

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

7th Floor, Hindustan Times House,
Kasturba Gandhi Marg, New Delhi
सातवीं मंजिल, हिंदुस्तान टाइम्स हाउस,
कस्तूरबा गांधी मार्ग, नई दिल्ली
दिनांक: 28.07.2023

Order no. = 24/2023

ORDER

In the matter of M/s ASRMP & Co., CA A. S. Sundaresha and CA Madhusudan U A, under Section 132(4) of the Companies Act 2013

- 1 This Order disposes of the Show Cause Notice ('SCN' hereafter) number NF-23/14/2022 dated 22nd November 2022, issued to M/s ASRMP & Co., Firm No: 018350S, Statutory Auditor ('Firm' hereafter) and CA A. S. Sundaresha, ICAI Membership no- 019728 ('EP' hereafter) and CA Madhusudan U A, ICAI Membership no- 238953 ('Madhusudan' hereafter) (All are collectively called as 'Auditors' hereafter), who are members of the Institute of Chartered Accountants of India ('ICAI' hereafter) and were members of Engagement Team for the statutory audit of Coffee Day Global Limited ('CDGL' or 'the company' hereafter) for the Financial Year ('FY' hereafter) 2019-20.
- 2 This Order is divided into the following sections:
 - A. Executive Summary
 - B. Introduction & Background
 - C. Major lapses in the Audit
 - D. Other non-compliances with Laws and Standards
 - E. Omission and Commission by the Audit Firm
 - F. Points of Law raised by the Auditors.
 - G. Finding on the Articles of Charges of Professional Misconduct by the Auditors
 - H. Finding on the Additional Articles of Charges of Professional Misconduct by the Audit Firm
 - I. Penalty & Sanctions

A. EXECUTIVE SUMMARY

- 3 Pursuant to Securities and Exchange Board of India ('SEBI' hereafter) sharing in April 2022 its investigation regarding diversion of funds worth Rs 3,535 crores from seven subsidiary companies of Coffee Day Enterprises Limited ('CDEL' hereafter), a listed company, to Mysore Amalgamated Coffee Estate Limited ('MACEL' hereafter), an entity owned and controlled by the promoters of CDEL, NFRA initiated investigations into the professional conduct of the statutory auditors under Section 132(4) of the Companies Act 2013 ('Act' hereafter). Coffee Day Global Limited is a subsidiary of CDEL.
- 4 Post suicide by group Chairman, CDEL appointed Mr. Ashok Kumar Malhotra, retired Deputy Inspector General of Central Bureau of Investigation and Agastya Legal LLP to investigate inter alia the books of accounts of CDEL and its subsidiaries. In response to the show cause notice

issued to them, the Auditors submitted that they had access to this investigation report, which detailed the movement of funds from subsidiaries of CDEL to MACEL and the use of pre signed blank cheques for such purpose. The Auditors had given a Disclaimer of Opinion in the Independent Auditor's Report based on their inability to obtain sufficient appropriate audit evidence regarding recoverability of Rs 1105.10 crores from MACEL.

- 5 NFRA's investigations inter alia revealed that the CDGL's Auditors for the FY 2019-20 had failed to meet the relevant requirements of the Standards on Auditing ('SA' hereafter) and provisions of the Companies Act 2013 and also demonstrated a serious lack of competence and due diligence on the part of the Auditors. They failed to evaluate their potential conflict of interest and maintain their independence from CDGL by having audit and non-audit relationships with a large number of Coffee Day Group companies and the promoters' family members and thus violated the Code of Ethics issued by ICAI as the professional fees received from Coffee Day Group Entities/Promoters was more than 40% of their total fees. They also attempted to mislead NFRA by adding and altering documents in their audit file which amounted to tampering with the Audit File. The Auditors failed to exercise professional judgement & skepticism during audit of CDGL where there was (a) Fraudulent diversion of funds to MACEL worth Rs 1105.10 crores; (b) Evergreening of loans through structured circulation of funds among group companies; (c) Fraudulent repayment of loan of Rs 130.55 crores by 'Kumar Hegde' to M/s Classic Coffee Curing Works (CCCW) and in turn repayment of loan by CCCW to CDGL- by Roundtripping of CDGL's own funds to MACEL, from MACEL to Kumar Hegde, from Kumar Hegde to CCCW, and finally fund came back from CCCW to CDGL; (d) Sale of Fresh & Ground ('F&G' hereafter) business involving diversion of Rs 103.20 crores (received from Japanese Investor) to MACEL and Misstatement of sale price by Rs 185.57 crores; and (e) Provisions made for doubtful advance of Rs 24.52 crores. Despite the fraud being revealed after the suicide of the group chairman, Shri VG Siddhartha, and the reports of investigations by Mr. Ashok Kumar Malhotra, retired DIG of CBI, the Auditors displayed no professional skepticism or due diligence. The Auditors also failed to obtain sufficient appropriate audit evidence during audit of (a) Deferred Tax Assets involving misstatement of Rs 244 crores; and (b) Misstatement of Rs 26.19 crores in related party disclosure relating to purchase of coffee beans from MACEL. Thus, total material and pervasive misstatements amounted to Rs 1615.04 crores, which the Auditors did not identify and report in their Independent Auditor's Report. The Auditors failed to report that Internal Financial Control over Financial Reporting was completely absent in CDGL.
- 6 Based on investigation and proceedings under section 132 (4) of the Companies Act 2013 and after giving the Auditors opportunity to present their case, NFRA found the Audit Firm and audit team members, guilty of professional misconduct and imposes through this Order the following monetary penalties and sanctions with effect from a period of 30 days from issuance of this Order:
 - a) Monetary penalty of Rs Two Crores only upon M/s ASRMP & Co. In addition, this Firm is debarred for a period of four 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. The first two years out of the four years debarment ordered, would run concurrently with the period of debarment ordered vide NFRA order dated 12.04.2023 in the case of Coffee Day Global Limited for FY 2018-19.

- b) Monetary penalty of Rs Ten Lakhs only upon CA A. S. Sundaresha. In addition, he is debarred for a period of ten 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. The first five years out of the ten years debarment ordered, would run concurrently with the period of debarment ordered vide NFRA order dated 12.04.2023 in the case of Coffee Day Global Limited for FY 2018-19.
- c) Monetary penalty of Rs Five Lakhs only upon CA Madhusudan U A. In addition, he is debarred for a period of five 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.

B. INTRODUCTION & BACKGROUND

- 7 National Financial Reporting Authority ('NFRA' hereafter) is a statutory authority set up under section 132 of the Companies Act 2013 ('Act' hereafter) 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 powers of a civil court and is empowered under section 132 (4) of the Act to investigate for the prescribed classes of companies¹ the professional or other misconduct and impose penalty for proven professional or other misconduct of the individual Chartered Accountants or firms of Chartered Accountants.
- 8 The Statutory Auditors, whether individual Chartered Accountants or firm of Chartered Accountants, are appointed by the members of companies as per provision of section 139 of the Act. The Statutory Auditors, including the Engagement Partners ('EPs' hereafter) 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 ('SA' hereafter), including the Standards on Quality Control ('SQC' hereafter) and the Code of Ethics, the violation of which constitutes professional or other misconduct, and is punishable with penalty prescribed under section 132 (4) (c) of the Act.
- 9 On receipt of information from SEBI vide letters dated 01.04.2022 & 29.04.2022 sharing its investigation regarding diversion of funds worth Rs 3,535 crores (as on 31-07-2019) from seven subsidiary companies of Coffee Day Enterprises Limited (CDEL), a listed company, to Mysore Amalgamated Coffee Estate Limited, an entity owned and controlled by the promoters of CDEL, NFRA started investigation into the role of the statutory auditor under its powers in terms of section 132 (4) of the Companies Act 2013.
- 10 Late V. G. Siddhartha ('VGS' hereafter) was Chairman & Managing Director of CDEL till 29.07.2019. VGS and his family reportedly owned around 10,000 acres of coffee estates through various entities owned by VGS and operated and managed by MACEL, whose 91.75% shares were held by Late S.V. Gangaiah Hegde, father of VGS. Coffee Day Global Limited ('CDGL' hereafter) is a subsidiary company of CDEL and the sole buyer of coffee beans produced by MACEL.

¹ As defined in Rule 3 of the NFRA Rules 2018.

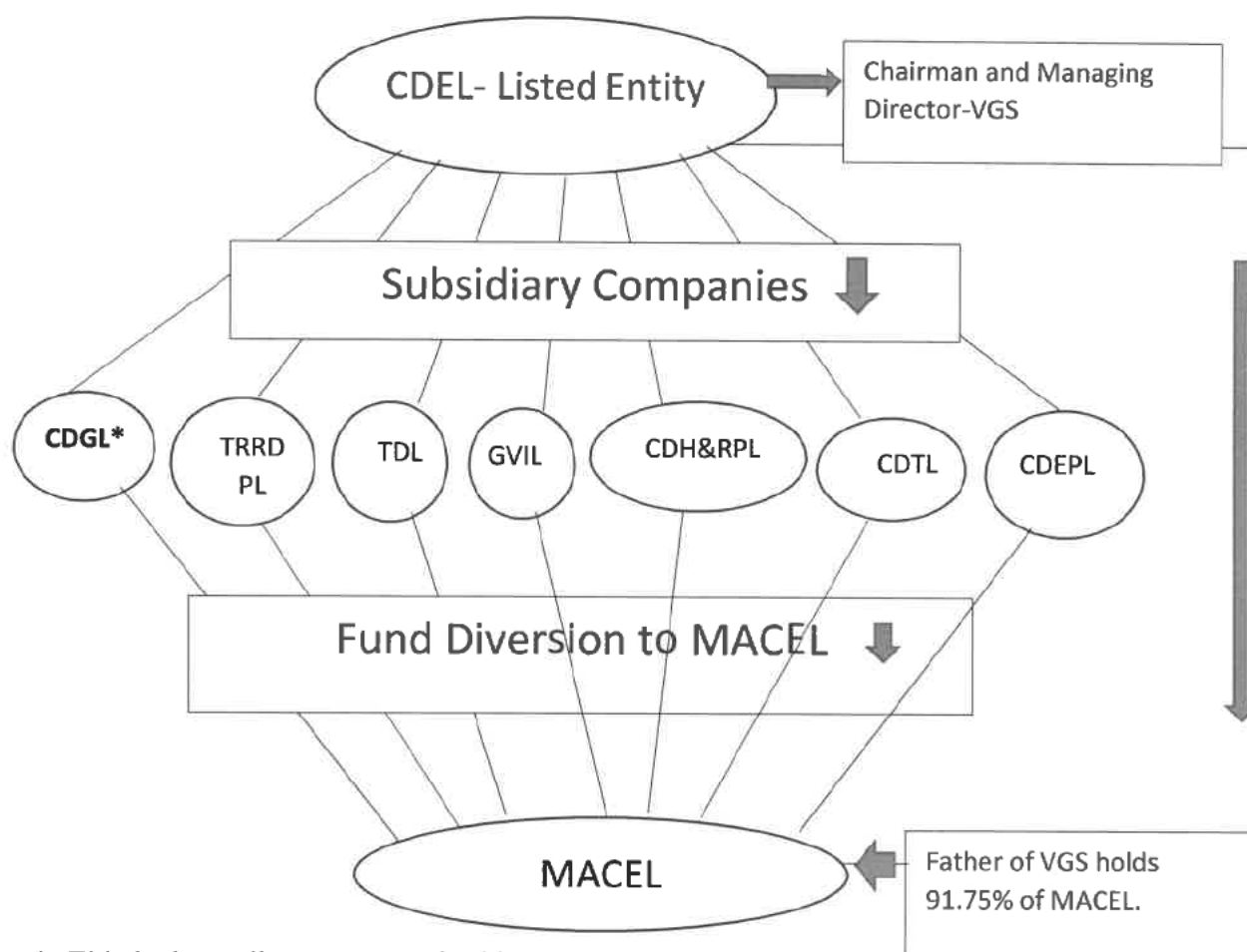
- 11 As per the investigations made by the SEBI, the outstanding balance payable by MACEL to subsidiary companies of CDEL was Rs. 842 crores as on 31 March 2019, which had increased to Rs. 3,535 crores on 31 July 2019, detailed as under in Table-1:

Table-1

(Rs in crores)

Sr.No	Names of the Subsidiary Companies of CDEL from which funds diverted to MACEL	Outstanding balance as on	
		March 31, 2019	July 31, 2019
1	Coffee Day Global Ltd (CDGL)	65	1,112
2	Tanglin Retail Reality Developments Pvt Ltd (TRRDPL)	789	1,050
3	Tanglin Developments Ltd (TDL)	-12	620
4	Giri Vidhyuth (India) Ltd. (GVIL)	-	370
5	Coffee Day Hotels and Resorts Pvt Ltd (CDH&RPL)	-	155
6	Coffee Day Trading Ltd (CDTL)	-	125
7	Coffee Day Econ Pvt Ltd (CDEPL)	-	103
Total		842	3,535

- 12 The linkage of the entities described in above table is depicted in the chart given below:
Chart-1



*- This is the auditee company in this case.

- 13 As per the Financial Statements ('FS' hereafter) of MACEL, Rs 3,535 crore was further transferred from MACEL to the personal accounts of VGS, his relatives and entities controlled by him and/or his family members, whose outstanding balances payable to MACEL were Rs 3,401.66 crores as on 31-03-2020. On examination of FS of MACEL, it transpired that MACEL did not have any business transactions with the 6 of the 7 subsidiary companies (the 7th company is CDGL) and MACEL was used as a conduit to transfer funds from CDEL's subsidiaries to the personal accounts of VGS, his relatives and entities controlled by him and/or his family members, as loans and advances that were never returned to MACEL/CDEL.
- 14 The modus operandi of the alleged diversion of funds discovered by the SEBI during its investigation was that *"VGS used to ask the Authorized Signatories to sign a bunch of cheques which were kept in his possession and used them as and when required"*. Such pre signed blank cheques of bank accounts of various Coffee Day Group companies were used for the diversion of funds.
- 15 CDGL, one of the 7 subsidiaries of CDEL, contributed the largest share of revenue and profits of CDEL, and is engaged in the business of retailing of coffee and other products under the brand name 'Coffee Day'; sale of coffee beans and other related products and services in respect of coffee vending machines; and selling coffee beans to domestic and overseas customers. Although an unlisted Public Company, CDGL had total equity of Rs 1440.45 crores as on 31-03-2019, revenue from operations Rs 1794.29 crores during 2018-19 and borrowing/deposit of Rs 801.95 crores as on 31.03.2019, thus falls under the jurisdiction of NFRA in terms of Rule 3 of NFRA Rules 2018 which includes unlisted Public Companies having paid-up capital of not less than rupees five hundred crores or having annual turnover of not less than rupees one thousand crores or having, in aggregate, outstanding loans, debentures and deposits of not less than rupees five hundred crores as on the 31st March of immediately preceding financial year.
- 16 M/s ASRMP & Co. was the statutory auditor of CDGL for FY 2019-20. This Firm is in practice since 01.04.2018. The audit plan mentions that CA A. S. Sundaresha was 'Signing Partner'; and CA Madhusudan U A was 'Engagement Partner'. The Financial Statements and Independent Auditor's Report have been signed by CA A. S. Sundaresha.
- 17 The Audit File of CDGL for Financial Year 2019-20, was called for, to examine the role of the Auditors. Based on an examination of the Audit File and other materials on record, NFRA issued a Show Cause Notice ('SCN' hereafter) dated 22.11.2022 under section 132(4) to the Auditors, charging them for the following professional misconduct:
 - a) Failure to disclose a material fact known to them which is not disclosed in a financial statement, but disclosure of which is necessary in making such financial statement where the Statutory Auditors are concerned with that financial statement in a professional capacity.
 - b) Failure to report a material misstatement known to them to appear in a financial statement with which the Statutory Auditors are concerned in a professional capacity.
 - c) Failure to exercise due diligence and being grossly negligent in the conduct of professional duties.
 - d) Failure to obtain sufficient information which is necessary for expression of an opinion or its exceptions are sufficiently material to negate the expression of an opinion, and

- e) Failure to invite attention to any material departure from the generally accepted procedures of audit applicable to the circumstances.

