

# NFRA claims Deloitte was ineligible to audit IL&FS Fin Services

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**A**udit regulator National Financial Reporting Authority (NFRA) has said that Deloitte Haskins and Sells Llp's appointment as statutory auditor of IL&FS Financial Services Ltd (IFIN) for FY18 was illegal for breaching the ban on hiring firms with direct or indirect business relationships for audit.

A spokesperson for Deloitte India said they have contested the findings, adding that the firm has been cooperating with NFRA and that it will look into the order. The regulator said in a supplementary audit quality

review report on 7 December that Deloitte was not eligible to be appointed as auditor due to a violation of Companies Act provisions barring certain persons as auditors. The provisions disallow those with "subsisting business relationships" or who offer certain non-audit services directly or indirectly to the company or its associates.

The supplementary audit quality review deals with issues which were not addressed in a report the regulator had brought out last December.

The regulator alleged that the auditor failed to comply with the requirements of audit standards. "The instances of failure noticed are of such significance that it appears to



Earlier this year, the regulator had alleged lapses in the audit of IFIN by BSR and Associates, which jointly audited the firm. REUTERS

NFRA that DHS (the auditor) did not have adequate justification for issuing the audit report asserting that the audit was conducted in accordance with standards on audit," NFRA said in

the report made public on its website.

"DHS Llp will review NFRA's supplementary audit quality review report in relation to IFIN which was a joint audit for

FY2017-18. We have been cooperating with the NFRA in respect of the review and remain confident that our audits including appointment have been performed in accordance with applicable laws, regulations and professional standards," the Deloitte India spokesperson said. Earlier this year, the regulator had alleged lapses in the audit of IFIN by BSR and Associates Llp, a KPMG affiliate firm, which jointly audited the firm with Deloitte, *Mint* had reported on 17 August.

The regulator's views about

an audit firm offering non-audit services to a company audited by it highlights the long-standing expectation gap between the authorities and the audit industry about its business

**Deloitte India said they have contested the findings and will look into the regulator's order**

model. Lucrative non-audit practice is believed to subsidize the audit practice of firms which the authorities fear impacts auditors' independence.

In February, Deloitte and Price

Waterhouse Network of Firms in India had voluntarily announced that they would not offer non-audit services to firms audited in India.