

BOARD OF DISCIPLINE

**(Constituted under Section 21A of Chartered Accountants Act, 1949
Findings under Rule 14(9) of the Chartered Accountants (Procedure of
Investigations of Professional and Other Misconduct and Conduct of
Cases) Rules, 2007**

**File No. : PPR-/17/W/13-DD/14/W/INF/13/BOD/299/2017 and
: PPR-/19/W/13-DD/16/W/INF/13/BOD/300/2017**

QUORUM:

**CA. Nilesh S. Vikamsey, Presiding Officer
Shri R K Tewari, Government Nominee
CA. (Dr.) Debashis Mitra, Member**

In the matter of:

**CA. Sandeep P. Parikh (M.No.039713)
76, Ratanjyot Industrial Estate,
Irla Lane, Vile-Parle (West),
MUMBAI - 400 056.**

DATE OF HEARING: 02.01.2018

PLACE OF HEARING: Mumbai

PARTIES PRESENT:

Respondent : CA. Sandeep P. Parikh

Findings

- 1.** The Board noted that the crux of the matter is that the PCAOB passed an Order dated 24th April, 2013 censuring the Respondent and barring him from being an associated person of a registered public accounting firm and also imposed the penalty of \$10,000 on the Respondent's firm. PCAOB in its Report has held that M/s Parikh

& Associates (firm registered with the Institute of Chartered Accountants of India) was also registered with PCAOB pursuant to Section 102 of the Act and PCAOB Rules. By virtue of their registration, the Respondent firm was allotted audit of Mahanagar Telephone Nigam Limited (MTNL) for the years ending March, 2006 to March, 2012. PCAOB in the said order further held that the staff and partners of the firm M/s Parikh & Associates had no formal training and experience of US-GAAP principles relating to quality control policy and procedure to provide reasonable assurance that the work performed by engagement of personnel, meet applicable professional standards as per PCAOB Standards. That being the case, the firm/Respondent member failed to check the assets balances during audit period by failing to examine the aspects relating to (a) existence of assets, (b) whether the company had rights to assets, (c) to determine whether values included in the financial statement of these assets were appropriate.

2. The Board noted that since the member answerable in case no. BOD 299/2017 and BOD 300/2017 is the same and the crux of the allegation is also the same, the hearing in the matter had been conducted jointly and a common finding issued for the purpose.
3. The Board heard the submissions made by the Respondent and duly considered the documents available on record.
4. The Board on perusal of the Order dated 24th April, 2013 passed by PCAOB noted that PCAOB imposed the sanctions on the basis of following findings:

This matter concerns Respondents numerous and repeated violations of PCAOB rules, quality control standards and auditing standards in connection with the audits of its sole issuer client MTNL's financial statements for the fiscal years ended March 31, 2006 through March 31, 2011. After Parikh & Associates registered with the Board on November 19, 2007, the Firm has issued audit reports for MTNL. The Firm staffed the audits with partners who had

no formal training or experience with PCAOB standards or U.S. Generally Accepted Accounting Principles ("U.S. GAAP"). The Firm failed to establish, implement and communicate quality control policies and procedures sufficient to provide the Firm with reasonable assurance that the work performed by engagement personnel met applicable professional standards. The Firm's quality control violations resulted in or contributed to numerous and repeated violations of PCAOB auditing standards. The Firm also failed to establish monitoring procedures sufficient to enable the Firm to obtain reasonable assurance that its system of quality control violations.

In connection with the MTNL audits, the Firm failed to plan and perform audit work on critical aspects of the audits in violation of PCAOB auditing standards. In 2008, the Firm and Rajagiri also violated Section 10(b) of the Exchange Act by issuing an audit report regarding the 2006 and 2007 MTNL financial statements that represented that the audits had been conducted in accordance with PCAOB standards when they knew or were reckless in not knowing that such representations were false. During the 2008-2011 MTNL audits, Rajagiri, Parikh, Nair and the Firm performed few to no audit procedures in connection with the issuance of audit reports in violation of PCAOB rules and auditing standards.

At the time of the Firm's MTNL audits, the Firm assigned personnel who had no prior experience with performing audits under PCAOB standards or education regarding U.S. GAAP. The Firm's partners who acted as auditors with final responsibility during the MTNL audits had no formal training in PCAOB standards or U.S. GAAP. The Firm provided no training to its staff who worked on the MTNL audits with respect to performing audits in compliance with PCAOB standards. In addition, the Firm did not require its personnel to participate in continuing professional education or professional development activities to ensure that its staff understood U.S. GAAP and applicable SEC reporting requirements.

