

CONFIDENTIAL

DISCIPLINARY COMMITTEE [BENCH – II (2025-26)]
[Constituted under Section 21B of the Chartered Accountants Act, 1949]

Findings under Rule 18(17) and Rule 19(2) of the Chartered Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules, 2007

[Ref. No. PR/G/313/2022-DD/368/2022-DC/1761/2023]

In the matter of:

**Shri Mangesh Jadhav, ICLS,
Registrar of Companies, Pune
Office of the Registrar of Companies, Pune,
Ministry of Corporate Affairs, Govt. of India
PCNTDA Green Building, Block - A, 1st & 2nd Floor,
Near Akurdi Railway Station, Akurdi,
Pune – 411044.**

...Complainant

Versus

**CA. Anup Mundhra (M. No. 061083)
Partner, M/s MSKA and Associates,
Chartered Accountants,
Floor 6, Building # 1,
Cerebrum IT Park, Kalyani Nagar,
Pune – 411014.**

...Respondent

MEMBERS PRESENT (in person):

**CA. Charanjot Singh Nanda, Presiding Officer
CMA Chandra Wadhwa, Government Nominee
CA. Mahesh Shah, Government Nominee
CA. Pramod Jain, Member
CA. Ravi Kumar Patwa, Member**

Date of Final Hearing: 7th January 2026

PARTIES PRESENT (through video conferencing):

Respondent: CA. Anup Mundhra

Authorized Representative of the Respondent: Shri. A P Singh and Shri. Utsav Hirani

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1. **BACKGROUND OF THE CASE:**

1.1 In the extant case, The Respondent was statutory auditor of M/s. Kudos Finance and investments Private Limited (hereinafter referred to as the "Company") for the financial years 2019-20 and 2020-21. The Complainant Department conducted inquiry under section 206 of the Companies Act, 2013 and observed certain discrepancy/ irregularities which were not pointed out by the Respondent in his audit report.

2. **CHARGES IN BRIEF:**

S.No.	Charge(s)	Prima Facie Opinion of the Director (Discipline)	Applicable Item of the Schedule to the Chartered Accountants Act 1949
1(a)	The Company has disbursed loans to the Customers through the Fintech Companies amounting Rs. 19,45,26,230/-, Rs 10,51,16,06,059/- and Rs 12,81,46,58,221/- for the F.Y. 2018-19, 2019-20 and 2020-21 respectively. This amount was only for disbursement of the loans through the fintech partners which is excluding the traditional business of the Company. However, the annual business turnover reported by the Company in its financial statements filed with MCA were Rs. 8,24,46,172/-, Rs 36,22,85,565/- and Rs. 27,73,66,888/- for the F.Y. 2018-19, 2019-20 and 2020-21 respectively. Therefore, the reported value was much less than the actual amount of loans disbursed for the particular financial year by the Company. This underreporting was intentional one and has a fraudulent intent to misguide the regulatory authorities and other stakeholders for avoiding the requisite compliances which seems to have been supported by the Respondent firm.	Not maintainable	

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1(b)	The Respondent firm has not identified the issue of the exponential rise in the business of the Company. The Company in association with Fintech companies has wilfully executed the transactions by which regulatory authorities such as RBI, MCA could not get hold of these underlying issues which includes the abuse of the NBFC licences issued by the RBI to the Company and round tripping of the funds supplied by the Fintech companies in the name of FLDGs (Security Deposit) for lending activities as its own. The fund is not directly disbursed to the end customers but through Fintechs. Hence, in real sense, these fintech companies were real money lender and the Company was front end tool to achieve mala- fide goals of the scamsters.	Guilty	Item (7) of Part I of Second Schedule
2.	In respect of other allegations relating to non-reporting of fraud, false certification, negligence in preparation of financial statements and non-compliance of Section 133 of the Companies Act, 2013.	Not Guilty	Item (6), (7) and (8) of Part I of Second Schedule

3. **THE RELEVANT ISSUES DISCUSSED IN THE PRIMA FACIE OPINION DATED 13th March 2023 FORMULATED BY THE DIRECTOR (DISCIPLINE) IN THE MATTER IN BRIEF, ARE GIVEN BELOW: -**

- 3.1 **With respect to charge that the Respondent firm has not identified the issue of the exponential rise in the business of the Company. The Company in association with Fintech companies has wilfully executed the transactions by which regulatory authorities such as RBI, MCA could not get hold of these underlying issues which includes the abuse of the NBFC licences issued by the RBI to the Company and round tripping of the funds supplied by the Fintech companies in the name of FLDGs (Security Deposit) for lending activities as its own. The fund is not directly disbursed to the end customers but through Fintechs. Hence, in real sense, these fintech companies were real money lender and the Company was front end tool to achieve mala- fide goals of the scamsters. (only in respect of the charge for which the Respondent is held prima facie guilty)**

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- 3.1.1 It was noted that the Company was in the business of lending loans to the customers. The Company, in order to lend the money through digital mode, had entered into Service agreement with Fintech companies in the financial year 2018-19 for processing of loan through online platforms provided by these fintech companies.
- 3.1.2 At the time of signing of the financial statements for both the years, no regulation in respect of digital lending through Fintech companies existed. Hence, it appeared to be an unregulated business model at that time. However, in respect of above allegation, it was observed that the RBI had issued a Circular bearing no. DNBR. PD. CC. No. 090103.10.00112017-18 dated 09/11/2017 by which the RBI issued "Directions on Managing Risks and Code of Conduct in Outsourcing of Financial Services by NBFCs" for all RBI registered NBFC's.
- 3.1.3 Keeping in view the above requirement, it was observed that the Company had entered into Service Agreement with Fintech Companies and the Respondent had provided copy of 5 services agreements on sample basis. Further, on perusal of these Service Agreements, it was observed that the same contained the details of the services being provided by the Service provider, specific rights & obligations of the parties in relation to the Services, termination & confidentiality & audit clauses. It was observed that the terms & conditions of the Agreements appeared to be in line with the requirement of aforesaid RBI circular. However, as regard the utilization of Deposit amount, the Respondent only stated that at the time of signing the audit report, there was no law which directly regulated FLDG / security deposit. He also stated that the Service Agreement with Fintech Companies laid no restriction to the nature and manner of utilisation of the Security deposit funds, and the Company was free to use such funds in the manner which was best suited for its business. From the above submissions, it appeared that the Company was free to use the amount of deposit as per its needs and the said fact raised apprehension that the Company was using the amount of Security Deposit (FLDG) for disbursement of loan also and the said act in a way was providing a platform to the Fintech Companies to lend the money through the Company, specifically when the task of identification of customer was being done by the Fintech Companies and the amount of Security Deposit varied from 30% to 100% of outstanding amount of loan given to the Customer. It was also noted that in case of default in making repayment of loan, non-recovered amount was subject to deduction from the amount of Security Deposit which also indicated towards involvement of Fintech companies in lending money through the Company.
- 3.1.4 It was observed that the Respondent failed to bring on record as to how he satisfied himself that the Company had not lent money to the customers from the amount of Security Deposit and accordingly, the Company had not allowed the Fintech Company to abuse / misuse its NBFC license on the pretext of Service Agreement. Though the primary responsibility of verifying the aforesaid facts lay on the management of the Company yet the Respondent as auditor could not escape from his responsibility of reporting the misuse / abuse of license of the Company under Section 45-IA of the Reserve Bank of India Act.

