

## FORENSIC INVESTIGATION BY NEW BOARD

# Grant Thornton Audit Unearths Fraudulent Practices at IL&FS Co

IECCL fudged financial statements, cooked up claims, alleges report

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**Mumbai:** Grant Thornton Bharat's forensic investigation into IL&FS Engineering and Construction Company Limited (IECCL) — the erstwhile Maytas Infrastructure Ltd — has revealed a wide range of activities bordering on fraud, manipulation and misappropriation.

Grant Thornton Bharat's (GT) forensic audit report has alleged that executives at IECCL manipulated revenues, misrepresented facts in the financial statements, refused to write off assets that had gone bad, reversed interest claims recorded in the financial statements, manufactured claims to increase profits, manipulated fixed assets and ignored whistleblowers.

The forensic investigation also alleged that investments were made from one subsidiary to another to avoid defaults.

Some email exchanges between officials revealed that certain estimates about project viability were given to investors that the top executives understood were financially unviable projects.

The investigations revealed that the executives indulged in fake purchases, manipulated bank statements, ignored multiple whistleblower complaints, recorded unidentified transactions and made dubious investments in Maytas.

"The new IL&FS Board decided to appoint GT to conduct forensic audits on some group companies with the purpose of unearthing financial irregularities; finding fraudulent transactions and wrongdoings by the erstwhile management and assess its impact on the ongoing resolution process," an IL&FS spokesperson said.

IECCL, along with other subsidiaries, was taken over by a new board, after the scam at the IL&FS group came to light in 2018.

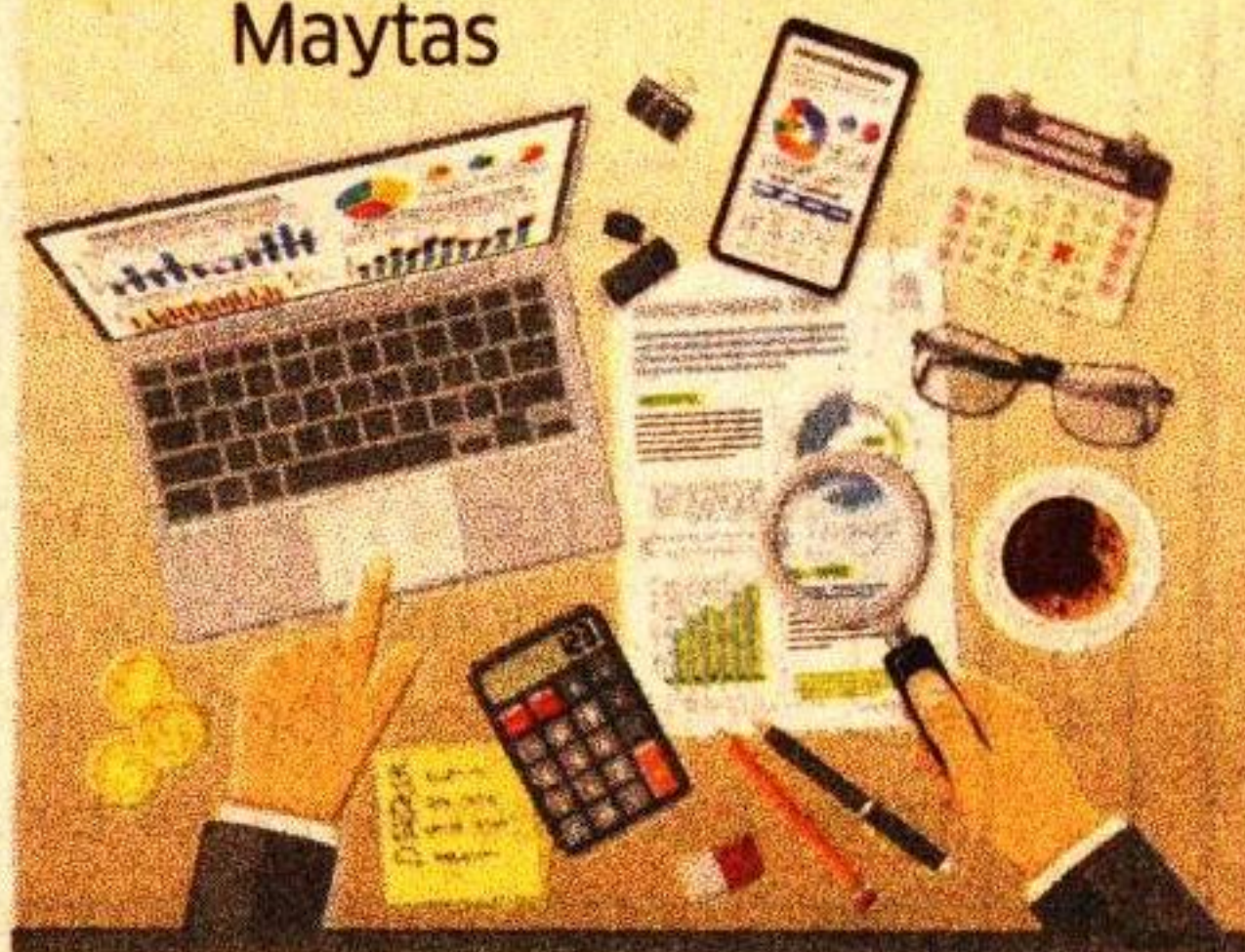
In 2018, several group entities defaulted on repayments due to severe liquidity problems. Later, the government superseded the board of directors, and the new board is now working on ways to

## Key Findings

**THE NEW IL&FS board** appointed GT to audit group firms for irregularities and assess impact on resolution

### THE AUDITS REVEALED AMONG OTHER THINGS

- Fake purchases
- Manipulation of bank statements
- Ignoring whistleblower complaints
- Unidentified transactions
- Dubious investments in Maytas



revive the ailing group. Maytas, part of another fraud hit group, Satyam, was taken over by IL&FS in 2009 and later renamed.

The forensic investigation report by GT analysed financial records, bank statements, thousands of internal documents and parsed through thousands of email conversations between top executives to come up with the findings.

GT also alleged that IECCL executives stonewalled investigators and refused to provide details. This was first reported by Moneylife, a news portal on May 25.

"It is to be noted that after more than a year of regular follow-ups with the representatives of IECCL, approximately 40% of the overall data requested was provided to us to carry out the work procedures," the GT investigation report said.

But IL&FS has denied stonewalling and said that they provided whatever documents they had to the auditor. "We categorically deny any reference or accusation of withholding information from auditors appointed by the new board. On the contrary, the forensic audit was completed with the management and company working tirelessly to provide the information and facilitate completion so that it can assess the possible wrongdoings and its impact," the IL&FS spokesperson said.