

Audit Quality Report

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Partners, team members, and other stakeholders

Welcome to the KNAV CPA LLP (KNAV) 2023 Audit Quality Report. We take pride in presenting this report, reaffirming our dedication to continually enhancing the quality of our audits and reinforcing our quality control and management systems. As independent auditors, we deeply value our role in fostering trust and confidence within the financial reporting ecosystem.

Our commitment to audit quality remains pivotal as we persist in our endeavor to deliver high-quality audits while upholding our independence, thereby instilling trust in our clients. Despite the challenges and geopolitical disruptions, our audit team has adeptly navigated complexities encountered in the accounting domain throughout the year.

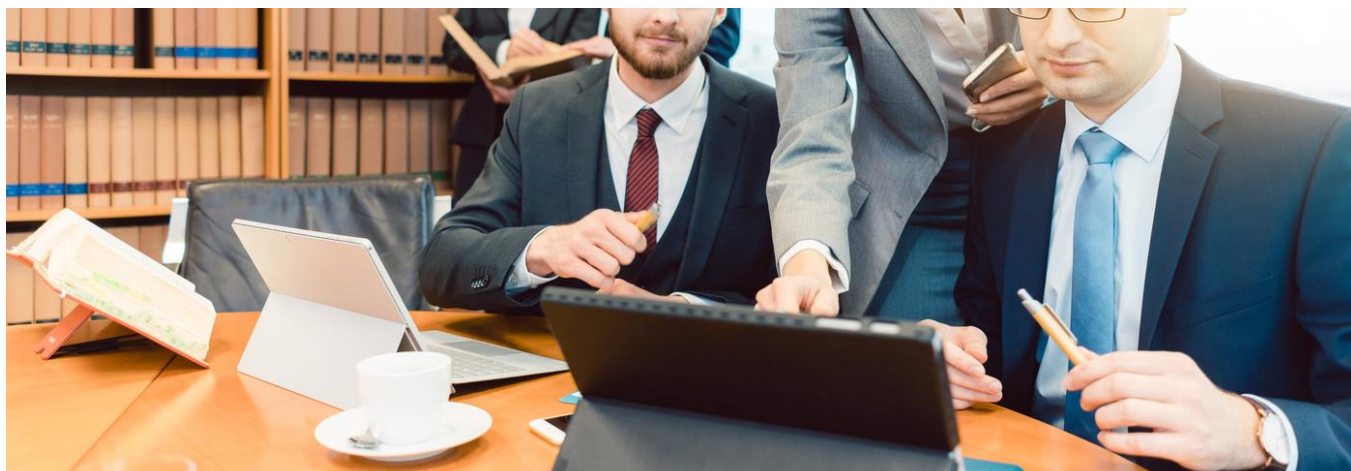
Amidst the dynamic circumstances, we've constantly supported our team members by adopting continuous learning and development opportunities. The flexibility afforded by remote work arrangements in the new hybrid work model continues to empower our staff, shaping our future work strategies.

Accountable to the public interest, our obligation is to provide transparency to our stakeholders. This report encapsulates our audit methodologies, independence maintenance, performance monitoring, and our relentless pursuit of enhancing audit quality.

We firmly believe that setting the right "tone at the top" is pivotal, forming the foundation of our risk management philosophy. Partners and senior staff consistently monitor and manage risks, reinforced by robust systems and perpetual evaluation of exposures. Our focus on independence protocols and risk mitigation extends across various service domains, with ongoing training aimed at upholding both factual and perceptual independence.

Technology has been instrumental in high-quality audit performances. Our strong commitment to sustainable audit quality involves a focus on innovation, efficiency, and adaptability to a dynamic future. While acknowledging the pivotal role of technology in audits, we recognize its limitations in replicating certain aspects of the auditor-client relationship.

We also spotlight the commendable efforts of our audit quality and risk management team, now in its ninth year, providing valuable guidance and impartial evaluations.



This year's report also delves into our implementation of the International Standards on Quality Management, shedding light on the strides made in enhancing our engagement performance.

Lastly, our focus on training, professional development, and expertise underscores the necessity of experienced professionals capable of making intricate judgments in audit engagements, ultimately ensuring audit quality.

Our aspiration is to be recognized as a firm offering audit services, equipped to tackle challenges, seize opportunities, and champion audit quality. Our ongoing efforts in talent acquisition, retention, and fostering a culture of excellence align with our mission to contribute to an improved working world through the delivery of top-notch audits.

We extend our gratitude for joining us on this audit quality journey and for your relentless trust, confidence, and vested interest in our continual advancement.

Our Leaders

We thank you for joining us in our audit quality journey, and for your consistent trust, confidence, and interest in our constant progress.



Atul Deshmukh

Partner
International Assurance
KNAV CPA LLP



Khozema Anajwalla

Partner
International Quality and
Risk Management
KNAV International Limited

Our Firm

KNAV CPA LLP (“our firm”) is an independent registered public accounting firm headquartered in Atlanta, Georgia. It is the United States (“US”) member firm of KNAV International Limited, a non-profit corporation that is organized as a non-practicing, non-trading organization that serves member accounting and consulting firms with an internationally recognized presence, as the Charter international umbrella organization.

Effective October 01, 2023, KNAV P.A., a public accounting firm, reorganized its operations to adopt an alternate practice structure. Through this restructuring, the attest function of KNAV P.A. is now provided by KNAV CPA LLP. KNAV P.A. continues to provide non-attest services under its new name, KNAV Advisory Inc.

Our firm is peer-reviewed by the American Institute of Certified Public Accountants (AICPA) and is registered with the Public Company Accounting Oversight Board (PCAOB).

KNAV Advisory Inc., has six majority-owned subsidiaries in different locations in the world. These are briefly described below.

India - KNAV Services Private Limited is the center of excellence in India with capabilities of conducting audit under the supervision of KNAV CPA LLP, and tax, and advisory services under the supervision of KNAV Advisory Inc.

US - KNAV TX LLC, a Texas Limited Liability Company provides accounting and tax services, primarily to the Houston, Texas market, with a focus on local small and medium scale entities.



US - Indé Global Inc. is a commercial real estate valuation firm that provides real property valuation and consulting advisory services in the USA.

Singapore - KNAV Advisory Services Pte. Limited, operating out of Singapore, provides tax compliance, valuation advisory services, and secretarial services.

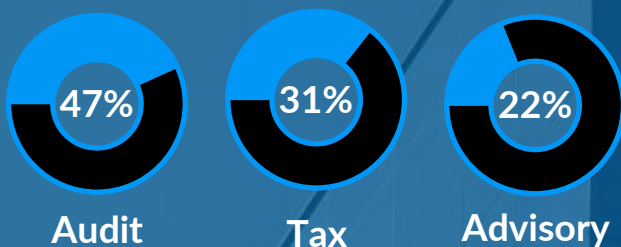
UK - KNAV Services Limited performs audit support services for KNAV Limited, the UK member firm of KNAV International Limited, and provides valuation and consulting services in the UK market.

The Netherlands - KNAV Netherlands B.V. performs audit support services for HLG Audit B.V., a Netherlands-registered accounting firm.

Partners oversee the firm's audit practice, approve compensation and promotions, and are responsible for monitoring the performance of the firm's audit team.

For the year 2023,

Our net revenue composition was







Our work is structured around a broad range of industries. Our partners and staff provide personalized attention and the highest-quality administration to public and private clients without respect to topographical boundaries.

KNAV is also an independent member of Allinial Global, one of the world's largest accounting associations of firms.

Membership in Allinial Global gives the firm access to subject matter experts, as needed, and to benchmark audit quality best practices. Partners of our firm meet regularly with fellow member firms, including formal meetings with both the North American and international audit and accounting partners.

