

## PROBE INTO ALLEGED IRREGULARITIES AT ITNL

## EY and Other Audit Firms Also Under Lens

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**Mumbai:** EY, the auditor of IL&FS Transportation Networks India Limited (ITNL), and its peer firms are facing questions from the state-appointed board of its parent and central fraud-probe teams on alleged irregularities at the unit of the stressed infrastructure financier.

EY has been auditing ITNL books since 2016. Official sources told ET that EY jointly audited ITNL along with Deloitte Haskins and Sells (DHS) in FY17. After that date, EY has been the firm's auditor.

EY didn't respond to ET's queries. However, sources close to the auditors said that the questioning by probe teams and the new board isn't limited to EY, and that other auditors are also facing their queries. The IL&FS crisis

first erupted last year when the road arm was facing difficulty in making repayments due on its bonds.

The Enforcement Directorate (ED), the Serious Fraud Investigation Office (SFIO), the Delhi Police and tax authorities are probing various alleged irregularities into the affairs of IL&FS. The ED's probe is based on the offence registered by the Delhi Police pertaining to IL&FS Rail, a subsidiary of ITNL. Currently, both ITNL and IL&FS Rail are the central points in the probe.

According to the ED's complaint, the accused directors, in order to project a 'big picture', colluded with dubious/shell companies involved in bogus billing and raising share capital, and advancing unsecured loans to beneficiaries in lieu of commission. ED's complaint states that these dubious companies were given commission of 0.5% for the amount routed by them.

## SFIO FINDINGS



**SFIO had said the accused erst-while directors devised an illegal strategy for IFIN to lend money to its group companies**

"With multiple subsidiaries and special project vehicles (SPVs), ITNL is a bigger basket as compared to IFIN. Since ITNL was the first to go bust, the probe is focusing on figuring out the genesis of the crisis," said an official aware of the line of probe. "Since EY was auditing ITNL since 2016 and the crisis emerged in July 2018, an explanation has been sought as to what

went wrong and whether any red flag raised." IL&FS group declined to comment. "The SFIO, which is also working on a chargesheet on ITNL and its subsidiaries, has also questioned EY representatives," added the official.

Meanwhile, forensic auditor Grant Thornton is expected to give its report on the alleged irregularities concerning ITNL by the end of this month. In its first chargesheet filed against IFIN in May, the SFIO had said that the accused erstwhile directors devised an illegal strategy for IFIN to lend the money to its group companies. That way, ITNL received funds from both the group companies and borrowers.

"The lending was made to eight entities without carrying out any due diligence or verification of actual requirement of funds, and without ensuring adequate security cover for these entities," the chargesheet read.