

INSPECTION REPORT 2022

Audit Firm: M/s B S R & Co. LLP
Firm Registration No. 101248W/W100022
Inspection Report No. 132.2-2022-03
December 22, 2023

राष्ट्रीय वित्तीय रिपोर्टिंग प्राधिकरण

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PART A

Executive Summary

Section 132 of the Companies Act 2013 mandates the National Financial Reporting Authority (NFRA), inter alia, to monitor compliance with Auditing Standards, to oversee the quality of service of the professions associated with ensuring compliance with such standards, and to suggest measures required for improvement in quality of their services. Under this mandate, NFRA initiated audit quality inspections of the Chartered Accountant firm M/s BSR & Co LLP in December 2022. The scope of the inspection included a review of firm-wide quality controls to evaluate Audit Firm's adherence to SQC-1 and review of selected Audit Documentation of the annual statutory audit of financial statements for the year ending 31.03.2021. Three significant audit areas were identified in respect of each audit engagement viz., Revenue, Trade Receivables and Investments, due to their inherent higher risk of material misstatement. The on-site inspection was carried out between December 2022 and January 2023.

During the inspection, the Inspection Team held discussions with the Audit Firm personnel, reviewed policies and procedures and examined documents to arrive at the prima facie observations. These observations were conveyed to the Audit Firm. After examining the replies, NFRA conveyed a draft inspection report to the Audit Firm. The replies and documents submitted by the Audit Firm have been examined and this report is issued. The key observations in this report are summarised as follows:

- a. Absence of formal documentation, and inadequate explanations regarding the Firm's governance and management structure indicate non-compliance with SQC 1's Leadership Responsibilities for Quality. (Para 12 to 14)
- b. The Firm did not provide, during this inspection, details of KPMG Network entities, and non-audit services provided by those entities to audit clients of the Firm. Consequently, the Inspection team was unable to evaluate whether the Firm is in full compliance with the independence related requirements of the Code of Ethics and SQC 1. The Inspection team observed the need for improvement in the Firm's internal review of compliance with independence requirements by its personnel. (Para 15 to 28)
- c. The Firm's control over the creation, changes, and review of audit work papers is inadequate since eAudit application of KPMG allows for Audit Work Paper (AWP) modification after signing off by the Engagement Partner (EP). It also does not mandate the modifier to sign-off after modification. This flaw in documentation integrity allows for the inclusion of blank AWP's. This is non-compliance with para 8 & 9 of SA 230 (audit documentation) and para 79 of SQC 1. (Para 29 to 31)
- d. In case of two company audits, the auditor did not identify and report in CARO 2016 the non-compliance with disclosure requirement of Section 186(4) of the Companies Act 2013 regarding the full details of loans, investments, guarantees, or security provided to a subsidiary company and an associate company. (Para 36)
- e. In one case, the auditee company's audited financial statements and final Independent Auditor's Reports for the financial year 2020-21 were not found in the Audit File. The Draft Financial Statements and Draft Independent Auditor's Reports in the Audit File differ from

those on the Bombay Stock Exchange's website. This amounts to violation of para 30 of SA 330. (Para 37)

- f. In respect of three out of five selected company audits, the Firm's audit procedure relating to impairment of investment was found deficient. (Para 38 to 42)

Inspection Overview

1. Section 132 of the Companies Act 2013 (Act), inter alia, mandates the NFRA, to monitor compliance with Auditing and Accounting Standards, to oversee the quality of service of the professions associated with ensuring compliance with such standards, and to suggest measures required for improvement in the quality of their services. The relevant provisions of NFRA Rules prescribe the procedures in this regard, which include evaluation of the sufficiency of the quality control system of Auditors and the manner of documentation of their work. Under this mandate, NFRA initiated audit quality inspections in December 2022. The overall objective of audit quality inspections is to evaluate compliance of the Audit Firm/Auditor with auditing standards and other regulatory and professional requirements, and the sufficiency and effectiveness of the quality control systems of the Audit Firm/Auditor, including:
 - (a) adequacy of the governance framework and its functioning;
 - (b) effectiveness of the firm's internal control over audit quality; and
 - (c) system of assessment and identification of audit risks and mitigating measures
2. Inspections involve a review of the quality control policy, review of certain focus areas, test check of the quality control processes, and test check of audit engagements performed by the Audit Firm during the year.
3. Inspections are, however, not designed to review all aspects and identify all weaknesses in the governance framework or system of internal control or audit risk assessment framework; nor are they designed to provide absolute assurance about the Audit Firm's quality of audit work. In respect of selected audit assignments, inspections are not designed to identify all the weaknesses in the audit work performed by the auditors in the audit of the financial statements of the selected companies.
4. Inspections are intended to identify areas and opportunities for improvement in the Audit Firm's system of quality control. Inspection reports are also not intended to be either a rating or a marketing tool for Audit Firms.

