

भारत सरकार / Government of India
राष्ट्रीय वित्तीय रिपोर्टिंग प्राधिकरण / National Financial Reporting Authority
7th Floor, Hindustan Times House,
Kasturba Gandhi Marg, New Delhi

Order No. 014/2024

Date: 26.04.2024

ORDER

In the matter of M/s PCN & Associates, and CA Gopala Krishna Kandula under Section 132(4) of the Companies Act, 2013.

1. This Order disposes of the Show Cause Notice ('SCN' hereafter) no. NF-20012/1/2023/PCN dated 19th January 2024, issued to M/s PCN & Associates (Audit Firm - FRN: 016016S) and CA Gopala Krishna Kandula (ICAI Membership No. – 203605), Statutory Auditor and Engagement Partner (EP) respectively for the statutory audit of Brightcom Group Limited (BGL) during FY 2019-20 to FY 2021-22.
2. This Order is divided into the following sections:
 - A. Executive Summary
 - B. Introduction and Background
 - C. Major lapse of non-cooperation with NFRA
 - D. Articles of Charges of Professional Misconduct
 - E. Penalty and Sanctions
- A. **Executive Summary**
3. The National Financial Reporting Authority ('NFRA' hereafter) initiated investigation into the professional conduct of statutory auditors of M/s Brightcom Group Limited, for the FYs 2014-15 to 2021-22 under Section 132(4) of the Companies Act, 2013 ('Act' hereafter). This was pursuant to information received from the Securities and Exchange Board of India¹ regarding financial irregularities by the BGL and its Auditors. (refer para 10 of this Order).
4. To investigate into possible professional misconduct, the audit files and some other information for the year 2017-18 to 2021-22 were called for from the Audit Firm and the EP. The Hon'ble High Court Telangana stayed the proceedings for the Financial Years (FY) 2017-18 and 2018-19, therefore matter for these two FYs was not pursued. However there was no stay for the proceedings for FY 2019-20 to 2021-22 Though the Firm submitted the Audit Files for FY 2019-20 to 2021-22 after repeated reminders, it did not submit other information called for, which was crucial for the investigation. Despite repeated reminders, the Audit Firm and the EP did not submit the requisite documents and information (detailed in para 15(a) of this Order). Thus, NFRA was of prima facie opinion that the Audit Firm and the EP were unwilling to cooperate with NFRA in discharge of its statutory responsibility under section 132 of the Companies Act. Accordingly, on 19.01.2024, a show cause notice for non-cooperation was issued to the Audit Firm and the EP. During the periods of extension sought by the EP on medical ground, he continued to perform his professional work but did not submit information to NFRA. The requisite information was not submitted even after the issue of a SCN for non-cooperation, and providing multiple opportunities of personal hearing. The EP submitted a

¹ SEBI letter dated 26.04.2023 and Order dated 22.08.2023.

false affidavit to avoid submitting information to NFRA and to avoid attending personal hearing. (refer para 20 of this Order).

5. This Order concludes that the failure of the Audit Firm and the EP to cooperate with NFRA is a professional misconduct under section 132(4) of the Companies Act 2013, i.e. failure to supply the information called for, failure to comply with the requirements asked for, failure to exercise due diligence and being grossly negligent in the conduct of professional duties.
6. Based on the proceedings under section 132 (4) of the Act and after giving multiple opportunities to the Firm and the EP to present requisite documents and to attend personal hearings, we find the Audit Firm and the EP guilty of professional misconduct in their failure to comply with the requirements of provisions of the Act, and Code of Ethics (2019) ('the Code' hereafter), and impose through this Order the following monetary penalties and sanctions, that will take effect after 30 days from the date of this Order:

Imposition of a monetary penalty of Rupees Fifty Lakhs upon M/s PCN & Associates (FRN: 016016S), the Audit Firm and Rupees Thirty Lakhs upon CA Gopala Krishna Kandula (ICAI Membership No. – 203605), the Engagement Partner. In addition, the audit firm M/s PCN & Associates and CA Gopala Krishna Kandula are debarred for a period of Two years and Ten years respectively from being appointed as an auditor or internal auditor or from undertaking any audit in respect of financial statements or internal audit of the functions and activities of any company or body corporate.

