



राष्ट्रीय वित्तीय रिपोर्टिंग प्राधिकरण
National Financial Reporting Authority

INSPECTION REPORT
2024

Audit Firm: M/s Walker Chandiok & Co. LLP
Firm Registration No. 001076N/N500013
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PART A

Executive Summary

Section 132 of the Companies Act 2013 ('Act', hereafter), inter alia, mandates National Financial Reporting Authority (NFRA) to monitor compliance with Auditing Standards, to oversee the quality of service of the professions associated with ensuring compliance with such standards, and to suggest measures required for improvement in quality of their services. Under this mandate, NFRA initiated audit quality inspection of the Chartered Accountant firm M/s Walker Chandiok & Co. LLP. (WCCL) in September 2025. The scope included a review of firm-wide quality controls pertaining to Independence, Human Resources, Consultations and Monitoring to assess the Audit Firm's (also referred to as "the Firm's") adherence to SQC 1, including follow-up from previous inspections, and a review of selected Audit Documentation for the annual statutory audit of financial statements for the year ending 31.03.2024. Two focus area, namely Revenue Recognition and Loans & Advances, and at least one engagement specific area based on risk, were taken for inspection in each audit engagement. The on-site inspection was carried out during the month of December 2025.

During the inspection, the Inspection Team held discussions with the Audit Firm personnel, reviewed policies and procedures and examined documents to arrive at the prima facie observations. These observations were discussed with and conveyed to the Audit Firm. After examining the replies of the Audit Firm, NFRA conveyed a draft inspection report to the Firm on 17.03.2026. The replies and documents submitted by the Audit Firm have been examined and this report is issued. This public version of the final inspection report excludes confidential or proprietary information, as pointed out by the Audit Firm. The key observations in this report are summarised as follows:

Firm-Wide Audit Quality Control System

- a. Independence of the firm is a significant matter which has been raised by NFRA during past two inspections. The standpoint of the firm of not accepting WCCL being part of GTIL Network, is potentially affecting compliance with the independence requirements as per the provisions of the Act and SQC 1. The scope of self-imposed embargo by the Firm, which is currently limited to NFRA governed entities and applicable to the recognized firms in India does not ensure full compliance with Section 144 of the Act. **(Refer Para 12-37 below)**
- b. SEBI (Prohibition of Insider Trading) PIT Regulations, 2015 treat "connected persons", including their "immediate relatives," as subject to disclosure and compliance requirements. However, the firm's PIT Code of Conduct does not define "immediate relative," creating a potential risk of non-disclosure and non-identification of insider trading undertaken by such relatives of employees. **(Refer Para 38-44 below)**

- c. There is a need for systemic improvement to ensure independence declaration by every team member and its documentation in the audit tool, before signing off the engagement. **(Refer Para 47-49 below)**
- d. The Firm's process for mandatory and recommendatory consultations with the National Professional Standard Group (NPSG) exhibited control weaknesses. The Firm's system lacks automated controls to prevent the archival of engagement files without obtaining mandatory consultations. This needs systemic improvement. **(Refer Para 50-56 below)**
- e. The firm's monitoring process exhibited a lack of formal and documented communication of deficiencies identified during Internal Quality Control Reviews (IQCR) to the respective engagement partners. Without written feedback, the firm could not establish a clear benchmark for partners to improve the quality of future audit engagements. **(Refer Para 57-62 below)**

Summary of Findings Regarding Audit Engagements

i. Audit of Revenue

Company A

Review of the audit documentation of Company 'A' provided, that the audit lacked supporting evidence for control and detail tests. Significant areas of journal entry testing were excluded, potentially not mitigating the risk of management override of controls, as required by SA 330. **(Refer Para 63-67 below)**

Company B

It is observed that the audit file does not contain documentary evidence (e.g. copies of the sample invoices) supporting the samples selected for Test of Controls, as required by Para 5 of SA 230, thereby rendering the performance of such procedures unverifiable. **(Refer Para 68-70 below)**

ii. Audit of Loans and Advances

It was observed that in Company A, there was significant loan and investment exposure in a wholly owned subsidiary, however, the audit file lacks documentation evidencing assessment of loan recoverability, particularly considering impairment of the investment recognized in the subsidiary. **(Refer Para 71-77 below)**

iii. Other matters

Company A

Audit trail features under Rule 3 (1) of the Companies (Accounts) Rules, 2014 were not enabled, leaving gaps in compliance. Engagement Team failed to evidence compensating controls or impact assessment, therefore lacked meeting the requirements of SA 500 and SQC 1 adequate audit support. Similar deficiency was observed in other four number of engagements. **(Refer Para 78-82 below)**

Company B

It is observed that the engagement team did not appropriately comply with the requirements of SA 540 in evaluating accounting estimates. There is no adequate documentation demonstrating assessment of the reasonableness of key assumptions, including growth rate, risk premium, and beta etc. **(Refer Para 83-88 below)**

Company C

The review reflects deficiencies in evidentiary support and compliance with accounting requirements in respect of related party Inter-Corporate Deposits and impairment assessment of investments in subsidiaries and associates. The Firm did not evaluate the assertion of the management that related party transactions were conducted at arm's length and failed to test the impairment requirement for a wholly owned subsidiary and certain associates in accordance with Ind AS 36. **(Refer Para 89-98 below)**

The Firm's audit documentation did not contain evidence of management's assessment of Company's ability to continue as a going concern. Furthermore, the Firm's evaluation of the going concern assumption did not demonstrate adequate level of professional skepticism, particularly considering significant adverse indicators such as high leverage and a negative working capital position. **(Refer Para 99-101 below)**

Company D

The auditors concluded that the going concern basis was appropriate and included a '*Material Uncertainty Related to Going Concern*' paragraph. While certain funding components were identified and partly realized, the audit file does not clearly demonstrate how the auditors assessed the feasibility and timing of the expected inflows, including promoter support, warrant conversions, and proposed external funding. Accordingly, the audit documentation in this regard needs to be strengthened to ensure compliance with the requirements of SA 230 and SA 570 (Revised). **(Refer Para 102-104 below)**

Inspection Overview

1. Section 132 of the Act, inter alia, mandates NFRA to monitor compliance with Auditing Standards, to oversee the quality of service of the professions associated with ensuring compliance with such standards, and to suggest measures required for improvement in the quality of their services. The relevant provisions of NFRA Rules, 2018 prescribe procedures for this, including the evaluation of the sufficiency of the auditor's quality control system and the manner in which the auditors document the quality control procedures. Under this mandate, NFRA initiated audit quality inspections in September 2025 of the Audit Firm. The overall objective of audit quality inspections is to evaluate compliance of the Audit Firm / Auditor with auditing standards and other regulatory and professional requirements, and the sufficiency and effectiveness of the quality control system of the Audit Firm / Auditor, including:
 - (a) adequacy of the governance framework and its functioning;
 - (b) effectiveness of the firm's internal controls over audit quality; and
 - (c) system of assessment and identification of audit risks and mitigating measures
2. Inspections involve a review of the quality control policy, review of certain focus areas, test check of the quality control processes, and test check of audit engagements performed by the Audit Firm during the selected inspection year.
3. Inspections are intended to identify areas and opportunities for improvement in the Audit Firm's system of quality control. Inspections, however, are not designed to review all aspects and identify all weaknesses in the governance framework or system of internal control or audit risk assessment framework and are also not designed to provide absolute assurance about the Audit Firm's quality of audit work. In respect of selected audit assignments, inspections are not designed to identify all the weaknesses in the audit work performed by the auditors in the audit of the financial statements of the selected companies.
4. Inspections are intended to identify areas and opportunities for improvement in the Audit Firm's system of quality control. Inspection reports are also not intended to be either a rating or a marketing tool for Audit Firms.

Audit Quality Inspection Approach

5. Selection of the audit firms for the year 2023-24 inspections was based upon the extent of public interest involved, as evidenced by the size, composition, and nature of the audit firm; the number of audit engagements completed in the year under review; complexity and diversity of the company's financial statements audited by the firm and other risk indicators. M/s Walker Chandiok & Co. LLP was one of the audit firms selected as per the above parameters.

6. The selection of individual audit engagements of the Audit Firm was largely risk-based, using financial and non-financial risk indicators identified by NFRA. Accordingly, the Audit Files in respect of five (5) Audit Engagements relating to the statutory audit of financial statements for the year ending 31.03.2024 were reviewed during the inspection.
7. The scope of the inspection of M/s Walker Chandiok & Co. LLP was as follows:
 - a. Review of the remedial measures and improvements made in response to the previous inspection observations for firm-wide quality controls to evaluate the Audit Firm's adherence to SQC 1, Code of Ethics, and the applicable laws and rules.
 - b. Review of individual Audit Engagement Files- A sample of five (5) individual audit engagement files pertaining to the annual statutory audit of financial statements for the year ending 31.03.2024 were selected. Three significant audit areas were covered in respect of each audit engagement viz., Revenue Recognition, Loans and Advances, due to their inherent higher risk of material misstatement and one engagement specific focus area.
 - c. The selected sample of five individual audit engagements is not representative of the Firm's total population of the audit engagements completed by the Firm for the year under review.

Inspection Methodology

8. An entry meeting was held with M/s Walker Chandiok & Co. LLP. on 17.10.2025 at NFRA office. The Firm presented an overview of the Governance and Management Structure, Firm-wide System of Quality Control, their audit approach and methodologies, including IT Systems. Thereafter, a teamwise walkthrough has been arranged on each selected engagement for understanding the audit files from 28.10.2025 to 29.10.2025. On-site inspection of the Firm was carried out from 01.12.2025 to 05.12.2025. The inspection methodology comprised meetings, walkthroughs, presentations and interviews and enquiries with certain members of the leadership team as well as the Engagement Teams of the selected audit engagements.
9. The areas of weaknesses or deficiencies on the part of the Audit Firm, included in the inspection reports, should be understood as areas of potential improvement and not a negative assessment of the work of the Audit Firm unless specifically indicated otherwise.

Audit Firm's Profile

10. M/s Walker Chandiok & Co. LLP, a Limited Liability Partnership, is registered with The Institute of Chartered Accountants of India. WCCL stated that it is a part of a network¹ of two audit firms, which operate through a registered office at New Delhi and 16 branch

¹ 1. M/s Walker Chandiok & Co., LLP (WCCL) 2. M/s Walker Chandiok & Associates LLP (WCAL)

offices at 14 locations across India. The Firm was a statutory auditor of 155 entities falling under NFRA's purview during FY 2023-24.

As discussed in this Inspection Report, WCCL is also a part of an international network called Grant Thornton International Limited (GTIL). In its communication to NFRA, however, WCCL has maintained that it is not a member of the GTIL network.

Acknowledgement

11. NFRA acknowledges the general co-operation extended by M/s Walker Chandiok & Co. LLP during the inspection.

PART B

Review of Firm-Wide Audit Quality Control System

It is pertinent to note that the firm is undergoing the third cycle of inspection and adequate time of remedial action has been provided by NFRA to the audit firm. Observations regarding the Audit Firm's quality policies and on the application of the quality policies based on a review of sample audit engagements are discussed below. Any deviation of the Firm's policy from the applicable law or any deviation in the application of the Firm's policy in practice is reported.

