commission may “enter an order requiring such person, and any other person that is, was, or would be a cause of the violation, due to an act or omission the person knew or should have known would contribute to such violation, to cease and desist from committing or causing such violation and any future violation of the same provision, rule, or regulation.” Exchange Act, 15 U.S.C. § 78u-3. Negligence is sufficient to establish liability for causing a primary violation that does not require scienter. *See KPMG Peat Marwick LLP*, 74 SEC Docket 384, 421 (2001), *recon. denied*, 74 SEC Docket 1351 (Mar. 8, 2001), *pet. denied*, 289 F.3d 109 (D.C. Cir. 2002), *reh'g en banc denied*, 2002 U.S. App. Lexis 14543 (July 16, 2002).

52. Satyam violated Section 13(a) of the Exchange Act and Rules 13a-1 and 13a-16 thereunder by including in numerous of its periodic filings and submissions financial statements for the years 2005-2008 that were materially false and misleading. For each of those years, PW India issued audit reports containing unqualified opinions stating that “Price Waterhouse” conducted an audit of the company’s annual financial statements in accordance with PCAOB Standards, that Satyam’s financial reporting was in conformity with GAAP, and that Satyam’s reporting results fairly represented the financial condition of the company. PW India consented to the inclusion of these audit reports in Satyam’s Forms 20-F for fiscal years 2005 through 2008. However, PW India’s audit reports were inaccurate because PW India failed to conduct its audits in accordance with PCAOB Standards. PW India’s failure to comply with PCAOB Standards was a cause of Satyam’s violations, including Satyam’s failure to disclose to investors that it was engaged in non-GAAP and other accounting actions that prevented Satyam’s reported financial results from fairly representing its financial condition.

53. In auditing Satyam’s accounts receivable and cash and cash equivalent balances, Respondents did not comply with PCAOB Standards by failing to exercise due professional care and skepticism, failing to obtain sufficient competent evidential matter and substituting management’s representations for those auditing procedures necessary to afford a reasonable basis for an opinion regarding the financial statements. In fact, the engagement team never insisted on, nor obtained, direct third-party confirmations for Satyam’s largest cash account, nor did it perform sufficient audit procedures to determine whether Satyam’s accounts receivable and cash and cash equivalent balances were not materially misstated. As a result, PW India was a cause of Satyam’s failure to file and furnish annual and other reports to the Commission that were complete and accurate in all material respects in violation of Section 13(a).

54. Section 13(b)(2)(A) of the Exchange Act requires issuers of registered securities to make and keep books, records, and accounts which, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the issuer. Satyam violated Section 13(b)(2)(A) of the Exchange Act by recording thousands of fictitious entries that resulted in the false reporting of over \$1 billion in non-existent revenue and cash. As described above, PW India failed to conduct its audits in accordance with PCAOB Standards, which allowed Satyam to utilize accounting devices that did not comply with GAAP. Had it done so, PW India would have reasonably determined that Satyam failed to keep books and records that accurately

reflected transactions in violation of Section 13(b)(2)(A) of the Exchange Act. Accordingly, PW India's actions were a cause of Satyam's Section 13(b)(2)(A) violations..

Section 10A(a) of the Exchange Act

55. Section 10A(a) of the Exchange Act requires each audit to include procedures designed to provide reasonable assurance of detecting illegal acts that would have a direct and material effect on the determination of financial statement amounts. No showing of scienter is necessary to establish a violation of Section 10A. *SEC v. Solucorp Industries, Ltd.*, 197 F. Supp. 2d 4 (S.D.N.Y. 2002).

56. PW India violated Section 10A(a) of the Exchange Act by failing to conduct procedures designed to provide reasonable assurance of detecting illegal acts that would have a direct and material effect on the determination of financial statement amounts, particularly after PW India: (1) failed to conduct the appropriate inquiry after receiving fixed deposit confirmations, in the requested format, directly from branches of certain banks that purportedly held Satyam's largest interest bearing fixed deposit balances that were potentially conflicting with confirmations it received from Satyam management that did not conform to the format requested by the engagement team, a situation that should have alerted PW India to a heightened risk that Satyam's reported deposit balances were materially overstated; and (2) discovered "significant deficiencies" in Satyam's internal controls that should have caused PW India to take additional procedures to address the heightened risk of material misstatement of Satyam's receivable balance during the 2007 fiscal year audit.

Rule 102(e) and Section 4C of the Exchange Act

57. Rule 102(e)(1)(ii) of the Commission's Rules of Practice and Section 4C of the Exchange Act authorize the Commission to censure or deny, temporarily or permanently, the privilege of appearing or practicing before the Commission to accountants who are found to have engaged in improper professional conduct. Under Rule 102(e)(1)(iv), the term "improper professional conduct" means, in part, "repeated instances of unreasonable conduct, each resulting in a violation of applicable professional standards, that indicate a lack of competence to practice before the Commission."

58. PW India caused Satyam to file and furnish materially inaccurate audit reports by representing that the audits were conducted in accordance with PCAOB Standards. Based on their violations of applicable professional standards, PW India was a cause of Satyam issuing materially false financial statements. This conduct supports an action against PW India under Rules 102(e)(1)(ii) and 102(e)(1)(iv)(B)(2) of the Rules of Practice.

F. FINDINGS

59. Based on the foregoing, the Commission finds that PW India engaged in improper professional conduct in connection with the 2005-2008 Satyam audits pursuant to Rule

102(e)(1)(ii) and 102(e)(1)(iv)(B)(2) of the Commission's Rules of Practice and Section 4C of the Exchange Act. Additionally, the Commission finds that PW India violated Section 10A(a) of the Exchange Act and was a cause of Satyam's violations of Sections 13(a) and 13(b)(2)(A) of the Exchange Act, and Rules 13a-1, 13a-16, and 12b-20 thereunder.

G. REMEDIAL ACTIONS

60. After January 2009, but before entry of this Order, PW India has taken a series of remedial steps intended to enhance its audit quality controls in such areas as third-party confirmations, engagement training and staffing, engagement review, and risk management. PW India has also engaged senior audit professionals from PwC Network Firms outside India to review completed and ongoing audit engagements to evaluate and assess PW India's existing audit quality and to identify U.S.-related audit practice areas in need of improvement to be addressed by the undertakings set forth in this Order.

61. In addition, PW India suspended its Satyam audit engagement partners from all work and removed from client service all senior audit professionals (*i.e.*, managers and above) on the former Satyam audit team. After January 2009, but before the entry of this Order, PW India replaced virtually all senior management responsible for audit matters ("Assurance Leadership Team"). During this period, PW India also seconded several partners and other senior audit professionals from PwC Network Firms outside of India to add full-time audit infrastructure leadership and support throughout India.

