

## **Govts, PSUs favour CA firms with MNC link: ICAI**

Accounting regulator ICAI has accused state and central governments, and PSUs, of deliberately favouring chartered accountant companies having affiliations with multinational audit firms.

"In certain cases, public sector undertakings, the government departments, central and state governments advertise for various professional services, wherein the basic eligibility requirement tends to favour multinational network accounting firms or other corporate entities," ICAI said.

These observations are part of the ICAI's 'Report on Operation of Multinational Network Accounting Firms (MAF) in India, which was submitted to the Ministry of Corporate Affairs.

The big four audit firms which operate in India through associates include, PricewaterhouseCoopers, KPMG, Ernst&Young, and Deloitte.

It further said, "It has also been observed that auditors have been replaced by Indian CA firms networked with MAFs apparently for no professional reasons".

In certain cases, ICAI said, joint venture agreements, MoUs, foreign collaborations agreements, shareholders agreements, private equity participations and side letters are exchanged between parties mandating appointment of auditors as prescribed by international parent.

In the same report, the Institute of Chartered Accountants of India (ICAI) has also accused the multinational accounting companies of violating the CA Act and asked for joint action by agencies, including the Reserve Bank India and the Corporate Affairs Ministry, to enforce compliance.

"The ICAI Council shall request the Ministry of Corporate Affairs, Reserve Bank of India and other relevant Ministries/Departments of Government of India to take appropriate action [to enforce compliance of law]," ICAI said in its report.

The ICAI report, however, did not name multinational audit firms operating in India.

The report is significant in the wake of involvement of PwC affiliates in auditing the books of Satyam Computer Services (now Mahindra Satyam), which was embroiled in a Rs 14,000-crore accounting fraud.

The ICAI report observed that some of the Indian audit companies have licence agreements to use international brand names, under which the affiliates have to align their policies with the network, which in turn influences decisions and functioning of the domestic firm.

The ICAI also noted that many CA firms have not furnished complete information or have "masked certain portions" about their arrangements with multinational accounting firms and action would be taken against them for the same.

(PTI)