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- 3.2 Accordingly, the Director (Discipline) in his Prima Facie Opinion held the Respondent GUILTY of Professional Misconduct falling within the meaning of Item (7) of Part I of the Second Schedule to the Chartered Accountants Act, 1949 for first charge only. The said Item(s) of the Schedule to the Act, state as under:

"Item (7) of Part I of the Second Schedule:

A chartered accountant in practice shall be deemed to be guilty of professional misconduct, if he—

(7) does not exercise due diligence, or is grossly negligent in the conduct of his professional duties"

- 3.3 The Prima Facie Opinion formed by the Director (Discipline) was considered by the Disciplinary Committee at its meeting held on 13th May 2023. The Committee on consideration of the same, concurred with the reasons given against the charge(s) with respect to first charge and thus, agreed with the Prima Facie opinion of the Director (Discipline) that the Respondent is GUILTY of Professional Misconduct falling within the meaning of Item (7) of Part I of Second Schedule to the Chartered Accountants Act, 1949 and accordingly, decided to proceed further under Chapter V of the Chartered Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules, 2007.

4. DATE(S) OF WRITTEN SUBMISSIONS/PLEADINGS BY PARTIES:

- 4.1 The relevant details of the filing of documents in the instant case by the parties are given below:

S. No.	Particulars	Dated
1.	Date of Complaint in Form 'I' filed by the Complainant	12 th July 2022
2.	Date of Written Statement filed by the Respondent	30 th August 2022
3.	Date of Rejoinder filed by the Complainant	03 rd October 2022
4.	Date of Prima Facie Opinion Formed by Director (Discipline)	13 th March 2023
5.	Written Submissions by the Respondent after Prima Facie Opinion	07 th May 2024, 4 th June 2024, 14 th July 2024, 18 th October 2024, and 6 th January 2026
6.	Written Submissions filed by the Complainant after Prima Facie Opinion	28 th August 2024 04 th October 2024

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5. WRITTEN SUBMISSIONS FILED BY THE RESPONDENT:

- 5.1 The Respondent vide letter dated 07th May 2024, 4th June 2024, 14th July 2024, 18th October 2024, and 6th January 2026, inter-alia, submitted as under: -
- 5.1.1 The Prima Facie Opinion dated 13th March 2023 recorded a finding that no case was made out in respect of allegations relating to non-reporting of fraud, false certification, non-compliance with Section 133 of the Companies Act, 2013, or negligence in the preparation of financial statements. It was further stated that the Respondent was held prima facie guilty solely under Item (7) of Part I of the Second Schedule to the Chartered Accountants Act, 1949 on the allegation of improper disclosure in the audit report.
- 5.1.2 All disclosures required under the applicable Accounting Standards, the Companies Act, 2013 and relevant RBI regulations were duly made, and that no deviation from the normal course of business was observed during the audit. It was reiterated that the Complainant had itself acknowledged that the First Loss Default Guarantee (FLDG) business model was unregulated during the relevant period; and therefore no negligence or professional misconduct could be attributed to the Respondent for non-compliance with a regulatory framework that did not exist at the material time.
- 5.1.3 The Reserve Bank of India, through subsequent regulatory developments culminating in the issuance of the Guidelines on Default Loss Guarantee in Digital Lending dated 8 June 2023, expressly permitted FLDG arrangements. It was stated that the said Guidelines were made prospectively applicable and did not prohibit the deployment of DLG received in cash form. The Respondent therefore contended that the FLDG model adopted by the Company was neither illegal nor irregular during the audit period and that no reporting obligation arose in this regard.
- 5.1.4 Allegations concerning coercive recovery practices by fintech entities were never brought to the auditor's knowledge. It was stated that necessary audit procedures were performed, including inquiries with management, review of board minutes, substantive testing of relevant ledgers, and obtaining management representations, none of which revealed any complaints, claims or litigations requiring disclosure or reporting.
- 5.1.5 In terms of Standard on Auditing (SA) 250, compliance with laws and regulations is primarily the responsibility of management, and that auditors are neither responsible for preventing non-compliance nor expected to detect all instances thereof, particularly in relation to operational matters. It was contended that, in the absence of any adjudicated non-compliance as on the date of issuance of the audit report, no reporting responsibility could be fastened upon the Respondent.
- 5.1.6 With respect to the allegation of misuse of the NBFC licence, the Respondent submitted that no regulation prescribing end-use restrictions on FLDG funds existed during the relevant period. It was stated that the business model referred to as misuse or abuse of licence had been acknowledged by the RBI as a widely prevalent "Rent-an-NBFC" model, and that regulatory clarity emerged only subsequently. The Respondent therefore contended that no failure of reporting could be attributed to the auditor.

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- 5.1.7 While no prima facie finding of guilt was recorded under Item 9 of Part I of the Second Schedule relating to material departure from generally accepted audit procedures, a finding of gross negligence under Item 7 was nevertheless recorded. It was contended that such a conclusion was inconsistent, particularly when the financial statements were found to be free from material misstatement, fraud, and non-compliance with Section 133 of the Companies Act, 2013.
- 5.1.8 The principles of natural justice were violated, as neither the Complaint nor the Prima Facie Opinion specified the precise nature of the allegedly improper disclosure in the audit report. It was contended that, in the absence of specific particulars, the Respondent was deprived of an effective opportunity to address the allegation. The Respondent reiterated that a reasoned order identifying the exact impropriety was necessary.
- 5.1.9 Lastly, the Respondent stated that the Complainant proceeded on a misconception regarding the role of statutory auditors by expecting reporting beyond the mandate of the Standards on Auditing. The Respondent reiterated that an unblemished professional record was maintained and that, despite detailed investigation, no instance of misstatement, improper disclosure or non-compliance was established. On these grounds, the Respondent submitted that the prima facie finding warranted reconsideration and that further proceedings deserved to be dropped.
- 5.1.10 The introduction of new issues in the Prima Facie Opinion (PFO), which were never part of the original complaint or any subsequent rejoinders, constitutes a significant procedural flaw and fundamentally vitiates the entire proceeding. It was stated that such expansion of the scope of the complaint, without prior notice or opportunity being granted to the Respondent to address the new issues, is not envisaged in quasi-judicial proceedings and undermines the legal integrity of the process. It was further submitted that quasi-judicial proceedings are governed by strict adherence to procedural fairness and the principles of natural justice. One of the core tenets of these principles is that a respondent must be provided with clear, specific, and unambiguous notice of the allegations against them and must be afforded a reasonable opportunity to respond to the charges as originally presented. Any deviation from this standard, including unauthorized expansion of the scope of the complaint, was stated to be directly contrary to the established legal framework governing such proceedings. It was further submitted that the expansion of the scope in the PFO to include issues relating to agreement matters that were never raised by the complainant constitutes a fundamental breach of procedural safeguards. As a result, the Respondent was denied an opportunity to prepare and present an effective defence, thereby subjecting the Respondent to an unfair process that does not meet the standards of a fair hearing in quasi-judicial proceedings.
- 5.1.11 The Respondent submitted that the entire proceeding stands tainted. It was stated that the unauthorized broadening of the scope of the complaint, without adherence to proper procedure, renders the process legally flawed and unjust. Such a fundamental procedural error, it was submitted, cannot be cured by subsequent actions within the same proceedings. Accordingly, it was submitted that the procedural flaw vitiates the entire proceeding and that, as a matter of legal necessity, the matter ought to be closed forthwith. It was further stated that continuation of the proceedings would only perpetuate unfairness and further violate the

