



राष्ट्रीय वित्तीय रिपोर्टिंग प्राधिकरण
National Financial Reporting Authority

**INSPECTION REPORT
2024**

Audit Firm: M/s Singhi & Co.
Firm Registration No. 302049E
Inspection Report No.132.2-2024-10
March 27, 2026

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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 the quality of their services. Under this mandate, NFRA conducted an audit-quality inspection of the Chartered Accountants firm M/S Singhi & Co. The scope included a review of firm-wide quality controls to assess the Audit Firm's (also referred to as "the Firm's") adherence to SQC-1, and a review of selected Audit Documentation for the annual statutory audit of financial statements for the year ending 31.03.2024. Two focus areas, namely Revenue Recognition and Loans and Advances, and one engagement-specific area selected based on risk, were taken for inspection in each audit engagement. The on-site inspection was conducted in November 2025.

During the inspection, the Inspection Team held discussions with the Audit Firm's personnel, reviewed policies and procedures, and examined documents to reach the prima facie observations. These observations were initially discussed with the Audit Firm, and after necessary changes, they were conveyed to the Audit Firm in writing. The Audit Firm's responses and documents have been reviewed, and the Final Inspection Report has been issued after consideration of all submissions. This public version of the final inspection report excludes confidential or proprietary information, as pointed out by the Audit Firm. The key observations in the Final Inspection Report are summarised as follows.

- (a) The Firm is required to implement measures for continuous monitoring of personal independence declarations made by the members of the firm towards their investments. This is further detailed in paragraphs 12 to 15 of the report.
- (b) The Firm's policy and practice of audit documentation needs to be further strengthened. The Firm is required to strengthen controls and practices for important documentation matters, including post-archival revisions and the serial numbering of audit documents. These observations are detailed in paragraphs 16 and 17 of the report.
- (c) The Firm's policy should be reviewed and updated to include a policy for consultations on significant matters. The current consultation documentation needs to be updated to include detailed explanations of the issues under consultation. This is further detailed in paragraphs 18 to 22 of the report.
- (d) The Firm's performance evaluation systems require strengthening to include quantifiable performance indicators to support stronger alignment between performance and audit quality. This is further detailed in paragraphs 23 to 26 of the report.
- (e) The Firm requires enhancing uniform procedures across all PIE audit engagement practices. This is further detailed in paragraphs 31 to 36 of the report.
- (f) Observations on three audit engagements in areas of Revenue, Loans and Advances and other significant areas with respect to the selected three engagement files are dealt with

in detail in Part C of the report. In one audit engagement for an unlisted company, we observed insufficient evidence to support the audit opinion. The details are given in paragraphs 64 to 69 of this report. Other matters affecting overall audit quality are identified in the selected audit engagements. However, these are not of such significance as to affect the audit opinion.

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 the NFRA Rules, 2018, as amended from time to time, 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 November 2025 for the Audit Firm. The overall objective of audit quality inspections is to evaluate compliance of the Audit Firm with auditing standards and other regulatory and professional requirements, and the sufficiency and effectiveness of the quality control system of the Audit Firm, including:
 - (a) adequacy of the governance framework and its functioning.
 - (b) effectiveness of the firm's internal control over audit quality; and
 - (c) system for assessing and identifying audit risks and mitigating measures.
2. Inspections involve a review of the quality control policy, a review of certain focus areas, a test check of the quality control processes, and a test check of audit engagements performed by the Audit Firm during the 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 or identify all weaknesses in the engagement performance, the governance framework, internal control system, or audit risk assessment framework, and they are not designed to provide absolute assurance about the Audit Firm's quality of audit work. With respect to selected audit assignments, inspections are not designed to identify all weaknesses in the auditors' audit work on 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

4. Selection of Audit Firms inspections for Financial Year 2024 was based on various parameters including the information filed in form NFRA 2, the extent of public interest involved, as evidenced by the size of the firm, its composition and nature, the number of audit engagements completed in the year under review, complexity and diversity of preparer's financial statements (henceforth, Companies) audited by the firm and other risk indicators. **M/s Singhi & Co.** was one of the Audit Firms selected as per the above parameters.

5. The selection of individual audit engagements for this inspection was largely risk-based, based on financial and non-financial risk indicators identified by NFRA. Accordingly, two focus areas for the Statutory Audit of financial statements for the year ending 31.03.2024 were identified for each audit engagement: Revenue Recognition and Loans & Advances. A third significant area, specific to each engagement, was also selected during the inspection based on the risk of material misstatement.
6. The scope of the inspection was as follows:
 - (a) Review of firm-wide quality controls to evaluate the Audit Firm's adherence to SQC 1, Code of Ethics and the applicable laws and rules. The FY 2024 inspection of Singhi & Co. covered all elements of the Firm's quality control system, including leadership responsibilities within the Firm, auditor independence, acceptance and continuation of audit clients, human resources, engagement performance, and the Audit Firm's internal quality inspection program.
 - (b) Review of individual Audit Engagement Files- A sample of three (3) individual audit engagement files pertaining to the annual statutory audit of financial statements for the year ending 31.03.2024 was selected. Two thematic focus areas were identified for each audit engagement: Revenue Recognition and Loans & Advances. A third significant area, specific to each engagement, was also selected based on the higher risk of material misstatement.
 - (c) The selected sample of three audit engagements is not representative of the Firm's total population of audit engagements completed for the year under review.

