



राष्ट्रीय वित्तीय रिपोर्टिंग प्राधिकरण
National Financial Reporting Authority

INSPECTION REPORT
2024

Audit Firms:

Price Waterhouse Chartered Accountants LLP
Price Waterhouse & Co Chartered Accountants LLP
(PW&A Network)

Firm Registration No:
(FRN 012754N/N500016)
(FRN 304026E/E300009)

Inspection Report No.132.2-2024-01
16.03.2026

National Financial Reporting Authority,
7th Floor, Hindustan Times House,
18-20, K. G. 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 profession associated with ensuring compliance with such standards, and to suggest measures required for improvement in quality of the service. Under this mandate, NFRA conducted audit quality inspections of the Chartered Accountant Firms M/s Price Waterhouse Chartered Accountants LLP (PWCA hereinafter) and M/s Price Waterhouse & Co Chartered Accountants LLP (PW& Co CA hereinafter) during the year 2025-26. The scope of this inspection included:

- a) a review of the remedial actions taken by the firms for the deficiencies reported in the previous report(s).
- b) a review of areas of quality control viz. Consultation, Monitoring and Human Resources.
- c) a review of the Financial Statements for the year ending 31.03.2024, in case of five (5) selected audit engagements. The review in these five cases focussed on three significant audit areas, out of which two areas viz., Revenue and Loans & Advances were common. The third focus area was engagement specific.

The inspection comprised of virtual discussions, onsite visits and also in person interactions. Onsite visit, involving review of quality control policies, procedures and examination of related documents were held from 10.11.2025 to 12.11.2025. During the onsite visit, the inspecting team held interactions with the leadership of the firms. This was followed by virtual discussions with the engagement teams of select audit engagements to facilitate a walkthrough of the audit files. These were followed by in person interactions with the respective engagement teams and other personnel of the firms. After examination of the audit files and interactions, the formal observations were conveyed to the audit firms. Upon receipt of response to such observations, a draft Inspection Report was issued to the Firms and on receipt of the firms' response to the draft inspection report, an inspection report was issued to the Firms, for which a written response was received. The observations are summarised as follows:

- i. Independence in respect of six partners.
- ii. Matter relating to HR policy regarding recruitment.
- iii. Irregularities in audit procedures in investments held for sale and impairment assessment of investment not as per Ind AS 36¹.
- iv. Inadequate arm's length assessment of loans given to subsidiaries as per SA 550².
- v. Non-compliance with the requirements of SA 570³.
- vi. Non-compliance with requirements of Ind AS 24⁴.
- vii. Post sign off modification.
- viii. Control deficiency over other expenses.

¹ Ind AS 36 Impairment of Assets

² SA 550, Related Parties

³ SA 570 (Revised), Going Concern

⁴ Ind AS 24 Related Party Disclosures

Inspection Overview

1. Section 132 of the Act, inter alia, mandates NFRA, to monitor compliance with Auditing and Accounting Standards, to oversee the quality of service of the profession associated with ensuring compliance with such standards, and to suggest measures required for improvement in the quality of their services. The relevant provisions of NFRA Rules prescribe the procedures in this regard, which include evaluation of the sufficiency of the quality control system of Auditors and the manner of documentation of their work. Under this mandate, NFRA initiated audit quality inspections in August 2025. The overall objective of audit quality inspections is to evaluate the compliance of the audit firms/auditors 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. This year's inspections involve a review of the remedial action taken by the firms in response to the previous inspection observations, and a test check of SQC-1 elements and select audit engagements for the financial year 2023-24 performed by the audit firms.
3. Inspections are intended to identify areas and opportunities for improvement in the audit firm's system of quality control. Inspections are, however, not designed to review all aspects and identify all weaknesses in the governance framework or system of internal control or audit risk assessment framework; nor are they designed to provide an absolute assurance about the audit firm's quality of audit work. In respect of selected audit engagements, 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

4. 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 firms, the number of audit engagements completed in the year under review: complexity and diversity of preparer's financial statements (henceforth, Companies) audited by the firms and other risk indicators. M/s Price Waterhouse Chartered Accountants LLP (PWCA), and M/s Price Waterhouse & Co Chartered Accountants LLP (PW& Co CA) were the audit firms selected using the above parameters.
5. The selection of individual audit engagements of the audit firms was 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.

