

भारत सरकार / Government of India
राष्ट्रीय वित्तीय रिपोर्टिंग प्राधिकरण /National Financial Reporting Authority

7th Floor, Hindustan Times House,
Kasturba Gandhi Marg, New Delhi

No. NF-21/1/2022/01

Date: 31.03.2023

ORDER

In the matter of CA Akash Goel, ICAI Membership No. 419186 under Section 132(4) of the Companies Act 2013 read with Rule 11(6) of National Financial Reporting Authority Rules 2018.

This Order disposes of the Show Cause Notice dated 20th October 2022, issued to CA Akash Goel, proprietor of M/s Akash Goel & Co., Chartered Accountants (ICAI Firm Registration No: 017422C), Kanpur, who is a Member of the Institute of Chartered Accountants of India and was the Engagement Partner (EP) for the statutory audit of eight branches of Dewan Housing Finance Limited Corporation (DHFL), a company listed on both National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE) for the Financial Year 2017-18. This Order is divided into the following sections:

- A. Executive Summary
- B. Introduction and Background for the Order
- C. Major Lapses
- D. Articles of Charges of Professional Misconduct
- E. Penalty and Sanctions

A. EXECUTIVE SUMMARY

1. Dewan Housing Finance Limited Corporation (DHFL), a housing finance company listed on both NSE and BSE), operating through a network of branches, was reportedly involved in financial fraud. NFRA took suo motu notice of the matter and carried out an Audit Quality Review (AQR) of the statutory audit of DHFL for FY 2017-18, conducted by Chaturvedi & Shah (CAS), a Mumbai-based Chartered Accountant Firm. During the review, it was also noticed that 33 Engagement Partners (EP) or branch auditors had signed the "Independent Branch Auditor's Report" for nearly 250 branches. CA Akash Goel was the Engagement Partner (EP) for the audit of eight branches of DHFL.
2. NFRA's investigations undertaken under section 132 (4) of the Companies Act revealed that CA Akash Goel had undertaken this branch audit without ascertaining the legal validity of his appointment. The investigations revealed that in accepting an invalid appointment CA Akash Goel also violated the provisions of the Chartered Accounts Act 1949, which require ensuring a valid appointment as per the Act.
3. In addition, CA Akash Goel also violated several Standards on Auditing (SA) that are required to be followed during the conduct of an audit of historical financial information and in providing an auditor's certificate. He did not comply with the principles and procedures laid down in the SAs including professional scepticism, audit documentation, sufficiency and appropriateness of audit evidence, audit planning, materiality, engagement risk, nature, timing and extent of evidence-gathering procedures and reporting. By committing these violations, CA Akash Goel was found guilty of professional misconduct within the meaning of section 132 (4) (c) of the Act.

4. Based on the nature of professional misconduct and other factors as detailed in this Order we impose a monetary penalty of ₹1,00,000/- (One Lakh) on CA Akash Goel and debar him for one year from being appointed as an auditor or internal auditor or from undertaking any audit in respect of financial statements or internal audit of the functions and activities of any company or body corporate.