Inspection Methodology

7. An entry meeting was held with M/s Singhi & Co. on 15.09.2025 at NFRA office. The Firm presented an overview of its governance and management structure, key internal policies and procedures, the Firm-wide system of quality control, its audit approach and methodologies, ethical standards, and its IT systems and procedures. The on-site inspection was conducted over five days in November 2025. The inspection methodology included meetings, walkthroughs, observations, reviews, and interviews with members of the leadership team and engagement teams for the selected audit engagements.
8. The observations included in the inspection reports are areas of potential improvement and not a negative assessment of the overall audit quality of the Audit Firm unless specifically indicated otherwise.

Audit Firm's Profile

9. M/s Singhi & Co. (hereinafter referred to as the Audit Firm or the Firm) was established in 1940, as presented by the Firm in their entry meeting. The Firm has ten offices in India, 33 partners, and approximately 600 employees. Its professional services include assurance, taxation and advisory. Singhi & Co. is a member of the Moore Global accounting network.

Acknowledgement

10. NFRA acknowledges the cooperation of the Audit Firm during all stages of the inspection.

PART B

Review of Firm-Wide Audit Quality Control System

11. 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. For the selected areas, 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.

I. Personal Independence Requirements

12. According to Paragraph 18 of SQC 1, an audit firm should establish policies and procedures designed to provide it with reasonable assurance that the firm, its personnel and others subject to independence requirements maintain independence where required by the Code of Ethics. The present quality control system in operation covers annual independence declarations from all personnel, engagement-specific confirmations from engagement team members, policies covering financial interests, borrowings, business relationships and associations with audit clients, and disciplinary provisions in the Firm's Quality Control Manual.
13. Paragraph 17 of SQC 1 states that the firm's procedures should include monitoring and a process for dealing with non-compliance. Paragraph 88 of SQC 1 clarifies that monitoring should cover both the appropriateness of the design and the effectiveness of the quality control system in operation.
14. Regarding personal independence requirements, there was no verification, checking or periodic monitoring of the independence declarations filed by partners and staff in respect of the declaration made by them towards their investments and other matters covered in the policy. Regarding the procedure for dealing with non-compliance, the firm submitted that its ethics manual states that any failure to comply with independence requirements may result in disciplinary measures. However, due to the non-verification of the investments as stated above, this policy to that extent remains unimplemented.
15. Therefore, we observe that the review controls around personal independence to the extent stated above are not implemented. The firm should review its existing policies on the accuracy of independence declarations and redesign, implement, and periodically monitor personal independence. The policy should also include specific disciplinary measures, such as financial sanctions, negative performance evaluations, and impacts on compensation and career progression (Ref. paragraph 40 of SQC-1). The history of violations must be maintained, and a policy regarding multiple violations must be in place.

II. Audit Documentation

16. According to Paragraph 77 of SQC 1, “the firm should establish policies and procedures designed to maintain confidentiality, safe custody, integrity, accessibility and retrievability of engagement documentation”. Paragraph 79 further requires that “the firm should design and implement appropriate controls for engagement documentation to (a) enable the determination of when and by whom engagement documentation was created, changed or reviewed; (b) protect the integrity of the information at all stages of the engagement; (c) prevent unauthorised changes to the engagement documentation”. The following observations were noted in this regard.

(a) The firm currently maintains audit documentation in paper form. Engagement teams use different numbering and indexing methods, and physical control registers are not fully developed. While file movement sheets are maintained, they remain editable, which may affect consistency and reliability. Strengthening these controls will help bring greater structure and uniformity to documentation practices.

(b) Most audit evidence is originally created in electronic formats such as Excel, Word, PDFs, and emails. These soft-copy records are used extensively during audits, yet only their printouts are archived. This approach results in the loss of valuable metadata, formulae, links, and other properties inherent in electronic files. Preserving electronic records in their native format will significantly enhance the integrity and evidentiary value of audit documentation.

(c) Standards such as SQC 1 and SA 230 require that audit evidence remain complete and unaltered after the issuance of the audit report. Reprinting documents or replacing earlier versions—even for practical reasons—may unintentionally weaken compliance with these requirements. A more robust electronic archival system will help ensure that records remain accurate, complete, and tamper-proof.