B. Introduction and Background

7. The National Financial Reporting Authority is a statutory authority set up u/s 132 of the Act 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.
8. The statutory auditors, both individual and firm of chartered accountants, are appointed by the members of a company u/s 139 of the Act. The statutory auditors, including the Engagement Partners and the Engagement team that conduct the audit, are bound by the duties and responsibilities prescribed in the Act, the rules made thereunder, the SAs, including the Standards on Quality Control ('SQC' hereafter) and the Code of Ethics, the violation of which constitutes professional misconduct, and is punishable with penalty prescribed u/s 132(4)(c) of the Act.
9. The Brightcom Group Limited (BGL) was listed at Bombay Stock Exchange and National Stock Exchange and therefore falls under NFRA's domain². M/s PCN & Associates (Firm) was statutory auditor of BGL during FY 2019-20 to FY 2021-22 and CA Gopala Krishna Kandula was Engagement Partner on behalf of the Firm. (The Audit Firm and the Engagement Partner are collectively called as "Auditors" hereafter).
10. Information was received from Securities and Exchange Board of India (SEBI) regarding gross violation of the Companies Act by BGL and the possible involvement of the statutory auditors. SEBI's findings includes:

² Vide Rule 3(1)(a) of National Financial Reporting Authority Rules, 2018.
Order in the matter of non-cooperation by the Auditors of Brightcom Group Limited for the FYs 2019-20 to 2021-22

- BGL financed preferential issues of Rs 867.78 Crore through round-tripping of funds, involving subsidiaries, the promoter, and other conduit entities, including auditors. One of the auditor was beneficiary of such preferential issue by Rs 3.46 crores.
- The appointment of related audit firms as statutory auditor of 18 companies from FY 2013-14 to FY 2022-23 was aimed at circumventing statutory rotation requirements.
- The Auditors associated with another firm under the same network may have been ineligible for appointment as statutory auditors.
- BGL did not recognize impairment losses in its investments in subsidiaries of Rs 126.52 crores, nor did it properly account for impairment of assets of Rs 1280.06 crores, resulting in non-compliance with accounting standards.
- BGL wrongly capitalized research and development expenditure, leading to an understatement of expenditure and overstatement of profit by Rs 504.16 crores, contravening accounting standards.
- BGL transferred assets to the "Intangible Assets" category annually rather than when recognition criteria were met, violating accounting standards.
- Despite non-compliance with accounting standards, statutory auditors issued unqualified audit reports on the financial statements that also omitted required disclosures under the Companies Act 2013.
- Consolidated Financial Statements of BGL do not give a true and fair view of the financial position and financial performance of the company.
- BGL's overseas subsidiaries' accounting records were found to be unreliable, with expenses being capitalized in single journal entries and lacking detailed breakdowns. This deficiency extended to BGL and its subsidiaries' financial statements, which failed to adequately explain transactions.

11. Considering the gravity of the case, NFRA decided to investigate into possible professional misconduct, and on 15.06.2023, M/s PCN & Associates was advised to submit requisite documents including audit files and other information (detailed in para 15(a) of this Order) relating to statutory audit of Brightcom Group Limited for the financial year 2017-18 to 2019-20 within 15 days' time.

Further, on 29.08.2023, M/s PCN & Associates was advised to also submit requisite documents including Audit Files and other information relating to statutory audit of Brightcom Group Limited for the financial year 2020-21 to 2021-22 within 15 days' time.

12. The communication sent to the Firm via speed-post and e-mail was duly delivered. The auditors requested for extension of time for submission of the Audit Files. The auditors were granted multiple extensions of time (as detailed in section -C of this Order) for submission of requisite information. However, despite multiple extensions of time, the requisite information for FY 2019-20 to 2021-22, except for the Audit Files; and some information for FY 2019-20, was not provided.
13. On finding sufficient cause for action under section 132(4) of the Act, 2013 read with the NFRA Rules 2018, a SCN for non-cooperations by the Auditors, was issued and sent through post and email on 19.01.2024. The SCN charged the Auditors for:
- a) Failure to exercise due diligence and being grossly negligent in the conduct of professional duties.
 - b) Failure to supply the information called for, and non-compliance with the requests of NFRA.

