

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

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

No: 30/2023

Date: 26.09.2023

ORDER

In the matter of CA Apoorve Bansal (ICAI Membership No. 560937) under Section 132(4) of the Companies Act 2013 read with Rule 11 of National Financial Reporting Authority Rules 2018.

1. This Order disposes of the Show Cause Notice ('SCN' hereafter) of even no. dated 08.06.2023, issued to CA Apoorve Bansal of M/s SVP & Associates, New Delhi (ICAI Firm registration no. 003838N), who is a member of the Institute of Chartered Accountants of India ('ICAI' hereafter) and was the Engagement Quality Control (EQC hereafter) Reviewer for the statutory audit of SRS Limited ('SRS Ltd' 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 & Background
 - C. Lapses in the audit
 - D. Article of Charges of Professional Misconduct
 - E. Penalty & Sanctions

A. EXECUTIVE SUMMARY

3. Pursuant to a letter received from the Serious Fraud Investigation Office (SFIO hereafter), Government of India, which had investigated into the affairs of SRS Ltd. and its group companies, NFRA initiated action under Section 132 (4) of Companies Act 2013 (the Act hereafter) for professional or other misconduct against CA Apoorve Bansal, the EQC Reviewer in statutory audit of SRS Ltd. for FY 2017-18. CA Apoorve Bansal was EQC Reviewer of M/s SVP & Associates, which was the Joint Statutory Auditor of SRS Ltd. for the FY 2017-18. CA Pankaj Kumar (ICAI Membership No-091822) was the Engagement Partner (EP hereafter).
4. SRS Ltd., one of the companies within the SRS Group dealing in the business of Jewellery, Cinema, Real Estate, Financial Services etc., was a listed Company and therefore falls under NFRA's domain¹. SRS Ltd was required to prepare its Financial Statements ('FS' hereafter) for the FY 2017-18 in accordance with Indian Accounting

¹ Rule 3(1)(a) of National Financial Reporting Authority Rules, 2018.

Standards ('Ind AS' hereafter), as notified by Ministry of Corporate Affairs under the Companies (Indian Accounting Standards) Rules, 2015.

5. As is set out in this Order, NFRA's investigations found that the EQC Reviewer failed to meet the relevant requirements of the Standards on Auditing ('SA' hereafter) and Standard on Quality Control in several significant respects reflecting lack of professional competence to act as an EQC Reviewer for the audit of a Public Interest Entity (PIE). The EQC Reviewer was found to be negligent in several areas of audit and failed to apply professional skills and due diligence sufficiently and adequately to critically evaluate the work of the EP and the ET. The EQC Reviewer, though a Chartered Accountant, was also not experienced enough to undertake the quality review and failed to assess the working papers related to important issues in the audit viz., evaluation of Going Concern Basis, Suspected Fraud, Setting of Materiality etc.
6. Based on the investigation and proceedings under Section 132 (4) of the Companies Act, 2013 (the Act hereinafter) and after giving the EQC Reviewer adequate opportunity to present his case including personal hearing, this Order holds the EQC Reviewer guilty of professional and other misconduct in terms of his obligation and responsibilities set out in the relevant paras of SA 220 read with SQC1 and imposes through this Order monetary penalty of ₹ 1,00,000/- (Rupees One Lakh) upon CA Apoorve Bansal. In addition, CA Apoorve Bansal is debarred for 1 year (One year) from being appointed as an auditor or internal auditor or from undertaking any audit in respect of financial statements or internal audit of the functions and activities of any company or body corporate.