Some key metrics of Allinial Global

 Member firms	 Total professionals
261	26,000+
 Countries	 Revenue in billion
105	USD 4.985

2023 in numbers – key metrics of our firm

Audit team hours



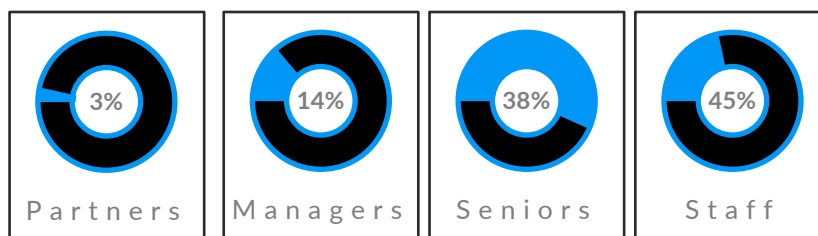
Audit team leverage ratio

Partner to manager – 1 to 4

Partner to seniors – 1 to 9

Manager to seniors – 1 to 2

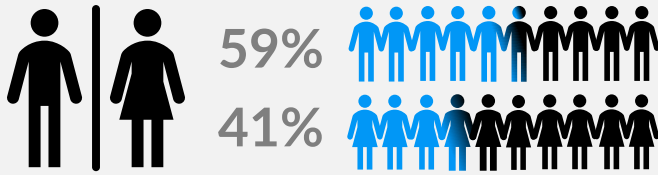
Audit team composition



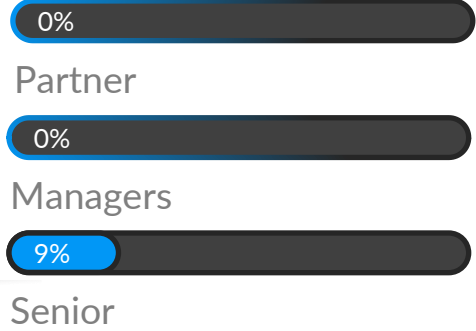
CPE hours during the year



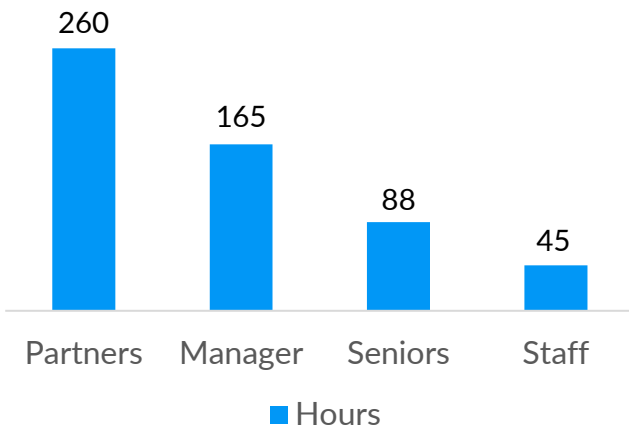
Audit team gender composition



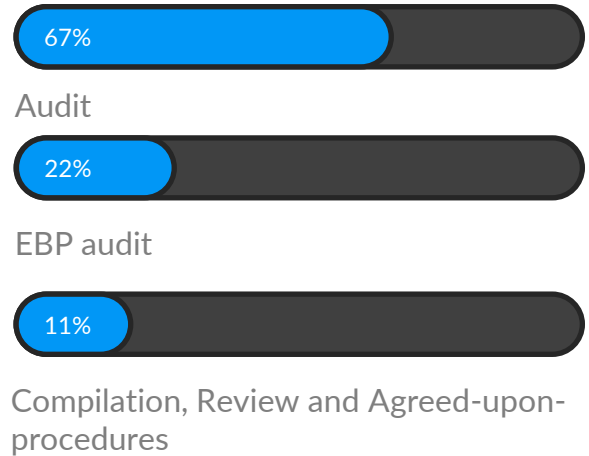
Voluntary turnover rate



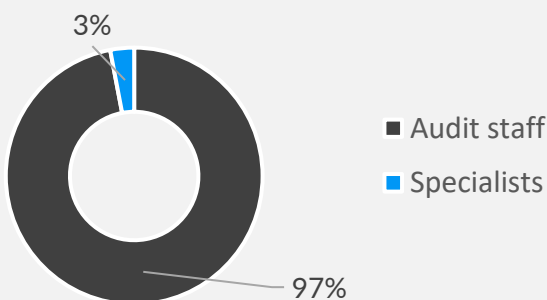
Average annual hours worked by audit professionals above 40 hours per week



Types of assurance engagements



Audit hours worked by staff and specialists



Specialists include

- Tax team
- Valuation team
- Accounting advisory team
- Other internal non-assurance team members



Our portfolio of clients



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Our philosophy for risk management

Evolution of Our Philosophy

Building upon our established foundations, our commitment to a robust risk management framework has evolved to align with the shifting landscapes of the industry and global challenges. Our philosophy for risk management in 2023 remained rooted in the principles of accountability, adaptability, and sustained excellence, driven by collective responsibility and strategic foresight.

Adapting to Dynamic Challenges

Continued Emphasis on 'Tone at the Top'

Our enduring belief that risk management is everyone's responsibility persists. The 'tone at the top' continues to define our approach, fostering a culture of accountability and integrity across all levels within our firm.

We are a partner and value-driven firm. The key individuals involved in setting the tone at the top:



**Managing
Partner**



**National
Quality
Control and
Risk
Management
Partner**



**Lead Partner -
International
Assurance &
Accounting
Services**



**Lead Partner
- Tax
Services**



**Lead Partner -
Advisory
Services**

Lead Partners, Directors, and Senior Managers of International Assurance & Accounting & SOX and Risk Advisory Services are integral to our risk management framework in developing procedures and best practices. Along with the key individuals, they play a role, especially in client acceptance, client retention, and supervision and evaluation of staff. The responsibility for our quality management system rests with our firm's leadership and the dedicated quality management team.

Responsive and Inclusive Communication

Our communication strategies have evolved to emphasize not only our values and diversity but also the integration of emerging trends, regulatory changes, and best practices in risk management. We prioritize consistent messaging, ensuring alignment with our core values and objectives including but not limited to quality expectations, emphasizing the importance of adherence to professional standards, high-quality work, and ethical conduct at every stage of our engagements.

Collaborative and Agile Risk Mitigation

Recognizing the multifaceted nature of risks, we have reinforced our collaborative efforts across departments, encouraging open dialogue and a proactive exchange of ideas to mitigate risks effectively. Our emphasis on agility allows us to swiftly respond to emerging challenges and opportunities.

Key Focus Areas in 2023

Adoption of Technological Advancements

We've enhanced our risk management capabilities by integrating cutting-edge technologies, leveraging data analytics, AI-driven insights, and automation. This empowers us to identify, assess, and respond to risks with greater precision and efficiency.

Continuous Learning and Development

We've intensified our efforts to ensure all team members are well-versed in our quality management policies, procedures, and ethical guidelines. Regular training and reinforcement of expectations uphold our commitment to integrity and objectivity.

Our partners and staff are required to confirm their commitment to integrity, objectivity, and the avoidance of conflicts of interest on a quarterly basis. In 2023, we instituted a requirement for every team member to annually complete a firm-developed course on ethics, integrity, and objectivity as part of our compliance protocol. Additionally, this course became a mandatory component of the induction process for new employees. This affirmation includes adherence to ethical requirements and guidelines set forth by professional bodies like the American Institute of Certified Public Accountants, the Public Company Accounting Oversight Board, and the International Code of Ethics for Professional Accountants as promulgated by the International Ethics Standards Board for Accountants (IESBA).

Evolving Risk Landscape

The landscape in which we operate continues to evolve, demanding an ongoing evaluation of risks. In our role as a public accounting and consulting firm, we remain vigilant in identifying various risks, including financial, ethical, and reputational as well as the potential for misjudgment in accepting or continuing services for specific clients, while assessing external and internal factors that influence our business dynamics. Additionally, we actively evaluate risks associated with non-compliance with audit standards, emphasizing the application of skepticism and sound professional judgment.



Sustaining a Culture of Quality

At the core of our firm, we promote an all-encompassing culture of quality. Our partners and team members are encouraged to uphold a culture of quality in every aspect of their work. We prioritize the comprehension and adherence of each team member to our quality management policies, procedures, and manual. This comprehensive guide outlines expectations pertaining to independence, integrity, and objectivity, specifically concerning various service levels, notably within the attest function. Our commitment is exemplified through actions that prioritize public interest, public reputation, professionalism, and adherence to high ethical standards.

Reinforcing Our Commitment

Our unwavering commitment to doing the right thing, emphasizing quality over aggressive growth, continues to guide our risk management approach. By ingraining risk management within our firm's identity, we strive to execute audit engagements efficiently and rigorously while ensuring alignment between engagement risks and team capabilities.



Upholding Ethical Standards and Independence

Maintaining ethical behavior and independence remains foundational to our firm's commitment to building trust. Upholding expected behavior, safeguarding client confidentiality, and preserving records are reinforced through comprehensive documentation methods, including employment contracts, declarations, and consistent communication of our ethics and independence policy.



Ethics, Independence, and Professionalism

Our unwavering dedication to independence in both fact and appearance is fundamental to exercising professional skepticism and making unbiased decisions. The elements of integrity, objectivity, professional competence, due care, confidentiality, and ethical behavior, integral to the codes of ethics of the AICPA and the PCAOB, form the bedrock of our quality management processes. These elements guide our audit methodology, practice policies, and guidance materials.

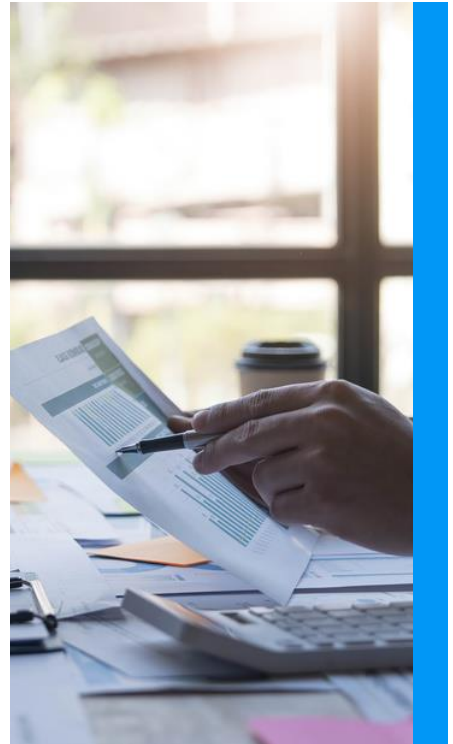
Policies and Compliance Measures

We have developed exhaustive independence, integrity, and objectivity policies applicable across all client service personnel. These policies ensure compliance with independence requirements, encompassing maintaining independence in business relationships, strategic connections, and client engagements.



