

# HC quashes prosecution against 2 ex-IL&FS auditors

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IN A major relief to former Infrastructure Leasing & Financial Services (IL&FS) auditors BSR & Associates (a KPMG-affiliated firm) and Deloitte Haskins and Sells, the Bombay High Court on Tuesday quashed criminal prosecution against the auditing companies before a special court in Mumbai.

The court quashed the prosecution based on a criminal complaint filed by the Ministry of Corporate Affairs' Serious Fraud Investigation Office (SFIO) against the auditors, who were accused of connivance in the IL&FS financial fraud case, observing it to be 'non-maintainable'. The SFIO filed a complaint on May 30.

In this regard, the Centre has

sought a stay for eight weeks before moving the apex court. The high court noted the interim protection from coercive action granted to auditors will continue during this period.

A Bench of Chief Justice Bhushan P Dharmadhikari and Justice Nitin R Borkar passed a judgment through video conference in pleas filed by IL&FS Financial Services Ltd (IFIN) auditors, challenging the Centre's move seeking a ban on auditing companies for five years. The Bench had reserved its judgment for January 13 this year.

While a Bench, led by Chief Justice Dharmadhikari, in its 198-page judgment upheld the constitutional validity of Section 140 (5) of Companies Act, 2013, the court said the provision does not apply to auditors who have resigned.