

MCA moves NCLT to ban IFIN auditors

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MUMBAI: Top auditors Deloitte Haskin & Sells and BSR and Co. could find themselves shut out of work for five years with the government asking the National Company Law Tribunal (NCLT) to bar them for alleged lapses in auditing the books of IL&FS Financial Services Ltd (IFIN).

In a petition filed before the Mumbai bench of NCLT on Monday, the ministry of corporate affairs (MCA) sought the prosecution of the two audit firms and appointment of a new auditor for IFIN. This follows the Serious Fraud and Investigation Office (SFIO) filing charges against the two firms on May 30.

The auditors have been charged with concealing information by not raising alerts on



■ **MCA seeks ban of Deloitte Haskin & Sells, BSR for period of five years.**

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the misstatements in IFIN's accounts. The chargesheet also pointed to evergreening in IFIN's accounts and said the auditors colluded with the company's management. Deloitte left in 2018 as rules mandate changing auditors every 10 years. This is when

BSR, a KPMG affiliate, stepped in. In 2017-18, Deloitte and BSR did a parallel audit of IFIN.

If the auditors are indeed barred, 276 companies listed on the National Stock Exchange of India will need to look for new auditors. While KPMG affiliates audit 150 NSE listed companies, Deloitte audits 126, according to Prime Database.

The MCA petition named the audit firms and nine individual auditors for prosecution under Section 140(5) of Companies Act for negligence and lapses in audit of IFIN, which can lead to a prohibition on auditing companies for a period of five years.

"An auditor against whom final order has been passed by the Tribunal under this section shall not be eligible to be appointed as an auditor of any company for a period of five years from the date

of passing of the order and the auditor shall also be liable for action under Section 447," reads the Companies Act.

A spokesperson for Deloitte said it continues to stand by its audit and finds the MCA action unfortunate.

"DHS LLP is confident that it has not failed or been negligent in its duties. The firm stands by its audit work which has been performed in accordance with professional standards in India, as well as applicable laws and regulations," the Deloitte spokesperson said. "DHS LLP has faith in the judicial processes and looks forward to presenting its position, which will be supported by facts, to the courts and other relevant authorities."

A spokesperson for BSR said the auditor is aware of the MCA petition and is studying it.