H. UNDERTAKINGS¹³

PW India undertakes the following:

1. Acceptance of New SEC Issuer Audits. From the date of this Order, PW India shall not accept any new SEC Issuer Audits prior to the Interim Certificate of Compliance Date (defined at Paragraph 11). The term "SEC Issuer Audit(s)" is defined to mean an engagement to audit the consolidated financial statements filed with the Commission of an "Issuer" as that term is defined in Section 2(a)(7) of the Sarbanes-Oxley Act of 2002. Following the later of March 31, 2012 or the Interim Certificate of Compliance Date, PW India shall conduct any new SEC Issuer Audit pursuant to the Interim Conditions set forth in Paragraph 3 until the Final Certificate of Compliance Date (defined at Paragraph 12). Until the Final Certificate of Compliance Date, PW India agrees that the Lead Engagement Partner ("Lead Partner") on any SEC Issuer Audit must be deemed not unacceptable to the Independent Monitor (defined at Paragraph 10) before PW India commences work on any SEC Issuer Audit.

¹³ In determining to accept the Offer, the Commission further considered PW India's representations that: (1) it had not accepted any new SEC Issuer Audits or SEC Issuer Referred Engagement Work since January 2009; and (2) it would voluntarily extend all relevant undertakings set forth in Section III.H to the five other India-based PwC Network Firms.

2. Acceptance of SEC Issuer Referred Engagement Work. PW India shall not accept SEC Issuer Referred Engagement Work for a new client for a period of six months following the date of this Order. The term “SEC Issuer Referred Engagement Work” is defined to mean instances in which PW India: (a) conducts a full scope audit and provides, or should provide, consistent with Applicable Professional Standards (defined at Paragraph 3.a.), an interoffice opinion for an SEC Issuer-affiliated entity in connection with the audit of the SEC Issuer’s consolidated financial statements filed with the Commission; or (b) provides audit work for an SEC Issuer-affiliated entity in connection with the audit of the SEC Issuer’s consolidated financial statements filed with the Commission that constitutes ten percent or more of the SEC Issuer’s consolidated assets, revenues, or expenses, as measured by the SEC Issuer’s most recent fiscal year financial statements filed with the Commission. The term SEC Issuer Referred Engagement Work excludes Indian statutory audits for SEC Issuer-affiliated clients, SAS 70 reports (or, after June 15, 2011, SSAE No. 16 reports), and Shared Service Center Engagements (as defined in Paragraph 14). The term “new client” shall mean an SEC Issuer or a component of an SEC Issuer where PW India: (i) has not provided any audit or review services to the SEC Issuer or any of its components after January 1, 2010 through the date of this Order; and (ii) seeks to provide audit or review services to the SEC Issuer or any of its components after the date of this Order. After a period of six months following the date of this Order and until the Final Certificate of Compliance Date, PW India shall conduct SEC Issuer Referred Engagement Work for new clients pursuant to the Interim Conditions set forth in Paragraph 3.

3. Interim Conditions. From April 1, 2011 until the Final Certificate of Compliance Date, PW India shall conduct SEC Issuer Referred Engagement Work for current clients pursuant to the conditions set forth below (“Interim Conditions”). Upon expiration of the relevant restricted periods specified in Paragraphs 1 and 2 above and until the Final Certificate of Compliance Date, PW India agrees that any new SEC Issuer Audit and any SEC Issuer Referred Engagement Work for a new client shall be subject to the following Interim Conditions:

- a. Staffing and Selection of Lead Partners, Engagement Managers, and Quality Review Partners. PW India’s Assurance Leadership Team (“ALT”), a group which shall include, among others, PW India’s Assurance Leader and Risk & Quality Leader, shall select, as part of meeting their quality control requirements, the Lead Partner, Engagement Manager, and Quality Review Partner (“QRP”), if required, for each SEC Issuer Audit and SEC Issuer Referred Engagement Work after taking into account his or her respective performance on SEC Issuer Audits, SEC Issuer Referred Engagement Work, and SEC Issuer-related client engagements that do not meet the thresholds described in Paragraph 2 (collectively “SEC Issuer-Related Audit Engagements”) as indicated by the results of the Real Time Review and Engagement Compliance Review (“ECR”) programs (Paragraph 9 and 10) and the real time review program undertaken by PW India during 2010. PW India undertakes to engage the engagement partner from the PwC Network Firm which is the lead auditor of the relevant SEC Issuer client (“Global Engagement Partner”) to review the selection of any Lead Partner, Engagement Manager, and QRP before the commencement of any SEC Issuer Referred Engagement Work. PW India shall provide the Global Engagement Partner with a

summary of the results of the engagement quality review conducted in October 2010, any ECR conducted subsequent to the date of this Order, and any real time review conducted during 2010 for each engagement on which the partner or manager served as Lead Partner or Engagement Manager and shall provide the Global Engagement Partner with access to any other relevant information upon request. PW India agrees that, in the event the Global Engagement Partner informs PW India that he or she objects to the selection of the Lead Partner, Engagement Manager or QRP to perform such work, PW India will select an alternative candidate that meets the conditions described in this Paragraph.

A QRP shall be assigned for all SEC Issuer Referred Engagement Work that meets the 10 percent of assets, revenues, or expenses threshold in Paragraph 2. For SEC Issuer Referred Engagement Work that does not meet the 10 percent of assets, revenues, or expenses threshold, a QRP will be assigned, if requested by the Global Engagement Partner. The scope of the QRP's role on such work shall be consistent with PCAOB Auditing Standard No. 7, Engagement Quality Review.

Any PW India partner or manager who served as the Lead Partner or Engagement Manager on any engagement that received an overall finding of unsatisfactory due to departures from Applicable Professional Standards¹⁴ in connection with the engagement quality review conducted in October 2010 or any ECR performed subsequent to the date of this Order shall not be permitted to perform any SEC Issuer Audit or SEC Issuer Referred Engagement Work as a Lead Partner or Engagement Manager for a period of two fiscal years following the date of an overall finding of "unsatisfactory." Provided, however, that if PW India believes that an individual partner or manager whose engagement received an "unsatisfactory" rating should be exempt from the two-year practice restriction, then PW India, through its Assurance Leader, may make a written submission to the Independent Monitor explaining the reasons therefore and the Independent Monitor shall have the authority to exempt the individual partner or manager if he or she believes it is appropriate to do so. In no event, however, shall a partner or manager who receives an overall rating of "unsatisfactory" due to departures from Applicable Professional Standards in two consecutive quality reviews be exempt from the two-year practice restriction.

