

ICAI finds First Leasing auditors guilty of 'professional misconduct'

An RBI probe in 2013 had found ₹1,676-cr fraud in the company's balance sheet

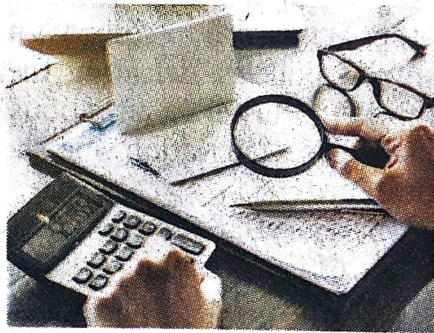
OUR BUREAU

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The Institute of Chartered Accountants of India (ICAI) has found the auditors of First Leasing Company of India Ltd (FLCIL) guilty of "professional misconduct" in auditing the company's books.

The decision, arrived at by the Disciplinary Committee (Bench III) of the accounting body, found that the auditors V Balasubramanyan and NR Sridharan (proceedings against him became infructuous as he died in 2018), did not disclose the actual state of affairs of the company.

Its balance sheet, profit & loss account, fund flow, dividend declaration, board of directors' reports, rating and track record were prepared dishonestly, said the committee findings while explaining



the irregularities in detail. The chartered accountants, being the statutory auditors, violated the code of conduct and worked against the interest of the shareholders, it said.

ICAI will now give an opportunity for the auditor to explain his case before the final order is passed.

Lease and hire purchase

The Chennai-headquartered First Leasing Company of India Ltd, promoted jointly by Farouk Irani and AC Muthiah, the promoter of SPIC, in the

1970s, was engaged in the business of leasing and hire purchasing, among others.

The RBI directed the company to cease operations in 2013 after an investigation by it found about ₹1,676-crore fraud in its balance sheet. Its top official was also accused of cheating and diversion of funds in the subsequent years.

The RBI order dated September 13, 2013 said: the inspection revealed that First Leasing has, over several years, been falsifying its books of accounts and other financial statements, thereby portraying a positive net worth. The company has also been violating RBI's regulations and reporting false information in its regulatory returns.

Farouk M Irani, who served as the Managing Director of the company, was arrested on cheating charges by the Enforcement Directorate (ED) in 2016 based on a complaint filed by IDBI Bank.