

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

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7<sup>th</sup> Floor, Hindustan Times House,  
Kasturba Gandhi Marg, New Delhi

Order No. – 009/2024

Date: 23.04.2024

**ORDER**

**In the matter of M/s S. Prakash Aggarwal & Co., ICAI Firm Registration No. 06105C, under Section 132(4) of the Companies Act 2013 read with Rule 11(6) of National Financial Reporting Authority 2018**

1. This Order disposes of the Show Cause Notice ('SCN' hereafter) issued vide no. 23/46/2021, dated 04.12.2023, issued to M/s S. Prakash Aggarwal & Co., Sri Ganganagar, Rajasthan (ICAI Firm registration no. 06105C), which was appointed as the statutory auditor of **Vikas WSP Limited**, Rajasthan ('VWL' or 'the company' hereafter) for the Financial Year ('FY' hereafter) 2019-20.
2. This Order is divided into the following sections:
  - A. Executive Summary
  - B. Introduction & Background
  - C. Matters relating to the liability of the Firm
  - D. Lapses in the Audit
  - E. Article of Charges of Professional Misconduct
  - F. Penalty & Sanctions

**A. EXECUTIVE SUMMARY**

3. The National Financial Reporting Authority ('NFRA' hereafter) initiated action under section 132 (4) of Companies Act 2013 ('Act' hereafter) against M/s S. Prakash Aggarwal & Co, the Audit Firm, for professional or other misconduct in the statutory audit of Vikas WSP Limited for the FY 2019-20. This was following the information received from Securities Exchange Board of India ('SEBI' hereafter), that the company did not recognize in its financial statements for FY 2019-20, the interest expense on its borrowings from banks, which resulted in overstatement of profits by the company. During FY 2019-20, VWL was a listed company at Bombay Stock Exchange ('BSE' hereafter) and therefore falls under NFRA domain<sup>1</sup>.
4. As is set out in this Order, the Audit Firm failed to meet relevant requirements of the Companies Act, Standards on Quality Control (SQC 1<sup>2</sup>), Standards on Auditing ('SA' hereafter) in several significant respects, was grossly negligent and failed to apply professional skepticism and due diligence in the audit.
5. The Financial Statements of VWL were materially misstated due to partial recognition of interest cost on Borrowings classified as NPAs by the Banks in the FY 2019-20, resulting in overstatement of profits.

<sup>1</sup> Vide Rule 3(1)(a) of National Financial Reporting Authority Rules, 2018.

<sup>2</sup> SQC 1: Quality Control for Firms that Perform Audit and Reviews of Historical Financial Information, and other Assurance and Related Services Engagements".

6. The audit firm which was primarily responsible for establishing and maintaining a system of quality control that (a) the firm and its personnel comply with professional standards and regulatory and legal requirements; and (b) the reports issued by the firm or engagement partners are appropriate in the circumstances, failed to properly implement its quality control policies and procedures.
7. Based on our investigation and proceedings under section 132 (4) of the Companies Act and after giving an opportunity to present its case, we find the audit firm guilty of professional misconduct and impose through this Order a monetary penalty of ₹ 5,00,000/- (Rupees Five lakhs only). This Order will take effect after 30 days from its issue.