6. The scope of the inspection was as follows:

- a) Review of the remedial measures and improvements made in response to the previous inspection observations for firm-wide quality controls to evaluate the audit firms's adherence to SQC-1⁵, Code of Ethics and the applicable laws and rules.
- b) Review of areas of quality control viz. Consultation, Monitoring and Human Resources.
- c) 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, out of which two areas viz., Revenue and Loans & Advances were common across all the five (5) engagements, and a third area was engagement specific, based on the inherent risk of material misstatement.

The selected sample of five (5) individual audit engagements are not representative of the Firm's total population of the audit engagements completed by the Firms for the year under review.

Inspection Methodology

- 7. An entry meeting was held with the audit firms on 18.09.2025 at the office of NFRA with a discussion on the firm's System of Quality Management (SOQM) and their auditing tool, *Aura*. The inspection team also visited the office of the firms from 10.11.2025 to 12.11.2025 for matters pertaining to SQC-1 and review of compliance for past observations made in the NFRA Inspection Reports. Thereafter, virtual and in person meetings took place with the respective Audit Engagement Teams of the five (5) engagements which included a walkthrough of the audit files in *Aura*, interviews and discussions.
- 8. The areas of weaknesses or deficiencies observed in the inspection reports, should be viewed as areas of potential improvement and not as a negative assessment of the work of the audit firms unless specifically indicated.

Audit Firms Profile

- 9. M/s PWCA and M/s PW & Co CA are Limited Liability Partnership firms with offices at 10 locations in India. They are members of Price Waterhouse & Affiliates' (PW&A), a domestic network of eleven CA firms, which is registered with the Institute of Chartered Accountants of India (ICAI). PW&A Network is a member of the international network of PricewaterhouseCoopers International Limited. As on 31.03.2024, PWCA had 111 partners, 2669 staff members and PW & Co CA had 110 partners and 274 staff members. The PW&A network firms had a total of 247 partners as on 31.03.2024.

⁵ SQC 1, "Quality Control for Firms that Perform Audit and Reviews of Historical Financial Information, and other Assurance and Related Services Engagements"

10. PWCA audited 170 entities and PW & Co CA audited 26 entities, having financial year end as 31.03.2024.

Acknowledgment

11. NFRA acknowledges the cooperation of the audit firms during all stages of the inspection.

PART B

Review of Firm-Wide Audit Quality Control System

a. Independence Policy and Practices

12. PW's Global Independence Policy prohibits partners and their immediate family members from having a direct or material indirect financial interest in an audit client or any of its related entities of any PwC firms. Further, the local supplement for India states that where the audit client is subject to the provisions of Section 141 of the Companies Act 2013, a local partner or his/her immediate family should not hold a security or interest in the audit client or its subsidiary companies, or its holding company or associate company or subsidiary of such holding Company.
13. During the inspection, it was observed that the firm detected a breach of independence with a delay in respect of five partners of PW&A Network and one partner of PwC Network. The breach had been in the form of acquisition of securities in the holding company of Company A not only while accepting the engagement but also post acceptance.
14. While the firm had already taken remedial actions, yet considering that such matters impinge upon the mandated independence requirement under SQC-1 and Section 141 of the Companies Act, 2013, the audit firm is advised to improve upon the timely updation and monitoring of the Central Entity System (CES).

b. Human Resources Policy and Practices

15. It is observed in one instance that a person was hired on 18.01.2021 as Chartered Accountant for the position of associate and was deployed in audit engagements. The formal verification process with ICAI was initiated on 07.08.2023. ICAI vide letter dated 11.08.2023 informed that the CA degree submitted by the official was fake. Later, the official resigned on 31.08.2023, after clocking 3937 hours of audit work. The audit firm stated that it is an isolated event and remedial action of separation had already been taken.
16. While the official quit the audit firm on account of the aforementioned lapse, yet considering the time lag, nature of action taken and requirements of Para 36 and Para 44 of SQC-1, the audit firm is advised to comprehensively review its HR policy regarding recruitment of

officials, matters of essential verifications, including differentiated actions to be taken for the identified lapses, if any.

PART C

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

17. This section discusses deficiencies observed in selected audit engagements. The inspection covered five (5) individual audit engagements and focused on three audit areas viz., Revenue and Loans & Advances were common across all the five (5) engagements, and a third area depending on the complexity was chosen. Audit procedures performed by the audit firms in these five engagements areas were reviewed. The observations are discussed below.