Audit Quality Inspection Approach

5. Selection of Audit Firms for the 2022 inspections was based upon the extent of public interest involved, as evidenced by the size, composition and nature of the audit firm, the number of audit engagements completed in the year under review; complexity and diversity of preparer's financial statements (henceforth, Companies) audited by the firm and other risk indicators. **M/s BSR & Co. LLP** was one of the audit firms selected as per the above parameters.

6. The selection of individual audit engagements of the Audit Firm (BSR & Co. LLP) was largely risk-based, based on financial and non-financial risk indicators identified by NFRA. Accordingly, the Audit Files in respect of five (5) Audit Engagements relating to the statutory audit of financial statements for the year ending 31.03.2021 were reviewed during the inspection.
7. The scope of the inspection was as follows:
 - a. Review of firm-wide quality controls to evaluate the Audit Firm's adherence to SQC 1, Code of Ethics and the applicable laws and rules. Focus areas for the 2022 inspection related to critical elements of the Firm's quality control system viz., leadership responsibilities within the Firm, auditor independence, acceptance and continuation of audit clients, engagement quality control and the Audit Firm's internal quality inspection program.
 - b. Review of individual Audit Engagement Files- A sample of five (5) individual audit engagement files pertaining to the annual statutory audit of financial statements for the year ending 31.03.2021 was selected. Three significant audit areas were identified in respect of each audit engagement viz., revenue, trade receivables and investments, due to their inherent higher risk of material misstatement.

The selected sample of five individual audit engagements is not representative of the Firm's total population of the audit engagements completed by the Firm for the year under review.

Inspection Methodology

8. An entry meeting was held with M/s BSR & Co. LLP on 24.11.2022 at NFRA office. The Firm presented an overview of the Governance and Management Structure, Firm-wide System of Quality Control, their audit approach and methodologies, including IT Systems. The on-site inspection was carried out between December 2022 and January 2023. The inspection methodology comprised meetings, walkthroughs, presentations and interviews with members of the leadership team as well as the Engagement Teams of the selected audit engagements.
9. The areas of weaknesses or deficiencies on the part of the Audit Firm, included in the inspection reports, should be understood as areas of potential improvement and not a negative assessment of the work of the Audit Firm unless specifically indicated otherwise.

Audit Firm's Profile

10. M/s BSR & Co. LLP, a Limited Liability Partnership, is a member of M/s BSR & Affiliates, which is registered with ICAI (The Institute of Chartered Accountants of India). It is a network of eight audit firms, which are managed from the same offices. The Firm comprises 130 partners and other Firms of M/s BSR & Affiliates had another 64 partners as on 31.03.2022. The Firm is a member of the KPMG International Network. The Firm was statutory auditor of 270 entities falling under NFRA's purview.

Acknowledgement

11. NFRA acknowledges the general cooperation of the Audit Firm during the inspection. The Firm did not provide details of its leadership structure and its independence from KPMG during the inspection (addressed in Part B of this Report). However, the Firm provided details of the steps taken to address these issues, in its reply to the draft inspection report. An evaluation of the sufficiency of the documentation and details provided subsequent to the inspection is not a part of this Inspection Report.

