



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

[PR-154/14-DD/181/2014/DC/433/2015]

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.

[PR-154/14-DD/181/2014/DC/433/2015]

In the matter of:

Shri Anilkumar Sanghvi,
Managing Director,
M/s. Sanghvi Erectors Pvt. Ltd.,
401, 4th Floor, Sai Capital Building,
Opp. J.W. Marriott,
Senapati Bapat Road,
PUNE – 411 016.

.....Complainant

-Vs.-

CA. Satyawan Jalindar Mule (M.No.103417),
No.402, Parmesh Plaza,
1213, Sadashiv Peth
Near Hatti Ganpati
PUNE - 411030.

.....Respondent

MEMBERS PRESENT:

- 1. CA. Atul Kumar Gupta, Presiding Officer**
- 2. CA. Amarjit Chopra, Government Nominee**
- 3. CA. Rajendra Kumar P, Member**
- 4. CA. Pramod Kumar Boob, 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 07.01.2020, the Disciplinary Committee was inter-alia of the opinion that **CA. Satyawan Jalindar Mule (M.No.103417)** (hereinafter referred to as the **Respondent**) was **GUILTY** of professional misconduct falling within the meaning of Clauses (7), (8) & (9) 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 a communication dated 4th March, 2020 was sent to him thereby granting an

Shri Anilkumar Sanghvi, MD, M/s. Sanghvi Erectors Pvt. Ltd., Pune -vs - CA. Satyawan Jalindar Mule (M.No.103417), Pune



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opportunity of being heard in person and/or to make oral/ written representation before the Committee on 17th March, 2020 at Delhi/Mumbai.

3. The Respondent was present before the Committee in Mumbai office of ICAI through video conferencing mode. He submitted, among others, that due to internal dispute between partners of the client, the Complainant did not sign the Balance Sheet. He further submitted that he was not aware about dispute between the partners. Besides, due to overlooking, one item of prior period item relating to sale of land, escaped his attention. The Respondent also submitted that the Complainant retired on 20th October, 2016 with full and final settlement. He accordingly requested the Committee for taking a lenient view in his case and give the minimum punishment by way of reprimand.

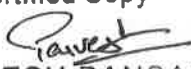
4. The Committee while looking into the matter and the conduct of the Respondent, is of the opinion that the respondent neglected the generally accepted principles of audit by not reporting the misdeeds of other partner. Further, the Respondent had himself accepted the guilt on his part.

5. Therefore, 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 Respondent i.e. the name of the Respondent, i.e., CA. Satyawan Jalindar Mule (M.No.103417) be removed from the register of members for a period of 01 (one) year and further imposed fine of Rs. 15,000/- (Rupees Fifteen thousand only) which shall be payable by him within a period of 30 days from the receipt of the Order.

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

Sd/-
(CA. RAJENDRA KUMAR P.)
MEMBER

Certified Copy


PARVESH BANSAL

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

Sd/-
(CA. AMARJIT CHOPRA)
GOVERNMENT NOMINEE

Sd/-
(CA. PRAMOD KUMAR BOOB)
MEMBER

DATE : 17/03/2020

PLACE : Delhi

Shri Anilkumar Sanghvi, MD, M/s. Sanghvi Erectors Pvt. Ltd., Pune -vs - CA. Satyawan Jalindar Mule (M.No.103417), Pune


17/3/2020

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

[Ref. No. PR-154/14-DD/181/2014/DC/433/2015]

In the matter of:

**Shri Anilkumar Sanghvi
Managing Director,
M/s. Sanghvi Erectors Pvt. Ltd.
401, 4th Floor, Sai Capital Building
Opp. J W Marriott
Senapati Bapat Road
Pune – 411 016**

...Complainant

Versus

**CA. Satyawan Jalindar Mule(M.No.103417)
No. 402, Parmesh Plaza
1213 Sadashiv Peth
Near Hatti Ganpati
Pune – 411 030**

.....Respondent

MEMBERS PRESENT:

