

IL&FS CASE

SFIO quizzes Deloitte ex-CEO

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The Serious Fraud Investigation Office (SFIO) on Wednesday questioned Deloitte's former chief executive officer Udayan Sen and two others over alleged audit lapses in the books of Infrastructure Leasing & Financial Services (IL&FS).

The probe agency had recently received a communique from a Deloitte Haskins & Sells whistle-blower, raising several audit shortcomings in the company's books. The letter alleged that the audit firm had recommended a complex structure to the infrastructure company and that it received a hefty fee from IL&FS.

According to sources in the know, the serious fraud office has recorded statements of Sen and two other related persons



in the matter. "We have sought certain information with respect to the books of IL&FS and its key subsidiaries and misrepresentation of the financials. We are probing the role of the auditors in the matter." The recorded statements would be part of the final report, which is underway.

The probe agency is also learnt to have sought an explanation from Sen and others over the allegations made

against Deloitte's former senior leadership. Sen had left Deloitte in 2015.

In an email response to *Business Standard*, the spokesperson for Deloitte said, "The investigations on the company (IFIN) are in progress and we are cooperating fully. The audit partners concerned are called to provide information and clarifications in the normal course of the investigation process, due to our role as the

past auditors. We reaffirm that we have conducted our audits in accordance with the standards on auditing and the applicable laws and regulations."

The IL&FS group started defaulting on loans worth Rs 94,000 crore late last year, putting a question mark over its debt repayment capacity. The government sacked the old board and put a new board in charge of the company.

"Even during the stressed phase, IL&FS and its key subsidiaries were raising short-term market funding and therefore they were getting a good credit score. It was the responsibility of the auditor to red flag the debt obligations and possibility of default by the firm," another source aware of the development said.

In the complaint, the whistle-blower alleged that Deloitte's senior leadership was

aware of the financial mismanagement and impropriety of the IL&FS group. "Deloitte has audited the group over a period of past 10 years and has been an integral part of its unmitigated growth," the whistle-blower said, adding that it has benefitted in several ways as a preferred advisor, getting "substantially high fees in a mutually beneficial arrangement". The whistle blower, a senior member of the client team, has pointed out that having lost faith in the current leadership of the auditing firm, the letter had been sent to the regulators.

The whistle-blower has sent the letter to the Reserve Bank of India, Securities and Exchange Board of India (Sebi), and the Ministry of Corporate Affairs. It has also been shared with Grant Thornton, which is conducting a special audit of the IL&FS group.