## **B. INTRODUCTION & BACKGROUND**

8. The National Financial Reporting Authority is a statutory authority set up u/s 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. NFRA is empowered u/s 132 (4) of the Act to investigate the prescribed classes of companies and impose penalty for professional or other misconduct of the individual members or firms of chartered accountants.
9. The Statutory Auditors, both individual and firm of chartered accountants, are appointed by the members of company u/s 139 of the Act. The Statutory Auditors, including the Audit Firm (Firm), Engagement Partner (EP), Engagement Quality Control Review Partner (EQCR) and the Engagement team (ET) that conduct the audit are bound by the duties and responsibilities prescribed in the Act, the rules made thereunder, the Standards on Auditing, 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) (c) of the Act.
10. NFRA took up investigation under section 132(4) of the Act after receipt of a letter dated 25.08.2021 from SEBI about overstatement of profits by VWL due to non-recognition of interest cost on borrowings classified as Non-Performing Assets by the lending banks.
11. Vide NFRA letter 11.11.2021, the Audit File and SQC 1 policy of the Firm were called from the EP. In response, on 08.12.2021, the EP furnished a part of the audit file along with main points of SQC1 Practice and Procedure followed by the Firm. On 21.12.2021, a reminder was sent to the EP asking him to submit the complete audit file and SQC1 Policy of the Firm. The EP sought extension of time of 30 days and was granted time till 20.01.2022. On 20.01.2022, the EP submitted the SQC1 Policy of the Firm and some part of the audit file stating that "*some audit documents available in hard form are of poor quality and their copies were blurred, would be filed after getting digitalized with the help of specialist*". As submission of balance part of the audit file was still pending, the EP was again asked on 29.03.2022 to submit the complete audit file along with the Affidavit latest by 07.04.2022. Finally, on 19.04.2022, the EP submitted the balance part of the audit file and an Affidavit stating that the complete audit file had been submitted.
12. On 29.06.2022 an SCN was issued to the EP, CA Som Prakash Aggarwal. Vide NFRA's Penalty Order<sup>3</sup> dated 12.09.2022 CA Som Prakash Aggarwal, was held guilty of professional misconduct, as he failed to comply with the requirements of the SAs while discharging his professional duties as the EP of VWL for the FY 2019-20. Accordingly, CA Som Prakash Aggarwal was awarded penalty vide the same order.

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<sup>3</sup> Copy of the order can be accessed at the link

<https://cdnbbsr.s3.waas.gov.in/s3c2ad76f2326fbc6b56a45a56e59fafdb/uploads/2023/01/2023010514-1.pdf>

13. On being satisfied that sufficient cause existed to take action against its firm also under sub-section (4) of section 132 of the Companies Act, a Show Cause Notice (SCN hereafter) was issued to M/s S. Prakash Aggarwal & Co., on 04.12.2023 asking to show cause why action should not be taken against the Firm for professional misconduct in respect of their performance as the Statutory Auditor of VWL for the FY 2019-20. The Firm was charged with professional misconduct of:
  - a. failure to disclose a material fact known to him, which is not disclosed in a financial statement, but disclosure of which is necessary in making such financial statement, where he is concerned with that financial statement in a professional capacity.
  - b. failure to report a material misstatement known to him to appear in a financial statement with which the EP is concerned in a professional capacity.
  - c. failure to exercise due diligence and being grossly negligent in the conduct of professional duties.
  - d. 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
  - e. failure to invite attention to any material departure from the generally accepted procedures of audit applicable to the circumstances.
14. The Firm filed an Interlocutory Application (IA No. 931/2024) before the Hon'ble National Company Law Appellate Tribunal, against the SCN dated 04.12.2023, seeking intervention of the Hon'ble Tribunal and pass appropriate directions in the case under consideration.
15. Vide email dated 03.01.2024, the EP requested for extension of time to submit the Firm's replies to the SCN, which was granted till 23.01.2023. Vide letter dated 23.01.2024, the firm conveyed its inability to submit the replies to the SCN and requested to keep the proceedings against the Firm in abeyance till disposal of the Interlocutory Application. Following the principles of natural justice, another opportunity was provided on 09.02.2024 to submit the Firm's replies to the SCN by 14.02.2024. The Firm submitted its replies to the SCN on 14.02.2024. The Firm has not availed of the opportunity of personal hearing.
16. We have perused all the material on record including the written responses of the Firm. Our findings on the charges levelled against the Firm are discussed in Part C and D of this Order respectively.

**C. Matters relating to the liability of the Firm**

17. The Firm, while submitting its replies to the SCN has stated that for all the non-compliances related to the statutory audit of the VWL for the FY 2019-20, the EP was held responsible and was also penalized under section 132(4)(c) of the Companies Act, 2013. Hence, any action against the Firm for the same alleged offences, would be a case of disproportionate punishment and double jeopardy against the EP. Therefore, SCN dated 04.12.2023 is *ultra vires* the provisions of the law. The Firm further stated as follows:
  - i) As per Para 7 and 8 of SA 220, the EP is responsible for the (audit) engagement, performance, and quality. Further, as per footnote 2 to Para 3 of SQC 1, in India audit reports are not issued by the audit firms. They are issued by the EP. Hence, for non-compliance of auditing standards, only the EP is accountable, even if the duties have been cast on the ET and the EQCR.
  - ii) In line with the requirements of Para 2 of SA 220 the responsibility of the audit firm is to put in place a system of quality control with policies and procedures. There is no requirement in SA

220 to ensure adequacy of quality control systems as it was alleged in Para 5<sup>4</sup> of the SCN. In the extant case, since the firm has an SQC 1 policy commensurate with the size and nature of its operations, there is no misconduct on its part.