PART B

Review of Firm-Wide Audit Quality Control System

A. Leadership Responsibilities for Quality within the Firm

12. The inspection enquired into the Firm's compliance with the requirements of SQC 1 relating to Leadership Responsibilities for Quality within the Firm, to obtain an understanding of the governance and management structure of the Firm. The Firm informed the inspection team that the governance structure is in the framework of the Limited Liability Partnership (LLP) agreement of the Firm and consists of an Audit Executive Team (AET) comprising partners with specific responsibilities towards quality, risk assessment etc.
13. The inspection team noted absence of formal documentation, and inadequate explanations regarding the Firm's governance and management structure. For the period under inspection, the Firm could not provide sufficient evidence about Leadership, Governance and Management structure to demonstrate compliance to element 1 of SQC 1 regarding Leadership Responsibilities for Quality within the Firm.
14. The Firm acknowledged the need of formal documentation in respect of the above matters in its response to the draft inspection report and provided details of improvements made consequent to inspection with respect to formalization of authority for leadership roles and documentation of roles and responsibilities. As these developments do not relate to the period covered by the inspection, an evaluation of the sufficiency of the documentation and details provided for meeting requirements of SQC 1 is not a part of this inspection report.

B. Independence requirements -

a) The Firm does not meet the independence requirement in relation to KPMG India entities

15. M/s BSR & Co. LLP, being sub-licensee, is a member of KPMG International network and shares various kinds of services with KPMG. The Firm maintained that it is independent of KPMG. To understand the relationship of M/s BSR & Co. LLP with KPMG and the services provided by KPMG India entities to audit clients of the Firm, the inspection team requested for information relating to details of non-audit services provided by KPMG India entities to audit clients of the Firm along with the fees charged during FY 2020-21 and FY 2021-22. The Firm did not provide this information during onsite inspection. After completion of on-site inspection, the Firm provided the name of only one entity viz., KPMG Assurance and

Consultancy Services LLP (KACSL), without any information about non-audit services provided by this entity.

16. It was noted that the KPMG network comprises several entities including entities collectively known as KPMG India entities. While M/s BSR & Co. LLP has disclosed KPMG network entities as associate entities in their disclosure to PCAOB¹, the Firm's relationship with other KPMG India entities has not been fully disclosed to NFRA during inspection.
17. During inspection several indicators were observed that demonstrate the Firm's dependence on KPMG like inter-relationship of leaderships; common control and governance structure; KPMG India Entities partner accepting audit on behalf of the Firm; KPMG controlling compliance with insider trading regulation in respect of BSR employees; the Firm treats KPMG experts as 'internal experts'; and use of KPMG domain name by the Audit Executive Team. Other indicators include sharing common core functions such as Audit Quality, Department of Professional Practice, Second line of defense, Independence compliance audits, Clients & Markets, Human Resources, Information Technology, Profitability & Operations, People, various kinds of tools, and Quality & Reputation, among others. Further, as seen in the Sentinel² approval and the Audit Files inspected during inspection, KPMG partners are designated as BSR partners in the Firm's Audit Files.
18. In addition to the aforementioned, it was noticed that the Firm utilizes KPMG India's professional resources for audit engagements, including Taxation, IT, Valuation, and Other specialists. The use of the term 'Other Specialist' in the Audit Files of the Firm indicates that they actually perform audit functions jointly with the Firm. Similarly, in audit engagements of KPMG India, a significant part of audit function is performed by BSR personnel as evidenced by the information available on PCAOB website. For instance, in one PCAOB filing, when KACSL was the auditor, the Firm participated in the audit with 68% of total audit hours, whereas BSR & Affiliate as a whole participated in the audit with 92% of total audit hours.
19. The inspection team noted that the Firm is not independent of KPMG India Entities, though the member entities within KPMG International network may be separate legal entities. Further, the Firm is subject to independence verification requirements by other KPMG International entities through the KPMG International Independence monitoring tool called Sentinel, of which it is a part along with other KPMG entities. This clearly shows that the Firm's claim of being independent from KPMG India entities is unacceptable.
20. The Firm did not provide, during this inspection, details of KPMG Network entities, and non-audit services provided by those entities to audit clients of the Firm and thus, the Inspection team was unable to evaluate whether the Firm is complying with the fundamental requirements of the Code of Ethics such as review of self-interest threat and Indian statutory requirements regarding prohibition of non-audit services provided by KPMG entities. It was also found that there is no system in place to evaluate the percentage of fees collected from

¹ PCAOB – Public Company Accounting Oversight Board of USA.