14. The Auditors were advised to reply to the SCN by 18.02.2024 and also state whether they would like to be heard in person before a final decision is taken in the matter. The Auditors submitted their reply on 16.02.2024. Though the Auditors did not request for personal hearing, yet in the interest of natural justice, they were given the opportunity of personal hearing on 19.03.2024.

On 14.03.2024 the Auditors requested for four weeks more time for personal hearing on the ground that they need to engage a legal counsel. Considering the request, personal hearing was rescheduled to 27.03.2024. The Auditors vide email dated 20.03.2024 requested for additional time of one month citing medical condition of the EP. In response, on 21.03.2024 NFRA sent them a Video Conference (VC) link and advised them to attend personal hearing on the rescheduled date i.e. 27.03.2024. On 26.03.2024, the EP sought four weeks' time on medical ground, which was granted vide email dated 27.03.2024, however subject to production of an affidavit by the EP that he will not provide professional services during extended period. He submitted an affidavit on 05.04.2024 to NFRA, stating that he had not undertaken and was not going to undertake professional engagements involving financial reporting, auditing or any other professional services from 28.03.2024. These statements were found to be incorrect and he had in fact provided professional services between 28.03.2024 to 05.04.2024 and thereafter³. As such he had filed a **false affidavit** with NFRA.

The EP was also advised on 27.03.2024, to provide remaining information called for, by 24.04.2024 failing which it will be presumed that he had nothing to say in this matter and the case will be decided based on materials on record. No response received from the Firm and the EP. Accordingly, this Order is being issued based on the material on record. The specific failure of the Auditors' is discussed in section C of this Order.

C. Major lapses on the part of the Firm and the EP

Failure to submit requisite information and non-cooperation with NFRA

15. The Auditors were charged with failure to submit information called for by NFRA, despite being given several opportunities. The Auditors were asked to submit the Audit Files and other information for FY 2019-20 to 2021-22. They submitted the Audit Files but did not submit most of the other important information despite being given multiple opportunities. The sequence of events is detailed below.

For FY 2019-20

- a) On 15.06.2023, the Auditors were advised to submit requisite documents including audit files and other information relating to statutory audit of Brightcom Group Limited for the financial year 2017-18 to 2019-20 within 15 days' time. The information called from the Auditors was as detailed below:
- The Quality Policy Document prepared in accordance with SQC I⁴ and applicable for the financial year ended 31.03.2018, 31.03.2019 and 31.03.2020.
 - Audit files.
 - Details of Related parties of Auditee and Audit firm

³ On 24.04.2024, ICAI intimated that the EP generated UDIN during this period for providing professional services. Details are at para 20 of this Order.

⁴ SQC 1 - "Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements".