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Respondent's rights. Since quasi-judicial proceedings must strictly adhere to the scope defined by the original complaint and any properly notified amendments, any departure therefrom undermines the validity of the entire process. Therefore, it was submitted that the only appropriate and just course of action is termination of the proceedings. Without prejudice to these preliminary objections, the following submissions were made by the Respondent.

- 5.1.12 Reference is drawn to Section 134(5) of the Companies Act, 2013, which mandates that the Directors' Responsibility Statement shall state that applicable accounting standards have been followed in the preparation of the annual financial statements. It was further stated that Section 134(5) places the responsibility on the directors to devise proper systems to ensure compliance with the provisions of all applicable laws and to ensure that such systems are adequate and operate effectively.
- 5.1.13 Paragraph 11 of SA 200 – Overall Objective of the Independent Auditor and the Conduct of an Audit in Accordance with the Standards on Auditing states that the objective of the auditor is to obtain reasonable assurance. It was further stated that the auditor is neither expected to, nor capable of, reducing audit risk to zero due to inherent limitations of an audit, and therefore cannot obtain absolute assurance that the financial statements are free from material misstatements, whether due to fraud or error.
- 5.1.14 Attention is drawn to paragraph 4 of SA 250 – Consideration of Laws and Regulations in an Audit of Financial Statements, which states that the auditor is not responsible for identifying each and every instance of non-compliance by management. It was further submitted that paragraph 6(b) of SA 250 emphasizes the auditor's responsibility to consider laws and regulations that, while not directly affecting the determination of material amounts and disclosures in the financial statements, could have a significant impact on the entity's operations or ability to continue as a going concern.
- 5.1.15 The Respondent submitted that SA 250 distinguishes the auditor's responsibilities with respect to two categories of laws and regulations:
- a) those having a direct effect on the determination of material amounts and disclosures in the financial statements; and
 - b) other laws and regulations that do not have a direct effect on such determination but compliance with which may be fundamental to the business operations or avoidance of material penalties.
- 5.1.16 The key consideration is whether non-compliance with such laws could have a material effect on the financial statements.
- 5.1.17 The outsourcing services arrangements in question are procedural in nature and do not have any direct impact on the financial statements. It was stated that these arrangements pertain solely to operational aspects of the business and do not involve financial transactions or disclosures influencing the financial statements. Accordingly, it was submitted that, under the framework of SA 250, these agreements do not meet the threshold requiring audit consideration, as they do not pose a risk of material misstatement.

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- 5.1.18 SA 250 does not permit the application of hindsight in evaluating an auditor's responsibilities and that hindsight can never be applied to assess the quality of professional work. It was stated that the Respondent was required to assess compliance based solely on information available at the time of the audit. Holding the Respondent responsible for procedural matters having no financial impact was submitted to be an unwarranted expansion of responsibilities not supported by auditing standards. It was further submitted that such an approach would result in an indefinite and unreasonable extension of the auditor's duties, contrary to SA 250. The auditor's role, it was stated, must be evaluated strictly in light of statutory provisions and applicable standards, and not on speculative or retrospective expectations.
- 5.1.19 The issue of outsourcing services arrangements ought not to have been expanded in the Prima Facie Opinion. As these arrangements are purely procedural and lack financial implications, they fall outside the scope of SA 250. The Respondent cannot be held accountable for operational details that do not materially impact financial statements, as such accountability would be inconsistent with the Standards on Auditing issued by ICAI.
- 5.1.20 The financial statements were appropriately prepared and that verification of service agreements for compliance with laws and regulations would not have any financial impact on the company. Therefore, it was stated that the Standards on Auditing were duly complied with. It was further reiterated that paragraph 4 of SA 250 clearly states that the auditor is not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations. Accordingly, it was submitted that the Respondent has duly complied with the relevant provisions of SA 250.
- 5.1.21 Paragraph 12.3 of the Prima Facie Opinion correctly acknowledges that "the primary responsibility of verifying the aforesaid facts lies with the management of the company." This acknowledgment was stated to be consistent with SA 250, which clearly delineates management responsibilities from those of the auditor. It was submitted that compliance with laws and regulations rests primarily with management and that the auditor's role is limited to obtaining a general understanding of the applicable legal framework and considering implications of identified non-compliance that may materially affect the financial statements. It was further submitted that Section 134(5) of the Companies Act, 2013 statutorily places this responsibility on the directors, thereby reinforcing that compliance verification lies with management and not with the auditor.
- 5.1.22 The Respondent submitted that holding the Respondent responsible for compliance verification in matters unrelated to financial misrepresentation is contrary to principles of natural justice. The auditor's role, it was reiterated, does not extend to assuming management's statutory duties.
- 5.1.23 Despite acknowledging management's primary responsibility, the decision to hold the Respondent guilty is inconsistent with statutory provisions and professional standards and effectively imposes obligations exceeding the auditor's defined scope.

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- 5.1.24 Holding the Respondent guilty under these circumstances contravenes legal and professional frameworks and undermines principles of natural justice.
- 5.1.25 The PFO itself records that the agreements appeared to be in line with RBI requirements. In the absence of identified non-compliance, it was stated that the Respondent could not have envisaged irregularities beyond what was apparent. The application of hindsight by the Disciplinary Directorate was specifically objected to. It was submitted that subsequent cancellation of the RBI license arose from operational irregularities within management's domain and that an auditor cannot be expected to step into management's role.
- 5.1.26 Expectations placed upon the Respondent by Director (Discipline) ICAI are retrospective, unrealistic, and exceed the auditor's professional responsibilities. It was further submitted that no reporting obligations were triggered under SA 700, SA 705, or SA 706 and that no specific violation of law or standards has been identified. Accordingly, the allegations were stated to be arbitrary and without merit.
- 5.1.27 RBI regulations concerning digital lending were introduced only on June 8, 2023, and are not retrospective in nature. Accordingly, the Respondent could not have been obligated to comment upon compliance prior to their enactment. Reliance was placed on the maxim *Impossibilium nulla obligatio est*. Therefore, it was submitted that the Respondent cannot be held guilty of professional misconduct.
- 5.1.28 Director (Discipline) ICAI must act within legal bounds and that in the absence of substantive evidence, interpretations favouring exemption from penalty must prevail, as held in *Tolaram Relumal v. State of Bombay*. It was further submitted that the burden of proof lies upon the party levelling the charge and that suspicion cannot substitute proof. In such circumstances, the allegations were stated to fall within the category of "not proved."
- 5.1.29 Professional Misconduct under Item 7 of Part I of the Second Schedule to the Chartered Accountants Act, 1949 requires deviation from professional standards leading to financial loss. In the present case, it was submitted that the Respondent adhered to all standards diligently, and the PFO itself records absence of fraud, false certification, or non-compliance with Section 133 of the Companies Act, 2013. Accordingly, it was submitted that no lack of diligence or negligence can be attributed to the Respondent.
- 5.1.30 The Respondent submitted that the Memorandum of Association of the Company was lawfully and validly amended in November 2009 so as to include lending and financing activities within its objects, in full compliance with the provisions of the Companies Act, 1956. The statutory chronology, as borne out from the records, is set out below:
- a) A Notice dated 21.11.2009 for amendment of the Memorandum of Association was duly issued to the members, whereby alteration of the object clause was proposed.
 - b) The said Notice was accompanied by an Explanatory Statement dated 21.11.2009, in which the rationale and scope of the proposed amendment were set out.

