

NFRA debars CA Rajiv Bengali for five years besides imposing penalty of Rs five lakhs

The National Financial Reporting Authority (NFRA) has issued order under section 132(4) of the Companies Act 2013 (the Act) in respect of professional misconduct by CA Rajiv Bengali of M/s Subramaniam Bengali & Associates, Engagement Partner for Statutory Audit of Trilogic Digital Media Limited (TDML) for the Financial Year 2016-17. NFRA debars him for five years from being appointed as statutory auditor and internal auditor of any company or body corporate besides imposing penalty of Rs five lakhs.

Some of the main lapses observed during investigation of professional misconduct are as under:

- Auditor had falsely reported the audit of Cash Flow Statement despite the fact that TDML's Financial Statements did not include the Cash Flow Statement. Auditor had also attempted to mislead NFRA with fabricated Cash Flow Statement.
- Auditor was grossly negligent in issuing unmodified audit opinion on Financial Statements which did not reflect true and fair view of the state of affairs of the Company.
- TDML had recognised Other Miscellaneous Expenditure of Rs 24.06 crores and had written off Rs 14.87 crores of Sundry Balances, which constituted 54.50% of total expenses of Rs 71.43 crores. Such expenses were 3041% higher than previous year's similar expenses of Rs 1.28 crores. Auditor had failed to exercise due diligence and maintain professional skepticism towards possibility of material misstatements due to fraud despite existence of such abnormal/unusual transactions.
- Auditor was negligent in evaluating the appropriateness of management's assumption of 'Going Concern' despite existence of adverse indicators like Revenue from operations decreased from Rs 51 crores to Rs 17.06 crores, TDML incurred loss of Rs 54.37 crores resulting in erosion of Networth from Rs 58.89 crores to Rs 4.52 crores and reduction in Inventory from Rs 12.71 crores to Nil etc.
- TDML recognised Deferred Tax Assets (DTA) of Rs 11.96 crores without any certainty of sufficient future taxable income, against which such DTA can be realised. Auditor failed to report inappropriate recognition of DTA.
- Auditor had violated a large number of Standards on Auditing, accordingly, audit of a listed company was performed in a perfunctory and casual manner.
- Auditor had failed to ensure compliance with six Accounting Standards.
- TDML did not give disclosure regarding details of transactions in Specified Bank Notes, a requirement mandated subsequent to Demonetization in November 2016. Similarly TDML did not give complete disclosure regarding Related Party details and transactions. Auditor was grossly negligent in ensuring compliance with important disclosure requirements as per the Act.
- Auditor had falsely reported that TDML, a media and content syndication company, is registered as Non-Banking Finance Company under section 45 IA of the RBI Act 1934.

The detailed penalty order can be seen on NFRA website: <https://nfra.gov.in>