There were no policies and procedures in place at the Firm to ensure that the staff performed procedures necessary to comply with PCAOB standards and regulatory requirements.

With respect to all such acts and omissions, Parikh was reckless in not knowing that his acts and omissions would directly and substantially contribute to the Firm's quality control failures described above, which constituted violations of the Board's quality control standards. Parikh thereby violated PCAOB Rule 3502.

During their respective tenures on the fiscal year 2008-11 audits, Respondents failed to comply with this standard in connection with the audits of MTNL 2008, 2009, 2010 and 2011 financial statements. Respondent failed to perform or document adequate planning procedures. Respondent failed to consider or determine the nature, extent, and timing of the work to be performed, and they failed to prepare a written audit program for the audit setting forth the audit procedures they believed were necessary to accomplish the objective of the audit.

Respondent also failed to perform any procedures regarding significant balances and transactions reported in the financial statements of MTNL. Specifically, Respondent failed to test the balances of (1) cash and bank deposits, (2) accounts receivable, due from related parties, and other receivables, (3) property and equipment, and (4) accounts payable, accrued expenses and other current liabilities, as well as accrued employee cost.

In its 2008, 2009, 2010 and 2011 financial statements, MTNL reported cash and bank deposits of \$845 million (USD), \$947 million (USD), \$1.088 billion (USD) and \$39 million (USD), respectively. These asset balances represented 17% 24% 16% and 1% of the total assets at the end of each of the respective years. Respondent failed to test cash and bank deposits balances during the audit periods by failing to a) test the existence of cash and bank deposits; b) test whether the company had the rights to the cash and bank

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deposit; and (c) determine whether the values included in the financial statements for cash and bank deposits were appropriate.

Parikh failed to maintain control over the cash confirmation request sent by MTNL for fiscal year 2011. Parikh failed to comply with the PCAOB standards governing the confirmation process, which requires the auditor to make direct contact with a third party. MTNL requested the purported confirmations from its banks. MTNL subsequently received the responses directly from the banks. The firm obtained the purported confirmations responses from MTNL. As a result, Respondents failed to maintain control over purported confirmation requests and responses for the fiscal year 2010 and 2011 MTNL audits.

In its 2008, 2009, 2010 and 2011 financial statements MTNL reported certain asset balances, including accounts receivable, due from related parties (current and non-current) and other receivables of \$1.267 billion (USD) respectively. These asset balances represented 26%, 27%, 19% and 24% of MTNL total assets at the end of each of the respective years. Other than relying on management's representations on the non-current portion of due from related parties, Respondent failed to test the asset balances during the audit periods by failing to a) test the existence of these assets; b) test whether the company had the rights to these assets; and (c) determine whether the values included in the financial in the financial statements for these were appropriate.

Respondent failed to request confirmations for MTNL's claims against customers that arose from the sale of goods and services in the normal course of business.

In its 2008, 2009, 2010 and 2011 financial statements, MTNL reported net property and equipment balances of \$2.036 billion (USD), \$1.545 billion (USD), \$1.828 billion (USD), and \$1.862 billion (USD), respectively. These asset balances represented 42%, 39%, 26% and 34% of the total assets at the end of each of the

respective years. The predecessor auditor stated in its 2007 audit report that it had identified the following material weakness; "the company did not maintain effective controls over the accounting for properties and equipments. Specifically, the company has ineffective controls in its Mumbai unit over physical verification and reconciling the results thereof with the assets register as well as updating and reconciling the assets register with the assets register as well as updating and reconciling the assets register with the books of account. Despite being aware of this material weakness, Respondent failed to test the balances of property and equipment, including the opening balances during the audits by failing to (a) test the existence of the property and equipment balances (b) test whether the company had the rights to the property and equipment; and (c) determine whether the value included in the financial statements for property and equipment were appropriate.

In its 2008, 2009, 2010 and 2011 financial statements, MTNL reported MTNL's reported certain liability balances, including accounts payable, accrued expenses and other current liabilities, and accrued employee cost of \$1.935 Billion (USD), \$1.562 billion (USD), \$2.494 Billion (USD), and \$2.606 billion (USD), respectively. These liabilities balances represented 74%, 72%, 44% and 53% of the total liabilities at the end of each of the respective years. Respondent failed to test the balances of current liabilities during the audit periods by failing to: a) test the existence of these liabilities; b) test whether the company had the obligations for these liabilities; and (c) determine whether the values included in the financial statements of these liabilities were appropriate.

