



राष्ट्रीय वित्तीय रिपोर्टिंग प्राधिकरण
National Financial Reporting Authority

**Inspection Report
2024**

Audit Firm

M/s MSKA & Associates LLP

Network firm of BDO International Limited

Firm Registration No. 105047W

Inspection Report No. 132.2-2024-03

March 16, 2026

NFRA, 7th Floor,
Hindustan Times House
18-20, Kasturba Gandhi Marg,
New Delhi-110001

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PART - A

Executive Summary

Section 132 of the Companies Act 2013 (the Act) mandates the National Financial Reporting Authority (NFRA), *inter alia*, 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 conducted an audit quality inspection of MSKA & Associates LLP (MSKA/ Audit Firm hereinafter) during November 2025 to January 2026. The scope included review of the remedial actions taken by the Firm for the deficiencies reported in the previous report, a review of 3 elements of SQC of the Firm which are Human Resources, Consultation and Monitoring and a review of five selected audit engagements for the year ending 31.03.2024, focusing on three significant audit areas, viz., Revenue from Operations, Loans & Advances (Asset) universally, with Inventories for Company A, Trade Receivables for Company B, Investments for Company C, Borrowings for Company D and Property, Plant & Equipment (PPE) for Company E as entity-specific areas. The inspection included an on-site visit in November & 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 conveyed to the Audit Firm. After examining the replies, NFRA conveyed a draft inspection report to the Audit Firm. The replies and documents submitted by the Audit Firm have been examined and this report is issued. The observations in this report are based on policy documents and/or results of samples tested by the inspection team. The key observations are summarised as follows:

- a. The firm is required to strengthen network-wide controls over the provision of Non-Audit Services and ensure mandatory re-sign-off by the Engagement Partner for any post-issuance modifications. The Whistleblower Committee, as mandated by policy, needs to be formally constituted to oversee and investigate complaints. While corrective actions have been initiated through training programmes on the Audit LMS, further strengthening is required in training and monitoring. Strengthening of audit evaluation procedures relating to revenue and receivables, as well as assessing their impact on financial reporting, is required. In addition, the firm should strengthen its root cause analysis through more comprehensive coverage. (Para 13 to 31)
- b. In one of the engagement files selected, strengthening was required in adherence to revenue recognition requirements in accordance with applicable Ind AS. (Para 33 to 35)
- c. In one of the engagement files selected, strengthening could be undertaken in the recognition of interest income in respect of a credit-impaired loan to a subsidiary. (Para 36 to 38)
- d. In one of the engagement files selected, the processes and controls relating to receivables reconciliation could be further strengthened. (Para 39 to 41)

- e. In one of the engagement files selected, there was a need to enhance the disclosure of borrowing transactions with related parties. (Para 42 to 44)

Inspection Overview

1. 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 systems of the audit firm/auditor, including:
 - a. adequacy of the governance framework and its functioning
 - b. effectiveness of the firm's internal control over audit quality; and
 - c. system of assessment and identification of audit risks and mitigating measures.
2. Inspections are intended to identify areas and opportunities for improvement in the Audit Firm's system of quality control. Inspections, by nature, are distinct from investigations undertaken under section 132 (4) of the Companies Act, 2013. However, in certain cases, test-check by the inspection teams may provide basis for or require reference of such cases/matters for enforcement or investigation under applicable provisions of the Act and Rules.
3. This year's inspection involves a review of the remedial action taken by the Firm in response to the previous inspection observations, review of certain focus elements of SQC 1, and a test check of audit engagements performed by the Audit Firm relating to the statutory audit of financial statements for the year ending 31.03.2024.
4. Inspections are, however, not designed to review all aspects and identify all weaknesses in the governance framework system of internal control, or audit risk assessment framework; nor are they 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. Inspection reports are also not intended to be either a rating model or a marketing tool for audit firms.