B. INTRODUCTION & BACKGROUND

7. The National Financial Reporting Authority ('NFRA' hereafter) is a statutory authority set up under Section 132 of the Companies Act 2013 to monitor implementation and enforce compliance of the auditing and accounting standards and to oversee the quality of service of the professions associated with ensuring compliance with such standards. NFRA is empowered under Section 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 company under Section 139 of the Act. The Statutory Auditors, including the Engagement Partners, EQC Reviewers and the Engagement Team that conduct the audit are bound by the duties and responsibilities prescribed in the Act, the Rules made thereunder, the Standards on Auditing, including the Standards on Quality Control and the Code of Ethics, the violation of which constitutes professional misconduct, and is punishable with penalty prescribed under Section 132 (4) (c) of the Act.
9. SFIO vide its letter dated 31.08.2021 shared its investigation report with NFRA against the SRS Ltd. and its statutory auditors that showed that the Company and its group companies had presented falsified financial statements containing falsified statement of debtors and adopted the malpractice of round tripping and layering of transactions resulting in inflated purchases and sales. SFIO levelled charges against the auditors of

the Company and its group companies under Section 143, 147, and 448 of the Companies Act, 2013. NFRA took up the matter for investigation and initiated proceedings under Section 132 (4) of the Act.

10. Vide letter dated 18.07.2022, M/s SVP & Associates and the EP were asked to submit the Audit File along with other information within 30 days' time. The EP, CA Pankaj Kumar, submitted the Audit File for FY 2017-18 on 31.08.2022. The Audit Files did not show any evidence of appointment of the EQC Reviewer, or any working papers created/reviewed by the EQC Reviewer. The EP, in the course of the proceedings under Section 132(4), submitted vide his reply dated 17.11.2022 that CA Apoorve Bansal was appointed as the EQC Reviewer for the said audit. During the personal hearing of CA Pankaj Kumar on 03.03.2023, CA Apoorve Bansal was also present throughout. On being asked whether he was the EQC Reviewer of the said audit, he confirmed that he was the EQC Reviewer. It was pointed out that he did not have any formal appointment or acceptance of being the EQC Reviewer despite that he confirmed being the EQC Reviewer and stated that he was aware of the duties and responsibilities of an EQC Reviewer.
11. On finding serious lapses in the working of the EP, a penalty order dated 21.04.2023 was issued against the EP. Also, on finding that there was prime facie no objective evaluation by the EQC Reviewer of the working of the EP and his Audit Opinion, a Show Cause Notice (SCN) was issued to CA Apoorve Bansal, EQC Reviewer, on 08.06.2023 asking him to show cause why action should not be taken against him for professional misconduct of failure to exercise due diligence and being grossly negligent in the conduct of professional duties in respect of his performance as the EQC Reviewer for the audit of SRS Ltd. for the FY 2017-18.
12. CA Apoorve Bansal submitted his reply to the SCN on 17.07.2023 stating that NFRA's penalty Order dated 21.04.2023 in respect of CA Pankaj Kumar had concluded that he was not the EQC Reviewer. The statement is misleading as the said Order had merely concluded that the EP, CA Pankaj Kumar, had failed to determine the appointment of EQC Reviewer as required under SA 220 as the audit file did not contain any evidence of appointment of the EQC Reviewer. Further, CA Apoorve Bansal had himself confirmed vide his email dated 13.03.2023 and also during the personal hearing held on 03.03.2023 that he was the EQC Reviewer for the statutory audit of SRS Ltd. for the FY 2017-18 and his appointment was a verbal appointment. In addition, the firm M/s SVP & Associates vide its email dated 14.03.23 had confirmed that CA Apoorve Bansal carried out the duties of EQC Reviewer for the statutory audit of SRS Ltd. for the FY 2017-18, though the appointment remained to be documented by the concerned personnel.
13. The EQC Reviewer did not appear in person during the personal hearing held on 28.08.2023 at NFRA. He was represented by his authorised legal representative Advocate Piyush Kumar Kamal, who raised questions of lack of jurisdiction of NFRA citing Rule 3 of NFRA Rules, 2018 where the rule relates to Auditor and not EQC Reviewer. He cited the definition of "Auditor" under Rule 2(d) of NFRA Rules and submitted that the EQC Reviewer, CA Apoorve Bansal was not the auditor and hence

NFRA lacks jurisdiction. This argument is not acceptable. Section 132 (4)(a) of the Act states as follows:

“Notwithstanding anything contained in any other law for the time being in force, the National Financial Reporting Authority shall— (a) have the power to investigate, either suo motu or on a reference made to it by the Central Government, for such class of bodies corporate or persons, in such manner as may be prescribed into the matters of professional or other misconduct committed by any member or firm of chartered accountant, registered under the Chartered Accountants Act, 1949”.