(a) Investments

18. In the case of Company A, it is observed that during FY 2022–23, the entity classified investments in five subsidiaries and one associate engaged in road projects as held for sale (HFS). Subsequently, as the conditions for HFS classification under Ind AS 105⁶ were not met, these investments were reclassified as non-current investments as at 31.03.2024, with restatement of the comparative financial information as at 31.03.2023.

19. In accordance with Ind AS 105, upon cessation of HFS classification, such investments are required to be measured at the lower of (a) the carrying amount that would have been determined had the assets not been classified as HFS, and (b) the recoverable amount as at the date of cessation. However, in determining the revised carrying amounts, the applicable measurement requirements of Ind AS 105 were not appropriately applied. Further, the recoverable amount was determined without adequate basis, key assumptions, or supporting documentation, including evidence of requisite Board approvals.

20. In the absence of documented audit procedures, it cannot be ascertained whether such procedure for assessment of carrying value as per Ind AS 105 were actually performed by the auditor. The audit firm also accepted that the documentation could have been more detailed to articulate engagement team's understanding and evaluation of this matter. The audit firm, therefore, failed to meet compliance requirements of SAs 230⁷, 500⁸ and 540⁹.

21. In another instance, during FY 2022-23, Company A valued its Hybrid Annuity Model (HAM) investments in its subsidiaries as HFS. As on 31.03.2024, Company A continued to

⁶ Ind AS 105 Non-current Assets Held for Sale and Discontinued Operations

⁷ SA 230, Audit Documentation

⁸ SA 500, Audit Evidence

⁹ SA 540, Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures

classify these investments as HFS. In accordance with Ind AS 105, continuation of such classification requires a re-evaluation of such assets being classified as HFS. This assessment necessitates, inter-alia, an evaluation of the stage of completion of the project, the likelihood of timely materialization of the sale and the approvals from lenders and regulators. However, such assessment was not evidenced in the audit file.

22. The audit firm submitted that the management is of the opinion that the approvals were usual and customary in nature. This is factually incorrect as can be seen from the fact that out of seven HAM projects, approval from regulator was received in only one HAM project HFS. Even this approved project could not be sold in FY 2024-25. The remaining six HAM projects were continued to be classified as HFS which is not in compliance with the provisions of Ind AS 105.
23. The audit firm accepted management's assertion and concurred with the conclusion to continue the HFS classification without independently evaluating the underlying assumptions or performing audit procedures to assess whether the criteria prescribed under Ind AS 105, particularly with respect to the probability of sale and its expected completion within the stipulated timeframe, were satisfied. Thus, the audit firm failed to comply with the requirements of SA 230, 500 and 540.
24. In another instance, during the inspection of Company B, it was noted that the company held investments worth Rs. 84 crore and had advanced loans amounting Rs. 270.62 crore to its subsidiary. The subsidiary reported cash losses and negative EBITDA, necessitating that Company B assessed the recoverable amount of this exposure in accordance with Ind AS 36. The audit firm relied on qualitative factors like normalized profits, adjusted EBITDA, positive operating cash flows (despite losses), revenue growth, going concern, management's future business plans for new business and improved margins to conclude no impairment was needed. However, these procedures lacked documented evidence of any quantitative analysis, including Discounted Cash Flow (value-in-use) or fair value less costs of disposal computations comparing recoverable and carrying amounts plus formal multi-year forecasts with assumptions (e.g., capacity utilization, metal prices, B2C plans), terminal growth, industry data, and sensitivity analysis.

(b) Loans & Advances

25. In Company B, it is observed that the company has provided loans to its subsidiaries at an interest rate of 8.5 percent per annum. In reference to arm's length, it is noted that these loans were given at a rate higher than the incremental borrowing cost of the company and accordingly it was concluded that they were at arm's length. The management has given assertion in the Financial Statements that the related party transaction was conducted at arm's length and accordingly it required the audit firm to obtain sufficient appropriate audit evidence about the assertion as per SA 550. There is no evidence in the audit file that the

audit firm performed sufficient audit procedures to evaluate whether the interest rate and other terms align with what an unrelated lender would demand from a borrower of similar risk thereby indicating non-compliance with the requirements of SA 550.

