

Government auditor says RCOM inflated revenues, but company refutes

13 Oct 2009, 0700 hrs IST, ET Bureau

NEW DELHI: The government-appointed auditor Parekh & Company is understood to have revealed that Reliance Communications (RCOM), the flagship company of the R-ADAG group, has inflated the company's revenues by Rs 2,915 crore in 2007-08 and also evaded licence fee of Rs 315 crore. An RCOM official termed the disclosures revelation as biased. "It appears instigated by corporate rivals," he said and added "RCOM is in full compliance of licence terms and conditions."

When contacted, department of telecom (DoT), senior officials confirmed receipt of the report by auditors Parekh & Co and said that it is yet to examine the findings. However, he refused to comment. In January 2009, the government had appointed a special committee to audit RCOM account. Subsequently, it appointed special auditors for all the major telecom operators. DoT is awaiting the report of four other companies - Tata Tele, Bharti Airtel, Vodafone and Idea - from the respective auditors.

The report of Parekh & Co submitted to DoT found that for FY08 actual wireless revenue earned by the company was only Rs 12,298 crore as against Rs 15,213 crore reported to the shareholders, which is an over reporting of Rs 2,915 crore. It also found that RCOM evaded licence fee and spectrum fee of Rs 315 crore.

The auditors stated that the consolidated wireless revenues reported in consolidated financial statement (CFS) include an income of Rs 617 crore from sale of debts (already written off) to a group of companies.

"This transaction is financial in nature and is not wireless revenues earned during the period from provision of wireless services to subscribers in India and would have been already accounted as wireless revenues in the year in which the debtors were created resulting in the same revenues being accounted as wireless revenues twice in two different accounting years," the auditors have reportedly qualified in its report.

Similarly the consolidated wireless revenues of Rs 1,352 crore reported in CFS include one time and other incomes, which ought to be, classified as 'others' segment rather than 'wireless' segment. The Institute of Chartered Accountants of India president Uttam Agarwal said: "Nobody has filed a complaint with ICAI so far. However, after seeing media reports and enquiries, the institute will ask RCOM, the DoT, KPMG and Chaturvedi & Shah for information on the matter." ICAI is the nodal body for regulating auditors.

Auditors said although it's still early to comment, if even partially true, it will project a bad picture for auditors.

"The industry is yet to recover from the Satyam fraud, where the role of the auditors is still being investigated. This audit report, which indicts KPMG (BSR & Co) and

Chaturvedi & Shah for overlooking irregularities, will invite strict action from the government,” said a senior auditor, who has audited the accounts of some of the country’s largest companies.