Audit Quality Inspection Approach

5. Selection of audit firms for 2024 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 MSKA & Associates LLP** was one of the audit firms selected as per the above parameters.
6. The selection of individual audit engagements of MSKA & Associates LLP, was largely risk-based, based on 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 was as follows:
 - a. Review of the remedial measures and improvements made in compliance with the previous inspection observations and review of firm-wide quality controls to evaluate the Audit Firm's adherence to SQC 1¹, Code of Ethics and the applicable laws and

¹ Standard on Quality Control (SQC) 1 – Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements

rules. Focus areas for 2024 inspection are Human Resources, Consultation and Monitoring elements of SQC1.

- 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 was selected. Three significant audit areas were identified in respect of each audit engagement viz., Revenue from operations, Loans & Advances (Asset) universally, with Inventories for Company A, Trade Receivables for Company B, Investments for Company C, Borrowings for Company D and Property, Plant & Equipment (PPE) for Company E as entity-specific areas, due to their inherent higher risk of material misstatement.

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 MSKA & Associates LLP on 06.11.2025 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. The on-site inspection was carried out from 26th November to 5th December 2025. The inspection methodology comprised meetings, walkthroughs, presentations and interviews with 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 viewed as areas of potential improvement and not as a negative assessment of the work of the Audit Firm unless specifically indicated otherwise.

Audit Firm's Profile

10. M/s MSKA & Associates LLP is a limited liability partnership firm having 12 offices across India. The firm got converted into LLP w.e.f. January 13, 2026. The firm was established in 1978 and is a network member firm of BDO International Limited since 2013. It comprises 46 partners and 986 staff members and has 170 NFRA regulated audit clients. In India, there are three CA firms and 13 non-CA firms which are member firms of BDO International Limited.

Acknowledgment

11. NFRA acknowledges the cooperation of the Audit Firm during the inspection.

PART- B

Review of Firm-Wide Audit Quality Control System

12. In this section, the review of remedial measures taken and improvements made in compliance with previous inspection observations, as well as deficiencies observed in the selected focus areas of SQC1 during the review of the Audit Firm's policies and the application of such policies through samples are discussed. Specifically, any deviation of the firm's policy from the regulations, or any deviation in the application of the firm's policy in actual practice, is reported if observed.

I. Independence

Need to Improve Network-wide Restrictions on Provision of Non-Audit Services

13. Para 19 of NFRA's Inspection Report (IR), 2023 noted that there was no policy restricting BDO network entities from providing prohibited services to the audit clients of the firm M/s MSKA & Associates. In remediation, the firm revised its Ethics and Independence Policy in August 2024 which prohibits the member firm of BDO India entities from providing NAS to NFRA regulated audit clients.
14. We observed that the restriction has not been extended to all BDO network entities and moreover the restriction should not be limited to NFRA regulated audit clients. In terms of the requirements of Section 141 & 144 of the Companies Act, 2013 and Code of Ethics, independence requirements apply not only to the audit firm but also to network firms. Further, independence is a professional obligation, not a regulator-specific obligation. Therefore, restrictions are required to be complied across the entire network, irrespective of geographical location or whether the audit client is NFRA regulated.
15. The firm stated that a NAS Advisory dated November 10, 2025 was issued which covers evaluation of auditor's independence considering all the member firms of BDO International Limited across the globe. The firm further clarified that member firms of BDO International in India are prohibited from providing non audit services to overseas holding companies of NFRA governed clients. Further, where the holding company is in India (which is governed under NFRA rules), NAS restrictions are applicable to all member firms of BDO International in relation to all components (including overseas components).
16. We noted that although an advisory has been issued, the same does not form part of the formal Ethics and Independence Policy. There exists inconsistency between the advisory and the revised policy provisions and the restrictions should be for all the audit clients and not restricted to NFRA regulated clients. The firm has acknowledged the inconsistency and has undertaken to formally incorporate the necessary revisions in the updated Policy to address the same.

