भारत सरकार / **Government of India**

राष्ट्रीय वित्तीय रिपोर्टिंग प्राधिकरण /**National Financial Reporting Authority**

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

Order No. 003/2024 Date: 08.01.2024

ORDER

In the matter of CA Pankaj Kumar under Section 132(4) of the Companies Act 2013 read with Rule 11(6) of National Financial Reporting Authority Rules 2018

1. This Order disposes of the Show Cause Notice ('SCN' hereafter) No. NF-20012/2/2022/3 dated 16 June 2023, issued to CA Pankaj Kumar (ICAI Membership No. 091822), partner of M/s SVP & Associates (ICAI Firm Registration No. 003838N), who is a member of the Institute of Chartered Accountants of India ('ICAI' hereafter) and was the Engagement Partner ('EP' hereafter) for the statutory audit of SRS Real Infrastructure Limited (CIN: L65910HR1990PLC040431) (the Company/SRSRIL), for the Financial Year ('FY' hereafter) 2017-18.

2. This Order is divided into the following sections:

   A. Executive Summary

   B. Introduction & Background

   C. Lapses in the Audit

   D. Articles of Charges of Professional Misconduct by the Auditor

   E. Penalty & Sanctions

A. Executive Summary

3. National Financial Reporting Authority (NFRA) is India's independent regulator, in respect of matters relating to accounting and auditing, of prescribed classes[1] of entities broadly described as 'Public Interest Entities' (PIEs).

4. NFRA initiated action under section 132 (4) of Companies Act 2013 ('CA-2013' or 'Act' hereafter) against the Auditors of SRS Real Infrastructure Limited for professional or other misconduct in relation to statutory audit for FY 2017-18, pursuant to information received from Serious Fraud Investigation Office ('SFIO hereafter') indicating suspicious transactions in the Company and the group.

5. M/s SVP & Associates (ICAI Firm registration no. 003838N) was the statutory auditor of SRSRIL and CA Pankaj Kumar was the Engagement Partner (EP) for this statutory audit for the FY 2017-18. Accordingly, NFRA initiated proceedings under Section 132 of the Companies Act for necessary action against the EP, CA Pankaj Kumar.

6. This Order finds that the EP failed to meet the relevant requirements of the Standards on Auditing ('SA' hereafter) in respect of several significant areas, reflecting a serious lack

[1] Rule 3 of NFRA Rules, 2018

of professional competence to perform audit of a Public Interest Entity (PIE). These include:

a. The EP failed to demonstrate sufficiency and appropriateness of audit work in virtually every aspect of the audit of the Financial Statements i.e., audit planning, determining materiality, evaluation of the going concern assumption, assessment of Risk of Material Misstatement and evaluating the audit results (**Para C.3**).
b. The EP failed to perform the substantive and analytical procedures to verify the revenue of ₹ 29.16 crore related to the real estate segment and also failed to evaluate the risk of fraud in revenue recognition in accordance with the requirements of SA 240[2] (**Para C.2**).
c. The EP failed to analyse the going concern assumption (**Para C.1**) despite the fact that SRSRIL had continuing and increasing losses; negative operating cash flows amounting to ₹60.95 crore in the FY 2017-18; default in repayments of cash credit facilities and term loans from banks amounting to ₹ 132.85 crore and ₹ 127.72 crore respectively as on 31.03.2018; and had uncertainties relating to recoverability of trade receivables amounting to ₹ 240.43 crore (31.76% of total assets).
d. The EP also failed to perform physical verification or alternative audit procedure to determine the existence and condition of inventory amounting to ₹ 102.69 crores (13.56 % of total assets) in accordance with the requirements of SA 501 and also failed to modify his opinion with respect to inventory in the audit report for the FY 2017-18 in accordance with the requirements of SA 705 (**Para C.4**).
e. The EP failed to demonstrate compliance with the requirements of SA 700[3] and SA 705[4] as he gave a Qualified Opinion despite the fact that he was unable to comment upon more than 50% of the total assets of the company which warranted expression of a Disclaimer of Opinion instead of a Qualified Opinion (**Para C.5**).
f. The EP failed to demonstrate compliance with the requirement of the Standards on Auditing concerning the EQC Reviewer (**Para C.6**). Similarly, the EP failed to: determine materiality (**Para C.7**); plan the audit of Financial Statements (**Para C.8**); communicate with Those Charged with Governance (TCWG) (**Para C.9 and C.10**); and failed to identify and assess the risks of material misstatement through understanding the entity and its environment (**Para C.11**).

7. The submissions made by the EP in his reply dated 07.09.2023 to the SCN that the Financial Statements including the Audit Report for the FY 2017-18 were not adopted in the Annual General Meeting and therefore no public interest was harmed, does not absolve the EP of his professional duties as a statutory auditor of a listed entity.

8. Based on the proceedings under Section 132 (4) of the Companies Act and after giving the EP adequate opportunity to present his case, we find the EP guilty of professional misconduct. Accordingly, this Order imposes upon CA Pankaj Kumar a monetary penalty of ₹ 3,00,000 (Rupees Three Lakhs) and CA Pankaj Kumar is also debarred for 3 (Three) years 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. This Order shall run concurrently with

[2] Para 26 and Para 47 of SA 240: The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statement
[3] SA 700: Forming An Opinion and Reporting on Financial Statements
[4] SA 705: Modifications to the Opinion in the Independent Auditor's Report

Penalty Order dated 21.04.2023 issued against CA Pankaj Kumar in the case of SRS Ltd. for FY 2017-18.

B. Introduction & Background

9. The National Financial Reporting Authority is a statutory authority set up under section 132 of the Companies Act 2013 to monitor implementation and enforce compliance of the auditing and accounting standards and to oversee the quality of service of the professions associated with ensuring compliance with such standards.

10. The statutory auditors, both individuals and firms, are appointed by the members of companies under Section 139 of the Companies Act. The statutory auditors, including the Engagement Partners (EP), the Engagement team and Review Partners that conduct the audit are bound by the duties and responsibilities prescribed in the Act, the rules made thereunder, the standards on auditing (SA), including the standards on quality control and the Code of Ethics, the violation of which constitutes professional misconduct, and is punishable with penalty prescribed under Section 132(4) of the Act.

11. Ministry of Corporate Affairs (MCA) in exercise of its power under Section 212(1)(a) of the Companies Act 2013, assigned the investigation into the affairs of M/s SRS and its Group Companies to Serious Fraud Investigation Office (SFIO) vide order dated 01.08.2018.