B. INTRODUCTION AND BACKGROUND

5. Following media reports on the alleged siphoning of public money of around ₹31000 crore and the Enforcement Directorate's reported action in April 2020 on an alleged banking fraud of about ₹3700 crore by the promoter/ directors of Dewan Housing Finance Limited (DHFL), NFRA suo-moto initiated an Audit Quality Review (AQR) to probe into the role of the Statutory Auditors of DHFL for the FY 2017-18, the year in which the alleged fraud was primarily stated to have occurred. While examining the Audit Files of the statutory audit carried out by Chaturvedi & Shah (CAS), a Mumbai-based CA firm, certain violations were prima facie observed, that inter-alia related to the appointment of Branch Auditors and the conduct of branch audits of DHFL, which were relied upon by the statutory auditor CAS while giving the audit report of DHFL. Accordingly, NFRA called for the audit files from 33 Engagement Partners (EP), who signed the "Independent Branch Auditor's Report" for nearly 250 branches, to conduct investigations, under Section 132(4) of the Act, into any possible professional misconduct by the EPs. The investigations included CA Akash Goel, who was the EP for eight branches of DHFL at Dehradun, Haridwar, Varanasi, Haldwani, Yamuna Nagar, Allahabad, Moradabad and Bareilly.
6. The DHFL, listed on both NSE and BSE, was reportedly in the business of housing finance. It was required to prepare its Financial Statements for the Financial Year (FY) 2017-18 in accordance with Schedule III and other applicable provisions of the Companies Act 2013 and Accounting Standards (AS) notified under the Companies (Accounting Standards) Rules, 2006.
7. As per the Annual Report for FY 2017-18, the DHFL branch network had 187 branches, 20 Zonal/ Regional Office/Centralised Processing Units and 135 micro branches (service centres) through which it carried out its core operation of providing long-term Housing and Property Loans. The total amount of loans outstanding as of 31-03-2018 as per the Consolidated Financial Statements of the Company was ₹84,982 crore, which is 79% of the total balance sheet size. Apart from the loans, the branches also accounted inter alia for collections, fixed assets, operational expenses, fixed deposits and cash balances. Thus, the branch transactions and account balances, audited by the 'Statutory Branch Auditors', contributed significantly to the company's financial statements.
8. As part of NFRA's investigations, CA Akash Goel was asked to provide the Audit File vide NFRA letter dated 10.08.2022, giving 15 days' time. The audit firm submitted the Audit File along with other information in respect of eight branches for FY 2017-18 on 25.08.2022.
9. On examination of the Audit File, NFRA observed prima facie that the branch auditors were appointed by the company without following the due procedure prescribed in the Companies Act, 2013 (the Act) while the audit reports issued by the branch auditor give the false impression that the branch auditors was duly appointed under the Act thereby misleading the users of the financial statements. NFRA also observed that the audit had been conducted in disregard of the SAs and the Act. The EP issued an unsupported "Independent Branch Auditors' Report" on behalf of the Audit Firm that "... *The aforesaid Trial Balance, certificate on borrowers, etc. read with the explanatory information is a full and fair Trial Balance and other details of the Branch containing the necessary particulars and is drawn up so as to exhibit a true and fair view of the branch as at the 31st March, 2018*".

10. On being satisfied that sufficient cause existed to take action under sub-section (4) of section 132 of the Act, a Show Cause Notice (SCN hereafter) was issued to the EP, CA Akash Goel, on 20.10.2022, asking him to show cause why action should not be taken against him for professional misconduct in respect of his performance as the Engagement Partner on behalf of Akash Goel & Co., the “Statutory Auditor” of DHFL for the FY 2017-18.
11. The EP was charged with the following professional misconduct:
 - 1.1. Failure to ascertain from the Company whether the requirements of Sections 139 of the Act in respect of appointment as auditor had been duly complied with,
 - 1.2. Failure to exercise due diligence and being grossly negligent in the conduct of professional duties,
 - 1.3. Failure to obtain sufficient information necessary for the expression of an opinion, or its exceptions are sufficiently material to negate the expression of an opinion, and
 - 1.4. Failure to invite attention to material departure from the generally accepted procedures of audit applicable to the circumstances.
12. The EP was asked to submit his reply to SCN by 18.11.2022. On his request vide e-mail dated 17.11.2022, the EP was given an extension of time and he submitted his reply on 03.12.2022. An addendum to this reply was also submitted by EP via mail dated 21.12.2022 wherein some additional documents (including the previous year’s tax audit report, fixed assets register, working paper for checking the reimbursement voucher, and the trial balance of Allahabad branch) were submitted.
13. The EP availed of the opportunity for a personal hearing and attended the personal hearing on 14.02.2023 before the Executive Body. During the personal hearing, the EP reiterated his written submissions and categorically stated that he worked as Statutory Auditor for the eight branches mentioned above.

C. MAJOR LAPSES BY THE EP

14. We have perused all the material on record including the written and oral responses of the EP in response to the charges levelled against him. We discuss in the following paragraphs the charges against the EP under two broad heads viz., acceptance of audit assignment without complying with the statutory and other requirements and non-compliance with the Standards on Auditing (SAs).