² A global tool used by KPMG entities to facilitate compliance with independence requirements relating to audit clients. This tool automatically trigger pre-approval requirements for specific services, ensuring compliance with professional standards and identifying potential conflicts of interest.

non-audit services provided by KPMG entities vis-a-vis the statutory audit fee to identify the threats to independence.

21. The Firm's non-compliance with Rule 8 of the National Financial Reporting Authority Rules 2018, Second element of SQC 1 relating to independence, Standard on Auditing (SA) 220³ and the Code of Ethics was pointed out in the observations issued and draft inspection report. In response, the Firm stated that it has made a decision that all KPMG India entities will not provide any non-audit services to the Firm's NFRA regulated clients from 1 January 2024. The Firm is advised to formally disclose all KPMG India entities and details of its network to NFRA.

b) The Firm's system of ensuring independence of its personnel requires improvement

22. The Firm has a system of Independence compliance audit done by a Partner of KPMG. The independence compliance audit done by KPMG identified that 35% of the Partners, the sole Executive Director, 55% of the Directors and 38% of the Sr. Manager/Managers had not reported the financial relationships, required to be reported in accordance with the Firm's independence policies. These high rates of non-compliance with the Firm's policies, which are designed to provide compliance with applicable independent regulatory requirements, are a cause for serious concern, considering that these individuals are required to certify on an annual basis that they have complied with the Firm's independence policies and procedures.
23. Despite significant violations detected by the Firm's Independence compliance audit, it was seen that the sample size for the compliance audit was reduced when compared to the previous year, indicating that the Firm was not complying with its own independence requirements.
24. During inspection, the Firm failed to provide the complete Independence Compliance Audit Report for FY 2020-21. Instead, it provided only the summary of breaches. Therefore, the inspection team was unable to analyze and comment on procedural aspects of the independence compliance audit conducted by KPMG for the Firm's personnel.
25. The Firm's policy requires obtaining independence confirmation from Engagement Team (ET) members. Sample test of five audit engagements revealed that independence confirmations/declarations were absent in the case of some of the ET members; and in some cases independence declarations were obtained after issue of audit report.
26. The Firm operates KICS⁴ tool for ensuring independence compliance of partners and managers. However, this tool is not fully aligned with Indian laws. For example, the

³ Para 11 of SA 220 - Quality Control for an Audit of Financial Statements.

⁴ KICS – KPMG Independence Compliance System.

definition of relative is not as per the Companies Act 2013⁵. In the KICS, “immediate family”⁶ is covered under independence requirements.

27. The Firm’s policy of ensuring independence of KPMG experts which is based on self-confirmations needs to be aligned with the policy followed for the Firm’s personnel, which requires additional verifications such as compliance through their IT applications/tools and annual declarations by all personnel of the Audit Firm.
28. As pointed out above, the inspection observed the need for improvement in the Firm's internal review of compliance to independence requirements by its personnel. In response to the draft inspection report, the Firm intimated the steps taken by it after the inspection, to enhance independence compliance like arrangements with certain depositories for automated updating of securities held by the employees of Firm into the KICS application, induction of 200 specialized IT audit resources in BSR Firm, designating a separate Compliance Officer and Ethics & Independence Partner for the BSR Firms, introducing a system enabled control to ensure that independence confirmation are obtained from ET, putting a system in place which requires the EP to document separately an evaluation of independence requirements within the audit engagement file. However, an evaluation of these steps taken subsequent to the inspection is not a part of this report.

