



# THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

(Set up by an Act of Parliament)

[PPR/20/C/13/DD/19/C/INF/13/DC/508/2016]

**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:**

**CA. Puneet Godawat (M.No.402148) in Re:, Jaipur**

**[PPR/20/C/13/DD/19/C/INF/13/DC/508/2016]**

**MEMBERS PRESENT:**

- 1. CA. Atul Kumar Gupta, Presiding Officer**
- 2. CA. Amarjit Chopra, Government Nominee**
- 3. CA. Rajendra Kumar P, 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 05.02.2019, the Disciplinary Committee was inter-alia of the opinion that **CA. Puneet Godawat (M.No.402148)** (hereinafter referred to as the **Respondent**) was **GUILTY** of professional misconduct falling within the meaning of Clause (7) of Part I of Second Schedule to the Chartered Accountants Act, 1949.
2. That an action under Section 21B (3) of the Chartered Accountants Act, 1949 was contemplated against the Respondent and communication dated 03<sup>rd</sup> May, 2019 was addressed to him thereby granting an opportunity of being heard in person and/or to make oral/ written representation before the Committee on 15<sup>th</sup> May, 2019 at New Delhi.
3. Further, on 15<sup>th</sup> May, 2019, the Committee noted that the Respondent was not present, however, he has made written submissions dated 05/05/2019 and requested the Committee to take lenient view.

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4. The Committee noted that the Respondent in his written submissions has stated that *“any error, omission during the assignment by me was not intentional and was due to lack of professional experience and expertise. It is clear to me that errors during the assignment may destroy my professional career of about 15 years. I therefore request the Disciplinary Committee to consider a lenient view while delivering a decision in this matter. I assure Disciplinary Committee that in future utmost care will be ensured from my end while delivering professional duties.”*

5. The Committee noted the above and records the following observations as contained in the findings of earlier Committee:-

- a. That there were no signatures on the audit reports. The reports were merely stamped and initialed.
- b. There was no date on the report, to indicate when these Reports were signed.
- c. The Reports were not addressed to anybody.
- d. The reports were appeared to have been prepared for all the five quarters at one time subsequently as these are identical, undated and there was no acknowledgment to show that same were submitted to the bank from time to time.

5.1 Further, the Committee noted that the Administrator for the Bank was appointed in April, 2009.

The Respondent accepted that he has submitted the concurrent audit report for the quarter ending 31<sup>st</sup> March, 2009 and 30<sup>th</sup> June, 2009 to the Administrator of the Bank. But audit reports for the said quarters do not contain the irregularities as pointed out by the RBI Inspector. The inspection of the Bank records was conducted by the RBI Inspectors in November 2008 i.e. the period when the Respondent was the concurrent auditor.

5.2 The Committee noted that when the RBI inspection was conducted in November, 2008 and the Respondent was doing the concurrent audit during the said period in the same bank and also continued further. However, the Respondent never asked for these RBI reports and could not sense that there might be some issues which might have been noticed by RBI and he can take

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cognizance of the same while drafting his reports. The Respondent should have carried out the detailed checks to verify whether the transactions during the period were transacted as per norms of the RBI. Even in April, 2009, when the Administrator was appointed, the Respondent must have taken extra care and should have thoroughly checked all the transactions as the appointment of administrator is itself is a signal that all the affairs of the Bank are not conducted as per the norms of the RBI.

5.3 The Committee noted that during the hearing before erstwhile Committee, the Respondent submitted that he has pointed out some violations of RBI norms in the concurrent audit report. However, the Committee noted that there were some vague reporting on certain issues without pointing out specific irregularities. Further, the Respondent has not followed up regarding these issues with the Bank while submitting the reports for the next quarters. Hence he did not check whether the violations which were pointed out by him in the last report has been rectified or not. The attitude of the Respondent not to check an action taken on the violations pointed out by him in the last report shows that the Respondent was negligent and casual in his approach in the conduct of the duty as the concurrent auditor.

5.4 In order to verify the claim of the Respondent that the concurrent audit report(s) are submitted to the Bank on quarterly basis, the Committee directed the Respondent to submit the proof of having submitted the same to the Administrator on quarterly basis. The Committee also directed the office to write to the Officer of the Administrator and to obtain a copy of the concurrent audit report for the quarter ending 31<sup>st</sup> March 2009 and 30<sup>th</sup> June, 2010.

On continuous follow up, the office of the Administrator promised to provide the documents, however, nothing has been submitted by them till the date of signing of the report.

