



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

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.

File No. : [PR 86/13-DD/106/2013]-DC/519/2017]

In the matter of:

Dy. General Manager

Zonal Office,

Allahabad Bank

Vairams, 112, Sir Theagaraya Road

CHENNAI - 600 017

.....Complainant

Versus

CA. V Vasudevan (M. No. 021515)

New No. 2, Teachers Colony

Royapettah

CHENNAI- 600 014

.....Respondent

Members present:

CA. Atul Kumar Gupta, Presiding Officer

Smt. Anita Kapur, Member (Govt. Nominee)

Shri Ajay Mittal, Member (Govt. Nominee)

CA. Chandrashekhar Vasant Chitale, Member

CA. Manu Agrawal, Member

Party Present:

CA. V. Vasudevan: the Respondent (appeared from ICAI Regional Office at Chennai)

Date of Final Hearing: 17th September, 2020 through Video Conferencing

Place of Final Hearing: New Delhi

1. That vide report dated **16th December 2019** (copy enclosed), the Disciplinary Committee was of the opinion that **CA. V Vasudeva (M. No. 021515) was GUILTY** of Professional Misconduct falling within the meaning of Clauses (7) & (8) of Part I of Second Schedule to the Chartered Accountants Act, 1949 with respect to the concurrent audit of Industrial Finance Branch of Allahabad Bank [hereinafter referred to as the '**Bank**'] for the period March, 2010 to December, 2010 under following charges:

a) The Forex Settlement Suspense Account and Bills account were always reported as reconciled by the Respondent but he failed to verify records of the reconciliation.

b) Overdue bills were not reported and repeated booking of the same bills were not noticed by the Respondent.

c) Forward contract cancellation gains/losses were not passed on to the borrower.

d) Unauthorized transactions were allowed by transacting in various General ledger heads in FBP (foreign bank purchase), FBN and FOREX Settlement Suspense A/c's were directly debited by crediting party's current account/PC a/c. Though references have been given about bills with



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numbers being mentioned on the voucher/transaction, there were no such bills and all transactions were purely in the nature of accommodation which could not be detected by the Respondent though considerable amounts were involved.

2. An action under Section 21B (3) of the Chartered Accountants Act, 1949 was contemplated against the Respondent and communication dated 5th September 2020 was addressed to him thereby granting him an opportunity of being heard in person and/or to make a written representation before the Committee on 17th September, 2020 through video conferencing.

3. The Respondent appeared before the Committee on 17th September 2020 through video conferencing and made oral submissions before the Committee. He also submitted his Written Representation dated 6th September 2020. The Respondent, inter-alia, submitted that the Forex Suspense A/c is a LOG a/c or temporary a/c to be dealt with exclusively by the bank and not the Concurrent Auditor which had always been reported under Minor/ major irregularity with details as required to the Management to take proper action. Thus, he never reported the Forex Suspense a/c as clean a/c or reconciled a/c as mentioned by **the** disgruntled Complainant. The Committee failed to notice/acknowledge the reporting of overdue bills in the monthly reports as submitted by him on 03/07/2019 during the hearing and he had duly reported the overdue bills. He further submitted that no Access was ever given to view Forex System – Exim Module or Forex Reports therein which was highlighted/indicated by way of a note in his Quarterly reports stating that the Books under CBS tallied to demonstrate no access to Forex system outside CBS. Further, the amounts debited to Forex Suspense a/c was very miniscule which had been projected as a big allegation against concurrent auditor in such a large advance branch. However, Residual debits to forex suspense a/c was promptly reported for reversal.

4. The Committee considered the oral and written submissions made by the Respondent and noted that the Respondent was the concurrent auditor of the branch and the emphasis under concurrent audit is not on test checking but on substantial checking of transactions and the auditor would necessarily have to see whether the transaction or decisions are within the policy parameters laid down by the Head Office and do not violate the instructions or policy prescriptions of the RBI while in compliance with the terms and conditions for exercise of the delegated authority. The Committee, accordingly, viewed that the Respondent could not escape from his responsibility by merely stating that he had no access to certain transactions/papers/documents and supporting material thereof and he was a professional who possessed requisite expertise in the field of concurrent audits.