18 The Auditors sought an extension of time of 45 days for submitting response to SCN, which was allowed. The Firm vide letter dated 02.02.2023 submitted its reply to SCN. CA A. S. Sundaresha vide letter dated 02.02.2023 and CA Madhusudan U. A. vide letter dated 05.02.2023 submitted that the reply of the firm may be considered as their reply as they were not giving separate replies. Madhusudan vide letters dated 01.06.2023 & 16.06.2023 and Ms ASRMP & Co. vide letter dated 08.06.2023 have sent in their further written responses. The SCN gave an opportunity of personal hearing to the Auditors, which they did not avail. Accordingly, this Order is based on examination of the facts of the matter, charges in the SCN, written replies of the Auditors and other materials available on record.

General submissions by the Auditors

- 19 The Auditors have stated that they had provided a 'Disclaimer of Opinion' on the Financial Statements and also in respect of Internal Financial Control over Financial Reporting, in accordance with SA 700 and SA 705². They further stated that facts available with them today after various investigations were not available with them at the time of conclusion of audit, except investigation report of Mr. Ashok Kumar Malhotra and Agasthya Legal LLP. According to them, adequacy of opinion is a matter of professional judgement and they believe that based on the facts and evidence available with them during the course of audit, the "Disclaimer of opinion" is justified in the given case.
- 20 We have considered this submission. Before going on to the Disclaimer of Opinion and the standards, we note that the death of VGS in July 2019 and the subsequent investigation report were in the knowledge of the Auditors at the time of Audit, so the stand taken about ignorance of facts does not hold. The chapter "Basis of Disclaimer of Opinion" in the Independent Auditor's Report issued by the Auditors on 09.11.2020 on standalone financial statements states:

"We draw attention to Note No.34 of the standalone Ind AS financial statements which describe the details in respect of amounts due from M/s. Mysore Amalgamated Coffee Estates Limited (MACEL) to the extent of Rs.1,105.10 Crores. As explained to us the company is in the process of recovery of the dues from related parties and taken necessary action as stated in the said notes. In the absence of any conclusive evidence demonstrated by the company for recoverability of the same, we are unable to comment on the recoverability, requirement or otherwise of provision on those receivables and consequential impact on these financial statements".

In respect of compliance with accounting standards, they reported that *"We are unable to comment whether the standalone Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act, because of the matters described in the Basis for Disclaimer of Opinion section above"*.

In the "Basis of Disclaimer of Opinion" section in their audit report on Internal Financial Control over Financial Reporting, they reported that *"We are unable to obtain sufficient appropriate audit evidence on which to base our opinion on the effectiveness of Company's internal financial*

² SA 700, Forming an Opinion and Reporting on Financial Statements and SA 705, Modifications to the Opinion in the Independent Auditor's Report.

controls with reference to standalone financial statements over the assessment of the recoverability and requirement or otherwise of provision in respect of amount due from M/s. Mysore Amalgamated Coffee Estates Limited (MACEL) of Rs.1105.10 Crores. Consequent to the material weakness in such internal controls, the possible effects on the financial statements of undetected misstatements could be both material and pervasive”.

- 21 At this stage, the provisions of para 27 of SA 705 are important to note. These provide that the Auditor is required to report all matters having material effect on the financial statements. The relevant para of the Standard states that *“Even if the auditor has expressed an adverse opinion or disclaimed an opinion on the financial statements, the auditor shall describe in the basis for opinion section the reasons for any other matters of which the auditor is aware that would have required a modification to the opinion, and the effects thereof”*. Its explanatory material at para A24 further explains this matter as *“An adverse opinion or a disclaimer of opinion relating to a specific matter described within the Basis for Opinion section does not justify the omission of a description of other identified matters that would have otherwise required a modification of the auditor’s opinion. In such cases, the disclosure of such other matters of which the auditor is aware may be relevant to users of the financial statements”*.³ Thus it is clear that in case an Auditor gives disclaimer of opinion for one matter, it does not mean that the Auditor is free of the responsibility of reporting other material deficiencies/ misstatements in the financial statements. It is important that the Auditors report **all** material misstatements so that the impact of all misstatements on the financial statements is known and the users of financial statements are not under the misleading impression that the financial statements carry only the reported misstatements. Therefore, the submission of the Auditors is not accepted. The SCN has detailed the charges for matters which were not reported by the Auditors in the Independent Auditor’s Report.
- 22 The Auditors have submitted that the Standards on Auditing (SAs) are a guidance to an Auditor to act professionally while arriving at an opinion and have referred to para 5, A47 and A52 of SA 200⁴. We notice that the legal mandate to adhere to the Standards is clearly laid down in section 143(9) & 143(10) of the Act⁵. The fundamental principles of SAs are contained in the Requirements section of the SAs and are represented by use of word **“shall”**. Further, section 143(9) of the Act also provides that *“every auditor **shall** comply with the auditing standard”*. (Emphasis supplied). Thus, there is no scope for deviation from the SAs.
- 23 The Auditors have also mentioned that complete investigation report of SEBI has not been provided to them. In this regard, the relevant extracts of the SEBI report that were relied upon in the SCN, have been provided to the Auditors and thus there is no merit in this objection.

³ Appendix to SA 705 has an illustration of an Auditor’s report containing a disclaimer of opinion due to the Auditor’s inability to obtain sufficient appropriate audit evidence about multiple elements of the financial statements. This further clarifies that all elements containing material misstatements are to be reported in the basis of disclaimer of opinion.

⁴ SA 200- “Overall objectives of the Independent Auditor and the conduct of an audit in accordance with Standards on Auditing”.

⁵ Section 143(9) of the Act provides that every auditor shall comply with the auditing standard. Further proviso to section 143(10) of the Act provides that until any auditing standards are notified, any standard or standards of auditing specified by the Institute of Chartered Accountants of India shall be deemed to be the auditing standards.

C. MAJOR LAPSES IN THE AUDIT

After considering the general issues raised by the Auditors in their reply, we now move on to the major lapses found in their Audit for which they were charged.

C.1 Continuation of Audit engagement disregarding Independence requirements

- 24 SQC 1⁶ establishes standards and provide guidance regarding a firm's responsibilities for its system of quality control for audit and reviews of historical financial information, and for other assurance and related services engagements. SQC 1⁷ requires the Audit Firm to establish policies and procedures designed to provide it with reasonable assurance that the firm, its personnel and, where applicable, others subject to independence requirements (including experts contracted by the firm and network firm personnel), maintain independence where required by the Code of Ethics. SA 200 requires⁸ the auditor to comply with relevant ethical requirements, including those pertaining to independence, relating to financial statements audit engagements. SA 220⁹ requires the Auditor to form a conclusion on compliance with independence requirements that apply to the audit engagement.
- 25 The Auditors were charged with non-compliance with requirements relating to independence of auditors as per SQC 1, SA 200 and SA 220. The Auditors have three related audit firms. These three audit firms have provided a large number of audit and non-audit services to the Coffee Day Group (CCD Group) and promoters and founding partner was associated with the group since a long time. This has created self-interest and familiarity threat. The SCN charged the Auditors for not evaluating their independence from CDGL before continuing with this audit engagement. This is also evidenced from the fact that total billing for services rendered to the CCD group in FY 2019-20 by the said three Audit firms has substantially increased from 31% of total fee in FY 2018-19 to 41.68% of total fee in FY 2019-20, which has exceeded the threshold of 40% given in the code of ethics¹⁰. The SCN further charged that evaluation of independence of audit team members was also not done.
- 26 The Auditors were required to evaluate the significance of self-interest threat and take safeguards to reduce self-interest threat to an acceptable level. However, there is no evidence in the Audit File regarding performance of any procedure to reduce the self-interest threat to an acceptable level. Also, the requirement of taking a confirmation of Independence from the Firm's personnel, which was the requirement of their own manual, was not evidenced in the Audit file. Further, there was no evaluation done for continuing with the audit from the perspective of independence and thus, this was violative of the requirements on Independence as per SQC 1, SA 200 and SA 220.
- 27 In Reply to the SCN, the Auditors have admitted that in FY 2019-20, the Firm has surpassed the prescribed fee limits marginally, considering the fees of M/s ASRMP & Co. and M/s Sundaresha

⁶ SQC 1 is to be read in conjunction with the requirements of the Chartered Accountants Act, 1949, the Code of Ethics and other relevant pronouncements of ICAI.

⁷ Para 18 and 28 of SQC 1.

⁸ Para 14, A14 and A16 of SA 200.

⁹ Para 11 & 24 of SA 220, Quality Control for an Audit of Financial Statements.

¹⁰ Please refer Para 290.193, 290.194 of the Code and para 7.6 "Ceiling on the Fees" of Chapter 7 "Self-Regulatory Measures Recommended By The Council"

& Co. The Auditors further argued that M/s ASRMP & Co. and M/s Sundaresha & Associates have no common partners, and a relative (Megha Sundaresha Andani-daughter) of CA A. S. Sundaresha is a partner in M/s Sundaresha & Associates but both the firms act independently and are not related parties. They stated the Audit Firm had taken the measures to mitigate the risk involved while complying with the independence requirements.

- 28 It is important to understand the inter relationship of these three audit firms. As per information obtained from the audit firms, CA A. S. Sundaresha has sole proprietorship firm, namely M/s Sundaresha & Co. He was also the promoter and founder of M/s Sundaresha & Associates, a partnership firm in practice since 10.11.1997, but he had retired from this firm w.e.f. 31.03.2017. After his retirement, his daughter CA Megha Sundaresha Andani is one of the five partners of this Audit Firm with 72% share in the profit of this firm. Thereafter, CA A. S. Sundaresha established another partnership firm namely, M/s ASRMP & Co. w.e.f. 01.04.2018, which was appointed as the statutory auditor of CDGL from FY 2018-19. CA A. S. Sundaresha had 81% share in the profit of M/s ASRMP & Co., which had four partners. His share in profit increased to 87% after retirement of one partner. All these firms operate from the same office address.
- 29 From the information obtained from CDGL, we note that CA Pradeepa Chandra C. (Partner of M/s Sundaresha & Associates) worked at M/s ASRMP & Co, Statutory Auditor of CDGL, and on behalf of M/s ASRMP & Co., he made a presentation before the Audit Committee meeting held on 07.02.2019 and 24.05.2019. These presentations related to review of quarterly results of CDGL by the Auditor, scope of engagement, audit approach, observations of the Auditor on the Statutory Audit of the annual financial statements for FY 2018-19 and applicability of Ind AS 116 for FY 2019-20. A perusal of the Audit File shows that these presentations were authored by CA Megha Sundaresha Andani, partner of M/s Sundaresha & Associates. This clearly shows sharing of resources between these two audit firms and their interrelationship.
- 30 The inter- relationship among the three firms is corroborated by another fact that CA Pradeepa Chandra C. (Partner of M/s Sundaresha & Associates) was involved in the statutory audit of CDGL for FY 2019-20 and named as external reviewer in the Audit file. However, nothing is mentioned in the Audit File as to what was reviewed by him. Further, the audit plan refers to two partners (referred as 'senior partner', and 'partner'), whereas the engagement team consisted of only one partner of M/s ASRMP & Co. and second partner belongs to M/s Sundaresha & Associates. This matter is further discussed in section -E of this order. CA Pradeepa Chandra C. and CA Chaitanya G. Deshpande (both Partners of M/s Sundaresha & Associates) were also involved in the statutory audit of CDGL for FY 2018-19 and were named as external reviewers in the Audit Files of CDGL for 2018-19. The totality of facts, the sharing of human resources and sharing of office address, all indicate their close inter-relationship and lack of independence.
- 31 It is equally important to understand the relationship of these audit firms with Coffee Day Group and its promoters. M/s Sundaresha & Associates and M/s ASRMP & Co. were statutory auditors of inter alia six Coffee Day Group companies (except CDH&RPL- as per serial no-5 in Table-1). These companies were involved in the diversion of Rs 3,380 crores i.e., 95.62% of total diverted amount of Rs 3,535 crores. Further, during the Financial Year 2019-20, M/s Sundaresha & Associates provided audit and non-audit services to 28 Coffee Day group entities, M/s Sundaresha & Co. provided audit and non-audit services to 27 Coffee Day entities including promoter's

family members and M/s ASRMP & Co. provided audit and non-audit services to three Coffee Day Group companies. The relationship of three related audit firms with Coffee Day Group indicates the creation of self-interest and familiarity threat. This indicates that M/s ASRMP & Co. had blatantly continued with the audit engagement of CDGL for FY 2019-20 despite the conflict of interest as noted above. As pointed out earlier, the two firms of CA A. S. Sundaresha received fees from CCD group which constituted 44.86% of their total fees and was above the threshold allowed under the Code of Ethics. This has been admitted by the Auditors.

- 32 Responding to the Independence threat, the Auditors claimed that they had confirmations of independence from particular personnel, but did not maintain the same engagement wise, as such these were not available in the audit file. They attached the independence confirmation of three engagement team members along with the reply to SCN. We treat these documents as an afterthought and for the reason recorded in Section -C.2 of this Order, the same are not accepted. The Auditors response is silent on the independence of CA Pradeep Chandra C., the so-called external reviewer.
- 33 Responding to the charge on non-evaluation of continuation of engagement, the Auditors replied that *"Inadvertently client acceptance/continuation form has not been kept, as CA Sundaresha A S, who was associated with Coffee Day Group from a very long time. However, we have conducted the audit due diligently and framed our audit opinion on the financial statements"*. This evasive reply indicates the non-performance of such evaluation, which was mandated by SQC 1 and SA 220, which the Auditors have not complied with.
- 34 The Auditors further stated that their Audit Firm (M/s ASRMP & Co) has an independence policy, which was a part of the Quality Control Manual (QCM). On perusal of this QCM we find that it is the same as that of M/s Sundaresha & Associates. The first para of the QCM states *"These Independence Policies ("Policy" or "Policies) are applicable, without exception, to all partners and employees ("firm personnel") of: Sundaresha & Associates ("the Firm")"*. (Emphasis Supplied). Reference of related firm's name in the QCM of this Audit Firm shows that QCM was prepared by copying the QCM of related audit firm. This further indicates that the Auditors had not given due importance to the important matter of independence of auditor even during preparation of Quality Control Manual.
- 35 The Auditors have claimed to have complied with the Independence requirements by reducing self-interest and familiarity threat. They further stated that their firm & partners do not have any financial interest in any of the CCD group companies; did not quote lower fees to obtain new engagements; did not have close business relationship with CCD group; nor have they stored any confidential information in their server to be used for any personal gain. Further, no partner or their family are Directors or Officers in CCD group companies; that CCD group Directors and Officers did not have significant influence over their engagement; and that their audit team will be regularly rotated. The Auditors further stated that they did not enter into any contingent fee arrangement with an auditee, ensured fees are not overdue except CCD group (Coffee Day Group) fees which is partially due on account of financial constraint faced by the group. The Auditors have stated that they have complied with the Standards on Auditing and provisions of the Act.

