



THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

(Set up by an Act of Parliament)

[PR/211-A/2015/DD/30/17/DC/746/2018]

**ORDER UNDER SECTION 21B(3) OF THE CHARTERED ACCOUNTANTS ACT, 1949 READ WITH
RULE 19(1) OF THE CHARTERED ACCOUNTANTS (PROCEDURE OF INVESTIGATION OF
PROFESSIONAL AND OTHER MISCONDUCT AND CONDUCT OF CASES) RULES, 2007.**

In the matter of:

Shri L.S. Padmakumar
Superintendent of Police,
Central Bureau of Investigation,
Anti Corruption Branch,
Shastri Bhawan, Haddows Road,
CHENNAI -600 006

Versus

CA. Latha Govindarajulu (M.No.219871)
No. 7, Williams Road,
Cantonment,
Trichy -620 001

[PR/211-A/2015/DD/30/17/DC/746/2018]

MEMBERS PRESENT:

- 1. CA. Atul Kumar Gupta, Presiding Officer**
- 2. CA. Amarjit Chopra, Government Nominee**
- 3. CA. Rajendra Kumar P, Member**
- 4. CA. Chandrashekhar V. Chitale, Member**

1. That vide findings under Rule 18 (17) of the Chartered Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules, 2007 dated 06.08.2019, the Disciplinary Committee was inter-alia of the opinion that **CA. Latha Govindarajulu (M.No.219871)** (hereinafter referred to as the **Respondent**) was **GUILTY** of professional misconduct falling within the meaning of Clause (3) of Part I of Second Schedule to the Chartered Accountants Act, 1949.



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2. That an action under Section 21B (3) of the Chartered Accountants Act, 1949 was contemplated against the Respondent and a communication dated 19th November, 2019 was sent to him thereby granting an opportunity of being heard in person and/or to make oral/written representation before the Committee on 10th December, 2019 at Chennai.

3. Further, on 10th December, 2019, the Committee noted that the Respondent was not present, however, she had filed written submissions on the findings of the Disciplinary Committee holding her Guilty of professional misconduct within the meaning of Clause (3) of Part I of Second Schedule to the Chartered Accountants Act, 1949 and requested the Committee to take a lenient view in this matter.

4. The Committee noted the findings contained in Report of the Disciplinary Committee dated 06/08/2019 holding the Respondent guilty of professional misconduct, which are as under:-

4.1 *"The Committee perused the financial statement signed by the Respondent for the year ended 31st March, 2010 and the projected financials for the year ended 31st March, 2011 and 2012. The sales for the period 31.03.2010 are Rs. 2.05 crores. In comparison, the Respondent certified the projected financials with sales figures of Rs.22 crores and Rs.25 crores for the year ended 31st March 2011 and 2012 respectively. The Committee sought an explanation from the Respondent as to the basis of such high projected sales values. The expenditure projections are also revealing the projected salary for the year 2011 is Rs.4.80 lakhs and the Bonus is Rs.2.40 lakhs for the year 31.03.2011 and the salary of Rs.6 lakhs and Bonus of Rs. 3 lakhs for the year 31.03.2012.*

4.2 *The Committee enquired from the Respondent as to how the Bonus can be 50% of the salary component? But the Respondent had any proper explanation to offer but merely submitted that these have been prepared by an unqualified accountant who has known to her and that he had no knowledge that the same will be used for the purpose of obtaining facilities from the nationalized Bank.*

4.3 *The Committee brought to the notice of the Respondent that she should have been followed the provisions of SAE 3400 which stated that*



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“A Chartered Accountant can participate in the preparation of profit or financial forecasts and can review them, provided he indicates clearly in his report the sources of information, the basis of forecasts and also the major assumptions made in arriving at the forecasts and so long as he does not vouch for the accuracy of the forecasts. The Council has further opined that the same opinion would also apply to projections made on the basis of hypothetical assumptions about future events and management actions which are not necessarily expected to take place so long as the auditor does not vouch for the accuracy of the projections”

4.4 The Committee also brought to the attention of the Respondent that she had failed to follow Clause 3 of Part I of the Second Schedule of the Chartered Accountants Act and the relevant Code of Ethics.