II. Audit Documentation

Strengthening Post-Issuance Documentation Controls

17. Paras 23–28 of NFRA's Inspection Report (IR) 2023 requires the firm to ensure mandatory re-sign-off of AWP's modified after issuance of the audit report, in the BDO APT system, in compliance with SA 230 and SQC1. In remedial action, the firm had submitted that they have circulated various guidance notes, provided training to staff for audit documentation and archival period reduced to 14 days.
18. In the current inspection, it is observed from the 2 samples reviewed that few modifications to AWP's were made after issuance of the audit report. No evidence of re-sign-off by the EP was available.

19. The Firm has acknowledged the issue and committed to further strengthening their internal communications and training going forward to ensure re-sign-off by the EP for any post-issuance modifications.

III. Policies and Procedures for Complaints and Allegations

20. Para 29 of NFRA's Inspection Report 2023 requires the firm to establish policies for handling complaints and allegations, whether arising from within or outside the firm, relating to non-compliance with professional standards, regulatory and legal requirements, or the firm's Quality Control system, to comply with paragraphs 101 and 102 of SQC 1. In its remedial action, the firm stated that it has implemented Whistle Blower Policy w.e.f. March 30, 2024.
21. During current inspection, it is observed that the Whistle Blower Policy (Para 4.3) requires complaints to be addressed to the Whistleblower Committee via email ID at *info@mska.in*, however, the email ID is not disclosed on the website. Further, although the policy mandates the constitution of a Whistleblower Committee to oversee and investigate complaints, no such committee has been formally constituted.
22. The firm acknowledged and committed to remediate the observation by creating a new email ID, add the email ID on the website, revise policy to include this new email ID and document appointment of the committee members.

IV. Learning and Development

Enhancement of System-Based Monitoring in Audit LMS Training Framework

23. Under para 36 of NFRA's Inspection Report 2023, deficiencies in monitoring, documenting and enforcing mandatory training requirements, including ineffective attendance tracking and lack of appropriate action against non-compliance were noted. The firm had taken remedial action by implementing Audit LMS software in February 2025 to automate training enrolment, attendance tracking and reporting.
24. It is observed that the newly launched Audit LMS software exhibits certain deficiencies in system-generated training reports. Specifically, the time spent by individual attendees is not consistently monitored; in several cases, the 'time spent' field is left blank; in some instances, the course status is reflected as 'incomplete' despite a recorded completion date; and in other cases, the time spent varies significantly vis-vis the course completion status.
25. The firm has submitted that these are initial teething issues in the newly implemented system and are being addressed. While the firm has taken corrective steps by implementing the training program through Audit LMS, further strengthening of system-based monitoring controls is required to ensure accuracy and reliability of training records.

V. Consultation

Strengthening of Audit Evaluation in Revenue & Receivables and Financial Reporting Discipline

26. During inspection, in one sample case, the Company was found non-compliant with mandatory Accounting Standards relating to revenue recognition and provisioning for doubtful trade receivables. Despite uncertainty over recovery of a significant amount—rejected by the buyer and pending prolonged litigation—no provision was recognised in the financial statements. This resulted in a material misstatement of the financial statements. The EP did not sufficiently evaluate the need for mandatory provisioning in accordance with AS-9 (*when the uncertainty relating to collectability arises subsequent to the time of sale or the rendering of the service, it is more appropriate to make a separate provision to reflect the uncertainty rather than to adjust*

the amount of revenue originally recorded) and did not appropriately evaluate the resulting material misstatement as required under SA 315. Instead, the auditor relied on management representations and a legal opinion to conclude recoverability, notwithstanding the existence of significant uncertainty. Further, the EP did not appropriately evaluate the implications of the misstatement on the audit opinion in accordance with SA 705 and, instead, issued an unmodified audit opinion with an Emphasis of Matter under SA 706. An Emphasis of Matter paragraph does not substitute for a modified opinion in circumstances involving material misstatement.