12. SRS Real Infrastructure Ltd, formerly known as Manu Leasing Limited, is one of the companies within the SRS Group and was incorporated on June 26, 1990. SRS Real Infrastructure Ltd was a public company listed on the Bombay Stock Exchange ('BSE' hereafter) and therefore, falls under NFRA's domain[5]. The company was engaged in Real Estate, Trading and Manufacturing of construction material. SRSRIL was required to prepare its Financial Statements ('FS' hereafter) for the FY 2017-18 in accordance with Indian Accounting Standards ('Ind AS' hereafter), as notified by Ministry of Corporate Affairs.

13. The investigation of SFIO revealed that the Company and its group companies had presented falsified Financial Statements containing falsified statement of debtors, adopted the malpractice of round tripping and layering of transactions that resulted in inflated purchases and sales. The investigation revealed inter alia siphoning of funds of ₹ 671.48 crore and diversion of funds of ₹ 645.86 crore in the Company and its group companies. SFIO accused the auditors of the Company and its group companies under Section 143[6], 147[7], and 448[8] of the Companies Act, 2013

14. MCA vide its letter dated 10.06.2021, directed SFIO to share the investigation report with the NFRA. SFIO vide its letter SFIO/ INV/SRS/999/2018-19/I/22807(7) dated 31.08.2021 shared the investigation report with NFRA for necessary action against the statutory auditors of the Company and the group.

15. Pursuant to the same, NFRA considered the case under Section 132(4) of the Companies Act, 2013 to assess whether any professional misconduct was committed by CA Pankaj Kumar, in his role as the Engagement Partner (EP) in the Statutory Audit of SRS Real Infrastructure Ltd for the FY 2017-18

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[5] Vide Rule 3(1)(a) of National Financial Reporting Authority Rules, 2018.
[6] Section 143: Powers and duties of auditors and auditing standards
[7] Section 147: Punishment for contravention of section 139 to 146
[8] Section 448: Punishment for false statement

16. The Audit Files for FY 2017-18 were called from the Auditor vide letter dated 18.07.2022. Vide letter dated 16.08.22, the Auditor requested NFRA to grant extension of four weeks for submitting the Audit File. The Auditor was granted an extension up to 31.08.2022, vide NFRA email dated 17.08.22. The Auditor submitted the Audit File on 31.08.22.

17. On examination of the Audit File and other relevant material available on record, and on being satisfied that sufficient cause existed to take action under sub-section (4) of section 132 of the Companies Act, a Show Cause Notice (SCN hereafter) was issued to CA Pankaj Kumar on 16.06.2023 asking him to show cause why action should not be taken against him for professional misconduct in respect of his performance as EP on behalf of M/s SVP & Associates, the Statutory Auditor of SRSRIL for the FY 2017-18. The EP was charged with professional misconduct of:

    a. Failure to exercise due diligence and being grossly negligent in the conduct of professional duties,
    b. Failure to obtain sufficient information which is necessary for expression of an opinion, or its exceptions are sufficiently material to negate the expression of an opinion), and
    c. Failure to invite attention to material departure from the generally accepted procedures of audit applicable to the circumstances.

18. Vide email dated 18.07.2023, the EP requested to extend the time for replying till end of August 2023 citing reasons like administrative problems post his resignation from SVP & Associates, cases in NCLAT, health issues etc. He was granted extension till 07.08.2023. Vide email dated 08.08.2023, the EP again requested to extend the time till the end week of August 2023 stating that he did not receive the NFRA email due to change in his email id. The last date for submission of the reply to the SCN was again extended up to 30.08.2023. The EP once again vide email dated 30.08.2023 requested to extend the time till 06.09.2023 stating that he and his legal counsel were busy in preparation of rejoinder before the NCLAT. He was again granted an extension till 06.09.2023. The EP finally submitted the reply vide his email dated 07.09.2023 and refuted all the charges.

19. In his reply dated 07.09.2023, the EP stated that Financial Statements including the Audit Report for the FY 2017-18 were neither adopted in the Annual General Meeting (AGM) nor filed with the Registrar of Companies (RoC) under the Act or with any other authority or body established under law and had no impact on the public or any stakeholder; and therefore, the proceedings under Section 132(4) against him were not in accordance with the law. In the personal hearing held on 08.12.2023, the counsel of the EP, Advocate Gautam Jain reiterated the same.

20. We find the submission made by the EP as erroneous. CA Pankaj Kumar, duly appointed as the statutory auditor by the shareholders in the AGM, conducted the statutory audit of the company for the FY 2017-18 and signed the audit report along with the Financial Statements on 30.03.2019 expressing an audit opinion on the Financial Statements of the company. The Financial Statements were also signed by two directors on behalf of the board of the company along with the company secretary and the chief financial officer of the company. The EP also received a professional fee of Rupees [redacted] for the statutory audit of the company for the FY 2017-18. We, therefore, hold that his

accountability in terms of requirements to comply with the professional standards and the law has no connection with AGM or filing with the ROC.

21. Further, in his reply dated 07.09.2023, the EP also stated that the copies of MCA letter dated 10.6.2021 and the SFIO investigation report were not shared by NFRA with the EP which makes the SCN invalid and unlawful. In the personal hearing held on 08.12.2023, the counsel of the EP, Advocate Gautam Jain reiterated the same. NFRA has relied only on the Audit File submitted by the EP and has framed charges after perusal of the Audit File, so the plea that the report of the SFIO was not shared, does not hold ground.

22. Vide email dated 22.09.2023, the EP was provided an opportunity of personal hearing along with his legal counsel to be held at NFRA on 05.10.2023. The EP did not respond to the email. Again, vide e-mail dated 27.09.2023, and telephonic reminder on 27.09.2023, the EP was reminded of the personal hearing to be held on 05.10.2023. The EP, vide his e-mail dated 04.05.2023, requested to grant an extension of time till first week of November. Vide e-mail dated 06.10.2023, NFRA granted extension to the EP and the personal hearing was rescheduled for 13.10.2023. Again, vide his e-mail dated 09.10.2023, the EP requested for extending the personal hearing, citing the non-availability of his legal counsel. As a last opportunity, vide email dated 17.10.2023, the EP was granted extension, and the personal hearing was rescheduled for 28.11.2023. Vide his email dated 30.10.2023, the EP confirmed to appear before NFRA in the personal hearing to be held on 28.11.2023 through his legal counsel and also submitted the Vakalatnama and details of his legal counsels (Advocate Gautam Jain and Advocate Piyush Kumar Kamal). On 28.11.2023, one of the legal counsels of the EP, Advocate Piyush Kumar Kamal again submitted in writing requesting extension for personal hearing citing reason of ill health of Advocate Gautam Jain. It appeared that the EP was deliberately delaying the proceedings on some pretext or the other as he has sought three extensions for submitting his reply to the SCN and three extensions for the personal hearing. While multiple opportunities, had been given to the EP, it appeared that the EP was procrastinating the disposal of the SCN. However, NFRA, in the interest of natural justice, once again granted extension to the EP for a personal hearing that was rescheduled for 08.12.2023. The EP, assisted by his legal counsels' Advocate Gautam Jain and Advocate Piyush Kumar Kamal appeared for the personal hearing held at NFRA on 08.12.2023.

