

NFRA issues Audit Quality Review Report of the Statutory Audit for FY 2017-18 of IL&FS Financial Services Limited

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The National Financial Reporting Authority (NFRA) has issued the Audit Quality Review Report (AQRR) of the Statutory Audit for the year 2017-18 of IL&FS Financial Services Limited (IFIN). The statutory auditor for this engagement was BSR & Associates LLP (BSR).

The AQR was conducted pursuant to Section 132(2)(b) of the Companies Act, 2013, and NFRA Rules, 2018, which require the NFRA to, inter-alia, monitor and enforce the compliance with accounting standards and auditing standards.

NFRA has concluded in this AQRR that the appointment of BSR as the statutory auditors of IFIN was ab initio illegal and void. The instances of failure to comply with the requirements of the Standards of Auditing (SAs) by BSR are significant and **BSR** did not have adequate justification for issuing the Audit Report asserting that the audit was conducted in accordance with **SAs**. The failure to comply deals with Material Misstatements of major magnitude and fundamental importance, Going Concern assumption by the management, the complete absence of the required communication with Those Charged With Governance, determination of Materiality amounts on the basis of non-relevant factors, etc. Further, NFRA found that the IT processes/platform used by BSR have deficiencies that are systemic and structural in nature.

Separately, NFRA will examine whether disciplinary proceedings under Section 132(4) of the Companies Act, 2013 needs to be initiated in connection with the AQRR.

The AQRR is available at <https://nfra.gov.in/>

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