- Details about the Audit Firm
 - Details of all revenue received from audit / non-audit services provided by the Audit Firm and all its network firms to the Auditee Company and all its Related Parties.
 - List of all the companies where Firm / Engagement Partner is appointed as statutory auditor, internal auditor or performing any valuation as provided u/s 247 of Companies Act, 2013.
 - Duly Notarized Affidavit certifying truthfulness and completeness of the submitted information including audit files; and certifying that nothing has been concealed.
 - A summary of the statutory audits of listed company conducted by the audit firm over the past five years, any issues requiring special mention such as complaints of misconduct, disciplinary proceedings, other litigations related to audit work etc.
 - A brief of the entity's policies, practices and tools used for maintaining and archiving audit Files.
- b) On 30.06.2023, the Auditors sought **1st extension** of time of eight weeks for submitting the requisite information. NFRA allowed extension up to 31.07.2023 for submission of Audit Files and other information.
- c) On 31.07.2023, the Auditors sought **2nd extension** of time of one month for submitting the requisite information. NFRA allowed extension up to 15.08.2023 for submission of Audit Files and other information.
- d) In the meantime, on 01.08.2023, the Hon'ble High Court of Telangana granted stay on the proceedings for FY 2017-18 and 2018-19. There was no stay on the proceedings for FY 2019-20. On 12.08.2023, the Auditors submitted that in view of the stay granted by the Hon'ble High Court of Telangana for Financial years 2017-18 and 2018-19, they did not comply with NFRA letter for submission of the Audit Files and other information up to 31.07.2023. However, the Auditors kept silent in respect of submission of the Audit Files and other information for FY 2019-20, for which there was no stay from any court.
- e) On 18.08.2023, NFRA informed the Auditors that the last date for submission of the Audit File and other information for Financial Year 2019-20 was 15.08.2023. The Auditors were also informed that the Hon'ble High court did not stay the proceedings for the financial year 2019-20. Despite that the Auditors did not submit the Audit File for FY 2019-20. The Auditors were again advised to submit the audit files and other information within 7 days of the issue of letter (**3rd extension**).
- f) On 21.08.2023, the Auditors submitted the Audit File for FY 2019-20. However, other information as mentioned at para 15(a) above was not submitted by the Auditors.
- g) On 29.08.2023, the Auditors were again advised inter alia to submit the remaining information called for in respect of FY 2019-20 as originally requested vide letter dated 15.06.2023. The last date for submission of the other information was again extended till 13.09.2023 (**4th extension**).
- h) On 13.09.2023, the Auditors requested for eight more weeks' time to submit the said information. While considering the time already provided to the Auditors for submission of information, the Auditors were reminded and given a further time extension of seven days, through NFRA letter dated 15.09.2023 for submission of other information (**5th extension**).
- i) On 30.09.2023, the Auditors requested for extension of 2 more weeks for submission of information. Along with the Auditors' request for extension, the Auditors submitted partial information such as List of Network Firms of the Audit Firm and Details of Revenue earned from the Auditee Company. As the Auditors did not submit the complete

information, the Auditors were again reminded and allowed to submit the remaining information on or before 15.10.2023 (**6th extension**).

- j) As the Auditors did not submit the requisite information, the Auditors were again advised on 26.10.2023 to provide the remaining information within 7 days of the date of our letter (**7th extension**).
- k) On 20.11.2023, the Auditors were allowed an extension up to 30.11.2023 for submission of the remaining information. The Auditors were advised to submit the information within the extended time period and were also informed that failure to submit this information within the prescribed time, would be construed as the Auditors having nothing to say in the matter, and the matter would be decided based on the materials on record. (**8th extension**).

For FY 2020-21 and FY 2021-22

- l) On 29.08.2023, the Auditors were advised to submit requisite documents including Audit Files and other information (as mentioned at para 15(a) above) relating to statutory audit of Brightcom Group Limited for the financial year 2020-21 to 2021-22 within 15 days' time.
 - m) On 13.09.2023, the Auditors sought **1st extension** of Eight weeks for submitting the requisite information. The Auditors were allowed extension of time up to 30.09.2023.
 - n) On 30.09.2023, the Auditors sought **2nd extension** of 4 weeks for submission of required information. The Auditors were allowed extension of time up to 15.10.2023.
 - o) On 14.10.2023, the Auditors sought **3rd extension** of 30 days for submission of required information. The Auditors were allowed extension of time up to 15.11.2023.
 - p) On 15.11.2023, the Auditors sought **4th extension** of 15 days for submission of the audit file and other information. The Auditors were allowed extension of time up to 30.11.2023. The Auditors were advised to submit the audit files and other information within the extended time period failing which it would be presumed that the Auditors had not maintained audit files in accordance with Standards on Auditing and SQC 1 and that the Auditors had nothing to say in the matter, and that the matter would be decided based on the materials on record.
 - q) The Auditors submitted the Audit Files for FY 2020-21 and FY 2021-22 on 30.11.2023. However, the other information called for as per NFRA letter dated 29.08.2023, was not submitted.
16. The Auditors were also required to submit other information (as per para 15(a) above) along with the Audit Files, however, despite Nine letters for FY 2019-20 and Five letters for FY 2020-21 & 2021-22, the Auditors submitted incomplete information for FY 2019-20, and did not submit any of the requisite information (except the Audit Files) for relating to FY 2020-21 & 2021-22.
17. While responding to the SCN, the Auditors replied on 16.02.2024 that:
- Hon'ble High Court Telangana vide order dated 01.08.2023 in WP no. 20458/2023 had stayed proceedings for FY 2017-18 and 2018-19.
 - SCN sought other information for the FY 2017-18 to 2021-22.