C. Audit Documentation

Improvement required in eAudIT application- the Audit Work Papers (AWPs) can be modified after being electronically signed off leaving room for signing off blank work papers and modification in AWP after signing off the audit report

29. The Firm keeps audit files electronically in the KPMG eAudIT application. The eAudIT application allows the preparer and reviewer to sign off on Audit Work Papers (AWP). The application supports multiple sign-offs by different or the same people. The Application allows for AWP modification after signing off by the EP. It also does not mandate the modifier to sign-off after modification.
30. This fundamental flaw in the integrity of the documentation also leaves a possibility of including even a blank AWP which can be filled up later without affecting the signing-off date. The examples of these are:
 - In one instance, an AWP containing information of a TCWG meeting conducted on 13.05.2021 was signed off on 12.05.2021, indicating that the AWP was modified or replaced after the reviewer had signed off.
 - In another case, the preparer and reviewer signed off on 16.05.2021 and 17.05.2021, respectively, on an AWP consisting of a representation letter from the Auditee dated 18.05.2021.

⁵ As per section 2(77) of the Companies Act, 2013 read with rule 4 of the Companies (Specification of Definitions Details) Rules 2014, a relative is defined as “A person shall be deemed to be the relative of another, if he or she is related to another in the following manner, namely: 1. Father: Provided that the term “Father” includes step-father. 2. Mother: Provided that the term “Mother” includes step-mother. 3. Son: Provided that the term “Son” includes step-son. 4. Son’s Wife. 5. Daughter. 6. Daughter’s husband. 7. Brother: Provided that the term “Brother” includes step-brother. 8. Sister: Provided that the term “Sister” includes step-sister”.

⁶ It includes spouse, spousal equivalent and dependents.

- In another case, AWP containing minutes of meeting with EQCR was modified after 14 days from the date of issue of audit report.
- In another case, AWP containing two Excel files “Regulation 52 checklist” & “Director declaration” were created after 8 days from the date of issue of audit report and were modified after 13 days from the date of audit report.

In the above cases, there is no evidence of why and when the documents were added/modified and who made and reviewed those changes.

The Inspection team noted that this is non-compliance to para 8, 9 & 13 of SA 230 (audit documentation) and para 79 of SQC 1, as the name of the person who modifies the AWP and timing of modification is not recorded. It also shows that sufficient appropriate audit evidences are not obtained before issue of audit report as evidenced from large scale modification of AWP's post issue of audit report and without signing off AWP's after such modification. Hence, the integrity of the audit documentation, as required by SQC 1, is not maintained.

31. In response to the draft inspection report, the Firm intimated about the steps taken by it after the inspection to enhance the audit documentation like transition into a new eAudit application, reducing audit file assembly period and training to its staff. However, these steps do not address the issues mentioned above.

D. Signing partner is not the same as Engagement Partner (EP) resulting in violation of SQC 1 and SA 700 (Revised)

32. The Firm has a system in which the signing partner can be different from the engagement partner. In FY 2020-21, there were 40 cases in which the engagement partners did not sign the audit reports, which were signed by some other partners. The Inspection team noted that such practice is not in compliance with para 6(b) of SQC 1, and paragraph 46 & A56 of SA 700 (Revised).
33. In response to the draft inspection report, the Firm intimated that full alignment of the EP and signing partner will be ensured for the statutory audits for the year ending 31.03.2024.

E. Non- Compliance with regard to policies and procedures for Complaints and Allegations

34. The Inspection Team noted that the Firm needs to put in place policies to deal with complaints and allegations about non-compliance with professional standards, regulatory and legal requirements, or the Firm's system of Quality Control originating from within or outside the Firm to ensure compliance with para 101 of SQC 1.

PART C

Review of Individual Audit Engagement Files Focusing on Selected Areas of Audit

35. This section discusses deficiencies observed in a few selected audit engagements. The inspection covered five individual audit engagements, and focused on three audit areas viz., revenue, trade receivables and investments for detailed review. Certain critical audit

procedures performed by the Firm's engagement team in respect of these audit areas were reviewed viz., identification and assessment of risk of material misstatement, internal controls, design and execution of audit procedures in response to assessed risk (test of controls, test of details, sample sizes, and analytical reviews etc.), accounting estimates, accounting policies, disclosures and evaluation of identified misstatements. The observations are discussed below:

A. Failure to report violation of section 186(4) of the Act as the purpose of loan / guarantee / securities pledged was not disclosed in the Financial Statements

36. In case of two company audits, it was observed that the companies did not disclose in the financial statement, the full particulars of the loans given, investment made or guarantee given or security provided and the purpose for which the loan or guarantee or security was proposed to be utilized by the recipient of the loan or guarantee or security, thus not complying with Section 186(4) of the Companies Act 2013. The auditor did not report this non-compliance despite having specific reporting responsibility under the Companies (Auditor's Report) Order 2016 (CARO). Details are given hereunder.