If a partner has an engagement on which he or she served as Lead Partner assessed as unsatisfactory due to departures from Applicable Professional Standards in an engagement quality review or ECR, that partner shall not be permitted to serve as a QRP on any SEC Issuer Audit or SEC Referred Work Engagement for a period of two fiscal years following the date of an overall finding of "unsatisfactory."

¹⁴ The term "Applicable Professional Standards" means "professional standards" as defined in Section 2(a)(10) of the Sarbanes-Oxley Act of 2002 as amended.

PW India shall comply with the conditions described in this Paragraph on a continuing basis until the Final Certificate of Compliance Date.

- b. Training. In addition to the training-based undertakings set forth in Paragraph 5, PW India agrees to require the Lead Partner, QRP, and Engagement Manager to complete at least: (a) eight hours of ethics training on an annual basis; and (b) 40 hours of specialized training in U.S. GAAP, PCAOB Standards,¹⁵ and International Financial Reporting Standards (“IFRS”) before initiating any SEC Issuer Audit or SEC Issuer Referred Engagement Work and at least 16 hours of such training in each subsequent year that such work is performed. Training programs completed after June 2010 shall be credited towards satisfying the 40 hour specialized training requirement of this Paragraph. The specialized training requirements of this Paragraph may also satisfy the specialized training hours requirements of Paragraph 5(d). All other PW India audit staff on any SEC Issuer Audit or SEC Issuer Referred Engagement Work shall be subject to the training undertakings set forth in Paragraph 5.
- c. Consultations. PW India undertakes to review all consultations with PW India’s National Office concerning Applicable Professional Standards required by PW India’s consultation policy (“Required Consultations”) involving any SEC Issuer Referred Engagement Work with the Global Engagement Partner.

Before accepting any SEC Issuer Audit, PW India undertakes to develop a process for review of all Required Consultations by an auditor from a PwC Network Firm outside of India. Such process must be reviewed and deemed acceptable by the Independent Monitor.

PW India further undertakes to resolve all Required Consultations in a manner consistent with PW India policies and procedures prior to the issuance of any opinion, report, or engagement completion document by PW India.

- d. Pre-opinion Reviews. PW India undertakes, prior to the issuance of any opinion, report, or engagement completion document by PW India, to: (i) engage the Global Engagement Partner, or his or her partner or manager designee, to conduct a review of any PW India SEC Issuer Referred Engagement Work; and (ii) conduct a Real Time Review (Paragraph 9) of all SEC Issuer Audits.

4. Ongoing Cooperation. PW India (including its partners, principals, officers, agents and employees) shall cooperate fully with the Commission with respect to this action and any related

¹⁵ References in Commission rules and staff guidance and in the federal securities laws to GAAS or to specific standards under GAAS, as they relate to issuers, should be understood to mean the standards of the PCAOB plus any applicable rules of the Commission. See Release Nos. 33-8422; 34-49708; FR-73 at <http://www.sec.gov/rules/interp/33-8422.htm>.

judicial or administrative proceeding or investigation commenced by the Commission or to which the Commission is a party and subject to compliance with applicable law. PW India agrees that such cooperation shall include, but is not limited to:

- a. Production of Information – at the Commission’s request, upon reasonable notice, and without subpoena, PW India (including its partners, principals, officers, agents and employees) shall truthfully and completely disclose all information requested by SEC staff in connection with the Commission’s investigation, litigation or other proceedings, except with respect to information related to clients other than Satyam, which information shall be produced in response to subpoena or other appropriate legal process;
- b. Production of Documents -- at the Commission's request, upon reasonable notice, and without subpoena, PW India (including its partners, principals, officers, agents and employees) shall provide any document, record, or other tangible evidence requested by SEC staff in connection with the Commission’s investigation, litigation or other proceedings, except with respect to documents related to clients other than Satyam, which documents shall be provided in response to subpoena or other appropriate legal process; and
- c. Production of Cooperative Personnel – at the Commission's request, upon reasonable notice, and without subpoena, PW India (including its partners, principals, officers, agents and employees) shall use its best efforts to secure the attendance and truthful statements or testimony of any PW India partner, principal, officer, agent, or employee, excluding any such person who is a party to litigation with the Commission, at any meeting, interview, testimony, deposition, trial, or other legal proceeding.

The foregoing obligations are subject to PW India’s reservation of rights:

- (i) to claim that documents or information requested is subject to attorney-client privilege or attorney-work-product protection; and
- (ii) to seek entry of a confidentiality order as to (aa) sensitive business documents or information, (bb) sensitive personnel documents or information, or (cc) confidential information pertaining to clients other than Satyam.

PW India further agrees that, with respect to this action and any related judicial or administrative proceeding or investigation commenced by the Commission or to which the Commission is a party, it will: (i) accept service by email, mail or facsimile transmission of notices, requests, or subpoenas issued by the Commission for documents or testimony at depositions, hearings, or trials, or in connection with any related investigation by the Commission staff (“Commission Service”); (ii) appoint PW India’s undersigned attorney as agent to receive Commission Service; (iii) with respect to Commission Service, waive the

territorial limits upon service contained in Rule 45 of the Federal Rules of Civil Procedure and any applicable local rules, provided that the party requesting the testimony reimburses PW India's travel, lodging, and subsistence expenses at the then-prevailing U.S. Government per diem rates; and (iv) consent to personal jurisdiction over PW India in any United States District Court for purposes of enforcing any Commission Service.

5. Training and Professional Development. PW India shall evaluate its existing professional development policy and shall make such revisions deemed necessary in order to adopt, implement, and enforce written policies and procedures designed to provide its audit professionals with reasonable training and education to minimize the risk of future violations of Applicable Professional Standards and United States federal securities laws and regulations. PW India agrees that such training and education shall include subjects relevant to the audits of SEC Issuer-Related Audit Engagements. To that end, PW India shall require that all audit professionals complete a training curriculum in the areas of traditional core audit and accounting, Applicable Professional Standards, professional skepticism, behavioral change management, technical audit competence, ethics standards, electronic and hard-copy audit documentation standards (including, as they relate to PCAOB inspections), acceptable and appropriate third-party confirmation procedures, and other relevant technical audit training.