27. The firm stated that the revenue had been recognised in earlier periods and that the recoverability of the disputed trade receivables was assessed based on legal opinion and other relevant factors. The engagement team concluded, on a holistic evaluation, that the uncertainty of recovery was low. The claim had not been rejected by any authority. The matter is currently pending before the Appellate Tribunal, with further legal remedies available. In the absence of objective evidence of a loss event under AS 9's incurred loss model, no provision was considered necessary. Accordingly, an Emphasis of Matter under SA 706 was included, as the disclosures were considered adequate and no material misstatement was identified.
28. We noted that the ET primarily relied on a legal opinion, which neither eliminates inherent recovery uncertainty nor, by itself, constitutes sufficient and appropriate audit evidence under SA 500. Recognition of revenue in earlier periods does not absolve the auditor from assessing recoverability of trade receivables at each reporting date and determining the need for provisioning. The pendency of the dispute before an appellate forum evidences uncertainty requiring heightened professional scepticism under SA 315. Further, the incurred loss model does not allow deferral of provisioning until exhaustion of legal remedies. Accordingly, the firm's reply does not demonstrate compliance with AS 9, SA 315, and SA 500, nor does it justify issuance of an Emphasis of Matter under SA 706 in place of an appropriate modification, if warranted.

VI. Monitoring

Enhancement of Root Cause Analysis Coverage

29. The firm's Monitoring and Remediation Policy require RCA for 'unsatisfactory' engagements and for the files graded as 'satisfactory' on common topics of findings across a number of engagements. The firm introduced additional gradings viz. 'Major Areas for Improvement' and 'Acceptable with Limited Improvements' without mandating RCA for these categories, despite such gradings indicating deficiencies.
30. The firm stated that SQC 1 does not prescribe a standard grading system and that these categories do not generally indicate systemic deficiencies; therefore, RCA is not mandated under the policy, though RCA has been performed for files graded as 'Major Areas for Improvement'.
31. We observed that notwithstanding the absence of a prescribed grading system under SQC 1, para 89 requires identification of corrective actions. As these gradings reflect audit deficiencies, the firm's policy of not mandating RCA for them suggests scope for strengthening monitoring and remediation framework.

PART -C

Review of Individual Audit Engagement Files Focusing on Selected Areas of Audit

32. This section discusses deficiencies observed with respect to a few selected audit engagements. The inspection covered five individual audit engagements. Focus audit areas were identified in respect of each audit engagement viz. Revenue from Operations and Loans & Advances universally; with Inventories for Company A, Trade Receivables for Company B, Investments for Company C, Borrowings for Company D and Property, Plant & Equipment (PPE) for Company E as entity-specific areas. Certain critical audit procedures performed by the firm's engagement team in respect of these audit areas were reviewed. The observations are discussed below-

I. Revenue from Operations

Enhancing Adherence to Revenue Recognition Requirements

Company A

33. Company A's accounting policy permits revenue recognition from real estate sales only upon transfer of control and achievement of substantial cumulative collections of 99.5% net of taxes. However, the ET assessed the collectability criterion by comparing total collections inclusive of taxes with total sales value, contrary to the accounting policy that requires evaluation net of taxes. In the management generated revenue report, despite cumulative collections exceeding the prescribed threshold (99.5%), revenue recognized during FY 2023-24 was significantly lower than the cumulative collections. Our evaluation identified such instances aggregating to a significant amount.
34. The firm stated that the management-generated report was used only for analytical procedures, comparing collections inclusive of taxes with sales value to identify exceptions, and not for assessing compliance with the collectability criterion. The ET performed separate substantive procedures, including detailed testing of 42 revenue samples, confirming that all revenue recognition criteria were met. With reference to instances where the revenue recognition threshold was not met during FY 2023-24 but revenue was recognized, the firm stated that these relate to contractual and accounting adjustments and do not indicate non-compliance with the 99.5% collectability criterion. The variance is attributable to recognition of only the Company's contractual share under JDA arrangements, revenue transfers pursuant to the approved demerger scheme, recognition of revenue net of rebates though collections were received on a gross basis, recognition of ancillary charges (e.g., car parking) where unit revenue had been recognized earlier, reversals due to unit cancellations and subsequent rebates, and recognition of only the balance revenue during the year pursuant to court settlement where part had been recognized in earlier years.
35. We are of the view that the firm's reply does not adequately address the observations, that ET did not independently assess 99.5% collectability criterion on net-of-tax sales values. Further, although the firm has provided explanations for the variances, there is no evidence on record to show that these specific variances were identified, examined, and substantiated by the ET during the audit. The explanations now provided are descriptive and not supported by contemporaneous audit documentation demonstrating verification of collectability and appropriateness of revenue recognition in accordance with Ind AS 115 and the Company's accounting policy. In view of the above, the firm's reply does not establish sufficient and appropriate audit procedures were performed, nor does it demonstrate that the identified variances were examined during the audit.