23. We have perused all the material on record including the written responses of the EP. The major lapses include non-assessment of going concern basis, non-evaluation / verification of inventory and the revenue recognized, insufficient audit documentation, inappropriate audit opinion, non-determination of materiality, non-appointment of EQC Reviewer, improper planning of audit, lack of proper communication with TCWG and non-assessment of the risks of material misstatement. These have been discussed in Part 'C' of this Order.

C. Lapses in the Audit

C.1 Failure to evaluate the management's assessment of the entity's ability to continue as a Going Concern

24. The EP was charged with noncompliance with SA 570[9] which deals with auditor's responsibilities in the audit of Financial Statements relating to 'Going Concern'.

25. During the FY 2017-18, there were many indicators in the operational and financial area of SRSRIL that required the EP to evaluate management's assessment of the entity's ability to continue as a going concern such as follows:

    i. Defaults in repayments of cash credit facilities and term loans from banks amounting to ₹ 132.85 crores and ₹ 127.72 crores respectively as on 31.03.2018. [10]

    ii. Uncertainties relating to recoverability of trade receivable amounting to ₹ 240.43 crores (31.76% of total assets) in respect of projects which were suspended or substantially closed and where the claims were under negotiations/arbitration/litigation[11].

    iii. Non evaluation of impairment requirement by the company for the Investments in subsidiaries and associates amounting to ₹ 156.75 crores (20.71% of total assets) as on 31.3.2018[12].

    iv. Continuing and increasing losses to the company (₹ 2.19 crore in FY 2015-16, ₹ 3.29 crores in FY 2016-17 and ₹ 91.58 crores in FY 2017-18)[13].

    v. Negative operating cash flows amounting to ₹60.95 crores in the FY 2017-18[14].

    vi. Long delays in the completion of many projects of the company like "SRS Residency" situated at Panchkula, Haryana resulting in default by the company with respect to the advance money paid by the home buyers[15].

    vii. Weak internal financial controls for trade debtors, physical verification of fixed assets and inventories, purchases and sales, sale of property, plant and equipment[16].

26. It was observed that despite the presence of significant indicators raising questions about the going concern assumption in preparation of Financial Statements for the FY 2017-18, no evidence was found of the management's assessment of the entity's ability to continue as a going concern; nor was any evaluation conducted by the EP of such assumption as required by Para 12 read with Para A7 and A9 of SA 570.

27. In response to the SCN, the EP replied that the going concern assessment was not required because:

    a) As per SA 570, the auditor is required to assess the going concern for a period of next 12 months. In other words, for the audit of FY 2017-18, the applicable period shall

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[9] SA 570: Going Concern
[10] Para 4(o) of Audit Report for the FY 2017-18
[11] Note 11 of Standalone Financial Statements and Para 4(b) of Audit Report for the FY 2017-18
[12] Note 7 of Standalone Financial Statements and Para 4(a) of Audit Report for the FY 2017-18
[13] Profit & Loss statement for the FY2015-16, 2016-17 and 2017-18
[14] Cash Flow Statement for the FY 2017-18
[15] NCLT order CP (IB) No.266/Chd/Hry/2020 dated 16.08.2022
[16] Report on Internal Financial Controls attached as Annexure B to the audit report for the FY 2017-18

be FY 2018-19; and on the date the audit report was signed i.e. 30.03.2019 *"there were real estate projects running in the impugned Company, including the one with Republic of Congo"*.

b) The Enforcement Directorate (ED) had attached on 08.01.2020 assets worth ₹ 460 crore of the company which were more than the outstanding bank liabilities of ₹ 260.57 crore as stated in the SCN. Further, the ED had also attached assets worth ₹ 1570.53 crore and ₹ 60.76 crore of two subsidiaries of the company, viz. SRS Real Estate Limited and SRS Retreat Services Limited respectively, the cumulative amount of which exceeds the total of alleged siphoning of funds of ₹ 671.48 crore and diversion of funds of ₹ 645.86 crore by the SRS group as stated in the impugned SCN.

c) Corporate Insolvency Resolution Process (CIRP) initiated against the Company was quashed by NCLAT vide order dated 12.02.2019 which meant that the company management's objective was to keep the company running.

28. We have considered the reply of the EP and other relevant material on record and find that:

a) The contention of the EP that the going concern assessment for audit of FY 2017-18 was not required as the Audit Report was signed after twelve months since the Balance Sheet date i.e., 31.03.2018 is erroneous and in fact is indicative of his flawed understanding of the requirements of the SAs. It is observed that the audit for the FY 2017-18 commenced in March 2018 i.e., 12 months prior to the signing of the audit report dated 30.03.2019. From the Audit File submitted by the EP, it is observed that there was sufficient time between the initiation of the audit i.e., March 2018 and signing of the audit report i.e., 30.03.2019 and therefore, the EP was duty bound to evaluate the management's assessment of the entity's ability to continue as a going concern. The fact that the audit report was signed 12 months after end of FY 2017-18, was no reason for the EP not to evaluate the going concern assumption in accordance with SA 570.

b) The reference by the EP to the attachment order of the ED in January 2020 has no relevance to his duty to evaluate the going concern assumption as it was much after the date of signing of the Audit Report i.e., 30.03.2019.

c) The EP has referred to the order of Hon. NCLAT. We note that the order of disposal of CIRP application was that of Hon. NCLT and not that of Hon. NCLAT. The Hon. NCLT in its order had ordered that *"In view of the settlement reached between the parties, accordingly, the order dated 10.01.2019 passed by this Tribunal admitting the petition was set aside and CP (IB) No. 158/Chd/Hry/2018 stood withdrawn and dismissed"*. As can be seen, Hon. NCLT had disposed of this application based on a settlement reached between the company and the operational creditor. This in no way absolves the EP of his duties as required by SA 570 as a statutory auditor.