- a. Training Programs. Prior to March 31, 2011 and until the Final Certificate of Compliance Date, PW India agrees and undertakes to provide annually, two-week training programs covering the above-referenced audit topics as well as training and presentation skills to select PW India audit professionals who thereafter will lead the training of other PW India audit professionals. After March 31, 2011, only PW India audit professionals who have successfully completed a two-week training program will be permitted to lead training of other PW India audit professionals.
- b. Mandatory Annual Training. Prior to December 31, 2011 and until the Final Certificate of Compliance Date, PW India agrees and undertakes to require that all audit professionals complete an annual three-day program that includes training on the following topics: (i) audit basics; (ii) new audit and accounting standards; (iii) emerging issues in the profession; (iv) specific audit and accounting challenges identified in prior years' PW India audits; and (v) the role of the engagement quality reviewer.
- c. Professional Skepticism Training. Prior to December 31, 2011, PW India agrees and undertakes to require that all audit professionals complete an eight-hour program that covers acceptable and appropriate professional skepticism and fraud detection. The course will be offered annually thereafter to new hires, through the Final Certificate of Compliance Date.
- d. Specialized Training. In addition to the training and education described in Sections 5.b. and 5.c., all PW India audit professionals must complete successfully the following core audit curriculum and specialized training before they commence audit work for

any SEC Issuer Audit or SEC Issuer Referred Engagement Work for financial statements after March 31, 2011:

- (i) Minimum of 24 Hours of Audit-Related Training. The audit-related training requirement shall address the following topics: (1) assessing risks of material misstatements and developing responsive audit plans; (2) determining and documenting appropriate sampling methods and sample sizes, selecting samples, and evaluating and documenting results; (3) audit documentation; (4) obtaining and evaluating sufficient competent evidential matter; (5) acceptable and appropriate third-party confirmation procedures; (6) professional skepticism and corroboration of management's representations; (7) technical audit training; and (8) fraud detection. Training courses completed after June 2010 shall be credited towards satisfying the specialized audit training requirements of this Paragraph.
 - (ii) Minimum of 12 Hours of Specialized Training and Examination. Of the 24 hours of required audit-related training described above, a minimum of 12 hours shall involve live training taught by senior audit professionals from PwC Network Firms outside India, including those who have been seconded to PW India, who are experienced in auditing SEC Issuers and shall cover U.S. GAAP and PCAOB Standards. The live training shall be followed by an examination of the topics covered. PW India audit professionals must complete a minimum of 6 hours of such live training before they commence audit work for any SEC Issuer Audit or SEC Issuer Referred Engagement Work in each subsequent year.
- e. Additional Training Programs. PW India agrees to consult with the Independent Monitor in designing its training and education program, and to submit to the Independent Monitor a detailed proposal within 60 days after retention of the Independent Monitor that describes the content and implementation of the training and education program. PW India undertakes and agrees to provide such additional training and workshops for its audit professionals on topics that include, but are not limited to: IFRS training; additional workpaper documentation standards; behavioral instruction; audit planning; PW India audit partner and manager supervisory training; audit quality training for all PW India audit partners; and other training deemed necessary to rectify deficiencies identified during the Quality Control Management Review and Engagement Compliance Review programs (described in Paragraph 9). The Independent Monitor shall review PW India's proposal describing the content and implementation of the training and education program; such program must be deemed not unacceptable to the Independent Monitor.

6. Ethical Code of Conduct and Associated Training. PW India has represented that it has a Code of Ethical Business Conduct (the "Ethics Code") that defines standards of behavior for PW India audit professionals. PW India undertakes to: (a) adopt procedures designed to ensure that the Ethics Code is disseminated to PW India audit professionals; (b) conduct appropriate ethics training; (c) review the Ethics Code on a regular basis and update it as needed; (d) adopt an

appropriate system of penalties to discourage and punish any violations of the Ethics Code; and (e) adopt procedures designed to verify, on a regular basis, compliance with the Ethics Code. In addition, PW India shall provide annual ethics training to PW India audit professionals deemed most likely to perform SEC Issuer-Related Audit Engagements.

7. Undertakings Concerning Staffing

- a. Audit Infrastructure Support. PW India undertakes to increase the size and improve the expertise of its audit support personnel by adding full-time or full-time equivalent senior professionals (*i.e.*, managers and above) trained in and knowledgeable about U.S. GAAP and PCAOB Standards from within PW India and from PwC Network Firms outside India in all areas of audit support.
- b. Engagement Staffing. PW India shall undertake to alter the structure of its engagement teams on SEC Issuer-Related Audit Engagements. Such measures shall include: (i) policies and procedures designed to address the detection and resolution of potential issues concerning the quality of audit work performed by senior audit professionals; (ii) policies and procedures designed to ensure the QRP's role is in compliance with PCAOB Auditing Standard No. 7; (iii) greater emphasis on partner and manager time and attention; (iv) regular coaching of junior audit professionals by experienced senior audit professionals; and (v) as indicated below, recruitment of client service partners and other senior audit professionals from PwC Network Firms outside India to increase the size and improve the expertise of PW India's audit personnel.
- c. Secondment. PW India undertakes to increase the number of senior audit professionals seconded from PwC Network Firms outside India that are trained in and knowledgeable about U.S. GAAP and PCAOB Standards who will, among other responsibilities, be involved in the training of PW India audit professionals most likely to perform SEC Issuer-Related Audit Engagements. PW India also shall initiate an audit engagement exchange program for junior audit professionals to and from PW India with a particularized focus on the performance of integrated audit procedures on the financial statements of clients affiliated with an SEC Issuer.

8. Undertakings Concerning Audit Quality Management System. Prior to December 31, 2011, PW India shall revise as may be necessary, and then engage in steps to implement and enforce, such policies and procedures so as to provide reasonable assurance that PW India will comply with its obligations under professional, regulatory and firm requirements with respect to SEC Issuer-Related Audit Engagements. To that end, PW India agrees and undertakes to provide to the Independent Monitor for review and recommendation, its policies and procedures, including evidence of their implementation, concerning the following:

- a. Completion of Planning Prior to the Commencement of Audit Fieldwork. Such policies and procedures shall provide reasonable assurance that, prior to the commencement of any significant audit procedures: (i) workpapers identify all

