
ORDER INSTITUTING DISCIPLINARY
PROCEEDINGS, MAKING FINDINGS,
AND IMPOSING SANCTIONS

In the Matter of HDSG & Associates

Respondent.

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) PCAOB Release No. 105-2015-024
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) July 23, 2015
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By this Order, the Public Company Accounting Oversight Board ("Board" or "PCAOB") is censuring HDSG & Associates ("Firm"), a registered public accounting firm, imposing a civil money penalty in the amount of \$5,000 upon the Firm, and requiring the Firm to undertake certain remedial measures, including to establish policies and procedures, directed toward ensuring compliance with the engagement quality review criteria requirements applicable to audits of issuers. The Board is imposing these sanctions on the basis of its findings that the Firm violated PCAOB rules and standards in connection with the Firm's audit of one issuer audit client.

I.

The Board deems it necessary and appropriate, for the protection of investors and to further the public interest in the preparation of informative, accurate, and independent audit reports, that disciplinary proceedings be, and hereby are, instituted pursuant to Section 105(c) of the Sarbanes-Oxley Act of 2002, as amended (the "Act"), and PCAOB Rule 5200(a)(1) against Respondent.

II.

In anticipation of institution of these proceedings, and pursuant to PCAOB Rule 5205, Respondent has submitted an Offer of Settlement ("Offer") that the Board has determined to accept. Solely for purposes of these proceedings and any other proceedings brought by or on behalf of the Board, or to which the Board is a party, and without admitting or denying the findings herein, except as to the Board's jurisdiction over it and the subject matter of these proceedings, which is admitted, Respondent

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consents to entry of this Order Instituting Disciplinary Proceedings, Making Findings, and Imposing Sanctions ("Order") as set forth below.¹

III.

On the basis of Respondent's Offer, the Board finds that:

A. Respondent

1. HDSG & Associates is, and at all relevant times was, an accounting firm organized under Indian law, and headquartered in New Delhi, India. The Firm is registered with the Board pursuant to Section 102 of the Act and PCAOB rules, and is licensed by the Institute of Chartered Accountants of India (license no. 002871N). At all relevant times, the Firm was the external auditor for the issuer, Skajaquoda Group, Inc. ("Skajaquoda").

B. Summary

2. This matter concerns the Firm's failure to comply with Auditing Standard No. 7, *Engagement Quality Review* ("AS 7"), with respect to its issuer client, Skajaquoda. In the case of the Firm's audit of Skajaquoda's 2011 year-end financial statements, the Firm failed to have an engagement quality review performed even though it was required.

C. Respondent Violated PCAOB Auditing Standards

3. In connection with the preparation or issuance of an audit report, PCAOB rules require that a registered public accounting firm and its associated persons comply with the Board's auditing and related professional practice standards.²

4. For audits of financial statements for years beginning on or after December 15, 2009, AS 7 requires that an engagement quality review be performed on audits and interim reviews conducted pursuant to PCAOB standards.³ AS 7 also

¹ The findings herein are made pursuant to the Respondent's Offer and are not binding on any other person or entity in this or any other proceeding.

² PCAOB Rule 3100, *Compliance with Auditing and Related Professional Practice Standards*.

³ See AS 7 ¶ 1.



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provides that a firm may grant permission to a client to use the engagement report only after an engagement quality reviewer provides concurring approval of issuance.⁴

Audit of Skajaquoda's Financial Statements

5. At all relevant times, Skajaquoda was a Delaware corporation headquartered in Claymont, Delaware. The company's public filings disclose that it was in the business of managing an investment fund. At all relevant times, Skajaquoda was an "issuer" as defined in Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii).

6. The Firm was engaged as Skajaquoda's external auditor in 2011. The Firm was engaged to audit the financial statements of Skajaquoda for the year ended December 31, 2011. The Firm issued an audit report, dated May 3, 2012, which was included in Skajaquoda's Form 10-K filed with the Securities and Exchange Commission ("Commission" or "SEC") on May 4, 2012.

7. The Firm issued its audit report without obtaining an engagement quality review and concurring approval of issuance. As a result, the Firm violated AS 7.

IV.

In view of the foregoing, and to protect the interests of investors and further the public interest in the preparation of informative, accurate, and independent audit reports, the Board determines it appropriate to impose the sanctions agreed to in Respondent's Offer.

Accordingly, it is hereby ORDERED that:

- A. Pursuant to Section 105(c)(4)(E) of the Act and PCAOB Rule 5300(a)(5), HDSG & Associates is hereby censured;
- B. Pursuant to Section 105(c)(4)(D) of the Act and PCAOB Rule 5300(a)(4), a civil money penalty in the amount of \$5,000 is imposed upon HDSG & Associates. All funds collected by the Board as a result of the assessment of this civil money penalty will be used in accordance with Section 109(c)(2) of the Act. HDSG & Associates shall pay this civil money penalty within 10 days of the issuance of this Order by (a) wire transfer in accordance with instructions furnished by Board staff; or (b) United States postal money order, certified check, bank cashier's check or bank money order; (c) made payable to the Public Company Accounting Oversight

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Id. at ¶ 13.

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Board; (d) delivered to the Controller, Public Company Accounting Oversight Board, 1666 K Street, N.W., Washington, D.C. 20006; and (e) submitted under a cover letter which identifies HDSG & Associates as a Respondent in these proceedings, sets forth the title and PCAOB Release Number of these proceedings, and states that payment is made pursuant to this Order, a copy of which cover letter and money order or check shall be sent to the Office of the Secretary, Attention: Phoebe Brown, Secretary, Public Company Accounting Oversight Board, 1666 K Street, N.W., Washington, D.C. 20006; and

C. Pursuant to Section 105(c)(4)(G) of the Act and PCAOB Rule 5300(a)(9), the Firm is required:

1. within ninety (90) days from the date of this Order, to establish policies and procedures, or review and/or supplement existing policies and procedures, for the purpose of providing the Firm with reasonable assurance of compliance with Auditing Standard No. 7, *Engagement Quality Review*;

2. within ninety (90) days from the date of this Order, to establish a policy of ensuring training, whether internal or external, on an annual or more frequent basis, concerning Auditing Standard No. 7, of any Firm audit personnel who participate in any way in the planning or performing of any audit services (as defined in PCAOB Rule 1001(a)(vii));

3. within ninety (90) days from the date of this Order, and before the Firm's commencement of any audit services, to ensure training pursuant to the policy described in paragraph C(2) above on at least one occasion;

4. to provide a copy of this Order—

a. within (30) days from the date of this Order, to all audit personnel employed by, or associated with (as defined in PCAOB Rule 1001(p)(i)), the Firm as of the date of this Order;

b. within (30) days from the date of this Order, to any client of the Firm as of the date of this Order for which the Firm has performed or has been engaged to perform audit services;

c. before the commencement of any audit services, to any future client for which the Firm is engaged within three (3) years of the date of this Order to perform such audit services; and

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5. to certify in writing to the Director of the Division of Enforcement and Investigations, Public Company Accounting Oversight Board, 1666 K Street, N.W., Washington D.C. 20006, the Firm's compliance with paragraphs C(1) through C(4)(b) above. The certification shall identify the undertakings, provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. The Firm shall submit such certification within one hundred twenty (120) days from the date of this Order. The Firm shall also submit such additional evidence of and information concerning compliance as the staff of the Division of Enforcement and Investigations may reasonably request.

ISSUED BY THE BOARD.

/s/ Phoebe W. Brown

Phoebe W. Brown
Secretary

July 23, 2015