

BAGGING 62% OF NIFTY-500 COS' ASSIGNMENTS FOR FY23

Big 5 Dominate Audit Arena



Top five auditors EY, Deloitte, KPMG, PwC and Walker Chandio & Co oversaw 310 of 498 assignments for Nifty-500 companies as of March 31, as per a report by primeinfobase.com. Firms audited by the Big Four accounted for 57% of total market capitalisation of all NSE-listed companies during FY23. **Vinod Mahanta** reports. ➤ 8

Top 5 Audit Cos Corner Lion's Share of Mandates

STRONG REPUTATION EY, Deloitte, KPMG, PwC, Walker Chandio & Co oversee 310 out of 498 cos in Nifty-500 group as of March 2023: Study

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Mumbai: The top five professional services firms — EY, Deloitte, KPMG, PwC and Walker Chandio & Co — dominate the audit landscape, overseeing a significant 310 out of 498 assignments for Nifty-500 companies as of March 31, 2023, as per a report by primeinfobase.com.

When dissected by market capitalisation, the companies audited by the Big Four accounted for 57% of the total market capitalisation of all NSE-listed companies during 2022-23, said the study.

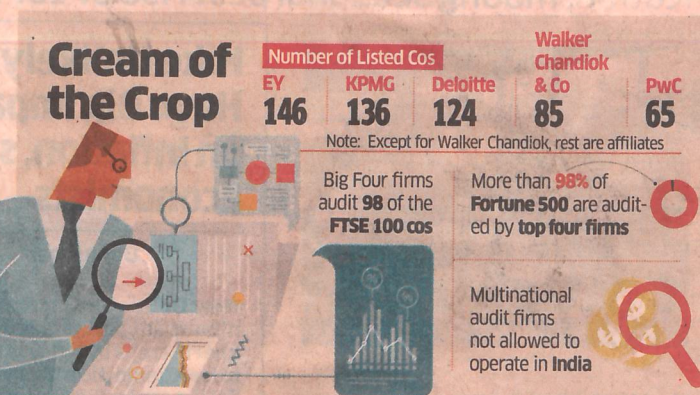
“Major listed companies opt for the top five auditors due to their strong reputation. The top auditors too prefer to work with the larger listed companies, especially in light of a few governance issues that came up in companies in the

recent past as well as the regulatory actions taken against auditors,” said Pranav Haldea, managing director, Prime Database Group.

When ranked by the number of listed companies audited, EY affiliates led with 146 companies, followed by KPMG affiliates (136), Deloitte affiliates (124), Walker Chandio & Co (85), and PwC affiliates (65), while in terms of market capitalisation, Deloitte took the lead with a 19% share, closely trailed by KPMG at 17% and EY at 15%, the study reported.

“Over a period of time, auditing has become more complex.

As a result, many large companies require multifunctional resources, sector expertise, use of technology and the ability to serve across the globe,” said Sudhir Soni, head of audit, BSR & Co LLP. While the num-



bers may look heavily in favour of the top audit firms, they are nowhere close to mature markets. For example, the Big Four firms audit 98 of the FTSE 100 companies. More than 98% of the Fortune 500 are audited

by the top four firms. As per the current regulation, multinational audit firms (MAFs) are not allowed to operate in India, and they operate through Indian affiliates.

According to experts, it was evi-

dent during the companies law-mandated audit rotation in 2017 that companies audited by a Big Four firm generally showed a preference for engaging with another Big Four firm or either of the two firms, Walker Chandio & Co or MSKA and Associates.

According to available data for 2022-2023, the Indian Big 5 audit firms played a key role in overseeing the audit process for 551 out of 1,869 companies listed on the NSE main board as of March 31, 2023.

This accounts for approximately 29.48% of the total assignments, experiencing a slight decline from the previous year's figure of 30.45% (auditor details were not obtainable for 13 companies).

The study utilised data that had been updated to include filings and disclosures made up until June 2, 2023, and the auditor details were

not available for two companies in the Nifty-500 list. The research showed that the top 10 audit firms accounted for the audit of as many as 707 companies, or 38% of the total.

A bit of a damper for the top audit firms has been the 2021 RBI guidelines on the appointment of statutory auditors in commercial banks, NBFCs, and housing finance companies, which forced firms to leave some clients and also cap growth.

In 2022-23, the count of companies employing joint auditors decreased to 144, which represents approximately 8% of the total 1,869 companies. Among these, 105 companies belonged to the private sector, while 39 were PSUs or PSBs.

Putting a spotlight on the scale problem in the Indian audit ecosystem, the study recorded that there were only 19 audit firms that audited 10 or more listed companies.