- 36 The replies of the Auditors regarding steps taken to reduce the self-interest threat and familiarity threat are general statements without detailing the specific steps taken to reduce such threats, despite the three audit firms having audit and non-audit relationships with many Coffee Day Group entities including promoters. The facts detailed above and the response of the Auditors show that they failed to exercise due professional care and did not perform sufficient appropriate procedures to evaluate their independence from Coffee Day Group and its promoters before continuance of audit engagement of CDGL from FY 2019-20. A similar finding at para 33 of our order dated 12.04.2023 regarding statutory audit of CDGL for FY 2018-19, showed that M/s ASRMP & Co. accepted the audit assignment in gross violation of the principles of Independence mentioned in the Standards on Auditing.
- 37 An Auditor's independence from the entity being audited safeguards the auditor's ability to form an audit opinion without influence that might compromise that opinion. Independence enhances an auditor's ability to act with integrity, to be objective and to maintain an attitude of Professional Skepticism. An auditor is required to be independent, and without any bias with respect to the client to ensure impartiality, which is necessary for the dependability of his findings. Public confidence, in the work of Statutory Auditors of PIEs would be impaired by any evidence of independence being lacking, or the existence of circumstances, which are likely to adversely influence such independence.
- 38 In this case, the Auditors failed to perform appropriate audit procedures to evaluate and maintain their independence from CDGL. In spite of the Auditors having an independence threat, they continued as Statutory Auditor of CDGL for FY 2019-20, disregarding and grossly violating the principles of Independence mentioned in the Standards on Auditing and the Code of Ethics. In view of the above, it is proved that the Auditors have violated SQC 1, SA 200 and SA 220.
- 39 In cases relating to violation of independence requirements, the PCAOB¹¹ has penalized audit firms and their partners. In Marcum Bernstein & Pinchuk LLP case, PCAOB observed "*an accountant is not independent of an audit client if, at any point during the audit and professional engagement period, the accountant is not, or a reasonable investor with knowledge of all relevant facts and circumstances would conclude that the accountant is not, capable of exercising objective and impartial judgment on all issues encompassed within the accountant's engagement.*"..... "*.....MarcumBP failed to implement, effectively apply, and appropriately monitor quality control policies and procedures sufficient to provide reasonable assurance concerning the Firm's independence*". In this case, PCAOB censured audit firm, imposed monetary penalty and required audit firm to undertake a review of its policies, procedures, staffing, and training with respect to auditor independence.
- 40 Similarly, in AWC (CPA) Limited, WONG Chi Wai, CPA, and WONG Fei Cheung, CPA, PCAOB observed "*As the engagement partner, Albert Wong was responsible for AWC's compliance with independence requirements. Although Albert Wong knew at the time of the Kandi 2012 Audit that Mui had accepted a Power-of-Attorney from Kandi in order to handle the New York State agency matter, he failed to evaluate whether Mui's activities on Kandi's behalf*

¹¹ PCAOB Release No. 105-2016-016 dated 18.05.2016 and PCAOB Release No. 105-2019-022, PCAOB Release No. 105-2019-023 both dated 10.09.2019.

constituted prohibited non-audit services that would impair Mui's independence, as well as AWC's and its associated persons. Albert Wong took, or omitted to take, actions during the Kandi 2012 Audit, that he knew, or was reckless in not knowing, would directly and substantially contribute to the Firm's violation of independence requirements, in contravention of PCAOB Rule 350". For misconducts including independence violations, the PCAOB censured the audit firm & partner, revoked the audit firm's registration & barred partner from being an associated person of a registered public accounting firm, and imposed a civil money penalty on the audit firm and the partner.

C.2 Tampering of Audit File and related lapses - SA 230, Audit Documentation

- 41 The Auditors were charged with tampering of the Audit File to mislead NFRA and making the Audit File unreliable, as audit workings have been done in editable Excel files without any security features to prevent alteration of audit documentation. The Audit File has, inter alia, 97 Excel files, out of which 74 Excel files were modified between 22-06-2022, the date NFRA asked for the Audit File, and 05-08-2022, the date Audit File was submitted to NFRA. Further, three Excel Files namely "Audit Planning & Review", "F&G sale details" and "Deferred Assets" were created after 22.06.2022, the date on which NFRA asked for the Audit File. Such modifications and additions in the Audit File are not permissible as per para 16 of SA 230. As per para 14 of SQC-1, para 14 of SA 200 and para 9 of SA 220, the Audit Firm and the engagement team are required to adhere to ethical principles like integrity & professional behavior.
- 42 The SCN pointed out that the Audit File is required to be assembled within 60 days of signing of audit report. In this case, the Audit report was signed on 09.11.2020. Accordingly, the Audit File was required to be assembled by 08.01.2021. However, the same was not done. NFRA's request dated 22.06.2022 for the audit file was sent through email and speed post. The letter was returned by postal department with remarks 'no such firm on the address', and the email was not responded to. Thereafter their email ID and postal address were ascertained from ICAI, which intimated the same email ID and postal address. In the postal address there was a change of floor number from 3rd floor to 1st floor. On being reminded vide letter dated 19.07.2022 to submit Audit File, they responded on 21.07.2022 that they had shifted office from 3rd floor to 1st floor in the same building and email dated 22.06.2022 had gone into the SPAM folder. Vide letter dated 21.07.2022 they provided some information and sought 30 days' time for submission of the Audit File after mentioning that since earlier letter was not served on them, they would be submitting the Audit File within 30 days of our letter dated 19.07.2022 and they requested to grant time till 18.08.2022. Their request was considered, and time was allowed up to 05.08.2022 when they submitted Audit File without FS and Audit Report, which were submitted on 06.08.2022.
- 43 Both emails dated 22.06.2022 & 19.07.2022 were sent on same email ID, but it was claimed by the Auditor that the first email went to the SPAM folder and the second email was delivered correctly. We note that their letter dated 21.07.22, states that their address had changed from 3rd floor to 1st floor, but their letter head carries the address of the 3rd floor. It appears from this, that Diligence and Integrity, are absent in the Auditors' conduct and the entire chain of correspondences/events, was a deliberate ploy to delay the submission of the Audit File and gain some time to make changes in the Audit File as pointed out in the preceding paras. It is thus evident that the Audit File was not assembled within the prescribed time and the Auditors made

deliberate attempts to deceive NFRA by violating fundamental principles of professional behavior in total disregard of SA 200, SA220, SA 230 and SQC 1 and by tampering of the Audit File till 05.08.2022.

- 44** The Auditors were charged for not maintaining the audit documentation with due diligence. The audit work paper, 'Audit procedure' is a list of audit procedures claimed to have been performed for the period ended 31.03.2020. A plain reading of this audit work paper shows that this work paper was prepared by copying the audit work papers of the previous FY 2018-19, as at many places reference of one year old reporting date i.e., 31.03.2019 (instead of 31.03.2020) is given, such as:-
- At serial no. 1, it is recorded "requested for balance confirmation certificate as on **31.03.2019**",
 - At serial no. 2, it is recorded "Obtained cash certificate stating balance as on **31-3-19** for all divisions",
 - At serial no. 4 & 5, it is recorded that rate prevailing as on **31.03.2018/31.03.2019** were taken for closing stock,
 - At serial no. 5 -FNG closing stock & sr. no 8 -closing stock Xpress- quantity of closing stock is same as in FY **2018-19**,
 - At serial no. 6 - PPE division closing stock -it is mentioned that the physical verification of these stocks was conducted on the **30th of March 2019** in locations of Chikkamagaluru and Hassan,
 - At serial no. 10 it is mentioned that loan to partnership firm matched with FS. **In sharp contradiction, the FS of FY 2019-20 show no such loan as on 31.03.2020,**
 - At serial no. 15 there is reference of forex gain of Rs 4 crores as on **31.03.2019. In sharp contradiction, forex gain in FY 2019-20 was NIL.**
 - In audit work paper titled 'CARO', it is mentioned that company has converted CCD (compulsory convertible debentures) into equity shares during the year, **whereas such conversion was made in previous FY 2018-19 and no such conversion was done in FY 2019-20.**
 - In Excel sheets 'AS compliance' and 'AAS compliance', the title 'Audit for FY 2018-19' is mentioned.

All of the above indicate that the Auditor has merely copied the audit work paper of FY 2018-19, without caring about their correctness or relevance.

- 45** As per para 8 of SA 230, Auditors are required to prepare audit documentation that is sufficient to enable an experienced auditor, having no previous connection with the audit, to understand: (a) The nature, timing, and extent of the audit procedures performed to comply with the SAs and applicable legal and regulatory requirements; (b) The results of the audit procedures performed, and the audit evidence obtained; and (c) Significant matters arising during the audit, the conclusions reached thereon, and significant professional judgments made in reaching those conclusions. As per para 9, 10 & 14 of SA 230, Auditors are required to document, inter alia, the name of person & date of performing audit procedures, name of person performing review, date & extent of review and discussion of significant matters with management & Those Charged With Governance (TCWG) etc. An examination of the Audit File in the instant case, shows that the names of the engagement team members & date of performing audit procedures are not mentioned in any of the audit work papers. The names of the team members who reviewed the

audit work and the extent of is not evidenced either. Thus, the Auditors were charged with violation of SA 200, SA 220, SA 230 and SQC 1.

- 46** While denying these charges, the Auditors have replied that maintenance of editable Excel file is not prohibited in SA 230 and modification of audit file is allowed as per para 16 of SA 230; that they have only formatted those files to make it pleasant to view and that the workings maintained in loose sheets were compiled in Excel format after receipt of the notice from NFRA and ; that some of the Excel files were merged and new Excel files were created for ease of review by NFRA. They claimed that during this process the date modified could have changed to the latest date. They further stated that the contents of the Audit File have not been changed and that details of date of conducting the work by article assistants are available in a time sheet maintained separately. In respect of creation of three Excel Files namely “Audit Planning & Review”, “F&G sale details” and “Deferred Assets” after the date NFRA asked for Audit File, the Auditors have submitted that the information of some files were clubbed and moved to separate files for ease of review by NFRA.
- 47** We have considered the reply. In terms of SA 230, modification in the audit file is allowed only to clarify any existing audit documentation arising from comments received during monitoring inspections performed by internal or external parties (para A24 of SA 230). The Auditor is required to document the specific reason of making the changes, when and by whom they were made and reviewed (para 16 of SA 230). On examination of the Audit File, we could not find any recorded reason or document justifying the modification as required under para 16 of SA 230. It is evident from the reply of the Auditors that they modified the existing audit work papers and created new work papers. Once modifications are made in Excel files, it is impossible to find out what was modified. Further, creation of new Excel file from the workings in loose sheets itself is a proof of tampering of audit documentation. We note that a large number of audit documents were modified and at least three new audit work papers were created after NFRA called the Audit File for examination. After being confronted in the SCN, the Auditors have given an evasive reply stating that only formatting was done and that the contents were not changed.
- 48** Regarding non-receipt of NFRA communication, the Auditors replied that CA A S Sundaresha has updated his system and that emails were configured to Outlook, hence they were able to receive the second email from NFRA; that their letter head contains old address as 3rd floor instead of 1st floor as the stationary containing old address was printed in bulk and now, they have got new stationary with correct address. The least we can say is that these are delaying tactics applied by the Auditors.
- 49** The Auditors accepted the error in marking the work papers of the audit procedures carried out during FY 2019-20, as ‘Audit for FY 2018-19’ and attributed it to inadvertence on their part. These are extremely important documents in an Audit and it is surprising to see the Auditors stating that they have applied due diligence while preparing these documents and inadvertently the year was kept as 2018-19. This indicates that the Auditors were casual in their audit work and did not perform the same with the required level of diligence.
- 50** The Auditors further stated that a combined reading of audit plan, area wise audit procedure and time sheets will provide the details of nature, timing and extent of audit procedures performed.

Similarly, combined reading of completion memorandum and review summary provides their observations, significant matters, and conclusions. They stated that the date of performing audit is captured in the time sheet of each article assistant and maintained separately. We do not accept this reply as these records have not been maintained as part of audit file as required under SA 230. We further note that the Auditors could not give any reply in respect of non-availability of timing of audit procedures claimed to have been performed by other engagement team members including the EP.

51 Along with reply to SCN, the Auditors have also submitted 13 additional working papers (143 pages) for consideration and stated that they have inadvertently missed certain evidence as they were not aware about NFRA's expectations in relation to verification of Audit File. In this connection, one has to look into SA 230 which emphasizes the importance of timely preparation of audit documentation and its archival within a reasonable time after the issuance of the audit report. We highlight below some of the paras of the Standard:-

- a) Paragraph 7 of SA 230: The auditor shall prepare audit documentation on a timely basis. The explanatory material to the Standard at Para A1, inter alia, states that Documentation prepared after the audit work has been performed is likely to be less accurate than documentation prepared at the time such work is performed.
- b) Paragraph 8 of SA 230: The auditor shall prepare audit documentation that is sufficient to enable an experienced auditor, having no previous connection with the audit, to understand:
 - (a) The nature, timing, and extent of the audit procedures performed to comply with the SAs and applicable legal and regulatory requirements;
 - (b) The results of the audit procedures performed, and the audit evidence obtained;
 - and (c) Significant matters arising during the audit, the conclusions reached thereon, and significant professional judgments made in reaching those conclusions.
- c) Paragraph 9 of SA 230: In documenting the nature, timing and extent of audit procedures performed, the auditor shall record: (a) The identifying characteristics of the specific items or matters tested; (b) Who performed the audit work and the date such work was completed; and (c) Who reviewed the audit work performed and the date and extent of such review.
- d) Paragraph 14 of SA 230: The auditor shall assemble the audit documentation in an Audit File and complete the administrative process of assembling the final Audit File on a timely basis after the date of the auditor's report.
- e) Paragraph 16 of SA 230: In circumstances where the auditor finds it necessary to modify existing audit documentation or add new audit documentation after the assembly of the final audit file has been completed, the auditor shall, regardless of the nature of the modifications or additions, document: (a) The specific reasons for making them; and (b) When and by whom they were made and reviewed.
- f) The explanatory material to the Standard at Para A21 states that SQC 1¹² requires firms to establish policies and procedures for the timely completion of the assembly of audit files. An

¹² Refer para 74 & 75 of Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements

appropriate time limit within which to complete the assembly of the final Audit File is ordinarily not more than 60 days after the date of the auditor's report.

- g) The explanatory material to the Standard at Para A22 states that the completion of the assembly of the final Audit File after the date of the auditor's report is an administrative process that does not involve the performance of new audit procedures or the drawing of new conclusions.

- 52 Similar requirements exist in para 7, 14, A21 & A22 of ISA 230 (UK & Ireland), para 7, 14, A21 & A22 ASA 230 (Australia) and para 15 of AS 1215 (PCAOB, U.S.)
- 53 Even internationally, as seen from the following paragraphs, alteration, backdating of work papers/reviews, substitution or addition of the new work papers, placing blank audit papers so as to perform audit procedures (commonly referred to as Audit File Tampering) subsequent to issuance of audit report or the assembly of final Audit File by the Auditors are not accepted, as they would leave scope for large scale production of additional documents as an afterthought upon commencement of disciplinary proceedings.
- 54 In the Matter of KPMG Assurance and Consulting Services LLP and Sagar Pravin Lakhani (Engagement Partner) relating to tampering of audit file, PCAOB¹³ (Public Company Accounting Oversight Board – Audit Regulator of United States of America), observed that “PCAOB standards require that [a]udit documentation must contain sufficient information to enable an experienced auditor, having no previous connection with the engagement . . . [t]o determine who performed the work and the date such work was completed as well as the person who reviewed the work and the date of such review” “PCAOB standards further require an auditor to archive a complete and final set of audit documentation as of a date not more than 45 days after the report release date (i.e., the documentation completion date). Any documentation added after the documentation completion date must indicate the date the information was added, the name of the person who prepared the additional documentation, and the reason for adding it.” ... “Accordingly, KPMG India violated QC § 20 and QC § 30 by failing to implement, communicate, and monitor adequate policies and procedures to provide the Firm with reasonable assurance that its personnel complied with PCAOB audit documentation standards—including standards concerning documentation of the date audit work was completed, of the date audit work was reviewed, and of any changes to the work papers after the documentation completion date”. For this misconduct, a civil money penalty in the amount of \$1,000,000 was imposed on KPMG Assurance and Consulting Services LLP, and a civil money penalty in the amount of \$75,000 was imposed on Sagar Pravin Lakhani besides suspending Lakhani from being an associated person of a registered public accounting firm for a period of one year, censuring both and requiring KPMG India to undertake and certify the completion of certain improvements to its system of quality control.
- 55 In another similar case of Deloitte Canada¹⁴ relating to tampering of audit file, PCAOB observed “PCAOB standards require auditors to prepare audit documentation that accurately reflects

¹³ PCAOB Release No. 105-2022-033 dated 06.12.2022.