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- c) Pursuant thereto, the requisite resolution approving the alteration of the Memorandum of Association was passed by the members on 21.11.2009.
 - d) The altered Memorandum of Association became effective in November 2009 and has remained valid and operative thereafter.
- 5.1.31 The amended object clause, effective from November 2009, expressly authorises the Company to carry on the business of lending, financing, advancing monies, and granting loans or financial facilities, whether secured or unsecured, and in any manner whatsoever, subject to applicable law. It is further submitted that the language of the Memorandum of Association is broad, enabling, and unrestricted with respect to the mode, mechanism, channel, or medium through which such lending may be undertaken. Authority has been granted to undertake lending as a business activity, irrespective of the manner in which such lending is operationalised.
- 5.1.32 Without prejudice to the foregoing, it is submitted that the Memorandum of Association was further amended in 2021 pursuant to the Board Meeting proceedings of 2021, and the Altered Memorandum of Association adopted in 2021, whereby digital and technology-enabled lending activities were expressly incorporated. It is submitted that the amendment carried out in 2021 was clarificatory and declaratory in nature and was intended to align the object clause with evolving business practices and technological advancements. No new line of business was introduced by virtue of the said amendment.
- 5.1.33 The Respondent further relied upon the judgement of High Court of Judicature at Bombay - The Institute of Chartered Accountants of India Vs. H.S Ghia (2004 SCC OnLine Bom 707 (Refer pages 48 to 55)).

6. Written Submissions filed by the Complainant Department:

The Complainant Department vide letter dated 28th August 2024 informed as under:

- a) It is the duty of the statutory auditor to conduct audit of service provider and report in his statutory audit report, whether the company is doing allowed outsource activities or not, but the Respondent has failed to do so. By stating that his roles and responsibilities of fintech service providers was not his scope of work as per RBI outsourcing Guidelines shows that he has even not gone through the RBI Guidelines.
- b) It is seen that the company has outsourced the activities to more than 40 fintech companies by using fintech app and outsourced the core activities of NBFC including recovery/ collection of loan and interest payments from the customers. The Company has ultimate responsibility to recover the loans disbursed by the Company. The Respondent has not provided copy of agreement/ contract entered between the NBFC and all fintech companies. Thus, the Respondent has not conducted due diligence of service provider and also not reported in its audit report any financial discrepancies during his tenure.

The Complainant Department vide communication dated 4th October 2024 further shared the Investigation report of the case.



7. BRIEF FACTS OF THE PROCEEDINGS:

7.1 The details of the hearing(s) fixed and held/adjourned in said case is given as under:

S. No.	Particulars	Date of meeting(s)	Status
1.	1 st Hearing	25.07.2023	Part heard and adjourned
2.	2 nd Hearing	23.04.2024	Adjourned due to paucity of time
3.	3 rd Hearing	17.05.2024	Part heard and adjourned
4.	4 th Hearing	18.06.2024	Part heard and adjourned
5.	5 th Hearing	15.07.2024	Adjourned at the request of Complainant
6.	6 th Hearing	29.08.2024	Deferred due to paucity of time
7.	7 th Hearing	26.08.2025	Deferred due to paucity of time
8.	8 th Hearing	19.09.2025	Part heard and adjourned
9.	9 th Hearing	06.10.2025	Adjourned at the request of the Respondent
10.	10 th Hearing	19.11.2025	Adjourned due to paucity of time
11.	11 th Hearing	30.12.2025	Part heard and adjourned
12.	12 th Hearing	07.01.2026	Concluded and Decision taken on the conduct of the Respondent.

- 7.1.1 During the hearing held in the case on 25th July 2023, the Committee noted that the Respondent was administered on Oath. Thereafter, the Committee enquired from the Respondent as to whether he was aware of the charges. On the same, the Respondent replied in the affirmative and pleaded Not Guilty to the charges levelled against him. Thereafter, looking into the fact that this was the first hearing in the matter, the Committee decided to adjourn the hearing to a future date.
- 7.1.2 Thereafter, on the day of hearing held in the case on 23rd April 2024, the Committee noted that the hearing of the case was adjourned due to paucity of time.
- 7.1.3 Thereafter, on the day of hearing held in the case on 17th May 2024, the Committee noted that Authorized representative of the Complainant Department and the Respondent along with his Counsel was present before it through video conferencing. The Committee further noted that at the time of last hearing held in the case on 23rd April 2024, the hearing in the case was adjourned due to paucity of time. Prior to that the case was part heard and adjourned on 25th

July 2023 being the first hearing in the case. Subsequent thereto, there had been a change in the composition of the Committee which was duly intimated to the Authorized Representative of the Complainant Department, the Respondent and his Counsel who were present before the Committee. Thereafter, the case was taken up for hearing. On being asked by the Committee to substantiate their case, the authorized representative of the Complainant Department referred to the contents of Complaint made in Form 'I' against the Respondent. Subsequently, the Counsel for the Respondent presented the Respondent's line of defence, inter-alia, reiterating the written submissions made by him on the Prima Facie Opinion. On consideration of the submissions made by the authorized representative of the Complainant Department and the Counsel for the Respondent, the Committee posed certain questions to them which were responded by them. Thus, on consideration of the submissions and documents on record, the Committee directed the Respondent to provide the following documents with a copy to the Complainant Department to provide their comments thereon, if any:

- a) Details of Inspection carried out by RBI together with the copy of the inspection Report, if any.
- b) Copy of applicable RBI Circulars.

The Committee also directed the authorized representative of the Complainant Department to provide their submissions on the following within next 02 Weeks with a copy to the Respondent to provide his comments thereon, if any: -

- a) Response on the written submissions made by the Respondent on the Prima Facie Opinion.

With the above, the hearing in the case was part heard and adjourned.