Therefore, it is clear that the proceedings initiated by NFRA under Section 132 (4)(a) of the Act adequately cover the EQC Reviewer who is a member of the Institute of Chartered Accountants of India. Advocate Piyush Kumar Kamal requested for a short adjournment for arguing on merits. The request was considered, and the case was adjourned for 01.09.2023, when Advocate Gautam Jain appeared along with Advocate Piyush Kumar Kamal.

14. We have perused all the material on record including the written response of the EQC Reviewer and the submissions made in the personal hearings. Our findings on the charges in the SCN as well as the issues raised during the personal hearings are discussed in Part C of this Order.

Part C

C.1 Acceptance of appointment as EQC Reviewer without experience and authority

15. The EQC Reviewer was charged² with accepting the assignment to act as Engagement Quality Control Reviewer for the audit of SRS Ltd for the FY 2017-18, without ensuring eligibility in accordance with Para 7 (c) of SA 220 and Para 69 of SQC1³.
16. Para 7 (c) of SA 220 defines an EQC Reviewer as *“a partner, other person in the firm, suitably qualified external person, or a team made up of such individuals, with sufficient and appropriate experience and authority to objectively evaluate, before the report is issued, the significant judgments the engagement team made and the conclusions they reached in formulating the report.”*
17. Para 69 of SQC1 states that *“.....the engagement quality control reviewer for an audit of the financial statements of a listed entity is an individual with sufficient and appropriate experience and authority to act as an audit engagement partner on audits of financial statements of listed entities”*
18. Both SA 220 and SQC1 emphasise sufficient and appropriate experience and authority of the EQC Reviewer, which is gained from the technical expertise of the relevant industry and past audit experiences. This assumes importance in light of the fact that an EQC Reviewer is required for every listed entity where public interest is involved. Since

² As per Para 12 to Para 16 of SCN

³ SQC 1 “Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and other Assurance and Related Service Engagements”.

the work of EQC Reviewer involves objective evaluation of the significant judgments made by the ET and ensuring that the conclusions reached by the ET in the Audit Report are appropriate, the failure of the EQC Reviewer in possessing the appropriate technical expertise and experience would defeat the very purpose of introducing this second line of quality control viz., Engagement Quality Control Review.

19. In reply to the charge in the SCN, the EQC Reviewer stated that—
“.....That the respondent has been associated with SVP & Associates since October 2013 and has worked on several audit assignments including of listed companies for the firm/ auditor. More so, the respondent qualified for its Chartered Accountancy in 2016 in the shortest time possible displaying his prowess and command over the subjects. The respondent has worked within the firm/ auditor for around 5 years and thus was well versed with the conduct and practices of the auditor and vice versa i.e., for the firm/ auditor to observe the capabilities of the respondent, before committing himself as the EQCR in the statutory audit of SRS Limited. Further, as per Para 6(d) of SQC 1, EQCR need not necessarily to be a Partner of the firm and neither para 68 of SQC 1 lays down this condition for EQCR.”
20. During the personal hearing held on 01.09.2023, Advocate Gautam Jain submitted that nowhere Para 7 (c) of SA 220 and Para 69 of SQC1 expressly or impliedly provide for an absolute threshold that the EQC Reviewer should have audited as an EP of a listed entity to become eligible as an EQC Reviewer.
21. We find that CA Apoorve Bansal qualified his Chartered Accountancy in 2016 and therefore had an experience of a little more than 2 (Two) years when he took up his assignment as EQC Reviewer for the statutory audit of SRS Ltd. for which the EP, CA Pankaj Kumar had an experience of 32 (Thirty-Two) years as a Chartered Accountant. Several audit assignments including of listed companies on which the EQC Reviewer claims to have worked since October 2013 were as article assistant in the firm and hardly add to his credentials as an EQC Reviewer of a listed entity. As we have noted earlier, Para 7 (c) of SA 220 and Para 69 of SQC1 requires that the EQC Reviewer for an audit of the financial statements of a listed entity should be an individual with sufficient and appropriate experience and authority to act as an audit engagement partner on audits of financial statements of listed entities. In this case the EQC Reviewer with only 2 (Two) years of experience has claimed to have reviewed the work of an EP with 32 (Thirty-Two) years of experience. The inexperience of CA Apoorve Bansal is reflected in the fact that he accepted a “verbal appointment” as an EQC Reviewer. The reply clearly establishes his ignorance of the importance of his assignment of the EQC Reviewer and the casual approach in taking up the said assignment. Also, in view of the failures and the non-compliance with the requirements of Standards on Audit and SQC1 by the EQC Reviewer, as explained and established in the following paragraphs, it does substantiate the charge that he did not have requisite experience to work as EQC Reviewer, because any experienced auditor would not have committed so many failures during the review.
22. Accordingly, we find that the charge for accepting the role as Engagement Quality Control Reviewer without having prior experience and authority is established. Such lapses have been viewed seriously by international regulators as well. For example, the