29. Para A3 of SA 570 is an illustrative list of events/conditions that cast doubt on the ability of an entity to continue as a Going Concern. These indicators include negative operating cash flows indicated by Financial Statements, adverse key financial ratios, substantial operating losses or significant deterioration in the value of assets used to generate cash flows, inability to comply with the terms of loan agreements etc. It is pertinent to note that all such indicators were present right at the beginning of the audit process for the FY

2017-18 and therefore the EP was duty bound to obtain evidence in support of the use of going concern basis and had to evaluate the same to conclude if any material uncertainty existed regarding the Going Concern. However, the Audit File contained no evidence of any such evaluation/testing of appropriateness of the Going Concern basis by the EP.

30. We find the reply and explanation of the EP clearly as an attempt to rationalize non-performance of his professional duties and as an afterthought to mislead NFRA. We, therefore, find the EP to have been grossly negligent in performing his duty in accordance with SA 570.

31. Such lapses have been viewed seriously by international regulators as well. For example, the Public Company Accounting Oversight Board[17] ('PCAOB' hereafter), the US Regulator, charged Bravos & Associates CPA's ("Firm") and Thomas W. Bravos, CPA ("Bravos") in connection with audit of UAHC for FYE June 30, 2013, where Bravos authorized issuance of the Firm's unqualified audit report, which included going concern explanatory language regarding those Financial Statements. However, Respondents did not have a reasonable basis for making these statements and issuing their audit report". For misconduct including this and others, PCAOB censured the firm by revoking its registration and imposed a civil monetary penalty of $ 10000 on the firm. Bravos was barred from being an associated person of a registered public accounting firm.

C.2 Failure relating to Revenue Recognition

32. The EP was charged for failure to obtain sufficient appropriate audit evidence relating to revenue recognition in accordance with the requirements of SA 500[18] and failure to evaluate the risk of fraud in revenue recognition in accordance with the requirements of SA 240[19].

33. Para 6 of SA 500 states that the auditor shall design and perform audit procedures that are appropriate in the circumstances for the purpose of obtaining sufficient appropriate audit evidence. Para 26 of SA 240[20] states that when identifying and assessing the risks of material misstatement due to fraud, the auditor shall, based on a presumption that there are risks of fraud in revenue recognition, evaluate which types of revenue, revenue transactions give rise to such risks. Further, Para 47 states that when the auditor has concluded that the presumption that there is a risk of material misstatement due to fraud related to revenue recognition is not applicable in the circumstances of the engagement, the auditor shall document the reasons for that conclusion.

34. In his written reply, the EP submitted that due to the sealing of the premises of the Auditee by Economic Offences Wing and Income Tax Department he could get hold of certain documents only of the real estate segment and the related supporting documents were not available in a conclusive manner, thus his opinion was qualified in the Audit Report.

35. We find that for the following reasons, the reply and explanation given by the EP are misleading and an afterthought:

    i. There is no evidence in the Audit File to show that the EP performed the substantive and analytical procedures to verify the revenue of ₹ 29.16 crores recognized from

[17] PCAOB release No. 105-2015-028 dated 23.07.2015.
[18] Para 6 of SA 500: Audit Evidence
[19] Para 26 and Para 47 of SA 240: The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statement
[20] SA 240: The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statement

the real estate segment and evaluated the risk of fraud in revenue recognition. There is no evidence in the Audit File to show that the EP performed audit procedures like re-computation of the revenue from the real estate segment, evaluation of audit evidences such as party wise and project wise details of revenue, details of parties with whom agreement to sale / transfer of deed was done and its reconciliation to verify the recognition of revenue in accordance with the policy of the company, invoices generated by the company, allotment letters issued to the clients, occupancy certificates issued by government etc.

ii. The sealing by the Economic Offences Wing and the Income Tax Department was done in March 2018 and in June 2018 respectively. The audit report was signed on 30th March 2019. Therefore, there was sufficient time for the EP to perform the due audit procedures related to verification of revenue recognized in the Financial Statements. There is no documentation in the Audit File to show that the EP verified the fundamental assertions of occurrence, completeness and accuracy of such recognized revenue. Even if the contention of the EP is that supporting documents were not available in a conclusive manner is accepted for the arguments sake, the EP should have disclaimed his opinion in accordance with the requirements of SA 705 instead of merely giving a qualified opinion.

36. In light of the foregoing, we find that the EP displayed gross negligence and lack of due diligence in discharging his duties relating to the audit of the revenue recognized in the Financial Statements from the real estate segment and thereby not fulfilling his responsibility in accordance with SA 240 and SA 500.

C.3 Failures relating to Audit Documentation

37. The EP was charged with failure to prepare sufficient audit documentation in accordance with the requirements of SA 230[21].

Para 8 of SA 230 requires an auditor to 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.

38. Further, Para 9 of SA 230 states 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.

39. In his written reply, the EP submitted that the "*Noticee and its team has maintained audit documentation to arrive at the impugned audit report, the same has been provided to NFRA and where sufficient and appropriate evidence were not available in respect of*

[21] SA 230: Audit Documentation

certain matters, the same has been mentioned explicitly in the audit report. That on being pointed out in the Show cause notice, the Noticee has also observed that there were inadvertent technical breach pertaining to firm's internal audit documentation however, the averments made by NFRA in Para 14 do not have any impact either on the audit report or on the Financial Statements of the company".

40. Our analysis of the EP's reply and other related material shows that:

i. The Audit File lacked many significant and critical working papers such as:
   a. Working papers for setting materiality and performance materiality;
   b. Auditor's evaluation the appropriateness of management's use of the going concern assumption;
   c. The composition of the audit team and the reviewing team;
   d. The details of who performed the audit work, and the date of such audit work;
   e. Details of the EQC Reviewer, its team and the review work performed by the EQC Reviewer;
   f. Minutes of the meetings amongst the members of engagement team, with management and TCWG;

ii. The Audit Work Papers did not have the caption of work paper, date, signature of preparer, and reviewer.

iii. Most of the Audit Work Papers submitted do not meet any of the basic requirements of Para 8 and 9 of SA 230

41. Further, the averment made by the EP attributing insufficient audit documentation to inadvertent technical breach which does not have any impact either on the audit report or on the Financial Statements of the company is not tenable as it fails to meet the objectives of the audit documentation enumerated in Para 37 and 38 above. It is the audit documentation that acts as a basis of the auditor's report and as an evidence that the audit was planned and performed in accordance with SAs and applicable legal and regulatory requirements. In the absence of proper audit documentation, there is no way for us to ascertain whether the required audit procedures were performed at all.

