

PWC claims it did not audit Satyam

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The [Economic Times of India](#) has reported:

The questioning of Ramesh Rajan, chairman and CEO of PricewaterhouseCoopers, India (PwC) by CBI last week, has revealed that the Satyam balance sheets were in fact audited by Lovelock & Lewes and not Price Waterhouse (PW).

It is also learnt that the auditing fees, though deposited in the name of Price Waterhouse, Bangalore, was later transferred into the account of Lovelock & Lewes. "It is from here that the partners S Gopalakrishnan and Srinivas Talluri withdrew the money," sources involved in the investigation of the case told TOI.

Apart from Rajan, other senior partners of PW, from Delhi and Kolkata, were also summoned by the CBI last week. The partners denied any association with PW, Bangalore and said that Gopalakrishnan and Talluri were not entitled to sign any balance sheet on behalf of PW.

"So as it turns out, the auditors who are partners with PW, Bangalore, wrongly signed under the name of PW, and also outsourced the work to Lovelock & Lewes," said sources adding that investigations confirm that the entire auditing team at Satyam is from Lovelock & Lewes.

On being questioned by CBI about this "outsourcing" of work, Rajan, who is also a partner with PW, Bangalore said that the firm has no manpower and, hence, as part of an internal arrangement gives out their work to Lovelock and Lewes. "But this is not acceptable, considering that the two firms are completely different entities," said sources.

An India-based auditing firm, Lovelock & Lewes, though is a [network](#) firm of the international consulting body PwC, has no authority to audit under PwC's name. The CBI is now in the process of recording Rajan's statement and also plans to summon other partners of PW, Bangalore for questioning, later this week.

As [Dennis Howlett says](#) on this:

Are you kidding me? So let's get this straight:

*PWC were the auditors of record but didn't do the work
PWC audit partners signed off
but they didn't do the work paid by implication are not therefore to blame AND
Lovelock and Lewes are a PWC network consulting firm.*

The question surely must be: How deep a hole does PWC want to dig for itself because this now takes on an entirely different flavour?

Satyam is a US listed company. There are strict rules about what entities can audit public companies. Lovelock & Lewes would fail that test. By implication, PWC has failed that test.

Bring on the lawyers.

But still this firm is treated as being a key player within the world financial services system, and a provider of assurance of compliance with regulatory requirement.

When all along it is perfectly obvious that it is ethically bankrupt.

How long can this last before the whole edifice of auditing collapses? And what then for the operation of markets? I seriously hope these questions are being asked, because they need to be if another sort of crash, that right now seems inevitable, is to be avoided.