



राष्ट्रीय वित्तीय रिपोर्टिंग प्राधिकरण
National Financial Reporting Authority

**Inspection Report
2024**

**Audit Firm
M/s B D G & CO LLP
Firm Registration No. 119739W/W100900
Inspection Report No. 132.2-2024-0
March , 2026**

NFRA, 7th Floor,
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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 B D G & CO LLP (B D G/ Audit Firm hereinafter) in October 2025. The scope included a review of compliance with SQC policy of the firm and a review of three selected audit engagements of financial statements for the year ending 31.03.2024, focusing on three significant audit areas, viz., Revenue from Operations, Loans & Advances (Asset) universally, with Investments for Company A, Property, Plant & Equipment (PPE) for Company B, and Borrowings for Company C as entity-specific areas. The inspection included an on-site visit in October 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. Certain aspects of SQC compliance require strengthening, particularly the alignment of documentation relating to independence declarations with the requirements prescribed under Section 141 of the Companies Act, 2013 and the applicable Standards. Improvements are also needed in documentation concerning client acceptance and continuance procedures, review of audit work, monitoring process, the Engagement Quality Control Review (EQCR) policy and data storage policy. (Para 13 to 26)
- b. In all three engagement files selected, documentation relating to verification of revenue from operations could be strengthened. (Para 28 to 29)
- c. In two of the engagement files selected, there was scope to further strengthen the audit documentation and procedures relating to the verification of Loans and Advances. Improvements are required in the retention of audit evidence and documentation of procedures performed, including those pertaining to loans to related parties, as well as verification and reporting under the Companies (Auditor's Report) Order, 2020 (CARO 2020). (Para 30 to 46)
- d. In separate engagement files selected for review, there was scope to strengthen the audit documentation relating to the verification of investments (including impairment assessment) and Property, Plant and Equipment. (Para 47 to 51)

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 quality control policy 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 the 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 B D G & CO LLP was one of the audit firms selected as per the above parameters.
6. The selection of individual audit engagements of B D G & CO LLP was largely risk-based, based on financial and non-financial risk indicators identified by NFRA. Accordingly, the audit files in respect of three (3) 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 firm-wide quality controls to evaluate the audit firm's adherence to SQC 1¹, Code of Ethics, and the applicable laws and rules. Focus areas for 2024 inspection are all elements of SQC 1.
 - 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

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.

year ending 31.03.2024 was selected. Three significant audit areas were identified in respect of each audit engagement viz., Revenue from Operations and Loans & Advances (Asset) universally, with Investments for Company A, Property, Plant & Equipment for Company B, and Borrowings for Company C as entity-specific areas, due to their inherent higher risk of material misstatement.

The selected sample of three 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 B D G & CO LLP on 17.09.2025 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 during October 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 B D G & CO LLP is a limited liability partnership firm, registered with The Institute of Chartered Accountants of India. It operates through head office located in Mumbai and 2 branch offices located in Delhi and Kota, Rajasthan (Indore branch closed recently) in India. It was established in 1999 and converted to LLP on 24th April 2023. As on date, the firm comprises of 10 partners and 100+ team members. It had 50 NFRA regulated audit clients. The firm intimated that it is not part of any networking firm.

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, deficiencies observed during the review of the audit firm's policies and the application of such policies via selected individual audit engagements 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 requirements

Strengthening alignment of Independence Declarations with Indian Regulatory Framework

13. The firm has a policy of obtaining engagement-specific independence declarations and annual declarations from Engagement Team (ET) members. These need to be fully aligned with the independence requirements under section 141 of the Companies Act, the Code of Ethics, SA 220 and para 18 of SQC1 as the declarations:
 - (a) consider only the *auditee company*, whereas the requirements under the Companies Act extend to the *company, its subsidiary, its holding or associate company, or a subsidiary of such holding company*; and
 - (b) refer to *immediate family members* instead of *relatives*, as required under Indian laws.
14. The firm has acknowledged the issue and assured to take necessary steps to modify independence declaration templates.