**CA. ATUL KUMAR GUPTA, PRESIDING OFFICER,
CA. AMARJIT CHOPRA, GOVERNMENT NOMINEE,
CA. CHANDRASHEKHAR VASANT CHITALE, MEMBER**

DATE OF FINAL HEARING : 24.06.2019

PLACE OF FINAL HEARING : ICAI, Bandra Kurla Complex, MUMBAI

PARTY PRESENT:

Complainant : Not Present

Respondent : Not Present

Anilkumar Sanghvi -Vs- CA. Satyawan Jalindar Mule (M.No.103417



BRIEF OF THE CHARGES:-

1. The Committee noted that the Respondent has audited the financial statements of M/s. Suryakant Kakade and Sanghvi Erectors (hereinafter referred as "the firm") for the Financial Years 2010-2011 and 2011-2012. In respect of the following charges, the Respondent was held prima facie guilty:-
 - i) The Respondent audited the Accounts of the firm signed by only one partner of the firm in violation of clause 7 of partnership deed of the firm.
 - ii) There are some cases of wrong accounting, but same was not reported by the Respondent in his Audit Report. It is alleged that the transaction related to sale of land was not recorded in the year of sale but recorded in the subsequent years.
 - iii) The Respondent failed to point out in his audit report about the fraud played by the other partner of the firm.

BRIEF OF THE DISCIPLINARY PROCEEDINGS:-

2. First of all, the Committee noted that the hearing in the instant matter was concluded on 19.12.2018 by the then Committee. However, the then Committee could not arrive at any findings in the matter and accordingly, the matter was re-fixed for hearing. Thereafter, the hearings in the matter were fixed on 09.05.2019 and 30.05.2019 which were adjourned at the request of the Respondent. On the day of final hearing i.e. on 24.06.2019, the Committee noted that neither the Complainant nor the Respondent was present. It is noted that there was a letter from the Respondent to decide the case on merit. Since there was no intimation from the Complainant and the Respondent requested the Committee to decide the matter on merits, the Committee proceeded with the case ex-parte. The Committee after perusal of the documents on record, decided to conclude the hearing.

FINDINGS OF THE DISCIPLINARY COMMITTEE:-

3. The Committee noted that in earlier hearing, the Respondent was asked to submit the copy of the Complainant letter whereby he had withdrawn the disciplinary complaint.

But the Respondent could not submit the same. The Committee also noted that the Complainant vide his e-mail / letter dated 04/01/2017 confirmed that there was settlement between the partners of the firm but he also informed that he has not withdrawn his complaint with the Institute.

4. The Committee noted that first charge against the Respondent is that he has audited the accounts of M/s. Suryakant Kakade and Sanghvi Erectors (hereinafter referred as "the firm") which was signed by only one partner of the firm in violation of clause 7 of partnership deed of the firm.

4.1. It has been observed that the Respondent was the tax auditor of the firm for financial years 2010 - 2011 and 2011-2012. Further, on perusal of Tax Audit Reports, it is noted that the Respondent made said reports based upon cash book, bank book, sales ledger, journal ledger, creditor ledger and general ledger and there is no mention about the partnership deed etc. The Complainant stated that in partnership deed, there is no mention like managing partner and the partnership deed specifically says that financial statements shall be signed by both the partners. But it was signed by only one partners and filed with Income tax department.

4.2. On perusal of the partnership deed dated 10.11.2016, it is noted that as per Clause 7 of said deed, the Balance Sheet and Profit and Loss account shall be prepared and signed by the partners. However, it is noted that these accounts were signed only by one partner which was in violation of partnership deed and as far as responsibility of the Respondent is concerned, the Committee was of the view that the Respondent failed to go through the provisions of partnership deed and signed the accounts without verifying the authenticity of the financial statements as per provisions of partnership deed. Since the Respondent failed to exercise due diligence which is expected from him as a professional, the Committee decided to hold the Respondent guilty of professional misconduct falling within the meaning of Clause (7) of Part I of Second Schedule to the Chartered Accountants Act, 1949..