A. Independence

A.1 Independence at Firm's Level

12. Independence of the firm is a significant issue and has been raised by NFRA in its inspection reports for Year 2022 and 2023. The reports established that there is a relationship between WCCL² and GTIL³, and therefore, WCCL becomes the part of GTIL network. Needless to mention that GTIL Network has other firms in India apart from WCCL. This is potentially affecting the compliance on the part of the firm with the independence requirements as per the provisions of the Act and SQC 1. To understand the issue, statutory and other requirements have been discussed as below:

A.1.1 Statutory and Other requirements on Independence

13. Several stipulations and conditions to be fulfilled pertaining to the independence of the Statutory Auditor, are laid down in the following:
 - a. Section 141 (3) (i) of the Act states that "*The following persons shall not be eligible for appointment as an auditor of a company, namely:--*
...any person whose subsidiary or associate company or any other form of entity, is engaged as on the date of appointment in consulting and specialised services as provided in section 144".

² M/s Walker Chandiok and Co. LLP (WCCL)

³ M/s Grant Thornton International Limited (GTIL)

- b. Section 144 of the Act provides a list of non audit services that an auditor is prohibited from providing, and states that:-

*An auditor appointed under this Act shall provide to the company only such other services as are approved by the Board of Directors or the audit committee, as the case may be, but which shall not include any of the following services (whether such services are rendered **directly or indirectly**) to the company, or its holding company or subsidiary company, namely:—*

- (a) accounting and book keeping services;*
- (b) internal audit;*
- (c) design and implementation of any financial information system;*
- (d) actuarial services;*
- (e) investment advisory services;*
- (f) investment banking services;*
- (g) rendering of outsourced financial services;*
- (h) management services; and*
- (i) any other kind of services as may be prescribed*

The term “directly or indirectly” mentioned under section 144 of the CA, 2013 shall include rendering of services by the auditor as mentioned in Explanation (ii) to Section 144 of the Act, 2013, which states that

“For the purposes of this sub-section, the term ‘directly or indirectly’ shall include the rendering of services by the auditor, in case of auditor being a firm, either itself or through any of its partners or through its parent, subsidiary or associate entity or through any other entity, whatsoever, in which the firm or any partner of the firm has significant influence or control, or whose name or trade mark or brand is used by the firm or any of its partners”.

- c. Para 6 (j) of SQC 1 defines the term “Network firm” as “*a firm or entity that belongs to a network*”.
- d. Para 6 (k) of SQC 1 defines the term “Network” as “*A larger structure: (i) That is aimed at cooperation, and (ii) That is clearly aimed at profit or cost-sharing or shares common ownership, control or management, common quality control policies and procedures, common business strategy, the use of a common brand name, or a significant part of professional resources*”.
- e. Paras 18-27 of SQC 1 require firms to establish policies and procedures to ensure compliance with ethical requirements, particularly independence. Firms must identify and evaluate threats to independence, apply safeguards to eliminate or reduce them, obtain periodic confirmations from personnel, address breaches promptly, and communicate independence requirements effectively within the firm.

14. In conclusion, the above provisions collectively establish a robust framework to safeguard the independence of statutory auditors. The Act prescribes prohibition on rendering certain non-audit services and widens the scope of prohibition, by including the words “directly or indirectly” to address the services provided through related or network entities. Also, it prescribes the requirement for obtaining approval from the Board of Directors or Audit Committee in order to provide permitted non-audit services. Complementing this, SQC 1 defines network relationship and mandates firms to implement policies ensuring adherence to ethical and independence requirements, to avoid self-review and conflict of interest threats, thereby reinforcing auditor’s objectivity, transparency, and credibility in the audit process.

The eligibility of a Chartered Accountant or firm to be appointed and continue as a statutory auditor must be verified in accordance with Section 141 of the Act. Auditors are disqualified if they provide services prohibited under Section 144 and subsequently require immediate vacation from the office. Auditor independence, both in fact and appearance, is fundamental. Further, prohibited services under Section 144 should be interpreted broadly, as they are subject to absolute prohibition to safeguard auditor’s objectivity. Therefore, assessment of audit firm’s independence is of utmost importance.

A.1.2 WCCL being part of Grant Thornton International Limited (GTIL) Network

15. In backdrop of Explanation provided to Section 144 of the Companies Act, 2013, and as discussed in detail below, we note that GTIL has significant influence and control over WCCL through its policies, procedures and key decision making, which establishes network relationship between them.
16. In view of the definition of ‘Network’ as per Para 6 (k) of SQC 1 also, we observe that there is a large international structure of GTIL network, which clearly aims at cooperation among the firms of the network, including of WCCL; for sharing of common control or management through use of common quality control policy, technology & audit platforms / tools and procedures to meet the common business objective of seeking the audit business under the brand name of ‘Grant Thornton’, as discussed in the subsequent paragraphs.

This was also observed in the past inspections.

17. Findings of NFRA in the current inspection are as under:-

- a. We note following from the Global Transparency Report 2024 of GTIL (GTR), available at its website: -
 - i. *“GTIL has 120 member firms in 150 markets around the world. Each member firm is a separate legal entity”.*

Hence, GTIL is a large international structure.

- ii. WCCL has adopted the audit platform ‘Leap’, and it is in the process of phasing out the earlier platform ‘Voyager’. Both the audit tools have been developed at the GTIL

network level. As discussed in the subsequent paragraphs, we note that engagement quality policies of WCCL have been majorly laid down as per the policies of GTIL for performance of the audit, and the same have been coded and ingrained in the audit platforms of 'Voyager' and 'Leap'.

GTR also speaks about these tools under the head of 'Global quality' for member firms, where it is reported that (page 8 of the report)

"...Investing in technology and tools to support member firms across the network to provide high-quality service is a key focus of our network strategy. The prime example of this is GTIL's assurance technology platform called Leap, which is a proprietary, cloud based tool that is delivering greater value to client, people and member firms".

Hence, GTIL network clearly aims at co-operation, shares the common business strategy of high-quality service and cost of technology viz. of audit platform like 'Leap' among the network entities. GTIL also controls and manages its network firms through these technology platforms, which provide seamless access to the functioning and decision making of the network firms, and push common policies. Audit and assurance platform is a technology platform over which the complete life cycle of the audit procedures is performed by the engagement team, and the audit files are archived. Therefore, such platform is the backbone for network audit firms. Quality of the audit also highly depends on the workflow, policies and procedures inbuilt in such audit platform.

Considering the above, it is seen that WCCL is actively aligned and contributes to the co-operation at the GTIL network level. WCCL is following the policies and procedures inbuilt in these audit and assurance tools laid down by GTIL for its member firms.

- iii. GTIL has designed a Key Assignment Acceptance (KAA) global policy through which the **member firms** are required to assess, both audit and non-audit assignments before their acceptance, subject to KAA criteria and ensure approval by the KAA Committee of GTIL. The criteria that require application of a KAA includes assignments that are likely to have **negative impact on GT brand** or the fees for a client exceed the prescribed threshold and other criteria.

The GTR at Page 13 under para 'Engagement Acceptance' also reports about KAA as follows:

"In addition to the controls in place at a member firm level, certain high-risk engagements need to be submitted to a global committee, comprising senior partners from member firms, for approval under the GTIL Key Assignment Acceptance (KAA) policy".

Inspection Team observed that there are 17 instances in FY 2023-24, 13 instances in FY 2024-25 and 4 instances in the current FY (i.e. 2025-26 till the date of onsite inspection) where WCCL had obtained approval of KAA Committee of GTIL for client acceptance for KAA criteria of fees and for issues **affecting GT brand**. The

adherence to KAA was also observed in past inspection cycles. Therefore, WCCL directly follows GTIL policies and procedures and is being controlled by GTIL to meet its business strategy to protect its brand and to have a key role in the decision making of the fees to be charged from the auditee clients.

b. Inspection Team also observed the following:

- i. WCCL's Ethics and Quality Control Manual (EQCM) has multiple references to GTIL, use of GTIL policies, procedures, software, and reliance on GTIL's process for all the key aspects of audit process including confidentiality, key decision making including working in a foreign jurisdiction, independence check, client acceptance & continuance, archival of audit files and assessments of cyber security plans, etc.

This establishes complete dependence of WCCL on GTIL regarding policies and procedures for the complete life cycle of audit, beginning from the decision of acceptance of the client to performance of the audit till the archival of the audit files.

- ii. This is further endorsed by our observation that, as per EQCM, at the time of undertaking any new service by WCCL and other GTIL network entities in India, assessment is made to identify whether existing relationships (if any) with the prospective client give rise to ethical issues or conflict of interest. This requires mandatory performance of a process namely "Relationship and Conflict Check" (RCC) prior to acceptance of a client, for all the new and existing clients, for all the audit and non-audit services, and it is done by WCCL team at the GTIL Network level. The Partner leading the new client opportunity is responsible for ensuring the completion of RCC process. The outcome of this process is binding on WCCL and other GTIL network entities in India.

This also reinforces the direct control and management relationship between GTIL and WCCL.

- iii. As per PCAOB requirements, if a Firm is a foreign registered public accounting firm, it is required to designate to the Commission or Board an agent in the United States upon which the Commission or the Board may serve any request to the firm. Like previous two inspection observations, the inspection team, in the current year also observed that WCCL had declared in their annual filing with PCAOB for FY 2023-24, Grant Thornton LLP as their agent under Section 106 of the Sarbanes-Oxley Act, 2002 ('SOX' hereafter). Grant Thornton LLP is a part of the GTIL network, as declared by Grant Thornton LLP in their annual filing with PCAOB for FY 2023-24.

We note that as per the joint reading of Section 2 (a) (9) (A) of SOX and other relevant provisions, an agent is a 'Person Associated with a Public Accounting Firm', who is accountable for the legal and other compliances on behalf of such firm. This also establishes the continued direct relationship between WCCL and GTIL.

18. In response to the above observations, the Firm has submitted a detailed reply, reiterating its previous submissions, as partly reproduced below:

- a. The firm continues to deny being part of GTIL Network, directly or indirectly, in absence of any direct membership agreement with GTIL.
- b. As regards observation in Inspection Reports regarding approvals from GTIL for client acceptance and re-acceptance process, the firm mentioned that decision for client acceptance or re-acceptance is taken by the partners of WCCL independently.
- c. Declaration of Grant Thornton LPP as agent u/s 106 of SOX is only for compliance purposes and does not indicate any cooperation in professional assignments, profit or cost sharing, common ownership, control or management between the firms.
- d. **The process to enter direct membership arrangement with GTIL has been initiated**, however, it will be a time-consuming process. Taking membership of GTIL would not impact/ change the firm's current independence check mechanism, which covers all the related entities in India only.