I. Acceptance of audit appointment without complying with mandatory legal and ethical requirements and issuing audit report without a valid appointment as per the Act

15. It was observed that the appointment of the Audit Firm as “Statutory Auditor for the branches” of DHFL for FY 2017-18 was not done by the competent authority i.e., the shareholders. On examination of the Audit File, we observe that the EP did not verify compliance with section 139 of the Act regarding his appointment and accepted the invalid appointment letter that was issued by an “Authorised Signatory” without the approval of the Board and shareholders. Accordingly, both the appointment as “Statutory Auditor for the branches” and the “Independent Branch Auditors’ Report” issued by the EP were invalid. The Code of Ethics, 2009, applicable to the EP require him to ensure professional competence, due care, integrity and professional behaviour in discharging his duties, which were lacking, as evidenced by his acceptance of an audit engagement that was legally invalid. In doing so, the EP did not comply with Paras 14, 15 and 16 of SA 200¹.

¹ SA 200 - Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Standards on Auditing.

16. In response, the EP submitted that the “.....this is violation in the hand's of the company management and not the branch auditor because as per the companies act the company's management is responsible to appoint the Branch Auditor u/s 143 (8) read with sec 139 of the companies act in the annual general meeting.”. He admitted during the oral hearing that the requirements of both the Companies Act, 2013 and the Chartered Accountants Act, 1949 were not met but the fact cannot be changed now. The EP also submitted that the appointment letter defines the scope and objective, and he issued the report to CAS as required under section 143(8) of the Act.
17. The reply of the EP is not supported by any working paper evidencing compliance with Clause 9 of the First Schedule to the Chartered Accountants Act, 1949 (the CAs Act) and the Code of Ethics issued by ICAI. Under Section 22 of the CAs Act read with Clause (9) of Part I of the First Schedule to the said Act (the meaning of which is conceived in Section 132(4) as professional misconduct) a chartered accountant in practice shall be deemed to be guilty of professional misconduct if he accepts an appointment as auditor of a company without first ascertaining from it whether the requirements of Section 225 of the Companies Act, 1956 (equivalent Sections being Section 139 & 140 of Companies Act, 2013) in respect of such appointment have been duly complied with. The ICAI Code of Ethics, 2009 makes it clear that "*Under Clause (9) of Part I of the First Schedule to the Chartered Accountants Act, 1949, the incoming auditor has to ascertain whether the Company has complied with the provisions of the above sections. The word "ascertain" means "to find out for certain". This would mean that the incoming auditor should find out for certain as to whether the Company has complied with the provisions of Sections 224, 224A and 225 of the Companies Act. In this respect, it would not be sufficient for the incoming auditor to accept a certificate from the management of the Company that the provisions of the above sections have been complied with. It is necessary for the incoming auditor to verify the relevant records of the Company and ascertain as to whether the Company has, in fact, complied with the provisions of the above sections*".
18. As per Ministry of Corporate Affairs Circular No. 7/2014, dated 01-04-2014, the equivalent sections of the Companies Act 2013 for the above sections of the Companies Act 1956 are sections 139 and 140. As per Section 143 (8) of the Act, the appointment of statutory auditor is required to be made under Section 139 of the Act by the members in the annual general meeting. It is observed that the Resolution for Appointment of Auditor for the financial year 2017-18 passed at the 33rd Annual General Meeting of DHFL – held on 21-07-2017, read with the declaration of Voting Results of the resolution to ratify such appointment only refers to the appointment of CAS (Firm Registration No: 101720W), as the Statutory Auditors of the Company to audit the accounts of all the Company's offices including those of its zonal/ regional and branch offices for the financial year 2017-18. No other branch statutory auditors were appointed or ratified by the Company in the said meeting. Therefore, in the absence of a valid appointment order, EP's acceptance vide letter dated 09.09.2017 of the appointment as statutory auditor of the branches and issuance of the "Independent Branch Auditor's Report" for the eight Branches of DHFL, including the report required under CARO 2006 describing the engagement as Branch Statutory Audit shows the absence of professional skepticism and lack of due diligence on his part.
19. The EP's position, (shifting the onus on the Company), cannot be accepted as the EP was required to exercise due diligence under the SA 200 and adhere to the specific provisions of the CAs Act under Section 22 read with Clause 9 of the First Schedule. The non-compliance is thus professional misconduct in terms of section 132(4)(c) of the Companies Act 2013. The said lack of due diligence and gross negligence in accepting an invalid appointment is also professional misconduct as per the Chartered Accountants Act, 1949, the meaning of which is conceived in Section 132(4)(c) of the Companies Act 2013.