¹⁴ PCAOB Release No. 105-2021-014 dated 29.09.2021.

when audit work was completed and reviewed. ----- In November 2016, the Firm updated its work paper system and removed Firm personnel's ability to manually select sign-off dates. Under the new system, when an auditor entered a sign-off, the current date was automatically generated. At the time the Firm adopted its new system, personnel from the Firm's National Office were aware of a risk that individuals could override the new system by changing their computer date settings to backdate work paper sign-offs. Despite that awareness, the Firm did not take sufficient steps—through written policies, guidance, training, or otherwise—to address that risk. During the 16 month-period following the adoption of the new work paper system, Firm personnel overrode the system and backdated their work paper sign-offs in at least six issuer audits and two quarterly reviews subject to PCAOB standards. This conduct occurred while teams were assembling a complete and final set of work papers for retention, or earlier, in these engagements. Additionally, some auditors on these engagements deleted and replaced sign-offs in order to ensure that reviewer sign-offs were dated after preparer sign-offs. Collectively, this conduct obscured the dates on which work had actually been completed and reviewed". For this misconduct, PCAOB had imposed a civil money penalty of \$350,000 on the firm besides censuring the firm, requiring it to take corrective actions to establish, revise, or supplement, as necessary, its quality control policies and procedures.

- 56 There have been many other instances of such wrong doings being penalized by the PCAOB, e.g., KPMG Singapore- Tan Joon Wei (2021), BDO-Mexico (2019), and Deloitte Brazil (2016) etc.
- 57 We further note that while submitting the Audit File¹⁵ to NFRA, through a duly notarized affidavit dated 05.08.2022 signed by CA A. S. Sundaresha., partner of the Firm, it was averred that "*The Audit File for the financial year 2019-20 as defined in Para 6(b) of SA 230 has been submitted*".... "*It is certified that the above information is true and complete in all respects, and nothing has been concealed*". The Auditors are expected to know what constitutes "Audit File" as per SA 230 and accordingly, all audit work papers were expected to be available in the Audit File submitted to NFRA. The submission by the Auditors of additional documents now, subsequent to the submission of Audit File, to defend the charges in the SCN, points to the incorrect averments made in the affidavit submitted by the Firm.
- 58 Therefore, considering the provisions of the auditing standards and the affidavit filed by the Firm, the submission of the Auditors regarding the additional documents cannot be accepted and in light of the facts, circumstances and analysis above, we find them to be an afterthought to cover up the deficiencies in the Audit. Further, this also constitutes tampering of the Audit File. This is unbecoming behavior on the part of Professionals. Besides our Standards, the case laws quoted above show that internationally Regulators treat the integrity of the Audit file as sacrosanct and any kind of tampering is viewed seriously attracting significant sanctions.
- 59 In view of above analysis, we find that the Auditors have violated the provisions of SQC 1, SA 200, SA 220 and SA 230.

¹⁵ Audit file is defined in para 6(b) of SA 230 'Audit Documentation' as "one or more folders or storage media, in physical or electronic form, containing the records that comprise the audit documentation for a specific engagement".

C.3 Lapses in audit relating to fraudulent diversion of funds to MACEL

- 60 The Auditors were charged with failure to exercise professional judgement and skepticism¹⁶ while performing audit of fraudulent diversion of funds to MACEL. The Auditors were also charged for not reporting fraudulent diversion of funds to MACEL. As per FS of CDGL, it is a subsidiary company of Coffee Day Enterprises Limited. CDGL was sole buyer of coffee beans produced by MACEL. Relevant salient features of Standalone Financial Statements of CDGL are as under:

Table -4

(Rs in crores)

Sr No	Particulars	2019-20	2018-19
1	Net worth	1002.24	1440.45
2	Profit	(346.74)	48.69
3	Borrowings from Bank & Financial Institutions.	1111.30	801.90
4	Fixed deposits	0.11	415.13
5	Revenue from operations	1507.33	1794.29
6	Purchases of raw coffee	304.25	430.03
7	Interest cost	206.61	77.06
8	Interest income	12.21	24.66

- 61 The SCN pointed out that as per Note no-42 to Standalone Financial Statements (SFS) on related party disclosures, transactions with MACEL are disclosed as under:

Table- 5

(Rs in crores)

Sr No	Particulars	2019-20	2018-19
1	Purchase of clean and raw coffee	28.71	70.90
2	Advance paid to MACEL	1418.31	394.21
3	Interest received on advance paid	0.00	5.10
4	Repayment of advance by MACEL	378.03	266.54
5	Balance outstanding on 31 st March (classified as supplier advance in 2018-19 and Other advance in 2019-20).	1105.10	64.82
6	Trade payables	21.09	0.00

- 62 The Audit committee of CDGL, in its meeting held on 24.05.2019, had approved purchase of coffee beans up to Rs 80 crores from MACEL. CDGL purchased coffee beans worth RS 28.71 crores only but advanced Rs 1418.31 crores to MACEL for purchases. MACEL subsequently repaid Rs 378.03 crores which indicates that the advance was not intended for purchase of coffee beans, but was a mere diversion of funds. This huge advance was an unusual transaction, being 49 times the value of purchase of coffee beans (Table 5). It shows that CDGL diverted Rs 1105.10 crores to MACEL during FY 2019-20. The Auditors were required to exercise Professional Judgement and Professional Skepticism to evaluate the appropriateness of disbursement

¹⁶ Para 16 of SA 200 provides that 'The auditor shall exercise professional judgment in planning and performing an audit of Financial Statements. Para 13 (k) of SA 200 defines Professional Judgement as 'The application of relevant training, knowledge and experience, within the context provided by auditing, accounting and ethical standards, in making informed decisions about the courses of action that are appropriate in the circumstances of the audit engagement'.

Professional skepticism is defined at para 13(l) of SA 200 as – 'An attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of audit evidence'. Para 15 of SA 200 provides that 'The auditor shall plan and perform an audit with professional skepticism recognising that circumstances may exist that cause the financial statements to be materially misstated'.

of such advance. There is no evidence in the Audit File that the Auditors had done any evaluation or questioned Those Charged With Governance (TCWG) on this matter.

- 63** All of the above was pointed out in the SCN along with the fact that aforesaid advance of Rs 1418.31 crores was violative of Section 188 of the Act read with Rule 15 of the Companies (Meetings of Board and its Powers) Rules 2014 which mandate prior approval of the company to enter into purchase of goods from related parties amounting to 10% or more of turnover of CDGL. CDGL was required to pass a resolution in the general meeting for grant of supplier advance of Rs 1418.31 crores to MACEL as it exceeded 10% of its turnover of Rs 1507.33 crores. Further, as per section 188 of the Act, approval of the Board of Directors was also required for entering into such transactions. There is no evidence in the Audit File that the Auditors verified whether CDGL complied with these statutory provisions. On the contrary, the Auditors reported in audit report (para xiii of CARO¹⁷) that the company had complied with section 188 of the Act.
- 64** The Auditors were also charged for non-compliance with para 5 of SA 315, whereby the Auditors were required to perform risk assessment procedures to provide a basis for the identification and assessment of risks of material misstatement at the financial statements and assertion levels. There was no evidence in the Audit file that they had performed such procedures to identify risk of material misstatement due to suspected fraudulent diversion of funds to MACEL. SA 240 prescribes the Auditor's responsibilities relating to fraud in audit of financial statements. Para 10 of SA 240 provides that the objectives of auditor are to identify and assess the risk of material misstatement in the financial statements due to fraud, obtain audit evidence and respond to identified or suspected risk. Para 12 of SA 240 requires the auditor to maintain professional skepticism recognizing the possibility of existence of material misstatement due to fraud. Para 32 (c) of SA 240 further requires auditor to evaluate the business rationale (or lack thereof) of the significant transactions that are outside the normal course of business or otherwise appear unusual and evaluate whether such transactions may have been entered into to engage in fraudulent financial reporting or to conceal misappropriation of funds. There is no evidence in the Audit File that the Auditors performed any audit procedure to comply with SA 240. The Auditors had failed to comply with above referred paras of SA 240 in respect of supplier/other advance given to MACEL. There is no evidence in the Audit File that any questions were asked from the Audit Committee, TCWG and Management about these suspicious fraudulent transactions. The Auditors did not perform audit with professional skepticism & judgement at all.
- 65** The SCN drew the attention of the Auditors to their statutory duty to report the offence of fraud to the Central Government under Section 143 (12) of the Act. Grant of omnibus approval by Audit Committee for abnormal amount of supplier advance to MACEL and its subsequent payment in the garb of supplier advance without any business rationale were clear indications of diversion of funds, which amounts to fraud on the company. The Statutory Auditors not only failed to report the same to the Central Government, but mis-reported under the Companies (The Auditors Report) Order 2016 that no material fraud by or on the company had been noticed or reported during audit. Accordingly, the Auditors were charged with violation of section 143 (12) of the Act and CARO.

¹⁷ Audit report dated 09.11.2020 under the Companies (Auditor's Report) Order, 2016 ('CARO' hereafter).

- 66 Besides the above, it was pointed out that diverting funds fraudulently to MACEL (an entity owned and controlled by promoters' family) attracts section 420 of the Indian Penal Code¹⁸, resulting in a predicate offence for money laundering under section 3 of the Prevention of Money Laundering Act 2002 (PMLA)¹⁹. The Auditors did not report this violation in Independent Auditor's Report and did not consider its impact on the Financial Statements while making conclusions and were therefore charged to have violated SA 250 "Consideration of Laws and Regulations in an Audit of Financial Statements".
- 67 The Auditors have denied the charges and replied that they did not conclude any fraud in the transactions because advance to MACEL was given for purchase of coffee as a general trade practice on similar lines with other planters, from whom coffee is being purchased regularly. Since CDGL was following the same procedure over a period of decade, the question of considering the transaction as suspicious does not arise. Regarding section 188 of the Act, the Auditors have submitted that the transaction with MACEL is in the ordinary course of business and accordingly not covered under section 188 of the Act. The Auditors further pointed out that the account was maintained as a current account, and the maximum balance at any point of time during the year was reported as gross transactions with MACEL. Accordingly, the company adopted the most appropriate disclosure; that they relied on the balance confirmations obtained from the company; and that the interest is charged on the advance paid to planters including MACEL. They replied that providing an advance cannot be concluded as fraud, as they had obtained balance confirmations from MACEL. They could not get Sufficient Appropriate Audit Evidence ('SAAE' hereafter) regarding recoverability of outstanding dues from MACEL, hence provided disclaimer of opinion. According to the Auditors, transactions with MACEL were subject to critical assessment of audit evidence and based on audit procedures, the amount advanced to MACEL is not regarded as fraud and there is no misstatement in disclosure of related party transactions. According to the Auditors the question of reporting fraud under section 143(12) of the Act & CARO does not arise and there is no non-compliance with SA 200, SA 315 and SA 240.
- 68 In this backdrop, it is necessary to evaluate whether transactions with MACEL were fraudulent or not. The annual purchase of coffee beans of CDGL was Rs 304.25 crores in 2019-20 and Rs 430.03 crores in FY 2018-19, which shows that the volume of past purchases of coffee beans by CDGL did not warrant purchases of coffee beans of Rs 1418.31 crores (the amount of supplier advance given to MACEL). Further, during FY 2018-19, MACEL had revenue from operations of Rs 1.70 crores and a negative net-worth of Rs 223 crores on 31.03.2019, indicating that MACEL had neither the level of operations nor the financial strength to justify the release of such a huge advance of Rs 1418.31 crores. Further, the reported purchase of coffee beans from

¹⁸ Section 420 of IPC states, 'Whoever cheats and thereby dishonestly induces the person deceived to deliver any property to any person, or to make, alter or destroy the whole or any part of a valuable security, or anything which is signed or sealed, and which is capable of being converted into a valuable security, shall be punished with imprisonment of either description for a term which may extend to seven years, and shall also be liable to fine.'

¹⁹ As per section 3 of PMLA act 2002, 'Whosoever directly or indirectly attempts to indulge or knowingly assists or knowingly is a party or is actually involved in any process or activity connected with the proceeds of crime including its concealment, possession, acquisition or use and projecting or claiming it as untainted property shall be guilty of offence of money-laundering'. 'Proceeds of Crime', as defined at section 2 (u) of PMLA Act, means any property derived or obtained, directly or indirectly, by any person as a result of criminal activity relating to a scheduled offence. List of schedule offences in Part A of the schedule under PMLA Act 2002, covers section 420 of Indian Penal Code i.e., 'Cheating and dishonestly inducing delivery of property'.

MACEL in the previous year was only Rs 70.90 crores, which is indicative of the unjustified volume of these advances. The Auditor's plea that section 188 of the Act is not applicable for transactions undertaken in the ordinary course of business, does not hold as such an exemption to the provisions of section 188 of the Act, is available only if the transaction is conducted on an "Arm's length basis". There was no underlying agreement with MACEL for the advance, there were no records of it being backed by any security, and there was no assessment of the arm's length basis for this transaction. The nature and facts of this advance and the absence of rationale & documentation clearly indicate that these transactions cannot be treated to have been entered into on an arm's length basis and the size of the transaction indicates that it cannot be said to have been entered into in the ordinary course of business of CDGL. Thus, in light of the foregoing we find that the advance of Rs 1418.31 crores to MACEL was in fact a fraudulent diversion of funds to facilitate the promoters.

- 69 Post suicide by group Chairman, CDEL (the listed entity) appointed Mr. Ashok Kumar Malhotra, retired Deputy Inspector General of Central Bureau of Investigation and Agastya Legal LLP to investigate inter alia, the books of accounts of CDEL and its subsidiaries. The Auditors have admitted to having access to this investigation report. This investigation report has details of the movement of funds from subsidiaries of CDEL to MACEL and use of blank cheques for such purpose. VGS expired in July 2019 and the Statutory Auditor's Report in the instant case, was issued on 09.11.2020. Thus, the Auditors had ample time to evaluate these transactions and report this fraud to the Central Government under section 143(12) of the Act. The Auditors chose to overlook this crucial evidence and did not conclude fraudulent diversion of funds to MACEL nor did they report this fraud to Central Government as required u/s 143 (12) of the Act.
- 70 The above analysis, establishes the Auditors failure to question and report the diversion of funds by CDGL by way of huge amount of advance to MACEL, a promoter owned and controlled entity, without any justification of operating necessity, without the Board approval and without any agreement. Such fraudulent diversion of funds, had serious repercussion on the financial health of the company in terms of liquidity, repayment of loans, payment to creditors and distribution of profits to the shareholders etc. The importance of the same can be understood from the fact that there is a separate Standard on Auditing (SA 240) prescribing the Auditor's responsibilities relating to fraud in an audit of financial statements besides the Auditors having a statutory duty to report fraud to the Central Government under section 143(12) of the Act and CARO 2016. The Auditors should have performed the audit with professional skepticism and questioned such diversion of funds which also amounted to fraud, but the Audit work papers do not evidence the same. Had they applied professional skepticism, they would have detected this fraudulent diversion of funds and reported it in their audit report. The staggering numbers would warrant the attention of a diligent Auditor. But by not showing due diligence and professional skepticism, when there was ample evidence of fraudulent transactions, they turned a blind eye to their statutory duty to report fraudulent diversion of funds to the Central Government u/s 143 (12) and in their CARO Report.
- 71 Regarding PMLA, the Auditors replied that money advanced to MACEL was in the ordinary course of business; that related party transactions have been disclosed in the Financial Statements; that there is no concealment; and therefore, question of fraud does not arise. According to them, section 420 of IPC and section 3 of PMLA are not applicable in this case. We note that CDGL

had given loans of Rs 1418.31 crores to a promoter owned entity viz MACEL, in the garb of Supplier Advance for coffee beans, even though the actual purchase of coffee beans from MACEL was Rs 2.52 crores only. Therefore, release of such an exorbitant amount to MACEL cannot be considered to be in the ordinary course of business. MACEL subsequently repaid significant part of this advance i.e., Rs 378.03 crores which indicates that the advance was not intended for purchase of coffee beans, but for diversion of funds. This was adequate proof of diversion of funds to promoter owned entity MACEL. Diversion of funds, structured circulation of money and round tripping of funds (as discussed above and under Charge-C-4) are ample proof of cheating and dishonesty. Through these fraudulent circular transactions, CDGL's funds have ultimately gone to the promoter-controlled entity. Therefore, this is a clear case of money laundering as per PMLA, which the Auditors failed to report in the Independent Auditor's Report. Therefore, the charge that the Auditors have violated SA 250 is proved.