Public Company Accounting Oversight Board⁴ ('PCAOB' hereafter), the US Regulator, charged Allan J. Ricks for his failure in connection with his role as Engagement Quality Reviewer ('EQR' hereafter) in the audit of Unilava's financial statements and noted that "at the time of providing his concurring approval of audit report, Ricks was not a CPA, had issuer-audit experience consisting only of a few weeks' audit staff work for a single issuer client in a different industry and thus violated Auditing Standard No. 7, Engagement Quality Review ("AS 7")". For this misconduct, among others, PCAOB censured the EQR, barring him from being an associated person of a registered public accounting firm for 1 year.

C.2 Failure to perform the duties of EQC Reviewer

23. The EQC Reviewer was charged with failure to:

- (a) review work papers related to significant areas of audit in accordance with Para 20 of SA 220 read with Para 64 of SQC1, which state that an EQC Reviewer is required to perform an objective evaluation of the significant judgements made by the ET, and the conclusions reached in formulating the auditor's report. This evaluation involves review of selected audit documentation relating to the significant judgements and conclusions of the ET;
- (b) review independence of the audit firm in accordance with Para 21 of SA 220;
- (c) maintain documentation as per the requirements of Para 25 of SA 220⁵, which stipulates that the EQCR *shall document that the procedures required by the firm's policies on engagement quality control review have been performed, the review has been completed on or before the date of the auditor's report; and the reviewer is not aware of any unresolved matters that would cause the reviewer to believe that the significant judgments the engagement team made and the conclusions they reached were not appropriate.*

24. In reply to the charges, the EQC Reviewer stated that:

"Though written appointment of the respondent as EQCR remained to be documented, however the spirit of the requirements of SA 220 and SQC 1 that there shall be an EQCR with whom the EP shall discuss significant matters that arise during the audit, were complied with in substance. The audit observations were discussed with him on emails as well as in person including the Qualified Opinion on the Going concern assumption. The evidences of underlying discussion has been submitted to the NFRA by the respondent vide email response dated 13.03.2023. From the said communications, it is easily ascertainable that the audit of SRS Ltd has been discussed and reviewed on several aspects. Further, NFRA's contention that there was no working paper in the audit file submitted by EP Pankaj Kumar is not applicable on the respondent since the deficiency, if any, is not on the part of the respondent. The respondent submitted its communications as EQCR vide email response dated 13.03.2023 to NFRA's query email dated

⁴ PCAOB release no. 105-2015-010 dated 28.05.2015.

⁵ SA 220 "Quality Control for an Audit of Financial Statements".

02.03.2023, hence there is no shortcoming on the part of the respondent in providing the working papers to Hon'ble NFRA."

