

**GOVERNMENT OF INDIA
MINISTRY OF CORPORATE AFFAIRS**

**LOK SABHA
UNSTARRED QUESTION NO. 189
ANSWERED ON MONDAY, THE 14TH SEPTEMBER, 2020
{BHADRAPADA 23, 1942 (SAKA)}**

SETTING UP OF NFRA

QUESTION

**189. SHRI VINOD KUMAR SONKAR:
SHRI BHOLA SINGH:
SHRI RAJA AMARESHWARA NAIK:
SHRIMATI RAKSHA NIKHIL KHADSE:
DR. SUKANTA MAJUMDAR:**

**Will the Minister of CORPORATE AFFAIRS
be pleased to state:**

कारपोरेट कार्य मंत्री

- (a) whether the Government has set up National Financial Reporting Authority (NFRA) for regulating Chartered Accountants (CAs) and audit firms and if so, the details thereof including its powers/functions;**
- (b) whether the NFRA has indicted Deloitte for violating guidelines in audit of IL&FS Financial Services Ltd and if so, the details thereof;**
- (c) the details of cases/audit review investigated/undertaken by the NFRA and the action taken thereon; and**
- (d) the other steps taken/being taken for monitoring and enforcing compliance with auditing standards by NFRA?**

ANSWER

THE MINISTER OF STATE FOR FINANCE AND CORPORATE AFFAIRS (SHRI ANURAG SINGH THAKUR)

वित्त एवं कारपोरेट कार्य मंत्रालय में राज्य मंत्री (श्री अनुराग सिंह ठाकुर)

(a) : National Financial Reporting Authority (NFRA) has been constituted under Section 132 of Companies Act, 2013 on 01.10.2018. The functions of NFRA are as follows:

- (i) make recommendations to the Central Government on the formulation and laying down of accounting and auditing policies and standards for adoption by companies or class of companies or their auditors, as the case may be;**
- (ii) monitor and enforce the compliance with accounting standards and auditing standards;**

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- (iii) oversee the quality of service of the professions associated with ensuring compliance with such standards, and suggest measures required for improvement in quality of service and such other related matters as may be prescribed;
- (iv) perform such other functions relating to clauses (a), (b) and (c) as may be prescribed.

The entities under the domain of NFRA have been prescribed in Rule 3 of NFRA Rules 2018.

The said Act and NFRA Rules can be accessed from the Acts & Rules menu in the website of NFRA <https://nfra.gov.in>

(b) & (c) : NFRA has issued Audit Quality Review Report (AQRR) in respect of audit done by Deloitte Haskins and Sells LLP (Firm Reg. No 117366W/W-100018) of IL&FS Financial Services Limited (IFIN) for the Financial Year 2017-18.

As per the said AQRR the said Audit firm has failed to comply with the requirements of the Standards of Audit. The AQRR report has been uploaded under notifications menu on NFRA website <https://nfra.gov.in>

Disciplinary action has been taken against the following Chartered Accountants (CAs) in respect of the said Audit.

- (i) CA Udayan Sen (Membership No 103884)
- (ii) CA Shrenik Baid (Membership No 31220)
- (iii) CA Rukshad Daruvala (Membership No 111188).

Copy of orders issued have been uploaded under notifications menu on NFRA website. The said orders have presently been stayed by Hon`ble High Court of Delhi.

NFRA has also issued Audit Quality Review (AQR) Report in respect of audit done by BSR & Associates LLP (Firm Reg No 116231W/W-100024) of IL&FS Financial Services Ltd (IFIN) for the Financial Year 2017-18. As per the said AQRR the appointment of the said Audit firm as the statutory auditor of IL&FS Financial Services Ltd. (IFIN) for the year 2017-18 was illegal, since the said Audit firm was not eligible to be appointed as such auditor. The said Audit firm has also failed to comply with the requirements of the Standards of Audit. The said AQRR report has been uploaded under notifications menu on NFRA website <https://nfra.gov.in>

(d) : Further steps for Monitoring and Compliance of Auditing standards is through Audit Quality Review of Audit Engagements.