Quarterly Declarations, Mandatory ethics course, and Ongoing Training

All staff involved in audit and non-audit tasks are mandated to complete quarterly declaration forms. These include statements of confidentiality and declarations of independence concerning audit clients, ensuring ongoing adherence to ethical standards. Additionally, training on independence and related policies is provided during induction and periodically through face-to-face and computer-based sessions with the institutionalization in 2023 for every team member to annually complete a firm-developed course on ethics, integrity, and objectivity as part of our compliance protocol.



Client Acceptance and Independence Assurance

Our comprehensive independence policies, accessible in our Quality Management Manual, adhere to US standard setters' and regulators' requirements. New client acceptance involves a meticulous risk assessment approved by the engagement partner and reviewed by the quality management team. Thorough due diligence, including checks through SentroWeb-DJ, an anti-money laundering and counter-terrorism financing (AML/CFT) customer due diligence screening website, to perform Client Due Diligence (CDD) and record the results is conducted as part of the acceptance process.



Enhancements in 2023

Throughout 2023, our Quality Management team bolstered independence and client onboarding policies

- Regular dissemination of updated ethical standards from AICPA, PCAOB, and IESBA to ensure compliance with professional independence and ethical standards.
- Mandatory annual e-learning course on 'ethics, integrity, independence, and objectivity' to ensure that all KNAV team members are aware of the firm's ethical requirements and adhere to the same.
- Updates to the quarterly independence declaration forms to increase the robustness of the declarations signed by all the team members and ensuring that each team member is aware of their responsibilities with respect to the ethical requirements.
- Updates to the KNAV member firm's 'Zero Tolerance Policy' by reducing the stipulated time period for disposal of any financial interest(s) in a restricted entity(ies), to ensure a stringent compliance with the ethical requirements.
- Central functional email (ei@knavcpa.com) to which KNAV team members can send in their ethics/independence related queries.
- Client risk grading system whereby, all continuing/existing clients are reassessed either as PCAOB/SEC, A, B or C.
- Updates to client acceptance process and forms with an emphasis on risk assessment prior to onboarding a client.

Streamlined Client Acceptance Process

For audit services pertaining to public interest entities or their subsidiaries, a conflict check with other KNAV International Limited member firms is conducted. Subsequently, the engagement partner initiates the new client acceptance process, reviewed by the Quality Control and Risk Management team before final approval.

For other audit prospects and non-attest services, a similar process is followed, ensuring meticulous review and approval at multiple stages to reinforce adherence to independence and ethical standards.



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Quality Management, Audit Methodology and Monitoring

Quality Management

Upholding Standards of Audit Quality

At the core of our commitment lies the definition of audit quality, which encompasses delivering dependable and impartial audit opinions consistently. We achieve this by strictly adhering to auditing standards, exercising professional skepticism, and leveraging our collective experience, expertise, and technological advancements.

Compliance and Quality Management Standards

Our dedication to maintaining exceptional quality management aligns with the International Standards of Quality Management (ISQM) 1, complemented by pertinent national quality management and control standards. Engaging in KNAV International Limited's coordinated internal quality assurance monitoring and review program reinforces our commitment to adhering to globally benchmarked quality standards.

The International Auditing and Assurance Standards Board has approved a new set of quality management standards – ISQMs that have replaced the hitherto International Standard on Quality Control, from December 2022. These standards focus on creating a more robust, proactive, and effective system of quality management.

We implemented the new standards effective from December 15, 2022.

In accordance with the requirements of ISQM, KNAV designed and implemented a system of quality management (“SOQM”) covering the eight components of the standard. The firm uses a web-based tool by Grant Thornton namely, QM.X™ to maintain its SOQM. The firm's SOQM is supported by its Quality Management Manual and various Standard Operating Procedures (SOPs) and process notes.

ISQM 1 mandate that at least annually the SOQM is evaluated by the individual(s) assigned the ultimate responsibility of the SOQM. These individual(s) are required to conclude on the effectiveness and efficiency of the SOQM’s ability to provide the firm with reasonable assurance that the objectives of the firm are achieved.

We have implemented a system of monitoring of the respective firm’s system of quality management in accordance with the requirements of ISQM 1 during 2023. The firm performs periodic (monthly, quarterly, half-yearly, annually, as the case may be) monitoring of the SOQM based on the testing plan prepared in January 2023. This monthly testing of areas of SOQM ensures that the firm evaluates the existing policies and procedures on a periodic basis and tests the operating effectiveness of controls.

The annual evaluation conducted on December 15, 2023, provides reasonable assurance that the quality objectives of the SOQM are successfully achieved.

Continued Excellence in Audit Quality and Risk Management

Our dedicated focus on audit quality and risk management serves as the cornerstone for consistently executing high-quality audits. We foster a culture of audit excellence, empowering our team members to take ownership of their roles and responsibilities in identifying and addressing risks that impact audit quality.

Continuous Quality Management Review

We maintain an almost continuous review of our quality management system, adapting policies and processes as needed, and closely monitoring significant issues that arise during audits. This ongoing evaluation sustains our commitment to upholding a culture of high-quality audits.



Leveraging Technology for Audit Innovation

Embracing the potential of technology has empowered our audit teams to reimagine the future of audits, equipping them to confront emerging challenges. Our teams diligently incorporate consistent processes and the latest technologies, infusing integrity, objectivity, and professional skepticism into their audit practices.

Strategic Approach to Audit Engagements

Each audit engagement is meticulously arranged, considering its inherent risks, complexity, and specific experience prerequisites. This meticulous approach aids in establishing a robust audit schedule, outlining quality management procedures, and engaging internal or external specialists when necessary. This strategic planning influences the timing and staffing of our audit work.

Developing Future Leaders

Ensuring an optimal composition of audit teams stands as a critical factor in achieving audit quality. Timely involvement of engagement partners, directors, or managers during planning and risk assessment stages enables a comprehensive consideration of audit risks, fostering a planned response tailored to each client's unique circumstances. This deliberate delegation of work to junior staff facilitates their development, nurturing them to become adept future leaders. At KNAV CPA LLP, our staffing model prioritizes offering more partner/manager time while providing ample opportunities for our young professionals to grow and excel.

Engagement Criteria and Ethical Considerations

We establish or continue relationships and assurance engagements after assessing our capabilities, ensuring the necessary skills, competence, and resources are available to audit the client's financial statements and meet relevant auditing standards. Compliance with ethical requirements and reflecting upon the client's integrity guide our decision-making process.

Continuous Learning and Mentorship

From the outset of their employment, we emphasize the imperative for excellence in technical skills, audit quality, and steady ethical behavior. Our induction training, coupled with ongoing learning programs, reinforces the need for maintaining an objective and skeptical mindset throughout the audit process. Technical expertise is rigorously evaluated during the mandatory annual performance appraisal process. Engagement partners and teams play an integral role in providing continuous feedback, coaching, mentoring, facilitating consultations, and on-the-job training.

Audit Methodology and Approach

Ensuring Quality and Compliance

During our audits, we rigorously adhere to applicable auditing standards to attain reasonable assurance regarding the fair presentation of financial statements in all material aspects. It's important to note that reasonable assurance is a high level of confidence but does not imply a guarantee. Our audit process involves meticulous examination of audit evidence, including client-provided information and reports, conducted on a selective basis.



Risk-Based Approach and Assessment

Our engagement team's audit strategy centers around a "top-down" risk assessment approach. Evaluating the risk of material misstatement in financial statements forms the core of our audit methodology. This thorough risk assessment shapes our profound understanding of business policies, processes, and inherent risks within the financial statements. It informs the selection of audit controls for testing and guides our substantive audit response, commencing from the planning phase and extending through the final report issuance.

Materiality and Risk Consideration

We identify significant accounts, disclosures, and relevant assertions, considering quantitative and qualitative factors based on the potential for material misstatements. Materiality serves as a foundation in planning the nature, timing, and extent of our audit procedures. The risks within the financial statements and the client's internal control structure are paramount in our approach, including discussions regarding potential material misstatement risks, and fraud risks.