5. The Committee was thus of the opinion that the misconduct on the part of the Respondent has been held and established within the meaning of clauses (7) & (8) of Part I of the Second Schedule



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to the Chartered Accountants Act, 1949 and keeping in view the facts and circumstances of the case as aforesaid, ordered the removal of name of Respondent CA. V Vasudevan (M. No. 021515) from the Register of Members for a period of 1 month along with imposing a fine of Rs. 20,000 (Rupees twenty thousand).

Sd/-
[CA. Atul Kumar Gupta]
Presiding Officer

Sd/-
[Smt. Anita Kapur]
Member (Govt. Nominee)

Sd/-
[Shri Ajay Mittal, IAS (Retd)]
Member (Govt. Nominee)

Sd/-
[CA. Chandrashekhar Vasant Chitale]
Member

Sd/-
[CA. Manu Agrawal]
Member

Date: 17th September, 2020



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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/86/13/DD/106/13/DC/519/2017]

In the matter of:

Dy. General Manager
Zonal Office,
Allahabad Bank
Vairams, 112, Sir Theagaraya Road
CHENNAI - 600 017

.....Complainant

Versus

CA. V Vasudevan (M. No. 021515)
New No. 2, Teachers Colony
Royapettah
CHENNAI- 600 014

.....Respondent

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

DATE OF FINAL HEARING : 03.07.2019
PLACE OF FINAL HEARING : ICAI, CHENNAI

PARTIES PRESENT:

Complainant : Mr. Ramesh Mamar, Senior Manager
(Law) along-with Mr. R. Veerabathiram

Respondent : Shri V. Vasudevan

Counsel for Respondent : CA. R. G. Rajan

Charge in brief:-



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1. The Charges in which the Respondent was prima facie held guilty by the Disciplinary Committee are as under:-

The Respondent was concurrent auditor of Industrial Finance Branch of Allahabad Bank for the period March, 2010 to December, 2010.

1.1 The Forex Settlement Suspense Account and Bills account were always reported as reconciled by the Respondent. The Respondent failed to verify records of the reconciliation.

1.2 Overdue bills were not reported and repeated booking of the same bills were not noticed by the Respondent.

1.3 Forward contract cancellation gains/losses have not been passed on to the borrower.

1.4 Overdraft allowed in many cases has not been reported and failure to report non realization of interest for the same. In many other cases, Bank was out of funds for longer period that has not been reported whereby primary duty of the Respondent got defeated in reporting the revenue leakage.

1.5 Unauthorized transactions were allowed by transacting in various General ledger heads in FBP (foreign bank purchase), FBN and FOREX Settlement Suspense A/c's were directly debited by crediting party's current account/PC a/c. Though references have been given about bills with numbers being mentioned on the voucher/transaction, there were no such bills and all transactions were purely in the nature of accommodation which could not catch the eye of the Respondent though considerable amounts were involved.

Brief of Proceeding :

2. The Committee noted that the Respondent along-with Counsel was present and appeared before it.



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2.1 As per the earlier directions of the Committee, the Respondent submitted the documents before the Committee. The Committee directed him to proceed with his defense.

2.2 The Counsel for the Respondent made final submissions and requested the Committee to take view in caption matter as per concept of materiality.

2.3 After recording the submissions of the Respondent/Counsel, the Committee concluded the hearing in captioned matter.

2.4 Thereafter, the above representative of Complainant bank appeared before the Committee at the hearing venue/Court room and submitted a request letter to mark their attendance as they have nothing to add in the caption matter and matter may be proceed based upon document/information on record. The Committee accepted their plea and took note of their presence.