25. In this regard, we observe the following:

- a) There is no evidence in the Audit File showing any review of the working papers and any evaluation done by the EQC Reviewer to support the conclusions reached by the ET or any areas of his disagreement with the ET. There is no evidence in the Audit File that shows any discussion on significant matters that took place between the EQC Reviewer and the ET as required by Para 20 of SA 220 read with Para 64 of SQCI. For instance, the independent audit report contained qualified opinion in respect of Going Concern but there is nothing in the Audit File to show that the related working papers were reviewed by the EQC Reviewer. Further, there is no evidence in the Audit File that the draft audit report and other important working papers like audit plan, programme, setting of materiality etc. were reviewed by the EQC Reviewer as none of these working papers bears the date of review and signature of the EQC Reviewer.
- b) The contention of CA Apoorve Bansal that audit observations were discussed with EP on emails as well as in person including the Qualified Opinion on the Going Concern assumption cannot be established as there is no evidence in the Audit File showing such discussion.
- c) There is no evidence in the Audit File of CA Apoorve Bansal having reviewed the working papers related to the firm's independence and the consultations as required by Para 21 of SA 220.
- d) CA Apoorve Bansal has stated that failure to document the audit work paper in the Audit File submitted by EP Pankaj Kumar is not his deficiency but that of the EP. He claimed to have exchanged emails with the EP as EQC Reviewer. He provided a PDF copy of these emails dated 1.10.2018, 8.10.2018, 9.10.2018 and 10.11.2018, which show attachments titled "Management Query", "SRS Ltd audit queries", "SVP Query Draft Notes for balance sheet" respectively. The emails and the attachments are not part of the Audit File and were not opening. Therefore, NFRA, vide email dated 22.09.2023, asked CA Apoorve Bansal to forward the emails, along with attachments, by 25.09.2023. He was also requested on phone twice on 22.09.2023 and he assured to send a reply to the email. However, he did not respond. CA Apoorve Bansal was once again asked vide email dated 25.09.2023, to forward the emails along with the attachments and a certificate under Section 65B of Indian Evidence Act by 10 AM on 26.09.2023 failing which NFRA will proceed accordingly. However, he once again failed to respond. In absence of the attachments, there is no evidence that these e-mails relate to his work as EQC Reviewer. They do not clearly indicate the nature of queries, whether they related to any significant matters or how they were resolved. Also, none of the working papers in the Audit File bears any reference to these e-mails nor do they carry the date of review and signature of the EQC Reviewer. We, therefore, conclude that the EQC Reviewer failed to show any document that fulfils the requirements of Para 25 of SA 220.

26. We find that CA Apoorve Bansal has failed to comply with the Quality Control Manual of the audit firm M/s SVP & Associates which states that *“The reviewer shall ensure appropriate documentation of the EQCR process along with the issues identified by the reviewer and resolved by the engagement team/partner. Further, the reviewer shall state that the EQCR has been completed before the report is released and shall give a declaration that no matters have come to the attention to the reviewer that would cause the reviewer to believe that the significant judgements the engagement team made and the conclusions, they reached were not appropriate.”*
27. As has been detailed in NFRA Order dated 21.04.2023, there were several deficiencies in the statutory audit of SRS Ltd for the FY 2017-18 that pertained to areas like suspected fraud in the company, default in repayment of debt of Rs. 1001.28 crores by the company, issues related to going concern assumption, negative net worth of Rs. 977.40 crores etc. The order also pointed to the failure of the EP to express an appropriate audit opinion. The nature and scale of these areas required due professional care and professional skepticism from the EQC Reviewer. We find that the EQC Reviewer failed to review the audit working papers prepared by the EP/ET. The work of EQC Reviewer is not separately identifiable from that of the EP/ET, which raises serious doubts on the performance of his statutory obligations and proves his acquiescence in the deficient work performed by the EP and the ET. Accordingly, it is established that the EQC Reviewer failed in his assigned role in the Statutory Audit of SRS Ltd by virtue of non-compliance with the requirements of SQC1 and SA 220.
28. Such lapses have been viewed seriously by international regulators as well. For example, PCAOB⁶, the US Regulator, in the matter of Cheryl L. Gore, CPA and Stanley R. Langston, CPA, charged Stanley R. Langston (CPA) for his failure in connection with his role as Engagement Quality Reviewer in the audit of financial statements of some of the issuer clients and noted in its order dated 14.12.2021 that “Langston violated AS 1220, Engagement Quality Review, by providing his concurring approval of issuance of the Firm’s audit reports without performing the required engagement quality reviews with due professional care.” For this misconduct, PCAOB imposed restrictions on Langston, barring him from being an “engagement partner” or EQC Reviewer for 1 year and also imposed a monetary penalty of \$10,000. In another instance, PCAOB⁷ in its release dated 18.10.2022 in the matter of Jonathan B. Taylor, CPA, partner at Spielman Koenigsberg & Parker, LLP censured Jonathan B. Taylor, barred Taylor from being associated with a registered public accounting firm and imposed a \$1,50,000 civil money penalty, besides other things, for failure to complete Engagement Quality Reviews and authorizing issuance of audit report without concurring approval for issuance. Furthermore, PCAOB in its release dated 29.09.2021⁸, found that Donald R. Burke, CPA, failed to evaluate properly the engagement team’s assessment of, and audit responses to, significant risks identified by the engagement team, including fraud risks. As a result of