II. Client Acceptance and Continuance Policy

Insufficient Completion of Client Acceptance and Continuance Checklists

15. The client acceptance and continuance checklists need to provide requisite explanations, supporting documentation, or details of procedures performed prior to acceptance. The firm should institute proper documentation around this aspect.

III. Engagement Performance

a) Need for alignment of EQCR Policy with SQC 1 Requirements

16. The firm's engagement quality control review policy is not aligned with clause (d) of para 6 of SQC 1, as it omits the mandatory requirement relating to Institute's membership for an "other person" performing the review.
17. The firm has assured to update the policy to explicitly state that the Engagement Quality Control Reviewer (EQCR) (or the head of any EQCR team) shall be a member of ICAI, to align it with SQC 1.
18. The firm's policy on engagement quality control reviews does not clearly define the criteria, other than audits of listed entities, for determining when an engagement quality control review is required and is therefore, not fully aligned with the requirements of para 60 of SQC 1.
19. The audit firm has acknowledged the observation and assured to update their policy.

b) Need for alignment of Data Storage Policy with SQC 1 Requirements

20. We noted that the firm does not have a data storage policy to establish adequate controls or a data storage framework to ensure the confidentiality, integrity, accessibility, and retrievability of engagement documentation in line with paras 77, 79 and 80 of SQC 1.
21. The firm has acknowledged the observation and stated to suitably update their policy to align with of SQC 1.

IV. Monitoring

a) Strengthening Communication of Monitoring Observations

22. It was noted that deficiencies arising from the monitoring process were not formally communicated to professional personnel other than the engagement partner, indicating non-compliance with para 94 of SQC 1.
23. The firm stated that the Assurance Team has incorporated the observations and findings from the Monitoring Report into its training calendar as part of the Firm's Corrective and Preventive Action Plan. These observations have been embedded into structured training modules with the objective of achieving consistent remediation and sustained enhancement in audit execution and documentation standards across the firm.
24. We are in view that beyond the training programs, the firm is required to communicate monitoring deficiencies to all professional personnel, as mandated by SQC 1 and its own policy.

b) Need for Independence of Monitoring Due to Overlapping Roles

25. It was observed that one of the Partner served both as the EQCR for Company A, the intermediate holding company, and as the monitor for its two subsidiary companies.
26. The firm undertakes to avoid assigning monitoring responsibilities to individuals who have acted as EQCR at the group level or on closely related engagements. This safeguard shall be formally incorporated into the firm's monitoring policy going forward.

PART -C

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

27. This section discusses deficiencies observed with respect to a few selected audit engagements. The inspection covered three individual audit engagements which belong to power sector. Three focus audit areas were identified in respect of each audit engagement viz., Revenue from Operations and Loans & Advances (Asset) universally, with Investments for Company A, Property, Plant & Equipment for Company B, and Borrowings for Company C 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

Need for Strengthening Documentation of Audit Procedures for Revenue Verification

28. In all three samples, it was observed that the Power Purchase Agreements (PPAs), Joint Meter Readings (JMRs), and Obligation Reports were not contained in the audit file. The audit documentation primarily contained only PPA Synopses, which did not contain all significant key attributes.
29. The firm stated that these were not retained due to their voluminous nature and/or these were system-generated statements/reports publicly available. However, the firm agreed to improve documentation.