42. The above position clearly demonstrates the EP's negligence in the preparation of audit documents and conduct of audit of a PIE in a casual manner. The EP failed to meet the objectives of SA 230 to prepare documentation that provides sufficient and appropriate record for the basis of auditor's report and evidence that the audit was planned and performed in accordance with SAs.

43. Non-documentation of the work performed is clear evidence that the work has not been performed. It is apposite to note the following observations of the Australian Audit Regulator ASIC:

> *"Firms often assert that our findings relate to documentation deficiencies in their Audit File. An Audit File should contain sufficient detail for an experienced auditor to understand the work performed and relied on in forming conclusions.* ***Where this detail has not been documented, our presumption is that the work has not been performed. We have used this approach for several years and it is consistent with the approach applied globally by other audit regulators and in most firm internal quality review programs.***"[22] (Emphasis supplied)

[22] Refer Page 7 of ASIC Audit Inspection Report – Report 743 October 2022

44. Lack of sufficient documentation has been viewed seriously by the 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 of the lack of sufficient documentation and imposed penalties and sanctions for violations including insufficient documentation. The PCAOB order states that "....*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, 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.*"

45. The Executive Counsel to the Financial Reporting Council (FRC), the UK Audit Regulator, in the matter pertaining to Deloitte LLP and John Charlton in the audit of Mitie Group plc. for the year ended 31 March 2016, imposed a financial sanction of Two Million Pounds, a published statement in the form of severe reprimand against Deloitte and a financial sanction of 65,000 Pounds and a published statement in the form of a severe reprimand against Charlton besides other things, for breach of ISA 230 as they failed to adequately document the audit work papers.

46. In light of the foregoing, we find the explanation of the EP unacceptable and conclude that the EP was grossly negligent in performing his duty in accordance with SA 230.

C.4 Failures relating to Audit Evidence for inventory

47. The EP was charged with failure to perform any physical verification or any alternative audit procedure to determine the existence and condition of inventory in accordance with the requirements of SA 501 and with failure to not modify his audit opinion with respect to inventory in the audit report for the FY 2017-18 in accordance with the requirements of SA 705.

48. Para 4 of SA 501[23] states that when inventory is material to the Financial Statements, the auditor shall obtain sufficient appropriate audit evidence regarding the existence and condition of inventory by (a) attendance at physical inventory counting (b) performing audit procedures over the entity's final inventory records to determine whether they accurately reflect actual inventory count results. Para 6 of SA 501 states that if the auditor is unable to attend physical inventory counting due to unforeseen circumstances, the auditor shall make or observe some physical counts on an alternative date and perform audit procedures on intervening transactions. Further, Para 7 of SA 501 provides that if attendance at physical inventory counting is impracticable, the auditor shall perform alternative audit procedures to obtain sufficient appropriate audit evidence regarding the

[23] SA 501: Audit Evidence-Specific Considerations For Selected Items

existence and condition of inventory. If it is not possible to do so, the auditor shall modify the opinion in the auditor's report in accordance with SA 705[24].

49. In his written reply, the EP responded that he could not get back the possession of certain audit working papers due to sealing of premises by the Economic Offences Wing and the and Income Tax Department. Also, the related supporting documents were not available in a conclusive manner after resuming the work in the second phase. He qualified the same in the Annexure 'A' part of the Audit Report i.e. CARO.

50. Our analysis of the EP's reply and other related material shows that:

i. As on 31.03.2018, the inventory amounting to ₹ 102.69 crores was reflected in the Financial Statements. This inventory was significantly material as it accounted for 13.56 % of total assets of the company. There is no evidence in the Audit File that the EP performed procedures to obtain sufficient appropriate audit evidence regarding the existence and condition of inventory or performed any alternative audit procedures in case he was unable to attend the physical inventory counting due to the sealing of the premises by the Economic Offences Wing and the Income Tax Department.

ii. The contention of the EP that he qualified the matter related to inventory in the Annexure 'A' part of the Audit Report i.e., the CARO is misleading. The EP is required to clearly state the discrepancies in the inventory (if any) in the "basis of opinion" section of his audit report as required under Para 28 of SA 700. The compliance with the requirements of CARO does not absolve the EP of his professional duty of reporting the matter in his audit report.

iii. The submission of the EP that the related supporting documents were not available in a conclusive manner clearly warranted a 'disclaimer of opinion' in accordance with the requirement of SA 705 instead of merely giving a qualified opinion as the impact of undetected potential misstatement in inventory was both material and pervasive.

51. We, therefore, find the reply and explanation of the EP unacceptable, and find him grossly negligent in performing his duty in accordance with SA 501.

C.5 Failure to give an appropriate audit opinion

52. The EP was charged with failure to give an appropriate audit opinion in accordance with the requirements of SA 700[25] and SA 705.

53. Para 17(b) of SA 700 states that if an auditor is unable to obtain sufficient appropriate audit evidence to conclude that the Financial Statements as a whole are free from material misstatement, the auditor shall modify the opinion in the auditor's report in accordance with SA 705. Further Para 9 of SA 705 requires an auditor to disclaim an opinion when the auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, and the auditor concludes that the possible effects on the Financial Statements of undetected misstatements, if any, could be both material and pervasive.

54. In the basis of qualified opinion (Para 4(a) to 4(p) of the Audit report), in a majority of the qualifications, the EP stated that he was unable to comment upon the effect of the qualification on the Financial Statements. For example:

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24 SA 705: "Modifications to the Opinion in the Independent Auditor's Report".

25 SA 700: Forming An Opinion and Reporting on Financial Statements

i. The Company made provision for doubtful debts of ₹ 33.93 crores only on trade receivables of ₹ 234.77 crores (gross) and balance confirmation from most of the trade receivables could not be obtained due to undelivered or un-responded confirmation letters. Therefore, the EP stated that he was unable to comment upon the adequacy of such provision (Para 4(b) of audit report)

ii. In several cases, the company had made advance payments or payments to parties in excess of their outstanding balance, for which neither provision had been made nor was any adequate explanation offered by the management of the company. Therefore, the EP stated that he was unable to comment on the effect of the same in standalone Financial Statements (SFS) of the Company. (Para 4(c) of audit report)

iii. Investment Properties includes a commercial building at SRS Tower, Faridabad having office space valuing ₹ 146.41 crores which the company had developed under a development agreement with SRS Automotive Components Private Limited, a subsidiary of SRSRIL. As management failed to provide any agreement, the EP stated that he was unable to comment upon the amount capitalised as building. (Para 4(e)of audit report)

55. Responding to the charge, the EP replied that NFRA had taken a strict and technical approach, that there was adequate and sufficient warning and intimation in the auditor's report, and that the breach may at best be construed as technical breach and the same can neither be attributed to him acting in malafide manner nor was of a serious character involving moral turpitude as to constitute professional misconduct.