7.1.4 Thereafter, on the day of held in the case on 18th June 2024, the Committee noted that the Authorized Representative of the Complainant Department and the Respondent along with his counsel was present before it through video conferencing. The Committee further noted that at the time of hearing held in i.e. case on 17th May 2024, it had asked the Respondent to provide the following documents with a copy to the Complainant Department to provide their comments thereon, (any):

- a) Details of Inspection carried out by RBI together with the copy of the Inspection Report, if any.
- b) Copy of applicable RBI Circulars.

The Committee also had directed the authorized representative of the Complainant Department to provide their submissions on the following within next 02 Weeks with a copy to the Respondent to provide his comments thereon, if any

1. Response on the written submissions made by the Respondent on the Prima Facie Opinion.



The Committee noted that the Respondent provided his response. However, no further response was received from the Complainant Department. Thereafter, during the present hearing in the case, on consideration of the submissions and documents on record, the Committee posed certain question to the authorized representative of the Complainant Department and the Counsel of the Respondent, which were responded to by them. Thus, on consideration of the submissions and documents on record, the Committee directed the Respondent to provide the following within next 10 days with a copy to the Complainant Department to provide their comments thereon, if any:

1. How compliance of the RBI Circular bearing no. DNBR. PD. CC. No. 090/03.10.001/2017-18 dated 09/11/2017 was ensured specifically with respect to the right to conduct audit on the service provider, ability to access all books, records and other information relevant to the outsourced activity available with the service provider together with the copy of his working papers in support of the same. In case of noncompliance of the same, whether any reporting was done by the Respondent as the Statutory Auditor of the Company during the entire period of its association with the Company.
2. Any further submissions which he wishes to make in his defence especially with respect to Section 143(12) of the Companies Act 2013 and SA-250 (Consideration of Laws and Regulations in an Audit of Financial Statements). The Committee also directed the authorized representative of the Complainant Department to provide their submissions on the following within next 04 Weeks with a copy to the Respondent to provide his comments thereon, if any –
 - i. Respondent on the written submissions made by the Respondent on the Prima Facie Opinion.
 - ii. Details of action taken against the directors of the Company.

With the above, the hearing in the case was part heard and adjourned.

- 7.1.5 Thereafter, on the day of hearing held in the case on 15th July 2024, the Committee noted that the representative of the Complainant Department and the Respondent along with his Counsel were present before it through video conferencing. The Committee further noted that the authorised representative from the Complainant Department informed that Mr. Ajay Pawar AROC, Registrar of Companies, Pune who is handling/representing the case is unavailable for the hearing today and thus, sought adjournment in the instant case. Keeping in view the request made by the authorized representative of the Complainant Department, the Committee directed the authorized representative of the Complainant Department to provide their submissions within 7 days on the following with a copy to the Respondent to provide his comments thereon, if any:-

1. Response on the written submissions made by the Respondent on the Prima Facie Opinion.
2. Details of action taken against the directors of the Company.

With the above, the hearing in the case was part heard and adjourned to provide a final opportunity to the Complainant Department to substantiate their case before the Committee.



- 7.1.6 Thereafter, on the day of hearing held in the case on 29th August 2024, the consideration of this case was deferred due to paucity of time.
- 7.1.7 Thereafter, on the day of hearing held in the case on 26th August 2025, the consideration of this case was deferred due to paucity of time.
- 7.1.8 Thereafter, on the day of hearing held in the case on 19th September 2025, the Committee noted that the Respondent along with his Counsel was present before it through video conferencing. However, there was no representation from the Complainant Department when the case was taken up for hearing. Since the Respondent was present before it, the Committee decided to proceed ahead with the hearing in the case. The Committee further noted that subsequent to the last hearing held in the case on 15th July 2024 which was adjourned to provide a final opportunity to the Complainant Department to substantiate their case before the Committee, there had been a change in the composition of the Committee. The same was duly intimated to the Respondent who was present before the Committee and was given an option of de-novo. The Respondent opted for the option of de-novo hearing. Thus, the Respondent was administered on Oath. The Committee enquired from the Respondent as to whether he was aware of the charge(s) alleged against him to which he replied in the affirmative. However, he pleaded Not Guilty to the charge(s) levelled against him. Thus, the Committee decided to adjourn the hearing in the case to a future date so as to provide an opportunity to both the parties to the case to substantiate their case before it.
- 7.1.9 Thereafter, on the day of hearing held in the case on 6th October 2025, the Committee noted that the Respondent, vide his email dated 2nd October 2025, had requested an adjournment on the ground that due to certain prior professional commitments already scheduled for the said period, he is unable to attend the hearing fixed for 6th October 2025. He further mentioned that, he had been unable to brief his Counsel, who was based in Kolkata, since their office was closed on account of the Durga Puja holidays. Since the request for adjournment of hearing had been received for the first time, the Committee, keeping in view of the principles of natural justice, acceded to the request of the Respondent for adjournment. Accordingly, the hearing in the case was adjourned at the request of the Respondent.
- 7.1.10 Thereafter, on the day of hearing held in the case on 19th November 2025, the Committee noted that the Consideration of the case was adjourned due to paucity of time.
- 7.1.11 Thereafter, on the day of hearing held in the case on 30th December 2025, the Committee noted that there was no representation from the Complainant Department at the time when the case was taken up for hearing. The Committee further noted that the Respondent along with his Counsel was present before it through video conferencing. Thus, the Committee decided to proceed ahead with the hearing in the case. The Committee further noted that at the time of last hearing held in the case on 19th November 2025, the hearing in the case was deferred due to paucity of time. The Committee also noted that earlier at the meeting held on 19th September 2025, the Respondent had opted for the option of de-novo hearing. Thereafter, on being asked by the Committee to substantiate their case, the Counsel for the Respondent presented the Respondent's line of defence, inter-alia, stating that the allegations are vague



and not linked to any specific Clause of the Schedules to the Chartered Accountants Act 1949, as mandatorily required under the disciplinary Rules. Despite this defect, the Respondent has filed submissions on merits. The Complaint also lacks valid statutory authorization. The approval relied upon is not case specific and does not name the Respondent or his firm, which is fatal in quasi-criminal proceedings. The complaint merely reproduces the ROC show-cause notice. At no stage, neither in the ROC inquiry nor in Form-I filed before the Institute were the outsourcing/FDGL Guidelines relied upon. Their later introduction amounts to an impermissible expansion of scope. The Disciplinary Directorate itself sought additional evidence in June and October 2022, which was never furnished, yet proceedings continued, rendering them void-ab-initio. Further, reliance is placed on 2023 RBI Guidelines which did not exist during the audit period. The Director (Discipline) has himself recorded no violation under the applicable 2017 framework. Retrospective application is impermissible. Operational issues, third-party activities, and borrower complaints fall outside the scope of a statutory audit and SA 250, and no statutory disclosure requirement has been identified. Accordingly, the proceedings are vitiated by lack of jurisdiction, invalid authorization, absence of evidence, impermissible expansion of scope, and retrospective application of non-existent Guidelines. On consideration of the submissions made, the Committee posed certain questions to the Counsel for the Respondent which were responded to by them. Thus, on consideration of the submissions and documents on record, the Committee directed the Respondent to provide the following documents/information with a copy to the other party. With the above, the hearing in the case was part heard and adjourned.