19. Conclusion regarding relationship between WCCL and GTIL

- a. Firm's reply is not tenable. Vide our observations, it has been established that GTIL is a large structure, that is clearly aimed at co-operation for sharing of cost, controlling or managing the network firms, adoption of common quality control policies and procedures, admittedly aims at common business strategy for providing high-quality service and protects its brand name.
- b. WCCL also operates in close alignment with these policies, procedures and governance mechanisms of GTIL, including use of its technology platforms (detailed in Para 17(a)(ii)), adherence to GTIL's client acceptance processes (detailed in Para 17(a)(iii)) and compliance with network-level ethical and quality control requirements (detailed in Para 17(b)).

Accordingly, notwithstanding the Firm's submissions regarding absence of a formal membership agreement, the overall conduct and substance of the relationship establishes that WCCL functions as part of the GTIL network. Denial of the firm in this regard, has implications for assessing compliance with independence requirements under the Section 141 read with Section 144 of the Act and SQC 1.

- c. The replies of the firm, that they act independently for the client acceptance and re-acceptance is factually incorrect, as it is observed that they follow the KAA and RCC policies mandatorily.
- d. Submission of the firm regarding appointing of an agent on their behalf under SOX is just for compliance purpose, also establishes tacit acceptance of their network relationship with

GTIL. As an agent under SOX is just not for namesake, on contrary it is a Person Associated with the Public Accounting Firm, who is accountable for the legal and other compliances on behalf of such firm.

A.1.3 Relationship between WCCL and Indian Entities of GTIL Network

20. We note that following **are the submissions of the firm**, regarding other Indian entities using the brand name of Grant Thornton, and their relationship with WCCL:

- a. GTAPL⁴ is a member firm of GTIL's global network.
- b. Mr. Vishesh Chandiok, holds majority control in GTAPL, while his father Mr. Vinod Chandiok controls WCCL.
- c. Mr. Vishesh Chandiok has significant influence over GTBL⁵ and is appointed as a designated partner for this firm.
- d. WCCL, GTAPL and GTBL are separate legal entities and are related parties as per the Act.

21. NFRA's observations regarding these entities are as under:

- a. Both GTAPL and GTBL use the common brand name of Grant Thornton.
- b. Admittedly, Mr. Vishesh Chandiok holds majority control or significant influence over both the entities, i.e. GTAPL and GTBL. Further, GTAPL is a member firm of GTIL's global network. Therefore, a logical conclusion is that GTBL is indirectly part of GTIL network.
- c. It is observed that WCCL is in a contractual relation with GTAPL for the usage of audit software and with Indian GTIL network firms for hiring of the staff and sharing of manpower resources among them.
 - i. For example, we note that the RCC team staffed by WCCL is responsible for checking of the independence and the implementation of the self-regulated embargo⁶, whenever a decision regarding providing of a service by WCCL, GTBL or by other network firms of GTIL in India to the NFRA covered entities, is taken.

RCC team of WCCL is also responsible for making communication regarding the embargo to all the senior employees of WCCL and GTBL. This clearly establishes that while adhering to GTIL guidelines, RCC team works for all the network entities of GTIL in India.

⁴ M/s Grant Thornton Advisory Private Limited (GTAPL)

⁵ M/s Grant Thornton Bharat Limited (GTBL)

⁶ It was reported by the Audit Firm that, from 1st April 2025, WCCL, GTBL and their related entities in India have extended self-regulated embargo on providing of non-attest services to all the NFRA covered entities, including their holding and subsidiary companies as defined in Rule 3 of NFRA Rules, 2018. This self-regulated embargo was earlier applicable by these entities to the listed entities only.

- ii. Also, while assessing the RCC portal, it is observed that the inquiry raised by WCCL, GTBL or their related firms in India are pushed to the RCC team of WCCL with no separate distinction in the portal for the identification of the origin of inquiry.

This evidences that internally, the common network structure does not differentiate among WCCL, GTBL or its related entities in India. Furthermore, it establishes that significant professional resources are shared among them.

- iii. As submitted by WCCL, in the FY 2023-24, it provided professional services to GTBL and GTAPL for the 559 number of engagements, of 658 number of employees, amounting Rs. 14.92 Cr. While GTBL provided professional services to WCCL for the 1631 number of engagements, of 1031 number of employees, amounting Rs. 21.33 Cr.
- iv. GTAPL, which is the admittedly network firm of GTIL, makes available the GTIL network audit platforms viz. 'Voyager' and 'Leap' on exclusive basis in India to WCCL.
- v. GTBL and WCCL share a common registered address (L-41, Connaught Circus, New Delhi) as per FORM -2 (Annual Report Form) filed with the PCAOB for the annual reporting.

Above paragraphs (iii), (iv) and (v) above, also establish sharing of significant professional resources among GTIL, GTAPL, GTBL and WCCL.

- d. WCCL, in its filings with PCAOB for annual reporting, declared that it had no 'audit related membership, affiliations or similar arrangements with any other entity. On the contrary, GTBL declared in its filings to PCAOB that it had 'audit related memberships, affiliations or similar arrangements' with GTIL and WCCL.
- e. It is also observed that GTBL is not registered with ICAI to carry out audit and assurance services, and therefore cannot offer statutory audit and assurance service in India. However, it seeks the audit business, as observed from its website, where it states under the Assurance Service head that 'Grant Thornton Bharat offers tailored assurance and auditing services in India, ensuring NFRA compliance, sector expertise, and risk-based audits for credible reporting'.
- f. By combined reading of above two statements of GTBL, logical conclusion is that for providing assurance services in India, GTBL has contractual arrangement with GTIL and WCCL. As GTBL itself cannot provide the audit and assurance services in India, it seeks the audit business in the name of global brand name of 'Grant Thornton' for WCCL, which is under the common business strategy, direction and control of GTIL.
- g. Such relationship of seeking audit business by WCCL is also endorsed by other agencies, e.g. ICRA (Credit Rating Agency registered with and regulated by SEBI and

also accredited by the RBI), where it identified in its report dated 14.08.2024 and 10.09.2025, that WCCL benefits in the form of contractual business with the GT Group, which is an affiliate of the GTIL Network, which supports the firm's business growth.

- h. PCAOB vide its order dated 20.02.2024 in the matter of GTBL relating to an issuer, M/s WNS Holdings Limited, for fiscal year ended 31.03.2021 observed that GTBL failed to inform the Issuer's Audit Committee about the roles and responsibilities of other Public Accounting Firms including WCCL and other network firms of GTIL during the audit process, which was a pre-requisite of audit strategy as per PCAOB standards. It is observed that in the said engagement WCCL also contributed along with GTBL for audit of the issuer. This further confirms that GTBL has arrangement with WCCL for providing assurance services and shares professional resources.

22. In response to the above observations, the Firm submitted that:

- a. GTAPL, GTBL and any related entity of GTIL in India are not directly or indirectly connected.
- b. WCCL, GTAPL and GTBL are separate legal entities and are only related parties as per the Act due to relationship between Mr. Vishesh Chandiok and Mr. Vinod Chandiok.
- c. Licenses, HRD infrastructure and other contracts with GTAPL and other Network firms of GTIL are purely commercial and at arms' length. Also, there is no profit sharing with any entity.

23. [Conclusion regarding relationship between WCCL and other network firms of GTIL in India](#)

The objective to use or protect a common brand name, sharing of significant professional resources, contractual arrangements, common infrastructure, and operational coordination through mechanisms such as the RCC demonstrate a significant degree of integration among these entities. Additional indicators, including PCAOB filings, shared addresses, and public representations regarding assurance services, further support the existence of a network relationship. Accordingly, these factors collectively establish that GTAPL, GTBL and WCCL are interconnected in substance and appearance, forming part of the GTIL network as envisaged under SQC 1 and relevant provisions of the Companies Act, 2013.

[A.1.4 Overall conclusion on the issue of Firm's Independence](#)

24. Despite the Firm's contrary claim, the above observations establish that WCCL and other entities of GTIL in India operate closely in accordance with GTIL's policies, procedures, and governance frameworks.

25. Policy framework and existing operational integration among GTIL, GTAPL, GTBL and WCCL establish cooperation, common control and management, adoption of common quality control policies and procedures, common business strategy, use and protection of a common brand name, and sharing of significant part of professional resources among them. This is clearly consistent with the definition of a “Network” under Para 6 (k) of SQC 1, and provisions of the Act.
26. Therefore, in substance and appearance, WCCL, GTAPL, GTBL and other related entities in India are part of the GTIL network. This reaffirms our past observation made in Inspection Reports for the year 2022 and 2023. In absence of clear recognition by WCCL of it being part of GTIL network, potential breaches of independence requirements of the Companies Act 2013 and SQC 1, cannot be assessed.
27. The firm is instructed to submit the time bound mechanism that shall be followed to maintain independence at network level to ensure no conflict of interest or self-review threat for engagements services being taken up by WCCL and other GTIL network firms, as per the requirements of SQC 1, and of the Act.

A.2 Self-regulated embargo since 1st April 2025

28. It was reported by the Audit Firm that, from 1st April 2025, the Firm has extended the embargo on non-attest services to all NFRA covered entities (instead of earlier embargo being applied on listed entities only) including their holding and subsidiary companies as defined in Rule 3 of NFRA Rules, 2018. As per internal communication by the Firm to their senior employees, dated 22.03.2025, this voluntary embargo has been adopted by WCCL only. For non-NFRA clients, WCCL can provide permitted non-audit services with approval of Board of Directors/ Audit Committee as per Section 144 of the Act. The firm would also seek Board of Directors/ Audit Committee approval for permitted non-audit services provided by GTBL and any of its related entities in India to audit clients of WCCL. This embargo is not applicable to any other member firm(s) of GTIL outside India.
29. The inspection team observed the following:
- a. NFRA notes the self-regulated embargo of the firm as a first step, but progressively, firm is expected to be in full compliance to Section 144 of the Act. The firm needs to ensure that prohibited non-audit services are not provided to audit clients, their holding companies and subsidiary companies, at network level irrespective of the fact whether the same is within NFRA jurisdiction or otherwise in compliance of Section 144 of the Act. This becomes more significant considering the breaches of the said provisions have found in earlier inspections and current cycle also.
 - b. The embargo clearly spells that the same is not applicable to the Grant Thornton Network member firms outside India. Therefore, in absence of a clear policy and procedure to restrict audit / non-audit services by all the network entities of GTIL, it is difficult to derive that the firm maintains its independence at the Network level.

30. In response, the firm submitted that the implementation of embargo is voluntary for the NFRA governed entities and the provisions of Section 144 of the Act are being assessed for compliance for all other audit clients by other procedures of the firm. The firm further submits that the said embargo does not extend to extra territorial jurisdictions and to other member firms of GTIL globally as WCCL does not have any control over them. Internationally the provisions of IESBA Code and the respective local laws are being followed, and provisions of the Act cannot be imposed.
31. Since it is already established in earlier inspection reports and reaffirmed during this inspection also that WCCL is clearly a part of GTIL Network, the following is noted:
- a. The provisions of Section 144 of the Act are applicable at the Network level to all the audit clients irrespective of being NFRA entity. The firm to ensure compliance with the same.
 - b. The provisions of Act and SQC 1, related to Independence, are more stringent to the provisions of IESBA Code, therefore while undertaking/ continuing the statutory audit by WCCL, it is required to comply with the provisions of the Act and SQC 1 at network level; that includes addressing the independence threats due to the service provided by the other firms of GTIL network, irrespective of being domestic or international firm.