⁶ PCAOB release no 105-2015-001 dated 12.01.2015.

⁷ PCAOB release no.105-2022-025 dated 18.10.2022

⁸ PCAOB release no.105-2021-012 dated 29.09.2021

his failure to perform Engagement Quality Reviews with due professional care, among other things, Donald R. Burke, CPA was suspended from being an associated person of a registered public accounting firm for a period of one year and imposed a \$10,000 civil money penalty upon Burke.

C.3 Failure to comply with Code of Ethics 2009

29. The EQC Reviewer was charged with failure of violating the fundamental principles of “Professional Behaviour” and “Professional Competence and Due Care” on account of deficiencies in performance of his statutory duties as EQC Reviewer and non-compliance with the requirements of Standards on Audit and SQC1.
30. The EQC Reviewer stated in his reply that-

“...That the contentions of the NFRA that the respondent failed to display Professional Behaviour and Professional Competence and Due Care is misinterpreted, unfounded and exaggerated. Hon’ble NFRA has failed to find any fact which shows that either the conduct of the respondent has discredited the profession or the respondent cannot give competent professional services. Mere conjecture and surmises are not sufficient to hold any person liable for the misconduct. Therefore, without any substantive and conclusive evidence, the contention of the Hon’ble NFRA that the respondent has failed to comply with Code of Ethics 2009 is untenable and not maintainable”.
31. From our analysis of the reply of the EQC Reviewer, we find that the reply and explanation given are baseless and misleading in view of the failures and the non-compliance with the requirements of Standards on Audit and SQC1 by the EQC Reviewer, as explained and established in the preceding paragraphs.

D. Articles of Charge of Professional Misconduct by the EQC Reviewer

32. As discussed in the foregoing paragraphs, the EQC Reviewer failed to meet the qualifications of the engagement quality reviewer, failed to review the EQR process, with special emphasis on the evaluation of significant judgments and responses to significant risks and failed in documentation of procedures performed to support the review and concurring approval of report issuance. We find the EQC Reviewer failed to exercise due diligence and was grossly negligent in the conduct of his professional duties by not adhering to the requirements as laid down by the relevant statutes. Based on the above discussion, it is proved that the EQC Reviewer provided his approval for the issuance of the audit report of SRS Ltd for the FY 2017-18 without carrying out due procedures as required by SA 220 and SQC1.
33. Based on the foregoing discussions and analysis, we conclude that the EQC Reviewer has committed professional misconduct as defined by Section 132 (4) of the Companies Act, read with Section 22 and clause 7 of Part I of the Second Schedule of the Chartered Accountants Act 1949 (as amended from time to time), which states that a CA is guilty of professional misconduct when he does not exercise due diligence and is grossly negligent in the conduct of his professional duties. This charge is proved as EQC Reviewer failed

to conduct the review of the work of ET in accordance with the SAs as explained in the Paras 15 to 31 above. Therefore, the charges of professional misconduct enumerated in the SCN dated 08.06.2022 stand proved based on the evidence in the Audit File, the Audit Report, the submissions made by EQC Reviewer, the Personal Hearing, the Annual Report of SRS Ltd. for the FY 2017-18 and other materials available on record.