- 72 The Auditors were also charged with failure to identify misstatement of Rs 26.19 crores in disclosures relating to Related Party Transactions ('RPT' hereafter) resulting in non-compliance with SA 550²⁰ and section 143(3)(e) of the Act. Analysis of FS of MACEL & CDGL revealed a difference of Rs 26.19 crores between transactions relating to sale of coffee beans by MACEL to CDGL, which is the sole buyer of coffee beans produced in the plantations of MACEL. As per Profit and Loss Statement of MACEL, total Revenue from operations was Rs 3.26 crores only. Out of this, sale of coffee to CDGL was Rs 2.52 crores only. Whereas, as per FS of CDGL, it purchased 'clean and raw coffee' from MACEL worth Rs 28.71 crores. Intercompany difference of Rs 26.19 crores (Rs 28.71 crores - Rs 2.52 crores) raised a serious doubt about the correctness of the Financial Statements of CDGL. On scrutinizing the outstanding balance of supplier advance given to MACEL, it was seen that a similar difference exists, as MACEL had disclosed an advance of Rs 1577.99 crores received from CDGL of which MACEL had repaid Rs 493.99 crores; whereas CDGL had disclosed these figures as Rs 1418.31 crores & 378.03 crores respectively. This also reflects complete absence of internal financial controls in reconciliation of inter-group transactions and balances.
- 73 In the related party disclosures listed in its FS, CDGL claimed that all such transactions and balances were on an "Arm's length basis". In this connection, Para 23 of Ind AS 24, Related Party Disclosures states that "*Disclosures that related party transactions were made on terms equivalent to those that prevail in arm's length transactions are made only if such terms can be substantiated*". There is no work paper in the Audit File that the Auditors performed any audit procedure to examine whether related party transactions and balances were at arm's length. The Auditors did not report non-compliance with Ind AS 24 by CDGL.
- 74 Regarding Related Party Disclosures about coffee purchased from MACEL, the Auditors have replied that MACEL acts as coffee pooler to CDGL as a general trade practice adopted by CDGL over several years as a matter of convenience. This is the reason that all the purchases of coffee from MACEL including the pooled coffee have been shown as related party purchase from MACEL instead of showing against each of the end supplier. We find from the Financial Statements of MACEL that sale of coffee by MACEL to CDGL was Rs 2.52 crores only.

²⁰ SA 550, Related Parties. It deals with auditor's responsibilities regarding related party relationships, transactions, and balances.

Whereas, as per the Financial Statements of CDGL, it purchased 'clean and raw coffee' from MACEL worth Rs 28.71 crores. The intercompany difference of Rs 26.19 crores (Rs 28.71 crores - Rs 2.52 crores) raised serious doubt about the correctness of the Financial Statements of CDGL. Ind AS 24 has no provision that transactions can be clubbed in the name of one Related Party. Such clubbing would be misleading to the users of the Financial Statements. The reasons for the management to do this are not far to seek, as this provided the basis for the management to fraudulently advance unusually large amount to MACEL portraying it as a large supplier of coffee beans.

- 75 Regarding Related Party Transactions relating to the advance to MACEL, the Auditors replied that the maximum limit of advance at any point of time during the year was reported as against gross transactions with MACEL as the same was maintained as a running current account. We note from para 18 of Ind AS 24 that 'the amount of the transactions' in full is required to be disclosed. Therefore, reporting of only the highest debit and credit balance with MACEL instead of gross transaction amount was not in conformity with Ind AS 24, leading to one more misstatement in Related Party Disclosure. The Auditors failed to perform their duties as required under para 25(a) of SA 550 in this regard.
- 76 The Auditors further stated that during the year there was no new type of transaction with any related party and that they had tested those transactions with related parties as having been carried out on an 'Arm's length' basis; that there was no adverse indication, hence nothing was recorded in Audit File; that terms & conditions of RPTs are mentioned at note no. 38(E) of FS; and that all RPTs were conducted in ordinary course of business. Accordingly, they claimed to have complied with section 143(3)(e) of the Act and SA 550. We do not find any merit in this reply. The Auditors did not obtain sufficient appropriate audit evidence about such management assertion as required by para 24 of SA 550. Para A5 of SA 230, Audit Documentation provides that oral explanations by the auditor, on their own, do not represent adequate support for the work performed by the auditor or conclusions reached, but may be used to explain or clarify information contained in the audit documentation. Since nothing was recorded in the Audit File regarding performing such tests, we find the reply of the Auditors an afterthought to cover up their gross failure in performing audit of important and sensitive area of related party transactions.
- 77 The PCAOB²¹ in matters of diversion of funds to related parties on the pretext of purchase of material, observed that "*The transactions—between one of the Issuer's wholly-owned Chinese subsidiaries ("Subsidiary") and a Chinese purchasing agent ("Agent")—involved the Subsidiary's transfers of loan proceeds to the Agent as prepayments to buy equipment and materials that the Agent never delivered. The loans were obtained from Chinese lenders for the purpose of making these purchases. While the Agent returned a portion of the prepayments—some in unusual same-day, round-trip transfers—it did not return most of them*".... "*By failing to adequately respond to the known fraud risks, Marcum's engagement team breached its duty to perform the Audits with the due professional care and professional skepticism required by PCAOB standards. The team also failed to adequately understand the business rationale (or the lack thereof) for the significant unusual transactions and failed to obtain sufficient appropriate audit evidence to support Marcum's opinion on the Issuer's financial statements*". For this

²¹ PCAOB Release No. 105-2020-012 and PCAOB Release No. 105-2020-013 both dated 24.09.2020.

misconduct, PCAOB censured Audit firm Marcum LLP (“Marcum”); imposed a civil money penalty of \$250,000 on Marcum; prohibiting Marcum from audit works for a period of three years. PCAOB also imposed a penalty of \$25,000 on the Engagement partner John E. Klenner besides barring him from being an associated person of a registered public accounting firm.

- 78 Similarly, failures to perform audit procedures and exercise professional skepticism in related party transactions and internal control over financial reporting have invited serious action by audit regulators in other jurisdictions too. For example, in case of Cheryl L. Gore, CPA and Stanley R. Langston, CPA, PCAOB²² had observed that “*Gore failed to obtain sufficient appropriate audit evidence and to perform sufficient procedures concerning whether Issuer A’s financial statements accurately disclosed its related party transactions*”..... “*Gore failed to exercise due professional care, including professional skepticism, and failed to obtain sufficient appropriate audit evidence in connection with Issuer A’s identification, accounting, and disclosure of related party relationships and transactions*... .. *Gore failed to perform any of these procedures during the 2016 Audit*””. This case resulted in debarment and imposition of monetary penalty on the auditors.
- 79 Regarding disclaimer of opinion given in the Independent Auditor’s Report, we notice that disclaimer was given only for recoverability of loans given to MACEL. Whereas, diversion of funds to MACEL and misstatement in Related Party Transactions Disclosure have not been reported in the Disclaimer of Opinion in the Independent Auditor’s Report. Further, the Auditors had the responsibility to report fraudulent diversion of funds to the Central Government under section 143(12) of the Act. The Auditors did not report this fraud to the Central Government and on the other hand, reported in CARO that no material fraud by the Company or on the Company by its officers or employees has been noticed or reported during the course of their audit.
- 80 Therefore, we hold that the charge on this count stands proved and uphold that the Auditors have violated section 143(3)(e), 143(12) of the Act, CARO 2016 and SA 200, SA 240, SA 315, SA 330 and SA 550.

C.4 Failure to detect evergreening of loans through structured circular transactions of funds

- 81 The Auditors were charged with failure to perform risk assessment procedure to identify, assess and respond to Risk of Material Misstatements in the Financial Statements due to fraud, in relation to evergreening of loans through structured circular transactions of funds. MACEL had issued several cheques in March 2019 for repayment of supplier advance of Rs 222.50 crores to CDGL. These cheques remained unrealised on 31.03.2019 and were cleared in the next FY i.e., 2019-20, by evergreening of loan through structured circulation of funds among Coffee Day Group companies. The same modus was found to exist in the earlier year too when the Audit firm was the Statutory Auditor.
- 82 The SCN states that analysis of clearance of these cheques in subsequent period FY 2019-20 shows that MACEL did not have adequate bank balance to honor the cheques issued by it, but CDGL and other related parties gave funds in April and May 2019 to MACEL for clearance of

²² PCAOB Release No. 105-2021-020 dated 14.12.2021.

cheques issued and accounted for in FY 2018-19. It seems that there was a well thought plan to bring down related party advances by just passing accounting entries in the books of accounts on or before 31.03.2019 to show that loans/advances have been recovered whereas fresh loans/advances were given in FY 2019-20. Structured circulation of funds for ever greening of loans was evidence of serious financial crisis in MACEL as well as CDGL besides having reasons to believe that fraud had been committed in CDGL.

- 83** The SCN states that one of the important substantive audit procedures is to examine the Bank Statements with reference to the major transactions. There is no evidence in the Audit File that the Auditors had performed any procedure to verify disbursement of loans/advance to MACEL and repayment of loans/advance by MACEL. Examination of Bank Statements of MACEL shows suspected fraudulent transactions, which the Auditors failed to detect. There is no evidence in the Audit File that the Auditors have asked any question to TCWG and Management about these suspicious fraudulent transactions. As such the Auditors were charged for non-compliance of section 143(12) of the Act, SA 200, SA 240 and SA 315 in respect of rotation of smaller amount to legitimize transactions of larger amounts. As per section 143(1) of the Act, the Auditors were also required to inquire whether transactions are represented merely by book entries without any underlying commercial transaction and are prejudicial to the interest of the company. As explained above, loans/advance to MACEL did not have any economic substance as it was done through circulation of smaller amount to legitimize transactions of larger amounts hence those were merely book entries. The Auditors did not report these apparently fictitious transaction entries thus they were charged with having violated section 143(1) of the Act.
- 84** The Auditors were also charged with non-compliance with section 143 (3) (i) of the Act, as they did not consider absence of Internal Financial Control over Financial Reporting as was evident from pre signing of blank cheques and round tripping of funds and diversion of funds to MACEL. It was discovered during investigation that VGS used to ask authorized signatories to sign bunch of blank cheques, which were kept in his possession and used as and when required. These pre-signed blank cheques were used for diversion of funds in the name of loans and advances and for 'Ever Greening of Loans' to related parties. Signing of blank cheques and rotation of funds indicate complete absence of internal control in the company. As part of a prudent audit procedure, the Auditors were expected to verify, inter alia, unused cheque leaves, utilization of cheques leaves and bank transactions. Such audit procedure could have detected absence of internal control at an early stage. However, the Audit File does not evidence the performance of any such audit procedures. The Audit File does not evidence that the Auditors had conducted any test of controls (SA 315). They had collected reports of internal auditor, however it is not recorded in the Audit File as to how they used the work of internal auditor. (SA 610). In the Basis of Disclaimer of Opinion, the Auditors did not report absence of internal control as is evident from pre signing of blank cheques, round tripping of funds and diversion of funds to MACEL.
- 85** The Auditors have denied this charge and stated that they were not having the access to books & bank statements of MACEL; that all the cheques were realized and none of the cheques was bounced; and that they had verified the bank statement for subsequent realization of cheques of Bank Reconciliation Statements (BRS); that all cheques were realized, therefore, it cannot be considered as mere book entry. The Auditors could not give any specific reply about non-detection of evergreening of loans through structured circulation of funds.

- 86 The Auditors admittedly had access to the investigation report of Mr. Ashok Kumar Malhotra (Retd DIG of CBI) at the time of audit. This investigation report has finding suggesting evergreening of loans. Para 8.6.2 this report states ***“Based on the review we were able to identify transactions where MACEL issued cheques to the subsidiary Companies during the last week of September and March of every financial year. These monies were credited into the Bank accounts of the respective Companies. Consequently, the money due by MACEL was brought down significantly on 30th September and 31st March respectively, which are the reporting dates for the purposes of Audit. However, we noticed that the subsidiaries Company would issue fresh cheques in favour of MACEL in the first week of October or April as the case may be. The net result of such transactions was that balance due by MACEL was lower in the books of accounts on the balance sheet dates viz., 30th September and 31st March of the respective years, due to such temporary arrangements”***. This red flag could be used by the Auditors to dive deep into the bank statements, which speak loudly about evergreening of loans through structured circulation of funds.
- 87 CDGL received four cheques of Rs 65.50 crores in March 2019 from MACEL, which were cleared on 04.04.2019 by evergreening of loan through circulation of funds between MACEL and CDGL. Table 6, which is an extract of the CDGL’s account with Yes bank, which demonstrates that three payments amounting to Rs 65.50 crore were received from MACEL on 4th April 2019 and three payments of Rs.65.50 crore were made by CDGL to MACEL on the same day, the receipts and payments matching exactly.

Table 6:

(Date = 04.04.2019)

Particulars	Rs in crores		
	Payment	Receipt	Balance
Receipt from MACEL		24.50	-50.48
Payment to MACEL	21.90		-72.38
Receipt from MACEL		23.90	-48.48
Payment to MACEL	24.01		-72.49
Receipt from MACEL		17.10	-55.39
Payment to MACEL	19. 59		-74.98
Total	65.50	65.50	

- 88 The Above bank statement of CDGL, (claimed to have been verified by the Auditors), clearly shows evergreening of loans through circulation of funds. Similar evergreening through circulation of funds could be observed from the bank statement of CDGL with IndusInd Bank as well. CDGL received five cheques for a total amount of Rs 25 crores on 30.03.2019 from MACEL, which were cleared on 02.04.2019 in circular manner. For example, MACEL paid Rs 6.70 crores to CDGL, which then paid Rs 6 crores to MACEL, which then paid Rs 5 crores to CDGL and so on..... Furthermore, Similar evergreening through circulation of funds could be observed from bank statement of CDGL with Karnataka Bank as well. MACEL on 30.03.2019 issued six cheques of total amount of Rs 105.00 crores favoring CDGL. On 04.04.2019 the account was credited with Rs 22.70 crore from MACEL’s own bank a/c in Yes Bank. This was followed by a series of circular transactions, on the same day, between MACEL and CDGL, starting with MACEL paying Rs. 20 crores to CDGL, followed by CDGL paying the same amount to MACEL and so on, to enable clearance of six cheques amounting to Rs 105 crores issued to CDGL on 30.03.2019. Further, on 30.04.2019, MACEL got Rs 24 crores from CDGL, which was used on the same day for clearance of five cheques issued to CDGL on 31.03.2019

for total amount of Rs 20 crores. This has resulted in recognition of supplier advance in the books of CDGL in FY 2019-20.

- 89 Regarding non-performance of substantive audit procedures to examine bank statements with reference to the major transactions, the Auditors stated that amount recoverable was confirmed through balance confirmation from MACEL, therefore, there was no requirement to verify bank statements. We do not accept this reply as reported supplier advance of Rs 1418.31 crores given to MACEL was an unusual transaction as discussed in previous Section C-3 of this Order. The size of this transaction was more than the net worth of Rs 1002.24 crores of CDGL. In addition, indications of evergreening of loans were unambiguously reported in the investigation report of retired DIG of CBI. Despite this, the Auditors did not exercise professional skepticism to critically analyze the Bank statements of CDGL. The Auditors chose to remain silent and overlook this crucial evidence. In the given facts and circumstances, we conclude that the Auditors did not exercise the necessary professional skepticism to determine whether these transactions posed a risk of material misstatement due to fraud and failed to obtain sufficient appropriate audit evidence in respect of these circular transactions.
- 90 The Auditors have denied the charge relating to Internal Financial Control over Financial Reporting stating that verification of cheque leaves is a procedure of investigation and not a generally accepted procedure of audit. While citing para 5 of guidance note on audit of cash and bank balance issued by ICAI, they stated that there is no such expectation from the auditor. They have verified bank reconciliation statement. We note that the diversion of funds and evergreening of loans through structured circulation of funds demonstrated CDGL's complete lack of internal control and internal financial control. Therefore, this reply is not accepted. The Auditors admitted that test of controls and test of details' documents were not available in Audit File submitted to NFRA for major components of the FS i.e., revenue, procurements and fixed assets, and stated that they had conducted such tests in this area but these documents were stored in separate folder pertaining to IFC and attached some documents with the reply to SCN. We treat this reply as an afterthought for the reason recorded in Section no-C-2 of this Order.
- 91 Similar case of failures to perform audit procedures and exercise professional skepticism in internal control over financial reporting has invited serious action by audit regulators in other jurisdictions too. For example, in case of Cheryl L. Gore, CPA and Stanley R. Langston, CPA, PCAOB²³ had inter alia observed that *"Specifically, as part of her risk assessment procedures, she was required to obtain an understanding of the design and implementation of Issuer A's internal control over financial reporting ("ICFR") in connection with related parties, to evaluate the design of those controls that were relevant to the audit, and to determine whether those controls had been implemented. Gore failed to perform any of these procedures during the 2016 Audit"*. This case resulted in debarment and imposition of monetary penalty on the auditors.
- 92 The Auditors further stated that they were not able to obtain Sufficient Appropriate Audit Evidence in respect of recoverability of outstanding dues from MACEL and accordingly, provided a "Disclaimer of Opinion" in their audit report. Also, none of the agencies like SEBI, investigator or banker concluded these transactions as fraud. Accordingly, the question of

²³ PCAOB Release No. 105-2021-020 dated 14.12.2021.

reporting fraud under section 143(12) and non-compliance with SA does not arise. This reply is not accepted as disclaimer of opinion was given only for recoverability of loans given to MACEL, whereas the diversion of funds, ever greening of loans through structured circulation of funds and absence of Internal Financial Control over Financial Reporting have not been reported in the Basis of Disclaimer of Opinion in the Independent Auditor's Report.