- iii) Professional misconduct or other misconduct is required to be ascertained strictly according to the Explanation to section 132(4) (c) which provides that "professional misconduct or other misconduct" have the meaning assigned to it under Section 22 of the CA Act, 1949, which defines professional or other misconduct, has no provisions or instances to hold an audit firm guilty of professional misconduct. Therefore, noncompliance of Auditing Standards or Code of Ethics on its own cannot constitute professional misconduct, nor can it invite penalties prescribed under Section 132(4) of the Act.
- iv) It has only two partners CA Som Prakash Aggarwal (EP of VWL for FY 2019-20) and CA Yogesh, who joined the firm with effect from 18<sup>th</sup> June 2022. The statutory audit of VWL for FY 2019-20, was conducted prior to the joining of CA Yogesh as a partner. Hence, CA Yogesh is neither answerable nor accountable to the SCN, and although SCN is addressed to the Firm, the actual effect of the proceedings would be only on the EP. In effect the SCN proposes to punish the EP for the same alleged offences for a second time, which is a case of double jeopardy.

18. We have carefully gone through the replies submitted by the firm and observe as follows:

- i) The contentions of the firm that only the EP is accountable for non-compliance with auditing standards is misconstrued. It is the firm that was appointed as the auditor under section 139 of the Act and it is the auditor (in this case the firm) that has to be held accountable for auditor's duties and responsibilities under section 143 of the Act, including compliance with the SAs. The audit firm is responsible for establishing and maintaining a system of quality control to provide reasonable assurance that the firm and its personnel comply with professional standards and regulatory and legal requirements, as required by Para 2 of SA 220 and Para 3 of SQC 1. The SAs, such as SA 200, SA 220, SA 230, SA 260 (Revised), SA 620 and SA 700(Revised) refer to SQC-1 when it comes to specific aspects of audit such as documentation, communication with those charged with governance, engagement of Auditor's expert, evaluating the adequacy of internal audit function of the Company, and general quality aspects. Footnote 2 to para 3 of SQC1 referred to by the firm clearly states that the audit reports in India are issued/signed on behalf of the firm. Therefore, the firm cannot dissociate itself from the duties and responsibilities that must be complied within preparation and signing of the audit report. Therefore, the audit firm cannot absolve itself of the responsibilities for the non-compliances related to the statutory audit of VWL for FY 2019-20.
- ii) The contention of the firm that since it has established SQC 1 policy commensurate with the size and nature of its operations, there is no misconduct on its part is also misconstrued because, Para 2 of SA 220 read with Para 3 of SQC 1 requires the firm to not only to have an SQC 1 policy but also to 'reasonably assure' that the firm and its personnel comply with professional standards, legal and regulatory requirements and that the reports issued by the firm or the EP are appropriate in the circumstances.
- iii) The contentions of the firm that noncompliance with Auditing Standards or Code of Ethics cannot constitute professional misconduct for a firm, is flawed. The firm was appointed as auditor of the company under section 139 of the Act. Section 143(9) of the Companies Act,

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<sup>4</sup> Para 5 of the SCN stated that the firm was appointed as statutory auditor of VWL and therefore, in accordance with Para 2 of SA 220, it was required to ensure the adequacy of the quality control systems by adoption of proper policies and procedures.

2013, mandates that every auditor shall comply with auditing standards. These standards provide essential guidelines and principles for conducting audits, ensuring the reliability and integrity of financial statements. Similarly, adherence to the Code of Ethics is fundamental to maintaining the profession's integrity, objectivity, and independence. Noncompliance with Auditing Standards or Code of Ethics undermines the fundamental principles of professional conduct and the integrity of financial reporting. Such breaches can directly impact the quality and reliability of audit reports, potentially misleading stakeholders and damaging public trust, thereby warranting disciplinary actions. The firm, as the appointed auditor, remains responsible for any professional misconduct committed by the individuals who perform the audit on behalf of the firm (e.g. EP and EQCR). Section 132(4)(c) empowers the NFRA to take action for professional or other misconduct committed by the members or firms of chartered accountants.