5.5 On the basis of observations as mentioned in the above paras indicate that the audit was conducted by the Respondent in a casual manner and without keeping track of the subsequent actions taken by the Bank on whatever violation as pointed out by him in his audit report.

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6. Looking into all these aspects, the Committee noted that the Respondent is grossly negligent in his professional duties. Keeping in mind all above aspects, the Committee hereby was of the view that ends of justice would be met, if a severe punishment is awarded to the Respondent in commensurate with his professional negligence.
7. Thus, keeping in view the facts and circumstances of the case, the material on record before it, the Committee ordered that that the name of the Respondent i.e. CA. Puneet Godawat (M.No.402148) be removed from the register of members for a period of 03 (three) months and a fine of Rs. 10,000/- (Rupees Ten Thousand only) plus applicable taxes (i.e. total sum of Rs. 11,800/- including GST as applicable) be also imposed upon him to be paid within 30 days of receipt of this order.

Sd-

(CA. ATUL KUMAR GUPTA)  
PRESIDING OFFICER

Sd-

(CA. AMARJIT CHOPRA)  
GOVERNMENT NOMINEE

Sd-

(CA. RAJENDRA KUMAR P)  
MEMBER

DATE : 15/05/2019

PLACE : New Delhi



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[PPR/20/C/13/DD/19/C/INF/13/DC/508/2016]

**CONFIDENTIAL**

**DISCIPLINARY COMMITTEE [BENCH – II (2018-2019)]**

**[Constituted under Section 21B of the Chartered Accountants (Amendment) 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. : [PPR-20/C/2013/DD/19/C/INF/13/DC/508/16]**

**In the matter of:**

**CA. Punit Godawat (M.No.402148)**

**C-42, Hari Marg, Malviya Nagar,**

**JAIPUR 302017.**

**.....Respondent**

**MEMBERS PRESENT:**

**CA. Prafulla P. Chhajed, Presiding Officer**

**CA. Amarjit Chopra, Government Nominee**

**CA. Mangesh P. Kinare, Member**

**CA, Sushil Kumar Goyal, Member**

**DATE OF FINAL HEARING : 07.01.2019**

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[PPR/20/C/13/DD/19/C/INF/13/DC/508/2016]

**PLACE OF FINAL HEARING : ICAI Bhawan, Jaipur**

## **PARTIES PRESENT:**

**Respondent : CA. Punit Godawat**

**Counsel for Respondent: CA. Vimal Kumawat**

## **Charges in Brief:-**

1. The Respondent was the concurrent auditor of M/s Vaishali Urban Co-operative Bank Ltd (hereinafter referred as bank) from the year 2008 to 2009. The Bank was found flouting the laws of the Reserve Bank of India and its own bye-laws by the Board of the Bank headed by CA. Kamal Mehta as Chairman in collusion with the concurrent auditors, as pointed out by the inspecting officers from Reserve Bank of India and Statutory Auditors of the Bank. The frauds and embezzlements in the Bank were committed by the Board headed by Shri Kamal Mehta as clearly reported in the Inspection Report submitted by the Reserve Bank of India and also reported by the Statutory Auditor. These matters of fraud have never been reported by the Respondent in her report submitted to the Bank.
2. The irregularities in bank during the tenure of Respondent based on above reports can be summarised as under:
  - a) The Bank had not segregated inoperative deposit accounts from the operative accounts. Some of the inoperative account were reactivated unauthorized and clean overdrafts were sanctioned therein without any request from the account holders on record.

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- b) Loans against NSCs in current accounts. The bank neither had copies of NSCs / IVPs on its record nor was it able to furnish details like numbers etc.
- c) Clean overdrafts given in fictitious current accounts. Six current accounts were opened and overdrafts were allowed in these accounts. These overdrafts were sanctioned without receiving any request for OD limits.
- d) Clean overdrafts in some new and existing current accounts without receiving any request for OD limits.
- e) Irregularities in opening of SB account no.3772 of Bharat Jain.
- f) Misuse of Payment order account to raise money / create money.
- g) Overdraft opened in the name of the Bank with the Bank of Rajasthan had not brought into books of the bank.
- h) The Board of Director of the Bank had authorized opening of the fixed deposits and OD accounts with Bank of Rajasthan. The Board of Director had authorized six people to operate the account. The account was to be operated by any two persons (jointly) authorized to do so. The person so authorized included the Chairman and a clerk of the Bank.
- i) The Bank had a fixed deposit of Rs.280.93 lakhs with Rajasthan State Co-Op Bank Ltd against which it enjoyed a CC limit of Rs.200 lakh. A fresh overdraft of Rs.63 lakhs was sanctioned against the residual value of fixed deposit. Amount received against overdraft was used to repay the outstanding overdrafts in the books of the Bank in the name of members of Pacific DC & Hospital, Udaipur. This loan was not brought into books of the Bank.