II. Loans & Advances

Need to Assess Appropriate Interest Income Recognition on Credit-Impaired Loan to Subsidiary

Company A

36. In respect of a subsidiary of Company A, it was observed that interest income was recognized during FY 2023–24 on the opening loan balance, notwithstanding that the loan was credit-impaired and of doubtful recoverability. Recognition of interest income in such circumstances is not aligned with the requirements of Ind AS 109 (para 5.4.1), which stipulate that interest on credit-impaired financial assets should be recognized only on the net carrying amount. The audit file does not evidence that the EP performed adequate audit procedures to assess the appropriateness of the provisioning or the recognition of interest income on the credit-impaired loan.
37. The firm stated that recognition of interest income did not warrant further testing as it was close to clearly trivial and below the overall materiality.
38. We observed that the firm has inappropriately relied on materiality to justify acceptance of a known non-compliance with Ind AS, instead of assessing its impact on the audit opinion. The gross loan exceeds performance materiality, and the interest income is not below the clearly trivial threshold. Further, the audit documentation does not demonstrate consideration of qualitative materiality, particularly given that the matter relates to income recognition and accounting for credit-impaired financial assets including the quantitative value aggregation of all misstatements in accordance with SA 450. Accordingly, the audit approach indicates scope for enhancing professional skepticism and strengthening compliance with SA 500 while evaluating the identified departures from Ind AS 109.

III. Trade Receivables

Strengthening Receivables Reconciliation Process

Company B

39. It was observed that the advances of certain amounts from customers were adjusted twice in the AWP to reconcile the receivable balances with financials.
40. The firm submitted that the advances from customers have been erroneously adjusted twice during reconciliation. However, this amount is not considered material to the financial statements.
41. The firm acknowledged the double adjustment of customer advances but failed to document how the error was identified, evaluated, or resolved. Additionally, there is no evidence that the misstatement was evaluated in accordance with SA 450, including assessment of quantitative and qualitative materiality, aggregation with other misstatements, or communication with those charged with governance.

IV. Borrowings

Enhancing Disclosure of Borrowing Transactions with Related Party

Company D

42. It was observed that the Company entered two transactions with its Holding Company on 29.02.2024 and 02.03.2024, involving repayment of a loan of certain amount and availing of an additional loan of same amount, respectively. However, these transactions have not been disclosed in Related Party Transactions of the financial statements. Although these transactions did not affect the outstanding balance as at 31.03.2024, their non-disclosure indicates non-compliance with para 18 of Ind AS 24 relating to related party transactions.
43. The firm submitted that since these transactions are of the same amount hence these transactions have no impact on the closing balance of the loan as at year end. The amount of borrowing availed and repaid is approx. 0.42% of total borrowing of the company as at 31.03.2024.
44. It was noted that the overall materiality determined by the ET was lower than the aggregate value of the transactions under review. Further, irrespective of their quantitative materiality, such transactions were required to be disclosed in accordance with the requirements of Ind AS 24.