(c) Other areas

Going Concern

26. In the case of Company A, it is observed that there were serious indicators raising questions about the going concern of the company, including a negative net worth since March 2019. This was primarily on account of losses in toll collections from its Build-Operate-Transfer (BOT) portfolio attributable to its five subsidiaries. The Pre-Risk Acceptance Committee of the audit firm had also placed emphasis on the going concern of Company A due to the accumulated cash losses. Company A had obtained a support letter from its holding company; however, the holding company was itself under investigation pertaining to a project valued at approximately Rs.1,390 crore, along with the subsequent withdrawal of another project/contract by the regulator amounting to approximately Rs. 2,161 crore. These events adversely impacted Company A's operational integrity, financial support, and going concern, adequate disclosure of which was required in the financial statements of Company A for FY 2023–24. However, the same was not disclosed.
27. As Company A was dependent on its holding company, for its financial viability, an impact evaluation of the CBI case was necessary for the assessment of the going concern of Company A in accordance with Para 6 of SA 570. The audit firm accepted the fact that there should have been an explicit evaluation of the material impact of the CBI case against the holding company. Thus, the non-disclosure and non-evaluation of the CBI case is not in compliance with SA 570.

Related Party Transactions

28. In the case of Company C, it is observed that the standalone financial statements for FY 2023–24 disclosed related party financing transactions as “finance provided during the year (net of repayments)”, without separate disclosure of loans advanced and repayments received.
29. Paragraph 24 of Ind AS 24 permits aggregation of items of a similar nature only where separate disclosure is not necessary for an understanding of the effects of related party transactions on the financial statements. This provision does not permit netting of distinct and opposing economic flows. Loans advanced and repayments received represent separate transactions with different economic implications, namely an outflow resulting in the creation of a financial asset and an inflow representing its realization or extinguishment. Further, disclosure of only the net movement does not substitute separate disclosure of the transactions, as required under paragraph 18 of Ind AS 24. This may also obscure situations

involving substantial gross lending and repayments with limited net change in exposure. Such presentation impairs users' ability to assess the extent of financial support, liquidity exposure, and dependence arising from related party financing transactions.

30. The audit firm accepted the observation and stated that it would engage with management to consider separate disclosure of loans advanced and repayments received. Accordingly, the audit firm failed to ensure compliance with the requirements of Ind AS 24.

Audit Documentation

31. In the case of Company A, it is observed that an audit working paper titled "*BID Details: Obtain movement schedule – Investment in subsidiaries*" was edited on three occasions by different engagement team members on 04.07.2024, after the date of signing of the audit report (21.05.2024). The audit firm's archival policy requires that where audit work is performed but not documented prior to signing of the audit report, the engagement team must consult the appropriate risk management function and document within the audit file, the date on which the work was actually performed along with a contemporaneous explanation for the delayed documentation.
32. In the present case, the housekeeping note stated that post-signing edits were made to correct formula errors, update formatting, clear quality checks, and remove links to external databases. However, the audit working paper contains calculations relating to BOT and HAM assets, and the nature and extent of the post-signing changes were not adequately documented as per requirements of Paragraph 16 of SA 230.

Control Deficiency

33. In the case of Company D, it is observed that key controls over other/miscellaneous expenses and related payments were not supported by adequate documentation evidencing segregation of duties. In the instant case, same two individuals were involved in the preparation, approval and authorisation of expense provisions, vouchers and payments. The audit firm stated that such expenses were approved by the respective Heads of Departments (HODs) prior to processing by the finance team. However, no evidence of such HOD approvals is seen documented in the audit file. The absence of documented independent approvals resulted in a control deficiency relevant to Internal Control over Financial Reporting (ICoFR) as per requirements of Section 143(3)(i) of the Companies Act, 2013. The audit firm submitted that, while the control design envisaged HOD approvals and segregation of duties existed in practice, the documentation of such approvals and related control testing could have been more explicit.
34. Notwithstanding the audit firm's submission regarding the intended control design, in the absence of documentary evidence supporting independent HOD approvals, the control cannot be considered to have operated effectively.

PART D

Chronology of Events

S. No.	Date	Event/Correspondence
1.	28.03.2025	Intimation of Inspection of audit firm.
2.	16.04.2025	Information submitted as requested in paragraph 4 of the letter dated 28.03.2025.
3.	29.08.2025	Intimation of the timeline for commencement of inspection.
4.	18.09.2025	Entry meeting and demonstration of the audit firms' tools held at NFRA office.
5.	22.09.2025	Submission of engagement files and quality control documents by the audit firm.
6.	10.11.2025 to 12.11.2025	On-site inspection relating to quality control aspects of the audit firm.
7.	19.11.2025 to 04.12.2025	Virtual walkthrough of different engagement files.
8.	04.12.2025 to 26.12.2025	Communication of quality control and engagement specific observations.
9.	09.12.2025 to 30.12.2025	Response received on quality control and engagement specific observations.
10.	13.01.2026	Draft inspection report sent by NFRA to the audit firm.
11.	31.01.2026	Submission of reply to draft inspection report.
12.	18.02.2026	Communication of final inspection report to the audit firm.
13.	21.02.2026	Comments on the final inspection report by the audit firm.
14.	16.03.2026	Publication of inspection report on the website of NFRA as per Rule 8 of NFRA Rules 2018.

