

Note: The operation and implementation of the Order dated 30.01.2025 have been stayed, and interim protection has been granted by the Hon'ble High Court of Delhi vide orders dated 28.02.2025 and 17.03.2025. The said Order is presently not effective/enforceable, and the matter stands adjourned sine die pending the decision of the Hon'ble Supreme Court of India in a similar matter, for which a Special Leave Petition is pending.

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.:01/2025

Date: 30.01.2025

ORDER

In the matter of CA Neeraj Bansal (ICAI Membership No 095960) under Section 132(4) of the Companies Act 2013.

1. This Order disposes of the Show Cause Notice ('SCN' hereafter) of even no. dated 15.05.2024, issued to **CA Neeraj Bansal** (ICAI Membership No 095960) ('Auditor' or 'EP' hereinafter). CA Neeraj Bansal 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 **Religare Finvest Limited**, Delhi ('RFL' or 'the Company' hereafter) for the Financial Year ('FY' hereafter) **2017-18**.
2. This Order is divided into the following sections:
 - A. Executive Summary
 - B. Introduction and Background
 - C. Lapses in the Audit
 - D. Articles of Charges of Professional Misconduct
 - E. Penalty and Sanctions

A. EXECUTIVE SUMMARY

3. NFRA initiated action under Section 132(4) of the Companies Act, 2013 (the Act) for investigating into professional or other misconduct of the EP for the statutory audit of RFL for the FY 2017-18 and issued a Show Cause Notice (SCN) on 15.05.2024.
4. This Order disposes of the said SCN and finds that the EP failed to meet the relevant requirements of the Act as well as the Standards on Auditing ('SA' hereafter) in respect of several significant areas, reflecting gross negligence and lack of due diligence in performing the audit of RFL for the Financial Year ended 2017-18. These include:
 - i. Failure to comply with Companies (Audit and Auditors) Rules, 2014 in timely reporting of fraud to the Central Government under Section 143(12) of the Companies Act, 2013 in respect of the Corporate Loan Book (CLB) of Rs. 2,036 crores.

- ii. Failure to appropriately assess the risk of fraud and risk of management override of controls in RFL, ignoring that RBI had raised serious concerns regarding the CLB portfolio of RFL and RFL itself reporting to RBI regarding a fraud pertaining to Strategic Credit Capital Private Limited (SCCPL).
 - iii. Failure to document sufficient evidence regarding the audit procedures performed in the audit of the loan book of RFL.
 - iv. Failure in verifying the certainty of future taxable income against which the Deferred Tax Assets (DTA) of Rs.495.63 crores were recognised in the books.
 - v. The EP failed to question the business rationale of the investments by RFL of Rs.200 crores in non-convertible debentures of OSPL Infradel Private Limited (OSPL), which had a net worth of only Rs.1.23 lakhs. The EP also failed to obtain sufficient appropriate evidence regarding impairment/diminution of such investment and failed to verify the interest income received on the investments.
 - vi. Failure to give an appropriate audit opinion in light of the cumulative impact of mis-statements which were material and pervasive.
 - vii. Failure to obtain sufficient appropriate audit evidence regarding the appropriateness, completeness and accuracy of consolidation adjustments and reclassifications relating to the accounts of RFL's subsidiary- Religare Housing Development Finance Corporation (RHDFC).
5. Based on our proceedings under Section 132(4) of the Companies Act, 2013 and after giving the EP an opportunity to present his case, we find the EP guilty of professional misconduct and impose through this Order, a monetary penalty of Rs.5,00,000/- (Rupees Five Lakhs) upon CA Neeraj Bansal. In addition, CA Neeraj Bansal, is also debarred for five (5) 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 will take effect after 30 days from its issue.

B. INTRODUCTION AND BACKGROUND

6. NFRA is a statutory authority set up under Section 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 has the responsibility to protect the public interest and the interests of the investors, creditors and others associated with the companies or bodies corporate that come under its purview. Under Section 132(4) of the Act, NFRA is vested with the powers of a civil court, and power to investigate the prescribed classes¹ of companies and impose penalty for professional or other misconduct of the individual members or firms of chartered accountants.

¹ As per Rule 3 of NFRA Rules, 2018

7. The Statutory Auditors, both individual and firm of chartered accountants, are appointed under Section 139 of the Act. The Statutory Auditors, including the Engagement Partners, Engagement Quality Control Reviewer and the Engagement Team that conducts the audit are bound by the duties and responsibilities prescribed in the Act, the rules made thereunder, the Standards on Auditing (SA hereafter), including the Standards on Quality Control and the Code of Ethics, the violation of which constitutes professional or other misconduct, and is punishable with penalties prescribed under Section 132(4)(c) of the Act, 2013.
8. NFRA took up for suo motu examination, under Section 132(4) of the Act, possible violations of the SAs by the EP in the statutory audit of RFL, a company located at Delhi, following receipt of information from Securities and Exchange Board of India (SEBI) vide letter dated 19.06.2020 that its investigations had indicated irregularities in the loan transactions of RFL, a subsidiary of REL.
9. In order to investigate whether the statutory auditor of RFL had complied with the Act, Standards on Auditing and the Code of Ethics, NFRA vide letter dated 17.10.2022 called for the Audit Files and other documents for the FY 2017-18. The EP submitted the same on 23.11.2022. RFL has disclosed in its Annual Report for the FY 2017-18, that the Financial Statements have been prepared to comply with the accounting standards notified under Section 211 (3C) (of Companies Act, 1956) [Companies (Accounting Standards) Rules, 2006, as amended], other relevant provisions of the Companies Act, 2013 and Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 (the 'Prudential Norms') as amended from time to time ('the NBFC Directions'). The EP issued a Qualified Opinion in the main audit report and a Disclaimer of Opinion on the Internal Financial Controls over Financial Reporting for the FY 2017-18.
10. On examination of the Audit Files, it was prima facie observed that the audit had been conducted by the EP and his team in disregard of many of the Standards on Auditing and relevant requirements of the Companies Act, 2013. On being satisfied that sufficient cause existed to act under sub section (4) of Section 132 of the Act, a SCN was issued to the EP on 15.05.2024 under Section 132 (4) of the Act asking the EP to show cause why action should not be taken against him for professional misconduct in respect of his performance of the audit of RFL for FY 2017-18. A copy of the SEBI letter dated 19.06.2020 was also provided to the EP along with the SCN. The EP was charged with professional misconduct of:
 - i. Failure to report a material misstatement known to them to appear in a financial statement with which he was concerned in a professional capacity.
 - ii. 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.
 - iii. Failure to exercise due diligence and being grossly negligent in the conduct of their professional duties.
 - iv. Failure to invite attention to any material departure from the generally accepted procedure of audit applicable to the circumstances.
11. The reply to the SCN was submitted by the EP vide email and letter dated 14.06.2024. The EP also availed the opportunity of personal hearing, which was held on 27.08.2024 at the

office of NFRA, New Delhi and post the hearing, written submissions were submitted on 10.09.2024. The EP was represented by legal counsel Mr. Ajay Bahl and his team of advocates. This Order is based on NFRA's own independent investigation including a review of the Financial Statements of RFL for the FY 2017-18, the audit files, written responses of the EP, submissions made during the personal hearing and written submissions thereafter. Each of the charges in the SCN is analysed and discussed herein below.

