



Reasons why the appointment of Chokshi and Chokshi chartered accountants as special auditor for the 6 debt schemes of Franklin Templeton is an eyewash

Investors have reasonable suspicion to believe the following

1. The appointment made for the audit of the 6 debt schemes of Franklin Templeton was in the capacity of "special auditors" and not "forensic auditors". Ideally the appointment should be that of a forensic auditor and not a special auditor. However as the investor community at large does not understand the difference between a special auditor and a forensic auditor, an environment has been conveniently created to portray that everything is hunky dory and that a special auditor is sufficient to look into various areas of audit. What is interesting is that the findings of a special auditor are not binding in any court of law whereas the findings of a forensic auditor are very much binding in the court of law. This proves what an eyewash the audit is.
2. The appointment of "special auditors" was made without even as much as inviting any tenders from the auditor community. Auditors who were already in the good books of the regulators were appointed in a hasty manner proving what an eyewash the whole process is.
3. The appointment of "special auditors" was made much later in the day and about two months after the closure of the schemes by Franklin Templeton was made. Such an appointment showed neither a willing act nor a proactive appointment by the regulator, but one that had come only after a public interest litigation was filed

in Chennai High court in order to show that some action is being taken by the regulator so they do not get pulled up by the courts. This was purely to save face against total non action. SEBI decided to appoint the "special auditors" purely as an afterthought and the appointment is a total eyewash.

4. It is surprising why SEBI took the half-hearted decision to appoint "special auditors". They have quite clearly played a trick by not appointing them as forensic auditors and have further played a trick by conveniently not defining the role of these so called "special auditors". This shows what an eyewash the appointment really is. It is merely a dirty trick with no scope of work being defined by the regulator. The regulator has made a very smart move to cover up its complete inaction, inefficiency and lack of adequate surveillance systems. It is astonishing that none of the internal audit reports or reports by SEBI had pinpointed such major flaws in the 6 schemes offered by Franklin Templeton.

SEBI has very cleverly not defined the scope for "special auditors" and very conveniently left the scope for this so called special audit to the appointed auditors. Anyone and everyone can read between the lines - the scope will be defined to special auditors "unofficially" and the special auditors will not look beyond this scope of the audit. This is very clearly a win/win situation for not only the regulator but also both Franklin Templeton and the auditors. Each one of them now can go scot-free especially since the very scope of audit was not been defined but instead left at the mercy and judgement of the special auditors. This was a complete eyewash.

5. There has been an extension of time granted to the special auditors for conducting and completing their audit report. This has quite obviously been done to delay the process and give Franklin Templeton enough breathing time and space to get their house in order. They now have enough time to completely regularize all their inefficiencies and create a new and better record keeping mechanism to demonstrate and support the various decisions they had taken which are under investigation. This is a complete eyewash.
6. The CEO of Franklin Templeton Mr. Sapre has claimed that all decisions taken were in consonance with the rules, regulations and circulars issued by SEBI. He has

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further confirmed that even the trustee company had acted correctly and in good faith throughout the decision-making process of stopping the 6 debt schemes of Franklin Templeton. This claim of the CEO of Franklin Templeton is self contradictory since they have recently passed another resolution to give complete protection to the trustees of the trustee company. This quite clearly shows the weaknesses, infirmities and inefficiencies in decision making made by the trustee company. Both Franklin Templeton and SEBI have failed in carrying out their responsibilities towards investors.

7. Another surprising fact is that while an audit is conducted on every debt scheme not only by statutory auditors, but also by internal auditors and auditors from the regulator SEBI, only the statutory audit report is available on the public domain. The internal audit report and the audit report by the regulator SEBI are not available on the public domain. By appointing a special auditor, and this special auditor confirming the acts and deeds of both the internal auditors and auditors from SEBI, all concerned parties will be protected and go scot free. This is a cover up of highest order and a complete eye wash. The interests of gullible investors are definitely not taken care of.
8. Was the regulator not capable of defining the scope of work for a special auditor? However since it's shot down every party involved in the irregularities, the "special auditor" will be the scapegoat and everyone else will go scot free.
9. During the entire process, investors are being told that everything is fine (and there have been no wrongdoings at any point of time) by not only Franklin Templeton but also by the regulator. This is nothing but working against the interest of investors and not working for the interest of investors. SEBI will very conveniently go ahead and adopt the report of the auditors (as it does when it appoints any other committee and adopts the report of the committee) and everyone will go scot free. This will provide protection to not only the fund manager, chief investment officer, MD and CEO of Franklin Templeton but also to all the officials of SEBI who were responsible for the surveillance systems. The question of supervision of these teams and why they did not perform their duty will very conveniently be left out via the audit report. This is a complete eyewash.