- Quality policy document as per SQC 1 and applicable for FY 2018-19 to 2021-22 were shared as part of the Audit File; and a portion of other information has been submitted for FY 2019-20.
- The Auditors requested not to take any action in this matter.

18. We have considered the Auditors' reply and observe as under:

- The Auditors have not given any reason for not supplying the remaining information for FY 2019-20 to 2021-22 despite the fact that the Hon'ble High Court of Telangana has not stayed proceedings for FY 2019-20 to 2021-22.
- The Auditors have wrongly stated that SCN sought information for FY 2017-18 to 2021-22 whereas the fact is that the SCN was issued for non-submission of information for FY 2019-20 to 2021-22.
- With respect the Auditors' reply relating to quality control documents, on perusal of the Audit Files for FY 2019-20 to 2021-22, we found that a check list titled "Standard on Quality Control compliance check list" is available in all the three Audit Files. It is worthwhile to mention that the purpose of SQC- 1 is to establish standards and provide guidance regarding a firm's responsibilities for its system of quality control for audits and reviews of historical financial information, and for other assurance and related services engagements. We observe from the checklists available in the Audit Files that provisions of SQC 1 have been simply tabulated and tick marked, indicating that the Firm had established policies and procedures in compliance with SQC 1. However, the Firm failed to provide the document containing such established policies and procedures either in the Audit Files or separately.

19. It is also noted that on five occasions the EP sought extensions of time *inter alia* on medical grounds and did not submit information to NFRA, but during those periods, he continued to provide professional services to his clients. The details of UDIN⁵ generated during extension sought *inter alia* on medical grounds is given in table – 1 below.

Table – 1: Details of UDIN generated by the EP during extension sought *inter alia* on medical grounds⁶

Sr No	Date of EP's letter seeking extension of time	Period for which extension sought	Nature of medical ground	No of UDIN generated	UDIN generation period	Nature of documents for which UDIN were generated	UDIN generation latest time of a day
1	31.07.2023	1 month	Accident - Leg fractured	156	31.07.2023 to 12.09.2023	Statutory audit, Limited review reports, Form 3CB - Section 44AB(a) of Income Tax Act, Internal audit, Turnover certificates, Net worth certificates, and Other certificates	till 00.38 hrs (midnight)
2	13.09.2023	8 Weeks	Last month accident	92	13.09.2023 to 29.09.2023	Statutory audit, Form 3CB - Section 44AB(a) of Income Tax Act, Turnover certificates, and Other certificates	till 21.59 hrs (late night)
3	30.09.2023	2 weeks	Viral fever	48	30.09.2023 to 13.10.2023	Statutory audit, Form 3CB - Section 44AB(a) of Income Tax Act, Turnover certificates, and Other certificates	till 22.03 hrs (late night)
4	14.10.2023	30 Days	Previous accident and previous Viral fever	80	14.10.2023 to 14.11.2023	Statutory audit, Limited review reports, Form 3CB - Section 44AB(a) of Income Tax Act, Turnover certificates, Net worth certificates, and Other certificates	till 21.33 hrs (late night)
5	20.03.2024	1 month	Viral fever	13	20.03.2024 to 19.04.2024	Cuncurrent audit, Net worth certificates for bank finance, and Other certificates	till 22.28 hrs (late night)
Total number of UDIN generated				389			

⁵ Unique Document Identification Number (UDIN) is 18-Digits system generated unique number for every document certified/attested by full time Practising Chartered Accountants. This is mandatory as per ICAI. For details please visit [https://udin.icai.org/pdf/FAQs%20on%20UDIN%20\(3rd%20Edition\).pdf](https://udin.icai.org/pdf/FAQs%20on%20UDIN%20(3rd%20Edition).pdf)

⁶ As per ICAI email dated 28.03.2024 and 24.04.2024.