(d) Overall, moving toward a hybrid or fully electronic documentation system, supported by clear policies and consistent practices across engagement teams, will considerably strengthen the firm's audit documentation framework. Such improvements will enhance reliability, align with professional standards, and support high-quality audit performance.

17. In view of the above, the Firm should adopt a hybrid or fully electronic system for maintaining audit files. The paper documentation may be limited to documents originally obtained and processed on paper format. The rest of the documentation should be kept in the original electronic format, with the audit procedures documented in the same format. The Firm should also implement and monitor robust controls on retrieving the archived engagement documentation, including both paper and electronic files.

III. Consultations

18. According to Paragraph 51 of SQC 1, an audit firm should establish policies and procedures designed to provide it with reasonable assurance that appropriate consultation takes place

on difficult or contentious matters. SQC 1 also states that consultation helps to promote quality and improve the application of professional judgment.

19. The firm's current consultation policy requires consultations only for key or complex matters. However, the policy would benefit from clearer guidance on what constitutes such matters.
20. Although policies and templates are available, the documentation of consultations in some cases lacks sufficient detail. Important technical aspects—such as explanation of applicable standards, relevant literature, or authoritative guidance—are not always recorded. Strengthening this documentation will support stronger professional judgments and clearer audit trails. Enhancing the depth and breadth of these analyses will promote better decision-making and demonstrate a robust evaluation of key issues.
21. Additionally, the firm's internal inspections did not include a technical review of consultation samples during the reporting period. Including such reviews will reinforce consistent quality and provide valuable feedback for continual improvement.
22. As per SQC 1, consultation is a mechanism to mitigate risk, ensure consistency across the firm's offices, and enhance overall audit quality. Overall, with clearer policies, specific practical guidance on discretionary and mandatory consultations, more detailed documentation, and periodic technical reviews, the firm can further strengthen its consultation process and enhance audit quality.

IV. Human Resources

Performance Evaluation

23. Paragraphs 10 and 11 of SQC 1 highlight the importance of building a culture that prioritises audit quality. They also call for performance evaluation and reward systems that clearly reflect the firm's commitment to quality.
24. At present, the firm's appraisal forms rely heavily on subjective criteria and do not include objective audit-quality measures at the engagement level. While the forms are comprehensive in many areas, they would benefit from more measurable and transparent quality indicators.
25. Introducing quantifiable performance indicators—such as results from internal monitoring, independence compliance, and observations from external reviews—will make evaluations more balanced and evidence-based. These improvements will support fairer assessments and stronger alignment between performance and audit quality.
26. Hence, refining the performance-evaluation framework will help reinforce a culture of quality, encourage consistent documentation practices, and strengthen the firm's long-term commitment to high-quality audits. For instance, measurement criteria may consist of feedback from the firm's internal monitoring mechanisms, breaches of independence, and external review observations, among others, to evaluate partner and staff promotions and

increments.

V. Engagement Performance

Use of Appropriate Technology

27. The Firm has a large and diverse client base, including over 60 public interest entities, and operates across 10 locations with more than 600 professionals. This scale presents a strong foundation for high-quality service delivery.
28. Given this breadth of operations, the firm has an opportunity to enhance efficiency by adopting more advanced technology tools. At present, several key activities—such as communicating quality policies, documenting audits, managing archives, and performing certain audit procedures—are carried out manually or in Excel. Updating these processes with modern IT solutions will help improve accuracy, consistency, and timeliness.
29. Introducing a central digital repository for communication and feedback will support better coordination. Strengthening electronic documentation, including archival and retrieval systems, will help preserve evidence more reliably. Similarly, using appropriate technological tools for journal entry testing, ledger analysis, risk assessment, and sampling will improve audit quality and reduce manual effort.
30. Overall, embracing appropriate technology will significantly strengthen the firm's documentation practices and support more efficient, higher-quality audits.

Uniformity in Practices

31. Paragraphs 46 and 47 of SQC 1 emphasise the importance of having strong policies and procedures to ensure that audit engagements are performed consistently and in line with professional standards. Written guidance, standard templates, and suitable tools play a key role in achieving uniformity across teams.
32. During the inspection, some differences in audit practices were noted across the three files reviewed. These variations present an opportunity for the firm to further strengthen consistency. In particular, sampling methods were not documented uniformly, and the rationale for sample size selection was often missing. This is an area where clearer guidance can help teams follow SA 530 more effectively.
33. There were also differences in the way audit evidence was documented, including how tests of details were dated, signed, and linked to assessed risks. Strengthening documentation practices can improve clarity and support more reliable audit conclusions.
34. External confirmations were not handled in a consistent manner. Some teams used confirmation tools, while others did not mention them. Establishing firm-wide guidance will help ensure that confirmations meet the requirements of SA 505.
35. Additionally, summaries of uncorrected misstatements were prepared by some teams but not others, and important links to prior-year misstatements were missing. Consistent

templates and clear firmwide communications can help standardise this important procedure.