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- j) The Bank had availed overdraft facility of Rs.315 lakh against its fixed deposits of Rs.450 lakh with Jaipur Central Co-op Bank Ltd (JCCB Ltd). in the month of June, 2006. It was observed that with effect from 20<sup>th</sup> June, 2006 there were many transactions which appeared in the bank's account in the books of JCCB Ltd but the same were not reflected in the books of the bank.
- k) As per the bank's statement of account received from Centurain Bank of Punjab on 30<sup>th</sup> June, 2007 Rs.200 lakh were deposited in cash in the said account. This transaction was not shown in the books of the Bank.
- l) The Bank had availed overdraft facility against its fixed deposit of Rs.45 lakh in its CC account number 0016-576960-050 with IndusInd Bank Ltd., during the period from 18<sup>th</sup> July, 2006 to 26<sup>th</sup> September, 2007. The amounts were withdrawn in the name of individuals. The transactions with IndusInd Bank Ltd. were also not shown in the books of the Bank.

### 3 BRIEF FACTS OF THE PROCEEDINGS

3.1 On the day of hearing, the Committee noted that the Respondent in person was present along with CA. Vimal Kumawat.

3.2 The Respondent was put on Oath. The Respondent pleaded not guilty to the charges and wished to defend the charges.

3.3 The Respondent stated that he was the concurrent auditor of the bank for a limited period i.e. April, 2008 to June, 2009 and except this he was not associated in anyway with the bank or Chairman of the Bank i.e. CA. Kamal Mehta. On being repeatedly asking him; he admitted that he is related to CA. Kamal Mehta. The Committee asked him whether he has done any certification work for any concerns belonging the Chairman of the bank, CA. Kamal Mehta. The Respondent replied that he does not recollect having done any such work. The Committee directed him to give tabular chart for services render to CA. Kamal Mehta.

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3.4 The Committee also asked him to produce working papers relating to audit conducted by him for the said period. The Respondent replied that while shifting of his office premises, the working papers had been lost in transit.

3.5 The Committee asked the questions to the Respondent about his concurrent audit reports and recorded the submissions of the Respondent and directed him to file final submissions and documents within 15 days from the date of hearing.

3.6 Further, the Committee directed the office to call following documents / information from the Administrator, M/s. Vaishali Urban Co-operative Bank Ltd., which are as under:-

- (a) Whether, the Respondent has submitted the concurrent audit report for quarter ending 31<sup>st</sup> March, 2009 and 30<sup>th</sup> June, 2009, if yes, copies of these reports.
- (b) Copies of acknowledgments issued for receipt of concurrent audit report of CA. Punit Godawat.

With these directions, the Committee concluded the hearing in the captioned matter.

## **FINDINGS OF THE COMMITTEE:**

4. The Committee noted that the allegations against the Respondent are based on the RBI scrutiny report and on the basis of enquiry results and direction under Section 55 (5) (6) of Rajasthan Co-operative Societies Act, 2001.
  - 4.1 The Committee noted that the Respondent was Concurrent Auditor of the Bank, from the period April 2008 to June, 2009. The Respondent conducted the concurrent audit on monthly basis and submitted the Concurrent Audit Report on quarterly basis to the Bank.

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- 4.2 It was pointed out in RBI inspection report that the Bank was found flouting the laws / rules of Reserve Bank of India and its own bye laws and many of these irregularities were seemed to have been perpetrated by or at the behest of the Chairman of the Bank. The RBI in its inspection Report has reported that fraud and embezzlement in the Bank was found by the RBI inspectors. But the Respondent as concurrent Auditor failed to report any of such instances in his Report.
- 4.3 During the hearings, the Respondent admitted before the Committee that he is relative of the Chairman of the Bank. He was also auditing and rendering services to the concern in which the Chairman of the bank CA. Kamal Mehta was interested. He accepted that he rendered his services to Kushal Education Trust, Kushal Global Limited, the concern that belongs to the Chairman of the bank CA. Kamal Mehta. On being asked, what types of services, he has rendered to such concerns, the Respondent could not reply, however he agreed to submit the relevant documents /information to the Committee within 15 days time. But nothing has been submitted by him till the date of signing of the report.
- 4.4 The Committee also noted that the Respondent was not having the appointment letter and he was not aware of the scope of the audit. On being asked the specific question, he submitted that the concurrent audit report was submitted by him on the basis of last concurrent audit report done by another auditor.
- 4.5 The Respondent submitted that most of the transactions were of the period when he was not the auditor of the Bank i.e. prior to his Audit period. However, the Committee noted that there were many transactions in the accounts which were transacted during the period when he was appointed as concurrent auditor. The Committee noted that Respondent does not have the working papers pertaining to the audit which he has conducted as he submitted that the same were lost during shifting of his office. However, the Committee noted that he has submitted the copies of audit report for the period for which he was the auditor.