4.5 The Respondent pleaded that she had certified the financial statement and the projections when she was in the initial years of practice and functions from home without any proper professional set up. She also informed that she felt cheated by the unqualified accountant who had engaged her and hid the facts that these are the statements used for obtaining financial assistance from Banks. She sought mercy from the Committee and requested to take lenient view in the matter”.

5. The Committee perused the above facts and looking into all these aspects noted that the Respondent has not applied proper due diligence and flouted the relevant standards prescribed by the ICAI while preparing/certifying the projections. Further, she has also accepted said violations and has sought mercy from the Committee.

In view of above, the Committee is of the opinion that due to wrong certification/projections of sales by the Respondent, the exchequer i.e. Indian bank (a public entity) has caused wrongful loss of Rs. 1.56 crores.

Based on the above findings the Respondent being held guilty of professional misconduct, the Committee is of the view that ends of justice will be met, if the punishment awarded to the Respondent is commensurate with the seriousness of the nature of misconduct.



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6. Thus, Keeping in view the facts and circumstances of the case, material on record and submissions of the Respondent before it, the Committee ordered that the name of the Respondent i.e. CA. Latha Govindarajulu (M.No.219871) be removed from the register of members for a period of 06 (Six) months.

Sd/-
(CA. ATUL KUMAR GUPTA)
PRESIDING OFFICER

Sd/-
(CA. AMARJIT CHOPRA)
GOVERNMENT NOMINEE

Sd/-
(CA. RAJENDRA KUMAR P)
MEMBER

Sd/-
(CA. CHANDRASHEKHAR V. CHITALE)
MEMBER

DATE : 10/12/2019

PLACE : CHENNAI



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[PR/211-A/2015/DD/30/17/DC/746/2018]

CONFIDENTIAL

DISCIPLINARY COMMITTEE [BENCH – II (2019-2020)]

[Constituted under Section 21B of the Chartered Accountants Act, 1949]

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

File No. [PR/211-A/2015/DD/29/17/DC/746/2018]

In the matter of:

Shri L. S. Padmakumar

Superintendent of Police,

Central Bureau of Investigation,

Anti Corruption Branch,

Shastri Bhawan, Haddows Road,

CHENNAI -600 006

.....Complainant

Versus

CA. Latha Govindarajulu (M.No.219871)

No. 7, Williams Road,

Cantonment,

Sh. L. S. Padmakumar, SP, CBI, Chennai -Vs.- CA. Latha Govindarajulu (M.No.219871)

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[PR/211-A/2015/DD/30/17/DC/746/2018]

Trichy - 620 001

.....Respondent

MEMBERS PRESENT:

Presiding Officer

1. CA. Amarjit Chopra, Govt. Nominee on the Chair
2. CA. Rajendra Kumar P, Member
3. CA. Chandrashekhar V. Chitale, Member

DATE OF FINAL HEARING : 30.07.2019

PLACE OF FINAL HEARING : ICAI, CHENNAI

PARTIES PRESENT:

Respondent : CA. Latha Govindarajulu

Charge in brief:-

1. Charge is that the Respondent had certified the sales figures and Projected Sales with exaggerated figures in respect of various Firms without verification of underlying documents. The Complainant stated that their Department had received a complaint from Indian Bank wherein it has been alleged that two of their then Branch Managers sanctioned Secured Overdraft facilities



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to someone named Sh. R. Rajkumar and others based on financial statements containing exaggerated and unrealistic sales projections which were certified by the Respondent. According to the Complainant, this has caused wrongful loss of Rs.1,55,68,000/- to the Bank.