PART- D

Chronology of Events

Sr. No	Date	Event/Correspondence
1.	28.03.2025	Intimation of On-site Inspection from NFRA to the Audit Firm
2.	29.08.2025	Intimation to take up audit inspection of your firm in reference to previous letter.
3.	01.10.2025	Communication of selected engagements and focus areas
4.	06.11.2025	Pre-Inspection Meeting and Firm's presentation with MSKA held at NFRA office.
5.	26.11.2025 to 05.12.2025	On-Site Inspection at Firm's Office
6.	09.12.2025 to 12.12.2025	Walkthrough of selected engagements at NFRA office
7.	24.12.2025 to 15.01.2026	Communication of SQC Observations and remedial actions related observations
8.	15.01.2026 to 24.01.2026	Communication of Engagement – Specific Observations
9.	15.01.2026 to 23.01.2026	Response on SQC related observations received from the Audit Firm
10.	22.01.2026 to 31.01.2026	Response on engagement-specific observations received from the Audit Firm
11.	06.02.2026 to 11.02.2026	Supplementary observation issued and response received in respect of an engagement
12.	09.02.2026	Draft Inspection Report sent by NFRA to the Audit Firm
13.	17.02.2026	In person meeting held to discuss the draft report on request of MSKA
14.	20.02.2026	Submission of reply by MSKA to Draft Inspection Report
15.	05.03.2026	Print Ready Version of Inspection Report sent by NFRA to Audit Firm
16.	05.03.2026	Submission of reply by MSKA to Print Ready Version of Inspection Report
17.	16.03.2026	Publication of Inspection Report on the website of NFRA as per Rule 8 of NFRA Rules 2018

Annexure A: Audit 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 Final 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.

MSKA & Associates LLP

(Formerly known as MS KA & Associates)

Chartered Accountants

March 05, 2026

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Shiv Shankar Ojha
Chief General Manager,
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Respected Sir,

Subject: Response to NFRA Inspection Report 2025 of MS KA & Associates LLP (FRN No.W101187)

On behalf of *Mis* MS KA & Associates LLP, I extend our sincere appreciation to the National Financial Reporting Authority (NFRA) for its inspection and for providing us with the opportunity to enhance our audit quality practices. Following the inspection conducted in the previous year, as committed, we undertook significant measures to strengthen our documentation over firm leadership structure/roles and policies and procedures over Independence/Non-audit services, Client Acceptance and File Archival. We are committed to continuously improving our adherence to prescribed quality standards and ensuring the highest levels of integrity and competence in our audit engagements, including making efforts to meet the regulator's expectations.

We have reviewed the observations outlined in the Inspection Report (Report No. 132.2-2024-02) received by us on March 05, 2026, and have carefully considered the recommendations and suggestions presented. We have already communicated our detailed responses to the draft inspection report which contained our explanations to the observations set out in the Inspection Report and hence have not reiterated the same here. However, we have highlighted certain specific areas in Annexure A (Enclosed), for your consideration, that supplement and provide further clarity to the facts included in the Report. Accordingly, we kindly request NFRA to incorporate these in the final report.

As we continue to improve and develop as an audit practice, we are committed to continually investing in strengthening our quality control framework. We greatly appreciate the observations and recommendations from Hon'ble NFRA and look forward to constructively engaging in evaluating and implementing further improvements to our policies and practices. We will be happy to address any queries or provide additional clarifications as needed.

Yours sincerely,

For MS KA & Associates LLP (Formerly known as MS KA & Associates)
Chartered Accountants

ICAI FRN: 10504DW101187



Vishal Ivadkar
Partner

Encl. - Annexure A

MSKA & Associates LLP

(Formerly known as M S K A ft Associates)