C. LAPSES IN THE AUDIT

C1. Delay in reporting fraud under Section 143(12) of the Companies Act, 2013

12. The EP was charged with delay in filing ADT-4 report relating to fraud. Rule 13 of Companies (Audit and Auditors) Rules, 2014 requires an auditor, if he has reason to believe that an offence of fraud, is being or has been committed against the company by its officers or employees, to report the matter to the Central Government and file ADT-4, if the amount involved is Rupees One crores or above.
13. RBI had issued a letter dated 27.01.2017 to RFL pointing out irregularities in the loans granted by RFL under its CLB portfolio, stating that there was weak credit appraisal, no system for verification of end use of money after sanction, no system for loan sanctioning and assessment of credit worthiness of the borrowers and documents for follow up post disbursement. These communications of RBI with RFL had also been mentioned by the auditor of the preceding Financial Year in his qualified audit report. The SCN stated that even though the EP had knowledge of these irregularities at the time of acceptance of the engagement (13.10.2017), the EP reported to the Audit Committee only after more than seven (7) months on 25.05.2018, that given the circumstances he had reasons to believe that a fraud was being or had been committed in RFL. The EP filed the ADT-4 on 23.07.2018, after delay of around nine (9) months from the date of the Engagement Letter, after signing the Audit Report on 30.05.2018.
14. The EP in his reply to the SCN, denied the charge, stating that the RBI letter dated 27.01.2017, and the qualification by previous auditor, did not contain sufficient information to conclude or suspect that a fraud had been committed. The EP submitted that the auditor is required to report fraud to the Central Government, if during the course of the performance of his duties as auditor, he has reason to believe that an offence involving fraud is being or has been committed against the company by officers or employees of the company; that he was guided by Paragraph 46 to 48 of the Guidance Note² issued by the Institute of Chartered Accountants of India, according to which the auditor is required to report fraud if he has 'reasons to believe'; and that for having 'reasons to believe', there needs to be sufficient information or convincing evidence to advance beyond suspicion.
15. The EP stated that as per SA 240³, Rule 13 of the Companies (Audit and Auditors) Amendment Rules, 2015 and the Guidance Note there was no delay in reporting of fraud. That, based on the predecessor Auditor's Report, the issue was discussed with the management, which had informed the ET that, as directed by RBI, RFL was committed to reduction of the Corporate Loan Book by February 2018. The EP submitted that as per

² Revised (2016) Guidance Note on Reporting on Fraud under Section 143(12) of the Companies Act, 2013

³ Standards on Auditing (SA) 240, The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements

professional judgement applied at the time of commencement of Audit in October 2017, the conditions indicated that loans under CLB portfolio had significant risks but there was no sufficient or convincing evidence of fraud when the audit was commenced in October 2017.

16. The EP further added that:

- i. the ET was enquiring and analysing the details with the management and was in continuous correspondence with RFL, RBI and the banks, however, the flow of information was taking time, and more time was required for having 'reasons to believe' that fraud was committed. The ET received from the management on 18.01.2018, party wise quarterly movement details of the CLB for the period April 2015 to September 2017 and the RBI inspection Report for the F.Y. 2015-16 and 2016-17 on 09.02.2018. The Financial Statements for the period upto December 2017 were received on 30.03.2018.
- ii. The RBI inspection reports for 2015-16 and 2016-17 received on 09.02.2018 prohibited further sanction of loans under the CLB portfolio as the roadmap to liquidate the CLB loan Portfolio, as directed by RBI in its letter dated 27.01.2017, was not implemented by RFL. The EP vide letter dated 12.04.2018 requested RBI to provide relevant information regarding certain transactions where, according to RBI the funds disbursed to nine borrowers ultimately came back to group companies of RFL. However, no response from RBI was received by the time the EP communicated with the Audit Committee on 25.05.2018 regarding suspected fraud in the CLB portfolio and reporting of fraud to the Central Government.

17. The EP submitted that once the ET was able to collate reasonable working, he intimated immediately to Board of Directors on 25.05.2018 and reported the same in the Independent Auditor's Report dated 30.05.2018, in Clause (x) of Annexure-A to the Audit Report (CARO report). The EP stated that as on the date of signing of the Audit Report for FY 2017-18, he was awaiting the comments of the Audit Committee of RFL, which the EP was required to have before reporting in terms of Form ADT-4.

18. During the Personal Hearing and the written submissions thereafter, the EP submitted that he could not have reported fraud based on the RBI's letter dated 27.01.2017 as it did not provide him the required 'reason to believe' for triggering the fraud reporting process. Such an approach would have been contrary to the provisions of Section 143(12) of the Companies Act, the relevant Rules and the ICAI Guidance Note because:

- i. the RBI letter referred to its inspection for the FY 2014-15 and to the CLB outstanding as on 31.03.2015 was over 30 months before his appointment as the first-time auditor.
- ii. the RBI letter made no reference to 'fraud' in RFL but merely highlighted a 'corporate governance' matter.
- iii. that a mere movement of borrowed funds from a borrower to a third party, is not conclusive of the intention of the borrower to defraud the lender by non-payment of the loan.
- iv. That he could not have reported a fraud based merely on the RBI letter, without visibility on:
 - a) whether some of the stated principal or interest amounts were in fact recovered by the Company after the RBI observations; and the audit

procedures performed by him showed that some of the loans referred to in the RBI letter had been repaid by the time he came in as the statutory auditor,

- b) the officers and employees involved in the sanctions of those loans and whether they knew about the intended end-use and subsequent movement of funds from the concerned borrower.

- v. That had he reported fraud without doing so, the company, officers or its borrowers may have had a reason to initiate legal action against him.