36. Hence, reviewing and updating firm-level policies, methodologies, and tools will help promote uniformity, enhance audit quality, and support teams in maintaining strong, well-documented audit practices. Clear, practical guidance will also help ensure that work is performed consistently across all engagements. Such revised practices may be designed and implemented depending on the expected complexity and nature of the firm's professional services to PIEs.

PART C

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

37. This section discusses deficiencies observed in the selected audit engagements. The inspection covered three individual audit engagements and focused on three audit areas: Revenue, Loans & Advances, and a third area significant to each engagement for detailed review. Certain critical audit procedures performed by the Firm's engagement team in respect of these audit areas were reviewed viz., 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.

I. Revenue from Operations

Substantive Testing

38. In Company A, an unlisted company, the engagement team used a Key Item Testing approach to test revenue, selecting all items above a defined threshold. During review, a few selected items were found to be below this threshold, and some invoices did not correspond to the documented sample list. This indicates strengthening of documentation around sample selection and the alignment between selected items and the evidence included in the audit file.
39. The team later explained that the additional lower-value items were selected to cover another revenue stream. However, this reasoning was not recorded in the audit workpapers at the time of the audit. Clearly documenting the purpose, basis, and methodology behind any deviations from the original sampling plan will help ensure transparency and consistency in line with the requirements of paragraph 8 of SA 230¹.
40. SA 500² (paragraph A55) highlights that selective testing of specific items, while useful, does not constitute audit sampling and cannot be projected to the full population. The documentation did not adequately demonstrate that the combination of key-item testing and

¹ SA 230, Audit Documentation

² SA 500, Audit Evidence

additional samples provided adequate coverage of the entire population. Strengthening this area will allow the team to demonstrate a more robust audit approach.

41. For Company B, an NBFC, the engagement team indicated that several procedures were performed to verify interest income on loans, such as checking benchmark linkages, reviewing tenure and repayment schedules, and confirming maker-checker controls. However, the audit file mainly documented only the recalculation of interest, and the additional procedures were not evidenced. The workpapers did not show what specific checks were carried out or what conclusions were reached.
42. For Company C, a manufacturing company, the inspection noted that the basis for selecting samples in revenue cut-off testing was not documented, even though the team later explained the rationale. Similarly, workpapers referred to “statistical sampling” and “random sampling,” but the actual testing did not reflect these methods or explain deviations. These inconsistencies provide an opportunity to strengthen documentation by clearly recording the sampling approach, the reasons for selecting particular samples, and how the method aligns with SA 530 (Paragraph 7), which requires determining a sample size that reduces sampling risk to an acceptably low level.
43. To meet the requirements of SA 230 (Paragraph 8), the audit file should clearly show the nature, timing, and extent of procedures performed so that an experienced auditor, with no prior involvement, can understand the work. Enhancing documentation in this way will support better audit quality and reinforce confidence in the procedures performed.

Documentation of Contradictory Evidence

44. For Company A, the revenue arrangement reviewed involved a conversion model where the customer supplied key raw materials, bore the related costs, and retained ownership of all materials and finished goods. The agreement clearly stated that the entity held the materials only as a trustee and that control and risk remained with the customer. Despite this, the financial statements reflected consumption and inventory of these raw materials, which required clear evidence of the entity’s control for revenue recognition.
45. Under Ind AS 115³, revenue can include the value of goods contributed by a customer only when the entity controls those goods. The available audit documentation did not adequately demonstrate such control. Strengthening documentation in this area would help provide a clearer basis for the revenue treatment adopted.
46. The responses provided during the inspection did not fully align with the supporting documents, such as the agreement and statutory records. Standards require auditors to document how contradictory evidence has been considered and resolved. In this case, the audit file did not show how the engagement team addressed these inconsistencies, which is required under SA 230 (Paragraph 11) and SA 500 (Paragraph 11).

³ IndAS 115, Revenue from Contracts with Customers

Other Operating Income

47. The audit file for Company A recorded a significant amount as other operating income arising from the write-back of a long-outstanding creditor balance. However, the documentation did not include evidence of audit procedures performed to assess whether the conditions for derecognition under Ind AS 109⁴ were met, nor evidence of reviewing management or board approval for the write-back.
48. In response, the audit team later provided external orders and extracts from prior-year board minutes, but these documents were not part of the current year's audit file. While the materials support the legal discharge of the liability in an earlier year, the rationale for recognising the income in the current year was not documented at the time of the audit. As this was a significant transaction, paragraph 8 of SA 230 requires clear documentation of the procedures performed, the evidence obtained, and the conclusions reached. The explanation that management waited an additional year as a precaution was not supported by contemporaneous audit evidence. Documenting such judgments and the basis for timing differences would help demonstrate compliance with auditing standards and provide a more complete audit trail.

