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ED summons Deloitte brass in IL&FS money laundering case

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Trouble is mounting for audit firms as the Enforcement Directorate (ED) issued summons to senior executives of Deloitte Haskins and Sells in connection with an ongoing money laundering probe against Infrastructure Leasing & Financial Services (IL&FS). According to enforcement sleuths, audit firms and auditors are likely to be called for probe soon.

Confirming the development, an ED official said Deloitte's senior management was asked to appear before the agency on June 12. "We have asked the audit firm to get relevant documents required in the case and indicated that all the related firms and individuals will be rounded up."

Sources said those likely to be rounded up would include former auditors of IL&FS and its subsidiaries. An email sent to Deloitte remained unanswered.

The move comes after the ministry of corporate affairs (MCA) launched a prosecution against Deloitte Haskins and Sells as well as BSR and Associates LLP and their former auditors for their alleged role in perpetuating the fraud at IFIN, a subsidiary of IL&FS.

The ministry also recommended debarment of these audit firms and their audit partners. It sought interim attachment of their properties, including bank accounts and lockers.

ED is examining the charges put up against the audit firm in the Serious Fraud Investigation Office (SFIO) prosecution complaint, filed last week. "We are cur-



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rently looking at all aspects that led to a fraud in the company. The agency will examine the role of auditors in the proceeds of crime and the complex structure allegedly created so that a fund could be easily siphoned off," said the official.

Last month, enforcement sleuths conducted search operations at the business premises and residences of four former directors at IFIN.

These include Rajesh Kotian, former executive director of IFIN; Shahzaad Siraj Dalal, who took IL&FS overseas, headed funds floated by IL&FS Investment Managers, and financed some real estate developers in India and Siddharth Mehta, one of the promoters of Bay Capital and

director at IL&FS Energy Development Company.

IFIN director Manu Kochhar and former managing director of IL&FS Engineering and Construction Company Mukund Sapre were also searched by the probe agency.

According to the sources, a statement has been recorded of most of the individuals searched so far. "We have come across strong evidence with respect to serious anomalies, multiple irregular transactions, and money involved. Based on the evidences, we are rounding up more people involved in the case," the sources added.

The ED had earlier conducted similar searches in February after it filed a money laundering case under the Prevention of Money Laundering Act.

Sources said the ED suspects proceeds of the crime to be over Rs 13,000 crore, involving several overseas deals. Sources added the ED is probing instances of end-utilisation of loans, including money lent to borrowers of IFIN. There is evidence showing that advances were given to entities linked with senior executives of IL&FS and IFIN.

The ED is examining whether the falsification conducted by the auditors caused loss to the company and how much of it was being diverted. The ED's case is based on a first information report filed before the economic offences wing of the Delhi Police in December last year. The director of an infrastructure firm had filed the case against officials of IL&FS Rail for allegedly triggering Rs 70-crore loss to his company by fraudulent means.