19. The EP also stated that the Financial Statements of December 2017 were received towards the end of March 2018; that EP had issued a qualified opinion as the RFL had made a provision of 50% only on the CLB portfolio of Rs.2036.70 crores as on 31.03.2018, while the EP considered the entire loan portfolio as loss asset to be provided @100%; that the EP then wrote to the Audit Committee on 25.05.2018, listing out the items that he had considered for possible reporting under Section 143(12) of the Companies Act; the Audit Committee (which had changed following several resignations), provided its response on 09.07.2018 where they disagreed with his proposal to report the matter under Section 143(12) of the Companies Act. However, after considering the response from the Audit Committee, the EP made the ADT-4 filing on 23.07.2018.

20. We have considered the submissions of the EP. The RBI letter dated 27.01.2017 expressly stated that loans under CLB portfolio were granted to financially weak borrowers, without proper appraisals and end use monitoring, and that funds disbursed by RFL ultimately came back to the group companies of RFL. Based on the same, the predecessor auditor had also qualified his opinion. In this regard we note the following: -

- i. The EP accepted the engagement vide letter dated 13.10.2017 and based on the previous year's qualified audit report, he was having knowledge of the CLB issue and RBI letter dated 27.01.2017. However, he took three (3) months approximately to request management on 15.01.2018, the party wise quarterly movement of CLB from April 2015 to September 2017.
- ii. The party wise quarterly movement of CLB from April 2015 to September 2017 received by the EP on 18.01.2018 showed that in violation of the RBI directions to liquidate the CLB portfolio, fresh loans amounting to Rs.1,795 crores approximately were disbursed during January 2017 to September 2017. This was a clear indicator for the EP of a potential fraud in the CLB portfolio.
- iii. There is no connection between his duty to report fraud and the stated receipt of the Financial Statements upto December 2017 on 30.03.2018.
- iv. The EP knew at the beginning of the assignment that the RBI's letter dated 27.01.2017 mentioned that funds disbursed to 9 borrowers under CLB portfolio ultimately came back to the group companies of RFL. There is no justification for the EP to wait for receipt of the inspection reports for FY 2015-16 and 2016-17 and to write to RBI on 12.04.2018 seeking details of the 9 borrowers and details of accounts of the borrowers used to route funds to group companies. This caused unusual delay from October 2017 to April 2018 in writing to RBI.

- v. The ADT-4 filed by the EP had essentially the same information about the CLB portfolio as contained in the RBI letter dated 27.01.2017. In other words, the time taken by the EP to file the ADT-4 report much after signing the Audit Report has no justification.
21. The contents of the ADT-4 on CLB are based on the RBI's letter dated 27.01.2017. There was no mention of any additional information/observation of significance regarding CLB in ADT-4. The additional information sought from RBI vide EP's letter dated 12.04.2018 was awaited till the initiation of the fraud reporting process and the signing of the Audit Report, yet the EP went ahead with the process of reporting fraud. Therefore, it is evident that the EP did not want to report fraud before signing off the audit report.
22. Therefore, in the light of above, there is no substance in the stand of the EP that he was obtaining additional information to confirm his 'reasons to believe' about suspected fraud in the CLB portfolio. The EP's deliberate delay which concealed critical information from the stakeholders exhibits lack of due diligence and gross negligence in performance of his statutory function. We find the EP to be grossly negligent in complying with Rule 13 of Companies (Audit and Auditors) Rules, 2014 and consequently Section 143(12) of the Companies Act, 2013.
23. We also note that the EP signed the Financial Statements for FY 2017-18 on 30.05.2018 and the Annual General Meeting was held on 28.09.2018 (Date of issue of Financial Statements). The EP filed ADT-4 with the Central Government (Ministry of Corporate Affairs) on 23.07.2018 which was an event after the date of the auditor's report but before the date the Financial Statements were issued. The EP was required to carry out specific audit procedures after filing ADT-4 as mentioned in paragraphs 4, 6 and 10 of SA 560⁴, especially assessing whether the Financial Statements needed amendment and additional disclosures. However, we find no evidence that the EP carried out such procedures as required by SA 560.
24. The Code of Ethics for Professional Accountants sets out fundamental principles of ethics for professional accountants reflecting the profession's recognition of its public interest responsibility. In the instant case, we find the EP, through his acts and omissions, has demonstrated failure to adhere to the principles of integrity and professional behaviour.
25. In light of above, we conclude that the EP was grossly negligent in failing to promptly report the fraudulent activities by filing ADT-4 timely.

C.2 Risk Assessment

26. The EP was charged for non-compliance with Para 5, 25, 27, 28 and 31 of SA 315⁵ and Para 5 and 6 of SA 330⁶ for not performing adequate risk assessment procedures and responding to such risks. In the AWP 'Risk Assessment and Response Forms' prepared on 15.01.2018, which was three (3) months after accepting the engagement, the EP recorded that there were no instances of management override of controls, no allegation of fraud and no assets being susceptible to fraud or misappropriation. The risk assessment

⁴ Standards on Auditing (SA) 560, Subsequent Events

⁵ Standards on Auditing (SA) 315, Identifying and Assessing the Risks of Material Misstatement Through Understanding the Entity and Its Environment

⁶ SA 330, The Auditor's Responses to Assessed Risks

did not take into account the RBI letter dated 27.01.2017 that pointed out irregularities in the loans granted under the CLB portfolio and the qualified audit report of the preceding auditor.

27. The EP denied the charge and submitted that the ET had performed the risk assessment while designing the audit procedures at the planning stage, as per the requirements in SA 315 and SA 330; that detailed analysis was performed by the ET, which included assessing the Combined Risk Assessment (CRA) for each assertion level; and that based on the outcome of CRA, a risk factor was designated and overall risk level determined for determining the audit approach.
28. In his written submissions post the personal hearing (PH), the EP stated that the RBI letter dated 27.01.2017 pertaining to inspection for FY 2014-15, made no reference to fraud, and referred to the company's practices as '*reflecting poorly on its corporate governance structure*'; that these comments were related to the management at that time; that the earlier management was no longer with the Company; and the new management had reinforced actions for no further disbursement under CLB after November 2017 and recovery of the earlier disbursement. The EP also stated that the predecessor auditor had also not reported, or suspected fraud, or treated the same as an instance of management override. Therefore, pending the RBI's inspection reports for FY 2015-16 and FY 2016-17 which were due, the risk assessment was appropriate, however, the EP undertook significant investigation after the RBI's Inspection Reports for FY 2015-16 and FY 2016-17, resulting in identifying and reporting fraud to Central Government.
29. We have reviewed the planning assessment documents prepared by the EP, a screenshot of which is placed below:

Exhibit 1

Audit Area	Assessed Risk	Audit Approach to Assessed Risk
9. Loans and Advances	Existence, Rights & obligations, Completeness and Valuation- For these assertions risk has been assessed to be high	1. Verifying the Assignment Deals and Loans Sold during the financial year 2. Ensure write off and revocery of loan is accounted properly and approvals for written off taken or not. 3. Requirement of classification of related party loans as per Schedule III is been fulfilled. 4. Checking the Provision of loan as per RBI norms. 5. Check for diminution in the valuation of assets acquired in satisfaction of debts 6. Approvals of loan restructured

30. The audit procedures listed above are of a routine nature applicable in normal circumstances and were not designed to test the serious issues pointed out by the RBI in the CLB portfolio and also the fact that RFL itself had reported to RBI a fraud relating to SCCPL transaction on 01.05.2017. Considering these issues the circumstances were not normal and warranted enhanced audit procedures, for example, contacting major customers orally in addition to sending written confirmation, sending confirmation requests to a specific party within an organization, or seeking more or different information; conducting interviews of personnel involved in areas where a risk of material misstatement due to fraud has been identified, to obtain their insights about the risk and whether, or how, controls address the risk; performing substantive analytical procedures relating to revenue using

disaggregated data, for example, comparing revenue reported by month and by product line or business segment during the current reporting period with comparable prior periods etc.

31. Para 26 of SA 240 requires the auditor to presume risk of fraud in revenue recognition and Para 47 of SA 240 requires that when the auditor has concluded otherwise, then the auditor shall document the reasons for that conclusion. In the planning assessment documents, though the EP has presumed existence of fraud risk in revenue recognition (exhibit-2 and exhibit-3), however, the rebuttal of this presumption is not seen documented in the audit file.

Exhibit-2

A. Planning Meeting Discussions	
Present:	Date: 12-01-2018
Partner: Mr. Neeraj Bansal	
Audit manager: Mr. Apurav Agarwal	
Other engagement team members:	
Issues Disussed	Comments and actions raising
Financial statement areas susceptible to fraud	Loans and Advances
Revenue recognition	As per AS 9
Potential for management override	Based on the developments related to the group, the audit procedures should take into account potential for management over-ride

Exhibit-3

B. Meeting with Management/ Those charged with Governance	
Present:	Date: 12-01-2018
Client : Mr. Sanjay Kumar (AVP – Finance and Account)	
Partner: Mr. Neeraj Bansal	
Audit manager: Mr. Apurav Agarwal	
Other engagement team members:	
3. Revenue Recognition	
Are there opportunities to manipulate the timing of revenue recognition, e.g. raising proforma invoices, manipulating shipping dates at period end.	1. Revenue is mainly in the nature of interest. So, if the loans are completely and accurately recorded, the interest income will generally be alright. Fraud risk in revenue only if loans are misstated 2. No, the company has proper internal controls and cut off procedure is also applied during the audit. 3. Further there are inspection requirement as per the terms of the agreements
If there is no fraud risk in revenue recognition the reasons for this must be documented	Revenue is mainly in the nature of interest. So, if the loans are completely and accurately recorded, the interest income will generally be alright. Fraud risk in revenue only if loans are misstated.

32. However, it is observed from the risk assessment forms that the EP documented that there were no areas/assets susceptible to fraud, no instance of management override of controls as shown in the exhibits (4-6) below.

Exhibit-4

4	Identification of classes of transactions, account balances and disclosures in the financial statements that may be susceptible to fraud (Refer to Section 8.4.3 and Appendix II of Section 8 of the Manual).	
Identification of areas susceptible to fraud	Identified risk of fraud at the assertion level and the possible misstatements	Overall response and substantive procedures identified to reduce the audit risk
No areas	No fraud Identified	NA

Exhibit-5

2	Other General Considerations (though not specifically part of SA):		
2.1	Identification of assets susceptible to fraud or misappropriation.		We did not find any asset susceptible to fraud or misappropriations

Exhibit-6

1.6	Consideration of risk of management override of controls		No such over-ride observed.
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33. Therefore, we find contradictions regarding presumption of fraud risk in the planning and risk assessment stage. Further, such risk assessment was out of line of the fact that RFL itself had reported the SCCPL fraud to RBI on 01.05.2017; that RBI had raised serious concerns regarding the CLB portfolio in its letter dated 27.01.2017, based on which the predecessor auditor had issued a qualified opinion.
34. Further, sanctioning of loans under CLB to borrowers with weak financial creditworthiness and solely based on relations with the promoter and the Disclaimer of Opinion given in the Internal Control over Financial Reporting (ICoFR) by the auditor of the previous Financial Year, which was known to the EP during the risk assessment exercise and the fact that the EP himself also issued a Disclaimer of Opinion in the ICoFR report which clearly established that there was management override of controls.
35. Regarding areas that are prone to fraud, the EP in his risk assessment form has made an assertion that 'the client is highly professional' (exhibit-7) which amounted to exhibiting lack of professional skepticism in an area where he had presumed fraud risk and eventually filed ADT-4.

Exhibit-7

S.No	Procedures	W/P reference	Comments
1	Audit Planning: Discussions amongst the engagement team on areas susceptible to misstatements arising from fraud, considering the following factors (Refer to Section 8.4.2 of the Manual)		
1.1	Identification of areas that may be susceptible to fraud. (There is a general presumption that revenue is always under-stated and the team needs to consider the types of revenues, revenue transactions or assertions that may give rise to risk of revenue understatement)		Engagement manager updated the team that the client is highly professional. The company is regulated by RBI.

36. The EP's argument that 'almost the entire earlier management' of RFL had exited the Company very shortly after SSKM was appointed as auditor and that fresh loans under the CLB portfolio disbursed during 2017-18 were sanctioned before the audit firm was appointed as the auditor does not justify his assessment of the risks. Para A22 of SA 200 inter alia states that '*...a belief that management and those charged with governance are honest and have integrity does not relieve the auditor of the need to maintain professional skepticism or allow the auditor to be satisfied with less than persuasive audit evidence when obtaining reasonable assurance.*' Given the unusual circumstances existing at the time of accepting the audit assignment, the EP ought to have shown higher degree of professional skepticism in assessing the risk of fraud and risk of management override of

controls, when such override had happened in the past by giving loans under CLB portfolio to financially unsound borrowers, solely due to the reasons that the borrowers were known to the promoters of RFL.