It can be observed from the above Table -1 that the EP did not submit requisite information to NFRA on the medical ground, however during the same period, he continued to perform his professional work even till **midnight**. It is further noted that the EP generated 577 UDIN between 15.06.2023 (first communication of NFRA) to 20.04.2024. This proves non-cooperation of the EP in providing information to NFRA.

20. It is further noted that the EP did not co-operate even in attending a Personal Hearing (PH) and had submitted a **false affidavit** to NFRA to avoid attending PH as detailed hereafter.

- NFRA vide email dated 08.03.2024 provided an opportunity of personal hearing on 19.03.2024 to the Firm and the EP.
- On 14.03.2024 the EP requested four weeks additional time on the ground of engaging a legal counsel.
- On 15.03.2024 NFRA adjourned the personal hearing on 27.03.2024.
- On 20.03.2024 the EP sought extension of one month on medical ground.
- On 21.03.2024 NFRA sent him a video conferencing link with the advice to attend the personal hearing on 27.03.2024 and present his case including the request for additional time before the Executive Body of NFRA.
- On 26.03.2024 the EP sought additional time of four weeks on medical ground.
- On 27.03.2024 NFRA granted additional time of four weeks subject to production of a duly notarized affidavit that he had neither undertaken any professional work from 19.03.2024 to 27.03.2024 nor will undertake any professional work during adjournment period. The EP submitted a duly notarized affidavit on 05.04.2024 declaring that he had neither undertaken nor going to undertake any kind of professional engagements involving financial reporting, auditing, or any other professional services from 28.03.2024. **This affidavit appears false as ICAI vide email dated 24.04.2024 intimated that the EP had generated various UDIN *inter alia* between 28.03.2024 and 05.04.2024; and thereafter till 20.04.2024.** The screen shot of details of UDIN generated by the EP as communicated by ICAI is given below:

S.No.	MRN	Name	FRN	Document Type	Document Sub Type	Document Date	Status	Create Date/Time
1	203605	GOPALA KRISHNA KANDULA	011617S	Certificates	Net worth Certificates for Bank finances	19/04/2024	Active	19/04/2024 13:28
2	203605	GOPALA KRISHNA KANDULA	011617S	Certificates	Net worth Certificates for Bank finances	18/04/2024	Active	18/04/2024 18:23
3	203605	GOPALA KRISHNA KANDULA	011617S	Certificates	Others	10/04/2024	Active	10/04/2024 12:52
4	203605	GOPALA KRISHNA KANDULA	011617S	Certificates	Others	10/04/2024	Active	10/04/2024 12:43
5	203605	GOPALA KRISHNA KANDULA	011617S	Audit and Assurance Functions	Concurrent Audit	08/03/2024	Active	02/04/2024 21:55
6	203605	GOPALA KRISHNA KANDULA	011617S	Audit and Assurance Functions	Concurrent Audit	08/02/2024	Active	02/04/2024 21:35
7	203605	GOPALA KRISHNA KANDULA	011617S	Audit and Assurance Functions	Concurrent Audit	06/03/2024	Active	01/04/2024 20:58
8	203605	GOPALA KRISHNA KANDULA	011617S	Audit and Assurance Functions	Concurrent Audit	05/02/2024	Active	01/04/2024 20:42
9	203605	GOPALA KRISHNA KANDULA	011617S	Certificates	Others	28/03/2024	Active	28/03/2024 16:00
10	203605	GOPALA KRISHNA KANDULA	011617S	Certificates	Others	27/03/2024	Active	27/03/2024 22:28
11	203605	GOPALA KRISHNA KANDULA	016016S	Certificates	Others	20/03/2024	Active	20/03/2024 17:21
12	203605	GOPALA KRISHNA KANDULA	016016S	Certificates	Others	20/03/2024	Active	20/03/2024 16:27
13	203605	GOPALA KRISHNA KANDULA	016016S	Certificates	Others	20/03/2024	Active	20/03/2024 16:13