A.3 Non-Audit Services

32. During a sample check in the current inspection cycle, in view of Section 144 of the Act, following instances of breach of independence were noticed at the network level for the FY 2023-24:

a. Prohibited Non-Audit Services rendered by the same Audit Firm

i. Company 'P'

- On perusal of the Engagement Letter (EL), we note that WCCL was the statutory auditor for Company 'P' for FY 2023-24. However, WCCL charged additional amount as "Fees for extra efforts in connection with Ind AS financial statements", other than the fees for statutory audit, and such additional amount was 18% of the statutory audit fees. As WCCL was the statutory auditor, any assessment of the financial statement prepared in accordance with Ind AS was part of their scope of work, accordingly, this additional amount charged appears to be corresponding to providing prohibited non-audit service including Accounting Service under Section 144 of the Act.
- WCCL submitted that separate fees do not represent a separate service and falls within the statutory auditor's scope and hence does not constitute a prohibited non-audit service. The firm added that the audit fees was segmented at the request of the auditee company and approved by the company's audit committee and therefore does not trigger any independence breach.

- The reply of the Firm is not tenable. The details of services given as ‘extra efforts in connection with Ind AS financial statements’ are not provided. Reason for such bifurcation of fees and rationale of the same not being included in the audit fees is not clear. When checked on sample basis, no such bifurcation as “Fees for extra efforts in connection with Ind AS financial statements” is found in some of the sampled engagement letters of the firm, which potentially evidence providing an additional non-audit service under the nomenclature of auditing service. We also note that Audit Committee’s approval do not supersede the mandate of Section 144 of the Act, which clearly prohibits rendering of specified non-audit services by an audit firm.

ii. Company ‘Q’

- For FY 2023-24, GTBL was the statutory auditor of Company ‘Q’. WCCL was the statutory auditor of Company ‘R’, which is listed in India and is the holding Company of Company ‘Q’. However, for FY 2023-24, WCCL had also provided non-audit service to Company ‘Q’ termed as “audit of adjustments arising on account of conversion of US GAAP financial information to Ind AS financial information” which is an accounting service prohibited under Section 144 of the Act.
- Further, this service was covered under the head of ‘Audit and Assurance’ in the RCC portal, which creates significant doubt on the classification mechanism of RCC and potentially reflects weak policy / procedure / control mechanism at the firm level for the independence compliances.
- WCCL submitted that to issue an audit opinion on the consolidated FS of Company ‘R’, it was required to audit the Ind AS conversion of Company ‘Q’ and considering the significant extent of work involved, separate EL was entered into with Company ‘Q’. Further, since it was part of audit engagement, it is correctly classified under Audit/ Assurance services on RCC portal.
- The Firm’s reply is not tenable. WCCL was the statutory auditor of Company ‘R’, however this engagement letter was raised on Company ‘Q’. Therefore, the submission of the firm that it was part of audit engagement of Company ‘R’ is not correct. The service is potentially an accounting service provided to the subsidiary company of the auditee company which is a prohibited non-audit service under Section 144 of the Act. Classification of the same as Audit/ Assurance service in RCC portal reflects the weak policy/ procedures and internal control not only at firm level but network level also.

b. Prohibited Non-Audit Services Rendered by the Network Audit Firms

i. Company ‘S’

- For FY 2023-24, WCCL was the statutory auditor of the Company ‘S’, GTBL provided the service of “HR Transformation Project” which included Review and Comment on

Current HR Policies and structure, effective PMS Architecture, Leadership Development Plan and related services, which potentially being a management service, was prohibited as per Section 144 of the Act.

- WCCL submits that above service was provided by GTBL with a view to providing comments on HR processes from a general industry perspective only for the management's consideration and their decision making without assuming any management responsibility. Therefore, GTBL did not provide any management service.
- The reply of the Firm does not hold ground as the service being an advisory service to management for the purpose of its decision making, is potentially a management service.

c. Non-obtaining of Requisite Approvals while providing of Permitted Non-Audit Services

- i. It is observed during the inspection that in various cases where permitted non-audit services were provided by WCCL itself or by GTBL to the audit clients of WCCL, approval of Board of Directors/ Audit Committee was not obtained which is mandatory vide Section 144 of the Act.
- ii. In some of their replies, such services have been shown as part of the statutory services, and therefore the firm submitted that such approvals from the Board of Directors/ Audit Committee were not required, which do not represent the fact.

33. Conclusion on Providing of Non-Audit Services:-

We note that the eligibility of a Chartered Accountant or firm to be appointed and continue as a statutory auditor must be verified in accordance with Section 141 of the Act. Auditors are disqualified if they provide services prohibited under Section 144 and subsequently require immediate vacation from the office. Considering the same, providing of prohibited non-audit services by WCCL and other network entities of GTIL in India, is a serious issue. The firm is required to strengthen its policies and procedures in this regard to address the issue. Even when certain non-audit services are permitted, same also needs to be provided after obtaining approval from the Board of Directors or Audit Committee, while considering all the entities of the network complying to this requirement.

A.4 Other observations

Relationship Conflict Check

34. While going through the RCC portal, it is observed that in the drop-down menu, service namely 'Financial Reporting Advisory', is appearing as a sub-category of 'audit services'. However, as per its explanation given in the portal, it falls under the category of prohibited non-audit service as per Section 144 of the Act. This may result in providing prohibited non-audit service to audit clients and therefore needs to be appropriately resolved.

35. The firm acknowledged the observation and submitted that no service under this head has been provided for any audit clients. Further, to avoid any non-compliances, it has initiated the process of edit in the RCC portal.

Management Services

36. It is observed that as per EQCM, one of the prohibited services namely 'Management Services' has not been defined or explained by the Firm in EQCM. This keeps the policy vacuum at the Firm level while undertaking a service.
37. The Firm submits that as a practice, the term 'Management Services' is explained to the engagement teams through mandatory training and guidance materials. The Firm has noted the observation for compliance and submitted that formal clarification on the coverage of 'Management Services' shall be issued and the EQCM shall be updated accordingly.

Insider Trading Regulations

38. SEBI (Prohibition of Insider Trading) Regulations, 2015 are applicable on 'Connected Person' being one who has a connection with the company that is expected to put him in possession of unpublished price sensitive information. 'Immediate relatives' as defined in the said regulation are also considered to be connected person.
39. However, as per the firm's PIT Code of Conduct, which is part of EQCM, 'Immediate relative' is not defined which creates a risk of non-disclosure / identification of insider trading by such relatives of the employees as defined by the SEBI Regulations, causing potential independence breaches.
40. In practice also, it is observed that while sharing data with the client or SEBI, relating to queries on Insider Trading, the name of the Engagement Team members is shared and details of the immediate relatives of the employees are not shared, which is a mandatory requirement as per SEBI Regulations, 2015.
41. It is observed that two insider trading incidents were flagged by the stakeholders, on which action was taken by the firm.
42. The firm submitted that the Global Independence System (GIS) defines 'Relatives' and 'Immediate family members' for the purpose of independence and are part of EQCM and their PIT Code of Conduct is aligned with SEBI (PIT) Regulations, 2015 using terms 'Connected Person' and 'Immediate Relative'. The firm also stated that same is circulated to all the firm's personnels.
43. As regard to the observation pertaining to sharing only engagement team's names with client or SEBI, the firm has submitted that it is based on the request received which did not specifically require the disclosure of immediate relatives. The firm assured for disclosure in case of specific request regarding the immediate relative.
44. We note that above definitions of 'Relatives' and Immediate Family members' as mentioned in GIS are for the purpose of Independence only. Also, the same differs from

the 'Immediate Relative' definition as per SEBI (PIT) Regulations, 2015. The firm's PIT Code of Conduct does refer to 'Connected Person' and 'Immediate Relative' in its provisions, however, the same is not defined in the said code and EQCM. It creates a possibility of non-identification of insider trading by immediate relatives. This becomes all the more important in case of Public Interest Entities which are prone to insider trading by the connected people. From an independence point of view, the SEBI (PIT) Regulations, 2015, are designed to prevent auditors from misusing confidential financial information for personal gain, thus ensuring they maintain their professional, fiduciary duty to the company and public. The firm is directed to chart out necessary changes in the PIT Code of Conduct to be in line with SEBI (PIT) Regulations, 2015 and ensure full compliance while reporting and disclosures.

Declared Network Structure

45. Upon a query regarding providing the details of the member firms of GTIL in India; names of firms and back offices were declared, which were not disclosed in any of the earlier submissions by the Firm over the years. This seems to be a serious omission and firm needs to ensure full disclosure in future correspondence.
46. The firm submitted that the disclosure of names of firm and back-office entities was in response to specific query of the inspection team raised in this cycle and the firm is committed to providing complete information in response to the queries raised. The firm has noted the observation and reaffirms transparency in all communications.

A5. Engagement Team's Independence

47. On test check of the independence at the engagement team's level, independence declaration of 16 audit team members across 5 engagements for FY 2023-24 were not available in the audit tool i.e. 'Voyager'. It is noted that there is a requirement for every individual assigned to any audit engagement to provide confirmation on compliance with requirements pertaining to independence and Insider Trading before charging time on any audit job code. However, this confirmation mechanism is not linked to the audit tool and not documented and hence no mandatory documentary evidence is being maintained regarding signing off in the audit files. Therefore, there is absence of systemic control in this regard.
48. The firm has submitted that 8 out of the 16 engagement team members did not participate in the audit assignment. Further, annual independence confirmation of all 16 engagement team members had been obtained through firm's central process. The firm also submitted that with the introduction of new audit tool "Leap" for the audits of FY 2024-25, independence confirmations are verified as a part of real time review of the engagement file by the Quality Monitoring team and the gaps identified are taken up with the engagement team immediately. As per the view of the firm, this additional layer of monitoring strengthens the control over documentation and assessment of independence at engagement level.

49. The observation pertains to introduction of automated systemic control mechanism in the audit tool of the firm to ensure documentation of independence declaration of the engagement team members. This embedded systemic control will ensure compliance at the engagement level. Submission of the firm regarding the review of independence by the Quality Monitoring Team is viewed as a positive effort towards ensuring compliance in the new audit tool, i.e. "Leap". However, NFRA expects strengthening of all the audit tools in use with a view to improving internal controls.