- significant risks requiring additional testing; (ii) workpapers identify all significant accounts and disclosures and their relevant assertions; (iii) workpapers document the risks of material misstatements, and that the planned nature, timing, and extent of testing are finalized and reviewed and approved by the Lead Partner, and, when appropriate, the QRP; and (iv) workpapers are tailored to address identified risks of material misstatement.
- b. Third-Party Confirmations. Such policies and procedures shall be designed to provide reasonable assurance that all audit personnel perform third-party confirmation procedures in compliance with PCAOB Standards.
 - c. Consultations. Such policies and procedures shall set forth consultation procedures and documentation requirements regarding procedures for external review of PW India National Office Required Consultations, as well as for the resolution of such consultations.
 - d. Documentation. Such policies and procedures shall be designed to provide reasonable assurance that PW India’s SEC Issuer-Related Audit Engagements comply with Auditing Standard No. 3, Audit Documentation. Such procedures shall emphasize that documentation must be prepared in sufficient detail for an experienced auditor, without prior knowledge of the engagement, to be able to reperform the work and require that any additions made after the documentation date¹⁶ must identify the date the information was added, the name of the person who prepared the additional documentation, and the reason for adding it. Additionally, PW India shall adopt a policy making it mandatory that a Lead Partner on an SEC Issuer-Related Audit Engagement review each audit area designated by the engagement team as having a significant risk of material misstatement (whether due to fraud or error) for compliance with both PCAOB Standards and related rules and firm policies and procedures.
 - e. Detection and Reporting of Illegal Client Activity (“Section 10A Compliance”). Such policies and procedures shall be designed to provide reasonable assurance that PW India complies with Section 10A of the Securities Exchange Act of 1934, as amended, including without limitation, for each audit subject to Section 10A, procedures designed to provide reasonable assurance of detecting illegal acts that would have a direct and material effect on the determination of financial statement

¹⁶ PCAOB Auditing Standard No. 3, Paragraph 15, states, “A complete and final set of audit documentation should be assembled for retention as of a date not more than 45 days after the report release date (documentation completion date). If a report is not issued in connection with an engagement, then the documentation completion date should not be more than 45 days from the date that fieldwork was substantially completed. If the auditor was unable to complete the engagement, then the documentation completion date should not be more than 45 days from the date the engagement ceased.”

amounts, and to comply with all requirements under the standards of the Commission, the PCAOB, and Section 10A to evaluate and report suspected illegal acts.

- f. Engagement Quality Control. Such policies and procedures shall be designed to provide reasonable assurance that PW India complies with the PCAOB's Auditing Standard No. 7, Engagement Quality Review.
- g. Audit Opinions. Such policies and procedures shall be designed to provide reasonable assurance that the firm signing the audit report or opinion for an SEC Issuer-Related Audit Engagement shall uniquely identify itself by, at a minimum, its PCAOB-registered name, and the location of the registered office.

9. Audit Quality Environment

- a. Real Time Reviews. From the date of this Order through at least the Interim Certificate of Compliance Date, PW India shall engage senior audit professionals from PwC Network Firms outside India with experience in both U.S. GAAP and PCAOB Standards to lead pre-opinion reviews of certain SEC Issuer-Related Audit Engagements ("Real Time Reviews"). All SEC Issuer Audits and a sample of other SEC Issuer-Related Audit Engagements, including at least one other SEC Issuer-Related Audit Engagement for each partner serving as Lead Partner on such an engagement, shall be subject to a Real Time Review each year. These reviews shall be designed to identify areas for improvement and to provide support to PW India audit engagement teams working on SEC Issuer-Related Audit Engagements. SEC Issuer Referred Engagement Work is subject to the pre-opinion reviews described in Paragraph 3(d) and shall be excluded from the Real Time Reviews.
- b. Engagement Compliance Review. PW India shall engage senior audit professionals from PwC Network Firms outside India with experience in both U.S. GAAP and PCAOB Standards to review selected, completed PW India SEC Issuer-Related Audit Engagement workpapers as part of the ECR program in order to assess PW India's compliance with Applicable Professional Standards. The Independent Team Leader ("ITL") will select the engagements for review, which selection shall be part of the ECR planning and scope subject to review and recommendation by the Independent Monitor. As part of their engagement by PW India, these senior audit professionals shall develop an engagement quality review program designed to measure and assess compliance with Applicable Professional Standards and PW India partner performance on SEC Issuer-Related Audit Engagements through annual post-opinion evaluations of selected SEC Issuer-Related Audit Engagements. The ECR program will also identify remedial needs on an ongoing basis. As described further in Paragraph 10, the planning and scope of the ECR program shall incorporate recommendations made by the Independent Monitor. The ECR program shall be overseen by an ITL experienced in U.S GAAP and PCAOB Standards and will continue on an annual basis until the Final

Certificate of Compliance Date. All SEC Issuer Audits and SEC Issuer Referred Engagement Work shall be included as part of the annual ECR.

- c. Quality Control Management Review. PW India shall engage senior audit professionals from PwC Network Firms outside India experienced in PCAOB Standards to devise and implement a quality control review program to measure and assess whether, and to what extent, PW India has in place systems, policies, and procedures to provide reasonable assurance that its audit personnel comply with applicable professional standards and PW India's standards of quality as defined by PCAOB Quality Control Standards¹⁷ when performing work on SEC Issuer-Related Audit Engagements (herein referred to as "Quality Control Management Review or "QCMR").¹⁸ As described further in Paragraph 10, PW India's QCMR program shall include an annual review of completed audit work measured against a series of key performance indicators that shall be developed, assessed, and updated on an ongoing basis. The planning and scope of the QCMR shall be overseen by the ITL and shall incorporate recommendations made by the Independent Monitor. The QCMR program shall continue on an annual basis until the Final Certificate of Compliance Date.

10. Undertakings Related to Reporting Requirements and the Role of the Independent Monitor

- a. Independent Monitor Selection and Retention. PW India shall retain and pay for an independent third-party not unacceptable to PCAOB staff and Commission staff who has experience with public company reporting in the United States and is knowledgeable in Applicable Professional Standards ("Independent Monitor") to review PW India's compliance with the undertakings set forth in this Order. Within 60 days after the entry of this Order, PW India shall submit to PCAOB staff and Commission staff a proposal setting forth the identity, qualifications, and proposed terms of retention of the Independent Monitor. PW India may not retain as the Independent Monitor any individual or entity that has provided legal, auditing, or other services to, or has had any affiliation with, Satyam, PwC IL, or any PwC Network Firm during the prior two years.

PW India agrees that its engagement agreement with the Independent Monitor shall require the Independent Monitor to agree that, for the period of engagement and for a

¹⁷ References to "PCAOB Quality Control Standards" throughout this Order mean, collectively, QC Sec. 20, *System of Quality Control for a CPA Firm's Accounting and Auditing Practice*; QC Sec. 30, *Monitoring a CPA Firm's Accounting and Auditing Practice*; QC Sec. 40, *The Personnel Management Element of a Firm's System of Quality Control-Competencies Required by a Practitioner-in-Charge of an Attest Engagement*; all amendments thereto, and any subsequently enacted related standards of the PCAOB.