Execution and Quality Assurance

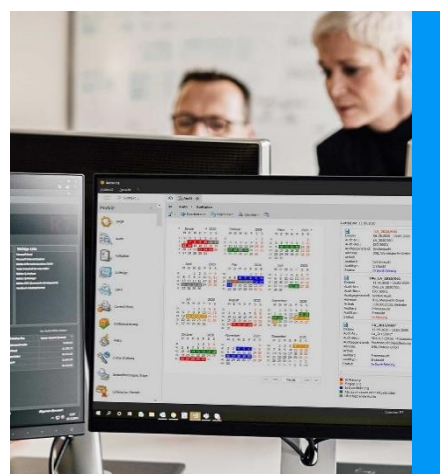
The execution of our audit plan rests with the engagement leader and the audit team, underscoring the importance of objectivity and professional skepticism. Publicly listed and high-risk audits undergo a second partner pre-issuance engagement quality review, while a risk-based selection of non-public audits undergoes a similar process.

Quality Review and Issuance

Following the engagement leader's review, key deliverables such as the report, management representation letter, financial statements, and additional information are submitted to the quality management team. A final review before the issuance of the Unique Authorization Code (UAC) ensures adherence to the firm's quality and document control process, with the UAC embedded in each attest report.

Approach to Multi-Location Audits and Complex Transactions

For audits involving companies with operations across multiple locations or business units (components), we adapt our approach, either as component auditors or reviewers, ensuring compliance with US auditing standards and our stringent quality benchmarks.



Consultation and Reporting

Navigating complex accounting scenarios requires robust consultation. Our policy mandates necessary consultations, fostering a culture of collaboration among our team members, managers, and partners. Formal and informal consultative avenues maintain alignment with professional standards and facilitate a continuous learning environment.

NAO team, roles, and responsibilities

On July 03, 2023, the firm officially set up a National Accounting Office ('NAO'). The NAO was set up to provide consultation support to the US assurance teams on difficult and contentious accounting and auditing issues. Some of the contentious topics on which mandatory consultation is required are as follows: material uncertainty of going concern issues, qualified or modified audit opinions, impairment of long-lived assets, intangibles and goodwill, fraud considerations.

The NAO is the central specialist team regarding all relevant topics of accounting standards and auditing standards. This is where all accounting and auditing threads come together, both "top-down" and "bottom-up".

Identified problems are solved uniformly, quickly, and reliably through deliberations with the audit teams and ongoing new regulations are presented to audit teams and clients in a timely solution-oriented manner. The NAO is involved in KNAV's initiatives regarding ongoing national or international standardization processes.

The staff of the NAO are experts in the field of generally accepted accounting standards (GAAP) and generally accepted auditing standards (GAAS) and have specialized knowledge of audit methodology as well as many years of industry-related experience in auditing financial statements including auditing public interest entities.

The NAO's role is the single point of consultation for technical opinions on GAAP and GAAS. The NAO ensures that the member firm adopts consistent approach on technical topics.

The NAO is responsible for overseeing the L&D programs to ensure that teams are kept abreast of updates to GAAP and GAAS and also frame the 'Firm Point of View' on all emerging technical topics.

The NAO is an indispensable component of quality assurance and a point of contact for offering our clients a high quality of service.

Communication and Documentation

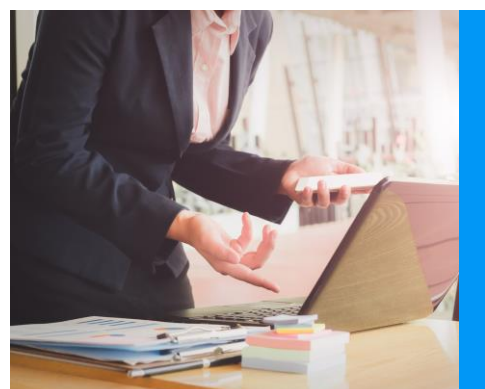
We report our audit results to the corporate governance body, conveying vital aspects such as audit scope, key accounting matters, identified misstatements, internal control weaknesses, and independence matters. Our secure archival of audit files adheres strictly to professional standards, ensuring compliance with our firm's record retention policies.

To further strengthen the internal communication initiatives, we introduced 'QualiBee Buzz', an audit bulletin which communicates to team members new quality initiatives and audit quality objectives covered under the component 'Engagement performance' of ISQM 1. During 2023, the following topics were covered through periodic releases:

- Responsibilities of the engagement partner.
- Nature, timing, and extent of audit procedures – Completeness and accuracy assertions.
- Professional competence and skepticism for quality audits.

Standardization and Training

Aligned with KNAV International Limited's efforts, we've initiated standardized audit work papers to promote consistency and clarity across our engagement teams. Regular training sessions, led by the Quality Management and Learning and Development teams, acquaint our engagement teams with these standardized work papers, ensuring uniformity in documentation.



During the year, we imparted various trainings to our engagement teams, such as,

- Training workshops on the following newly introduced standardized audit working papers amongst other training topics.
 - Related Party Transactions
 - Payroll
 - Trade Payables
 - Trade Receivables
 - Inventory
 - Loans & Borrowings
 - Fraud Risk
 - Property Plant & Equipment & Capital Work in Progress
 - Auditing of Accounting Estimates
 - Audit Sampling
 - Audit program on Non-compliance with laws and regulations (“NOCLAR”)
 - Going Concern
 - Journal entries testing
- Training on ISA 240 was conducted by the firm to ensure proper compliance and documentation of fraud risks. This training emphasized on the practical aspects of professional scepticism while assessing fraud risks and documentation of the same.
- A mandatory annual e-learning course on ‘ethics, integrity, independence, and objectivity’. This course is mandatory for all staff members upon initial employment and annually thereafter. This ensures that all KNAV team members are aware of KNAV’s ethical requirements, and they adhere to the same.
- A mandatory annual e-learning course on cybersecurity and data security awareness. This course is mandatory for all staff members of the Network member firms upon initial employment and annually thereafter.



Monitoring

Monitoring for Quality Assurance

At our firm, our resolute focus remains on the pinnacle of audit quality. We place significant emphasis on monitoring the effectiveness of our actions and undertaking robust root cause analysis of audit performance. Our primary goal is to consistently deliver the highest quality audits while holding ourselves accountable.

Real-time Quality Monitoring

We are committed to conducting credible, reliable, and real-time quality monitoring activities that significantly contribute to our quality improvement objectives. Our concentrated efforts revolve around early identification of audit issues, comprehensive understanding of their causes, identification of key themes, and a definitive action plan to rectify any audit deficiencies. Recognizing issues early on remains a crucial aspect driving our remedial action plan.

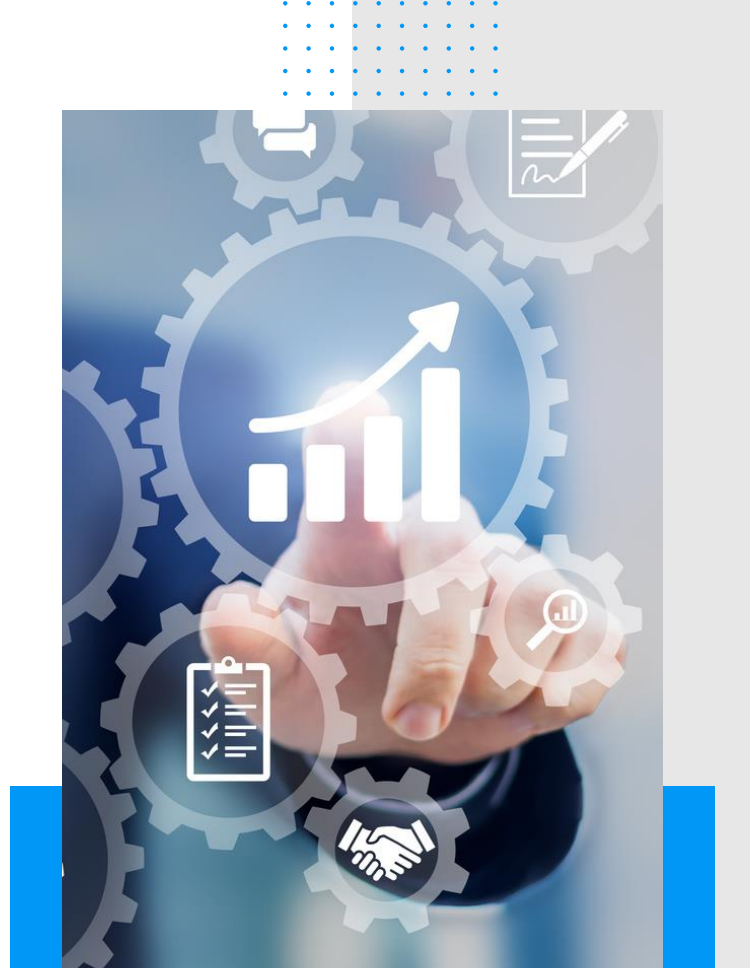
Measuring Audit Quality

We employ several measures to track audit quality, including internal inspections, pre-issuance reviews, and external inspections. External inspections comprise both, voluntary and periodic regulatory inspections. Our selection of audits for inspection is based on varied factors, such as entity-related risks and priority sectors.

KNAV International Limited prepared a framework for a dual system of engagement review monitoring. The firm, under the guidance of KNAV International Limited, implemented the national/location level review process for engagement reviews, whereas the quality management team of KNAV International Limited implemented a network level review process for engagement reviews.