II. Failure to comply with Standards on Auditing (SAs)

20. We now proceed to deal with the violations of SAs on the part of the EP.
21. Notwithstanding our finding in part I above, where we have pointed out that the appointment of CA Akash Goel was not as per the provisions of the Law, we now discuss the non-compliance by CA Akash Goel with the SAs. We observe from the various communications between the Company, the Branch Auditor and the Statutory Auditor that the whole Branch Audit engagement was performed by the Branch Auditors as per the scope of work provided by the company in consultation with the Statutory Auditors. The scope describes the engagement as a branch statutory audit under the Act. The Branch Auditors accepted the "Statutory Branch Audit" assigned by the Company and issued the "Independent Branch Auditors' Report" stating in the audit report that it was conducted in accordance with the SAs under the Act. **Since these branch audit reports are clearly referred to by Company's Statutory Auditor (CAS) in its report to the members of the Company, we examine here the extent of compliance with the applicable SAs by the Branch Auditor notwithstanding the violation of ethical standards, the Chartered Accountants Act and the invalid appointment of the Branch Auditor.** The principles and procedures laid down in the SAs including professional skepticism, audit documentation, sufficiency and appropriateness of audit evidence, audit planning, materiality, engagement risk, nature, timing and extent of evidence-gathering procedures and reporting are all applicable in the branch audit as well, being an audit of historical financial information. Accordingly, the EP was charged in the SCN with the following.

Non-Compliance with SA 210 "Agreeing the Terms of Audit Engagements"

22. The EP was charged with non-compliance with SA 210² and the absence of professional scepticism and professional judgment in understanding the objective and scope of the audit, thereby violating SA 200³. SA 210⁴ stipulates that the auditor shall agree to the terms of the audit engagement with management or Those Charged With Governance (TCWG) and that subject to paragraph 11 of the SA, the agreed terms of the audit engagement shall be recorded in an audit engagement letter or other suitable forms of a written agreement and shall include (a) the objective and scope of the audit of the financial statements; (b) the responsibilities of the auditor; (c) the responsibilities of management; (d) identification of the applicable financial reporting framework for the preparation of the financial statements; and (e) reference to the expected form and content of any reports to be issued by the auditor and a statement that there may be circumstances in which a report may differ from its expected form and content.
23. Responding to the charges, the EP stated that *"in appointment letter in itself I was given the objective & scope of audit, responsibility, Reporting format and all. As appointment letter was having all the detail required as per the SA 210 so there was no point of doing any further communication for that therefore we had issued the acceptance letter and there is no violation of SA 210 & SA 200."*
24. The contention of EP is not acceptable, since the appointment letter acknowledged by the Audit Firm did not contain all the details required by Para 9, 10 and 11 of SA 210. It was deficient in

² SA 210, Agreeing the Terms of Audit Engagements

³ Para 15 and 16 of SA 200, Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Standards on Auditing.

⁴ Para 9, 10 and 11 of SA 210

terms of the objective of the audit, the responsibilities of the auditor and the management and the applicable financial reporting framework⁵. Such an audit engagement letter (as prescribed by SA 210) was not found to have been issued by the EP. The EP's response above shows his flawed understanding of the scope of the audit.

25. We conclude that EP's negligence of the provisions of SA 210 has resulted in accepting an illegal and invalid appointment and issuing a report that is not appropriate to the situation. Thus, apart from the non-compliance with SA 210, this shows absence of professional scepticism and professional judgment in understanding the objective and scope of the audit, thereby violating SA 200 also. Therefore, charges in para 22 above stand proven.

