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Govt: Auditors have many queries to answer on IL&FS

As the probe continues into the IL&FS case, a senior government official has said the group's auditors have 'many questions to answer' *prima facie* as they are supposed to act as 'gatekeepers'. "We are not expecting an auditor to detect a needle in a haystack. But if the elephant is in the room, they ought to find it," said Corporate Affairs Secretary Injeti Srinivas.

IL&FS CASE

Auditors have many questions to answer: Union secy

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As the probe continues into the IL&FS case, a senior government official has said the group's auditors have "many questions to answer" prima facie as they are supposed to act as "gatekeepers" and detect widespread irregularities, but it will be premature to pass any judgement at this stage.

"We are not expecting an auditor to detect a needle in a haystack, but if an elephant is in a room they ought to find it. That is the issue," Corporate Affairs Secretary Injeti Srinivas said.

Crisis-hit IL&FS group's debt burden is estimated to be more than ₹94,000 crore and

various entities, including some former officials and auditors, are under the scanner for widespread irregularities and huge loan defaults.

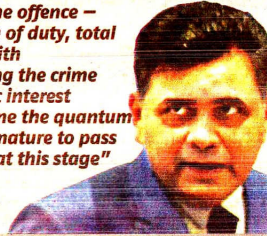
"Prima facie, it appears that they (auditors) have many questions to answer in IL&FS. If they are found at fault, action is bound to be taken," Srinivas told PTI in an interview.

The problems came to light last year after some group companies defaulted on loan repayments resulting in concerns about overall impact on the financial system. Subsequently, the corporate affairs ministry superseded the board and a probe by the Serious Fraud Investigation Office (SFIO) is in progress.

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INJETI SRINIVAS
Corporate Affairs Secretary



offence — whether it is dereliction of duty, total negligence, collusion with management or abetting the crime and the extent of public interest involved — will determine the quantum of action. It will be premature to pass any judgement on this at this stage," he said.

While Srinivas did not name any particular auditor, reports have suggested that global auditing giant Deloitte and BSR & Associates, part of KPMG network, are among the entities under scanner allegedly for failing to flag loans that were granted in violation of norms by various IL&FS enti-

ties and to entities under severe financial distress and to those linked to top management personnel.

The case is being investigated by multiple agencies, though the auditors who have worked on various accounts associated with the group have been denying any lapses on their part.

Emphasising that auditors are often referred to as "gatekeepers", Srinivas said the statutory auditor plays a key role in auditing the financial statements of a company.

"If auditors work diligently, then auditing standards and accounting standards are capable enough to detect any widespread irregularity," he noted.

In response to a query about

the role of auditors at IL&FS, Srinivas also said some arguments that a statutory audit is not a forensic audit and these auditors are not investigators are not acceptable.

According to him, if it is a one-off fraud, then it can be accepted that the fraud might not get easily detected.

"Where there are widespread irregularities bordering on fraud, then it is very difficult for any auditor to say that I did not see it at all or I believed the management's version.

"When they find such evidences, they should not blindly go by the management's version. When irregularities are glaring at you, then you have to cross verify facts if you are a good auditor," Srinivas said.