II. Loans & Advances

(a) Need for Strengthening Documentation/Audit Evidence and Audit Procedures:

30. It was observed that eight related entities had significant amount outstanding payables to Company A as of 31.03.2024. However, the audit file does not contain any separately identifiable assessment or documentation evidencing the recoverability of these balances, and no provision or expected credit loss (ECL) has been recognized by Company A, even though these entities have negative net worth, recurring losses, minimal profits or negative EBITDA, and minimal or negative operating cash flows.
31. The firm stated that the creditworthiness and recoverability of the aforesaid balances were assessed by reference to certain AWP's, wherein audit procedures such as examination of EBITDA analysis, goodwill impairment, going concern assessment, group audit procedures, and evaluation of future cash flow projections were performed. Based on these procedures, the ET concluded that there was no significant increase in credit risk in respect of the loan balances and that the probability of default remained low; accordingly, no ECL provision was considered necessary under Ind AS 109 as at 31.03.2024.
32. We are in view that the firm's conclusion does not appear to be adequately supported by the audit documentation, company's accounting policy² and the requirements of Ind AS 109. The firm should ensure that ECL assessments on receivables are performed and documented in accordance with Ind AS 109.

² Impairment of a financial asset requires an assessment of whether there has been a significant increase in credit risk since initial recognition. Where credit risk has not increased significantly, a 12-month ECL is to be recognized. A significant increase in credit risk is presumed when contractual payments are more than 30 days past due, and a financial asset is considered in default when payments are 90 days past due.

33. Company A and Company C had material outstanding accrued interest on unsecured loans to related parties as at 31.03.2024. No ageing analysis of such accrued interest was available in the audit file and no ECL provision had been recognized for the prolonged accrued interest as per Ind AS 109. It also contradicted its own accounting policy² on impairment of financial assets, which categorically identifies impairment parameters.
34. The firm stated that the unsecured loans and the interest accrued thereon were granted to related parties and are repayable on demand. Accordingly, these balances were not considered past due as at the reporting date, since no demand for repayment of either principal or interest had been raised up to that date. The firm further stated in case of Company C that the recoverability of the loans to commissioned entities was assessed at the consolidated level, supported by an external impairment report by management's expert indicating sufficient headroom, and that recoverability of loans to the service entity borrower was supported by projected margins from the secured project pipeline and continuity of operations. Based on this view, the ET did not consider it necessary to perform an ageing analysis for these balances.
35. We are in view that the firm's contention is not in line with the requirements of Ind AS 109, which mandate recognition and measurement of ECL from initial recognition of financial assets, irrespective of demand. The firm should strengthen documentation whether ECL is assessed and recognised in accordance with Ind AS 109.
36. It was noted that Company A wrote off certain amount in respect of a loan given to a subsidiary. The audit file does not contain any evidence of auditor examination or management explanation regarding this write-off.
37. The firm stated that it has performed group-level cross verification of the corresponding write-back entry in the subsidiary's standalone book and found no exception. The firm also stated that the engagement team has verified the written approval from the Group CFO dated 22.04.2024 for the authorization of such written off.
38. It was observed that no documentation evidencing the authorization of the write-off is present in Company A's audit file. The firm should ensure that all relevant AWP supporting for write-offs are properly documented and retained in the audit file in line with the requirements of SA 230 and SQC 1.
39. Company A provided an advance of certain amount during FY 2023-24 to its various subsidiaries. As on 31.03.2024, outstanding balance of these advances was significant. Documentation supporting the ageing analysis and recoverability assessment about these outstanding advances were not found in the audit file.
40. The firm stated that it has duly reviewed and verified the ageing and recoverability workings provided by the management; however, the same was not retained in the audit file of Company A.
41. Although the firm has subsequently shared the relevant audit working papers (AWPs) along with its reply, the ageing analysis of advances and the related recoverability assessment were not found in the original audit file. This indicates that appropriate audit procedures were either not performed or not documented at the time of audit completion. The firm should ensure that ageing analyses and recoverability assessments of advances are performed and properly documented in the audit file at the time of completion of the audit, in compliance with SA 230 and SQC 1.