¹⁸ Staff recognizes that, subject to review and recommendation of the Independent Monitor, PW India also may develop procedures and measurements designed to review and evaluate the firm's quality control compliance with International Standard on Quality Control 1, which PW India represents may prove relevant in determining PW India's overall quality control environment.

period of two years from completion of the engagement, the Independent Monitor shall not enter into any employment, consultant, attorney-client, auditing, or other professional relationship with Satyam, PwC IL, or any PwC Network Firm, or any of their present or former affiliates, directors, officers, employees, or agents acting in their capacity as such, and shall require that any firm with which the Independent Monitor is affiliated or of which the Independent Monitor is a member, or any person engaged to assist the Independent Monitor in performance of the Independent Monitor's duties under this Order not, without prior written consent of the PCAOB staff and Commission staff, enter into any employment, consultant, attorney-client, auditing, or other professional relationship with Satyam, PwC IL, or a PwC Network Firm, or any of their present or former affiliates, directors, officers, employees, or agents acting in their capacity as such for the period of the engagement and for a period of two years after the engagement.

The term of the Independent Monitor shall expire upon the Final Certificate of Compliance Date. PW India shall not have the authority to terminate the Independent Monitor before the Final Certificate of Compliance Date without the prior written approval of the PCAOB staff and the Commission staff.

- b. Role and Responsibilities Overview. As set forth in this Order, the Independent Monitor's roles and responsibilities shall include: (i) pre-appointment review of new members of PW India's Assurance Leadership Team and Lead Partners on SEC Issuer Audits – such individuals shall not be unacceptable to the Independent Monitor; (ii) approving the appointment of the ITL; (iii) reviewing and recommending revisions to the audit Quality Management System policies and procedures of PW India; (iv) reviewing and recommending revisions to PW India's ECR and QCMR programs and compliance work plans; (v) reporting upon PW India's progress after review and evaluation of PW India's semi-annual and annual reports set forth herein; (vi) assessing and recommending remedial steps deemed necessary to correct any deficiencies identified in the semi-annual and annual reports; (vii) preparing an annual written report concerning PW India's progress in implementing the undertakings; (viii) making findings as set forth in Paragraphs 11 and 12; and (ix) taking such reasonable steps as, in his or her view, may be necessary to fulfill his or her obligations set forth in this Order.
- c. Monitoring Compliance with Undertakings. Within 60 days after retention of an Independent Monitor, PW India shall submit to the Independent Monitor a work plan that describes the manner in which PW India intends to set forth quantifiable goals in which it may measure its ongoing implementation of, and compliance with, the undertakings set forth in this Order. PW India undertakes to permit the Independent Monitor 30 days to make recommendations to its work plan and agrees to make a good faith effort to address and incorporate all such recommendations. PW India shall work cooperatively with the Independent Monitor to resolve any disagreements to the satisfaction of the Independent Monitor. If a matter that the Independent

Monitor believes is within his or her responsibility cannot be resolved, at the request of the Independent Monitor, PW India shall promptly provide written notice to the Independent Monitor and the PCAOB staff and Commission staff. Any disputes between PW India and the Independent Monitor with respect to the work plan shall be decided by the PCAOB staff and the Commission staff, and PW India shall abide by their decision.

For the period from the effective date of this Order to the Final Certificate of Compliance Date, PW India agrees and undertakes periodically, at no less than six-month intervals, to provide a written report to the Independent Monitor regarding PW India's progress regarding the implementation of, and compliance with, the undertakings set forth in this Order. On an annual basis, PW India shall provide the Independent Monitor with a written report that explains the circumstances surrounding any failure to meet specific quantifiable goals set forth in the work plan (as well as the specific audit involved, if any) and shall provide a detailed description of what steps, if any, PW India has taken and shall take to remedy any such failure. PW India's follow-up reviews shall incorporate comments provided by the Independent Monitor on PW India's prior reviews and reports. As part of PW India's compliance with the undertakings set forth in this Order, the Independent Monitor shall also assess and report annually to PCAOB staff and Commission staff whether PW India is complying with the undertaking regarding SEC Issuer Audits and SEC Issuer Referred Engagement Work (Paragraphs 2 and 3).

- d. Monitoring Compliance with PW India's Quality Control Management Review and Engagement Compliance Review. Within 60 days after retention of an Independent Monitor, PW India undertakes to engage the ITL to submit to the Independent Monitor the QCMR and ECR proposed plans.

PW India agrees and undertakes that, until the Final Certificate of Compliance Date, the ITL and the two individuals with direct responsibility for the QCMR and ECR (the "Review Team Leaders") shall be senior audit professionals from a PwC Network Firm outside India with experience in U.S. GAAP and PCAOB Standards that have not participated in any quality review of PW India prior to September 2010. The ITL must be approved by the Independent Monitor and deemed not unacceptable to both PCAOB staff and Commission staff.

PW India undertakes to engage the ITL to permit the Independent Monitor 60 days to make recommendations to its QCMR and ECR proposed plans and engage the ITL to make a good faith effort to incorporate all such recommendations. PW India shall engage the ITL to work cooperatively with the Independent Monitor to resolve any disagreements to the satisfaction of the Independent Monitor. If the matter cannot be resolved, at the request of the Independent Monitor, PW India, through the ITL, shall promptly provide written notice to the Independent Monitor and the PCAOB staff and Commission staff. Any disputes between PW India or the ITL and the Independent

Monitor with respect to the QCMR and ECR proposed plans shall be decided by the PCAOB staff and the Commission staff, and their decision shall be final.

(i) Quality Control Management Review Reports. For the period from the effective date of this Order to the Final Certificate of Compliance Date, PW India agrees and undertakes to provide, through the ITL, an annual written report to the Independent Monitor that assesses – and provides documented and supportable findings – as to whether, and to what extent, there is reasonable assurance that PW India’s quality controls with respect to SEC Issuer-Related Audit Engagements are in compliance with PCAOB Quality Control Standards. PW India shall undertake follow-up reviews each year until the Final Certificate of Compliance Date, incorporating comments provided by the Independent Monitor on PW India’s prior reviews and reports, to further monitor and assess PW India’s quality controls.