Respondent failed to comply with auditing standard no. 3 in connection with the audit of MTNL's 2008-2010 financial statements. An auditor must identify all significant findings or issues in an engagement completion document. Respondents failed to create an engagement completion document for each of the fiscal year 2008-2010 MTNL audits.

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To protect the interests of investors and further the public interest in the preparation of informative, accurate, and independent audit reports, the Board determines it appropriate to impose the sanctions agreed to in Respondents' offers. Accordingly, it is hereby ORDERED that:

Pursuant to Section 105 (c)(4)(E) of the Act and PCAOB Rule 5300(a)(5), P. Parikh & Associates is hereby censured.

Pursuant to Section 105(c)(4)(A) of the Act and PCAOB Rule 5300(a)(1) the registration of P. Parikh & Associates is revoked.

After two (2) years from the date of this order, P. Parikh & Associates may reapply for registration by filing an application pursuant to PCAOB Rule 2101;

Pursuant to Section 105(c)(4)(D) of the Act and PCAOB Rule 5300(a)(4) a civil money penalty in the amount of \$10,000 is imposed upon P. Parikh & Associates”.

Pursuant to Section 105 (c)(4)(E) of the Act and PCAOB Rule 5300(a)(5), Sandeep P. Parikh is hereby censured.

Pursuant to Section 105(c)(4)(A) of the Act and PCAOB Rule 5300(a)(1) the registration of Sandeep P. Parikh barred from being an associated person of a registered public accounting firm, as that term is defined in Section 2(a)(9) of the Act and PCAOB Rule 1001(p)(i);

After three (3) years from the date of this Order, Sandeep P. Parikh, CA may file a petition, pursuant of PCAOB Rule 5302(b), for Board consent to associate with a registered public accounting firm”.

5. The Board also noted that the defence of the Respondent had basically been that he was held guilty by PCAOB for want of adequate documentation and not because of wrongly certifying the true and fair view of the accounts. The accounts were never objected by anyone for any inaccuracies or misstatement of facts and/or any financial irregularity resulting in any financial loss to anybody. The

litigation in U.S.A. is very expensive, time consuming and not feasible. The Respondent accepted the settlement taking into account the Economic Feasibility and more importantly to buy peace. Further, though in the initial years formal training was not attended, but the Respondent subsequently kept himself updated by referring to the PCAOB guidance notes, Auditing Standards available online, etc. Also, all the suggestions/observations/queries of the Inspecting team of the PCAOB were properly addressed to and none of them had been repeated by the PCAOB Inspectors, except for the deficiency in adequate documentation, which is very subjective. Also, for the subsequent years of audit, the Respondent had obtained additional evidence corroborating the findings and conclusions drawn which were not documented in the prior year/s, so as to ensure that all the comments made by PCAOB were taken care of.

6. The Board noted that subjecting the Respondent to the enquiry on the ground which has already been looked into by PCAOB while passing the Order dated 24th April, 2013 whereby the Respondent has already been censured would amount to double jeopardy to the Respondent. However, the Board was concerned that the Order passed by PCAOB reflected poorly on the professional conduct of the member of the Institute thereby sullyng the image of the profession outside the country. In the said scenario, the Respondent should have desisted from continuing the U.S. GAAP audit of the entity for subsequent years. The Board clearly took note of the fact that the Respondent firm carried out the U.S. GAAP audit of the entity for fiscal years 2008, 2009, 2010 and 2011.
7. Thus, the Board was of the view that the defaults as above on the part of the Respondent brought disrepute to the profession and a corrective action needs to be taken to signal the members at large that before/while undertaking any professional assignment particularly in case of international clients, due care, caution and compliance in terms of their respective standards needs to be exercised and members need to ensure that they are adequately

equipped professionally and otherwise to execute such professional assignments.

Conclusion:

8. Thus, in conclusion, in the considered opinion of the Board, the Respondent is **GUILTY** of "Other Misconduct" falling within the meaning of Clause (2) of Part IV of the First Schedule to the Chartered Accountants Act, 1949 read with section 22 of the said Act.