(b) Strengthening Verification and Reporting under CARO 2020

Company A

42. As per Clause 3(iv) of CARO 2020, the auditor is required to report whether the provisions of Sections 185 and 186 of the Companies Act, 2013, have been complied with, including details in case of non-compliance. Section 185(3)(c) specifically requires that loans provided by a holding company to its wholly owned subsidiary must be utilized by the subsidiary for its principal business activities.
43. The firm stated that Company A had not granted any loans or advances to companies in which any director is interested, and therefore, provisions of Section 185(3) were considered not applicable.
44. The firm's reply addresses only the non-applicability of Section 185(1) and does not consider the requirements of Section 185(3)(c), which mandate verification of end utilization of loans by wholly owned subsidiaries. The audit file does not evidence that such verification was performed. The firm should ensure that audit procedures explicitly verify and document compliance with Section 185(3)(c).

Company C

45. In the CARO report, it is stated that the repayment of principal and payment of interest has been stipulated and their payments or receipts have been regular and there is no overdue amount for more than ninety days in respect of loans given. It is observed that there is no evidence of how the EP verified the timely payment of interest and principal.
46. The firm replied that these balances are contractually repayable on demand and no demand for repayment of principal and interest have been made by the company, so none of these amounts have fallen due. Further, the firm stated that they will strengthen audit documentation going forward to more clearly cross-reference prior-period verification of loan agreements and approvals where reliance is placed thereon.

III. Investments

Need for Sufficient Audit Evidence for Impairment of Investment

47. During inspection, the existence of certain indicators of impairment of investment, including negative EBITDA/PBT, low revenue levels, and erosion of net worth/ negative net worth was observed in case of certain subsidiaries of Company A, but no appropriate assessment of recoverable amount is performed, and no impairment loss is recognized by the Company A, as required in Ind AS 36.
48. The firm stated that, in addition to the minimum indicators specified in para 13 of Ind AS 36, two additional factors were identified and considered for impairment purposes: (a) the carrying value of the investment exceeds the net worth of the entity as at the reporting date; and (b) EBITDA margin is less than 30%. The firm also replied that the impairment assessment was reviewed and a summarized conclusion was documented after considering key parameters, management's future cash flow projections, and valuation reports, with detailed documentation

maintained primarily at the standalone entity level (subsidiaries' audit files) or in other audit working papers (such as DTA/DTL workings) to avoid duplication and accordingly, concluded that no impairment loss was required to be recognized as per IND AS 36.

49. We noted that certain relevant audit working papers, including the memo on future cash flow projections and valuation reports subsequently shared by the EP, were not part of Company A's audit file. The file also does not evidence evaluation of key assumptions such as growth and discount rates. In the absence of documentation, the audit file does not demonstrate that adequate procedures were performed to assess impairment of investments. The firm should ensure proper documentation of impairment assessments, including evaluation of key valuation assumptions, in compliance with SA 230 and SQC 1.

IV. Property, Plant & Equipment

Strengthening Documentation and Verification of Property, Plant & Equipment

50. In case of Company B, the audit file lacks documentation showing whether the EP verified the company's technical assessment or justification for adopting useful lives of fixed assets different from Schedule II of Companies Act, 2013. Additionally, useful lives for certain plant & machinery and furniture & fixtures are not disclosed in the accounting policies.
51. The firm acknowledged the issue and committed to improve documentation.

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.	17.09.2025	Pre-Inspection Meeting and Firm's presentation with B D G held at NFRA office.
3.	22.09.2025	Communication of selected engagements and focus areas
4.	13.10.2025	On-Site Inspection at Firm's Office
5.	17.10.2025	Questionnaire sent to firm
6.	04.11.2025 07.11.2025	Firm submitted the reply of Questionnaire
7.	07.11.2025 10.11.2025	Walkthrough of selected engagements at NFRA office
8.	18.11.2025 20.11.2025	Communication of SQC related Observations
9.	25.11.2025	Communication of Engagement – Specific Observations
10.	28.11.2025 03.12.2025	Response on SQC related observations received from the Audit Firm
11.	12.12.2025 16.12.2025	Response on engagement-specific observations received from the Audit Firm
12.	16.01.2026	In person meeting held to discuss the observations on request of B D G
13.	27.01.2026	Draft Inspection Report sent by NFRA to the Audit Firm
14.	11.02.2026	Submission of reply by B D G to Draft Inspection Report
15.	24.02.2026	Print Ready Version of Inspection Report sent by NFRA to Audit Firm
16.	25.02.2026	Submission of reply by B D G 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.