The factors considered for selection of engagements for inspections are,

- National level review
 - PCAOB/SEC entities



- Broker-dealer entities
- Entities falling under risk category A, i.e., high risk entities.
- Entities falling under risk categories B and C, i.e., medium, and low risk entities.
- Audits where the NAO has been consulted.
- Work performed by principals or staff that was previously graded C or D.
- Network level review
 - Modified audit opinion
 - Existence of material uncertainty of going concern
 - Disagreement amongst audit team on overall conclusions
 - Audits where the NAO has been consulted.
 - Public Interest Entities
 - New clients
 - High risk entities
 - Work performed by principals or staff that was previously graded C or D

We have updated our audit templates to include a questionnaire on audit quality indicators, in the closing section of the Caseware audit file. In addition to this, the audit quality indicators are monitored at two stages, namely,

- At the time of issuance of the attest report to the client.
- At the time of lockdown/archival of the Caseware audit file.

Some audit quality indicators used during engagement file reviews are,

- File archived within stipulated working days of issuance of audit opinion per local standards.
- No significant departures from International Standards on Auditing
- No items of incorrect disclosure in financial statements
- All staff used at auditor in charge (or equivalent) and above appropriately qualified.
- All staff used at auditor in charge (or equivalent) and above have fully complied with the requisite CPD/CPE
- At least 10% of total hours charged are from managers and partners.



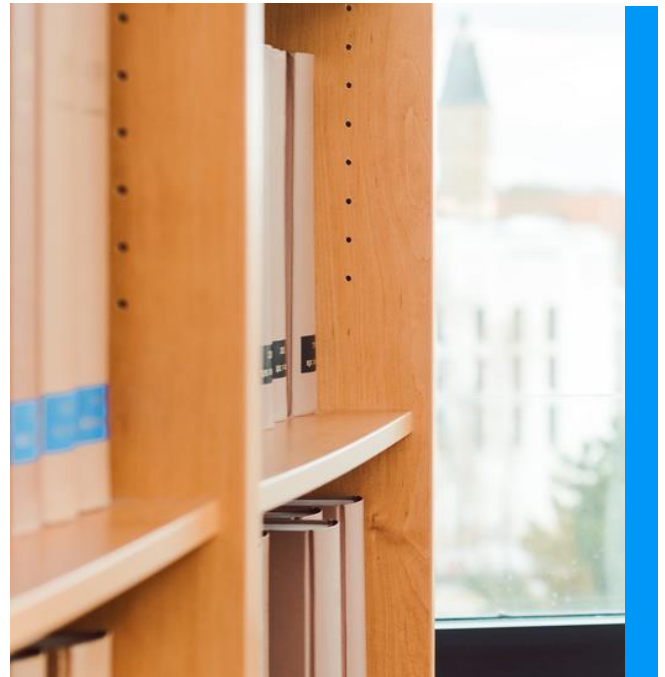
Inspection and Improvement

Our individual audit reviews meticulously assess the appropriateness of key audit judgments leading to the audit opinion, along with the adequacy and sufficiency of obtained audit evidence. These reviews pinpoint areas for enhancement, ensuring compliance with regulatory requirements. Collaborating with each audit team member, we agree upon an action plan following file inspection, evaluating the progress periodically to ensure necessary improvements.

Pre-issuance Reviews

Under the guidance of the quality control and risk management partner (QCRMP), we conduct pre-issuance reviews, known internally as "hot reviews," offering timely feedback to audit teams. These reviews focus on implementing new standards and policies, employing a risk-based audit methodology, and improving previously highlighted matters.

During 2023, we performed 13 pre-issuance reviews.



Internal Audits and Ongoing Improvements

Conducting "cold reviews" on selected engagements post-audit report issuance allows us to evaluate risk-based audit methodologies, quality management procedures' adequacy, compliance with local laws, and overall service quality. Observations from these reviews guide us in identifying specific training needs for audit teams and enhancing overall audit quality.

During 2023, we performed 21 post-issuance reviews/cold reviews.

Continuous Development and Enhancement

Our continuous development approach involves promptly identifying enhancement opportunities through consultations, pre-issuance reviews, and internal and external inspections. We respond swiftly to these opportunities, initiating necessary improvements and promptly incorporating lessons learned.

In response to our engagement teams' growing requirement for an avenue of swift consultation, on July 03, 2023, we had set up a National Accounting Office. The NAO was set up to provide consultation support to the US assurance teams on difficult and

contentious accounting and auditing issues. The NAO is the central specialist team regarding all relevant topics of accounting standards and auditing standards and has been instrumental in assisting our engagement teams deliver a high quality of service. A detailed understanding of the NAO is available in NAO team, roles, and responsibilities section above.



Scoring and recognition

All engagement files are evaluated and provided with what we call a GAAS score. Archival of files within the mandatory time limit is given highest importance. In this way we have commenced to recognize our professionals who have been involved in positive quality events for their contribution to audit quality.

387 attest reports

Highest GAAS
score:
9.75

Average GAAS
score:
8.42

Audit Olympiad

To recognize and award those engagement teams that showcased and promoted high quality of audit, 'Audit Olympiad' was launched in the year 2022. For Audit Olympiad 2023, a team of six independent senior audit members from the US and the India member firms were the chief evaluators.

All audit engagements were divided into 7 categories, namely, PCAOB audits, broker-dealer audits, EBP audits, audits of multinational companies, audits of BFSI sector clients, audit of private companies, and audits of PE/VC owned companies. For this Olympiad, files with the best GAAS scores and a full coverage of the engagement team members were selected. The judges had a total of 33 files for evaluation. The best engagement file under each category was recognized and awarded.



External Inspections

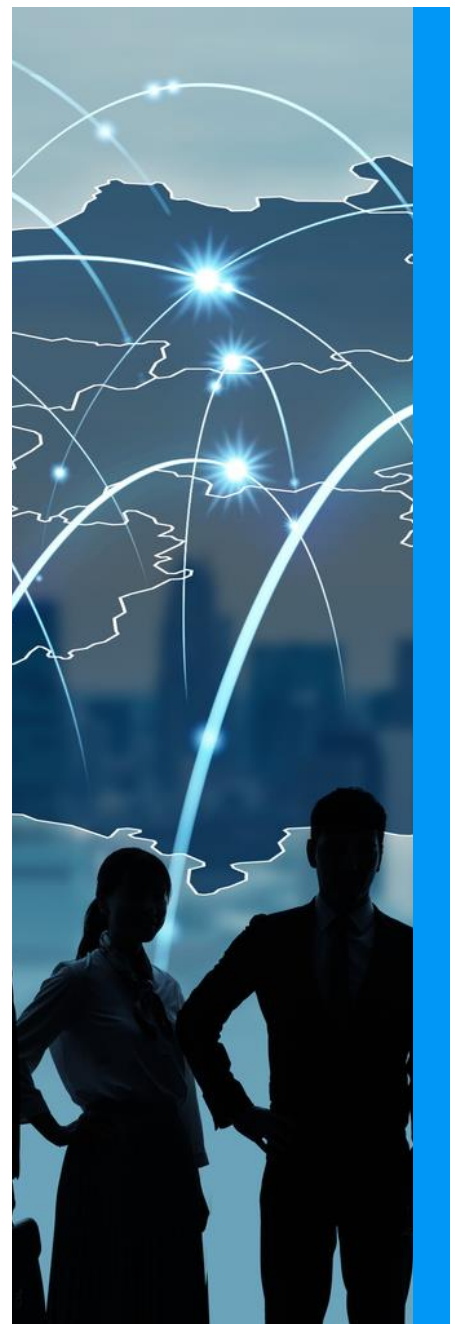
To ensure compliance with regulatory standards, we undergo external inspections by organizations like the PCAOB and AICPA periodically. These inspections help assess our adherence to professional standards and regulatory requirements.

PCAOB inspection

The formation of the PCAOB was one of the provisions that resulted from the Sarbanes-Oxley Act of 2002. The PCAOB conducts inspections of registered public accounting firms to assess their compliance with the Sarbanes Oxley Act, the rules of the PCAOB and SEC, and professional standards related to the audits performed for SEC issuers. PCAOB conducts inspections on a tri-annual basis for firms that have less than one hundred such SEC issuers audits.

The PCAOB report on each inspection includes a public portion and a non-public portion. The report gives details about the procedures performed during the inspection. The report contains a public portion of the audit deficiencies found in specific audit engagements. Whereas the non-public portion discusses the audit firm's overall system of quality controls and audit performance. The Sarbanes Oxley Act provides that the non-public portion of the report should have limited distribution. An inspected firm with noted deficiencies in the non-public portion has one year in which to address them to the PCAOB's satisfaction.

In September 2023, the PCAOB performed inspection of KNAV. The inspection consisted of a review of our audit quality control processes, policies, and procedures. The inspection consisted of a review of audit engagements, audit documentation, and making inquiries of personnel forming part of these audit teams. The PCAOB has yet to issue its 2023 report.