- iv) The contentions of the firm that the SCN proposes to punish the EP for the same alleged offences for a second time, and hence is a case of double jeopardy, is flawed and unacceptable. The relationship between a firm on one hand and the EP and EQCR on the other hand is that of a principal and agent. They remain jointly and severally responsible for professional misconduct observed during an audit. The appointment of a new partner does not absolve the firm of its accountability for any professional misconduct or breaches of auditing standards that occurred during any period. The firm, as a legal entity, has a continuous obligation to establish and maintain quality control systems, as mandated by auditing standards and regulatory requirements. These quality control systems are designed to ensure that the firm and its personnel comply with professional standards and regulatory obligations, regardless of changes in personnel. Therefore, the firm cannot evade responsibility for any deficiencies in its quality control systems or failure to enforce compliance with auditing standards, irrespective of the timing of appointment of other partner.

#### **D. Lapses in the Audit**

19. The firm was charged<sup>5</sup> for the following lapses in the statutory audit of VWL for the FY 2019-20:
- (i) VWL had borrowings of ₹ 135.65 cr for FY 2019-20 (₹ 155.29 cr for FY 2018-19), which included credit facilities from the banks. There were defaults with respect to non-payment of interest and principal on the borrowings from the banks. The company, however, recognized only a part of interest cost (₹ 4.16 cr) on financial liabilities for the FY 2019-20 (₹ 21.07 cr for the FY 2018-19). As the liabilities on account of borrowings from the banks had not been extinguished as on 31.03.2020, VWL should have provided for the full interest cost, but the same had not been done. There was no documentation of the auditor's judgement and conclusions regarding the appropriateness of the company's interpretation and application of Ind AS 109 provisions regarding partial recognition of the interest cost.
- (ii) Deficiencies were noticed in audit documentation and audit evidence, for which the firm should remain responsible as the appointed statutory auditor. For instance,
- a. On perusal of the audit WPs<sup>6</sup>, it was noted that merely ledger copies of interest payments, bank loans (overdraft) and provision liability were documented. However, what audit procedures were applied to evaluate the appropriateness of interest cost on the borrowings availed from the banks was not found in the audit file.

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<sup>5</sup> Para 7 to 12 of the SCN

<sup>6</sup> WP- "interest payments", Bank loans (overdrafts)" and "provision calculation-liability"

- b. There was no documentation of discussions among members of the ET on the susceptibility of VWL's financial statements to material misstatements, as required by Para 32(a) of SA 315.
- c. Several inconsistencies were noticed in the Management Representation Letter<sup>7</sup> (MRL), documented in the audit file. For instance,
- The MRL was not in accordance with the requirements of Para 13 of SA 580, as it was only for the quarter ended 31<sup>st</sup> March 2020 and not for the FY ending 31.03.2020.
  - No explanation was given for non-consideration of interest cost on NPA loans.
  - The MRL was incomplete as total value of investments as at 31.03.2020 was left blank.
  - The details in the MRL relating to inventories were referring to a future date stating that "... Inventories as at 30<sup>th</sup> September 2020 are the property of the company..." which is clearly inconsistent, as for the audit of FY 2018-19, ending on 31.03.2020, it was referring to the date beyond 31.03.2020.
  - The MRL was not on the letterhead of the company and the name and designation of the issuing authority was also not traceable.

All the above, point to the poor quality of the audit for which the audit firm should remain accountable.

- d. The audit firm was also charged for not meeting the requirements of Para 8 of SA 230, because on perusal of the audit file, one cannot clearly understand:
- The nature, timing, and extent of the audit procedures performed to comply with the SAs and applicable Ind AS.
  - The results of the audit procedures performed, if any, and the audit evidence obtained, and
  - The professional judgements made by the EP in forming the audit opinion on the financial statements of VWL for the FY 2019-20.
- e. There was a huge difference between debit balance in the interest ledger<sup>8</sup> (part of the audit file) and interest on financial liabilities disclosed in the financial statements. There was no documentation of Trial Balance for the year ended 31.03.2020.
- f. There was no documentation of verification of interest certificates and balance confirmations from banks.
- g. There was no documentation of communications with Those Charged With Governance (TCWG) in respect of the:
- overview of the planned scope and timing of the audit.
  - Views about the significant qualitative aspects of VWL's accounting practices including accounting policies, accounting estimates and financial statement disclosures as required by Para 16(a) of SA 260.
  - Communications with TCWG as required by Para 19 of SA 260.

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<sup>7</sup> Management Representation Letter dated 24.06.2020.