B D G & CO LLP
Chartered Accountants



B D G & CO (Formerly known as B D G & Associates), a Partnership Firm converted into B D G & CO LLP (a Limited Liability Partnership with LLP Identification No. ACA-7200) w.e.f 24-04-2023.

Date: 25th February, 2026

The Secretary,
National Financial Reporting Authority,
Hindustan Times (7th floor),
18-20 Kasturba Marg,
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Sub: Response to the Inspection Report 2024 of **B D G & CO LLP**, Chartered Accountants

Respected Sir/ Madam,

B D G & CO LLP (the "Firm") acknowledges receipt of the Inspection Report 2024 (the "Inspection Report") of the Firm.

We have carefully considered the observations set out in Part B and Part C of the Inspection Report, including those summarised under the Executive Summary. The Firm's responses to the observations in Part B and Part C, are enclosed as **Appendix A**.

We understand that our responses contained in Appendix A, together with this covering letter, will be published along with the Inspection Report.

The Firm recognises the statutory mandate and responsibilities entrusted to the **National Financial Reporting Authority ("NFRA")** under Section 132(2) of the Companies Act, 2013, including its role in promoting high standards of auditing and ensuring audit quality. We remain aligned with the broader objective of strengthening audit quality and reinforcing public confidence in the financial reporting framework.

While the Firm has consistently endeavoured to perform its engagements in accordance with applicable Standards on Auditing, ethical requirements and regulatory expectations, we appreciate the observations and recommendations made in the Inspection Report. In particular, we acknowledge the emphasis placed on enhanced documentation of assurance engagements.

The inspection process has provided an opportunity for reflection and further strengthening of certain aspects of our documentation practices and internal processes. Without prejudice to the responses provided in Appendix A, the Firm is committed to implementing appropriate enhancements wherever considered necessary to further reinforce robustness, consistency and clarity in its audit documentation and quality control framework.

The Firm remains committed to upholding professional standards, continuously improving its systems and methodologies, and investing in the training and development of its personnel. We will continue to discharge the responsibilities entrusted to us with due diligence, professional scepticism and integrity, consistent with the trust reposed in us by clients, stakeholders, regulators and the public at large.



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B D G & CO LLP
Chartered Accountants



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In discharge of our professional obligations and in our continued endeavour to uphold the highest standards of audit quality, particularly in the context of the evolving economic environment, we will continue to engage constructively with NFRA and value its guidance and oversight. We remain committed to further strengthening our audit approach, in alignment with emerging best practices in the profession.

Thanking You

Yours Sincerely,

For B D G & CO LLP
Chartered Accountants

Sourabh Chittora
Partner



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ANNEXURE A

INDEPENDENCE

The Firm reiterates that independence is a fundamental principle of its audit philosophy and confirms compliance with the Companies Act, 2013, the Code of Ethics, Standards on Auditing, and SQC 1.

While ensuring compliance with independence norms, the Firm has noted the suggestions of NFRA regarding certain remedial actions required to be taken, as follows:

- Explicitly cover the auditee, its holding company, subsidiaries, associates, and subsidiaries of such holding company in independence declarations; and
- Use the term "Relative" as defined under Section 2(77) of the Companies Act, 2013.

The revised independence declaration templates shall be implemented and adhered to on an ongoing basis to further strengthen the Firm's independence framework.

CLIENT ACCEPTANCE AND CONTINUANCE

The Firm confirms that it has an established client acceptance and continuance process in place. While the procedures are performed in practice, the Firm acknowledges that the documentation in the client acceptance and continuance checklists requires strengthening to provide appropriate explanations, supporting details, and evidence of procedures performed prior to acceptance.