56. The contention of the EP that the approach of NFRA is technical is wrong and misleading. Para 7, Para 8 and Para 9 of SA 705, establish a clear distinction between the three types of modified opinions i.e., Qualified Opinion, Adverse Opinion and the Disclaimer of Opinion and also explain the different circumstances that warrant the expression of a specific type of modified opinion by the auditor. In the present case, the matters in respect of which the EP stated in his audit report that he was unable to comment, covers more than 50% of the total assets of the company making it both material and pervasive. Such a situation clearly warranted a Disclaimer of Opinion instead of a Qualified Opinion. The reply of the EP clearly shows his lack of understanding of the SA in this regard.

57. The Auditor's Opinion in the audit report holds a very high value as it is an assurance given by the auditor to the stakeholders about the True and Fair status of the Financial Statements. The auditor's failure to give an appropriate audit opinion in accordance with the SAs and other applicable law is not just negligence but also breach of trust reposed by the users of the Financial Statements.

58. We, therefore, find the reply and explanation of the EP unacceptable, and find him grossly negligent in performing his duty in accordance with Para 17(b) of SA 700[26] read with Para 9 of SA 705.

C.6 Lapses in fulfilling duties related to Engagement Quality Control (EQC) Reviewer

59. The EP was charged with failure to comply with the requirement of Para 19 (a), (b) and (c) of SA 220[27], which states that for the audits of Financial Statements of listed entities,

[26] SA 700: Forming An Opinion and Reporting On Financial Statements
[27] SA 220: "Quality Control for an Audit of Financial Statements

the EP shall: determine that an EQC Reviewer has been appointed; discuss the significant matters arising during the audit engagement, including those identified during the engagement quality control review, with the EQC Reviewer; and not date the auditor's report until the completion of the engagement quality control review.

60. Responding to the charge, the EP replied that there was no formal appointment of an EQC Reviewer, however audit observations on significant matters were discussed with other fellow members of the firm. He also stated that any deviation from the SA 220 is a technical breach and cannot be said to be professional misconduct without any ill motive.

61. The reply of the EP is unacceptable. In the statutory audit of SRSRIL, a listed entity, the EP was duty bound to determine that an EQC Reviewer had been appointed. The EP admits that there was no formal appointment of an EQC Reviewer. There is no evidence in the Audit File that the EP had discussed/consulted the significant matters, judgements and conclusions with the EQC Reviewer or even with any other person in the firm. There is no evidence in the Audit File of any final clearance or approval from the EQC Reviewer before signing of the audit report by the EP.

62. In the audit of Financial Statements of a listed entity, the role of an EQC Reviewer is important for ensuring quality, as the EQC Reviewer evaluates the significant judgments made by the engagement team, reviews the engagement team's evaluation of firm's independence, checks whether the appropriate consultation has taken place on difficult or contentious matters and reviews the related conclusions reached in forming the overall audit opinion. Such a critical role requires formal appointment of EQC Reviewer having sufficient and appropriate experience and authority to objectively perform his/ her duty.

63. We therefore conclude that in not determining that an EQC Reviewer had been appointed, the EP was grossly negligent in performing his duty in violation of Para 19 (a), (b) and (c) of SA 220.

64. Non-appointment of EQC Reviewer has been viewed seriously by international regulators as well. For example, the PCAOB[28], the US Regulator, charged public accounting firm Stein & Company, LLP (Audit Firm) for its failure in audit of Health Talk Live, Inc. ("Health Talk") noting that "The Firm improperly issued the audit report without obtaining an engagement quality review and concurring approval of issuance and thus violated Auditing Standard No. 7, Engagement Quality Review ("AS 7")". For this misconduct, PCAOB censured the Firm and imposed a civil money penalty of $5000.

C.7 Failure to determine Materiality

65. The EP was charged with failure to determine materiality for the Financial Statements as a whole while establishing the audit strategy as required by Para 10 of SA 320[29] and to determine performance materiality for the purpose of assessing the risks of material misstatement and determining the nature, timing and extent of further audit procedures as required by Para 11 of SA 320.

66. The EP in his response to the charge, called non-determination of materiality as a technical breach without any mala-fide and stated that he performed audit procedures

[28] PCAOB release No. 105-2015-040 dated 03.12.2015
[29] SA 320: Materiality in Planning and Performing an Audit

irrespective of the materiality aspect which would make the issue of determination of materiality a less important consideration.

67. According to Para 10 of SA 320, when establishing the overall audit strategy, auditor **shall** determine the 'Materiality' for the Financial Statements as a whole. In addition, Para 11 of SA 320 states that the auditor shall determine 'Performance Materiality' for the purposes of assessing the risks of material misstatement and determining the nature, timing and extent of further audit procedures.

68. The use of the expression '**Shall**' in Paras 10 and 11 of SA 320 (which are statutory in nature under the provisions of Section 143(10) of the Act) makes it clear that the requirements part of the SAs are mandatory.

69. The EP's assertion that non-determination of materiality is a mere technical breach cannot be accepted in the light of the requirement of the SAs. Examination of the Audit File revealed that the EP did not even determine materiality or performance materiality in the audit of Financial Statements of SRSRIL. We emphasise that materiality is one of the most important concepts in the audit of Financial Statements. Where material information is omitted or misstated, the Financial Statements will not be in compliance with the requirements of the SAs and therefore of the Law, as Section 143(9) of the Companies Act, 2013 requires the auditors to comply with the SAs.

70. As there is no working paper in the Audit File evidencing determination of materiality by the EP, we conclude that the EP has failed to adhere to the mandatory requirements of determining Materiality in accordance with SA 320 and falsely stated in his report that he had conducted the audit in accordance with the SAs specified under Section 143(10) of the Act.