-Sd/-
(NILESH S VIKAMSEY)
PRESIDING OFFICER

-Sd/-
(R K TEWARI)
GOVERNMENT NOMINEE

-Sd/-
(DEBASHIS MITRA)
MEMBER

DATE: 10th FEBRUARY, 2018

PLACE: NEW DELHI

Certified True Copy


Shashi Mahajan
Assistant Secretary
Disciplinary Directorate
The Institute of Chartered Accountants of India
ICAI Bhawan, I.P. Marg, New Delhi-110 002

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THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
(Set up by an Act of Parliament)

ORDER UNDER SECTION 21 A(3) OF THE CHARTERED ACCOUNTANTS ACT, 1949 READ WITH RULE 15(1) OF THE CHARTERED ACCOUNTANTS (PROCEDURE OF INVESTIGATIONS OF PROFESSIONAL AND OTHER MISCONDUCT AND CONDUCT OF CASES) RULES, 2007.

**In the matter of CA. Sandeep P Parikh (M. No.039713),
Mumbai**

[PPR-17/W/13-DD/14/W/INF/2013/BOD/299/2017]

[PPR-19/W/13-DD/16/W/INF/2013/BOD/300/2017]

**In the matter of CA. Ashok B Rajagiri (M. No.046070),
Mumbai**

[PPR-18/W/13-DD/15/W/INF/2013/BOD/301/2017]

**In the matter of CA. Sandeep P S G Nair (M. No.131489),
Mumbai**

.....Respondents

[PPR-20/W/13-DD/17/W/INF/2013/BOD/302/2017]

CORAM:

**CA. G. Sekar, Presiding Officer
Shri R.K. Tewari (Government Nominee)**

1. That vide findings dated 10th February, 2018, the Board of Discipline was of the opinion that **CA. Sandeep P Parikh, CA. Ashok B Rajagiri and, CA. Sandeep P S G Nair** are guilty of "Other Misconduct" falling within the meaning of Clause (2) of Part IV of the First Schedule to the Chartered Accountants Act, 1949 read with Section 22 of said Act.

2. Since, the subject matter of the respective "Information" cases against the individual Respondents were same and the Respondents submissions were common in these cases, the Board decided to hear them jointly while deciding the quantum of punishment to be awarded.

3. That an action under Section 21A(3) of the Chartered Accountants Act, 1949 was contemplated against **CA. Sandeep P Parikh, CA. Ashok B Rajagiri and CA. Sandeep P S G Nair** and communication dated 02nd May, 2018 was addressed to them thereby granting them opportunity to represent themselves in person & make their representation before Board on 22nd May, 2018

3. That **CA. Sandeep P Parikh, CA. Ashok B Rajagiri and CA. Sandeep P S G Nair** appeared personally before the Board and also made their oral submission. ✓



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4. This Board has carefully gone through the facts of the case.
5. As per the findings of the Board dated 10th February, 2018, the PCAOB passed an Order dated 24th April, 2013 censuring **CA. Sandeep P Parikh, CA. Ashok B Rajagiri and CA. Sandeep P S G Nair** and barring them from being an associated persons of a registered public accounting firm and also imposed the penalty of \$ 10000 on their firms.
6. The Board has carefully gone through the facts of the case and the finding as contained individual cases against the respective Respondents. The Board noted that these cases arose out of order passed by PCAOB and the Respondents have pleaded that any action by ICAI may affect their professional practice and pleaded for sympathetic view and lenient punishment as they have already under gone a lot of professional stress for the last 10 years and have suffered on account of the indictment order passed by US Regulator.
7. The Board while noting the submissions of the Respondents decided that in view of the Respondents having being punished by the US authority and considering mental and professional stress already undergone, interest of justice would be served if they are given minimum punishment with direction to be more careful in their professional assignment in future especially when they are being given professional assignments by other regulators outside India..
8. Accordingly, the Board decided to reprimand **CA. Sandeep P Parikh, CA. Ashok B Rajagiri and CA. Sandeep P S G Nair.**

Sd/-

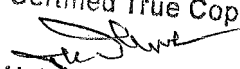
(G. SEKAR)
PRESIDING OFFICER

Sd/-

(R K TEWARI)
GOVERNMENT NOMINEE

DATE: 22nd MAY, 2018
PLACE: MUMBAI

Certified True Copy


Mukesh Kumar Mittal
Assistant Secretary
Disciplinary Directorate

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