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## U.S. Securities and Exchange Commission

### SEC Charges India-Based Affiliates of PWC for Role in Satyam Accounting Fraud

FOR IMMEDIATE RELEASE  
2011-82

Washington, D.C., April 5, 2011 – The Securities and Exchange Commission today sanctioned five India-based affiliates of PricewaterhouseCoopers (PwC) that formerly served as independent auditors of Satyam Computer Services Limited for repeatedly conducting deficient audits of the company's financial statements and enabling a massive accounting fraud to go undetected for several years.

The SEC found that the audit failures by the PW India affiliates – Lovelock & Lewes, Price Waterhouse Bangalore, Price Waterhouse & Co. Bangalore, Price Waterhouse Calcutta, and Price Waterhouse & Co. Calcutta – were not limited to Satyam, but rather indicative of a much larger quality control failure throughout PW India.

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#### Additional Materials

▶ [SEC Order Against PW India Affiliates](#)

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The PW India affiliates agreed to settle the SEC's charges and pay a \$6 million penalty, the largest ever by a foreign-based accounting firm in an SEC enforcement action.

In addition, the PW India affiliates agreed to refrain from accepting any new U.S.-based clients for a period of six months, establish training programs for its officers and employees on securities laws and accounting principles; institute new pre-opinion review controls; revise its audit policies and procedures; and appoint an independent monitor to ensure these measures are implemented.

In a related settlement today, Satyam agreed to settle fraud charges, pay a \$10 million penalty, and undertake a series of internal reforms. Since the fraud came to light, the India government seized control of the company by dissolving its board of directors and appointing new government-nominated directors, among other things. Additionally, India authorities filed criminal charges against several former officials as well as two lead engagement partners from PW India.

"PW India violated its most fundamental duty as a public watchdog by failing to comply with some of the most elementary auditing standards and procedures in conducting the Sataym audits. The result of this failure was very harmful to Satyam shareholders, employees and vendors," said Robert

Khuzami, Director of the SEC's Division of Enforcement.

Cheryl Scarboro, Chief of the SEC's Foreign Corrupt Practices Act Unit, added, "PW India failed to conduct even the most fundamental audit procedures. Audit firms worldwide must take seriously their critical gate-keeping duties whenever they perform audit engagements for SEC-registered issuers and their affiliates, and conduct proper audits that exercise professional skepticism and care."

The SEC's order instituting administrative proceedings against the firms finds that PW India staff failed to conduct procedures to confirm Satyam's cash and cash equivalent balances or its accounts receivables. Specifically, the order finds that PW India's "failure to properly execute third-party confirmation procedures resulted in the fraud at Satyam going undetected" for years. PW India's failures in auditing Satyam "were indicative of a quality control failure throughout PW India" because PW India staff "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."

After the fraud at Satyam came to light, PW India replaced virtually all senior management responsible for audit matters. The affiliates suspended its Satyam audit engagement partners from all work and removed from client service all senior audit professionals on the former Satyam audit team.

In addition to the \$6 million penalty and previously listed reforms, the PW India affiliates have consented to a censure, as well as the entry of a cease-and-desist order finding that they violated Section 10A(a) of the Exchange Act and were a cause of Satyam's violations of Sections 13(a) and 13(b)(2) (A) of the Exchange Act and relevant Rules thereunder.

#### PCAOB Proceeding

In a related proceeding, the PW India affiliates also reached a settlement with the Public Company Accounting Oversight Board (PCAOB) in which the PW India firms have been censured and agreed to extensive undertakings substantially similar to those set forth in the SEC administrative order. Additionally, Lovelock & Lewes and Price Waterhouse Bangalore have agreed to pay the PCAOB a \$1.5 million penalty for their violations of PCAOB rules and standards in relation to the Satyam audit engagement.

The Commission acknowledges the assistance of the PCAOB. The SEC's investigation is continuing.

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For more information about this enforcement action, contact:

Cheryl J. Scarboro  
Chief, FCPA Unit of the SEC Division of Enforcement  
202-551-4403

<http://www.sec.gov/news/press/2011/2011-82.htm>

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