37. The fraud reported by the EP through ADT-4 (23.07.2018) included mention of the SCCPL transaction and the fixed deposits in Lakshmi Vilas Bank (LVB), in addition to the CLB portfolio. It is evident that these were not factored in the risk assessment process adopted by the EP. We therefore conclude that the risk assessment procedures adopted by the EP were inadequate and consequently, the EP failed to comply with the requirements of SA 315 and to appropriately respond to the risks as per SA 330.
38. We note that international regulators have viewed such negligence seriously. Financial Regulatory Commission (FRC), the Audit Regulator of UK in the matter of Price Waterhouse Coopers LLP and Jessica Miller⁷ imposed total financial sanction of £4,900,000 and £105,000 on the firm and the partner respectively for deficiencies in audit of London Capital & Finance PLC like the exercise of professional skepticism with particular regard to the risk of fraud etc. In the same case, FRC imposed financial sanction of £4,410,000 on Ernst & Young and £47,250 on its partner Neil Parker for a different financial year but for similar deficiencies in audit⁸.

C.3. Audit of Loan Book RFL

39. The EP was charged with non-compliance with SA 200⁸, SA 230⁹ and SA 500¹⁰ in the audit of the loan book of RFL for the FY 2017-18, for not performing enhanced procedures in view of the suspected fraud in the CLB portfolio and the SCCPL fraud reported to RBI wherein twelve (12) loan accounts were assigned to SCCPL and subsequently Rs.793 crores was written off during FY 2016-17 on the direction of RBI.
40. The EP denied the charge and submitted that the Engagement Team had applied higher caution in the evaluation of the loans under the Loan Against Property (LAP) or Loan Against Shares (LAS) verticals of the loan book of RFL, and the audit documentation for the audit of Loans and Advances was sufficient and appropriate as per SA 230.
41. Subsequently, the EP submitted additional documents under an affidavit stating that there was an inadvertent omission of certain workpapers which happened during scanning the documents for submitting the Audit Files to NFRA. We note that while submitting the Audit Files also the EP had submitted an affidavit dated 23.11.2022 solemnly affirming that the Audit Files were as defined as per Para 6(b) of SA 230 and were true and complete in all respects, and nothing had been concealed. The additional documents too do not show enhanced audit procedures as detailed in paragraph 30 above. Further, as stated in paragraph 31 to 35 above, there were contradictions in presumption of fraud risk in revenue recognition and lack of documentation regarding rebuttal of that presumption. Such enhanced audit procedures were required to rule out fraud in the Loan Against Property (LAP/SME) portfolio and the Loan Against Shares (LAS) portfolio, especially in light of the SCCPL fraud reported to RBI by RFL on 01.05.2017 and the fraud suspected by the EP in CLB portfolio. The audit procedures as seen from the original and the additional

⁷ <https://www.frc.org.uk/news-and-events/news/2024/05/sanctions-against-three-audit-firms-over-the-audits-of-london-capital-finance-plc/>

⁸ SA 200, Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Standards on Auditing

⁹ SA 230, Audit Documentation

¹⁰ SA 500, Audit Evidence

documents submitted to NFRA are of routine nature and so not reflect any enhanced procedures.

42. Para 8 of SA 230 requires the auditor to prepare audit documentation that is sufficient to enable an experienced auditor, having no previous connection with the audit, to understand the nature, timing, and extent of the audit procedures performed to comply with the SAs and applicable legal and regulatory requirements, the results of the audit procedures performed, and the audit evidence obtained. In the absence of sufficient documentation regarding rebuttal of the presumption of fraud risk in the LAP and LAS portfolio, we conclude that the EP failed to comply with SA 230. Para 11 of SA 200 requires an auditor to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error. Para 15 of SA 200 requires the auditor to plan and perform an audit with professional skepticism recognising that circumstances may exist that cause the financial statements to be materially misstated. In the absence of presumption of fraud risk and rebuttal thereof and lack of enhanced audit procedures especially in light of previously reported fraud in RFL, we conclude that the EP failed to show necessary professional skepticism in the audit of the LAP and LAS verticals of the company and also failed to comply with SA 200 and SA 230.
43. FRC in the matter of PricewaterhouseCoopers LLP and Richard Hughes¹¹ decided that a financial sanction of £1,750,000 is payable by PwC and £42,000 by Mr Hughes for deficiencies in audit of BT Group plc. FRC found that Respondents did not act with the requisite professional skepticism; did not obtain sufficient appropriate audit evidence; and did not prepare audit documentation that was sufficient to enable an experienced auditor, having no previous connection with the audit, to understand the nature, timing and extent of the audit procedures performed

C.4 Recognition of Deferred Tax Assets (DTA)

44. The SCN stated that DTA of Rs.495.63 crores was recognised in the Standalone Financial Statement of RFL as on 31.03.2018 without sufficient appropriate audit evidence that such future taxable income will be available. The EP was charged for non-compliance with SA 200¹², SA 230¹³, SA 500¹⁴ and SA 540¹⁵ for not exercising professional skepticism and failing to verify whether there was virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised as per the requirement of AS 22¹⁶.
45. The EP denied the charge and referred to AWP- 'Lead-DTA' AWP and 'Audit Program' contained in the Audit File submitted to NFRA. However, none of these AWP contains the audit procedures performed to ascertain that there was virtual certainty that RFL would have future taxable income. No analysis of the availability and certainty of future taxable profits based on contracts existing as on 31.03.2018 was done by the EP. The Audit Program document lists out what the EP had planned to do and not what audit procedures

¹¹ https://media.frc.org.uk/documents/Final_Decision_Notice_against_PricewaterhouseCoopers_LL_PwC_and_Richard_Hughes.pdf

¹² Standards on Auditing (SA) 200, Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Standards on Auditing

¹³ Standards on Auditing (SA) 230, Audit Documentation

¹⁴ Standards on Auditing (SA) 500, Audit Evidence

¹⁵ Standards on Auditing (SA) 540, Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures

¹⁶ Accounting Standard (AS) 22 Accounting for Taxes on Income

were actually performed. Further, the 'Lead-DTA' AWP only contains the information provided by the Company.

