

Dubious role of auditors, links with businessmen

SFIO nails nexus in IL&FS fraud

By Mail Today Bureau in Mumbai

THE Serious Fraud Investigation Office (SFIO) has in its chargesheet filed in a special court here against the ousted top management team of IL&FS Financial Services Ltd (IFIN) exposed the deep nexus with the auditors and other business entities to defraud the company.

SFIO's investigation appears to confirm an anonymous whistleblower's allegation that leading audit firm Deloitte has helped IL&FS fudge its accounts. The whistleblower, who claimed to be part of the "senior management team at Deloitte had outlined how the audit firm benefited by helping the failed group fudge its accounts year after year.

Listing names of Deloitte Haskins and Sells LLP as well as BSR and Associates LLP in the chargesheet, SFIO said the statutory auditors colluded with officials of the companies in order to conceal their fraudulent activities. The investigating agency has cited documentary and digital evidence to back its case.

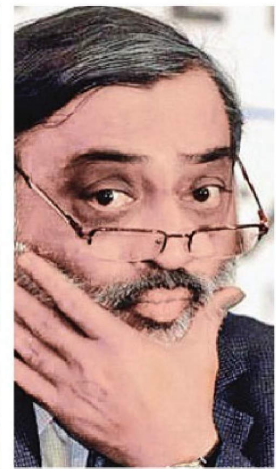
The SFIO report states that Deloitte relied on the oral discussion of the company officials with RBI for their report rather than RBI guidelines in FY17-18 and did not disclose this material departure from regulatory requirements and thus caused loss to the creditors of IFIN. SFIO has stated in its chargesheet filed with a special court in Mumbai.

The IFIN case has a marked similarity with the infamous Rs 9,000 crore Satyam scam in which entities of leading audit firm Price Waterhouse had been found guilty of facilitating the fraud. The IL&FS scam is even bigger as dues to the tune of a staggering Rs 90,000 crore are involved.

The SFIO chargesheet concerns just one entity, IL&FS Financial Services Ltd (IFIN), and the probe is already underway against the parent firm Infrastructure Leasing and Financial Services Ltd (IL&FS) and several other subsidiaries.

ASSETS SEIZURE

In addition to prosecution of former executive and independent directors of IFIN and attachment of their properties. The SFIO is also looking to seek interim attachment of all move-



IN THE DOCK: Ousted IL&FS Financial Services directors (from left) Ramesh Bawa, Hari Sankaran and Ravi Parthasarthy

DARK DEEDS COME TO THE FORE

■ In its chargesheet filed in the IL&FS Financial Services case before a special court in Mumbai last Thursday, the SFIO has accused 30 entities/individuals of financial fraud. Some of the accused persons are

already in judicial custody.

■ They have been accused of forming a coterie to control the day-to-day affairs of the company and using illegal methods on several occasions in complete violation of

RBI norms.

■ They have also been accused of conniving with some borrowers to help them make wrongful gains in the form of loans with the intention of not repaying the same.

able and immovable assets of the auditors including their lockers, bank accounts and jointly-held properties, a senior official confirmed.

The SFIO is collecting details about all borrowings by IFIN from banks and through market instruments, as also about the role of banks and their officials and of credit rating agencies.

A senior official told Mail Today that the Uday Kotak-led new board that has taken over IL&FS has provided incisive information which has helped to expedite the SFIO investigation.

LOANS TO SIVA GROUP

SFIO said its probe further revealed that IFIN, as an NBFC, extended loans to companies of Siva, ABG, A2Z, Parsvnath and other corporate groups, though a number of them were not servicing their debt obligations in time.

SFIO has also pointed to the close ties between Siva Group chairman Sivasankaran and the erstwhile IFIN directors, citing email exchanges that revealed he allegedly arranged hospitality for Ravi Parthasarthy, Vibhav Kapoor and Hari Sankaran,

including private jets, helicopter rides, resort bookings and redecorating the interiors of their apartments in Brussels, besides foreign trips.

IFIN had entered into 15 transactions of advancing loans to or investing in debentures of different Siva Group companies, SFIO said. The first chargesheet, filed by the government's white-collar fraud investigation agency, follows inspection of accounts of close to 400 entities, an extensive forensic audit, data collected from desktops and laptops seized from various IL&FS offices, among other things.

IL&FS was on brink of collapse last September