

Satyam's ex-CFO guilty of professional misconduct: ICAI

After two years of investigation, the verdict is in. The Institute of Chartered Accounts of India (ICAI) has found Satyam's former chief financial officer Srinivas Vadlamani and PWC auditor Srinivas Talluri, who signed the company's financial audit, guilty of professional misconduct in the Rs 8,000-crore Satyam fraud — the biggest such case in India Inc.

It was in 2009 that the accounting regulator set up a special disciplinary committee, comprising six members, to look into the fraud in Hyderabad-based IT firm.

Confirming the development, ICAI President G Ramaswamy said today the committee had concluded its hearings and submitted its final report on January 3. "They have found both the accused guilty of professional misconduct," he told Business Standard. "We will proceed to take necessary action. We have also informed them about these findings."

These two have been found guilty on three counts: failing to conduct proper due diligence of the accounts, gross negligence of their work and violating the ICAI's code of conduct. The institute has been probing the Satyam case since January 2009 and has already served notices to several persons in connection with the case.

ICAI is likely to impose a financial penalty on the two, though the quantum is not known. The regulator is also contemplating barring these professionals from carrying out any further professional duties. But, Ramaswamy said ICAI would give them "one more hearing before taking a final call" on the matter.

Srinivas Vadlamani was CFO of the Satyam Computer Services (now Mahindra Satyam) at the time when its founder chairman B Ramalinga Raju admitted to fudging the account books of the company. ICAI has been probing the Satyam case since January 2009, and has already served notices to several persons in connection with the case.

Earlier this month, the institute had barred two Lovelock and Lewes auditors from practice for life and slapped penalty of Rs. 5 lakh each for their role in the accounting scam.

ICAI has, in fact, been criticised for inaction in the Satyam case, but now these findings and action is likely to also be a face saver for the regulator of audit fraternity. It has always maintained that Satyam was a corporate governance failure first and then an accounting failure.

Following admission of fraud by Raju, 57, the scam was probed by different agencies including CBI, the Serious Fraud Investigation Office and the Securities and Exchange Board of India besides ICAI. The IT company was later taken over by Tech Mahindra, which has renamed it as Mahindra Satyam. The two are now in the process of getting merged.

In an earlier investigation, ICAI had also found four auditors from Price Waterhouse, Bangalore — S Gopalakrishnan, P Shiva Prasad and C H Ravindranath besides

Talluri “prima facie guilty” of professional misconduct.

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