Controls over Revenue

49. For Company B, the inspection noted that audit procedures relating to controls over interest recognition were not sufficiently documented. Although the process note explained how interest accrues and is system-generated, there was no evidence that the relevant IT-based controls were tested. Strengthening this documentation will help demonstrate compliance with SA 315⁵ (Paragraphs 18 and 21), which requires understanding and testing of automated controls.
50. The credit policy included detailed approval matrices, but the audit file did not contain documentation showing whether these controls were designed, implemented, and operating effectively. While the firm explained that various documents were reviewed, the workpapers consisted mainly of collections of documents, without showing which attributes were tested or what results were obtained. Improving this linkage will make the audit trail clearer and more reliable. SA 315 (Paragraphs 22 and 24) also requires testing of monitoring controls, which were not documented.
51. Walkthroughs and process flow charts were incomplete. Roles, responsibilities, and competencies of individuals involved in key control steps were not recorded. For segregation of duties testing, only account statements were retained, and the specific procedures performed were not documented. A more detailed record of control attributes tested, and the evidence obtained would significantly improve clarity and robustness.
52. With respect to Expected Credit Loss (ECL) controls, the auditor's report referenced procedures such as testing the staging criteria and management overlays. However, the audit

⁴ IndAS 109, Financial Instruments

⁵ SA 315, Identifying and Assessing the Risks of Material Misstatement Through Understanding the Entity and Its Environment

file did not contain the board-approved policy or evidence of testing these controls. The documentation mainly reflected recalculations rather than control evaluation. Strengthening this area will help align practice with what is described in the audit report and support compliance with SA 230.

II. Loans & Advances

Substantive Procedures

53. For Company B, the workpaper mentioned an “ad hoc” plan to test 50 samples, but only 16 samples were listed, and the reason for using this method was not documented. Documenting the basis for the sampling approach and explaining how it addresses sampling risk and represents the population are requirements of SA 530. The firm later clarified that a random sampling method was used, but this was not evident from the documentation.
54. For closed accounts, testing revealed that important documents—such as no-objection certificates and dated client authorisations—were missing, and the reasons for their absence were not noted. Strengthening documentation in such cases will support transparency and provide a clearer audit trail.
55. In confirming the existence of loans, discrepancies were noted between confirmations and book balances. These were not investigated on the assumption that they were below a clearly trivial threshold. However, SA 505⁶ (Paragraph 14) requires investigating exceptions. Clearly trivial threshold is established for the reported financial statement item, not at the disaggregated level for each selected sample. In this regard, it is also important to note that the auditor should perform alternate procedures as exceptions noted in responses to confirmation requests may indicate further misstatements or potential misstatements in the financial statements. It may also indicate a deficiency, or deficiencies, in the entity’s internal control over financial reporting (paragraph A21 of SA 505).

Controls over Loans

56. For Company B, some workpapers were dated in a way that suggested conclusions were recorded before the related audit procedures were completed. This necessitates strengthening documentation timelines to clearly reflect when work was performed. Ensuring that final sign-offs occur only after all procedures are completed will help the firm align with SA 230 (Paragraph 9).
57. The documentation for testing internal financial controls did not consistently link procedures, evidence, and conclusions. High-risk areas, such as evergreening, end-use monitoring, and credit limit overrides for loans against properties to business entities, lacked documented testing evidence. Obtaining client-generated documents (like NOCs or Facility Agreements) does not constitute an evidence of a test of a control unless the auditor documents the verification of control attributes (e.g., process flow, relevant assertions impacted, the specific risks addressed by a control, authorisation, accuracy, competence of personnel involved, periodicity, and timeliness), the evidence obtained, and the conclusions

⁶ SA 505, External Confirmations

reached. Areas such as "evergreening" and "end-use monitoring" require a specific audit focus, regardless of loan collateral, as they are high-risk areas in lending.

58. Attaching client-provided documents in the Audit File alone does not demonstrate that key control attributes—such as those relating to security, charge creation, and security release—were actually tested. Also, the audit approach to post-sanction modifications assumes that these controls are automatically covered by other substantive audit procedures. However, this assumption does not meet the requirements of SA 230, which expects clear evidence of the nature, timing, and extent of work performed.

External Confirmations

59. For Company C, direct external confirmations for certain loans and significant bank balances were not received as required under SA 505. Instead, the audit file contained confirmations on the auditee's letterhead, with no evidence that the engagement team maintained control over the confirmation process.