AICPA Peer Review

The firm participates in the AICPA National Peer Review program that requires a triennial review of our system of quality control for our non-SEC accounting and auditing practice. The motivation behind the AICPA National Peer Review program is to fill in as an extension between the PCAOB's inspection program and the firm's state licensing and other federal regulatory practice monitoring requirements. The recent peer review of KNAV P.A.'s non-SEC accounting and auditing practice for the year ended March 31, 2021, was completed by Frazier & Deeter LLC. In peer reviews, firms can receive a rating of pass, pass with deficiency(ies), or fail. Frazier & Deeter LLC issued a pass opinion dated September 29, 2021. The National Peer Review Committee accepted the report on December 17, 2021. KNAV P.A. has received a pass rating on all its previous AICPA peer reviews conducted.

KNAV International Limited Network Quality Monitoring

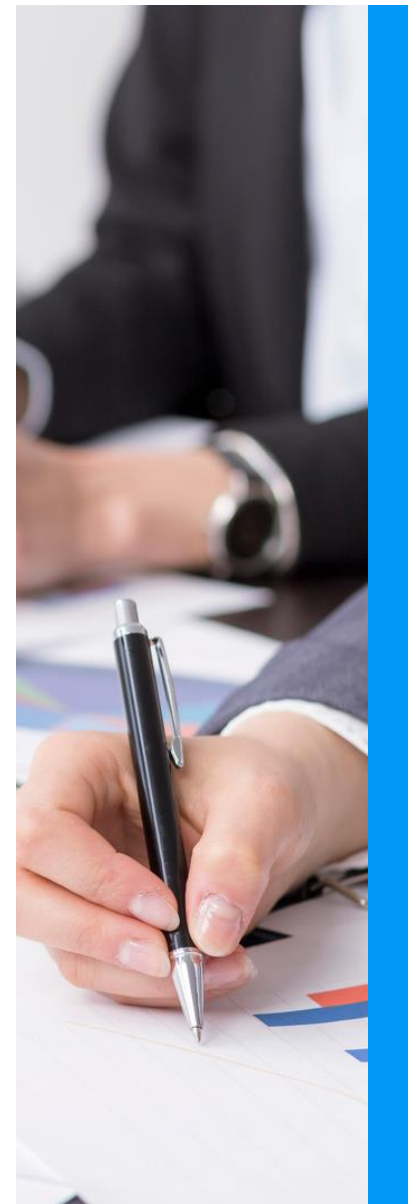
We perform our engagement file reviews at two levels. The first round of engagement file reviews or the national level review is conducted by the National Quality Management ("NLQMT") team, whereas the second round of engagement file reviews is performed by the Quality Management (QM) team of KNAV International Limited ("Network level review"). Both reviews are conducted in accordance with the Quality Management Review program ("QMR") to ascertain the audit quality for all attest functions of the Network member firms.

The network level reviews are conducted under the leadership and guidance of the International Risk and Quality Management Partner ("QCRMP") of KNAV International Limited.

The QMR is a defined set of policies and procedures prepared by KNAV International to assess the audit quality of network firms and conduct ongoing monitoring. In accordance with the QMR, the Network level review is performed annually. The engagement files selected for Network level monitoring are a mix of engagement files reviewed by the NLQMT and those not previously reviewed by the NLQMT.

The engagement files are graded based on the following:

- Grade "A" – No concerns about audit quality although the reviewer may identify some minor improvement points.
- Grade "B" – Limited concerns in relatively isolated audit areas.



- Grade “C” – Improvement required: gaps or weaknesses in audit evidence or more widespread weaknesses in documentation in multiple audit areas.
- Grade “D” – Significant improvement required: significant concerns over the adequacy or appropriateness of audit evidence or judgements in one key audit area or multiple issues across several different audit areas.

During 2023, KNAV International Limited performed Network level reviews on a total of 12 engagement files, out of which 8 were post-issuance reviews and 4 were pre-issuance reviews. Per the provisions of QMR, only post-issuance reviews are graded. Out of the 8 engagement files on which post-issuance reviews were performed, 5 were graded as ‘A’ while the remaining 3 were graded ‘B’. We received an overall grade of ‘A’ on our engagement file reviews.

In addition to the engagement file reviews, KNAV International Limited also performed a systems review or practice management review. The systems review/ practice management review was undertaken basis the requirements of the International Standards on Quality Management issued by the International Auditing and Assurance Standards Board.

KNAV International Limited did not have any significant observations regarding the system review/ practice management review. The firm was graded based on the following:

- Grade A (Green Light) – Satisfactory; no concerns about the system of quality management.
- Grade B (Amber Light) – Improvements required.
- Grade C (Red Light) – Significant improvements required.

We have received ‘Grade A (Green Light)’ for our practice management.



Addressing Complaints and Allegations

We take all complaints or allegations seriously, encouraging an open-door policy for personnel to voice concerns without fear of reprisals. Our leadership, trained in firm procedures, thoroughly investigates and addresses complaints related to quality control, professional standards, and regulatory compliance.

4

Technology, tools and information security

Leveraging Technology for Enhanced Audit Excellence

At our firm, we embrace a dynamic and modern approach to auditing that combines a risk-based methodology with cutting-edge technology. While a select group champions the adoption of new-age technological advancements, we strive to impart comprehensive training across our audit teams, fostering effective, efficient, and consistent utilization of these tools.

The Role of Technology in Audit Evolution

Technology stands at the forefront of the ongoing revolution in the audit sphere. Its significance has been significantly amplified, particularly in response to the global pandemic. We recognize technology as a pivotal component that has not only transformed our audit methodologies but has also played a pivotal role in enhancing our services for our clients.

Empowering Audit Quality and Client Satisfaction

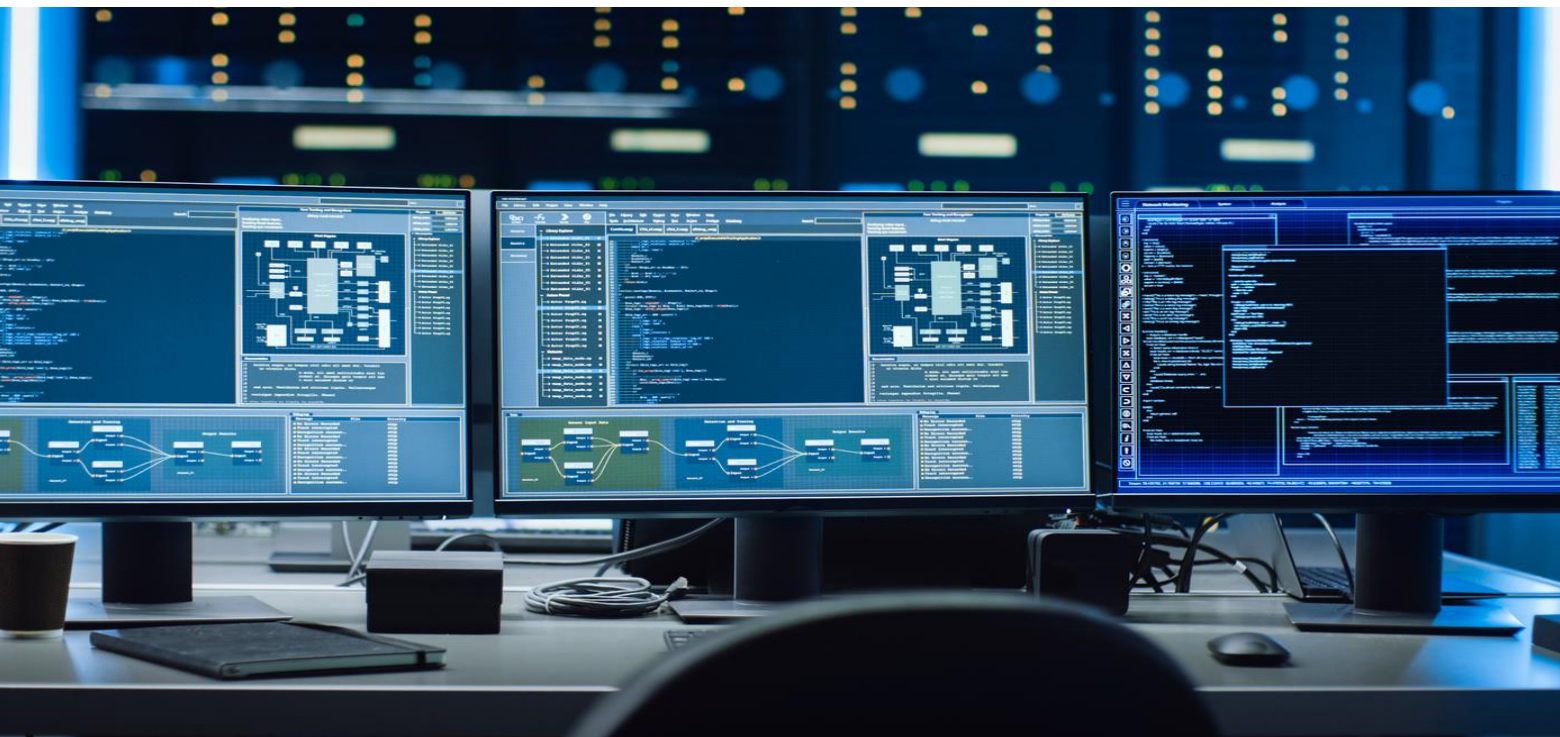
Our firm acknowledges that a judicious blend of proficient audit team leadership and state-of-the-art technology is instrumental in effecting substantial differences for our clients. The integration of technology has notably elevated our audit quality standards by offering heightened transparency, bolstered security measures, real-time delivery of services, and invaluable insights. This convergence has also translated into heightened work efficiency, culminating in customer satisfaction and delight.