Accordingly, the Firm undertakes to enhance the client acceptance and continuance checklists to ensure adequate documentation of the evaluations performed, and to adhere to the revised process on an ongoing basis.

ENGAGEMENT PERFORMANCE

The Firm confirms that it currently follows a process of appointing a partner of the Firm as the Engagement Quality Control Reviewer (EQCR), who is independent of the engagement team. As the EQCR is a partner of the Firm, the individual so appointed is also a member of the Institute of Chartered Accountants of India (ICAI).

The Firm confirms that it has an engagement quality control review process in place to support audit quality and compliance with professional standards. While such processes are followed in practice, the Firm acknowledges that its policy documentation requires further alignment with certain specific requirements of SQC 1.

Accordingly, the Firm shall appropriately update its EQCR policy to explicitly state that the Engagement Quality Control Reviewer (or the head of any EQCR team), where applicable, shall be a member of the Institute of Chartered Accountants of India (ICAI), in line with clause (d) of para 6 of SQC 1. The Firm also undertakes to clearly define the criteria for determining engagements requiring EQCR, other than audits of listed entities, in accordance with para 60 of SQC 1.

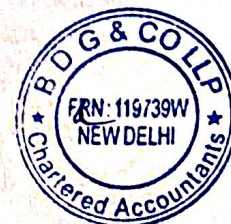
The revised policy shall be implemented and adhered to on an ongoing basis.

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The Firm further confirms that it follows practices for the maintenance and safeguarding of engagement documentation; however, it acknowledges that a formal data storage policy aligned with the requirements of paras 77, 79 and 80 of SQC 1 was not documented. Accordingly, the Firm assures to establish and implement a appropriate data storage policy to ensure confidentiality, integrity, accessibility, and retrievability of engagement documentation, in line with SQC 1.

This policy shall also be implemented and adhered to on an ongoing basis.

MONITORING

The Firm confirms that it has an established monitoring process in place, and observations arising from monitoring are considered and addressed through corrective and preventive actions, including incorporation into training and ongoing learning programmes. While such communication is undertaken in practice through training sessions and engagement-level discussions, the Firm recognises the need for formal and structured communication of monitoring deficiencies to all professional personnel.

Accordingly, the Firm undertakes to strengthen its monitoring framework by ensuring that deficiencies arising from the monitoring process are formally communicated to all professional personnel, in addition to training initiatives, and to document such communication in line with SQC 1 and the Firm's policy.

Regarding independence of the monitoring function, the Firm acknowledges the observation relating to overlapping roles and undertakes to avoid assigning monitoring responsibilities to individuals who have acted as EQCR at the group level or on closely related engagements. The Firm assures that it will further strengthen its monitoring function to meet the requirements of independence and objectivity.

INDIVIDUAL ENGAGEMENT FILES

With respect to observations arising from individual audit engagements regarding the need to further strengthen audit documentation in areas such as revenue from operations, loans and advances to related parties (including recoverability assessment and Expected Credit Loss evaluation), impairment testing of investments in Group Companies, write-off of related party balances, CARO disclosures, technical assessment and disclosure of useful lives of Property, Plant and Equipment (PPE), the Firm confirms that appropriate audit procedures were performed and sufficient audit evidence was obtained to support the conclusions reached in accordance with applicable auditing standards.

While certain documentation in the inspected files could benefit from improved collation, cross-referencing, and linkage to supporting evidences, the Firm acknowledges the observations as opportunities to further enhance documentation clarity. Accordingly, the Firm will strengthen its documentation framework by ensuring clearer linkage and traceability between audit procedures performed and the underlying evidences relied upon, thereby improving overall accessibility and robustness of audit files.

While recognising the potential for further improvement in documentation, the Firm reiterates that the underlying audits were conducted in compliance with the relevant Standards on Auditing, and remains committed to continuous enhancement of audit quality and documentation practices.

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