III. Information Technology (IT) Controls

60. For Company B, the Independent Auditor's Report stated that the Company's key financial information was highly dependent on automated controls over the Company's information systems, thereby posing a risk that gaps in the IT general control environment could result in a misstatement of financial accounting and reporting records. Therefore, user access management, segregation of duties, and controls over system changes in key financial accounting and reporting systems have been identified as key audit matters.
61. In this regard, in the Audit File, it was stated that the Company uses two applications. Aside from this note, there was no evidence of identifying IT applications to related processes (e.g., forex business), nor of identifying General IT Control Environments and links to IT Applications, third-party applications, and in-house-developed applications. The Information System Audit report dated two days prior to the audit report date, obtained by the Company, also did not provide any indication of the various IT systems and the Company's General IT environment. Also, there was no evidence of using any IT experts in the ITGC Testing. The domain expertise of the persons who prepared and signed the available WPs was not documented.
62. The internal memo on IT general controls did not include the audit procedures performed, the evidence obtained, or the timing of the work. In several instances, comments appeared to have been completed mechanically, and certain planned procedures were not supported by evidence in the file. Some explanations suggested that certain evidence had been reviewed but not retained, or that communications were unintentionally omitted from the audit file. As required under paragraph 8 of SA 230, the audit file should contain sufficient and appropriate documentation to demonstrate the nature, timing, and extent of audit procedures performed, as well as the conclusions reached.

IV. Capital Work-in-Progress (CWIP)

63. For Company C, a substantial amount had been recorded as pre-operative expenditure under capital work-in-progress. Given the magnitude of this balance relative to the entity's reported results, the engagement team was expected to perform detailed procedures to verify the appropriateness of the capitalisation. However, there was inadequate documentation to demonstrate the occurrence, valuation, and allocation of key capitalised items such as power, fuel, and employee-related costs. Further, the audit file did not evidence whether borrowing costs included in pre-operative expenses met the "qualifying asset" criteria under paragraph 5 of Ind AS 23⁷, or whether other capitalised expenses were necessary for the asset's intended use, as required under Ind AS 16⁸. The firm submitted additional documents during the inspection process. While these materials were reviewed for context, they primarily consisted of information produced by the entity and were not part of the contemporaneous audit file.

V. Audit Opinion

64. For Company A, the firm issued a *qualified opinion* on non-recognition of interest on borrowings, amounting to 2.6 times the balance sheet total, as of 31 March 2024. Interest accrual had been discontinued since 2012, when the loan was classified as NPA. The Basis of qualified opinion states that the non-accounting of interest materially misstated the Finance Cost, Total Expenses, Net Loss After Tax, Total Comprehensive Income, Other Equity, Current Liabilities, and Earnings per share. Hence, the misstatement was not limited to a specific element, account, or item of the financial statements. Additionally, the accumulated interest constituted a substantial portion of the financial statements and therefore met the definition of pervasiveness under paragraph 5(a) SA 705 (Revised)⁹. Thus, the non-recognition of interest required an adverse opinion.
65. Based on the relevant factors and the ongoing discussions with an assets reconstruction agency, the Audit Firm stated that there was a "lower likelihood" of outflow on account of interest, on the basis of which the company had not provided interest in the books of accounts. For the same reasons, the ET treated the misstatement as non-pervasive and hence issued a qualified opinion.
66. The reason given for not treating the material misstatement as non-pervasive is not in line with SA 705, since "lower likelihood" of outflow is not a criterion recognised in the SA for determining the type of modification of opinion. As the misstatements impact multiple financial statement line items and disclosures and also constitute a substantial portion of the financial statements, the auditor was required to issue an adverse opinion in accordance with paragraph 8 of SA 705.
67. As per the Audit Firms' own submissions, as of the date of issue of the audit report, the legal discharge of interest liability had not occurred¹⁰. A case in this regard was pending before

⁷ IndAS 23, Borrowing Costs

⁸ IndAS 16, Plant, Property and Equipment

⁹ SA 705, Modifications to the Opinion in the Independent Auditor's Report

¹⁰ NFRA circular dated 20.10.2022 on non-accrual of interest on borrowings by the companies in violation of IndAS.

the NCLT. If the ET had professional reasons and persuasive evidence to substantiate that the interest liability was not payable and the financial statements were true and fair, the qualified opinion was unwarranted.

68. In either case, the Audit Opinion is unsupported by sufficient appropriate audit evidence as required by SA 500¹¹.
69. In addition to the above, we also note the replies given by the Audit Firm for the final inspection report, attached herewith. None of these reasons is recorded in the Audit File and does not constitute appropriate evidence to support that the material misstatements are not pervasive in the present case. There is also no evidence to support legal discharge of liability as of the date of signing the Audit Report.