46. The additional documents submitted show that the EP had enquired with the management regarding the recoverability of DTA and the justification for creation of DTA in a loss situation vide emails dated 30.05.2018 (i.e., the date of signing the Audit Report). The EP also submitted that initially, the DTA of Rs. 724.26 crores was recognised in the Balance Sheet and Rs.457 crores in the Statement of Profit and Loss. However, as there was no convincing evidence that sufficient future taxable income will be available for recognition of DTA for this amount, the EP took up the matter with RFL, which reduced the amount to Rs. 495.63 crores in the Balance Sheet and to Rs.228.63 crores in the Statement of Profit and Loss. However, even these additional documents and emails do not show the audit procedures performed by the EP to assess the virtual certainty of future taxable income against which DTA of Rs. 495.63 crores was recognised in the Balance Sheet.
47. The Notes to accounts containing the accounting policy, mention 'reasonable certainty' instead of 'virtual certainty' as required by AS 22. The EP submitted that the same was an inadvertent oversight, that was continuing from preceding years; and that the predecessor auditors had found that since the test applied was that of AS 22, the mere language of the policy would not be relevant.
48. We find from above that the auditor's lack of diligence in maintaining comprehensive audit work papers reflects unprofessional approach and raises concerns regarding the integrity of the audit process. The absence of documented audit procedures and substantive evidence to support the recognition of DTA, as per AS 22, suggests non-compliance of the standards, if not the tampering with the audit file. The auditor's reliance on company-provided figures without corroborative analysis, coupled with the presentation of supplementary documents that do not substantiate audit procedures, indicates a significant lapse in the performance of his professional duties, undermining the reliability and transparency of the Financial Statements. We, therefore, conclude that the EP failed to comply with SA 200, SA 230, SA 500, and SA 540 in recognition of DTA of Rs. 495.63 crores which was a material amount.

C.5 Audit of Investments

49. The EP was charged with non-compliance with SA 200, SA 240 and SA 500 for his alleged failure to verify the business rationale of the investments made by RFL, obtain sufficient appropriate evidence regarding impairment/diminution of investment and verify the interest income received on the investments. These are discussed below.

Investment in Non- Convertible Debentures (NCDs) of OSPL for Rs.200 crores

50. The EP was charged with non-compliance of AS 13¹⁷ regarding accounting for investments. RFL had a current investment of Rs.200 crores in the non-convertible debentures of OSPL Infradel Private Limited (OSPL). As per the Financial Statements of OSPL for 2016-17, the net worth of OSPL was a meagre Rs.1.23 lakhs. The EP was required to question the business rationale of this investment in accordance with Para 32(c) of SA 240. Further, given the net worth of OSPL, impairment of the investment was required to be done as per the requirements of Para 14 of AS 13, which states that current

¹⁷ Accounting Standard (AS) 13 Accounting for Investments

investments are to be carried at lower of cost and fair value. Para 16 of AS 13 requires a reduction in fair value of current investments to be included in the profit and loss statement.

51. The SCN noted that no expense regarding interest on debentures which carried an interest of 12.50% p.a. was booked by OSPL in its 2016-17 accounts. The amount booked by RFL 'Interest Income on Debentures / Commercial Paper/ Bonds / Other Funds' in the AWP '*1. Other income Working Paper*' was only Rs.22.09 crores. There is no sufficient evidence in the Audit File that the EP verified the credit of such interest on debentures from OSPL with the bank statements of RFL.
52. The EP denied the charge and submitted that the investment was found to be well within the primary business activities of RFL; that he had asked for a valuation report for the investments from the management, but none was received; that the ET had verified the fair value of the security available against the investment, consisting of (a) 95.20 lakhs shares of Bharat Roads Network Limited (BRNL) and (b) Letter of Comfort from Mr. Hemant Kanoria (Promoter of SREI group); that the fair value of shares of BRNL in February, 2018 was approximately Rs.170 crores which was approximately 75% of total outstanding of Rs.225 crores (Rs.200 crores principal and Rs.25 crores interest); and that a provision of Rs.60 crores was recognised by the management and the investment was carried at net value of Rs.140 crores in the Financial Statements.
53. In his written submissions, the EP stated that in the AWP '*1. Other income Working Paper*', the interest income from debentures for FY 2017-18 was included in the figure of Rs.22.09 crores and was recognised only to the extent the amount was received for the quarter ended June 2017 i.e., Rs. 6.30 crores. The EP stated that the accounting for this item was not done on an accrual basis by RFL due to non-repayment of the principal amount which was due in December 2017 and there was no reason to disagree with that treatment.
54. The reply of the EP is not acceptable for the following reasons:
- i. During FY 2016-17, OSPL borrowed Rs.200 crores from RFL via NCDs and invested Rs.204 crores in the Equity Shares of BRNL. Therefore, OSPL acted as a conduit for transfer of funds from RFL to BRNL.
 - ii. The NCDs were supposed to be repaid by 14.12.2017, however, the same were not repaid till the end of the FY 2017-18.
 - iii. OSPL did not service the interest after June 2017.
 - iv. RFL already had existing exposure of more than Rs.50 crores (unsecured) towards BRNL under its CLB Portfolio. There was no justification for RFL to accept the security of shares of BRNL as both OSPL and BRNL were SREI group sister companies.
55. Therefore, it is amply clear that RFL funded OSPL's purchase of equity shares of BRNL. The EP did not question the business rationale of making a big investment of Rs.200 crores in a very small company, with no real business and having net worth of Rs.1.23 lakhs only. The EP did not show professional skepticism by questioning why RFL routed funds through OSPL and not directly invest in the shares of BRNL, which already owed it Rs.50 crores. The EP, CA Neeraj Bansal, was also the EP of BRNL for FY 2017-18 and must have had knowledge of all these transactions but failed to question the same.

56. Therefore, as detailed in the preceding paragraphs, the charges against the EP of lacking professional skepticism, gross negligence and lack of due care in complying with the requirements of SA 200, SA 240 and SA 500 in the audit of investments of RFL, regarding the NCDs of OSPL stands proved.

57. Negligence in performing audit procedures related to the audit of investments has been viewed seriously by international regulators too. For example, Public Company Accounting Oversight Board (PCAOB), the US audit regulator, in its order dated 23.01.2024¹⁸, in the matter of Tyson Holman, CPA, and Anna Hrabova, CPA, censured Tyson Holman, CPA, barred Holman from being an associated person of a registered public accounting firm; imposed a \$65,000 civil money penalty on Holman; censured Anna Hrabova, CPA; limiting Hrabova's activities in connection with any audit for a period of one year and imposed a \$30,000 civil money penalty on Hrabova for inter alia failure to obtain sufficient appropriate audit evidence with respect to Issuer's investments.