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4.6 On perusal of the RBI Inspection report, the Committee noted that there were number of transactions which were falling during the period of April 2008 to June 2009 (i.e. audit period of the Respondent). To highlight certain transactions, the details based on the above reports are detailed as under:-

4.6.1 (a) under para 5(i): in the current account No. CA1521 of M/s Vasundara, a clean overdraft of Rs. 112.35 lakhs was allowed on 10.05.2008 and the same was transferred to SB account No. 3992 of Indian Council for International Amity. The account was opened on 07.05.2008 . No request for OD limit was received, however on 23.05.2008, an amount of Rs.10.19 lakhs and Rs.12.18 lakhs was transferred to the A/c. o CA 1521 and thereafter the A/c. No. CA -7 and CA -8 of Shri Kamal Mehta and his spouse and this amount was again re transferred from these accounts to these a/c No. 1521 on 28.05.2008. Thus, it is evident that the clean overdraft was allowed in one current account and the amount was transferred to the Chairman of the bank and his wife without any request for OD limit.

#### **Loans against NSCs in current accounts:**

4.6.2. The loans against NSC were allowed in six current accounts during the period from December 31, 2007 to January 2008. The bank neither had copies of NSC/IVPs on its record nor it was able to furnish the details like their number etc. The scrutiny report concluded that the overdraft were clean overdraft without any support of the underlying documents. These overdrafts were also issued without receiving any request for overdraft limit. The repayment of this loan was arranged on 13<sup>th</sup> June 2008 by taking loan of Rs. 62.94 lacs from Rajasthan State Cooperative Bank Ltd against a FD in the name of bank., the same was not shown/routed through the books of the bank.

#### **Misuse of the Payment Order Account:**

4.6.3. The large scale misuse of payment order account, some of the instances are as under:

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S.No	Payment Order No. and date	Amount Rs. lakh	Remarks
1.	016588 dated 29.06.2008	50.00	Cash withdrawals from IndusInd Bank
2.	016697 date 29.06.2008	55.00	

## Transactions not brought on banks books

4.6.4 There were large scale misuse of overdraft against FDs of the bank with the Bank of Rajasthan Ltd, Nagar Nigam and Subhas Marg Branch:

The overdraft of Rs. 250 lacs at Subhas Marg Branch was liquidated partly on November 1, 2008 using a cheque of Rs 170 lacs issued by the customer of the bank namely M/s Invention Digital systems (proprietor, Sanjay Bhansali). The remaining amount of Rs. 82.03 lacs was repaid on 6<sup>th</sup> November 2008 by using remittance in cash received from bank of Rajasthan Ltd, Sojati Gate, Jodhpur from the account of M/s Kushal Education Trust, where Shri Kamal Mehta Chairman of the Bank has interest. All this was done when the inspection of the bank by RBI Inspector was under way under Section 35 of the Banking Regulation Act. This overdraft account was not reflected in the books of bank

## 4.6.5. Overdraft against fixed deposit of the bank with the Rajasthan State Cooperative Bank Ltd, Jawahar Nagar, Jaipur, loan account no. 768/92.

The bank had a fixed deposit of Rs. 280.93 lacs the Rajasthan State Cooperative Bank Ltd against which it enjoyed a cash credit limit of Rs 200 lacs. On June 13, 2008 a fresh overdraft of Rs. 63 lacs was sanctioned against the residual value of the fix deposit. The bank utilize Rs 62.94 lacs against the sanction limit of Rs. 63 lacs. The amount was utilized to repay the outstanding overdraft in the books of the bank in the name of the members of Pacific DC & Hospital, Udaipur. The account was closed on 6<sup>th</sup> November 2008 by depositing cash of Rs. 6302469/-. The said transaction was not routed through the book of the bank.