IV. Audit Documentation

70. Six blank numbered pages were found in one of the archived files, indicating gaps in the archival process and creating a risk of post-audit additions, contrary to SA 230 (Paragraphs 8, 9, 13) and SQC 1 (Paragraph 79).
71. A document unrelated to the engagement was found in one of the archived files. Also, documents added during a later tax-audit review were found in one audit file. Any changes to archived files are not permitted under SA 230, SA 500, and SQC 1. In some cases, documents were moved due to damage to the original file. However, we note that replacing, shifting or adding documents without documentation and trail increases the risk of unauthorised modifications. This constitutes a deviation from the administrative closure requirements in SA 230, which prohibits additions after the audit report date.
72. Some workpapers lacked essential details, such as preparation dates, review dates, and reviewer names, which weakens evidence of work performed and reviewed as required by paragraph 9 of SA 230.
73. Page numbering was inconsistent in one case, with separate numbering used for each folder instead of maintaining a continuous sequence, reducing traceability and file integrity.
74. At least five records in one audit file were dated after the permissible archival deadline, indicating that the final assembly of the file was not completed within the required 60-day period under SQC 1. As per SA 230 (Paragraph 15), no documentation may be deleted or replaced after file assembly. As per SA 230 (Paragraph 13), additions are allowed only in exceptional cases with a clear audit trail.
75. The explanations provided highlighted weaknesses in physical controls over audit files, suggesting a need to improve safeguards to prevent deterioration, loss, or improper replacement of documents.

¹¹ Paragraph 6 of SA 500, Audit Evidence

PART D

Chronology of events

Sr. No.	Date	Event/Correspondence
1.	28.05.2025	Intimation of On-site Inspection from NFRA to the Audit Firm.
2.	15.09.2025	Pre-Inspection Meeting with Audit Firm held at NFRA office.
3.	17.11.2025 to 21.11.2025	On-Site Inspection at Firm's Kolkata Office
4.	02.12.2025	Communication of Inspection Team's Observation (1 st Set) to Firm.
5.	12.12.2025	Response received from the Audit Firm on first set of observations
6.	15.12.2025	Communication of Inspection Team's Observations (2 nd Set) to Firm
7.	17.12.2025	Communication of Inspection Team's Observations (3 rd and Final Set) to Firm
8.	22.12.2025	Audit Firm requested for extension of time for submission of response to second and final set of observations.
9.	05.01.2026 and 06.01.2026	ET members of Audit Firm visit NFRA office for discussion with Inspection Team.
10.	15.01.2026	Response received from the Audit Firm on the second and third set of observations.
11.	03.02.2026	Communication of Draft Inspection Report from NFRA to the Audit Firm.
12.	11.02.2026	Discussion between Audit Firm and inspection team at NFRA office.
13.	20.02.2026	Submission of reply to Draft Inspection Report.
14.	02.03.2026	Audit Firm's submission of Print Ready reply to Inspection Report.
15.	27.03.2026	Publication of Inspection Report on the website of NFRA as per Rule 8 of NFRA Rules 2018.

Appendix A: Audit Firm's Response to the 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.

Note: References to "Issuer" in the Audit Firm's reply denote "Company", as mentioned in the final inspection report.

2nd March, 2026

The Secretary,
National Financial Reporting Authority,
7th-8th Floor, Hindustan Times House,
Kasturba Gandhi Marg,
New Delhi – 110 001.

Dear Madam,

Subject: Response to the NFRA Inspection Report 2024 of Singhi & Co., Chartered Accountants (Firm Registration No. 302049E)

We, Singhi & Co. Chartered Accountants (“the Firm”), acknowledge receipt of Inspection Report 2024 of the Firm (“the Inspection Report”). The Firm places on record its sincere appreciation for the time and effort devoted by the National Financial Reporting Authority’s (“NFRA”) inspection team and for the detailed observations and constructive guidance shared during the inspection process.

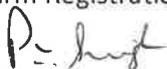
The Firm remains firmly committed to performing high-quality audits and maintaining trust with our relevant stakeholders. We are committed to enhance and strengthen the audit quality and make sustained investments in our people, training and technology, supported by an evolving and robust ecosystem. The Firm views the inspection process as a constructive regulatory engagement that provides valuable insight and supports the ongoing strengthening of its audit practices and system of quality management.

We have already communicated our detailed responses towards the draft inspection report shared earlier with us, which contained our explanations to the similar set of observations as set out in the final Inspection Report and hence we have not reiterated the same here. However, we have highlighted certain specific areas in Appendix A (enclosed) for your consideration, that supplement and provide clarity in the related matter. The Firm remains committed to addressing the observations through appropriate remedial actions, wherever considered necessary, in alignment with applicable auditing standards and internal policies, and to maintain continued compliance with all relevant regulatory and statutory requirements.

The Firm remains available to provide any additional information or clarification that the NFRA may require and would welcome the opportunity to discuss any aspect of this submission.