- a) In one case, the auditee company had issued guarantee to the lender of its associate company in connection with the loan taken by the associate company and also pledged the shares in the associate company that the auditee company held as investments. The purposes of guarantee and pledge were disclosed in two different notes to the financial statements. There is no clarity whether the pledged shares and guarantee given were for the same borrowing. Consequently, users of financial statements cannot understand whether the pledged shares and guarantee given were for the same borrowing. Therefore, the disclosure given by the auditee company is not compliant with section 186(4) of the Act.
- b) In another case, the auditee company has provided a loan to its subsidiary, however, the purpose of the loan was not disclosed in the financial statements. The auditee company had also provided a guarantee in respect of borrowings by its subsidiary, however the purpose of borrowing by its subsidiary was not disclosed. This is non-compliance with section 186(4) of the Act by the auditee company.

The Firm did not report these non-compliances in (a) and (b) above by the auditee companies in the respective audit reports. The Firm was non-compliant with para (iv) of the Companies (Auditor's Report) Order 2016.

B. Final Financial Statements and Audit Reports are not available in audit file

37. In one case, it was observed that the audited Financial Statements of the auditee company and final Independent Auditor's Reports for FY 2020-21 were not available in the Audit File. The Draft Financial Statements and the Draft Independent Auditor's Reports available in the Audit File are different from those available on the website of Bombay Stock Exchange. This amounts to violation of para 30 of SA 330⁷. It raises questions about the engagement team's auditing performance. In response to the draft inspection report, the Firm accepted this as an inadvertent error and assured us to take necessary action in this matter.

⁷ The Auditor's Responses to Assessed Risks

C. Deficiencies in audit procedures related to impairment of investments

38. In respect of three (termed as A, B and C) out of five selected company audits, the Firm was found deficient in performing appropriate audit procedure in respect of impairment of investment as discussed hereafter.
39. In case of A, the auditee company recognized the acquisition of a group of companies in FY 2020-21 as per Indian Accounting Standards (Ind AS) 103 – Business Combination. In this case, the Firm did not perform any audit procedure for identification of impairment indicators in respect of investment made by the auditee company in its subsidiary during FY 2020-21 and wrongly relied on the two years old valuation reports of the group of companies acquired and accounted for as per Ind AS 103. This subsidiary was one of the companies acquired during the year. Further, there is no working in the audit file as to how the amount of investment in its subsidiary was arrived at.
40. In case of B, while performing audit of impairment of investment in subsidiary for the purpose of Standalone Financial Statements, the Firm wrongly presumed the subsidiary as 100% owned by the auditee company (which actually owned only 84.18 % equity shares of the subsidiary) and concluded that no impairment loss was required to be recognized. Had the percentage of ownership been correctly considered as 84.18%, the impairment loss of a material amount would be required to be recognized. Further, in this case, the detailed calculation sheet of the Enterprise Value relied upon by the Firm was also not available in the audit file.
41. In case of C, the Firm concluded that no impairment was required to be recognized for the investment in an associate company of the auditee company, on the basis that the associate company had issued shares to un-related market participants at a value higher than the carrying value. However, the Firm did not perform any audit procedure to check that the referred market participants were not related to the auditee company.
42. In case of A, the Firm initially identified impairment indicators in respect of investments in an associate company and two subsidiary companies of the auditee company. However, the firm wrongly concluded later that no impairment loss was required to be recognized. Details are as under:-
 - In the case of investment in an associate company, the Firm relied on the management's stand that the associate company was in the process of issuing fresh shares to an unrelated MNC at a price, which would increase the share price near to its carrying value. This judgement was not appropriate as the process of issuing fresh shares to an unrelated MNC was not completed.
 - In the case of investment in one subsidiary, the Firm did not perform an impairment test despite identifying impairment indicators and wrongly concluded that no impairment loss is required to be recognized as it is 100% subsidiary and pays dividend. The firm ignored that impairment testing is required even in 100% owned subsidiary; and that dividend payment alone is not an appropriate criterion for not performing impairment testing.
 - In the case of investment in another subsidiary, the audit team identified impairment indicator and used the work of auditor's valuation specialist engaged by another audit team of the Firm that audited this subsidiary. However, the work of the valuation specialist was not evaluated by the Firm.

