

IL&FS may Hire Grant Thornton for Forensic Probe

Final decision on who will scrutinise siphoning of funds at the infra major likely to be made within a week; investigation could take 3-4 months

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Mumbai: Troubled infrastructure developer and lender Infrastructure Leasing & Financial Services is close to hiring Grant Thornton to investigate alleged irregularities in its operations.

Grant Thornton, based in Chicago, will be required to scrutinise the transactions of IL&FS and its subsidiaries, according to people aware of the matter. The internal investigation would include both financial and operational aspects, they said.

"There were only two players in the race and Grant Thornton has been informally asked to investigate the matter. The final decision would be made within a week," one person said, adding that the firm will also be required

Internal Investigation

Probe to cover past financial dealings, cash flows, expense patterns of top execs and allegations of kickbacks and bribery

It will be separate from the one carried out by SFIO

Last Nov, IL&FS had shortlisted Grant Thornton & BDO for the forensic assignment

IL&FS Group's total debt is about ₹94,000 cr

to investigate allegations that some senior executives had siphoned funds.

ET had reported on November 1, 2018 that IL&FS had shortlisted Grant Thornton and BDO for the forensic assignment.

"The price difference between both the firms was quite steep and finally Grant Thornton was selected," said the person.

None of the bigger firms including the Big Four—EY, PwC, Deloitte and KPMG—were able to submit bids because of conflicts of interest, another person said.

Grant Thornton did not respond to an email questionnaire sent by ET. Sharad Goel, the IL&FS spokesperson, said, "The process (of selecting forensic auditor) is still on."

The investigation will cover past financial dealings, cash flows from various assets, expense patterns of top executives and allegations of kickbacks and bribery, said a partner with the forensic team at one of the Big Four.

"Such an investigation could take anywhere between three to four months," one person told ET.

The investigations will be separate from the one carried out by the Serious Fraud Investigation Office (SFIO), which submitted a preliminary report last year alleging irregularities such as "window dressing" of loans and questioning the role of statutory auditors.

IL&FS Group's total debt is about ₹94,000 crore, which includes loans from banks, non-convertible debentures and borrowings from financial institutions.

The cash-strapped company's board was reconstituted in October after it defaulted on loan payments. The people said the manner in which short-term capital was borrowed to fund long-term projects would pose problems for the forensic auditor.

"There are millions of entries which will have to be cross-verified and in most cases, the records are either insufficient or absent," claimed a person close to the development.

"There are a lot of datagaps and the complicated entries are tough to decipher," an SFIO official told ET. "The fo-

rensic investigator may not work with us directly."

The forensic investigator will also be required to point out the roles of the key managerial heads and the precise cause of the crisis.

While investigating whether personal assets were created by IL&FS executives is not part of the mandate now, it could be probed in the near future, one person told ET.