Thanking You,
Yours sincerely,

For Singhi & Co.
Chartered Accountants,
Firm Registration Number: 302049E



Pradeep Kumar Singhi
Partner



Appendix A

Part B of the Inspection report (in reference of SQC 1)

The Firm believes that it is in compliance with the requirements of SQC 1. However, it has further carefully considered the observations / recommendations / suggestions set out in Part B of the Inspection Report relating to strengthening mechanisms for monitoring investment declarations for compliance in respect of personal independence requirements, enhancement of audit documentation practices including archival of both physical & electronic records and monitoring retrieval of archived engagement documentation, specifying criteria where consultation will be mandatory, incorporation of additional audit quality parameters within performance evaluation processes, adoption of appropriate technological solutions to promote efficiency and uniform application of firm-level policies and methodologies across engagements. The Firm acknowledges the constructive nature of these observations and remains committed to further strengthening its systems of quality management. Appropriate measures are being evaluated and will be implemented, where considered necessary, to enhance monitoring processes, documentation protocols, consultation practices, and technology-enabled processes, with the objective of continuously reinforcing audit quality and consistency across the Firm's engagements.

Part C of the Inspection report (in reference of Individual Audit Engagement Files)

The Firm has carefully considered the observations set out in Part C of the Inspection Report relating to individual audit engagement files. The Engagement Teams remain committed to maintaining audit documentation in accordance with the applicable Standards on Auditing and to appropriately evidencing the audit procedures performed, conclusions reached, and professional judgements exercised.

The Firm is sharing responses to certain specific observations noted by the inspection team in individual audit engagement files are set out below. In respect of the remaining observations included in Part C in the areas of substantive testing / procedures, sampling process, external confirmations, IT related controls etc., the Firm will be enhancing its documentation practices and remains committed, wherever considered necessary, to further strengthen documentation practices and reinforce audit quality across engagements.

The Firm's responses to the specific observations are submitted below:

1) With regards to individual audit engagement, specific observation noted on Audit Opinion of Issuer A in Part C of the inspection report, the Firm respectfully reiterates its submissions as follows:

In reference to the observation relating to the modified audit opinion issued for Issuer A, we state that the matter relates to non-recognition of interest on borrowings by Issuer A. Issuer A has disclosed in the notes to the financial statements that their debts (including accrued interest) has been categorized as NPA by the lenders due to its inability to pay such debts to the lenders on account of poor financial condition and was barred by limitation and were disputed. An asset reconstruction agency acquired 98% (approx.) of debts of Issuer A as of the March 31, 2024 from the lenders and the transaction happened on principal-to-principal basis with an average haircut of 65% (approx.).



We have issued a modified opinion in the nature of qualification in respect of non-recognition of interest expenses/liability, in which we have adequately stated the respective line items of the financial statement which are getting affected and have also quantified the amounts towards them. In the professional judgment of Engagement Team ("ET") although the non-recognition was material, it arose from a specific and identifiable accounting matter relating to interest accrual on borrowings. The engagement team concluded that, although material, the matter did not undermine the overall reliability or usability of the financial statements as a whole. In the engagement team's view, users of the financial statements can easily understand the nature, magnitude of the matter and its financial impact based on the disclosures provided.

We wish to further state, that SEBI adjudication order dated 23rd April, 2019 bearing number EAD-2/SS/SK/2019-20/2875-2880, in case of a Company has also clarified that in these kind of scenarios, interest provided / unprovided is never paid and principal is also paid with deep haircut. In the referred SEBI order, the unprovided interest was substantially and significantly material to the financial statement of that Company. Even then, SEBI had opined that the Qualified Audit Opinion issued in such scenario is appropriate. Further, SEBI had also sought opinion from EAC of ICAI in respect of this matter, who also opined that in the given scenario Qualified Audit Opinion is appropriate. We also took cognizance of the fact that the erstwhile auditors of Issuer A had also issued Qualified Audit Opinion in this matter and there are precedences that auditors of several other listed companies (including PSU's) have issued a qualified opinion in similar circumstances.

In view of the considerations set out in the preceding paragraphs, ET having duly evaluated the audit evidence and the facts, formed a considered professional judgement that issuance of a Qualified Opinion, together with appropriate disclosure and quantification of the financial impact, represented the appropriate audit opinion. However, we take cognizance of this observation and will further strengthen documentation to enhance clarity of the reasoning underlying modified opinions in future engagements.

2) With regards to individual audit engagement, in respect of certain observations noted in case of Issuer "C" the Firm respectfully submits as under:

In respect of compliance with the qualifying asset criteria under Ind AS 23, the ET has verified the criteria of qualifying asset and documented the same in the prior year audit file, as the project and related capitalized borrowing costs were carried forward. Going forward, documentation in this regard will be maintained in a more comprehensive manner in the current year audit file as well.

The Firm would like to submit that six blank pages were resulted from printer error while printing third-party reports for instance internal audit report, physical verification report & electronic mail generation and were separately attached within the respective document sets. Going forward, the Firm will exercise more care while printing and archiving audit engagement files to avoid such gaps.