Non-Compliance with SA 230 "Audit Documentation"

26. The EP was charged with non-compliance with SA 230⁶. EP's audit documentation does not give evidence of the nature, timing and extent of audit procedures performed, results of those audit procedures and conclusions reached during the audit as required by SA 230. In terms of SA 230, the objective of the auditor is to prepare documentation that provides a sufficient and appropriate record of the basis for the auditor's report; and evidence that the audit was planned and performed in accordance with SAs and applicable legal and regulatory requirements. In the absence of the required documentation, the audit report EP issued to CAS was without adequate basis and was in violation of SAs.
27. Responding to the charges, the EP denied all the charges and submits that all the required procedures were duly done. He states that "*.....We had pre-defined scope of audit & we had performed the audit as per the scope.....*" and that "*it is not practically possible for auditor to make copies of all files and keep in record for proving its innocence. So, had gone through all the data physically & on the basis of that we had drafted our opinion & given the report and we take full responsibility of that report that we had not done anything in good faith & had done [sic] the audit with professional knowledge & judgement and also reported where we had not received the documents for checking so there is no violation of SA 230 Also.*"
28. The reply of the EP is not acceptable since there is no evidence in the Audit File to indicate that the EP had performed audit procedures and documented the conclusion, nature, timing and extent of the procedures performed, as detailed below.
29. As explained by SA 230, the nature and purposes of audit documentation are to provide evidence of the auditor's basis for a conclusion about the achievement of the overall objectives of the auditor; and evidence that the audit was planned and performed in accordance with SAs and applicable legal and regulatory requirements. SA 230 lists "enabling the conduct of quality control reviews and inspections in accordance with SQC 1; and enabling the conduct of external inspections in accordance with applicable legal, regulatory or other requirements" among the additional purposes that are served by the audit documentation. Para 7 of SA 230 emphasises the "Timely Preparation of Audit Documentation" i.e. in a manner contemporaneous with the events that are being sought to be documented.
30. Apart from SA 230, there are other SAs that also require the documentation of events, data, evidence, opinions and conclusions. SA 230 makes it very clear that reliance can be placed only on the audit file as evidence of what was done. Para A5 of SA 230 makes explicit that: "Oral explanations by the auditor, on their own, do not represent adequate support for the work auditor

⁵ The sample engagement letter provided in appendix I of SA 210 may be referred.

⁶ SA 230 – Audit Documentation

performed or conclusions the auditor reached, but may be used to explain or clarify information contained in the audit documentation”. Para 14 mandates that the auditor shall assemble the audit documentation in an audit file and complete the administrative process of assembling the final audit file on a timely basis after the date of the auditor’s report.

31. SA 230 requires that the auditor shall prepare audit documentation that is sufficient to enable an experienced auditor, having no previous connection with the audit, to understand (a) The nature, timing, and extent of the audit procedures performed to comply with the SAs and applicable legal and regulatory requirements, (b) The results of the audit procedures performed, and the audit evidence obtained, and (c) Significant matters arising during the audit, the conclusions reached thereon, and significant professional judgments made in reaching those conclusions.
32. SA 230 further requires that in documenting the nature, timing and extent of audit procedures performed, the auditor shall record (a) The identifying characteristics of the specific items or matters tested; (b) Who performed the audit work and the date such work was completed; and (c) Who reviewed the audit work performed and the date and extent of such review. Thus, the burden of proof requiring compliance with a mandatory requirement of an SA lies with the auditor.
33. The Audit File does not contain the basic documentation such as:
 - a. Understanding the branch operations, internal controls and responsibilities at various levels in the branch (refer to SA 315⁷)
 - b. Audit plan made after understanding the branch operations in accordance with SA 300
 - c. Determination of materiality levels (refer to SA 320⁸)
 - d. Understanding of the IT system controls (refer to SA 315)
 - e. Summary of the accounting policies, observations from previous audits, inspection reports, and internal audit reports (refer to SA 315)
 - f. List of documents verified and minutes of meeting with the management (substantive audit procedures).
 - g. Proof of verification of trial balance items, including assets (substantive audit procedures)
 - h. Procedures adopted to verify the loans sanctioned during the year and classification of loans as per regulatory norms (substantive audit procedures)
 - i. KYC verification, anti-money laundering verification, security verification (substantive audit procedures).
34. The lack of sufficient documentation in an audit is not a mere technical and procedural formality but is a serious issue which strikes at the very root of the audit and may defeat the very purpose of the audit itself. Lack of sufficient documentation has been viewed seriously by national and international regulators as well. For example, in the matter of Bharat Parikh & Associates Chartered Accountants, dated 19-03-2019, the US audit regulator PCAOB took a serious view on the lack of sufficient documentation and imposed penalties and sanctions for violations including insufficient documentation. The PCAOB Order states “*Audit documentation must contain sufficient information to enable an experienced auditor, having no previous connection with the engagement to (a) understand the nature, timing, extent, and results of the procedures performed, evidence obtained, and conclusions reached, and (b) determine who performed the work and the date such work was completed as well as the person who reviewed the work and the date of such review.....the documentation for each of those audits was insufficient to demonstrate the nature,*

