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Business, Accounting

Global auditing firm, PricewaterhouseCoopers (PwC), audited Satyam's books from June 2000 until theFraud Discovery in 2009. PwC signed Satyam's financial statements and wasresponsible for the accounting numbers under the Indian law. One particularlyitem concerned was the $1. 04 billion that Satyam claimed to have on its balancesheet in " non-interest- bearing" deposits. As per accounting professionals," any reasonable company would have invested the money into an interest-bearingaccount, or returned the excess cash to the shareholders.

The large amount ofcash thus would have been a ' red-flag' for the auditors that furtherverification and testing was necessary. It also appeared that the auditors didnot independently verify with the banks in which Satyam claimed to havedeposits". The Satyam fraud went on for anumber of years and involved both the manipulation of balance sheets and incomestatements.

Whenever Satyam needed more income to meet analyst estimates, ithad just created " fictitious" sources and did so numerous times, without theauditors ever discovering the fraud. Suspiciously, Satyam also paidPwC twice more what other firms would charge for the audit, which raises a lotof questions about whether PwC was party to the fraud. Furthermore, PwC wereauditing the company for nearly 9 years and did not uncover the fraud, whereasMerrill Lynch discovered the fraud as part of its due diligence in 10 days. Missing the " red-flags" implied either that the auditors were inept or incollusion with the company in committing the fraud.

PWC had asserted that itperformed all of the company's audits in accordance with applicable auditingstandards.?