



Scathing Report by the ICAI

The Institute Of Chartered Accountants in India has come down heavily on multinational audit firms in India. ICAI says audit firms are violating the law by using foreign brand names and the accounting regulator has asked for a Ministry of Corporate Affairs and RBI inquiry into their accounts.

You may recall that last year in its first post-Satyam report, the ICAI had asked the ministry for powers to go after audit firms and not just auditors. The second report that was submitted to the ministry last week by the ICAI does not bode well for all those audit firms functioning under foreign brands. The Institute has made three key charges against multinational network accounting firms:

- Firstly that these firms are violating the Chartered Accountants Act by using foreign brand names
- Secondly, many of these firms were meant to provide just management consultancy services but are now providing all kinds of services like accounting, taxation, audit and book keeping.
- And that despite the ICAI's requests, several firms have not furnished complete details regarding their contracts with multinational audit firms.

Now, the ICAI has not mentioned any names, but the report clearly points in the direction of local firms working under the big 4 brands that is Deloitte, E&Y, PWC & KPMG.

The ICAI has suggested that the RBI and government investigate remittances made by local firms to multinational parents. ICAI President G Ramaswamy has also proposed joint action to enforce compliance with the law.

G Ramaswamy
President, ICAI

"If anybody is violating the Chartered Accountants Act under the guise of some other name, if the Chartered Accountants are involved in that, naturally the ICAI will take the regulatory measures, then the disciplinary mechanisms can be used. A joint working group can be constituted between government as well as ICAI so that we can bring out larger area of recommendation and implement through Chartered Accountants Act."