⁷ SA 315, Identifying and Assessing the Risks of Material Misstatement Through Understanding the Entity and its Environment

⁸ Sa 320, Materiality in Planning and Performing an Audit

timing, extent, and results of the procedures performed, evidence obtained, and conclusions reached, including in those areas of the audits involving significant risks. For the FY 2016 and 2017 Issuer A audits, the documentation also failed to demonstrate who performed the work and the date such work was completed. Additionally, in each of the Issuer A and Issuer B audits, the audit documentation was insufficient to demonstrate which aspects of the audit and which audit documentation Bharat Parikh reviewed'

35. In the absence of such proof documented in the audit file, the inevitable conclusion is that the requirements of the SAs are not met. The above facts are evidence that the EP did not follow the requirements of SA 230 and the audit documentation does not give evidence of the nature, timing and extent of audit procedures performed, results of those audit procedures and conclusions reached during the audit. Hence the charges in para 26 regarding non-compliance with SA 230 stand established.

Non-Compliance with SA 700, "Forming an Opinion and Reporting on Financial Statements"

36. The EP was charged with non-compliance with SA 700. As per SA 700⁹ in order to form an opinion, the auditor shall conclude as to whether the auditor has obtained reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Such a conclusion shall take into account, inter alia, whether sufficient appropriate audit evidence has been obtained and whether uncorrected misstatements are material, individually or in aggregate. In the Annexures to the audit report, the EP has, at several places, noted that for a large number of loan files reviewed, either required documents were not obtained or loans disbursed were not as per the loan policy of Company/ National Housing Bank or EP did not have access to the required information. Since the unmodified opinion expressed by the EP is not supported by evidence, the EP was charged that he did not comply with SA 700¹⁰.
37. The EP denied the charges and stated that EP had not received the files even after prior intimation; that EP's responsibility was to express an opinion and EP could not do more if the management decided not to give the files. In response to further questions during the oral hearing of the EP, the EP stated that he had considered the impact of missing information, which was material, while forming his audit opinion and had reported it in the annexure to the audit report.
38. The contention of the EP that he has complied with SA 700 is not acceptable since the audit opinion issued by the EP ambiguously states that the "Trail Balance and other details of the branch ... exhibit a true and fair view". This is despite the fact that, by his own admission, he did not receive around 50% of the material requisitioned for audit. As per the SAs, the EP is required to evaluate the effect of the misstatements and decide to appropriately modify his opinion. However, despite noting several misstatements and the absence of required information and admitting that these were material, the EP issued an unmodified opinion without complying with the requirements of SA 700. In the absence of any documented conclusions, determination of materiality and assessment of the risk of misstatements and the test of controls and based on the contradictory evidence available, we conclude that the unmodified opinion issued by EP is without any valid basis and therefore the EP did not comply with the provisions of SA 700. The Charges in para 36 stand established.
39. We also note that such lapses relating to the verification of documents during the audit are viewed seriously by audit regulators. A Chartered Accountant, in the audit of a Bank branch, did not verify

⁹ Para 10 to 12 of SA 700, Forming an Opinion and Reporting on Financial Statements

¹⁰ Para 11 of SA 700

the securities for debts and was held guilty of professional misconduct of absence of due diligence and gross negligence. (A.N.Kapur -vs.- R.N. Budhiraja; Page- 374 of Vol. IX (1) of the Disciplinary Cases- ICAI Council's decision dated 11th and 12th April 2008).