- 93 Regarding section 143(1) of the Act, the Auditors replied that this section gives certain rights to the Auditor and does not cast any duty on the auditor, therefore there is no violation. We notice that circulation of funds was intentionally done by CDGL with the ulterior motive to misstate the Financial Statements resulting in fictitious accounting entries as per section 143(1) of the Act. The Auditor is required by section 143(1)(b) to inquire whether the transactions of the company which are represented merely by book entries, are prejudicial to the interest of the company. Obviously, the Auditors have failed to comply with these provisions in this case.
- 94 In view of the analysis, the charge is proved that the Auditors have violated section 143(1)(b), 143(3)(i) and 143(12) of the Act, SA 200, SA 240, SA 315, SA 330 and have violated CARO.

C.5 Lapses in audit relating to fraudulent repayment of loan of Rs 130.55 crores by 'Kumar Hegde' to M/s Classic Coffee Curing Works (CCCW) and in turn repayment of loan by CCCW to CDGL

- 95 The Auditors were charged with their failure to exercise professional skepticism and failure to obtain sufficient appropriate audit evidence in relation to repayment of loan of Rs 130.55 crores by M/s Classic Coffee Curing Works ('CCCW' hereafter) to CDGL, which was fraudulently orchestrated by round tripping of CDGL's own fund. CCCW is a subsidiary partnership firm in which CDGL has 99% share. Balance sheet size of CCCW as on 31.03.2019 was Rs 132.36 crores and other than this capital advance, other items in its balance sheet amount to the immaterial sum of Rs 1.81 crores. CDGL gave loan of Rs 130.55 crores to CCCW, which passed on the same to Kumar Hegde H C as 'Capital Advance' FY 2018-19. In financial year 2019-20, as per CDGL bank statement with the Corporation Bank, on 09.05.2019, CDGL again paid Rs. 135.50 crore in seven installments to MACEL, which in turn passed on the amount to Kumar Hegde, enabling him to repay the capital advance. Out of this, Kumar Hegde repaid Rs 55.50 crores directly to CDGL in three installments and CCCW repaid Rs 80 crores to CDGL in four installments. All these transactions were done on the same day. Thus, the CCCW repaid the advance received from the CDGL with the additional funds received from CDGL through a series of circular transactions in FY 2019-20 resulting in siphoning of Rs 135.55 crores from CDGL. This round tripping has resulted in conversion of loan to CCCW into loan to MACEL, which in turn has resulted in misstatement of Rs 130.55 crores in the Financial Statements of CDGL. No document is available in the Audit File about any risk assessment procedure performed by the Auditors to examine the receipt of loan amount from CCCW. Therefore, the Auditors were charged with violation of provisions of SA 200, 240, 315 and Section 143(1) & 143 (12) of the Act.
- 96 The Auditors replied that the entire amount of Rs.130.55 crore was recovered during FY 2019-20 from CCCW, before the date of signing the financial statement for that financial year. Accordingly, there was no credit risk at all to conduct further audit procedures. Therefore, their audit procedures were in line with generally accepted auditing procedures and in the absence of

material misstatement or fraud, the question of non-compliance with SA 200, SA 315, SA 240 and section 143(12) of the Act does not arise. They stated that section 143(1) provides certain rights to the auditor and does not cast any duty on the auditor accordingly question of violation of section 143(1) of the Act does not arise.

97 The plea of the Auditors that the Capital advance was recovered before date of signing of the financial statements is not acceptable as the loan was falsely shown as recovered through a web of circular transactions. CDGL disbursed loan of Rs 130.55 crores to CCCW during 2018-19, which disbursed this amount to Kumar Hegde for purchases of coffee estates. In our Order on CDGL for FY 2018-19 dated 12.04.2023, we have concluded that disbursement of advance of Rs 130.55 crores to CCCW and in turn to Kumar Hegde was fraudulent diversion of fund. In FY 2019-20, Kumar Hegde reportedly repaid this loan to CCCW, which in turn repaid the loan to CDGL on 09.05.2019. This repayment of loan by Kumar Hegde and CCCW was orchestrated by rotation of CDGL's own funds via 'Round tripping of funds' involving MACEL. The Auditors did not specifically reply as to which audit procedure they performed for audit of repayment of loan. The Auditors could also not give any reply to the allegation in the SCN that they did not examine receipt of loan amount in bank account of CDGL. Had they verified receipt of this amount in CDGL's bank account with Corporation Bank, they would have noticed this fraud, however, by not doing any audit procedure they foreclosed the possibility of identification of this fraud involving round tripping of funds and also failed to report this diversion of funds to the Central Government u/s 143(12) of the Act and in their Independent Auditor's Report.

98 The reply of the Auditors that section 143(1) of the Act provides certain rights to auditor and does not cast any duty on the auditor is not acceptable as legislation gives some right to the auditor with the intent that while exercising such rights, if auditor notices non compliances of relevant provisions of the Act, then auditor shall report such non compliances in the auditor's report. From the above analysis, we find that the Auditors have failed to perform the required statutory duties in accordance with the provisions of SA 200, 240, 315 and Section 143(1) & 143 (12) of the Act.

C.6 Lapses in audit relating to sale of F&G business resulting in misstatement of sale price by Rs 185.57 crores and diversion of funds of Rs 103.20 crores

99 The Auditors were charged with failure to exercise professional judgement and skepticism during audit of transactions relating to sale of Fresh & Ground ('F&G' hereafter) business involving diversion of funds of Rs.103.20 crores and understatement of sale price by Rs 185.57 crores. Facts are as follows. In March 2019, CDGL incorporated two companies namely Coffee Day Consultancy Services Private Limited ('CDCSPL' hereafter) and Coffee Day Econ Private Limited ('CDEPL' hereafter). CDEPL is a subsidiary of CDCSPL. On 03.04.2019, CDGL entered into a business transfer agreement with CDEPL for transfer of its F&G business consisting of the business of selling freshly grounded coffee and other allied products (F&G) for a total consideration of Rs 26 crores. Further, as per agreement dated 08.04.2019, 49% shares of CDCSPL were issued to a Japanese Investor for Rs 103.67 crores. Out of this money, Rs 103.20 crores was diverted to MACEL through CDEPL.

100 The SCN states that as per share subscription and shareholders agreement (SSSA) dated 08.04.2019, CDCSPL, a joint venture with Japanese investor, has shareholding as under:

Table-7

Name of shareholder	Number of shares allotted	Percentage of shareholding
Coffee Day Enterprises Ltd	10,40,001	2.04%
Coffee Day Global Ltd	2,49,60,001	48.96%
Impact HD Inc.	2,49,80,390	49%
Total	5,09,80,392	100%

- 101** The SCN states that shares of CDCSPL were allotted to Impact HD Inc. @ of Rs 41.50 per share for a total consideration of Rs 103.67 crore. On the basis of the rate at which the shares were allotted to Impact HD Inc., the total value of transferred business comes to Rs 211.57 crores (number of total shares = 5,09,80,392 X Fair value per share Rs 41.50). However, CDGL transferred this business for Rs 26 crores resulting in understatement of sale price by approx. Rs 185.57 crores (Rs 211.57 crores – Rs 26 crores). Valuation report is an important document both for business transfer and investment by foreign investor, as audit evidence but the same was not obtained by the Auditors, which was in total non-conformity with SA 500. Under para 6 of SA 500 ‘Audit Evidence’, an Auditor is required to design and perform audit procedures that are appropriate in the circumstances for the purpose of obtaining sufficient appropriate audit evidence. The Audit File evidences no such procedures, showing noncompliance with SA 500.
- 102** The SCN pointed out that an examination of the Audit File and other information submitted by the Auditors and M/s Sundaresha & Associates (related audit firm) indicate that they were aware of this diversion of funds as M/s Sundaresha & Associates was the statutory auditor of CDCSPL and CDEPL for FY 2019-20. The Auditors did not question the TCWG about this understatement of sale price. They did not exercise professional judgement and professional skepticism, as required under SA 200, while evaluating this matter. They did not evaluate the risk of material misstatement due to fraud in this transaction, thus did not comply with SA 240, SA 315 & SA 330.
- 103** The Auditors have denied the charge and stated that M/s ASRMP & Co. is independent from M/s Sundaresha & Associates. Therefore, they did not obtain any information in respect of these transactions. We have already examined the relationship of these two related Audit Firms at Section- C-1 of this Order and concluded that these two Audit Firms are not independent of each other.
- 104** The Auditors further replied that CDEPL was incorporated with the objective of sale of coffee and other allied products. Therefore, advance given by CDEPL to MACEL was in the ordinary course of business. However, in the absence of Sufficient Appropriate Audit Evidence regarding recoverability of the amount, they have provided “Disclaimer of opinion” in the Consolidated Audit Report. We have already examined the operational and financial capability of MACEL in Section-C-3, according to which MACEL did not have capacity to supply coffee beans for Rs 1105.10 crores advance given by CDGL. We find that in addition to Rs 1105.10 crores, MACEL received additional advance of RS 103.20 crores from CDEPL, which is also claimed to be for supply of coffee beans. Therefore, this transaction was not in the ordinary course of business of CDEPL and CDGL. The Facts indicate that the entire exercise of incorporating two companies; thereafter transferring F&G business to one of the newly incorporated companies; thereafter allotting shares to the Japanese investor; and finally diverting the fund received from the Japanese investor to the promoter owned MACEL by layering the transaction through another

subsidiary, was a pre-planned scheme of promoters to siphon off Rs 103.20 crores. The Auditors had access to the transactions and bank statements of CDGL, CDCSPL, CDEPL and the investigation report of Mr. Ashok Kumar Malhotra. VGS passed away in June 2019 and the Auditors had enough time to perform necessary audit procedures to evaluate this transaction, however, they chose not to do so. Fraudulent diversion of fund was evident from the records accessible to the Auditors; therefore the fraud was well within the knowledge of the Auditors, however, they chose to not report the same.

- 105** The Auditors have further replied that CDGL hived off its F&G business during April 2019 for Rs.26 crores based on accounts of its business. The business was transferred to wholly owned separate entity for ease of doing business through an agreement dated 03.04.2019. Later on, foreign investor M/s Impact HD, showed interest in the said business and invested at price of Rs.41.50 per share i.e. valuation based on future projections in May 2019. Therefore, according to them, valuation in **May 2019** cannot be held as basis for the past event concluded in **April 2019**. The Auditors have further claimed to have verified valuation reports at the time of audit, however stated that it is not mandatory to keep these in the Audit File as per SA 230 and SA 500. The valuation reports were enclosed with the reply to the SCN. According to them, there is no suspected misstatement of sale price, suspected diversion of funds or fraud. They claimed that the question of non-compliance with SA 240, SA 315 and SA 330 does not arise.
- 106** The reasoning given by the Auditors regarding valuation of sale price of F&G business of CDGL is not tenable as the first event i.e., agreement to transfer this business for Rs 26 crores was entered into on 03.04.2019 and the second event i.e., agreement to allot shares to Japanese investor was entered into on 08.04.2019, according to which value of transferred business was Rs 211. 57 crores. This clearly shows that there was a difference of only 5 days between these two agreements. There can be no explanation to justify an increase in the value of business by 8 times within a period of 5 days and this is a clear case of intentional understatement of sale price by CDGL, which could not have missed the eyes of a skeptical and diligent Auditor, who by their own submission had verified the valuation reports but chose not to place them in the Audit file. Further, their claim that they had verified the valuations reports supports the fact that they were in the know of these transactions and the understatement. Thus, despite this knowledge they chose not to question the TCWG about these transactions.
- 107** The above analysis establishes that the Auditors did not exercise professional judgement and skepticism while evaluating the risk of material misstatement due to fraud in this transaction. Therefore, the Auditors are found non-compliant with SA 200, SA 240, SA 315, SA 330 and SA 520.

C.7 Lapses in audit relating to Deferred Tax Assets (DTA) of Rs 244.00 crores

- 108** The Auditors were charged with failure to exercise due diligence and failure to perform appropriate audit procedure in audit of Deferred Tax Assets (DTA) involving overstatement of assets and net worth by Rs 244.00 crores. As per the Balance Sheet, CDGL has DTA of Rs 244.00 crores as on 31.03.2020 and Rs 22.89 crores in the previous year. CDGL has disclosed at note no 33-D of the Financial Statements that, *'The company has incurred loss during the year. However, the company is confident of turning around things by taking various decisions including closure of non-profitable cafes and supported by increase in average sales per day etc. Accordingly, the*

company is of the opinion that the company will earn sufficient profit in coming years which are sufficient to set off the losses. Under these circumstances the deferred tax asset is created to the extent there is a reasonable certainty of recovery of the same’.

- 109 DTA is defined at para 5 of Ind AS 12 ‘Income taxes’ as “*Deferred tax assets are the amounts of income taxes recoverable in future periods in respect of: (a) deductible temporary differences; (b) the carryforward of unused tax losses; and (c) the carryforward of unused tax credits*”. Para 24 of Ind AS 12 provides that “*A deferred tax asset shall be recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized,*”. Creation of DTA increases the net worth of the entity therefore, inappropriate creation of DTA may give misleading information about financial performance and financial position of an entity.
- 110 The SCN pointed out that the Auditors had recorded in the Audit File that “*The projected profit & loss, balance sheet and cash flows were obtained and verified. Further actual sales achieved post lock down during FY 2020-21 is verified. As per the same the company will be able to realise the deferred tax assets in couple of years. Hence deferred tax assets is recognised in the light of reasonable certainty of realizing the same*”. However, on examination of the Audit file, projected balance sheet, projected statement of profit and loss and projected cash flow statements were not found in the Audit File. As per para 6 of SA 500 ‘Audit Evidence’, the Auditors were required to design and perform appropriate audit procedures to obtain copy of projected Financial Statements as audit evidence. As a matter of prudence, the Auditors were also required to evaluate the reasonableness of the projections made in preparation of Financial Statements for future period. Examination of the Audit File shows that rather than doing it, they did not even obtain the projected Financial Statements for the future period as audit evidence, evidencing their non-compliance with SA 500 and failure to exercise due diligence. According to the SCN, it appeared that recognition of DTA was not based on projected Financial Statements for the future period, which resulted in overstatement of assets and net worth by Rs 244.00 crores.
- 111 The Auditors have replied that projected profit & loss, balance sheet and cash flow statements were provided to them in hard copies and they missed the submission of same to NFRA inadvertently which were enclosed with their reply to SCN. We treat this reply as an afterthought as discussed in Section-C-2 of this Order. They have further referred an Excel sheet named “Deferred Assets” submitted as a part of Audit File, where an analysis of future profits based on projections and set off of carried forward loss is done to confirm the recoverability of deferred tax. They have also included the additional loss of Rs.1105 crores pertaining to MACEL as an extra cautious measurement. They have reproduced the extracts of their workings in their reply. Accordingly, they claimed their compliance with SA 500.
- 112 We note that the projected profit of CDGL was not realistic keeping in view the past trends, and the events of the current year as explained hereafter. CDGL incurred loss of Rs 514.07 crores in FY 2019-20, and earned profit of Rs 72.98 crores in FY 2018-19 and Rs 55.60 crores in FY 2017-18. Whereas projected loss for FY 2020-21 was Rs 250.90 crores, Projected profit was Rs 37.80 crores in FY 2021-22, Rs 156.90 crores in 2022-23, Rs 296.50 crores per year from FY 2023-34

to FY 2027-28 and Rs 192.77 crores in 2028-29. While making these projections, EBITDA²⁴ margin is increased from 8.14% in FY 2019-20 to 34.48% in FY 2023-24. Projected Statements of Profit and Loss for the subsequent period are not available. This shows that projections were unrealistic, and recognition of DTA of Rs 244 crores was inappropriate and there was no reasonable certainty that CDGL will earn enough profit to justify recognition of DTA. However, the Auditors did not evaluate these projections with professional skepticism and failed to obtain sufficient appropriate audit evidence to identify and assess the risk of material misstatements in the Financial Statements. In view of this analysis, the charge is proved that the Auditors violated SA 500.