E. PENALTY AND SANCTIONS

34. It is the duty of an EQC Reviewer to conduct the review of the work of the ET and ensure that the Independent Auditor's Report is appropriate, as it provides useful information to the stakeholders and public, based on which they make decisions on their investments or do transactions with the public interest entity⁹.
35. Without a credible Audit, Investors, Creditors and Other Users of Financial Statements would be handicapped. The entire corporate governance system would fail and result in a breakdown in trust and confidence of investors and the public at large if the auditors do not perform their job with professional scepticism and due diligence and adhere to the standards.
36. 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.

The EQC Reviewer in the present case was required to ensure compliance with SAs to ensure the audit quality and lend credibility to Financial Statements. As we have discussed in the foregoing paragraphs of this Order, CA Apoorve Bansal did not have adequate experience to be appointed as the EQC Reviewer and yet he accepted the assignment on verbal appointment. Having accepted the appointment, he failed to review the important working papers, which is evident from absence of any evidence that the WPs were reviewed by him. He failed to provide, as required, an objective evaluation of the significant judgements made by the ET and the conclusions reached by them in formulating the report. As per the statute, EQC Reviewer is an additional layer provided to ensure quality during the conduct of Audit, and this objective is defeated if the EQC Reviewer performs in a perfunctory manner or does not perform at all as in this case. In fact, the quality was compromised from the very beginning when this EQC Reviewer accepted a verbal assignment.

37. Section 132(4)(c) of the Companies Act 2013 provides that the National Financial Reporting Authority shall, where professional or other misconduct is proved, have the power to make order for:
 - (a) imposing penalty of (i) not less than one lakh rupees, but which may extend to five times of the fees received, in case of individuals; and (ii) not less than ten lakh rupees, but which may extend to ten times of the fees received, in case of firms;

⁹ Public interest entity as defined in Rule 3 of NFRA Rules 2018

(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.

38. As per the information furnished by CA Apoorve Bansal vide his reply dated 17.07.2023, he received fees of [REDACTED] for the EQCR assignment of the statutory audit of SRS Ltd for the FY 2017-18.
39. Considering the proved professional misconduct and keeping in mind the nature of violations, principles of proportionality and deterrence against future professional misconduct, we, in exercise of powers under Section 132(4)(c) of the Companies Act, 2013, hereby order imposition of a monetary penalty of ₹ 1,00,000/- (Rupees One Lakh) upon CA Apoorve Bansal. In addition, CA Apoorve Bansal is debarred for 1 year (one year) from being appointed as an auditor or internal auditor or from undertaking any audit in respect of financial statements or internal audit of the functions and activities of any company or body corporate.
40. This Order will become effective after 30 days from the date of its issue.

Sd/-

(Dr Ajay Bhushan Prasad Pandey)
Chairperson

Sd/-

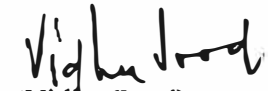
(Dr. Praveen Kumar Tiwari)
Full-Time Member

Sd/-

(Smita Jhingran)
Full-Time Member

Authorised for issue by the National Financial Reporting Authority,

Date: 26.09.2023
Place: New Delhi


(Vidhu Sood)
Secretary

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

To,

सीए अपूर्व बंसल
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Copy To: -

- (i) Secretary, Ministry of Corporate Affairs, Government of India, New Delhi
- (ii) SFIO, New Delhi
- (iii) Securities and Exchange Board of India, Mumbai
- (iv) Registrar of Companies, Delhi
- (v) Secretary, Institute of Chartered Accountants of India, New Delhi
- (vi) M/s SVP & Associates
- (vii) M/s. SRS Limited
- (viii) IT-Team, NFRA for uploading the order on the website of NFRA

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