Investment in the equity shares of M/s. Equifax Credit Information Services Private Limited

58. The EP was charged with not reporting the non-diminution of the non-current investment of Rs.13.50 Crore in M/s. Equifax Credit Information Services Private Limited (Equifax). RFL had invested in the equity shares of M/s. Equifax for 10% stake. The net worth of Equifax as on 31.03.2018 was Rs.24.18 crores and RFL's share in it was for Rs.2.41 Crores, being 10%. The EP in his reply submitted EFX Holdings Limited, which already held 49.37% of shares in Equifax, had offered to buy RFL's share for Rs.50 crores. Considering this, no impairment was considered. During the Personal Hearing, the EP informed that EFX Holdings Limited indeed purchased RFL's share of equity in Equifax for Rs.50 crores in September 2018, and that the value of such investment (Rs.13.50 crores) was below the materiality level (Rs.17 Crores). Considering this, the charge is not being pursued further.

C.6 Opinion on audit of Financial Statements (SA 705)

59. The EP was charged with non-compliance of Para 8 of SA 705¹⁹ for issuing a Qualified Opinion on the Standalone Financial Statements and a Disclaimer of Opinion on the Internal Financial Control over Financial Reporting (ICoFR) for the FY 2017-18. The Qualified Opinion and the Disclaimer of Opinion did not take into account the impairment needed for investments in the debentures of OSPL Infradel Pvt. Ltd, which amounted to Rs.200 crores, and the incorrect recognition of DTA of Rs.495.63 crores, discussed in the foregoing paragraphs. The EP denied the charge by stating that based on his replies given against the charges for recognition of DTA and impairment of investments, there was no reason to modify the opinion.

60. As discussed in the above paragraphs the recognition of DTA and investments in NCDs of OSPL were not in accordance with the relevant accounting standards and therefore were misstatements accounting for 5.07% of the Standalone Balance Sheet as on 31.03.2018. The combined impact of these two items, along with the suspected fraud in CLB, as discussed in charge C.1 above was Rs.2,672.33 crores, which was 21.32% of the

¹⁸ PCAOB Release No. 105-2024-002

¹⁹ SA 705, Modifications to the Opinion in the Independent Auditor's Report

Standalone Balance Sheet as on 31.03.2018 which was material and pervasive. The breakup is shown below:

- i. The suspected fraud in the loans given under the CLB portfolio (Rs.2036 crores)
- ii. Investments in debentures (Rs.200 crores) of a OSPL, on which a provision for diminution of Rs.60 crores only was done and
- iii. Provision of DTA (Rs.495 crores) when there was no virtual certainty of future taxable profits.

61. SA 705 requires an adverse opinion when the misstatements are material and pervasive. The need to consider an adverse opinion was much more warranted in view of the fact that the EP in his ICoFR report had disclaimed his opinion due to lack of controls in loan appraisal, assessment of credit worthiness of the borrowers and absence of mechanism for monitoring end use of the loans granted in all three loan verticals of the company. We, therefore, conclude that the EP failed to give an appropriate audit opinion and violated SA 705.

62. Failure to obtain Sufficient Appropriate Audit Evidence in forming an opinion on Financial Statements without obtaining Sufficient Appropriate Audit Evidence has been viewed seriously by international regulators too. For example, in the Matter of Haynie & Company, PCAOB in its order dated 23.01.2024²⁰, censured the firm, Haynie & Company and imposed \$400,000 as civil money penalty for inter alia failing to obtain sufficient appropriate audit evidence to provide a reasonable basis for the Firm's audit opinions, and to conduct the 2019 Audits with due care and professional skepticism.

C.7 Consolidation of Financial Statements

63. The EP was charged with non-compliance with SA 500 as the Audit File did not contain any evidence of the workings done and audit procedures performed in respect of the consolidation of the Financial Statements of RFL. RFL had a subsidiary company-Religare Housing Development Finance Corporation (RHDFC) wherein RFL held 87.50% shares. Only one working paper is evidenced in the audit files which contained only the information provided by RFL. There is no working in the Audit File showing how the EP verified the appropriateness of the elimination entries in preparation of the Consolidated Financial Statements and how the EP verified the appropriateness, valuation and completeness of the Minority Interest of Rs.24.72 crores shown in the Consolidated Financial Statements as on 31.03.2018.

64. The EP denied the charge. The EP submitted that during FY 2017-18, there was no change in the investments held in the equity shares of RHDFC. Accordingly, the minority interest was the same as in previous year in terms of percentage. The Minority Interest was calculated by applying the said percentage to the shareholders' fund i.e. 12.50% of Rs.197.77 crores which comes to Rs.24.72 crores as stated in the Consolidated Financial Statements. The EP stated that while submitting the Audit Files to NFRA, the working papers for appropriateness, valuation and completeness of the Minority Interest were inadvertently missed out and submitted an email containing attachments showing the calculation of the minority interest and the elimination entries for the purpose of preparation of the Consolidated Financial Statements of RFL as on 31.03.2018.

²⁰ PCAOB Release No. 105-2024-001

65. We note that the EP had submitted an affidavit dated 23.11.2022 at the time of submission of the Audit Files solemnly affirming that the Audit Files submitted were as defined as per Para 6(b) of SA 230 and were true and complete in all respects, and that nothing had been concealed. The SCN explicitly stated that the responses should be based only upon documents available in the Audit Files {as defined in Para 6 (b) of SA 230}; and that in case of any difference between the documents available in the Audit Files and the submissions made, the information and documents contained in the Audit Files only will be admitted as evidence. This notwithstanding, even the additional documents submitted do not show the required work/procedures performed by the EP. We observe that the Excel workbook 'consolidation workings' does not show how the EP evaluated the appropriateness, completeness and accuracy of consolidation adjustments and reclassifications which inter alia includes:

- i. Evaluating whether significant adjustments appropriately reflect the events and transactions underlying them
- ii. Determining whether significant adjustments have been correctly calculated, processed and authorized by group management and, when applicable, by component management
- iii. Determining whether significant adjustments are properly supported and sufficiently documented
- iv. Evaluating the reconciliation and elimination of intra-group transactions, unrealized profits, and intra-group account balances
- v. The controls the EP checked which the company had, over identification of inter-company transactions and account balances.

66. For significant inter-company eliminations i.e., for receivables, payables, security deposits, support service fees and other liabilities, the Excel sheet documents 'as per related party disclosures. However, this additional document submitted does not evidence the audit procedures performed as detailed above in auditing the consolidation of RHDFC, the eliminations and adjustments carried out by RFL. In the light of this, we conclude, that the EP failed to obtain sufficient appropriate evidence regarding the consolidation of subsidiaries financial statements in the financial statements of RFL and the charge in the SCN regarding non-compliance with SA 500 stands proven.

