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Auditors one of the weakest links in corporate governance, situation leads to serious issues for listed cos, says Uday Kotak

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Mumbai: Banker Uday Kotak on Thursday said auditors are one of the "weakest link" plaguing the corporate governance architecture in the country.

"One of the weakest links in fiduciary chain of governance in India is accounting. Time and again we find that this situation is leading to significant issues for many listed companies whether it is on the equity markets or debt markets," he said at a corporate governance summit here.

The comments from Kotak come amid growing instances of fraud being reported in the country. Kotak is currently tasked with helping IL&FS get back in shape.

He said the issue in the profession stems from a potential "conflict of interest" where an association of accountants, ICAI also acts as the sector regulator.



File photo of Uday Kotak. Pic courtesy: News 18

Kotak, who chaired a SEBI-appointed committee to rehaul the corporate governance framework in the country, said the sector will undergo a change with the introduction of the National Financial Reporting Authority (NFRA) by the government.

The NFRA will act as the single source for regulating all the auditors and will ensure that the signature of the auditor gets back the trust, Kotak

hoped. He said there are six layers of corporate governance in our system, including the company management, company board, credit rating agencies, auditors and the regulators.

Of late, these six layers' work has been found wanting he said, adding "they are not doing their job". Mahindra group chairman Anand Mahindra, who was also speaking at the conference organised by a firm promoted by former SEBI chief M Damodaran, said he has had a very cordial relationship and learnt a lot from accountants.

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