Appendix A: Audit Firm's response to 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-compliance with SAs and the sufficiency of the Audit Firm's quality control system. As part of this process, the Audit Firms provided a written response to the Inspection Report, which is attached hereto. NFRA, based on the request of the Audit Firms, 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 inspection report.

February 21, 2026

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

Dear Sir, Madam,

We refer to the 2024 Inspection report no. 132.2-2024-01 received by us on February 18, 2026, and thank you for providing your written observations and inputs provided during the inspection.

Price Waterhouse Chartered Accountants LLP and Price Waterhouse & Co Chartered Accountants LLP (Member firms of Price Waterhouse & Affiliates Network) are committed to performing high quality audits and maintaining trust with our relevant stakeholders.

We provide our comments on certain observations as follows:

Part B of the Inspection Report: Review of Firm-Wide Audit Quality Control System

As noted, the observations regarding our quality control system were isolated instances; self-identified, and necessary remedial actions were undertaken as necessary as part of the operation of our system of quality management. It is a natural and expected outcome of designing, operating, and monitoring a quality control system that matters are self-identified and remediated.

We wish to clarify that although that employee's background verification was completed during the recruitment, the issue came to light during a separate process unconnected with background verification. The matter was comprehensively reviewed and remediated including termination of the contract with the background verification vendor and setting up a monitoring process in this area to mitigate risk/potential risk.

We are committed to maintaining the system in continued alignment with applicable standards and regulatory requirements.

Part C of the Inspection Report: Review of Individual Audit Files

(a) Investments: Despite opportunities to enhance documentation within the audit files in this area, we believe that accounting and reporting for all referenced instances were appropriate. We wish to highlight that:

Issuer A: The classification of HAM entity investments as 'held for sale' was appropriate. NHA approvals were usual and customary, as contracts confined their approval scope limited to national security and public interest. The investments can continue to be classified as 'held for sale' even

if there is an extension of the period to complete sale beyond one year in accordance with Appendix B to Ind AS 105. Presenting these actively marketed assets as 'held for use' would be misleading to financial statement users when the criteria are continued to be met. It is pertinent to note that post-reporting date with all approvals secured; the investments have either been sold or are actively in the sale process, with agreements signed for all.

Issuer B: No impairment indicators existed for the subsidiary investment, obviating a quantitative assessment. We would like to highlight the post-reporting date, disposal of investment, and recovery of loan, both without any loss.

b) Loans & Advances: We believe that for loans to wholly owned subsidiaries (SPVs) exempted by Sec 186(11) (being company providing infrastructure facilities) of the Companies Act, an extensive arm's length assessment is of limited value. The interest rates above incremental cost of borrowing reflect arm's length given their nature given that these are an extension of the parent itself, being SPVs. We will, however, recommend management reconsider related party 'arm's length' disclosure wording.

c) Other areas

Going concern: We accept that a more explicit evaluation could have been included in the audit file as regards the impact of CBI inquiry on the support letter. A disclosure of the holding company's CBI inquiry is not deemed essential, given it concerned the holding company, and their auditor confirmed no material uncertainty.

Audit Documentation: This is not a case of work performed and not documented prior to signing of audit report. The edits were confirmed as housekeeping in the work paper, performed before archival within the permitted SA 230 period and in line with firm policy.

Control Deficiency: While HOD approval documentation for payments (5.6% of total expenses) could have been more explicit in the audit file, this does not denote an absence of internal control at the audit client.

We remain committed to enhancing our overall audit quality and look forward to working with NFRA, our clients and other stakeholders to identify opportunities to augment our processes, policies and training. We would be pleased to discuss any aspects of our response or any other questions that you may have.

Yours sincerely,

Abhishek Rara
Partner

Price Waterhouse Chartered Accountants LLP (Firm Registration Number – 012754N/N500016)

Price Waterhouse & Co Chartered Accountants LLP (Firm Registration Number – 304026E/E300009)