

# SFIO Finds Deloitte Due Diligence Below Par in IL&FS Arm Audit

**Rashmi Rajput**  
@timesgroup.com

**Mumbai:** The Serious Fraud Investigation Office (SFIO) has found that Deloitte Haskins & Sells did not exercise adequate due diligence while auditing the books of IL&FS Financial Services (IFIN), a subsidiary of Infrastructure Leasing & Financial Services, persons aware of the development told **ET**. The anti-fraud agency is probing the role of the auditor in the IL&FS crisis. Deloitte Haskins & Sells LLP has been engaged by IL&FS for over ten years. It is a member firm of Deloitte network.

"Deloitte has been with IL&FS and subsidiaries namely IFIN, ITNL, ISSL and many

other group companies as its statutory auditor for the last ten years. Its annual average audit fee used to be ₹13-14 crore and advisory and consultancy fee around ₹6-8 crore per annum. The firm did not audit IL&FS books with due care and professional skepticism. The probe has revealed that the auditors have failed to perform the duties as mandated under The Companies Act," one of the above mentioned persons told **ET**. The agency recently questioned a partner of the audit firm and soon plans to summons other auditors and officials. "Audit and credit rating agencies are part of IL&FS failure crisis. There is material evidence to show they failed to apply basic test for transaction analysis. They

completely overlooked the asset book and had not examined and reported properly," explained the official. "There was lack of due diligence with respect to the loans sanctioned by IFIN. There are instances where non-compliance are apparent and the firm turned a blind eye." "As you are aware, there are several ongoing investigations by regulators and agencies. Such agencies are in contact with us being the previous auditors. We have provided full support to their investigations and will continue to do so," Deloitte spokesperson said, responding to **ET**'s request for comments.

The revelations come close on the heels of allegations made by an anonymous whistleblower claiming the audit firm helped fudge accounts of IFIN. In a three-page letter to the agency, the whistleblo-

wer claimed that the audit and tax consultancy firm was aware of the factual situation on the financial mismanagement and impropriety at IL&FS. The whistleblower had claimed to be a senior member of the client team at Deloitte Haskins & Sells and alleged that the auditing firm had received several advisory works from the former board of IL&FS.

The agency is soon likely to submit its chargesheet on those arrested and others. "Since they have been found to violate norms under The Companies Act, the agency will recommend action as per the Act," added the official. The central agency has made two arrests — Hari Sankaran, former vice-chairman, IL&FS, and Ramesh Bawa, former chief executive, IFIN. This is also the first set of arrests made by the agency in Mumbai.