

# In a first, NCLT allows govt to reopen books of IL&FS, arms

**Mumbai:** The National Company Law Tribunal (NCLT) on Tuesday allowed the corporate affairs ministry to reopen the books of the crippled IL&FS Group and its subsidiaries for the past five years under Section 130 of the Companies Act, to ascertain financial mismanagement.

The Centre on December 21, 2018, had invoked for the first time the powers under this section.

The government wants to check the balance sheets of the crippled group and its two listed subsidiaries — ITNL and IL&FS Financial Services — for the past five years (FY13-

FY18). The move comes after reports by the Serious Fraud Investigation Office (SFIO) and Institute of Chartered Accountants of India (ICAI) indicated that the accounts were prepa-

**WILL CHECK  
FY13-FY18**

red fraudulently and negligently in the previous five fiscals by the previous management.

The statutory bodies — including the RBI, markets watchdog Sebi and the I-T department — gave their no objection for restating the accounts. However, auditors Ernst & Young-owned

SRBC & Co, Deloitte Haskins & Sells and KPMG affiliate BSR Associates opposed the move, citing that they had no role in the alleged frauds. The financial accounts are made by the company and not the auditors, they argued.

Hearing the petition, the two-member NCLT bench of judges V P Singh and Ravikumar Duraisamy observed that based on the ICAI and SFIO reports, though it cannot be concluded that the auditors and former directors had any role in preparing of the financial accounts, the books can be reopened in the interest of fairness. AGENCIES

## NCLT allows govt to reopen, recast accounts of IL&FS

**Maulik Vyas**

■ [maulik.v@livemint.com](mailto:maulik.v@livemint.com)

**MUMBAI:** The Mumbai bench of the National Company Law Tribunal (NCLT) on Tuesday allowed the government to reopen and recast the accounts of Infrastructure Leasing and Financial Services Ltd (IL&FS) and its subsidiaries, IL&FS Transportation Network Ltd and IL&FS Financial Services, for the past five years.

The NCLT, however, struck down allegations made by the ministry of corporate affairs (MCA) against statutory auditors Deloitte Haskins and Sells, SRBC and Co. Llp, an affiliate of global audit firm EY, and BSR and Associates Llp, an affiliate of KPMG, about fraudulent mismanagement of accounts.

MCA had alleged that auditors had fraudulently mismanaged IL&FS and two other group companies for the past five years. “We don’t prepare any accounts as it is made out in the petition of the MCA. We are mere auditors and we have audited accounts that were prepared by the company,” argued Mustafa Doctor, a senior counsel appearing for Deloitte.

“The ministry is alleging a fraud on the basis of primary reports prepared by the Institute of Chartered Accountants of India (ICAI), which has no mention or a whisper of fraud.”