(ii) Engagement Compliance Review Reports. For the period from the effective date of this Order to the Final Certificate of Compliance Date, PW India agrees and undertakes to provide, through the ITL, an annual written report to the Independent Monitor that assesses and provides documented and supportable findings as to whether, and to what extent, PW India’s audits of SEC Issuer-Related Audit Engagements are compliant with Applicable Professional Standards.¹⁹ Such assessments and findings shall include, but not be limited to, documents sufficient to support the results developed from all engagement reviews from which the report is based. PW India shall undertake follow-up reviews each year until the Final Certificate of Compliance Date, incorporating comments provided by the Independent Monitor on PW India’s prior reviews and reports, to further monitor and assess PW India’s engagement quality.

(iii) Independent Monitor Annual Report. Within 90 days of receiving the ECR or QCMR report, whichever is later, and for the period from the effective date of this Order to the Final Certificate Date, the Independent Monitor shall prepare an annual report (“IM Report”) that assesses whether the QCMRs and ECRs were conducted according to reasonable procedures and indicates whether the Independent Monitor supports the findings and conclusions set forth in the QCMR and ECR reports. The Independent Monitor may extend the time period for the IM Report for up to thirty calendar days upon prior written notice to PW India, PCAOB staff, Commission staff, and the ITL. Within 30 days of receiving the IM Report, PW India may prepare a written response to the IM Report. If the Final Certificate of Compliance does not take effect within three years of the date of this Order, each IM Report thereafter shall include an assessment regarding whether, and to what extent, PW India continues to make substantial progress toward satisfying the undertakings set forth in this Order.

¹⁹ The ITL may opt to issue a single, aggregate report that covers the annual results of both the QCMR and the ECR.

- (iv) Remedial Measures Resulting from Annual Review Reports. To the extent that the annual ECR and QCMR reports, or the resulting IM Report, identify deficiencies or instances of non-compliance with respect to the standards articulated therein, PW India shall submit to the Independent Monitor a Remedial Plan within 60 days of its receipt of the IM Report. PW India shall permit the Independent Monitor 30 days to make recommendations to the remedial plan. PW India shall require the ITL to consult with the Independent Monitor and make a good faith effort to incorporate the remedial plan recommendations into the subsequent period's ECR and QCMR, as appropriate and PW India shall require the ITL to work cooperatively with the Independent Monitor to resolve any disagreements to the satisfaction of the Independent Monitor. If the matter cannot be resolved, at the request of the Independent Monitor, PW India, through the ITL, shall promptly provide written notice to the Independent Monitor and the PCAOB staff and Commission staff. Any disputes between the ITL and the Independent Monitor with respect to the remedial plan shall be decided by the PCAOB staff and the Commission staff, and their decision shall be final.
- e. Reporting Requirements. PW India's Assurance Leader shall sign all QCMR, ECR, and Remedial Plan reports, attesting that he or she has read and understood their content and certifying satisfaction with any undertakings addressed, findings reached, and remedial steps required in the reports. PW India shall provide copies of all written reports described in this Paragraph to the appropriate PCAOB staff and Commission staff designees no later than 10 days from the date of completion.
- f. Documentation Requirements. PW India agrees and undertakes to prepare and preserve a copy of all written plans, reports, and responses in connection with the undertakings set forth in this Order. In addition, PW India shall maintain sufficient documentation to provide a clear undertaking of its purpose, sources of support, and conclusions that form the basis of all reports set forth in this Order. PW India agrees and undertakes that all such documentation shall be made available to the Independent Monitor and, upon reasonable request, to PCAOB staff and Commission staff. All such documentation will be retained for two years following the Final Certification of Compliance Date.

11. Interim Certificate of Compliance. Upon a finding by the Independent Monitor that PW India: (i) has developed an acceptable process for the review of Required Consultations (Paragraph 3.c.) for SEC Issuer Audits by an auditor experienced in U.S. GAAP and PCAOB Standards from a PwC Network Firm outside India; (ii) has demonstrated significant progress toward completion of the undertakings set forth in this Order; and (iii) has evidenced reasonable assurances from the QCMRs and ECRs that there are no significant deficiencies or instances of material non-compliance with respect to an SEC Issuer Audit or SEC Issuer Referred Engagement Work completed and reviewed for the previous fiscal year, PW India's Assurance Leader shall certify in writing that it has satisfied each of the above specified conditions ("Interim Certificate of Compliance"). The Interim Certificate of Compliance shall identify each of the relevant reports in which PW India demonstrated written evidence of satisfaction in the

form of a narrative supported by exhibits sufficient to demonstrate compliance. The Interim Certificate of Compliance and supporting material shall be submitted to the appropriate Commission Division of Enforcement and PCAOB Division of Enforcement designee (the “Designees”). Upon receipt of the Interim Certificate of Compliance and any supporting material that the ITL and Independent Monitor deem necessary to support that Certificate, the Designees may make reasonable requests for further documents evidencing compliance and PW India agrees to provide the requested documents to the Designees and the Independent Monitor. Within the earlier of 30 days of receipt of the requested documents or 120 days after receipt of the Interim Certificate of Compliance, the Independent Monitor must either affirm or withdraw his or her initial findings regarding the Interim Certificate of Compliance in writing, a copy of which shall be provided to PW India, the ITL, and the Designees. The Interim Certificate of Compliance takes effect upon confirmation by both Designees that they have received the Independent Monitor’s affirmation of findings in writing (“Interim Certificate of Compliance Date”), but in any event the Interim Certificate of Compliance Date shall not be before March 31, 2012.

12. Final Certificate of Compliance. Upon findings by the Independent Monitor that: (i) PW India has complied with the undertakings set forth in this Order; (ii) PW India has evidenced reasonable assurance that its quality controls in place for SEC Issuer-Related Audit Engagements are in compliance with PCAOB Quality Control Standards; and (iii) PW India has evidenced reasonable assurances that there are no significant deficiencies or instances of material non-compliance with respect to all of the SEC Issuer-Related Audit Engagements completed and reviewed for the previous two fiscal years, PW India’s Assurance Leader shall certify in writing that it has satisfied each of the above specified conditions (the “Final Certificate of Compliance”). The Final Certificate of Compliance shall identify each of the relevant reports in which the Independent Monitor has found that PW India demonstrated written evidence of compliance in the form of a narrative supported by exhibits sufficient to demonstrate compliance. The Final Certificate of Compliance and supporting material shall be submitted to the Designees. Upon receipt of the Final Certificate of Compliance and the relevant reports, the Designees may make reasonable requests for further documents evidencing compliance and PW India shall provide the requested documents to the Designees and the Independent Monitor. Within the earlier of 60 days of the Designees’ receipt of the requested documents or 120 days after the Designees’ receipt of the Final Certificate of Compliance, the Independent Monitor must either affirm or withdraw his or her initial findings regarding the Final Certificate of Compliance in writing, a copy of which shall be provided to PW India, the ITL, and the Designees. The Final Certificate of Compliance takes effect upon confirmation by both Designees that they have received the Independent Monitor’s affirmation of findings in writing. (“Final Certificate of Compliance Date”).