C.8 Failure to plan the audit of Financial Statements

71. The EP was charged with failure to establish and document the audit plan and overall audit strategy that sets the scope, timing, and direction of the audit; and to plan the nature, timing and extent of directions and supervision of engagement team members and review their work as required by Para 6, Para 10 and Para 11 of SA 300[30].

72. Responding to the charge, the EP replied that a checklist was prepared for the audit items at page number 561-565 of the Audit File. The EP called any deviation from the requirements of SA 300 a technical breach.

73. The reply of the EP is misleading and not acceptable. The checklist referred to by the EP is a generic document and not a specific audit programme for an entity working in Real Estate sector and Trading and Manufacturing of construction material. Further, the said document does not bear any seal and signature of the EP thereby raising serious doubts about its genuineness and integrity. Also, there is no evidence in the Audit File to show any audit plan, audit strategy that sets the scope, timing, and direction of the audit and the supervision, review of the work to ET members. The averment of the EP that any deviation from meeting the requirements of SA 300 is a technical breach not only reflects the EP's lack of knowledge to perform audit of public interest entities, but his failure to identify and evaluate events or circumstances that may adversely affect the auditor's ability to plan and perform the audit engagement as per SA 300.

[30] SA 300: Planning an Audit of Financial Statements

74. We, therefore, conclude that the EP was grossly negligent in performing his duty in compliance of SA 300.

C.9 Failures relating to communication with Those Charged With Governance

75. The EP was charged with failure to communicate with Those Charged with Governance (TCWG) the planned scope and timing of the audit, the significant risks identified by the auditor, the significant findings from the Audit and document such communication in accordance with the requirements of Para 15, Para 16 and Para 23 of SA 260.

76. Responding to the charge, the EP replied that the EP, ET and the management of the company shared a common premise and thus there was constant communication with those charged with governance which happened on a regular basis.

77. It is clear from the Audit File that the EP failed to identify TCWG and understand it's importance as a body that has the responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity which includes overseeing the Financial Reporting process. The reply of the EP indicates his casual and unprofessional approach in performance of the audit as there is no evidence in the Audit File that the EP communicated with TCWG.

78. In the light of above, we conclude that the EP has failed to exercise due diligence and was grossly negligent in not identifying and communicating with TCWG and consequently, failed to comply with the requirements of SA 260.

79. Failure to appropriately communicate with Audit Committee (which is a part of the TCWG) has been viewed seriously by international regulators too. For example, PCAOB, the US Regulator, charged the public accounting firm L.L. Bradford & Company, LLC (Audit Firm) for its failure to communicate with the audit committee during the audit of WebXU Inc.'s ("WebXU"). It stated that the "Firm also violated a PCAOB rule that requires a registered public accounting firm to communicate, in writing, to the audit committee ..... " The PCAOB, for this misconduct among others, censured the Firm, revoked its registration, and imposed a civil money penalty of $12500.

C.10 Failures relating to communicating deficiencies in internal control to TCWG and Management

80. The EP was charged with failure to communicate in writing significant deficiencies in internal control identified during the audit with TCWG and with the management on timely basis in accordance with the requirements of Para 9 and Para 10 of SA 265.

81. Responding to the charge, the EP replied that the EP, ET and the management of the company shared a common premise and thus there was constant communication with those charged with governance which happened on a regular basis.

82. The reply of the EP indicates an unprofessional and nonchalant attitude in performance of the audit of a PIE. In his report on Internal Financial Controls Over Financial Reporting (ICFR) attached as Annexure B to the audit report, the EP has qualified his audit opinion on the basis of lack of appropriate internal financial controls for credit appraisal, balance confirmation, credit appraisal, follow- ups and ultimate collection from the trade debtors, physical verification of fixed assets and inventories, purchases, sales and sale of property, plant and equipment. However, there is no evidence in the

Audit File that these significant deficiencies in internal control identified during the audit were communicated in writing to TCWG and the management on a timely basis.

83. We, therefore, conclude that the EP was grossly negligent in performing his duty in violation of SA 265.

C.11 Failures relating to identifying and assessing the risks of material misstatement

84. The EP was charged with failure to comply with the requirements of SA 315[31].

85. As per Para 5 of SA 315, the auditor is required to perform risk assessment procedures at the Financial Statement and Assertion levels. Para10 of SA 315 requires the EP to discuss the susceptibility of the entity's Financial Statements to material misstatement. Para 11 of SA 315 requires the EP to understand the nature of the business of entity by gaining understanding of relevant industry, applicable regulatory structure etc and Para 32 of SA 315 requires the EP to document the discussions, the risk assessments and the understanding obtained regarding the key aspects of the entity.

86. Responding to the charge, the EP replied that the procedure required by SA 315 is inherent part of audit and takes place in regular course; and that merely finding a bare non-performance or some default in performance without establishing any ill motive does not constitute professional misconduct.

87. There is no evidence in the Audit File regarding performing any risk assessment procedures to provide a basis for the identification and assessment of risks of material misstatements at Financial Statement and Assertion levels and his audit responses to such risks, gaining understanding of the entity, etc.

88. In the light of the above facts and circumstances, we conclude that the EP has been grossly negligent in the conduct of his professional duties and made false declaration in the audit report regarding the true and fair view of the Financial Statements as he failed to comply with the requirements of SA 315.

89. Such lapses have been viewed seriously by international regulators as well. For example, PCAOB[32], the US Audit Regulator, charged L.L. Bradford & Company, LLC (the "Firm") in connection with audit of WebXU Inc.'s ("WebXU") for the year ended December 31, 2011, for failure to among others properly assess the risks of material misstatement and censured the Firm, revoked its registration permanently and imposed a civil money penalty of $12,500 upon the Firm.

C.12 Failure to report non-compliances with provisions of the Companies Act 2013

90. The EP was charged with failure to comply with Section 143 (9)[33] of the Companies Act, 2013 which requires that every auditor shall comply with the SAs.

91. Responding to the charge, the EP in his written reply stated that he and the ET had complied with the spirit of the auditing standards while conducting the audit of the company for FY 2017-18. Any lapses in not complying with the requirement of SAs are minor, based on technical breaches.

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[31] Standard on Auditing (SA) 315, Identifying and assessing the Risk of Material Misstatement through understanding the Entity and its Environment

[32] PCAOB release No. 105-2015-41 dated 03.12.2015.

[33] Section 143 (9): Powers and duties of auditors and auditing standards.

