SEC Charges Information Technology Service Company, Two Senior Accountants, and Audit Manager with Financial Misstatements and Auditor Independence Failures

December 22, 2016 – The Securities and Exchange Commission today announced charges against an India-based information technology service company, Wipro Limited, and two of its senior accountants, Badree Komandur and Satish Arunachalam, for misstatements in the company’s financials concerning foreign currency transactions totaling approximately $67 million over nine consecutive quarters. The SEC also charged an audit manager, Alok Saraf, who was formerly employed by Wipro’s external auditor, with auditor independence failures.

An SEC investigation found that Anup Agarwal, a former accountant in Wipro’s Controllership Division who is now deceased, embezzled millions of dollars from Wipro while hiding his conduct through fraudulent accounting entries in one of Wipro’s exchange rate fluctuation accounts. When confronted with his misconduct, Agarwal revealed that he had given embezzled money to Komandur, Wipro’s former Controller; Arunachalam, Wipro’s former Assistant Controller and General Manager of Finance; Saraf, a former audit manager for KPMG India, which served as Wipro’s external auditor; and nine other Wipro employees under the guise of being purported profits from certain investments he had supposedly made for them. Agarwal disguised his theft as a series of fictitious currency exchange rate losses, and Komandur and Arunachalam caused other erroneous accounting entries to be made in Wipro’s foreign currency exchange accounts. Some of these errors materially impacted Wipro’s reported operating income for its IT Services segment, which was understated by more than 7% in the second quarter of Wipro’s fiscal year 2009.

The SEC’s order against Wipro finds that it violated Sections 13(a), 13(b)(2)(A), and 13(b)(2)(B) of the Securities Exchange Act of 1934 and Rules 12b-20 and 13a-16 promulgated thereunder. The SEC’s order against Komandur and Arunachalam finds that they each willfully violated Section 13(b)(5) of the Exchange Act and Rule 13b2-1 promulgated thereunder, and caused Wipro’s aforementioned violations. Wipro agreed to pay a $5 million penalty and to provide mandatory self-reports and certifications to the SEC regarding its forex accounting program at least twice in the fifteen months after entry of the order, and again at an optional third interval, subject to the discretion of the SEC, in the nine months thereafter. The SEC’s order suspends Komandur and Arunachalam from appearing and practicing before the SEC as accountants, which includes not participating in the financial reporting or audits of public companies. The SEC’s order permits Komandur and Arunachalam to apply for reinstatement after four years. Wipro, Komandur, and Arunachalam consented to the SEC’s order without admitting or denying the findings.

The SEC’s investigation also found that, between December 2007 and October 2009, Saraf accepted approximately $15,000 from Agarwal and another Wipro accountant. Saraf, who was responsible for KPMG India’s audit procedures concerning Agarwal’s work related to Wipro’s foreign exchange and derivatives accounting, used the money for expenses associated with his and his brother’s weddings, a down payment on his home, and as seed money for his father’s
new business. When testing the exchange rate fluctuation account that Agarwal used to hide the embezzlement, Saraf accepted Agarwal’s misrepresentation that it was not possible to extract the complete account details from Wipro’s general ledger, and instead performed testing procedures on a sub-population that ultimately did not reconcile to Wipro’s financial statements.

The SEC’s order against Saraf finds that he caused KPMG India to violate Rule 2-02(b)(1) of Regulation S-X, and caused Wipro to violate Exchange Act Section 13(a) and Exchange Act Rule 13a-1 promulgated thereunder. The SEC’s order suspends Saraf from appearing and practicing before the SEC as an accountant, which includes not participating in the financial reporting or audits of public companies. The SEC’s order permits Saraf to apply for reinstatement after three years. Saraf consented to the SEC’s order without admitting or denying the findings.

The SEC’s investigation was conducted by Danette Edwards, Brad Mroski, Richard Kutchey, Jeffrey Anderson, and David Johnson, and was supervised by Gregory Faragasso and Dwayne Brown. The SEC appreciates the assistance of the Public Company Accounting Oversight Board.

See also:  
Order (Komandur, Arunachalam, Wipro)  
Order (Saraf)