13. PCAOB Inspections. PW India shall provide to the Independent Monitor inspection comment forms and responses and draft and final inspection reports pertaining to all PCAOB inspections of PCAOB-registered PW India firms that may occur from the date of this Order to the Final Certificate of Compliance Date. The goal of this undertaking is to provide the Independent Monitor with an opportunity to review and identify any criticisms or potential

defects in PW India's quality control system that would indicate PW India has failed to evidence reasonable assurance that its quality controls in place for SEC Issuer-Related Audit Engagements are in compliance with PCAOB Quality Control Standards. If the Independent Monitor concludes that the results of a PCAOB inspection of a PCAOB-registered PW India firm are inconsistent with his or her findings made in connection with Paragraph 12, the Final Certificate of Compliance Date will not take effect until the Independent Monitor provides a written report to PW India, the ITL, and the Designees that explains how the Independent Monitor has reconciled any such inconsistencies to his or her satisfaction.

14. From the date of this Order and until the Final Certificate of Compliance Date, PW India agrees and undertakes that its Shared Service Center Engagements shall be subject to the following conditions: (a) all workpapers prepared by PW India shall be provided to the Global Engagement Partner or his or her designee; (b) the Global Engagement Partner shall engage a senior audit professional from a PwC Network Firm outside India to oversee and control the execution of the Shared Service Center Engagement; and (c) the Global Engagement Partner shall assume all responsibility for the Shared Service Center Engagement. The term "Shared Service Center" shall mean an outsourcing facility that is a component of, or a third-party vendor to, an SEC Issuer and which operates, controls, and processes the SEC Issuer's group financial transactions. The term "Shared Service Center Engagement" shall mean an audit engagement in which the Global Engagement Partner for an SEC-issuer group that is audited by a PwC Network Firm instructs PW India to audit the controls and processing of group financial transactions by a Shared Service Center. Where PW India audits a Shared Service Center's own financial statements and that engagement meets the definition of SEC Issuer Referred Engagement Work, such engagement shall be subject to the limitations on acceptance of SEC Issuer Referred Engagement Work set forth in Paragraph 2 and the Interim Conditions set forth in Paragraph 3.

In determining whether to accept the Offer, the Commission has considered these undertakings. PW India agrees that if the Division of Enforcement believes that PW India has not satisfied these undertakings within a reasonable time, the Division of Enforcement may petition the Commission to reopen the matter to determine whether additional sanctions are appropriate.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondents' Offer.

Accordingly, pursuant to Sections 4C, 21B(a)(2)(B) and 21C of the Exchange Act, and Rule 102(e)(1)(ii) of the Commission's Rules of Practice, it is hereby ORDERED, effective immediately, that:

- A. Respondents shall cease and desist from committing or causing any violation and any future violation of Section 10A(a) of the Exchange Act and from causing any

violation and any future violation of Sections 13(a) and 13(b)(2)(A) of the Exchange Act and Rules 12b-20, 13a-1, and 13a-16 thereunder;

- B. Respondents shall, within 45 days of the entry of this Order, pay a civil money penalty in the amount of \$6 million to the Securities and Exchange Commission. If the payment is not made by the date the payment is required by this Order, the entire outstanding balance of civil penalties, plus any additional interest accrued pursuant to 31 U.S.C. 3717, shall be due and payable immediately, without further application. Payment shall be: (A) made by wire transfer, United States postal money order, certified check, bank cashier's check or bank money order; (B) made payable to the Securities and Exchange Commission; (C) hand-delivered or mailed to the Office of Financial Management, Securities and Exchange Commission, Operations Center, 6432 General Green Way, Alexandria, VA 22312-0003; and (D) submitted under a notification that identifies Lovelock & Lewes, Price Waterhouse, Bangalore, Price Waterhouse & Co., Bangalore, Price Waterhouse Calcutta, and Price Waterhouse & Co., Calcutta as the Respondents in these proceedings as well as the file number of these proceedings. Respondents shall simultaneously transmit a copy of such payment and notification to Cheryl J. Scarboro, Chief, Foreign Corrupt Practices Act Unit, Division of Enforcement, 100 F Street N.E., Washington, DC 20549-5030. Respondents will cooperate with the staff of the Commission to obtain evidence of receipt of the payments set forth herein.
- C. Pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, a Fair Fund is created for the penalties referenced in Paragraph B above. Regardless of whether any such Fair Fund distribution is made, the civil penalty shall be treated as a penalty paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondents agree that they shall not, after offset or reduction of any award of compensatory damages in any Related Investor Action based on Respondents' payment of a civil penalty in this proceeding, argue that they are entitled to, nor shall they further benefit by offset or reduction of any part of such compensatory damages award by the amount of any part of Respondents' payment of a civil penalty in this proceeding ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondents agree that they shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this proceeding and pay the amount of the Penalty Offset to the United States Treasury or to a Fair Fund, as the Commission directs. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against any or all Respondents by or on behalf of one or more investors based on substantially the same facts as alleged in this Order instituted by the Commission in this proceeding.
- D. Respondents are censured pursuant to Rule 102(e)(1)(ii) of the Commission's Rules of Practice; and

E. Respondents shall comply with the undertakings enumerated in Section III.H. above.

By the Commission.

Elizabeth M. Murphy
Secretary

SERVICE LIST

Rule 141 of the Commission's Rules of Practice provides that the Secretary, or another duly authorized officer of the Commission, shall serve a copy of the Order Instituting Public Administrative and Cease-and-Desist Proceedings Pursuant to Sections 4C and 21C of the Securities and Exchange Act of 1934 and Rule 102(e) of the Commission's Rules of Practice, Marking Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order, on the Respondents and their legal agent.

The attached Order has been sent to the following parties and other persons entitled to notice:

Honorable Brenda P. Murray

Chief Administrative Law Judge

Securities and Exchange Commission

100 F Street, N.E.

Washington, DC 20549-2557

Cheryl J. Scarboro, Esq.

Division of Enforcement

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