B. Consultations

50. The Firm's consultation policy lists matters related to accounting, audit methodology, reporting, certification, internal financial controls, and regulatory compliance etc. The Firm has categorized consultation process as mandatory or recommendatory with the National Professional Standard Group (NPSG) by Engagement Teams (ETs). Currently, such consultations are initiated via email and are not documented in the audit tool or file, creating a control weakness in ensuring performance of mandatory consultations and proper monitoring of the complete lifecycle through initiation to conclusion.
51. In response to the above observation, the Audit Firm submitted that the Firm's consultation policy mandates that all consultations be formally initiated, processed, concluded, and documented within the Consultation Module VIS/Leap (Audit Tools), while emails serve only as a communication channel. As per Assurance Practice Management Update 2024-03, consultations must be recorded in VIS/Leap, which constitutes the authoritative record containing facts, technical analysis, and conclusions. The approved consultation memo, along with all supporting attachments, is required to be archived in the relevant audit engagement file within VIS/Leap.
52. Firm further added that Leap Tool Update 2024-04 reiterates that this attachment is mandatory, and failure to do so is treated as non-compliance. NPSG periodically reconciles cleared consultations to ensure existence of corresponding system records. In addition to the same, EQCR and IQCR reviews also assess whether mandatory consultations were obtained, implemented, and documented, while non-compliance affects the partner quality metrics. These layered preventive and detective controls demonstrate that consultations are embedded within the audit tool and engagement documentation, rendering the observation inconsistent with the Firm's established policies and system design.
53. During review of selected consultation samples, the inspection team noted that the emails initiating consultations were not included in the audit file, leaving no evidence of the actual initiation date, except the details mentioned in the consultation memo. While the Firm stated that VIS/Leap and EQCR ensure consultations become part of the final audit file, this does not address the inspection observation regarding control weakness regarding performance of mandatory consultations. As there is no systemic control preventing archival of an engagement file where a mandatory consultation has not been undertaken, thus creating a risk that mandatory consultations could be bypassed and remain undetected, particularly if not identified during EQCR. An automated control to validate completion of mandatory consultations prior to archival would mitigate this risk.

Deficiency in Documentation of Consultation

54. Consequent to the deficiency in consultation process, it was observed that for Company A, the audit working papers refer to planned internal consultation with the NPSG team regarding assessment of EOM for sale of Land which was requiring mandatory consultation as per the Firm's policy; however, the outcome of consultation is not audit documented, and the planned EOM was neither included in the audit report, nor was any supporting working paper documented to justify dropping the matter from reporting.
55. In response, Audit Firm stated that this was pertaining to the previous year's EOM appearing in the 31 March 2024 audit file, which was an inadvertent carry forward from prior-year documentation, a clerical documentation error with no effect on the audit opinion issued for 2024.
56. The Firm's contention does not adequately address the deficiency observed. It is noted that as per Notes to Standalone Financial Statement, the sale of land was under process and transactions concluded during the current year. The presence of documentation referring to planned mandatory consultation indicates that the matter was actively considered during the current year. Accordingly, as per para 56 of SQC 1, para 6 of SA 500 and para 8 of SA 230, the audit file was expected to contain documentation evidencing (i) evaluation of the transaction, (ii) consideration of the need for an EOM, and (iii) the conclusion reached thereon. However, the absence of the consultation outcome and documented justification for not including the EOM in the auditor's report reflects incomplete documentation of a significant audit matter. This cannot be treated as a mere static carry-forward from the prior year. Even assuming inadvertent carry-forward, the failure to appropriately update, conclude, and document the matter during file finalisation evidences a lapse in the implementation of the policy and procedures of the Firm.

C. Monitoring

57. The Firm conducts periodic inspections of completed audit engagements through Internal Quality Control Review (IQCR) in accordance with SQC and Firm's Ethics and Quality Control Manual (EQCM). However, after such reviews, there was no formal or documented communication of identified deficiencies to the respective engagement partners. The absence of written communication limits the ability to establish a clear benchmark for engagement partners to enhance the quality of future engagements.
58. The Firm has acknowledged this observation and has committed to strengthening its documentation and retention processes to ensure clearer and more explicit evidence of partners-specific communication of deficiencies in future IQCR cycles.
59. In another observation regarding monitoring, we note that Para 88 of SQC 1 requires audit firm to entrust responsibility for the monitoring process to a partner or partners or other people with sufficient and appropriate experience and authority in the firm to assume that responsibility. The Firm's EQCM entrust this responsibility to the Quality and Risk Management Partner (QRMP).

60. However, in practice, there appeared to be a lack of coherence in firm's policy manual and the actual implementation of IQCR process. The Firm had deputed another Partner (other than the designated QRMP) to perform the above stated duties, and it was not evident that such partner had the requisite authority for carrying out these functions.
61. In response, the Firm submitted that their EQCM envisages delegation of IQCR execution to authorized partners who had explicit authority under the EQCM to execute IQCR activities.
62. However, we observe that no such explicit provision conferring this authority was identified in the EQCM, nor was any documented evidence of such delegation submitted by the firm during the onsite inspection.

PART C

This section discusses deficiencies observed in a few selected audit engagements. The inspection covered five individual audit engagements, and focused on two audit areas viz. Revenue Recognition and Loans & Advances, and one engagement specific issue including e.g. identification and assessment of risk of material misstatement, internal controls, design and execution of audit procedures in response to assessed risk (test of controls, test of details, sample sizes and analytical reviews etc.), accounting estimates, accounting policies, disclosures and evaluation of identified misstatements. The observations are discussed below:

Review of Individual Audit Engagement Files

Audit of Revenue

Company 'A'

63. A review of the Test of Controls and Test of Details procedures revealed that the audit file did not contain supporting audit evidence such as invoices or other relevant documentation for the samples selected. Apart from a walkthrough of the process, no substantive evidence was available to verify the procedures performed. As a result, the ET's work relating to both control testing and detailed transactional testing cannot be validated in the absence of appropriate documentary support.
64. In response, Audit Firm repudiated the audit observation and stated that SA 230 does not mandate retention of copies of each invoice or source document tested, provided the audit documentation otherwise contains sufficient information, cross-references and identifying characteristics to evidence what was tested. The auditor may include abstracts/references sufficient to evidence the work performed. Further, the audit documentation records identifying characteristics of the items tested and cross-references to the relevant audit

procedures performed and conclusions reached, rather than retaining copies of the underlying source documents in the audit file.

65. The deficiency identified does not relate to retention of documents but to the absence of an adequate audit trail. As per the Voyager file, under the Test of Controls – JE Memo, the Engagement Team (ET) assessed the design effectiveness of the residual journal entry control as significantly deficient and accordingly adopted a substantive testing approach for journal entries. However, under the JE selection tab, Sales, Purchase, Stores, and Expenses voucher entries were excluded on the basis that these would be covered separately. On review of the audit file, it could not be verified whether these vouchers were in fact tested elsewhere.
66. Paras 18 and 21 of SA 330 require the auditor to design and perform substantive procedures for each material class of transactions, account balance, and disclosure, irrespective of the assessed risks. Further, where the audit response to a significant risk consists only of substantive procedures, such procedures are required to include tests of detail. Additionally, Para 8 read with Paras A3 and A16 of SA 230 requires the auditor to prepare audit documentation sufficient to enable an experienced auditor, having no previous connection with the audit, to understand the nature, timing, and extent of procedures performed and the conclusions reached, particularly as such documentation may be subject to regulatory review.
67. Since the objective of journal entry testing is to address the risk of management override of controls, the absence of documented evidence of testing of the excluded vouchers results in an incomplete audit trail. Had the ET retained and documented the sampled vouchers and related testing procedures, it would have been possible to ascertain whether adequate audit procedures were performed in this regard.

Company 'B'

68. In Test of Controls (TOC), the audit file does not contain audit evidence such as invoices etc. for the samples tested. Therefore, there is no evidence that if actually such testing was performed by the ET for samples so selected. This is in violation of Para 5 of SA 230 which requires an auditor to prepare documentation that provides a sufficient and appropriate record of the basis for the auditor's report.
69. In response to the above observation, the Audit Firm had stated that SA 230 (Paras 6 and 8) requires documentation sufficient to enable an experienced auditor to understand the procedures performed, evidence obtained, and conclusions reached. It does not mandate retention of copies of every invoice or source document, as clarified in Para A3 of SA 230 and the Implementation Guide (Revised 2022), which permits use of abstracts and references where management retains original records. For Revenue TOC and Test of Details (TOD) samples, working papers include identifying characteristics of items tested, procedures performed, sources of evidence used, results, conclusions, and preparer / reviewer signoffs with dates. Invoices were verified at source, with documentation cross-

referenced accordingly. The audit documentation is therefore consistent with SA 230 and SA 500, and the observation merits reconsideration and dropped.

70. SA 230 requires that the audit file be self-explanatory and capable of supporting the procedures performed and evidence obtained without external aids. Although the firm stated that TOC and TOD working papers include details such as payment mode/date and maker-checker information, these cannot be independently verified by an experienced auditor with no prior connection to the audit due to absence of supporting documents (e.g., sample copies of invoices, bank statements) in the file. This creates a risk that recorded details may be inaccurate or unsupported. Furthermore, as discussed in the subsequent para on audit trail that the audit trail was disabled at application level/ data level, there is a significant doubt that the source evidence may be altered/ modified at a later stage. Therefore, it was important to ensure either the source evidence remains intact forever or to obtain the source evidence atleast on the sample basis in the Audit File. Para 8 (b) of SA 230 specifically requires audit documentation that is sufficient to enable understanding of the results of the audit procedures performed and audit evidence obtained. Hence, the absence of supporting evidence in the audit file renders the documentation insufficient under SA 230.

Audit of Loans and Advances

Company A

Loans and Advances to Subsidiaries

71. Company A extended a significant amount of loan to its wholly owned subsidiary and held an investment of ₹306 crore in the same entity. During the year, this investment was impaired by ₹15 crore due to the subsidiary's poor financial performance. The Engagement Team (ET) identified this exposure, including the loan, as a Key Audit Matter (KAM) in the audit report, and consultation with the National Professional Standards Group also had been undertaken. However, the audit file did not contain any documentation supporting ET's assessment of the recoverability or status of the loan, which becomes significant considering the impairment of investment in the same entity.
72. In response to above, Audit Firm stated that the loan of ₹136 crore extended to subsidiaries has been outstanding since FY 2018 and is contractually repayable on demand. Such loan, in-substance is a long-term funding arrangement with no contractual repayment period stipulated and accordingly, the loan and investment balances for subsidiary have been tested for impairment by the management together in accordance with requirements of Ind AS 109 read with Ind AS 36.
73. The contention is not tenable. The impairment assessment of investment is carried out as per Ind AS 36, however, loans being financial assets are excluded from impairment assessment under Ind AS 36 (Para 2(e)). A loan receivable is a financial asset and must be assessed for impairment under the expected credit loss (ECL) model prescribed in Ind AS 109. Specifically, Para 5.5.1 mandates recognition of loss allowance for ECL on financial

assets measured at amortized cost; Para 5.5.3 requires assessment at each reporting date whether credit risk has increased significantly; and Para 5.5.9 requires recognition of lifetime ECL where such increase exists. The impairment of investment on account of sustained losses and adverse financial performance of the subsidiary constituted a clear indicator requiring evaluation of credit risk in respect of the loan. However, the audit file does not evidence any procedures performed to assess significant increase in credit risk, estimation of ECL, review of cash flow projections, evaluation of recoverability of principal and accrued interest. No working papers support that the loan was independently evaluated under the ECL framework. Consequently, the ET's work on assessing the recoverability of the loan lacks sufficient appropriate audit evidence.