C.8 Lapses in audit of provisions made for supplier advances, doubtful debts and doubtful advance (SCN has a charge for Rs 100.89 crores, out of this, charge is proved for Rs 24.52 crores only)

- 113 The Auditors were charged with failure to perform risk assessment procedure to identify, assess and respond to the Risk of Material Misstatements due to fraud in the audit of provisions made for supplier advances, doubtful debts and doubtful advance totalling to Rs 100.89 crores, which constituted 4.87% of the total expenses of Rs 2071.12 crores.
- 114 As per audit work paper 'Completion memorandum', CDGL had made provision of Rs 46 crores in respect of interest receivables from coffee planters who had stopped supplying coffee beans to CDGL, which had no collaterals to recover the same. As per audit work paper 'FS link sheet', CDGL had made provision of doubtful debts of Rs 22.77 crores which constituted 18.23% of total trade receivable of Rs 124.84 crores. As per audit work paper 'Completion memorandum', CDGL had made provision of Rs 24.52 crores towards capital advance given to a related party 'Dark Forest Furniture Company Private Limited' (DFFCPL). An advance of Rs 7.66 crores was also provided to DFFCPL during FY 2019-20. DFFCPL had temporarily stopped its operations and did not have any assets or sources of funds for repayment of this advance to CDGL.
- 115 The SCN pointed out that recognition of huge amount of provision of Rs 47.22 for doubtful debts and advances was abnormal keeping in view the operations of CDGL, necessitating the Auditors to perform risk assessment procedure to identify and assess the Risk of Material Misstatements (ROMM) due to fraud in accordance with para 5 of SA 315 and thereafter respond to such risk in accordance with para 5 of SA 330 and para 32 (c) of SA 240. There is no evidence in Audit File that the Auditors had complied with SA 240, SA 315 & SA 330. Further, non-availability of collaterals for these advances was an indicator of weakness of credit risk related internal controls in CDGL, which were not considered by the Auditors while forming audit opinion on Internal Financial Control; thus they also violated SA 700 and section 143(3) (i) of the Act.
- 116 While denying the charges, the Auditors have stated that they inquired into the reason for provision of Rs. 46.17 crores and the same was represented to them as a part of Management Representation Letter (MRL). The reason given in MRL was the discontinuation of export business by CDGL due to unforeseen events thereby reducing the demand for procurement of coffee beans and rendering the recovery of advances to suppliers difficult. The Auditors stated

²⁴ EBITDA= Earning before Interest, Tax, Depreciation, and Amortisation.

that the same was recorded in the Excel sheet 'completion memorandum' in which they have concluded that interest on provision is not likely to be recovered as planters had stopped supplying coffee beans to CDGL on demise of VGS. With regard to providing supplier advance to planters without any collateral, they replied that CDGL had been following this practice for over fifteen years and therefore, this cannot be considered as an indicator of weakness of internal control. In light of the past practice and the fact that a sum of Rs 46.17 crores represent provision for interest receivable from coffee growers, which in the opinion of the management became non-recoverable, the plea taken by the auditor is accepted.

- 117 Regarding the provision of Rs. 28.66 crore for doubtful debts, the Auditors have replied that CDGL had done a detailed review of debtor's realizability due to COVID-19 situation and other factors. Considering that the vending and xpress divisions were more affected, the provision was made by the CDGL on recoverable amount considered doubtful. In light of the facts and review done by the management and the auditor, the plea taken by the auditor for Rs 28.66 crores is accepted.
- 118 With regard to provision of Rs.26.06 crores for doubtful advance mainly given to DFFCPL (Rs 24.52 crores), the Auditors have stated that the matter was a part of Management Representation Letter. The said MRL indicated that CDGL had put the expansion plan on hold and consequently DFFCPL (a related party) lost its sole customer making the advance non-recoverable. They have also referred to related party disclosures of the same and rectification entries related to provision of Rs 26.06 crores. We note that DFFCPL is a company owned by the promoters of CDGL. It is equal to writing off money given to promoters. Therefore, the Auditors were required to evaluate this transaction with professional skepticism. Management representations are not a substitute for the application of those auditing procedures necessary to afford a reasonable basis for an opinion regarding the financial statements under audit. The auditor should obtain corroborative evidence for management's explanations regarding significant unusual or unexpected transactions, events, amounts, or relationships. Therefore, the Auditors were duty bound to review and analyze such reasons, however, evaluation in this manner was not done.
- 119 In view of above, this charge is proved that the Auditors violated section 143(3)(i) of the Act, SA 240, SA 315 and SA 330.
- 120 In a Similar case of Cheryl L. Gore, CPA and Stanley R. Langston, CPA, relating auditor's reliance on the Management Representation, PCAOB²⁵ had commented that "*PCAOB standards require the auditor to plan and perform audit procedures to obtain sufficient appropriate audit evidence to provide a reasonable basis for his or her opinion. Inquiry of company personnel, by itself, does not provide sufficient audit evidence. Management representations are part of the evidential matter the independent auditor obtains, but they are not a substitute for the application of those auditing procedures necessary to afford a reasonable basis for an opinion regarding the financial statements under audit*". For professional misconducts including this one, PCAOB debarred and imposed monetary penalty on the auditors.

²⁵ PCAOB Release No. 105-2021-020 dated 14.12.2021.

D. OTHER NON-COMPLIANCES WITH LAWS AND STANDARDS

In addition to the major lapses covered under section C of the order, the Auditors were also charged with following lapses in the audit:

- a) Lapses in audit relating to Consolidated Financial Statements of CDGL
- b) Failure to report non compliances with section 134(1) of the Act.
- c) Failure to comply with SA 700, Forming an Opinion and Reporting on Financial Statements.
- d) Failure to comply with SA 260, Communication with Those Charged With Governance (TCWG) & SA 265, Communicating deficiencies in Internal Control to Those Charged With Governance and Management.
- e) Failure to comply with SA 300, Planning an audit of Financial Statements.

- 121** The Auditors have denied their wrongdoings and professional misconduct in all the charges mentioned in the previous paragraph.
- 122** With respect to lapses in audit relating to Consolidated Financial Statements, the Auditors have replied that the Financial Statements of the five subsidiaries and two joint ventures were provided to them in hard copies and same were filed in the hard copy file. Inadvertently, they missed the submission of the same to NFRA and attached the scanned copies with their reply to the SCN. Therefore, they have signed the Consolidated Financial Statement after verification of standalone Financial Statements of subsidiaries. This reply is not accepted as discussed in Section-C-2 of this Order because these Financial Statements are not available in the Audit File submitted to NFRA.
- 123** With respect to compliance with section 134(1) of the Act, the Auditors replied that they had obtained constructive evidence, in the form of receipt of signed copies of the financial statements, before they signed on the same and issued audit report thereon. Further, considering the ‘Doctrine of Indoor Management’, they had ensured the compliance with section 134(1) of the Act. They further stated that the company has complied with section 134(1) of the Act and the Auditor is not required to make any report on this issue. We note that as per section 134(1) of the Act, approval of the Financial Statements by the Board and its signing by the persons authorized by the Board are prerequisites before an auditor makes a report on such approved & signed financial statements. Further, the reliance on the “Doctrine of Indoor Management” is misplaced as this Doctrine is applicable to third parties, not having access to the internal records of a company. The Auditors should have obtained a certified copy of the Board resolution approving the Financial Statements and authorizing the Directors to sign the Financial Statements and should have kept the same in the Audit File before its assembly. The Auditors did not do the same. Thus, this charge is proved that the Auditors did not ensure compliance with section 134(1) of the Act by CDGL.
- 124** With respect to non-compliance with SA 700 relating to failure to report misstatements of Rs. 1691.41 crores in the Financial Statements (as discussed in section C of this order i.e. Rs 1,105.10 crores diversion of funds to MACEL, fraudulent repayment by CCCW of loan Rs 130.55 crores, misstatement in sale price of F&G business Rs 185.57 crores, misstatement in recognition of DTA Rs 244 crores, and misstatement in purchase from MACEL Rs 26.19 crores), the Auditors have reiterated their replies given in support of each charge and claimed that they had obtained

reasonable assurance that the Financial Statements as a whole were free from material misstatements, whether due to fraud or error; that they had provided “Disclaimer of Opinion” with regard to recoverability of Rs 1105.10 crores from MACEL and that they had provided appropriate opinion in the audit report in compliance with SA 700 and SA 705. We have already discussed each misstatement in Section -C of this Order, and all related charges have been proved. Further, Basis of Disclaimer of Opinion does not cover items of misstatements mentioned in the SCN. Therefore, it is proved that the Auditors violated SA 700. However, it is observed that fraudulent repayment of loan by CCCW Rs 130.55 crores had been converted into advance to MACEL and included in the amount of 1105.10 crores diverted to MACEL. This amount has been included twice in the total misstatements of Rs 1691.41 crores. Therefore, actual misstatements in the financial statements is Rs 1560.86 crores only (Rs 1691.41 crores minus Rs 130.55 crores).

- 125** With respect to compliance with SA 260 & 265, the Auditors have replied that observations, clarifications & conclusions were noted during the course of audit and the same were discussed later with Management/TCWG and significant matters were recorded in the Audit File. The Auditors have referred to some Audit Work Papers (AWP) having record of discussion with TCWG/Management. They have also referred to a Power Point Presentation which was finally presented in the Audit Committee Meeting and submission of draft modified report having disclaimed opinion on IFC. A review of audit work papers quoted in the reply, shows that these sheets do not relate to discussion with TCWG but relate to certain points and conclusions made by the Auditor. There is no record of any discussion with TCWG in the Audit File. Further, we could not even find the names of the members of TCWG with whom discussions were claimed to have been held, and dates of such discussions are also not mentioned in the Audit File. We note from the Audit File & reply of the Auditors, that they neither determined TCWG nor communicated with TCWG. Further, the power point presentation, purported to be made before the audit committee was prepared on 08.11.2020 (one day prior to signing of audit report), whereas as per SA 260, communication with TCWG is required to be done from the initial planning stage of audit till signing of Financial Statements. Accordingly, we find that the Auditors’ reply is not satisfactory and the charge that the Auditors have violated SA 260 and SA 265 is proved.
- 126** With respect to compliance with SA 300, the Auditors have replied that they understood the terms of engagement and attached the engagement letter. While referring to audit work paper ‘Area wise Audit Procedures’, they stated that detailed procedure adopted in each area is specified in this sheet and this clubbed with audit plan complied with the requirement of SA 300. They further stated that these documents state the scope & extent of audit procedure and were prepared based on their understanding of the company, its nature of activities, risk involved in each areas and controls available to mitigate those risks. We note that as per SA 300, an Audit plan should include nature, timing, and extent of planned risk assessment procedures. The Audit plan available in the Audit File does not contain any details of planning relating to risk assessment procedures. The quality of performance of an audit largely depends upon the quality of audit strategy and audit plan. We find that the Auditors were deficient in developing an effective audit plan. Therefore, this charge is proved that the Auditors have violated SA 300.

- 127 The Auditors were also charged with lapses in audit of Property, Plant and Equipment, Capital Work-in-Progress & Intangible Assets and Non-compliance with SA 210. Having considered the replies, we drop these charges.

E. OMISSION AND COMMISSION BY THE AUDIT FIRM

In addition to being jointly responsible for the lapses in Audit performed by the EP and other members of the engagement team, the Audit Firm was charged with omissions and commissions solely attributable to it. These are discussed below.

Lapses in constitution of Engagement Team ('ET' hereafter) and assigning responsibility among ET members

- 128 The Audit Firm was charged with lapses in constitution of the ET and lapses in assigning responsibility of audit among ET members. As per the Audit Plan, the ET was constituted as follows:

Table-8

Sr No	Name	Role assigned
1	CA Sundaresha A S	Signing Partner
2	CA Pradeepa Chandra C	External Reviewer
3	CA Madhusudan	Engagement Partner
4	X	Article Assistant

- 129 Para 42 of SQC 1 requires the Audit Firm to assign responsibility for each engagement to 'an engagement partner', identify his role, clearly define his responsibilities and communicate the same to the key members of the client's management and those charged with governance. The Audit Firm should ensure that the engagement partner has the appropriate capabilities, competence, authority, and time to perform this role.
- 130 The Audit firm had bifurcated the responsibility of one engagement among two partners (one signing partner and one engagement partner), which is not in line with the principle embodied in SQC 1. Besides, there is no term like 'signing partner' in any of the SAs. The role and responsibilities of each of these partners and the team, have not been clearly defined in the Audit Plan. The Audit Firm was charged for not clearly assigning the Audit Engagement and defining the responsibilities among engagement team members, thereby laying a weak foundation for the engagement.
- 131 The Audit Firm has denied the charge and submitted vide letter dated 02.02.2023 that the word signing partner is used in their office to identify the person who is going to sign the Financial Statements after reviewing the work done by engagement team. Therefore, the term 'signing partner' was used without reference to any SA. They further clarified that CA A. S. Sundaresha, was the partner in charge of engagement and CA Madhusudan was the partner who executed day to day audit procedures and discussed the findings with CA A. S. Sundaresha. The word senior partner was used by them to specify the more experienced partner and others were referred to as junior partners. Relying on para 3 of SQC 1, they contended that there is no bar on deputing more than one engagement partner to a particular engagement; that bigger companies have joint Auditors and that each joint auditor has its own engagement partner.