Brief of Proceeding :

2. The Committee noted that the Respondent was present and appeared before it. Since this was the first hearing, the Respondent was put on oath. The office apprised the Committee that no one from the Complainant Department is present to substantiate the charges, however, notice intimating schedule of this meeting was duly served upon them.

The Committee, therefore, decided to proceed ahead based on available documents on record in absence of the Complainant.

2.1 In the absence of the Complainant, the office read out the charges. On being asked whether the Respondent pleads guilty to the charges, he replied in negative and wished to defend the same.

2.2 Thereafter, the Respondent made her submissions against the charges.

2.3 After recording the submissions of the Respondent, the Committee concluded the hearing in the caption matter.

FINDINGS :

3. Upon perusal the documents on record, viz. the Complaint, Written Statement, Prima Facie Opinion and further written/oral submissions of the Complainant, Respondent, the Committee noted that there is only one charge against the Respondent, which is explained in para 1 above.



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4. The Committee gives its findings, which are as under:-

4.1 The Complainant in this case is Superintendent of Police, Central Bureau of Investigation. It is their charge that the Respondent had prepared and certified the financial statement of the borrowers without obtaining any supportive documents and made exaggerated sales projections without any rational and justifications. Based on the financial statement and the projections by the Respondent, the Indian Bank had sanctioned the secured overdraft facilities.

4.2 The Committee has perused the financial statement signed by the Respondent for the year ended 31st March, 2010 and the projected financials for the year ended 31st March, 2011 and 2012. The sales for the period 31.03.2010 are Rs. 2.05 crores. In comparison, the Respondent certified the projected financials with sales figures of Rs.2.2 crores and Rs.2.5 crores for the year ended 31st March 2011 and 2012 respectively. The Committee sought an explanation from the Respondent as to the basis of such high projected sales values. The expenditure projections are also revealing the projected salary for the year 2011 is Rs.4.80 lakhs and the Bonus is Rs.2.40 lakhs for the year 31.03.2011 and the salary of Rs.6 lakhs and Bonus of Rs. 3 lakhs for the year 31.03.2012. Respondent was asked what percentage of bonus was presumed as the bonus projected against salary figures is unrealistic.

4.3 The Committee enquired from the Respondent as to how the Bonus can be 50% of the salary component ? The Respondent had no proper explanation to offer but merely submitted that these have been prepared by an unqualified accountant who was known to her and that she had no knowledge that the same will be used for the purpose of obtaining facilities from the nationalized Bank.

4.4 The Committee brought to the notice of the Respondent that she should have been followed the provisions of SAE 3400 which stated that



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4.5 The Committee also brought to the attention of the Respondent that she had failed to follow Clause 3 of Part I of the Second Schedule of the Chartered Accountants Act and the relevant Code of Ethics.

4.6 The Respondent pleaded that she had certified the financial statement and the projections when she was in the initial years of practice and functions from home without any proper professional set up. She also informed that she felt cheated by the unqualified accountant who had engaged her and hide the facts that these are the statements used for obtaining financial assistance from Banks. She sought mercy from the Committee and requested to take lenient view in the matter.

4.7 Having heard, the Respondent and the documents brought on record, the Committee is of the view that the Respondent had not applied proper due diligence and flouting the relevant standards prescribed by the ICAI while preparing the projections.

In conclusion, the Committee holds the Respondent GUILTY of professional misconduct falling within the meaning of Clause 3 of Part I of Second Schedule of the Chartered Accountants Act.



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CONCLUSION :

5. Thus, in the considered opinion of the Committee, the Respondent is **GUILTY** of Professional Misconduct falling within the meaning of Clause (3) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.

**Sd/-
GOVERNMENT NOMINEE**

PRESIDING OFFICER

Sd/-

(CA. RAJENDRA KUMAR P)

MEMBER

Sd/-

(CA. CHHANDRASHEKHAR V. CHITALE)

MEMBER

DATE : 06-08-2019

PLACE : New Delhi