

CAG wants to audit all government LLPs

Comptroller & has asked for powers to audit all limited liability partnerships (LLPs) in which the government holds a majority stake directly or indirectly.

Under the current rules, LLPs that have a turnover of less than Rs 40 lakh a year or where the total contribution by partners does not exceed Rs 25 lakh, are not required to get their accounts audited. "There were reports that LLPs are increasingly being misused by corporate houses to evade regulators.

We are of the view that since public money is involved in government LLPs, this route should be checked," a CAG official told ET requesting anonymity. The auditor has in a letter asked the government to make suitable amendments in the law.

A senior official with the ministry of corporate affairs confirmed the request and said that government is already looking into the issue. "The proposal is that auditors of such LLPs should be appointed or re-appointed by the CAG," he said, adding that all state-owned LLPs, irrespective of their turnover, will come under the audit ambit.

The amendments will ensure that the audit firms for such LLPs, where the state or staterun firms hold majority stake, will be appointed on the same criteria as for PSUs, where only CAG empanelled auditors can do the review. If the request is accepted, the CAG will also have the power to direct the manner in which LLPs account shall be audited or conduct a supplementary or test audit.

At present there are 7,950 LLPs in the country and the ROC does not collect separate data for state run LLPs. "The number should be very less. There are some cases where there are reports of financial irregularities," the MCA official said.

Experts, however, believe that the CAGs move will benefit the government especially in a rising public private partnership (PPP) culture, as many state run companies may shy away from this globally popular structure due to lax auditing and accounting norms. "Though the fear of misuse of LLPs is real, one needs to appreciate the many benefits LLPs provide.

The government institutions, too, must take advantage of this and we can expect a rise in state owned LLPs in several joint venture projects if and when stricter auditing norms are in place," said Krishan Malhotra, Partner at KPMG.

(Economic Times)