92. The reply of the EP is misleading and unprofessional as it makes light of the compliance requirements of the Act and the SAs in light of the errors and omissions mentioned in the foregoing paragraphs of this Order. Further, the contention of the EP that the lapses in not complying the requirement of SAs are minor, based on technical breaches, speaks volumes of his competence and knowledge as the lapses of the EP related to non-assessment of going concern, audit of inventory, audit of revenue, collection of sufficient audit evidence etc. are not mere technical breaches but point to serious failure on the part of the EP to audit a PIE in accordance with the Law.

93. We, therefore, conclude that the EP has been grossly negligent in the conduct of his professional duties in violation of Section 143 (9) of the Companies Act, 2013.

D. Articles of charges of Professional Misconduct by the Auditor

94. Based on the above discussion, it is proved that the EP issued audit opinion on the Financial Statements without any basis. We also conclude that the EP has committed Professional Misconducts as defined under section 132 (4) of the Companies Act 2013 in terms of Section 22 of the Chartered Accountant Act 1949 (CA Act) as amended from time to time, and as detailed below:

i. The EP committed professional misconduct as defined by Section 132 (4) of the Companies Act, read with Section 22 and clause 7 of Part I of the Second Schedule of the Chartered Accountants Act 1949 (as amended from time to time), which states that an auditor is guilty of professional misconduct when he "*does not exercise due diligence or is grossly negligent in the conduct of his professional duties*".

This charge is proved as the EP failed to conduct the audit in accordance with the SAs and applicable regulations as well as due to his failure to report the material misstatements and non-compliances of the Company in its Financial Statements, as explained in the paras 24 to 93 above.

ii. The EP committed professional misconduct in terms of Section 132 (4) of the Companies Act, read with Section 22 and clause 8 of Part I of the Second Schedule of the Chartered Accountants Act 1949 (as amended from time to time), which states that an auditor is guilty of professional misconduct when he "*fails to obtain sufficient information which is necessary for expression of an opinion or its exceptions are sufficiently material to negate the expression of an opinion*".

This charge is proved as the EP failed to conduct the audit in accordance with the SAs and applicable regulations as well as due to his failure to report the material misstatements and non-compliances of the Company in the Financial Statements, as explained in the paras 24 to 93 above.

iii. The EP committed professional misconduct as defined by Section 132 (4) of the Companies Act, read with Section 22 and clause 9 of Part I of the Second Schedule of the Chartered Accountants Act 1949 (as amended from time to time), which states that an auditor is guilty of professional misconduct when he "*fails to invite attention to any material departure from the generally accepted procedure of audit applicable to the circumstances*".

This charge is proved since the EP failed to conduct the audit in accordance with the SAs (as explained in paras 24 to 93 above), but falsely reported in his audit report that the audit was conducted as per SAs.

Therefore, we conclude that the charges of professional misconduct enumerated in the SCN dated 16.06.2023 stands proved based on our analysis of the evidence in the Audit File, the Audit Report issued by auditor, the submissions made by auditor, and other materials available on record.

E. Penalty and Sanctions

95. Independent Auditors of Publicly Listed Companies are expected to demonstrate sufficiency and appropriateness of audit work in every aspect of the critical building blocks of an audit of Financial Statements of PIE. Failure of the auditor to meet the requirements envisaged under the Law and Professional Standards on Auditing are conspicuous in this audit engagement performed by the EP.

96. As is set out in this Order, the manner in which the audit was conducted, failed to meet the requirements of the SAs, the Act and the Code of Ethics in a number of significant aspects which demonstrated a gross negligence on the part of the EP. This can be gauged from the failure of the EP to critically assess the abnormal state of affairs in the Company, including its financial condition and existence of suspicious transactions/activities, and failing to apply the mandatory SAs in the audit.

97. Section 132(4) of the Companies Act, 2013 provides for penalties in a case where professional misconduct is proved. The seriousness with which proved cases of professional misconduct are viewed, is evident from the fact that a minimum punishment is laid down by the law.

98. Section 132(4) (c) of the Companies Act 2013 provides that National Financial Reporting Authority shall, where professional or other misconduct is proved, have the power to make order for:

A) imposing penalty of (I) not less than one lakh rupees, but which may extend to five times of the fees received, in case of individuals; and (II) not less than five lakh rupees, but which may extend to ten times of the fees received, in case of firms;

(B) debarring the member or the firm from (I) being appointed as an auditor or internal auditor or undertaking any audit in respect of Financial Statements or internal audit of the functions and activities of any company or body corporate; or (II) performing any valuation as provided under section 247, for a minimum period of six months or such higher period not exceeding ten years as may be determined by the National Financial Reporting Authority.

99. The professional misconduct of CA Pankaj Kumar has been detailed in the foregoing paragraphs of this Order. Considering the nature and seriousness of the violations and principles of proportionality, we, in exercise of powers under Section 132 (4) (c) of the Companies Act, 2013, order the sanctions detailed below.

100. As per the information furnished by CA Pankaj Kumar vide his reply mail dated 07.09.2023, the statutory audit fees of SRSRIL for the FY 2017-18 was ₹ [redacted]

101. Considering the proved professional misconducts and keeping in mind the nature of violations, principles of proportionality and deterrence against future professional misconduct, we, in exercise of powers under Section 132(4)(c) of the Companies Act, 2013, hereby order imposition of monetary penalty of ₹ 3,00,000 (Rupees Three Lakhs) upon CA Pankaj Kumar. In addition, CA Pankaj Kumar is debarred for 3 (Three) years

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. This debarment shall run concurrently with Penalty Order dated 21.04.2023 in respect of audit of M/s. SRS Ltd. issued against CA Pankaj Kumar.

102. This Order will become effective after 30 days from the date of issue of this Order.

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Sd/-

(Dr Ajay Bhushan Prasad Pandey)
Chairperson

Sd/-
(Dr Praveen Kumar Tiwari)
Full-Time Member

Sd/-
(Smita Jhingran)
Full-Time Member

Authorised for issue by the National Financial Reporting Authority,

Date: 08.01.2024
Place: New Delhi

(Vidhu Sood)
Secretary

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

To,

CA Pankaj Kumar
ICAI Membership No-091822
A-708, UNESCO Apartment
Block No. 55
IP Extension
Delhi-110092

Copy To: -

i. Secretary, Ministry of Corporate Affairs, Government of India, New Delhi.

ii. SFIO, New Delhi

iii. Securities and Exchange Board of India, Mumbai.

iv. Registrar of Companies, Delhi.

v. Secretary, Institute of Chartered Accountants of India, New Delhi.

vi. IT-Team, NFRA for uploading the order on the website of NFRA.