<sup>8</sup> Debit balance in the interest ledger is ₹2.68 cr whereas the interest on financial liabilities as disclosed in Note 22 of the FS of FY 2019-20 was reflecting ₹4.16 cr.

- h. The EP, while submitting the audit file to NFRA, stated that despite his best efforts, he was unable to retrieve most of the work papers because they got damaged and disintegrated into torn-up bits. He further added that over time, copies of audit documents became bloated and faded. As the Audit Firm is the custodian of the Audit File, the reply of the EP shows that the Audit firm failed to ensure assembly of the Audit File within 60 days after the issuance of the Independent Auditor's report<sup>9</sup>.

It is also noted that as per the amendment in SQC 1 by ICAI<sup>10</sup>, an Auditor is required to retain the Engagement Documentation for no shorter than seven years from the date of auditor's report. However, the Audit Firm failed to comply with these requirements of the ICAI.

- (iii) The non-consideration of interest cost on NPA loans falls within the definition of 'Misstatement' as per Para 13(i) of SA 200 and its possible effects on the financial statements could be 'material and pervasive', necessitating modification of the audit opinion. It was also charged that, the EP on behalf of the audit firm had issued an unmodified opinion on the financial statements of VWL for the FY 2019-20 without obtaining sufficient appropriate audit evidence.
- (iv) It was also charged that the EQCR was not appointed for the audit engagement of VWL for the FY 2019-20. This is a violation of Para 19(a) of SA 220. The audit firm was required to ensure that the EP was in compliance with the requirements of SQC 1, which it *prima facie* failed to do.
- (v) There was no documentation of how the EP had concluded that the ET was in compliance with independence requirements as stipulated in Para 11 of SA 220. The audit firm also failed to ensure the same through its overall audit quality monitoring mechanism.
- (vi) The EP did not document the following, as required by Para 24 of SA 220:
- Issues identified with respect to compliance with relevant ethical requirements and how they were resolved.
  - Conclusions on compliance with independence requirements that apply to the audit engagement, and any relevant discussions with the firm that support these conclusions.
  - Conclusions reached regarding the acceptance and continuance of client relationships and audit engagements.
  - The nature and scope of, and conclusions resulting from, consultations undertaken during the course of the audit engagement.

The Audit Firm also failed to ensure this.

20. The firm denied all the charges and reiterated that the EP was responsible for overall audit engagement including its quality and the firm was only responsible for formulation of SQC 1 policy, which it did in the extant case. It further stated that the charges in the present SCN are repetition of charges made in the SCN issued to the EP and because replies on these charges were provided by the EP, no further reply is warranted on the same.
21. We have examined the firm's reply and observe that it has not provided any justification or defences addressing the allegations levied against it. Instead, the firm's reply merely deflects accountability to the EP and contends that since responses were provided by the EP to similar charges in a previous

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<sup>9</sup> As require by Para 14 read with Para A21 of SA 230 and Para 75 of SQC 1.

<sup>10</sup> Announcement of ICAI dated 19.08.2009, wherein ICAI has amended Para 83 of SQC 1.

SCN, no further reply is warranted. However, it is crucial to emphasize that the firm, as the legal entity, duly appointed as its statutory auditor remains responsible for compliance with auditing standards and quality control procedures and cannot evade accountability by shifting its responsibility to the individual partner. Considering the replies of the firm and the information available on record, the charges in the SCN against the firm stand proved.

22. Failure to properly monitor compliance with quality control policies, and procedures by audit firms has been viewed seriously by International Regulators as well. For example, the PCAOB<sup>11</sup>, the US Regulator, censured and imposed monetary penalty of \$ 600,000 on the firm in the Matter of PricewaterhouseCoopers, for their failure inter alia to comply with the requirements of Quality Control Policies and Procedures of the Firm.

#### **E. Article of Charges of Professional Misconduct**

23. Based on the above discussion and observations, it is proved that the audit firm failed to implement the quality control policies as required by SAs, within the firm. Therefore, we observe that:

- I. The audit firm committed professional misconduct as defined by clause 5 of Part I of the Second Schedule of the CA Act, which states that a CA is guilty of professional misconduct when he "fails to disclose a material fact known to him which is not disclosed in a financial statement, but disclosure of which is necessary in making such financial statement where he is concerned with that financial statement in a professional capacity".

This charge is proved as the audit firm failed to disclose in his report the material non-compliances by the company as explained in Para 12-17 above.