- 7.1.12 Thereafter, on the day of hearing held in the case on 7th January 2026, the Committee noted that neither any representative of the Complainant Department was present before it at the time when the case was taken up for hearing nor any intimation was received from them as regard their non-appearance despite the due service of the Notice for hearing upon them. The Committee further noted that the Respondent along with his Counsels was present before it through video conferencing. Thus, the Committee decided to proceed ahead with the hearing in the case. The Committee further noted that at the time of last hearing held in the case on 30th December 2025, the hearing in the case was part-heard and adjourned with direction to the Respondent to provide the following documents/information with a copy to the other party to the case to provide their comments thereon. The Committee also noted that the Respondent in response vide email dated 06th January 2026 provided his submissions and the same were shared with the Complainant Department also on the same day. Thereafter, on being asked by the Committee to substantiate their case, the Counsel for the Respondent presented the Respondent's line of defence, inter-alia, stating that the Director (Discipline) has recorded a crucial finding that at the time of signing the financial statements for both the years (i.e. 2019-2020 and 2020-2021), there was no regulation governing digital lending through Fintech companies, and that the business model was unregulated at the relevant time. Despite this, reliance is placed on the RBI Circular dated 09.11.2017 relating to outsourcing of financial services by NBFCs. Upon examining the service agreements produced by the Respondent, the Director (Discipline) records on page 17 of his Prima Facie Opinion that the terms and conditions of these agreements are in line with the requirements of the said RBI Circular. As regards the utilization of security deposit / FLDG amounts, the

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Respondent stated that no law, regulation, or RBI directive existed at the relevant time regulating or restricting such utilization. Neither the Complainant Department nor the Director (Discipline) has identified any statutory provision requiring disclosure on this account. The remaining observation in the Prima Facie Opinion merely suggests that funds received from Fintech companies could have been used for further lending and there is no prohibition on such use, and even under subsequent and more stringent RBI frameworks, such utilization is permissible. Thus, in the absence of any demonstrated violation of law, accounting standards, or regulatory requirements, the conclusion that the Respondent committed professional misconduct is unsustainable. On consideration of the submissions made, the Committee posed certain questions to the Counsel for the Respondent which were responded to by them. Thereafter, upon perusal of the documents on record and on consideration of the oral and written submissions of the parties to the case vis-à-vis facts of the case, the Committee decided to conclude the hearing in the case.

8. FINDINGS OF THE COMMITTEE: -

- 8.1.1 **The Respondent firm has not identified the issue of the exponential rise in the business of the Company. The Company in association with Fintech companies has willfully executed the transactions by which regulatory authorities such as RBI, MCA could not get hold of these underlying issues which includes the abuse of the NBFC licenses issued by the RBI to the Company and round tripping of the funds supplied by the Fintech companies in the name of FLDGs (Security Deposit) for lending activities as its own. The fund is not directly disbursed to the end customers but through Fintechs. Hence, in real sense, these fintech companies were real money lender and the Company was front end tool to achieve mala- fide goals of the scamsters. (only in respect of the charge for which the Respondent is held prima facie guilty).**
- 8.1.2 With respect to charges alleged, the Committee noted that the Respondent was the Statutory Auditor of the Company for the Financial Year 2019-20 to 2020-21. The Committee noted that the Complainant Department informed that the Company was in business of lending loans to the Customers. The Company, in order to lend the money through digital mode, entered into service agreement with fintech companies in the financial year 2018-19 for processing of loan through online platforms provided by the fintech companies.
- 8.1.3 At the outset, the Committee took note of and carefully reviewed the Object Clause of the Memorandum of Association of the Company, particularly the clauses setting out the main objects relating to the business activities of the Company. Upon perusal of the Memorandum of Association, the Committee examined the scope, nature, and extent of the business operations the Company which it is authorized to undertake, as specified therein and noted as under:

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MOA as on Date of Incorporation	MOA amended as on 19 th November 2009	MOA amended as on 6 th May 2021
To carry on the business of investments and to buy, invest in, acquire hold and deal in properties including equity, preference, deferred and other types of shares, stocks debentures, debenture stock, bonds, obligations, and securities issued or guaranteed by any company constituted or carrying in business in India or elsewhere and debentures, debenture-stock, bonds, obligations and securities.	To lend and advance money or to give credit to such persons, firms, companies, corporations, or institutions on such terms as may seem expedient and in particular to customers and others having dealing with the Company and to release or discharge any debts or obligations owing to the Company, subject to Banking Regulation Act, 1949.	To carry on the business of financing and advancing short term and long term loans and credits including Direct Lending, Digital Lending and B2B2C Lending, to individuals, companies or association of individuals by whatever name called and either on securities such as lands, buildings or part thereof, machinery, plants, chattels, vehicles, shares, debentures, government securities, stock certificates, life insurance policies and unit stock-in-trade or on guarantee or clean without securities and to finance leasing operation of all kinds.

8.1.4 The Committee further noted as under:

- a) The Company disbursed loans to the Customers through the Fintech Companies amounting Rs. 19,45,26,230/-, Rs 10,51,16,06,059/- and Rs 12,81,46,58,221/- for the F.Y. 2018-19, 2019-20 and 2020-21 respectively. This amount was only for disbursal of the loans through the fintech partners which is excluding the traditional business of the Company. Further, the annual business turnover reported by the Company in its financial statements filed with MCA were Rs. 8,24,46,172/-, Rs 36,22,85,565/- and Rs. 27,73,66,888/- for the F.Y. 2018-19, 2019-20 and 2020-21 respectively.
- b) The Company entered into various service agreements with Fintech entities during the relevant period, details of which were examined. The Respondent submitted that these arrangements were supported by duly executed agreements approved by the management, that all fund flows occurred through regular banking channels, and that the Fintech entities were corporate bodies registered under the MCA. The Committee noted that the Respondent brought on record the copy of the following Service Agreements entered into with the Fintech Companies as alleged by the Complainant Department:

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Particular	Date of agreement	Consideration	Termination
Entitled Pvt. Ltd.	12/02/2020	-	12 Month
Briding Pvt. Ltd.	03/09/2020	-	12 Month
Doowin	23/11/2019	-	3 Month
Prospect Technology	08/10/2019	-	12 Month
Goddard	09/02/2021	-	12 Month
Getvantage Tech	-	-	Clause 8 (Until money disbursed Is paid back)
Aesthetic Nutrition Private limited (Funding Partner of Getvantage through agreement)	-	Security Deposit of Rs. 81,19,500/-	-

Upon perusal of the agreements, the Committee observed that the arrangements were in the nature of outsourcing of certain operational and support services and did not transfer ownership of lending activities or regulatory responsibility to the Fintech entities.