Enhanced Transparency and Real-Time Insights

The adoption of advanced technology has ushered in a new era of transparency in our audit procedures. Through real-time data analysis and cutting-edge tools, we provide clients with comprehensive, accurate, and timely insights into their financial structures and operations. This not only fortifies the audit process but also enables clients to make informed decisions crucial for their business growth and sustainability.

Security Measures and Efficiency Boost

Ensuring the security of sensitive data remains paramount. Our firm adheres to stringent information security protocols, employing robust encryption, secure data storage, regular system updates, and stringent access controls. These measures not only fortify data integrity but also contribute to heightened efficiency in handling and managing critical information.





Tools we use

- Caseware™: Cloud-based audit documentation. This tool facilitates paperless and cloud-based audits.
- Caseware IDEA™: Analyzes and evaluates data. This is a solution for collecting, analyzing, and tracking data from diverse data populations.
- CCH TeamMate™ Analytics: Analyzes and evaluates data. This is a Computer Aided Audit Tool (or CAAT) that allows us to perform powerful data analysis to deliver significant value for the engagement.
- Suralink™: Collection of data prepared by the client. This tool helps to manage prepared by the client (PBC) request lists, securely transfer documents and improve client experience while managing the requested information.
- Citrix ShareFile: Cloud-based platform that provides a secure and collaborative environment for exchanging documents, information, and requests.
- OnPoint™ EBP: Cloud-based audit documentation of EBP engagements. This tool facilitates paperless and cloud-based audits.
- OnPoint™ PCR: Cloud-based platform within the US CaseWare Cloud that provides a platform for documenting review and compilation engagements.
- PPC Practice Aids and Tools for SOC Audits: Tools, practice aids, and industry-specific guidance. This tool provides industry-specific practical considerations and guidance.
- RightSignature™ : This tool aids in sharing documents for digital signature.
- DataSnipper™ : Intelligent audit platform within MS Excel that accelerates the speed and quality of audit. It assists in automating and documenting tests of details, tests of controls, walkthroughs, and financial statement procedures.
- Auto-mailers: Our Digital Acceleration and Efficiency team developed excel based auto-mailers for automating receivables, payables, bank, and employee confirmations, and UAC requests.
- Global Conflict Check utility: A web-based tool to enhance the independence check process at the time of onboarding a client. This tool enables us to perform a search on whether the client or its group entities are being serviced by other KNAV International Limited member firms and enlist those services along with other relevant details to complete the new client acceptance procedures.



Information security

Our information security policy defines the technical controls and security configurations that users and Information Technology (IT) administrators are required to implement to ensure the integrity and availability of the data environment at KNAV. It provides policies and guidelines concerning the acceptable use of KNAV's technology equipment, e-mail, internet connections, voicemail, facsimile, future technology resources, and information processing.

Through these policy measures, we now have common security requirements for all KNAV personnel and systems that create, maintain, store, access, process, and transmit information. All equipment connected to any KNAV domain or VLAN, either hardwired or wirelessly, and all standalone equipment that is deployed by KNAV at its office locations or remote locales are covered by the policy.

5

Training and continuous professional development

Fostering a Learning-Centric Environment

At KNAV cultivating a culture of continuous learning is ingrained in our identity. We recognize that consistent progress hinges on continual education. Our commitment revolves around nurturing and enhancing the professional, leadership, industry-specific, technological, and technical competencies of our team members. This endeavor aligns with our mission to deliver top-tier audits while attracting and retaining exceptional talent.

Professional Development Framework

Central to our approach is our professional development program, strategically designed to meet these objectives. Situated within our center of excellence in Mumbai, young talents are given opportunities to collaborate with seasoned professionals, gaining invaluable insights into professional judgment and skepticism. On-the-job training is supplemented with meticulous supervision, reviews, mentorship via personal interactions, senior-led teachings, and technical webinars. This facet of our learning strategy has been a cornerstone fostering continuous development in our hybrid work model.



Structured Learning and Evaluation

New team members undergo comprehensive training in our firm's audit processes, ensuring uniform understanding and implementation. Performance evaluations provide feedback that becomes the base for further training, compensation, and advancement decisions. Each partner and professional staff member is mandated to complete a minimum of 40 hours of focused learning and development training, tailored to their specialization. This is in addition to the mandatory Continuing Professional Education (CPE) hours, catering to specific qualifications like CPAs, CAs, and ACCA personnel.

We have subscribed to Prolaera Learning Management System (Prolaera) which is made available by Allinial Global. Prolaera has been created specifically for accounting firms. It permits us to select and purchase educational content and tools per the learning needs of our firm. Its insightful innovative design supports mobile learning and features visual dashboards that make it easy to access courses and track CPE.

Becker Professional Education (Becker CPE) offers educational resources for professionals in the areas of accounting, finance, project management, and healthcare. Our continuing inclusion of Becker CPE in our existing L & D module has provided us with an influx of self-study courses covering technical, technological, and non-technical content. Some of the topics covered by the courses include regular accounting and auditing updates, tax and regulatory matters, ethical requirements, etc.

During 2023, we have changed our subscription from Becker CPE to Surgent Accounting and Financial Education (Surgent CPE), which provides us with a wider range of training opportunities in areas such as accounting and auditing, business and industry, ethics, financial planning, personal development, taxes, practice management, etc.

The introduction of Lorman Education Services (Lorman) as an additional training provider has enriched the courses provided to our team members. Lorman's training courses cover a variety of financial and non-financial topics including but not limited to accounting, tax, financial services, business skills, personal development, legal, healthcare industry, construction industry, etc.

In addition to the subscribed learning portals and CPE providers, we encourage our team members to participate and attend external trainings per their personal and business requirements.



Comprehensive Curriculum

Our training spans not only technical aspects but also extends to non-technical subjects like project management and communication skills. Completion of these courses is integral to individual performance evaluations. Failure to meet the prescribed training hours can influence performance appraisals and compensation decisions. The Learning & Development team meticulously monitors the annual plan's progress, providing feedback for improvements. Monthly assessments align with reviews, ensuring course corrections are integrated into the training strategy.

We require our team members to undergo 10 hours of non-technical trainings which could span from informative topics such as information technology and security to personal development topics such as communication skills, leadership skills, etc.

An example of non-technical trainings provided to our team members include a mandatory annual e-learning course on cybersecurity and data security awareness.

Other than in-house non-technical trainings, our Learning and Development Team prepares a learning calendar which contains at least 10 hours of non-technical trainings provided by either the subscribed learning providers or external learning providers.

KNAV Academy, our in-house leadership and soft skills training program, has assisted our senior management such as partners, directors, senior managers, and managers, in undertaking various leadership trainings to enhance their skillset. Leadership programs such as KNAV Transform 2023 were made available to all our managers, which enabled them to enhance their communication skills, leadership skills, and people skills. External leadership programs provided by Stanford Online and Wharton Online were offered to partners and directors for enriching their leadership and management skills.

Completion of required CPE hours is an essential part of our Learning and Development efforts. The Learning and Development team tracks and ensures that all our team members complete their required CPE hours within the stipulated time. Inclusion of training and development in the performance evaluation also encourages our team members in timely completion of their CPE requirements.

Licensed partners, directors, and senior managers are required to fulfil the CPE requirements put forth by their respective professional accounting body. We monitor these CPE requirements through continuous follow-up and observing the completed status of CPE on their membership page.