Inconsistencies in the reported loan balances

74. There was inconsistency in the reported loan balance to wholly owned subsidiaries. The working paper in the audit file reflected a loan balance of ₹136 crore, whereas the scoping working paper reported a year-end loan balance of ₹180 crore for the same subsidiary. The variance between these amounts was neither explained nor reconciled in the audit file.
75. In response, Audit Firm stated that the principal loan balance recoverable from subsidiary outstanding as of 31st March 2024 amounted to ₹136.07 crore and interest receivable on such loan outstanding as of 31st March 2024 amounted to ₹44.24 crore, and thus, the aggregated outstanding balance was ₹180 crore as noted from the scoping workpaper. As such, there was no difference between the balances to be reconciled.
76. We note from the loan working paper that the opening principal loan balance was ₹133.25 crore, there was opening accrued interest of ₹30.28 crore and during the year, further interest amounting to ₹13.99 crore was accrued. However, the closing loan balance was reported at ₹136.06 crore, without showing how the accrued interest (both opening and current year) was treated in arriving at this figure. The working paper does not clarify whether the accrued interest was received, written off, or disclosed separately as an interest receivable being material amount and whether Audit committee's approval accorded on treatment of interest in case of related party transaction. In the absence of explanatory documentation, the movement in the loan balance remains unexplained. Accordingly, the Engagement Team's working in respect of verification and reconciliation of the loan and accrued interest balances is deficient to this extent.
77. With respect to consultation on KAM on Loans and Advances, the referred papers does not have any work on ECL testing for Loans and advances and conclusion drawn.

Other matters of non-compliances

Audit Trail issue found in all the selected engagements

78. Rule 3 (1) of the Companies (Accounts) Rules, 2014 require companies, which use accounting software for maintaining their books of account, to use only such accounting software which has audit trail features. This requirement for companies was applicable for

financial year commencing on or after April 1, 2023, therefore this is the mandatory requirement from FY 2023-24.

79. However, we note that the audit trail feature was not enabled at the database and/ or application level for the accounting software used by the companies to log any direct data changes used for maintenance of accounting records. This caused risk of the reliability of the data presented by the management, and accordingly auditor was required to design audit procedures to mitigate the control risk.

Impact of the deficiency in evaluation of audit trail

80. In case of Company A, Auditor in its report provided that audit trail feature for master data changes for accounting software was not enabled at the application and database level. However, EP concluded that he did not come across any instance of audit trail features being tampered with other than the consequential impact of the exception noted. The EP used IT expert, and as per his report, audit trail for Sales, Vendor payment, Supplier balances, Production orders etc. were not enabled. Though they concluded that no changes were allowed post transactions.
81. In response to above, Audit Firm acknowledged that certain aspects of the audit documentation could have been presented more clearly to enable easier traceability of the basis for conclusions recorded. However, submitted that the audit procedures performed and audit evidence obtained support the conclusions reached, and the exception has been appropriately reported in the auditor's report.
82. Audit Firm has accepted the gaps in documentation of audit trail, which may be improved upon in future engagements.

Company B

Borrowings

83. The ET has stated that the end use of loans (for acquisition of an entity) was assessed, there is no documented evidence that the ET had verified the actual outflow of funds from DIL's bank account toward the acquisition.
84. The Audit Firm submitted that in respect of assessment of end use of loans, the Audit Firm stated that the observation is factually incorrect. In addition to reviewing sanction letters, the ET had verified the end-use of loans by tracing the disbursement through bank statements and outward remittance advice, documented in the relevant Voyager workpaper, along with the payment advice. Further, the ET obtained and verified the End-Use Certificate issued by the joint auditor, also documented in the audit file.
85. Upon perusal of the workpaper referred to by the auditor, it is observed that the end-use certificate obtained from the joint auditor pertains to only 51% of the total borrowings. Accordingly, the initial observation of the inspection team remains unchanged.

Property, Plant and Equipment (PPE)

86. Under SA 540, the ET was required to evaluate and document the reasonableness of significant assumptions used in accounting estimates (e.g., Value-in-Use, Fair Value, growth rate, risk premium, beta), which was missing in certain work papers reviewed. Although ET engaged Felix Advisory Private Limited for PPE valuation, the expert computed a 6.75% risk premium while the ET applied 8.9%, with no documented rationale for the difference. The basis for the beta value was also not documented. As required by Paras 34 to 38 of Ind AS 36, there was no evidence that management had assessed the reasonableness of cash flow assumptions. Loss-making CGUs were projected as profitable using a 6% growth rate without documented justification or reference to historical trends. ET did not adequately challenge these assumptions, contrary to SA 540.
87. In response to the above observation, the Audit Firm submitted that:
- a. Impairment indicators were identified for approximately 23% of the total stores (CGUs) as of 31st March 2024 in accordance with Ind AS 36. The related net assets were substantially impaired, with 97% (including 9.5% in the current year) already recognized by management, leaving a net carrying value which was below the audit triviality threshold.
 - b. The beta calculation is documented in the auditor's expert report, in the referred WP. The expert considered four comparable entities, which is consistent with standard practice. The auditor's expert justified a higher risk premium, resulting in a 15.3% WACC versus management's 13.58%, thereby evidencing critical challenge of management's assumptions. Given the immaterial impact on impairment and carrying values, no further audit work was considered necessary.
 - c. Cash flow projections were assessed as substantially prudent. The 6% revenue growth used in impairment testing was supported by historical growth of 17% from FY23 to FY24 and 44% FY22 to FY23, and an industry Compound Annual Growth Rate (CAGR) of 18% from FY21 to FY25, as documented in the audit file. Comparison with historical results and market studies, in line with SA 540, provided sufficient appropriate audit evidence to support management's assumptions. Further, given the immaterial residual carrying value, no risk of material misstatement arises.
88. In the auditor's expert report, it is stated that "We have recomputed the unlevered beta based on the median three-year weekly historical beta of broadly listed comparable companies operating in a similar industry, as on the valuation date. The unlevered beta based on our recomputation is 0.94". However, the detailed workings and basis of such recomputation leading to the value of 0.94 have not been provided in the expert's report. Accordingly, the initial observation of the inspection team remains unaddressed by the Audit Firm. Further, the basis and detailed computation supporting the risk premium of 6.75% determined by the auditor's expert have not been furnished in the Audit Firm's response. The reliance on industry CAGR to support the 6% growth rate is inappropriate. As per Paras 33, 34, 35 and 44 of Ind AS 36, cash flow projections must reflect CGU

specific assumptions based on their own performance and conditions. Industry trends may corroborate but cannot replace growth estimates specific to the individual CGU. Additionally, no documentation or evidence has been provided to demonstrate that the Engagement Partner evaluated and challenged the management's assumptions, which appears to be inconsistent with the requirements of SA 540.

Company C

Related Party

89. Total outstanding Inter-Corporate Deposits (ICDs), both placed and accepted by the company to the related parties, exceeded materiality thresholds and were transacted at a flat interest rate of 9%. However, the audit documentation did not contain any justification or analysis evidencing how management determined this specific rate. Although management stated in the Management Representation Letter (MRL) that all such transactions were conducted at arm's length, the audit file did not contain sufficient appropriate audit evidence to substantiate this assertion. This is not in compliance with Para 24 of SA 550 which requires that when management has made an assertion in the financial statements to the effect that a related party transaction was conducted on arm's length basis, the auditor shall obtain sufficient appropriate audit evidence to validate such assertion.
90. The Firm, in its reply, submitted that the interest rate of 9% charged by the Company on its ICDs is consistent with the Group's average borrowing cost. The Firm further stated that this rate is supported by external benchmarking, including borrowing rates charged by HDFC Bank and Federal Bank ranging from 7.67% to 8.35%. Accordingly, it has been contended that the interest charged on related party loans is at arm's length, reasonable and aligned with prevailing market rates.
91. We observe that the above justification or assessment provided by the Firm was not documented in the audit file. Further, the external benchmarks cited (7.67% to 8.35%) do not substantiate the flat interest rate of 9% applied; rather, they indicate an unexplained variance. The Firm has not documented the rationale for applying or accepting a rate higher than the referred market benchmarks. Therefore, the Firm's verification of arm's length assessment of related party transactions does not meet the requirements of the applicable professional standards.

Impairment of Investments

92. In Wholly owned subsidiary: The company had a material investment in its wholly owned subsidiary 'X'. Notwithstanding significant negative indicators, including X's negative net worth and the Chapter 11 bankruptcy of Company B's ultimate holding company in the United States, the auditor relied on a proposed merger of 'X' with Company B to support the conclusion that no impairment assessment was required. As the merger was pending approval from the NCLT and had not become legally effective as of the balance sheet date,

it did not obviate the requirement to perform impairment testing in accordance with Ind AS 36.

93. The Firm, in its response, submitted that the subsidiary's business had been fully integrated into the Company and that the subsidiary did not generate independent cash inflows capable of being measured separately. The Firm further contented that Ind AS 36 emphasize the economic substance of operations over legal form in identifying a CGU. Accordingly, the Firm asserted that the subsidiary and the Company should be regarded as a single CGU and therefore, no separate impairment assessment was required.
94. We observe that auditor's response is not tenable and appears to be mere an afterthought, for the following reasons:
- a. The working paper explicitly states that impairment testing for its subsidiary was not performed solely due to the pending merger. Therefore, the rationale for 'X' not being identified as CGU is an afterthought.
 - b. We note that in the Standalone Financial Statements, the Company holds a specific investment in Subsidiary X. Given that X has no independent revenue, has a negative net worth, and its ultimate holding company has filed for bankruptcy, the auditor has not demonstrated how the carrying amount of this specific investment remains recoverable. Reliance on a 'group-level CGU' does not absolve the auditor from ensuring that the particular asset, i.e. the investment, is not carried above its individual recoverable amount in the standalone financial statements.
 - c. Even assuming that the CGU valuation was performed at the group level, the audit file contains no evidence of the recoverable amount attributed specifically to subsidiary X.
95. Impairment of investments in its associate companies: The company held material investments in two associate entities at the balance sheet date. Despite the presence of significant impairment indicators, the auditor did not perform or conclude an impairment assessment, citing that the investments were divested prior to the date of audit report. However, in accordance with Para 8 to 17 of Ind AS 36, the requirement to assess impairment at the reporting date is mandatory where such indicators exist, irrespective of any subsequent sale or intention to divest.
96. The Firm, in its response, submitted that the company had entered into a binding agreement to sell its investment prior to the date of the audit report and accordingly, the agreed sale consideration should be considered as the recoverable amount (being indicative of fair value). Since the sale consideration was stated to be equal to the carrying value of the investment, the Firm contended that no impairment assessment was necessary.
97. We note, however, that as per Ind AS 10, only those events that provide evidence of conditions existing at the end of the reporting period qualify as adjusting event. In the

present case, the Company has no plan to divest its investments in the associate entities as at the balance sheet date and no audit documentation has been placed in this regard. The subsequent execution of a sale agreement therefore constitutes a non-adjusting event. Consequently, impairment was required to be assessed by the auditor as on the balance sheet date, irrespective of the subsequent transaction.

