

# NFRA Flags BSR's Lapses in IFIN Case

Audit regulator says company didn't follow norms, seeks KPMG arm's views

## Under The Scanner

**NFRA is** probing whether auditors failed to raise red flags in IL&FS, ITNL & IFIN reviews

**The draft** report has been sent to KPMG affiliate BSR

**After hearing** BSR's views, report could be made public in the coming weeks

**NFRA can** ban any audit firm for up to 10 years for lapses

**Many auditors** feel they are targeted as bankers and government officials walk free in most fraud cases



Sachin.Dave@timesgroup.com

**Mumbai:** The National Financial Reporting Authority (NFRA) has observed that BSR & Associates did not adhere to standards while scrutinising the accounts of IL&FS Financial Services Ltd (IFIN) in a draft audit quality review, said people with knowledge of the matter. The agency has sought the KPMG India affiliate's comments, they said. BSR and NFRA did not respond to ET's queries.

The NFRA, established by the ministry of corporate Affairs (MCA) to monitor and enforce accounting and auditing standards, hasn't made the report public but

could do so in the weeks to come, said the people cited above.

The agency had launched an investigation into the audits of IFIN, parent Infrastructure Leasing and Financial Services (IL&FS) and IL&FS Transportation Networks Ltd (ITNL). The inquiry is focused on the allegations of fraud at IL&FS after the company failed to meet debt obligations in September 2018, triggering a crisis of confidence in India's non-bank lending industry.

BSR has been sent the draft report and the firm is co-operating with the regulator, said the people cited above. "The next step would be a hearing of sorts where the firm would be allowed to appear and make a representation," said one of

the persons. "After that NFRA would come out with the final report."

NFRA investigations are crucial as the regulator body has power to ban an audit firm for up to 10 years. Earlier the agency had cited "significant failures" in its report on IFIN's audit by Deloitte Haskins & Sells, which has been made public.

"NFRA has concluded that the quality control system and processes of Deloitte Haskins and Sells are severely inadequate and ineffective," the agency said in the December 12 report, in which it also raised questions over conflict of interest. EY India affiliate SRBC & Co., which audited ITNL, is also being questioned by the regulator, said the people cited above.