8.1.5 The Committee noted in this regard, the Complainant Department has alleged that these Companies the due to association with Fintech Companies, the revenue from operation and turnover has increased exponentially and the funds was not directly disbursed by the Company to the customers and accordingly, the Fintech Companies were the real money lender, the defence made by the Respondent in brief as under:-

- a) The First Loan Default Guarantee (FLDG / Security deposit) based business model is not in violation of RBI regulations which existed as at the date of signing of the financials for the year 2020-21 and the same did not tantamount to abuse / misuse of RBI licence of the Company.
- b) An act shall be called out / deemed to be violating only if it actually violates and not if there is a mere perception of violation. Further, for an act to constitute a violation of applicable law, there must be an explicit provision of a statute or any document, instrument, direction or order which commands compliance.
- c) There was no law at the time of signing of audit reports which directly regulates FLDG, and thereby FLDG should be considered to be simply an unregulated financial product or service.
- d) The arrangement entered with Fintech companies was backed by signed agreement, which has been approved by the Management. Any exchange of funds with them, were through appropriate banking channels. All fintech companies were having status of corporate entity and registered under MCA.
- e) There was no adverse comment / observation issued with respect to the business model followed by the Company by the regulatory authorities.



8.1.6 The Committee in this regard noted that the very first circular with respect to outsourcing of financial services by NBFCs was published by RBI on 9th November 2017 to strengthen the outsourcing arrangements and does not prohibit digital lending, which inter-alia, states as following:

- a) Service Provider may be an Internal Group or External third Party to perform activities on a continuing basis that would normally be undertaken by the NBFC itself, now or in the future.
 - a. NBFCs shall not engage in outsourcing that would result in their internal control, business conduct or reputation being compromised or weakened.
 - b. NBFCs which desire to outsource the financial service would not require pre-approval from RBI.
- b) The following activities shall not be outsourced: -
 - a. Internal audit, Strategic and Compliance functions and decision making such as compliance with KYC norms for opening deposit accounts.
- c) NBFC need to have a robust grievance redress mechanism, which in no way shall be compromised on account of outsourcing.
- d) Service Provider shall not be owned by or controlled by any director of the NBFC or their relatives.
- e) Outsourcing Policy must be approved by the Board of Directors which incorporates, inter-alia, criteria for selection of such activities as well as service providers, delegation of authority depending upon risk & materiality.
- f) Framework to evaluate the risk & materiality of all existing and prospecting outsourcing.
- g) Undertaking regular review of outsourcing strategies and arrangements for their continued relevance and safety and soundness.
- h) Deciding on business activities of a material nature to be outsourced and approving such arrangements.
- i) The NBFCs shall evaluate and guard against the following risks in outsourcing:
 - a) Strategic Risk
 - b) Reputation Risk
 - c) Compliance Risk
 - d) Operation Risk
 - e) Legal Risk.
- j) The agreement shall also bring out the nature of legal relationship between the parties i.e., whether Agent, Principal or otherwise: -
 - a) Clearly defining what service is going to outsource.
 - b) Has the ability to access all books, records and information relevant to the outsourced activity available with the service provider.
- k) Control shall provide continuous monitoring & assessment by the NBFC of the Service provider,
 - l) A terminate clause,
- m) Controls to ensure customer data confidentially
- n) It shall provide the NBFC with the Right to conduct audits on the service provider whether by its Internal or External Auditor.

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The Committee on perusal of the above Guidelines concluded the following:

- The above Guidelines focused on:
 - a) Retention of ultimate responsibility by the NBFC
 - b) Risk ownership remaining with the NBFC
 - c) Contractual safeguards
 - d) Audit access
 - e) Confidentiality and data security
 - f) Business continuity and oversight
- The said Guideline of RBI had no reference whatsoever to:
 - a) First Loss Default Guarantee (FLDG)
 - b) Default Loss Cover (DLC / FLDC)
 - c) Security deposits used as credit enhancement
 - d) Restrictions on utilisation of deposits or guarantees

The Committee on perusal of the above Guidelines noted that the FLDG/FLDC arrangements existed in a regulatory vacuum, not a regulatory violation. The RBI in the above circular nowhere prohibited the use of advance received from the Fintech lenders.

8.1.7 The Committee noted that the Respondent contended the above mentioned were only applicable and the Respondent had resigned from the position of the statutory auditor with effect from 29th September 2021 after submitting their audit report on 12th August 2021 for financial statements of the Company for the year ended 31st March 2021.

8.1.8 The Committee further observed that the following Guidelines were revised and noted the following chain of events in development of the NBFC Digital lending Guidelines:

Date	Regulatory / Policy Development	Key Observations Relevant to FLDG / FLDC
09.11.2017	RBI Circular on <i>Outsourcing of Financial Services by NBFCs</i>	Established principles for outsourcing arrangements. No reference to FLDG/FLDC, security deposits, or restrictions on utilisation of such funds. Focused on contractual safeguards, risk ownership, audit access, and oversight.
2017-2020	Industry practice under outsourcing framework	Fintech partnerships operated under the 2017 outsourcing framework. Security deposits and first loss arrangements existed as commercial constructs without any express regulatory prohibition or prescription.
13.01.2021	RBI constituted Working Group on Digital Lending	WG constituted against backdrop of sharp increase in online lending apps to recommend an appropriate regulatory framework. Formation itself indicates absence of an existing comprehensive framework on digital lending or FLDG at that time.

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18.11.2021	Release of Report of the Working Group on Digital Lending including Lending through Online Platforms and Mobile Apps	WG examined, inter alia, risk sharing arrangements including FLDG. The report acknowledged prevalence of FLDG structures and highlighted potential risks. Importantly, recommendations were prospective and not declaratory of any existing violation.
10.08.2022	RBI Press Release on Recommendations of the Working Group on Digital Lending – Implementation	RBI accepted certain WG recommendations for phased implementation. The press release did not prohibit historical FLDG arrangements nor prescribe any retrospective compliance obligations.
02.09.2022	RBI issued Digital Lending Guidelines	Clarified that credit underwriting and risk ownership must rest with the Regulated Entity. FLDG arrangements were neither expressly permitted nor banned; RBI stated that a separate framework on FLDG was under examination.
08.06.2023	RBI issued Guidelines on Default Loss Guarantee in Digital Lending	For the first time, RBI formally permitted DLG/FLDG arrangements subject to conditions (5% cap, permitted forms, invocation timelines, disclosure and governance requirements). Guidelines expressly came into effect from 08 June 2023, indicating prospective application.

Thus, the contention of the Respondent that said stringent Guidelines were not applicable at the time of his audit period stands true and such Guidelines were issued on 2nd September 2022.

- 8.1.9 The Committee noted from the above table that during the relevant financial years under examination, there was no specific regulatory prescription, RBI directive, accounting standard, or statutory provision which expressly prohibited the utilization of security deposit / FLDG funds received from Fintech service providers for operational purposes, including loan disbursement activities. The Committee further observes that the RBI Circular dated 09.11.2017 governing outsourcing arrangements by NBFCs did not contain any clause restricting the manner in which such security deposits could be utilised. The said circular primarily focused on contractual safeguards, risk ownership, audit access, confidentiality, and oversight requirements, which, as already examined, were duly incorporated in the service agreements entered into by the Company. The Committee also noted that the service agreements between the Company and Fintech entities did not impose any contractual restriction on the utilisation of the security deposit amounts. On the contrary, the contractual framework permitted the Company to utilise such funds in the ordinary course of business, subject to adjustment against defaults, wherever applicable.