98. Further, the contention that the agreed selling price represents fair value is untenable. Ind AS 113 defines fair value as the price that would be received to sell an asset in “an orderly transaction between market participants” at the measurement date. The standard explicitly requires that market participants be independent (i.e., not related parties). A related party transaction price may be considered as a valuation input only where there is evidence that the transaction was conducted on “market terms”. In the present case, no such evidence has been documented by the auditor in the audit file.

Going Concern

99. The company was highly leveraged, with its debt-equity ratio increasing significantly from 7.37 in FY23 to 14.23 in FY24. It also reported negative working capital and a loss before tax. Following the merger of its erstwhile holding company, the Company’s debt obligations increased substantially due to the combined Compulsorily Convertible Debentures (CCDs). The net cash outflow required to service the CCDs over the next 12 months was approximately 1.9 times the net cash generated from operating activities in FY24. Despite the existence of these adverse indicators, the auditor’s evaluation of the going concern assumption relied primarily on selective positive indicators and lacked adequate depth and professional skepticism.
100. In its response, the Firm contended that the negative financial trends were attributable solely to a one-time, non-cash impairment charge and loss on sale of investment, rather than rather than any actual deterioration in operational or liquidity performance of the Company. With respect to the expected cash outflow relating to the combined CCDs, the Firm also submitted that a group company had historically waived interest and was expected to continue providing such financial support over the next 12 months; accordingly, it asserted that no cash outflow was anticipated on account of interest cost pertaining to CCDs during that period.
101. We observe that the audit file does not contain management’s assessment of the Company’s ability to continue as a going concern, which is a fundamental requirement under Para 25 of Ind AS 1 and Para 6 of SA 570 (revised). Further, the factors considered by the auditor for assessment of going concern, appear selective and the documented evaluation lacks sufficient analytical depth. The audit documentation relies on continuation of a non-binding interest waiver from a group company without evaluating the financial impact if such continuation is withdrawn. Therefore, the auditor did not obtain sufficient appropriate audit evidence to support management’s use of the going concern basis of accounting or to evaluate whether a material uncertainty existed, as required under paragraph 9 of SA 570 (revised).

Company D

Audit Documentation: Material Uncertainty Related to Going Concern

102. As disclosed in Note to Accounts (Note 2A(a) (iii)), Company D was facing serious financial difficulties during FY 2023–24. The company had incurred heavy losses, its net worth was fully eroded, it had major working capital shortages, delayed statutory and vendor payments, and was exposed to uncertain liabilities and litigations. The auditors concluded that the going concern basis of accounting was appropriate and included a “Material Uncertainty Related to Going Concern” (MUGC) paragraph in their report. This conclusion was based on management’s cash flow projections and proposed fund-raising plans aggregating to ₹10,600 million. It was observed that the audit file did not clearly demonstrate how the auditors assessed the feasibility and timing of these expected inflows, including promoter support, warrant conversions, and proposed external funding. Further, references to sensitivity analysis and stress testing were not adequately supported by documentation, indicating deficiencies in audit evidence and documentation and raising concerns regarding compliance with Para 12, 16(c), 19 and 22 of SA 570 (R).
103. In response, the Engagement Team clarified that the ₹10,600 million comprised ₹5,000 million proposed promoter infusion (of which ₹2,000 million was received during FY 2023–24 and ₹3,000 million expected in FY 2024–25) and ₹1,455 million received through preferential allotment of warrants, with further inflows expected on conversion. It also stated that the company was in discussions with qualified institutional investors for additional funding. The firm explained that these matters were disclosed in the financial statements and that audit work relating to share capital and funding was documented in relevant sections of the audit file and consultation workpapers. It further submitted that audit procedures included review of projections, challenge of assumptions, internal consultations, and obtaining management representations, which in its view provided sufficient appropriate audit evidence.
104. On review, it is noted that while certain funding components were recorded and partially realized, the audit documentation does not clearly link these elements to the going concern assessment in a manner that an experienced professional, with no prior connection to the audit, can understand the basis of the conclusion, as required under Para 8 of SA 230. The audit file does not adequately demonstrate independent evaluation of the timing and certainty of future inflows, particularly for expected promoter support, warrant conversions, and proposed investments from external parties. There is no documented evidence of external confirmations or assessment of investors’ ability to fund, as envisaged under SA 570 (Revised). Explanations provided during inspection cannot substitute for the audit documentation. Accordingly, the audit documentation in this regard needs to be strengthened to ensure compliance with the requirements of SA 230 and SA 570 (Revised).

Part D

Chronology of Events

Sl. No.	Date	Events/ Correspondence
1	28.03.2025	Intimation of On-site Inspection from NFRA to the Audit Firm.
2	04.09.2025	Request sent to provide information for the Pre-Inspection briefing.
3	10.09.2025	Information for the Pre-Inspection briefing received.
4	15.09.2025	Information in connection with engagement selection called.
5	16.10.2025	Understanding of Technology and Tools used in Audit Firm.
6	17.10.2025	Entry Meeting with Firm Personnel.
7	28.10.2025 - 29.10.2025	Engagement specific walkthrough of Audit Files.
8	06.11.2025	Engagement specific information/queries sent for reply.
9	20.11.2025	Meeting with Audit Firm personnels, Secretary (NFRA), CGM and Inspection Team on Independence issues raised in previous years inspection reports.
10	24.11.2025	Intimation for on-site inspection at Gurugram.
11	01.12.2025 to 05.12.2025	Onsite Inspection conducted.
12	11.12.2025 & 19.12.2025	Information subsequent to onsite inspection received.
13	30.01.2026	Communication of Inspection Team's Observation to the Firm.
14	06.02.2026	Partial response received from the Firm on observations dated 30.01.2026
15	10.02.2026	2 nd part of response received on observations dated 30.01.26
16	23.02.2026	3 rd part of response received on observations dated 30.01.26
17	17.03.2026	Communication of Print Ready Inspection Report from NFRA to the Audit Firm.
18	19.03.2026	Discussion with Audit Firm on Print Ready Inspection Report.
19	24.03.2026	Final response on Print Ready Inspection Report.
20	27.03.2026	Publication of Inspection Report on the website of NFRA as per Rule 8 of NFRA Rules 2018.

Appendix A: The Firm's response to this inspection report

Pursuant to Section 132(2) of the Companies Act, 2013 and Rule 8 of NFRA Rules, 2018, the Authority is publishing its findings relating to non-compliances with SAs and sufficiency of the Audit Firm's quality control system. As part of this process, the Audit Firm provided a written response to the draft Inspection Report, which is attached hereto. NFRA based on the request of the Audit Firm has excluded the information from this report which was considered proprietary.

Walker Chandio & Co LLP

24 March 2026

To
National Financial Reporting Authority
7th Floor, Hindustan Times House
18-20, Kasturba Gandhi Marg
New Delhi – 110001

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Subject: Response to the Inspection Report – Audit Cycle Year Ended 31 March 2024

Dear Sir / Madam,

We, M/s Walker Chandio & Co LLP ("the Firm" or "WCCL"), thank the National Financial Reporting Authority ("NFRA") for sharing the Inspection Report 2024 ("the Inspection Report") on 17 March 2026 and for the constructive and detailed engagement with the Firm throughout the inspection process.

Our response, set out in Appendix A, addresses the observations contained in Part B and Part C of the Inspection Report, covering firmwide quality control systems and individual audit engagements. These responses consolidate and build upon the detailed submissions already made by the Firm during the inspection and in response to the Inspection Team's observations.

As a firm entrusted with audits of public interest entities, we recognise the importance of NFRA's oversight mandate and remain unequivocally committed to delivering audit engagements of the highest quality. We view the inspection process as an important mechanism for continuous improvement and have given careful and considered attention to each observation in that spirit. Where we respectfully disagree with certain observations and characterizations, our reasons are set out fully in our detailed responses. We equally acknowledge areas where documentation clarity and Firm's internal processes may further be strengthened, and we are committed to taking prompt and appropriate remedial action to ensure full compliance with applicable standards and our own policies.

The Firm remains fully committed to constructive engagement with NFRA and to continuous enhancement of its systems, policies and practices in line with evolving regulatory expectations. We would be pleased to provide any further clarifications or information that NFRA may require.

Yours faithfully,

For and on behalf of Walker Chandio & Co LLP
Firm Registration No. 001076N/N500013

SUMESH S
EDAKKALATHIL

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EDAKKALATHIL
Date: 2026.03.24 12:23:30
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Sumesh E S
Partner

Chartered Accountants

Offices in Ahmedabad, Bengaluru, Bhubaneswar, Chandigarh, Chennai, Dehradun, Goa, Gurugram, Guwahati, Hyderabad, Indore, Kochi, Kolkata, Mumbai, New Delhi, Noida and Pune

Walker Chandio & Co LLP is registered with limited liability with identification number AAC-2065 and has its registered office at L-41, Connaught Circus, Outer Circle, New Delhi, 110001, India

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APPENDIX A

PART B – Review of Firm-Wide Audit Quality Control System

A. Independence

The Firm reaffirms its unwavering commitment to auditor independence and elimination of any independence threats arising from non-audit services. In this regard, it should be noted that the Firm proactively embargoed the provision of all non-attest services (including services otherwise permissible under the Companies Act, 2013) to all listed audit clients, their holding companies and subsidiaries of such clients, with effect from 1 July 2019, well in advance of any comparable action by other audit firms in India. This measure reflects the Firm's proactive and pre-emptive stance going beyond mere compliance and demonstrating commitment to auditor independence and integrity.

Paras 12–27: Independence at Firm Level

The Firm respectfully submits that its independence policies have been, and continue to be, fully compliant with all applicable laws and standards. We would like to submit the following with regard to observations in the Inspection report:

- Independence principles have been consistently applied across WCCL, GTBL, GTAPL, and their related entities, as demonstrated during the inspection. (ref. Report para 12)
- The Firm has sought membership of GTIL, which has been confirmed with effect from 23 March 2026 subject to completion of customary legal documentation, primarily based on the following:
 - Such membership does not create any partnership, ownership, control, management rights, or influence by GTIL.
 - The Firm shall remain independently owned, managed, operated, controlled, and shall continue to be responsible for all regulatory requirements.
 - The Firm will be granted a license to use certain proprietary technologies, methodologies, and frameworks of GTIL.
- The Firm's position till now regarding its network status was based on its contractual reality, facts and position. In that context:
 - The reference to the GTIL Transparency Report is not directly applicable (ref. Report para 17.a). Importantly, any characterization of network status, or the denial thereof, does not, in the Firm's view, have a bearing for assessing compliance with independence requirements under Section 141 read with Section 144 of the Companies Act, 2013 and SQC 1, which has been explained and demonstrated during the inspection (ref. Report para 19 b).
 - WCCL declared in its PCAOB Form 2 filings that it had no audit related memberships or affiliations. GTBL's affirmative disclosure relates solely to its arm's length use of WCCL staff for certain engagements and does not indicate any network membership or brand affiliation. All PCAOB filings, revised after PCAOB clarification in the year 2015, are factually correct and consistent with the Firm's submissions to NFRA (ref. Report para 21 d).
 - WCCL does not rely on significant professional resources from its related entities, as it has a large pool of its own partners and staff to provide audit services. Specific resources, e.g., experts, etc., are utilized based on an arm's length basis (ref. Report para 25).
- As evident from the GTIL's membership arrangement mentioned above, GTIL does not exercise any control, significant influence, or management over WCCL (ref. Report para 15, 17.a ii, iii, and 25), more specifically:
 - The mere use of common tools is facilitative and, in itself, does not establish control or governance integration, as technology supports audit execution and is not a mechanism of governance or decision-making or control.