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4.6.6. Irregularities were noticed in transactions with IndusInd, Shalimar Complex, Jaipur. It is gathered that cash withdrawals were permitted by IndusInd bank ltd by purchase of payment orders which are then lodged in clearing by them. The bank had on several occasion availed such facility from IndusInd bank, some of the instances are:

S.No	Payment Order No. and date	Amount Rs. lakh
1.	016587 dated 29.06.2008	50.00
2.	016588 date 29.06.2008	55.00
3.	016697 dated 29.06.2008	95.00

As the cash withdrawals were against its own payment orders issued in favour of IndusInd Bank without actually having prefunded its payment order account, the withdrawals were clean overnight inter-bank borrowings and could be construed as call borrowings

The above transactions were very well transacted during the period in which the Respondent was the concurrent auditor

4.7. On perusal of copies of concurrent audit reports submitted by the Respondent, the Committee noted the following observations:

- e. That there were no signatures on the audit reports. The reports were merely stamped and initialed.
- f. There was no date on the report, to indicate when these Reports were signed.
- g. The Reports were not addressed to anybody.
- h. The reports were appeared to have been prepared for all the five quarters at one time subsequently as these are identical, undated and there was no acknowledgment to show that same were submitted to the bank from time to time.



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- 4.8 Further, the Committee noted that the Administrator to the Bank was appointed somewhere in April, 2009. The Respondent accepted that he has submitted the concurrent audit report for the quarter ending 31<sup>st</sup> March, 2009 and 30<sup>th</sup> June, 2009 to the Administrator of the Bank. But audit reports for the quarters ending do not contain the reporting on irregularity as pointed out by the RBI Inspector. The inspection of the Bank records was conducted by the RBI Inspectors in November 2008 i.e. the period when the Respondent was the concurrent auditor.
- 4.9 The Committee noted that when the RBI inspection was conducted in November, 2008 and the Respondent was doing the concurrent audit during that period in the same bank and even afterwards. However, still the Respondent never asked for these RBI reports and could not sense that there might be some issues which might have been noticed by RBI and he can take cognizance of the same while drafting his reports. The Respondent should have carried out the detailed checks to verify whether the transactions during the period were transacted as per norms of the RBI or not. Even in April, 2009, when the Administrator was appointed, the Respondent must have taken extra care and should have thoroughly checked all the transactions as the appointment of administrator is itself is a signal that all the affairs of the Bank are not conducted as per the norms of the RBI.
- 4.10 The Committee noted that during the hearing, the Respondent submitted that he has pointed out some violations of RBI norms in the concurrent audit report. However, the Committee noted that there were some vague reporting on certain issues without pointing out specific irregularities. Further, the Respondent has not followed up regarding these issues with the Bank while submitting the reports for the next quarters. Hence he did not check whether the violations which were pointed out by him in the last report has been rectified or not. The attitude of the Respondent not to check an action taken on the violations pointed out by him in the last report shows that the Respondent was negligent and casual in his approach in the conduct of the duty as the concurrent auditor.



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4.11 From the above, the Committee construed that there were many instances in which the clean overdrafts were extended in the existing current account. There were many accounts where the payment order account was misused. There were many transactions during the audit period of the Respondent which were not brought into the books of the Bank, however the same were not reported by the Respondent in his audit report.

4.12 In order to verify the claim of the Respondent that the concurrent audit report(s) are submitted to the Bank on quarterly basis, the Committee directed the Respondent to submit the proof of having submitted the same to the Administrator on quarterly basis. The Committee also directed the office to write to the Officer of the Administrator and to obtain a copy of the concurrent audit report for the quarter ending 31<sup>st</sup> March 2009 and 30<sup>th</sup> June, 2010.

On continuous follow up, the office of the Administrator promised to provide the documents, however, nothing has been submitted by them till the date of signing of the report.

4.13 On the basis of observations as mentioned in the above paras indicate that the audit was conducted by the Respondent in a casual manner and without keeping track of the of the subsequent actions taken by the Bank on whatever violation as pointed out by him in his audit report.

In view of above, in the considered opinion of the committee, the Respondent is guilty of professional misconduct falling within the meaning of Clause (7) of Part I of Second Schedule to the Chartered Accountants Act, 1949.

## **Conclusion**

5. Thus, in the considered opinion of the Committee, the Respondent is **GUILTY** of professional misconduct falling within the meaning Clause (7) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.

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**Sd/-**  
**(CA. AMARJIT CHOPRA)**  
**GOVERNMENT NOMINEE**

**Sd/-**  
**(CA. MANGESH P. KINARE)**  
**(MEMBER)**

**Sd/-**  
**(CA. SUSHIL KUMAR GOYAL)**  
**(MEMBER)**

**DATE : 05<sup>th</sup> February, 2019**

**PLACE : New Delhi**