Non-Compliance with other SAs

40. The EP was charged with non-compliance with the following provisions of SAs:
- a. para 6, 7, 8, 9 & 10 of SA 300¹¹ as the EP failed in establishing an overall audit strategy and development of audit plan etc. in accordance with SA 300.
 - b. para 5, 6 & 11 of SA 315 and para 1, 5 & 6 of SA 330¹² as the audit file lacks any documentation regarding the performance of risk assessment procedures for material misstatements at the financial statement level and assertion level and response to such risks etc.
 - c. para 10, 11 & 14 of SA 320 for determining materiality, performance materiality and documentation thereof.
 - d. para 5, 6, 8, 14 & 15 of SA 450¹³ absent the evaluation of identified misstatements and uncorrected misstatements.
 - e. para 6 & 9 of SA 500¹⁴ in not designing and performing audit procedures to obtain sufficient appropriate audit evidence and not evaluate the reliability of information produced by the company.
 - f. para 5, 6 and 8 of SA 510¹⁵ relating to the performance of necessary audit procedures and obtaining sufficient and appropriate audit evidence to ascertain the accuracy of Opening Balances and the accounting policies reflected in the Opening Balances.
 - g. para 6 of SA 520¹⁶ relating to design and performance of analytical procedures.
 - h. para 4, 6, 7, 8 & 9 of SA 530¹⁷ relating to the determination of sample design, sample size and required audit procedures.
 - i. para 8, 9 & 10 of SA 580¹⁸ regarding obtaining written representations from the management about their responsibilities.
41. The EP denied these charges stating that *the reply of these are also covered in the above reply of the various SA's.* –
42. For the reasons stated in Para 28 to 34 above, the reply of the EP is not acceptable and the charges in para 38 stand proven.

D. ARTICLES OF CHARGES OF PROFESSIONAL MISCONDUCT BY THE EP

¹¹ SA 300, planning an Audit of Financial Statements.

¹² SA 330, The Auditor's Responses to Assessed Risks

¹³ SA 450, Evaluation of Misstatements Identified during the Audit

¹⁴ SA 500, Audit Evidence

¹⁵ SA 510, Initial Audit Engagements – Opening Balances

¹⁶ SA 520, Analytical Procedures

¹⁷ SA 530, Audit Sampling

¹⁸ SA 580, Written Representations

43. Given the above-mentioned actions and omissions, it is established that CA Akash Goel did not comply with the stipulations in the Chartered Accountants Act, 1949 regarding the acceptance of the statutory audit engagement and showed gross negligence and lack of due diligence while accepting an invalid appointment as auditor. Notwithstanding this illegality, the consequential lack of due diligence and display of gross negligence by EP Akash Goel has resulted in poor audit quality. The EP was grossly negligent in professional duties by not adhering to the requirements laid down by the relevant SAs. This has led to the issuance of an audit report not backed by valid audit evidence and the absence of quality in the audit work. Specifically, the following failures on the part of EP Akash Goel as contained under the Articles of Charges in the SCN are established.
- a) Failure to ascertain from the Company whether the requirements of Sections 139 of the Act in respect of such appointment have been duly complied with, as explained and proved in part C-I above. (As per Section 22 and Clause 9 of Part I of the First Schedule to the CAs Act),
 - b) Failure to exercise due diligence and being grossly negligent in the conduct of professional duties, because of the lapses and omissions as explained and proved in parts C-I and C-II above. (As per Section 22 and Clause 7 of Part I of the Second Schedule to the CAs Act),
 - c) Failure to obtain sufficient information which is necessary for the expression of an opinion or its exceptions are sufficiently material to negate the expression of an opinion, because of the lapses and omissions as explained and proved in part C-II above. (As per Section 22 and Clause 8 of Part I of the Second Schedule to the CAs Act), and
 - d) Failure to invite attention to material departure from the generally accepted procedures of audit applicable to the circumstances, because he certified in his report that the audit is done as per SAs mandated under section 143 of the Act and committed the lapses and omissions as explained and proved in part C-II above. (As per Section 22 and Clause 9 of Part I of the Second Schedule to the CAs Act).