STANDARDS

COMPLIANCE

REGULATIONS

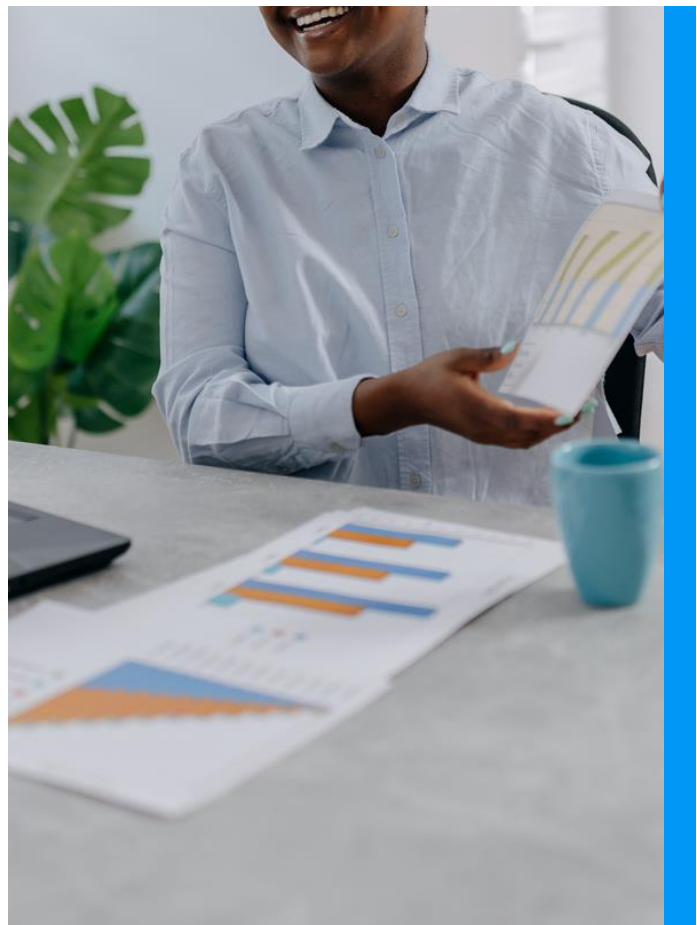
POLICIES

Strategic Reporting and Improvement

Quarterly and annual reports collate findings, charts, remarks, and action points for individual performance appraisals. These reports serve as a compass for enhancing performance, directly influencing audit engagements.

Commitment to Ongoing Training

While technical training predominantly occurs within KNAV member firms, KNAV CPA LLP invests significantly in global audit methodology, supporting technology, and IFRS training for audit staff. Interns and employees working on US assignments at our Mumbai center receive tailored in-house training sessions. We consistently sponsor attendance at training programs organized by professional bodies like the AICPA. The firm annually purchases CPE Express licenses from the AICPA, providing access to a range of courses spanning technical areas, soft skills, and recent regulatory updates.



6

Our knowledge library

US audit and assurance practice

KNAV values a collaborative approach to delivering audit services, emphasizing the timely engagement of partners and managers at various stages of the audit process. This approach enables flexibility in devising solutions tailored to individual client needs, drawing upon professional judgment and insights from the audit team.

We continuously refine our audit methodology and associated guidance in response to evolving standards, emerging auditing complexities, and practical experiences gained from implementations.

New or Amended Audit Standards

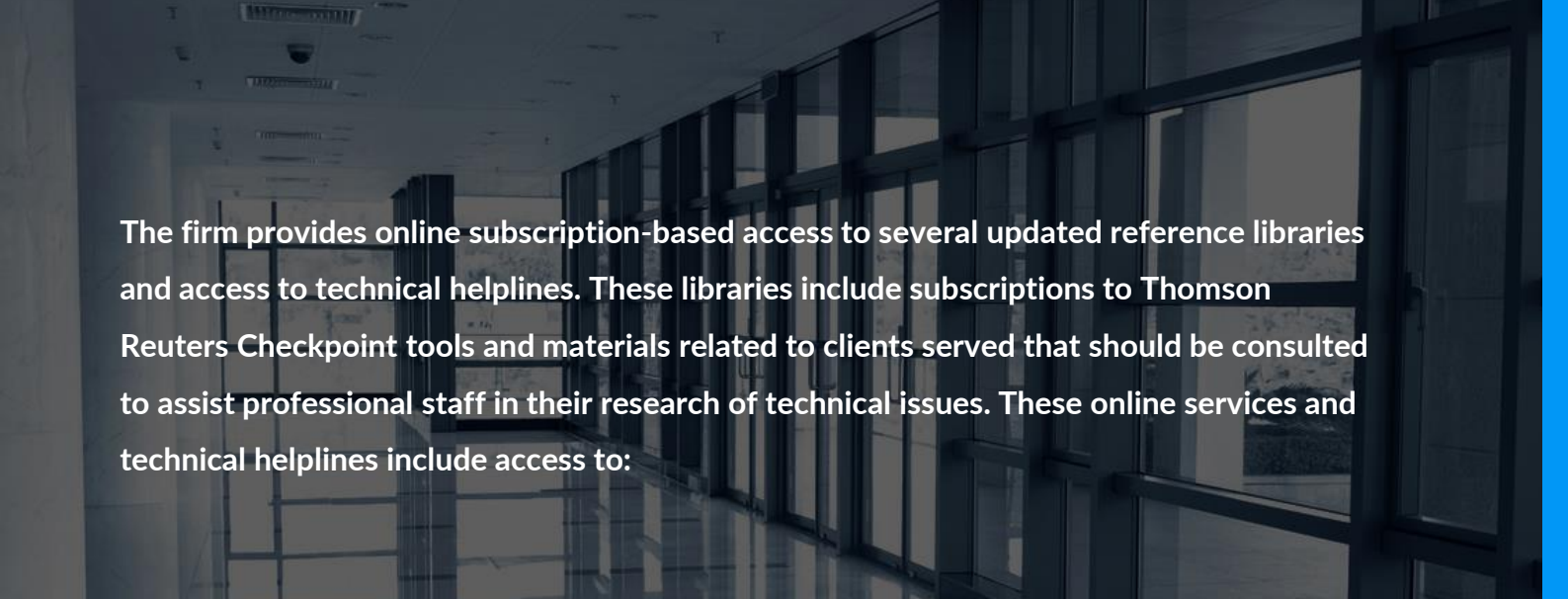


Changes to policies and procedures are made whenever auditing standards are changed by the recognized standard setting body.

New Accounting Pronouncements



Changes in guidance occur when new accounting pronouncements are issued.



The firm provides online subscription-based access to several updated reference libraries and access to technical helplines. These libraries include subscriptions to Thomson Reuters Checkpoint tools and materials related to clients served that should be consulted to assist professional staff in their research of technical issues. These online services and technical helplines include access to:

- AICPA Professional Standards including the AICPA Code of Conduct (including independence rules and regulations) and Technical Practice Aids.
- FASB pronouncements and interpretations, including original pronouncements, amended pronouncements, the Current Text, and the FASB Codification.
- AICPA industry audit guides and annual audit risk alerts.
- SEC rules and regulations.
- PCAOB audit guide.
- Audits of Employee Benefit Plans.
- Allinial Global Knowledge Connect
- EY Accounting and EY Tax part of the Allinial Global website (Technical Research Tool)
- PPC - Smart Practice Aids IFRS disclosure, risk assessment internal control suite, compilation, and review – checkpoint software
- PPC's Practice Aids - Audits under PCAOB Auditing standards, audits of non-public companies, compilation, and review engagements, reporting on controls of service organizations, audits of the employee benefits plan, Limited - Scope audits of standard 401, Quality control - checkpoint software.
- WGL - SEC Compliance Expert Library
- WGL - GAAP Reporter with FASB Codification
- CICA Knotia (Canadian GAAP, IFRS)
- PPC management letter comments - operations and internal control and expense reduction recommendations.

- Becker Professional Education – guides and updates on professional ethics, accounting standards, and auditing standards as prescribed by AICPA, SEC, and PCAOB
- Surgent Accounting and Financial Education (Surgent CPE) – trainings on accounting and auditing, business and industry, ethics, financial planning, personal development, taxes, practice management, etc.
- Lorman Education Services (Lorman) – trainings on accounting, tax, financial services, business skills, personal development, legal, healthcare industry, construction industry, and other sectors.
- Greentick Technical Resources - Accounting & Ind-AS Platform, encompassing Editorial Insights, Audit Checklists, Accounting Matters Compilation, and other details.





KNAV has charted a course to be one of the world's leading accounting and consulting firms over the last two decades. We provide an expansive suite of public accounting services which includes accounting, assurance, taxation, international transfer pricing, global risk consulting, and business advisory services. With over 500+ professionals in 6 countries, our team combines local insights with global expertise to design powerful strategies and help our clients stay ahead of the curve. Our commitment to customer service, integrity, and innovation makes us the best choice for businesses of all sizes.

US | India | Singapore | UK | Netherlands | Canada

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USA

Atlanta

One Lakeside Commons, Suite 850, 990 Hammond Drive NE, Atlanta, GA 30328

New York

1177 6th Ave 5th Floor, New York, NY 10036, USA

Houston

6430 Richmond Ave., Suite 120, Houston, TX 77057-5908

India

Mumbai

7th floor, Godrej BKC, Bandra Kurla Complex, Mumbai 400051

Bangalore

306, 3rd Floor, Embassy Square, 148, Infantry Road, Bangalore 560001

Canada

55 York Street, Suite 401, Toronto, ON M5J 1R7, Canada

Singapore

70 Shenton Way, #13-03 Eon Shenton, Singapore 079118

UK

Ground floor, Hygeia Building, 66-68 College Road, Harrow, Middlesex HA1 1BE

Netherlands

Fokkerstraat 12, 3833 LD Leusden, The Netherlands

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