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8.1.10 In view of the above, the Committee is of the considered opinion that the utilisation of security deposit funds by the Company for loan disbursement, per se, cannot be regarded as a regulatory violation under the framework prevailing at the relevant time. Consequently, the Committee observes that the Respondent, while conducting the statutory audit, cannot be faulted for not objecting to or reporting such utilisation in the absence of any explicit legal or regulatory prohibition existing during the audit period.

Aspect Examined by Committee	Committee's Observation
Applicability of RBI Circular	RBI Outsourcing Guidelines dated 09.11.2017 were applicable
Auditor's evaluation of contract	Auditor reviewed and documented compliance of outsourcing agreement
Identification of regulatory risk	No material regulatory non-compliance identified
Reporting obligation	No qualification or adverse remark warranted
Professional judgement exercised	Judgement found reasonable and within acceptable professional standards
Rampant increase in the Business of the Company	Acceptable as it the Contract comply RBI Guidelines

8.1.11 Thus, on perusal of the above Guidelines and the Contract entered with fintech Companies, the Committee concluded the following:

RBI Requirement (2017 Guidelines)	Regulatory Expectation	Position in Outsourcing Contract (as examined by Committee)	Committee's Observation
Clearly defined scope of outsourced activities	Contract must clearly specify nature and scope of services	Contract explicitly defined services, responsibilities, and boundaries of outsourced activities	Requirement duly complied with
Retention of risk and management responsibility by NBFC	NBFC must retain ultimate responsibility and oversight	Contract expressly stated that all risks, controls, and accountability remain with the NBFC	No dilution of NBFC responsibility observed
Audit, inspection, and access rights	Unrestricted access to records for NBFC, its auditors, and RBI	Contract contained specific clauses granting access to NBFC, statutory auditors, and RBI	Mandatory regulatory clause present

Confidentiality and data security	Protection of customer data and confidentiality obligations	Detailed confidentiality, data protection, and non-disclosure clauses incorporated	Contract aligned with RBI norms
Restriction on outsourcing core management functions	Core management and decision-making functions cannot be outsourced	Contract limited outsourcing to support/operational functions only	No violation of RBI prohibition
Contingency and exit management	Business continuity and exit strategies must be defined	Contract provided for termination, transition assistance, and continuity arrangements	RBI requirement satisfied

- 8.1.12 Thus, the Committee on perusal of the above concluded that the same were in lines with the RBI fintech Guidelines of 2017. Further, the Committee has carefully considered the various Standards on Auditing and statutory provisions relied upon by the Respondent in support of his defence, including, inter alia, Section 134(5) of the Companies Act, 2013, SA 200 – Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with the Standards on Auditing, SA 250 – Consideration of Laws and Regulations in an Audit of Financial Statements, and the reporting standards namely SA 700, SA 705 and SA 706.
- 8.1.13 The Committee noted that Section 134(5) of the Companies Act, 2013 squarely places the primary responsibility for compliance with applicable laws, maintenance of adequate internal controls, and prevention and detection of fraud upon the directors and management of the Company. The auditor's responsibility, as clarified under SA 200, is limited to obtaining reasonable assurance that the financial statements are free from material misstatement, recognizing that audit risk cannot be reduced to zero due to inherent limitations of an audit.
- 8.1.14 The Committee further observed that SA 250 clearly delineates the auditor's responsibility with respect to laws and regulations, emphasizing that the auditor is not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations, particularly those which do not have a direct effect on the determination of material amounts and disclosures in the financial statements. In the present case, the matters relating to outsourcing arrangements and utilisation of security deposit / FLDG funds were operational in nature and did not give rise to any material misstatement in the financial statements.

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8.1.15 The Committee also noted that none of the circumstances contemplated under SA 705 were triggered during the relevant audit period, as there was no identified material misstatement, regulatory non-compliance, or uncertainty requiring modification of the audit opinion or inclusion of emphasis or other matter paragraphs.

Further, the Committee also noted that the Complainant Department has only provided an investigation report which does not provide substantial evidence against the Respondent. Further, since no further evidence to substantiate the misconduct on the part of the Respondent was forthcoming in the said report, the copy of the said investigation report was not shared with the Respondent.

8.1.16 In view of the above, the Committee concurs with the Respondent's stand that the audit was conducted strictly in accordance with the applicable Standards on Auditing and statutory provisions prevailing at the relevant time. The Committee is satisfied that the Respondent exercised due professional care, applied reasonable professional judgment, and discharged his duties diligently and responsibly. Accordingly, no deviation from professional standards or statutory obligations is found to have been established.

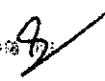
8.1.17 Accordingly, the Committee held the Respondent **Not Guilty** of Professional Misconduct falling within the meaning of Item (7) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.

9. **CONCLUSION:**

In view of the Findings stated in the above paras, vis-à-vis material on record, the Committee gives its charge wise Findings as under:

CHARGES (AS PER PFO)	FINDINGS	DECISION OF THE COMMITTEE
S.no. 1(b) of Para 2 as above	Para 8.1 to 8.1.17 as above	NOT Guilty- Item (7) of Part I of the Second Schedule

10. In view of the above observations, considering the oral and written submissions and material on record, the Committee held the Respondent **NOT GUILTY** of Professional Misconduct falling within the meaning of Item (7) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.


 Anup Mundhra
 Executive Director
 Chartered Accountants Association of India
 Mumbai

ORDER:

11. Accordingly, in terms of Rule 19(2) of the Chartered Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules, 2007, the Committee passes an Order for closure of this case against the Respondent.

**Sd/-
(CA. CHARANJOT SINGH NANDA)
PRESIDING OFFICER**

**Sd/-
(CMA. CHANDRA WADHWA)
(GOVERNMENT NOMINEE)**

**Sd/-
(CA. MAHESH SHAH)
(GOVERNMENT NOMINEE)**

**Sd/-
(CA. PRAMOD JAIN)
(MEMBER)**

**Sd/-
(CA. RAVI KUMAR PATWA)
(MEMBER)**

**DATE: 11.02.2026
PLACE: NEW DELHI**

सत्यापित होने के लिए प्रमाणित / Certified to be True Copy

Leena
गीता अनिलकुमार / Goothe Anrudha Kumar
कार्यकारी अधिकारी / Executive Officer
अनुशासनात्मक निदेशालय / Disciplinary Directorate
भारतीय चरितेतर अकाउंटन्स संस्थान
The Institute of Chartered Accountants of India
आई.सी.ए.आई. भवन, सी-1, सेक्टर-1, नोएडा-201301 (उ.प्र.)
ICAI Bhawan, C-1, Sector-1, Noida-201301 (U.P.)