Chartered Accountants

AnnexureA

S No.	Reference from NFRA Inspection Report	Clarification
PART B - Review of Firm-Wide Audit Quality Control System		
1.	<p>I Independence</p> <p><i>Need to Improve Network-wide Restrictions on Provision of Non-Audit Services</i></p> <p>Para 14</p> <p><i>"the restriction has not been extended to all BDO network entities and moreover the restriction should not be limited to NFRA regulated audit clients. In terms of the requirements of Section 141 ft 144 of the Companies Act, 2013 and Code of Ethics, independence requirements apply not only to the audit firm but also to network firms. Further, independence is a professional obligation, not a regulator-specific obligation. Therefore, independence is required to be complied across the entire network, irrespective of geographical location or whether the audit client is NFRA regulated."</i></p>	<p>We would like to clarify that the firm is strictly adhering to the provisions of Sections 141 and 144 of the Companies Act, 2013 and the Code of Ethics/IESBA in conducting auditor independence assessments across the entire BDO network, irrespective of geographical location, whether in India or abroad, for all its audit clients. Additionally, the firm has implemented stricter rules for NFRA governed entities, their Indian holding company(ies) and subsidiaries, whether located in India or abroad, by completely prohibiting any non-audit services.</p> <p>In view of the above, the firm's policy read with advisory issued, is in line with the statutory requirements & additional measures adopted by the firm.</p> <p>E&I Policy & Advisory issued will be further aligned.</p>
2.	<p>Consultation</p> <p>Strengthening of Audit Evaluation in Revenue & Receivables and Financial Reporting Discipline</p> <p>Para 26</p> <p><i>"....the EP did not appropriately evaluate the implications of the misstatement on the audit opinion in accordance with SA 705 and, instead, issued an unmodified audit opinion with an Emphasis of Matter under SA 706. An Emphasis of Matter paragraph does not substitute for a modified opinion in circumstances involving material misstatement.,,</i></p> <p>Para 28</p> <p><i>".....the firm's reply does not demonstrate compliance with AS 9, SA 315, and SA 500, nor does it justify issuance of an Emphasis of Matter under</i></p>	<p>The firm has established fr implemented a consultation policy in line with the requirement of SQC 1. The said policy outlines the due process of Consultation. As per the process, ET evaluates the matter in light of professional standards & professional judgement and thereafter consults the matter with the Technical Team for their views in respect of the specified matters only. The Technical Team discusses the matter in detail with ET to understand the facts & circumstances of the matter and considers all relevant information in its evaluation based on which the conclusion is drawn.</p> <p>We would like to reiterate that the EP and the ET had appropriately evaluated all the facts and other information and have not relied merely on the legal opinion as stated.</p> <p>We would like to further state that, appropriate conclusion regarding appropriateness of the use of EOM were based on the facts of the matter & professional judgement of ET fr Technical Team in line with the evaluation and consideration of the applicable Standards on Auditing and was</p>

MSKA ft Associates LLP

(Formerly known as MS KA&. Associates)

Chartered Accountants

S No.	Reference from NFRA Inspection Report	Clarification
	<i>SA 706 in place of an appropriate modification, if warranted.</i>	therefore in accordance with the requirements of AS 9, SA 315, SA 500 and SA 706 respectively.
3.	<p>VI. Monitoring</p> <p>Enhancement of Root Cause Analysis (RCA) Coverage</p> <p>Para 29</p> <p><i>"The firm introduced additional gradings viz. 'Major Areas for Improvement' and 'Acceptable with Limited Improvements' without mandating RCA for these categories, despite such gradings indicating deficiencies"</i></p> <p>Para 31</p> <p><i>We observed that notwithstanding the absence of a prescribed grading system under SQC 1, para 89 requires identification of corrective actions. As these gradings reflect audit deficiencies, the firm's policy of not mandating RCA for them suggests scope for strengthening monitoring and remediation framework. "</i></p>	<p>SQC 1 mentions corrective actions to be taken in case any issues are identified through monitoring activity. The firm takes due corrective action in respect of issues identified. As explained in our detailed response, the firm has introduced RCA as an incremental best practice as part of Monitoring and Remediation Policy, drawing experience from other global jurisdictions, to get to the root cause of the issue.</p> <p>We believe that implementation of the RCA process further enhances the monitoring and remediation process and makes it more effective and robust. SQC 1 envisages the firm to take corrective actions, and the firm is walking an extra mile in conducting the RCAs.</p>
PART C - REVIEW OF INDIVIDUAL AUDIT ENGAGEMENT FILES		
<p>We are committed to ensuring documentation and compliance requirements are adhered to by our teams. We appreciate Hon'ble NFRA's emphasis on key audit areas and we are also focusing our own efforts to improve across these.</p> <p>Our audit methodology and tools comply with the mandatory auditing standards, and we assure you we remain committed to further enhancing overall audit quality.</p>		