67. Failure to perform audit procedures regarding consolidation of Financial Statements has been viewed seriously by international regulators too. For example, PCAOB in its order dated 06.02.2024²¹ barred Marcelo de los Santos Anaya and Martín Rodríguez Martínez from being an associated person of a registered public accounting firm and imposed civil money penalty of \$125,000 and \$40,000 respectively and required both to complete 40 hours of continuing professional education. These penalties and sanctions were levied by PCAOB inter alia for failing to test the accuracy and completeness of the amounts presented by the company for the purpose of consolidation of its subsidiaries.

D. ARTICLES OF CHARGES OF PROFESSIONAL MISCONDUCT

68. Based on the foregoing discussion and analysis, we conclude that the EP has committed professional misconduct as defined in Section 132(4) of the Companies Act, read with Section 22 the Chartered Accountants Act 1949 (the CA Act), as amended from time to time, as detailed below:

²¹ PCAOB Release No. 105-2024-005

- i. The Auditors committed professional misconduct of *failure to report a material misstatement known to them to appear in a financial statement with which they are concerned in a professional capacity*. (Refer Clause 6 of Part I of the Second Schedule of the CA Act). This charge is proved as explained in Section C.4 and C.5 above.
- ii. The Auditors committed professional misconduct by *failing 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*. (Refer Clause 8 of Part I of the Second Schedule of the CA Act). This charge is proved as explained in Section C.1 to C.7 above.
- iii. The Auditors committed professional misconduct by not exercising *due diligence and being grossly negligent in the conduct of their professional duties*. (Refer Clause 7 of Part I of the Second Schedule of the CA Act). This charge is proved as explained in Section C.1 to C.7 above.
- iv. The Auditors committed professional misconduct by *failing to invite attention to any material departure from the generally accepted procedure of audit applicable to the circumstances*. (Refer Clause 9 of Part I of the Second Schedule of the CA Act). This charge is proved as explained in Section C.2 to C.7 above.

69. While this proceeding was initiated based on information received from SEBI, our examination of the auditor's work has been conducted independently as per our mandate under Section 132 of the Companies Act, 2013. Our order is based on NFRA's own investigation, which includes a review of RFL's financial statements, audit files, the auditor's written responses, submissions made during the personal hearing, and subsequent written submissions.

E. PENALTY AND SANCTIONS

70. 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.

71. Independent Auditors of Public Listed Companies serve a critical public function of enabling the users of Audited Financial Statements to take informed decisions.

72. Absent a robust system of auditing, investors, creditors and other users of Financial Statements would be handicapped and their interest compromised. The best of systems fails if the professionals implementing the system do not perform their job. This could lead to a serious failure of the financial system which could ultimately result in a breakdown in trust and confidence of investors and the public at large.

73. Thus, the Auditors are duty bound to examine and ascertain the integrity of Financial Statements of such entities²² in larger public interest.

²² As defined in Rule 3 of NFRA Rules 2018

74. The EP in the present case was required to ensure compliance with SAs to achieve the necessary audit quality and lend credibility to Financial Statements to facilitate its users. As detailed in this Order, substantial deficiencies in the audit, abdication of responsibility and inappropriate conclusions on the part of CA Neeraj Bansal establish his professional misconduct. The lack of documented evidence in the original Audit File severely compromises the credibility of the audit and the reliability of the Financial Statements. Moreover, the submission of supplementary work papers, without substantiated audit procedures, appears to be an attempt to cover up significant audit deficiencies. Despite being a qualified professional, CA Neeraj Bansal has not adhered to the Standards and has thus not discharged the duty cast upon him. This conduct not only violates the SAs but also signifies a disregard for the principles of transparency and accountability in the audit profession. Had the auditor exercised due diligence, care, and attention in performing his duties, and had he raised appropriate red flags in a timely manner through his audit report, many of the serious lapses such as fund diversion, which led to irreparable losses for shareholders and creditors could potentially have been prevented. While assessing the auditor's work, we have been fully mindful that a statutory auditor is not a forensic auditor and does not have the benefit of hindsight. However, auditing standards mandate that the auditor conduct the procedures which enable him to highlight issues that could serve as early warnings for shareholders and other stakeholders. This enables timely corrective actions to mitigate potential losses for shareholders and other stakeholders. In this case, as outlined in the preceding paragraphs, the auditor failed to perform the necessary audit procedures and either did not report or delayed reporting the serious violations committed by the company, despite being legally required to do so. This failure exposed shareholders and stakeholders to significant risks. Under the circumstances, we proceed to order the following sanctions keeping in mind the deterrence, proportionality, and the signalling value of sanctions to uphold the integrity of the profession and to deter future lapses of a similar nature.

75. As per information provided, the fee earned by the audit firm from the statutory audit of RFL for FY 2017-18 was [REDACTED], fees for limited reviews were [REDACTED], tax audit fee was [REDACTED] and fees towards other services/certifications was [REDACTED]. The total remuneration including share of profit and interest on capital account earned by the EP, CA Neeraj Bansal was [REDACTED] for FY 2017-18.

76. Considering the fact that professional misconducts have been proved and considering the nature of violations and principles of proportionality, we, in exercise of powers under Section 132(4)(c) of the Companies Act, 2013, order imposition of a monetary penalty of Rs. 5,00,000/- (Rupees Five Lakhs) upon CA Neeraj Bansal. In addition, CA Neeraj Bansal is also debarred for five (5) 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.

77. In light of the judgement of the Hon'ble National Company Law Appellate Tribunal (NCLAT) dated 01.12.2023²³, we have limited the monetary penalty to Rupees Five Lakhs only since the violations relate to FY 2017-18.

78. 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

Authorised for issue by the National Financial Reporting Authority,

Date: 30.01.2025

Place: New Delhi


(Vidhu Sood)
Secretary

To,
CA Neeraj Bansal, ICAI Membership No. 095960
Partner, S.S Kothari Mehta & Co.LLP,
Plot No.68, Okhla Phase III, New Delhi-110020

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) Religare Finvest Limited, Delhi
- (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.

²³ Order in the matter of Comp. App. (AT) No. 68,87,90 & 91 of 2023, Judgement dated 01.12.2023, page 92, that states regarding retrospective jurisdiction of NFRA that " We also take into consideration the fact that neither any new misconduct has been created in law, which NFRA can investigate and levy penalty, if required nor NFRA can levy penalty greater than the quantum of penalty envisaged under the Chartered Accountants Act, 1949."