FINDINGS :

3. In respect of above charges against the Respondent, the findings of the Committee are as under:-

3.1 On perusal of concurrent audit reports certified by the Respondent for the period March, 2010 to December, 2010, it is observed that the Respondent has not reported some of irregularities/mis-management in the functioning of branch of the Bank. The Respondent has now taken the plea that he had no access to the system used for FOREX transactions and has accepted that supporting documents annexed to this complaint were never in his knowledge having had no access to the same. The Respondent in his submissions submitted that a team of experts could have unearthed this fraud.

3.2 The Committee noted that the Respondent was the concurrent auditor of the branch. The Concurrent audit is a systematic and timely examination of financial transaction on a regular basis to ensure accuracy, authenticity, compliance with procedures and guidelines. The emphasis under concurrent audit is not on test checking but on substantial checking of transactions. The concept of concurrent audit has been introduced to reduce the time gap between occurrence of transaction



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and is overview or checking. The scope of Concurrent audit is an examination, which is contemporaneous with the occurrence of transactions or is carried out as near thereto as possible. It attempts to shorten the interval between a transaction and its examination by an independent person. In concurrent audit, there is an emphasis in favor of substantive checking in key areas rather than test checking. This concurrent audit is essentially a management process integral to the establishment of internal accounting functions and effective controls and setting the tone for a vigilance internal audit to preclude the incidence of serious errors and fraudulent manipulation. The main focus while conducting concurrent audit is to ensure that transactions are not dealt with in routine but in adherence with the systems and procedures laid down. A concurrent auditor may not sit in judgment of the decisions taken by a branch manager or an authorized official. However, the auditor will necessarily have to see whether the transaction or decisions are within the policy parameters laid down by the Head Office, he do not violate the instructions or policy prescriptions of the RBI, and that they are within the delegated authority and in compliance with the terms and conditions for exercise of the delegated authority.

3.3 In view of above scope of concurrent audit, duties and responsibilities of a concurrent auditor, the Committee was of the opinion that the Respondent cannot escape merely behind a plea that he had no access to certain transactions/papers/documents and supporting material thereof. Further, the Respondent is a professional and it is construed that he possesses requisite expertise in the field of concurrent audits and he cannot escape by submitting that such kind of fraud could only have been unearthed by experts.

3.4 The Complainant-bank in its rejoinder has categorically denied the claim of the Respondent and has clarified that the Respondent did have access to the system for viewing reports on forex transactions and the Complaint is based on same material as was available to the Respondent at the time of audit. The bank has also admitted the lapses on the part of their lady officer who has been put under suspicion.

3.5 Although, it is true that the fraud had came to light through internal investigation by the Bank which led to suspension of one of their lady officer involved in Foreign Exchange transactions of the Branch, yet it is a matter of fact that there was a possibility of avoidance of such mis-happenings had the Respondent in the course of



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his concurrent audit been able to raise an alarm of doubt of such dubious/doubtful transaction.

3.6 Moreover, there was an oral and the written submission given by the respondent at the time of hearing and he pleaded willingly that he is not guilty of the professional misconduct.

3.7 There were the five charges which has been discussed as above and for the charge no. 1,2,3, after discussion with the Respondent, the Committee is of the view that the Respondent is the guilty of the professional misconduct.

3.8 For the charge no. 4 i.e. related to overdraft, since there was no evidence being given in the complaint, accordingly the Committee have no option but to held the Respondent not guilty for this charge only.

3.9 For the 5th charge unauthorized transactions, since Respondent himself agreed that the access was not being given and he could not check the suspense account and so. Thus, the Respondent is guilty of the professional misconduct.

Accordingly, overall the Respondent is held guilty for the professional misconduct.

CONCLUSION :

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

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

Sd/-
(CA. AMARJIT CHOPRA)
GOVERNMENT NOMINEE

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

Sd/-
(CA. CHHANDRASHEKHAR V.
MEMBER



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DATE : 16th December, 2019

PLACE : New Delhi