5. In respect of second and third charge, the Committee noted that the Complainant alleged that there are cases of wrong accounting but same was not reported by the Respondent in his Audit Report. It is alleged that the transaction related to sale of land

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was not recorded in the year of sale but recorded in the subsequent years. The Complainant also alleged that sundry debtors are property of the Firm and hence, transfer of debtors balance to a partner's capital account without the consent / knowledge of the other partner is violation of Clause 13 of the partnership Deed. There was no comment or observation by the auditor in his Audit Report for all the three years in respect of transactions of transfer of debtors to capital account, non-realization of sale proceeds by the Firm etc.

5.1. In view of discrepancies reported by the Complainant in respect of sales of land and submissions of the Respondent on record, it is seen that these are in respect of book keeping of the firm and for this book keeping, the partners of the firm are liable. But as far as role of the Respondent as an auditor is concerned, it was duty of the Respondent as auditor to point out discrepancies in his audit report after verifying the books of accounts maintained by the partners of the firm. It is seen that the Complainant pointed out certain transactions of sale of land which were not recorded in the year of sale. In this regard, the Respondent stated that he has verified the transactions on test check basis. The Respondent also stated that as per his knowledge recording of Journal entries on 31st March, 2011 instead of regular date is not a fraud and such information is not required for reporting. The Complainant in his rejoinder stated that there was only five sales documents for the entire financial year 2010-11 and hence, it is surprising to state that the Respondent had used test check to verify only five sales documents. In respect of above, the Committee noted that the book of accounts was prepared based on accrual method of accounting. The Committee noted that in respect of sale of land S. No.155 / 20 to Seema Ghule on 29.09.2009, the Respondent admitted that the said sale was recorded in the books of account on 31.03.2011. This transaction was not reported as prior period item in the financial statement.

5.2 It is also seen that the Complainant has pointed out that during the Financial Year 2010-11 and 2011-12, the entries for sales realization have been debited to the Capital Account of the partner through Journal Entries by crediting the Sundry debtors (without consent of the other partner) which is not permissible since the debtors are also assets of the firm. It is noted that when the Bank Accounts are required to be

operated by both the partners, the Journal Entries have been deliberately passed in a manner to defraud the Complainant. While the issue of sale of the property of the firm is an internal matter of the firm but the Complainant has raised some pertinent points in the sense that the land being located at scattered places was not considered at the time of purchase but the same has been made as a material fact for sale at lower value to which the auditor has also accepted the reasoning given by the other partner without any examination. It appears that the property of the firm has been given up for the liability of the other partner which is in contravention of Clause 13 of the Partnership deed. Such transactions should have been commented upon by the auditor which he has failed to do and hence there appears to be certain amount of negligence on the part of the Respondent in scrutinizing the accuracy on the books of accounts maintained by the firm.

5.3 Since the Respondent failed to qualify his report in respect of the aforesaid transactions, the Committee is of the view that the Respondent is guilty of professional misconduct falling within the meaning of Clauses (7), (8) and (9) of Part I of Second Schedule to the Chartered Accountants Act, 1949.

CONCLUSION:-

6. Thus in the considered opinion of the Committee, the Respondent is **GUILTY** of Professional Misconduct falling within the meaning of Clause (7), (8) and (9) of Part I of Second Schedule to the Chartered Accountants Act, 1949.



Sd/-

(CA. ATUL KUMAR GUPTA)
PRESIDING OFFICER

Sd/-


(CA. AMARJIT CHOPRA)
GOVERNMENT NOMINEE

Sd/-

(CA. CHANDRASHEKHAR VASANT CHITALE)
MEMBER

DATE :07.01.2020

PLACE : Mumbai

Certified True Copy

Mukesh Kumar Mittal
Assistant Secretary
Disciplinary Directorate
The Institute of Chartered Accountants of India
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