PART D**Chronology of events**

Sr. No.	Date	Event/Correspondence
1.	11.11.2022	Intimation of On-site Inspection from NFRA to the Audit Firm.
2.	24.11.2022	Pre-Inspection Meeting with BSR held at NFRA office.
3.	01.12.2022 to 13.01.2023	On-Site Inspection
4.	15.12.2022 to 07.02.2023	Communication of Inspection Team's Observations to Firm
5.	12.01.2023 to 16.03.2023	Response received from the Audit Firm
6.	26.09.2023	Draft Inspection Report sent by NFRA to the Audit Firm.
7.	03.10.2023	Extension sought by BSR for submission of reply to Draft Inspection Report and requested for opportunity for an in-person meeting
8.	03.10.2023	NFRA granted extension to BSR for submission of reply to Draft Inspection Report and opportunity for in-person meeting
9.	06.10.2023	Discussion between BSR and NFRA inspection team at NFRA office.
10.	14.10.2023	BSR submitted additional documents to NFRA
11.	31.10.2023	Submission of reply by BSR to Draft Inspection Report.
12.	08.12.2023	Communication of final Inspection Report to BSR
13.	14.12.2023	Comments on the final inspection report by BSR
14.	22.12.2023	Publication of Inspection Report on the website of NFRA as per Rule 8 of NFRA Rules 2018.

Appendix A: The Firm's response to this inspection report

Pursuant to Section 132(2) of the Companies Act, 2013 and Rule 8 of NFRA Rules, 2018, the Authority is publishing its findings relating to non-compliances with SAs and sufficiency of the Audit Firm's quality control system. As part of this process, the Audit Firm provided a written response to the draft Inspection Report, which is attached hereto. NFRA based on the request of the Audit Firm has excluded the information from this report which was considered proprietary.

BSR & Co. LLP

Chartered Accountants

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14 December 2023

The Secretary,
National Financial Regulatory Authority
7th-8th Floor, Hindustan Times House
18-20 Kasturba Gandhi Marg
New-Delhi – 110001

Respected Madam,

Subject: **Response to NFRA Inspection Report 2022 in respect of B S R & Co. LLP**

1. We acknowledge the receipt of Inspection Report 2022 in respect of B S R & Co. LLP (“the Firm”) vide your email dated 08 December 2023.
2. We will fully cooperate with Hon’ble NFRA towards our shared objective of continually improving audit quality, building confidence and trust in the audit profession, and meeting our responsibilities to investors and other participants in the capital markets.
3. NFRA’s inspection process provides us with an opportunity to constructively understand the regulatory perspective and to identify qualitative improvements to our systems and processes. We value the important role the Hon’ble NFRA plays in improving audit quality.
4. We have invested considerable efforts in building a robust system of quality control to support compliance with SQC 1 and applicable auditing standards. We appreciate the recommendations and observations in the inspection report and will constructively engage with Hon’ble NFRA in evaluating and implementing further improvements to our policies and practices.

Thanking you,



(Sudhir Soni)

Head of Audit

B S R & Co. (a partnership firm with Registration No. BA61223) converted into B S R & Co. LLP (a Limited Liability Partnership with LLP Registration No. AAS-8181) with effect from October 14, 2013

Registered Office:

14th Floor, Central B Wing and North C Wing, Nesco IT Park 4, Nesco Center, Western Express Highway, Goregaon (East), Mumbai - 400063