21. The above details clearly show the Auditors' non-cooperation with NFRA in respect of non-submission of information mentioned at para 15(a) of this Order (except the Audit Files for all years and partial documents for FY 2019-20) and also in attending personal hearing for which multiple opportunities were provided to them. Remaining information not submitted by the Auditors is crucial for investigation of independence of the Auditors; performance of the audit; and to ensure truthfulness and completeness of the Audit Files & other submitted information. Without such information, conducting appropriate investigation becomes very difficult. The plea of ill health taken by the EP fails in light of the facts disclosed by the table above. The persistent failure of the Firm and the EP to submit requisite information leads us to conclude that the Firm and the EP are unwilling to cooperate with NFRA in discharging its statutory responsibility under section 132 (4) of the Act. This is professional misconduct on the part of the Auditors. The Auditors' failure to provide the required documents and information has impeded the NFRA's ability to determine if the Auditors' audit work was performed in accordance with Laws and Standards, and determine the violations committed by the Auditors.
22. We note that in the case of *R.C. Dutta vs. Kailash C. Mishra*,⁷ a Chartered Accountant was held guilty of professional misconduct under Clause (7) of Part I of Second Schedule and other misconduct under section 22 of the Chartered Accountants Act 1949, for his failure to appear before Tax Authorities. *CA Gora Chand Mukherjee*⁸ was also held guilty of professional misconduct falling within the meaning of Clause (7) of Part I of the Second Schedule to the Chartered Accountants Act 1949 for delay in submission of information to RBI and for not submitting appropriate information.
23. At the International level also, such conduct is viewed seriously. The Public Company Accounting Oversight Board (PCAOB), the USA Audit Regulator, have sanctioned firms/individual Certified Public Accountants (CPAs) for non-cooperation with the regulator, including revocation of license. Some such instances are listed below:
- In the matter of Crowe Horwath (HK) CPA Limited⁹, PCAOB censured the audit firm and revoked its registration for non-cooperation in its investigation, by failing to comply with demand requiring production of documents, including audit work papers.
 - In the matter of In the Matter of Price Waterhouse, Bangalore, Lovelock & Lewes, Price Waterhouse & Co., Bangalore, Price Waterhouse, Calcutta, and Price Waterhouse & Co., Calcutta¹⁰, PCAOB censured and limited activities of the audit firms besides imposing monetary penalty for non-cooperation in an inspection by modifying audit file.
 - In the matter of J. Crane CPA, P.C. and James Crane¹¹, PCAOB permanently revoked the registration of the firm and permanently barred James Crane from being an associated person of a registered public accounting firm for their non-cooperation in a Board inspection, and for Crane, P.C.'s failures to file an annual report and pay an annual fee.

D. Articles of Charges of Professional Misconduct

24. Given the above-mentioned acts of commission and omission, it is established that M/s PCN & Associates, and CA Gopala Krishna Kandula committed professional misconduct by not

⁷ R.C. Dutta vs. Kailash C. Mishra - Page 143 Vol.IX-1-21(6) of Disciplinary cases, the ICAI Council's decision dated 5th January, 2005 and Judgement of High Court of dated 1st March, 2007

⁸ Gora Chand Mukherjee in Re:- [PPR/P/10/E/2007/DD/6/E/ 8INF/08/DC/94/2010] Judgement delivered by ICAI on 15th December 2016.

⁹ PCAOB Release No. 105-2017-031 dated 25.07.2017.

¹⁰ PCAOB Release No. 105-2011-002 April 5, 2011.

¹¹ PCAOB Release No. 105-2011-001 dated 19.01.2011.

submitting the requisite information to NFRA; not attending personal hearing; and submitting false affidavit. We conclude that the following failures on their part, as contained under the Articles of Charges in the SCN, stand established:

- a) Failure to exercise due diligence and being grossly negligent in the conduct of professional duties as defined by clause 7 of Part I of the Second Schedule of the Chartered Accountants Act 1949 as explained and proved in part C above.
- b) Failure to supply the information called for, and non-compliance with the requests of NFRA, as defined in clause 2 of Part-III of First Schedule of The Chartered Accountants Act, 1949 as explained and proved in part C above.