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- The KAA is a risk management and quality enhancement mechanism. The client acceptance related decisions rest solely with the Firm's partners. Such consultative processes are akin to professional or ethical standards and cannot be equated with control over management or decision-making.
- The operational integration among GTIL, GTAPL, GTBL and WCCL does not establish any common control or management. Operational transactions are at arm's length.
- GTBL does not provide statutory audit services in India nor does it seek the audit business in the name of global brand name of Grant Thornton for WCCL or vice versa. WCCL independently seeks and performs audits in accordance with applicable regulatory requirements and standards. The 'contractual business' mentioned in para 21.g refers to the contractual arrangement for sharing resources, and not for seeking audit business. (ref. Report para 16, 21 e, f, g and h).
- For NFRA's evaluation, the Firm provided the complete RCC dataset and all samples requested by the inspection team, covering WCCL and its related entities. Based on the inspection team's sample testing, the identified exceptions in the Report have been responded to separately.
- In summary, the Firm respectfully submits that the conclusions suggesting:
 - that potential breaches of independence requirements cannot be assessed;
 - GTIL has any control/management over WCCL; and
 - GTIL seeks audit business in the name of WCCL or vice versa.do not, in the Firm's view, reflect the factual position.

Paras 28–31: Self-Regulated Embargo on Non-Audit Services

The Firm and related entities in India uniformly comply with the applicable independence requirements. This approach was explained and evidenced during the inspection. A voluntary self-embargo is the Firm's decision, and is not indicative of any deficiency in controls.

In particular, the observations regarding (i) the scope and adequacy of the self-imposed embargo, (ii) the ability to conclude on network-level independence, and (iii) the suggested extraterritorial application of Section 144, do not, in the Firm's view, find support by the applicable framework or the factual position demonstrated during inspection.

Accordingly, NFRA's comment that it is difficult to conclude that the Firm maintains independence at the network level, in our humble submission, is not correct, in light of the explanations and materials provided during the inspection.

Paras 32–33: Non-Audit Services

The Firm's unwavering commitment to auditor independence and elimination of any independence threats arising from non-audit services, including the voluntary embargo mentioned above, reflects the Firm's proactive and pre-emptive stance, going beyond mere compliance and demonstrating commitment to independence and integrity. With respect to certain specific observations, we submit our comments as under:

1. **Company P** – The segregation of total fees in the engagement letter (duly approved by audit committee), does not alter the fundamental nature of the work performed, which remains within extra efforts of statutory auditor's scope.
2. **Company Q and R** – Issuing an audit opinion on the consolidated Financial statements of Company 'R' required auditing the Ind AS conversion of Company 'Q' – a requirement mandated under paragraph 52 of the Guidance note on Audit of Consolidated Financial Statements (Revised 2016). Given the significant extent of work involved, a separate EL was entered into with Company 'Q'. The role performed by the Firm was limited to reviewing and auditing the conversion adjustments prepared by the management, and not the preparation of accounting records,

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which is consistent with auditing standards including SA 600 and established industry practice. This was neither a non-audit nor a prohibited service.

3. **Company S** - The service was provided by GTBL during 2023-24, at a time when the company was not a listed entity, and consequently, the non-attest embargo was not applicable. The service was provided with a view to providing comments on HR processes from a general industry perspective only for the management's consideration and their decision making, without assuming any management responsibility. This position is consistent with the ICAI Code of Ethics, which clarifies that providing advice to assist management does not amount to assuming management responsibility (Para 600.7 A4).—However, as committed by the Firm, in response to the previous inspection report, the Firm has adopted an extended embargo – effective 1 April 2025, and does not provide any non-attest services to any NFRA governed audit entities to avoid such controversies.

The Firm acknowledges the observations regarding communication gaps and is committed to strengthening its processes to avoid inconsistencies in our engagement letters.

Paras 38–44: Insider Trading Regulations

- The Firm's PIT Code of Conduct states under *Definitions and Interpretation* that “...the terms or expressions used, unless explicitly defined herein, shall have the same meaning as defined, interpreted or construed for the purposes of the SEBI Regulations.” The PIT Code of Conduct is accessible to all Firm personnel and, accordingly, the term “Immediate Relatives” already stands defined.
- In the specific instance cited, the information was furnished strictly in response to the request received, which did not require disclosure relating to immediate relatives.
- Further, the observations noted by NFRA pertain to provisions under the PIT Regulations and SEBI Regulations, which are distinct from independence requirements.

As a measure of enhanced clarity, the Firm proposes to reiterate the definition of *Immediate Relatives* in the PIT Code and circulate the same to the wider group. In any case, NFRA did not observe any non-compliance in this regard.

B. Consultations

Paras 50–53: Consultations process

Consultations were formally initiated, concluded, and documented within the VIS/Leap consultation module, which constitutes the authoritative audit record. The approved consultation memo captures the date of initiation and conclusion, issues considered, technical analysis, and conclusions, and is archived in the engagement file. Email correspondence is only an administrative communication mechanism and is not required to be retained as audit documentation under SQC 1 or SA 230.

Mandatory consultations are further reinforced through system-embedded controls which prevents archival of files without inclusion of consultations carried out which is further supported by mandatory signoffs by Engagement Partner and EQCR in the file. Accordingly, we respectfully submit that consultations are appropriately embedded within the Firm's policies and audit tools.

Paras 54–56: Emphasis of Matter – Company A

The reference to a planned consultation on an Emphasis of Matter arose from an inadvertent prior-year documentation carry-forward and did not reflect a reportable current-year matter. The transaction was evaluated during the year and did not warrant an Emphasis of Matter under applicable standards and therefore did not require consultation as per the policy of the Firm.

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While we agree that documentation could have been clearer in evidencing the final conclusion, we humbly submit that this does not indicate a deficiency in the consultation process of the Firm.

C. Monitoring

Paras 59–62: Audit quality monitoring process

Responsibility for the monitoring process was assigned to an appropriately experienced partner, consistent with the Firm's governance framework, and this was reflected in the updated EQCM provided during the inspection. We acknowledge NFRA's feedback on enhancement of documentation of partner-specific communication and commit to take necessary steps to enhance the same in future IQCR cycles.

PART C– Review of Individual Audit Engagement Files

At the outset, we reaffirm that the audits were planned and executed in accordance with the applicable Standards on Auditing, Standards on Quality Control, and the provisions of the Companies Act, 2013, and that audit conclusions were reached based on sufficient and appropriate audit evidence. Any documentation enhancements identified are being addressed as part of the Firm's ongoing commitment to strengthening audit quality. We provide our responses, which have been summarised from our earlier responses dated 10 February 2026 and 23 February 2026 to the draft observations, as follows –

Paras 63–70: Audit of Revenue

Audit documentation evidences the nature, timing and extent of procedures performed, including identifying characteristics of samples tested and cross-referencing to relevant working papers, in accordance with SA 230. SA 230 (consistent with ISA 230 and PCAOB standards applied internationally) read with Implementation Guide to SA 230 (Revised 2022), including FAQ 12, do not require auditors to retain copies of invoices or vouchers, source documents, etc.

Further, observations in paragraph 65 with respect to design effectiveness of the journal entry control being deficient is incorrect. We have adequately tested and concluded on the design effectiveness of the journal entry controls and the same is appropriately documented in our audit working papers. Journal entry testing was designed based on assessed fraud risks. Routine vouchers were excluded from the JE population as they were tested through other substantive procedures. We acknowledge that documentation could have more explicitly cross-referenced such testing, and we have noted this for enhancement.

Paras 71–73: Loans to Wholly Owned Subsidiary

The loan and investment were assessed together considering their economic linkage, with recoverability evaluated using management's cash flow projections. Impairment was first allocated to investment, consistent with its subordinated nature. While the inspection comments on the application of the ECL model, the audit work performed addressed recoverability risk in substance. We acknowledge the need to strengthen explicit documentation of ECL considerations.

Paras 74–77: Loan Balance Reconciliation

The apparent difference in loan balances relates to principal and accrued interest components. Movements, accruals and balances were documented in the audit working papers. As the transactions were between a parent and its wholly owned subsidiary, Audit Committee approval was not required under applicable regulations.

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Paras 78–82: Audit Trail

We respectfully submit that we have appropriately commented upon the requirement of Rule 11(g) of Companies (Audit and Auditors) Rules 2014 with respect to requirement of establishing audit trail on accounting systems, and observations in all selected engagements have been adequately considered in our design of our audit approach of the respective audits.

Further, in case of Company A, the audit file documents the IT expert's assessment that audit trail functionality was enabled and not being tampered with during the year with respect to all relevant transactions, except for master data changes at application level and any direct changes at the database level. The matter is appropriately reported in our audit report. Compensating controls were identified, tested and appropriately concluded and documented in our files. We agree that documentation of impact assessment could have been more explicit and have noted this for improvement.

Paras 83–85: Borrowings

End-use of borrowings was verified by tracing disbursements through bank statements and remittance advices. Further, an end-use certificate was obtained and verified where required by one of the banks; no such requirement existed for the other bank.

Paras 86–88: Property, Plant and Equipment

CGUs tested were substantially impaired, leaving residual balances below trivial. Key assumptions, including beta, risk premium, WACC and growth rates, were critically challenged with the involvement of valuation experts. Given the residual carrying values was below trivial, no further audit work was considered necessary.

Paras 89–91: Related Parties

The interest rate on related party ICDs was consistent with the Group's borrowing costs and supported by external benchmarks, demonstrating arm's length pricing.

Paras 92–98: Impairment of Investments

The observation that the auditor's response was an "afterthought" is not correct. Impairment testing was performed in compliance with Ind AS 36 at the appropriate CGU level, and no additional impairment was required beyond that recognised. For associates, the binding agreement to sell, while a non-adjusting event, provided evidence of fair value consistent with conditions existing at the balance sheet date.

Paras 99–101: Going Concern

Based on operating performance (excluding non-cash items), liquidity position, reduced borrowings, and expected interest waivers, no events or conditions were identified that cast significant doubt on the Company's ability to continue as a going concern. We agree that documentation can be enhanced and have noted NFRA's feedback.

Paras 102–104: Material Uncertainty Related to Going Concern

While we acknowledge that certain aspects of documentation could have been presented with greater clarity and we would like to reiterate that the engagement team obtained and evaluated the necessary audit evidence, performed procedures in accordance with SA 570 (Revised), and appropriately concluded and reported a Material Uncertainty Related to Going Concern in the auditor's report.