- II. The audit firm committed professional misconduct as defined by clause 6 of Part I of the Second Schedule of the CA Act, which states that a CA is guilty of professional misconduct when he "fails to report a material misstatement known to him to appear in a financial statement with which he is concerned in a professional capacity".

This charge is proved as the audit firm, who was appointed as the statutory auditor, failed to disclose in its report the material non-compliances by the company as explained in Para 12-17 above.

- III. The audit firm committed professional misconduct as defined by clause 7 of Part I of the Second Schedule of the CA Act, which states that a CA 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 audit firm, who was appointed as the statutory auditor, failed to exercise due diligence in the audit of the company in accordance with the SAs and applicable regulations, as explained in Para 12-17 above.

- IV. The audit firm committed professional misconduct as defined by clause 8 of Part I of the Second Schedule of the CA Act, which states that an EP 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 audit firm, who was appointed as the statutory auditor, failed to conduct the audit in accordance with the SAs and applicable regulations and failed to analyse

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<sup>11</sup> PCAOB Release No. 105-2024-015 dated March 28, 2024



and report the appropriateness of accounting policy for recognition of interest cost on loans classifies as NPAs, as explained in Para 12-17 above.

- V. The audit firm committed professional misconduct as defined by clause 9 of Part I of the Second Schedule of the CA Act, which states that an EP 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 audit firm, who was appointed as the statutory auditor, failed to conduct the audit in accordance with the SAs as explained in Para 12-17 above.

24. In view of the foregoing, we conclude that the charges of professional misconduct enumerated in the SCN dated 04.12.2023 stand proved based on the evidence in the Audit File, the Audit Report issued by the EP on behalf of the audit firm, the submissions made by the audit firm, the annual report of Vikas WSP Limited for the FY 2019-20 and other materials available on record.

#### **F. Penalty & Sanctions**

25. It is the duty of the audit firm to formulate and implement quality control policies, and procedures and ensure that the firm and its personnel comply with professional standards and regulatory and legal requirements and the Independent Auditor's Report issued by the firm or engagement partners are appropriate, as it is expected to provide useful information to the stakeholders and public, based on which they make decisions on their investments or do transactions with the public interest entity<sup>12</sup>. Without a credible audit, investors, creditors and other users of Financial Statements would be handicapped, and the corporate governance system would be seriously challenged and result in a breakdown in trust and confidence of investors and the public at large.

26. 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 penalty is laid down by the law.

27. The audit firm in the present case was required to ensure compliance with SAs to ensure the audit quality and lend credibility to Financial Statements. As we have explained in this Order, substantial deficiencies in the audit work of the EP, abdication of responsibility and omissions and commissions on the part of M/s S. Prakash Aggarwal & Co., establish professional misconduct. As per the statutes, the audit firm is required to ensure the adequacy of the quality control systems by adoption of proper policies and procedures, and the very objective of audit quality review is defeated if the audit firm does not perform its duties as stipulated by the standards.

28. Section 132(4) (c) of the Companies Act 2013 provides that the 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.

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<sup>12</sup> Public interest entity as defined in Rule 3 of NFRA Rules 2018

29. As per the information available from the Annual Report for the FY 2019-20, it is observed that the audit firm earned an audit fee of ₹ [REDACTED]/-.
30. Considering the proved professional misconduct and keeping in mind the nature of violations, principles of proportionality and deterrence against future professional misconduct, and also keeping in mind that the audit firm has not accepted the charges as pointed out in the SCN, we in exercise of powers under Section 132(4)(c) of the Companies Act, 2013, hereby order imposition of a monetary penalty of ₹ 5,00,000/- (Rupees Five lakhs only) upon M/s S. Prakash Aggarwal & Co.

Sd/-

(Dr Ajay Bhushan Prasad Pandey)  
Chairperson


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

Sd/-  
(Smita Jhingran)  
Full-Time Member

Authorised for issue by the National Financial Reporting Authority,

Date: 23.04.2024  
Place: New Delhi

To,  
M/s S. Prakash Aggarwal & Co., Chartered Accountant,  
ICAI Firm Registration Number: 06105C  
4-A-6, Jawahar Nagar, Sri Ganganagar – 335001,  
Rajasthan  
Email: [somprakashaggarwal@yahoo.com](mailto:somprakashaggarwal@yahoo.com)

  
(Vidhu Sood)  
Secretary

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

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