E. Penalty and Sanctions

25. It is the duty of an auditor to conduct the audit with professional skepticism and due diligence and report his opinion in an unbiased manner. Statutory audits provide useful information to the stakeholders and public, based on which they make their decisions on their investments or do transactions with a public interest entity¹². The Brightcom Group Limited is one such entity, which is listed with stock exchanges in India and has significant public interest.
26. Section 132(4) of the Companies Act, 2013 provides for penalties in a case where professional misconduct is proved. The seriousness with which proven cases of professional misconduct are to be viewed, is evident from the fact that a minimum punishment is laid down by the law.
27. The Auditors' professional misconduct is demonstrated by their failure to cooperate with NFRA and mislead NFRA as outlined in section D of this Order. The non-cooperation displayed by the Auditors is troubling since it hinders the investigation of any possible professional misconduct on their side. This substantially impedes NFRA's ability to fulfil its statutory duty of providing effective oversight. If such auditors are allowed to do statutory audits of any company or body corporate, the public interest is probably going to be jeopardized.
28. 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.
29. We note that CA Gopala Krishna Kandula is a partner in the firm M/s PCN & Associates. As per the information contained in the financial statements of Brightcom Group Limited, audit fee was Rs six lakhs in FY 2019-20 to FY 2021-22 (Rs two lakhs per year).
30. We note that M/s PCN & Associates was the statutory auditor of BGL for FY 2019-20 to FY 2021-22. The Audit Firm is primarily responsible for submission of requisitioned information to NFRA. All the communications from NFRA were sent to the Firm and the EP. It was the

¹² Public interest entity as defined in Rule 3 of NFRA Rules 2018
Order in the matter of non-cooperation by the Auditors of Brightcom Group Limited for the FYs 2019-20 to 2021-22

Firm's responsibility to ensure that requisitioned information is submitted to NFRA within the stipulated time period through its partners. Therefore, we find that the Firm and the EP both are responsible for the non-cooperation. Non-provision of information seriously cripples the working of the regulator. The seriousness with which such non-cooperation is viewed at by other jurisdictions has been detailed in para 23 of this Order, where the firms as well as the partners both have been debarred, deregistered in addition to imposition of monetary penalty.

31. Considering the aforementioned proved professional misconduct by the Firm and the EP; and considering the nature of the violation, we, in exercise of powers under section 132(4)(c) of the Companies Act, 2013, order:
- Imposition of a monetary penalty of Rupees Fifty Lakhs upon M/s PCN & Associates (FRN: 016016S), the Audit Firm and Rupees Thirty Lakhs upon CA Gopala Krishna Kandula (ICAI Membership No. – 203605), the Engagement Partner.
 - In addition, M/s PCN & Associates and CA Gopala Krishna Kandula are debarred for a period of Two years and Ten years respectively 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.
32. This Order will become effective after 30 days from the date of its issue.

-sd-

(Dr. Ajay Bhushan Prasad Pandey)
Chairperson

-sd-

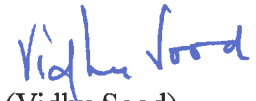
(Dr. Praveen Kumar Tiwari)
Full-Time Member

-sd-

(Smita Jhingran)
Full-Time Member

Authorized for issue by the National Financial Reporting Authority,

Date: 26.04.2024
Place: New Delhi


(Vidhu Sood)
Secretary

To,
1. PCN & Associates
Chartered Accountants,
FRN: 016016S,
Plot No 12 N Heights,
Ground Floor Software Units Lathe Auditorst ,
Cyberabad, Hyderabad (Telangana) India – 500081
e-mail id: cakrishna50@gmail.com

2. CA Gopala Krishna Kandula
ICAI Membership No. – 203605
Plot No 12 N Heights
Ground Floor Software Units Lathe Auditorst
Cyberabad, Hyderabad (Telangana) India – 500081
e-mail id: cakrishna50@gmail.com

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

Copy To: -

- (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) Brightcom Group Limited
- (v) IT-Team, NFRA for uploading the order on the website of NFRA.

श्रीमान् श्री ए.के.एस. श्रीवास्तव
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