Thus, EP Akash Goel committed professional misconduct, as defined in the respective clauses of the CAs Act, the meaning of which is conceived under Section 132 (4) of the Companies Act as amounting to professional misconduct.

E. PENALTY AND SANCTIONS

44. Section 132(4) of the Companies Act, 2013 provides for penalties in a case where professional misconduct is proved. The law lays down a minimum punishment for such misconduct.
45. The information contained in the Financial Statement, in this case, includes material information from the Branches of the Company, where a substantive part of the lending activities was carried out.
46. A Branch Auditor is duty-bound to examine and ascertain the integrity of the underlying information forming Financial Statements of such entities¹⁹ in the larger public interest.
47. The EP in the present case was required to ensure compliance with SAs to achieve the necessary audit quality and lend credibility to the reports he issued to facilitate the Company's Auditor to issue their report on the Financial Statements. As detailed in the foregoing paragraphs, there were deficiencies in the Audit and abdication of responsibility on the part of CA Akash Goel right from the acceptance of the Audit without due diligence in ascertaining the validity of the offer, to the actual conduct of the audit, which establishes his gross negligence resulting in professional misconduct. We also conclude that despite being a qualified professional, CA Akash Goel has not

¹⁹ As defined in Rule 3 of NFRA Rules 2018

- adhered to the Standards on Auditing. On the contrary, he has tried to cover up the shortcomings by resorting to arguments not supported by evidence.
48. As demonstrated by the discussions above, there are gaps in his understanding of SAs that need to be addressed. To enhance his skills as an auditor capable of carrying out the auditing of public interest entities, CA Akash Goel would benefit from further training in the area of SAs. Therefore, we recommend that CA Akash Goel undertake relevant training on SAs to improve his proficiency in this area. By doing so, he will be better equipped to provide high-quality audit services to his clients and fulfil his responsibilities as a professional auditor.
49. Considering the fact that professional misconducts have been proved and considering the nature of violations and principles of proportionality and keeping in mind the deterrence, proportionality, signalling value of the sanctions and time required for improvement in knowledge gaps we, in the exercise of powers under Section 132(4)(c) of the Companies Act, 2013, proceed to order the following sanctions:
- Imposition of a monetary penalty of ₹ 100,000 (One Lakh) upon CA Akash Goel;
 - CA Akash Goel is debarred for **one year** from being appointed as an auditor or internal auditor or from undertaking any audit in respect of financial statements or internal audit of the functions and activities of any company or body corporate.
50. This order will become effective after 30 days from the date of issue of this order.

Signed
(Dr Ajay Bhushan Prasad Pandey)
Chairperson


Signed
(Dr Praveen Kumar Tiwari)
Full-Time Member

Signed
(Smita Jhingran)
Full-Time Member

Authorised for issue by the National Financial Reporting Authority,

Date: 31.03.2023
Place: New Delhi

To,
CA Akash Goel,


(Vidhu Sood)
Secretary

सचिव / Secretary
राष्ट्रीय वित्तीय रिपोर्टिंग प्राधिकरण
National Financial Reporting Authority
नई दिल्ली / New Delhi

ICAI Membership No - 419186,
Akash Goel & Co.,
Chartered Accountants,
ICAI Firm Registration Number: 017422C
127/314A, W-1,
Saket Nagar, Kanpur-208014
Email: ca.goelakash@gmail.com

Copy To: -

- (i) Secretary, Ministry of Corporate Affairs, Government of India, New Delhi.
- (ii) Securities and Exchange Board of India, Mumbai.
- (iii) The Compliance Officer, DHFL
- (iv) Secretary, Institute of Chartered Accountants of India, New Delhi.
- (v) IT-Team, NFRA for uploading the order on the website of NFRA.