- 132** Vide letter dated 01.06.2023 CA Madhusudhan UA (who had been charged in his individual capacity) responded that he had retired from this firm w.e.f. 01.04.2020 and the Audit of CDGL was conducted after 01.04.2020 therefore, there can be no professional misconduct or gross negligence attributable to him. He also appended the new partnership deed which showed that he had retired from the firm w.e.f. 01/04/2020. Faced with this reply of CA Madhusudhan UA, the Firm vide letter dated 08.06.2023 admitted that CA Madhusudhan UA had retired w.e.f. 01.04.2020 from the Firm as partner. The Firm further stated that CA Madhusudhan UA was named as engagement partner in the audit program as he was partner at the time of preparation of audit program (limited and full year audit). The Firm clarified that CA Madhusudhan UA was involved in quarterly limited review of CDGL for FY 2019-20 till the time of his retirement from the firm, and thereafter he was part of audit team as retainer/consultant for annual audit. The Firm attached copy of TDS certificate showing payment to CA MADhusudhan UA. CA Madhusudhan UA vide letter dated 16.06.2023 has confirmed that after his retirement, he took a sabbatical from his current employment and assisted the firm as a consultant in performance of the statutory audit of CDGL for which he was paid Rs 2,40,000.
- 133** We have considered the reply. The term ‘Engagement Partner’ (EP) is defined in SQC 1 as *“the partner or other person in the firm who is a member of the Institute of Chartered Accountants of India and is in full time practice and is responsible for the engagement and its performance, and for the report that is issued on behalf of the firm, and who, where required, has the appropriate authority from a professional, legal or regulatory body”*. It is clear from this definition that EP has to take complete responsibility for the engagement, its performance, and for the audit report. It is clear from the audit plan, reply to SCN and further developments mentioned at para 128 to 132 that M/s ASRMP & Co. and CA A. S. Sundaresha have tried to mislead NFRA by initially projecting CA Madhusudhan UA as the ‘Engagement Partner’, thereafter as ‘Partner’ and later as a consultant in performance of audit of CDGL. M/s ASRMP & Co. has shown unprofessional behaviour to shield CA A. S. Sundaresha for the professional misconducts committed by him during audit of CDGL for FY 2019-20. It is further observed that CA Madhusudhan UA has worked in this audit engagement as retainer/consultant, therefore he is also responsible for the work done by him.
- 134** Regarding the External Reviewer, we find that there is no such concept in the SAs. As per definition of ‘Engagement Team’ (‘ET’ hereafter) given at para 7(d) read with definition of ‘Personnel’ at para 7(l) of SA 220, ET may consist of partners, staff and experts contracted by the firm in connection with an Audit engagement. An Engagement Quality Control Reviewer (‘EQCR’ hereafter) has the authority to objectively evaluate, before the report is issued, the significant judgments the engagement team made and the conclusions they reached in formulating the report²⁶. CA Pradeepa Chandra C. (external reviewer) is neither partner/staff of the Audit Firm nor an expert contracted by the firm, so he cannot be treated as member of ET.
- 135** An ‘External’ person can be associated with the engagement team in three ways;
- (a) An Auditor can use the work of an auditor’s expert if expertise in a field other than accounting or auditing is necessary to obtain sufficient appropriate audit evidence. The so-called external

²⁶ As per definition at para 6(c) & (d) of SQC 1 and para 7(b) & (c) of SA 220.

reviewer (CA Pradeepa Chandra C) is not covered in this definition as there is no record in the Audit File that any expert job in field other than accounting and auditing (SA 620) was performed; (b) An Auditor can engage external person as EQCR for evaluation of the significant judgements and conclusions in formulating the audit report, as specified in para 6(c) & (d) of SQC 1 and para 7(b) & (c) of SA 220. It is neither the claim of the Auditors that CA Pradeepa Chandra C. had been engaged as EQCR, nor is it evident from the Audit File that he performed the tasks of EQCR; and (c) An Auditor may consult external persons on difficult or contentious matters. In this case no such consultation was made.

In light of the above analysis, the engagement team was not constituted as per the quality control standards.

Responsibility of the Audit Firm for the audit work done by the Engagement Team

136 In addition to lapses in constitution of the engagement team the Audit Firm was also charged with various omissions and commissions attributed to the Auditors in section C and D above. Para 2 of SA 220 and para 3 of SQC 1, stipulate that Quality Control Systems, Policies and Procedures are the responsibility of the Audit Firm. The Audit Firm was charged with failure to establish and maintain a system of quality control to provide it with reasonable assurance that (a) The firm and its personnel comply with professional standards and regulatory and legal requirements; and (b) The reports issued by the firm or engagement partners are appropriate in the circumstances.

137 Responding to the charge, the Audit Firm stated that:

- a) They have issued audit report after taking into account the provisions of the Act, Ind AS prescribed u/s 133 and Standards on Auditing u/s 143(10) of the Act. They have taken management representation letter for various aspects relating to this engagement and reported u/s 143(2) of the Act. They rely on the replies in forgoing para in respect of NFRA's observation on alleged non-compliance with accounting and auditing standards.
- b) They confirmed the "Report on other legal and regulatory requirements" of audit report in compliance to section 143(3) of the Act.
- c) They had provided Disclaimer of Opinion because of the significance of the matters described in the Basis for Disclaimer of Opinion section of their audit report on the Financial Statements and Internal Financial Control over Financial Reporting.
- d) They were unable to comment whether books of accounts as required by the law have been kept by the Company; and whether the Financial Statements comply with the Accounting Standards specified u/s 133 of the Act, because of the matters described in the Basis for Disclaimer of Opinion section of their audit report.
- e) The Balance Sheet, the Statement of Profit and Loss (Including Other Comprehensive Income), the Statement of Changes in Equity and Statement of Cash Flows dealt with by their Audit Report are in agreement with the books of account.
- f) In compliance with section 143(12) of the Act, the Audit Firm replied that there is no fraud identified by them, hence there is no reporting requirement to the Central Government.
- g) The Firm has a Quality Control Manual in place and the same has been adhered to while conducting the audit of CDGL.

- h) Based on the facts and circumstances they had complied with the applicable Standards on Auditing, SQC 1 and ethical requirements. Accordingly, there was no act of omission and commission on their part, which will have impact on their audit opinion.

138 Statutory Audits are performed by Engagement Team on behalf of the Audit Firm appointed as statutory auditor under section 139 of the Act. The audit reports are signed on behalf of the Audit Firm and, therefore, the Audit Firm remains responsible for all the acts of omissions and commissions by the Engagement Team as well as for violation of duties and responsibilities specifically required of the Audit Firm. M/s ASRMP & Co. was the Statutory Auditor of CDGL for FY 2019-20. We have already considered in the earlier paragraphs, the point wise replies of the Audit Firm and determined that the Audit Firm and the Engagement Team have been grossly negligent in not ensuring that the Audit of CDGL was performed in accordance with the applicable laws and rules and the Audit Report issued on behalf of the Audit Firm was appropriate. Therefore, as per the SAs and the legal provisions mentioned above, in addition to the Engagement Team, the Audit Firm is also responsible for the lapses discussed in the preceding paragraphs of this Order.

F. POINTS OF LAW RAISED BY THE AUDITORS

139 Before proceeding with the articles of charges of professional misconduct by Auditors, we would like to record some legal issues raised by the Auditors through their replies. The Auditors have questioned the legality of the SCN and the investigations done by NFRA. The Auditors are before various courts on issues raised above and since the matter is sub judice, this Order does not deal with them.

G. ARTICLES OF CHARGES OF PROFESSIONAL MISCONDUCT BY THE AUDITORS

140 As discussed in the foregoing paragraphs, the Auditors have made a series of serious departures from the SAs and related Quality Control Standards and Code of Ethics and the Law, in their conduct of the audit of CDGL for FY 2019-20. The poor quality of Audit, tampering of Audit File, the cover up in terms of submission of additional documents that did not exist in Audit File, incomplete documentation and attempt to mislead through false and evasive replies further compound the professional misconduct on the part of the Auditors. Based on the foregoing discussion and analysis, we conclude that the Auditors have committed Professional Misconduct as defined under Section 132 (4) of the Companies Act 2013 in terms of section 22 of the Chartered Accountants Act 1949 (CA Act) as amended from time to time, and as detailed below:

- a) The Auditors committed professional misconduct as defined by clause 5 of Part I of the Second Schedule of the CA Act, which states that an auditor is guilty of professional misconduct when he *"fails to disclose a material fact known to him which is not disclosed in a financial statement, but disclosure of which is necessary in making such financial statement where he is concerned with that financial statement in a professional capacity"*. This charge is proved as the Auditors failed to disclose in their report the material non-compliances by the Company as explained in Section - C-3 to C-7 above.

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

This charge is proved as the Auditors failed to disclose in audit report the material misstatements made by the Company as explained in Section - C-3 to C-7 above.

- c) The Auditors committed professional misconduct as defined by clause 7 of Part I of the Second Schedule of the CA Act, which states that an EP is guilty of professional misconduct when he *"does not exercise due diligence or is grossly negligent in the conduct of his professional duties"*.

This charge is proved as the Auditors failed to conduct the audit in accordance with the SAs and applicable regulations, failed to report the material misstatements in the financial statements arising from diversion of funds & circulation of funds and failed to report non-compliances made by the Company, as explained in Section – C and D above.

- d) The Auditors committed professional misconduct as defined by clause 8 of Part I of the Second Schedule of the CA Act, which states that an EP is guilty of professional misconduct when he *"fails to obtain sufficient information which is necessary for expression of an opinion or its exceptions are sufficiently material to negate the expression of an opinion"*.

This charge is proved as the Auditors failed to conduct the audit in accordance with the SAs and applicable regulations as well as due to his total failure to report the material misstatements and non-compliances made by the Company in the financial statements, as explained in the Section – C-3 to C-8 and Section - D above.

- e) The Auditors committed professional misconduct as defined by clause 9 of Part I of the Second Schedule of the CA Act, which states that an EP is guilty of professional misconduct when he *"fails to invite attention to any material departure from the generally accepted procedure of audit applicable to the circumstances"*.

This charge is proved since the Auditors failed to conduct the audit in accordance with the SAs and related Quality Control Standards and Code of Ethics as explained in the Section C and D above.

H. ADDITIONAL ARTICLES OF CHARGES OF PROFESSIONAL MISCONDUCT BY THE AUDIT FIRM

- 141** In addition to above, the Audit Firm has committed Professional Misconduct as defined Section 132 (4) of the Act by failing to exercise due diligence and being grossly negligent in the conduct of professional duties in respect of matters explained at Section - E above, as the Audit Firm failed to exercise due diligence and was grossly negligent in the conduct of professional duties, thus, violated SQC 1.

- 142** Therefore, we conclude that all the charges of professional misconduct in the SCN (Except charges relating to (a) lapses in audit of Property, Plant and Equipment, Capital Work-in-Progress and Intangible Assets and (b) noncompliance with SA 210, which have been dropped and charge relating to provision for suppliers advances and customers advances, which has been partially

dropped) stand proved based on the evidence in the Audit File, the Audit Report dated 09.11.2020 issued by the EP on behalf of the Firm, the submissions made by the Auditors and the Financial Statements of CDGL for the FY 2019-20.

I. PENALTY & SANCTIONS

- 143** 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.
- 144** This order has detailed out all the lapses in Audit and the non-compliances with the SAs, Quality Control Standards and Code of Ethics by the Auditors. The constant refrain of the Auditors throughout their reply has been that they had given the Disclaimer of Opinion indicating non recoverability of advances made to MACEL. The death of VGS, the key player of the entire financial fraud, happened in July 2019 and the Auditors had sufficient time to evaluate all the parameters spelt out in this Order where the Standards have not been adhered to. The Auditors had access to the investigation report of Mr. Ashok Kumar Malhotra, which contained complete details of diversion of funds and its modus operandi, including signing of blank cheques. Despite this, they did not report fraudulent diversion of funds, just to derive monetary gains from their professional relationship with the promoters of the auditee company. They deliberately chose to move away from discharging their statutory duty to protect public interest. The Standards on Auditing do not free an Auditor from reporting all other misstatements once a Disclaimer on a particular aspect is given. The Auditors have failed in their statutory duty and have tried to hide behind one Disclaimer of Opinion, which was incomplete as they did not cover all aspects of infraction of the Laws and the Standards. Besides the non adherence to the SAs, the Auditor delayed submission of the Audit file and tampered with it. All of this weighs heavily on our mind while determining the quantum of penalty.
- 145** As detailed in this Order, substantial deficiencies in Audit, abdication of responsibility and inappropriate conclusions on the part of the Auditors establish their professional misconduct due to lack of due diligence and gross negligence. Despite being qualified professionals, the Auditors have not adhered to the Standards and have thus not discharged the statutory duty cast upon them.
- 146** Section 132(4)(c) of the Companies Act 2013 provides that National Financial Reporting Authority shall, where professional or other misconduct is proved, have the power to make order for—
- (A) imposing penalty of— (I) not less than one lakh rupees, but which may extend to five times of the fees received, in case of individuals; and (II) not less than ten lakh rupees, but which may extend to ten times of the fees received, in case of firms;
- (B) debarring the member or the firm from—(I) being appointed as an auditor or internal auditor or undertaking any audit in respect of financial statements or internal audit of the functions and activities of any company or body corporate; or (II) performing any valuation as provided under section 247, for a minimum period of six months or such higher period not exceeding ten years as may be determined by the National Financial Reporting Authority.

- 147 As per information furnished by M/s Sundaresha & Associates vide letter dated 10.09.2022 and M/s ASRMP & Co. vide letter dated 29.09.2022, the statutory audit fees of CDGL for 2019-20 was Rs [REDACTED] CA A. S. Sundaresha had 81% share in the profit of this Firm, which was increased to 87% from 01-10-2019 and 93% after retirement of CA Madhusudan U. A. w.e.f. 01.04.2020.
- 148 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:
- Monetary penalty of Rs Two Crores only upon M/s ASRMP & Co. In addition, this Firm is debarred for a period of four 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. The first two years out of the four years debarment ordered, would run concurrently with the period of debarment ordered vide NFRA order dated 12.04.2023 in the case of Coffee Day Global Limited for FY 2018-19.
 - Monetary penalty of Rs Ten Lakhs only upon CA A. S. Sundaresha. In addition, he is debarred for a period of ten 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. The first five years out of the ten years debarment ordered, would run concurrently with the period of debarment ordered vide NFRA order dated 12.04.2023 in the case of Coffee Day Global Limited for FY 2018-19.
 - Monetary penalty of Rs Five Lakhs only upon CA Madhusudan U A. In addition, he is debarred for a period of five 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.
- 149 This order will become effective after 30 days from the date of issue of this order.

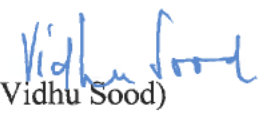
Signed
(Dr Ajay Bhushan Prasad Pandey)
Chairperson

Signed
(Dr Praveen Kumar Tiwari)
Full-Time Member

Signed
(Smita Jhingran)
Full-Time Member

Authorised for issue by the National Financial Reporting Authority,

Date: 28.07.2023
Place: New Delhi


(Vidhu Sood)
Secretary
सचिव/Secretary
राष्ट्रीय वित्तीय रिपोर्टिंग प्राधिकरण
National Financial Reporting Authority
नई दिल्ली/New Delhi

To,

- | | |
|---|--|
| <p>(1) M/s ASRMP & Co.,
Chartered Accountants,
Firm No: 018350S,
E-mail: ca.asrmpandco@gmail.com
No.27/7,1st Floor, Professional Court,
15th Cross, 3rd Block, Jayanagar,
Bengaluru-560 011 (Karnataka)</p> | <p>(1) मेसर्स एसआरएमपी एंड कंपनी,
चार्टर्ड अकाउंटेंट,
फर्म नंबर: 018350S,
ई-मेल: ca.asrmpandco@gmail.com
संख्या 27/7, पहली मंजिल, व्यावसायिक
न्यायालय, 15वां क्रॉस, तीसरा ब्लॉक, जयनगर,
बेंगलुरु-560011 (कर्नाटक)</p> |
| <p>(2) CA A. S. Sundaresha,
ICAI Membership No-019728,
Email: assundaresha@gmail.com
No.27/7,1st Floor, Professional Court,
15th Cross, 3rd Block, Jayanagar,
Bengaluru-560 011 (Karnataka)</p> | <p>(2) सीए ए.एस. सुंदरेशा,
आईसीएआई सदस्यता संख्या-019728,
ईमेल: assundaresha@gmail.com
संख्या 27/7, पहली मंजिल, व्यावसायिक
न्यायालय, 15वां क्रॉस, तीसरा ब्लॉक, जयनगर,
बेंगलुरु-560011 (कर्नाटक)</p> |
| <p>(3) CA Madhusudan U A,
ICAI Membership No- 238953,
Email:madhusudhan.ua@gmail.com
Address- 67/A7 Park Street
1st Block(East), Jaya Nagar,
Bengaluru- 560011 (Karnataka)</p> | <p>(3) सीए मधुसूदन यू.ए.,
आईसीएआई सदस्यता संख्या- 238953,
ईमेल: madhusudhan.ua@gmail.com
पता- 67/ए7 पार्क स्ट्रीट पहला ब्लॉक (पूर्व),
जया नगर, बेंगलुरु- 560011 (कर्नाटक)</p> |

Copy To: -

- 1) Secretary, Ministry of Corporate Affairs, Government of India, New Delhi.
- 2) Securities and Exchange Board of India, Mumbai.
- 3) Secretary, Institute of Chartered Accountants of India, New Delhi.
- 4) Coffee Day Global Limited, Bengaluru.
- 5) IT-Team, NFRA for uploading the order on the website of NFRA.