



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

[PR/211/15/DD/28/2017/DC/745/2018]

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.

File No. : [PR/211/15/DD/28/2017/DC/745/2018]

In the matter of:

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

..... Complainant

Versus

CA. (Ms.) Rita V. (M.No.205148),
M/s Ponraj & Co. (FRN No.002672S)
No.41/1, Annai Complex (1 Floor)
Opp. To Petrol Bunk, Meter Factory Road,
Indian Bank Colony,
TIRUCHIRAPALLI 620 021

..... 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

Date of Final Hearing : 7th December, 2020 through Video Conferencing

Place of Final Hearing : New Delhi

1. That vide report dated **10th February 2020** (copy enclosed), the Disciplinary Committee was of the opinion that **CA. (Ms.) Rita V. (M.No.205148)** was GUILTY of Professional Misconduct falling within the meaning of clause (3) of Part 1 of Second Schedule to Chartered Accountants Act 1949 with respect to certification of the sales and projected sales with exaggerated figures in respect of various firms without verification of underlying documents.

It is noted that the Respondent is held guilty under Clause (3) of Part I of Second Schedule which state as under:-



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“permits his name or the name of his firm to be used in connection with an estimate of earnings contingent upon future transactions in a manner which may lead to the belief that he vouches for the accuracy of the forecast”

2. An action under Section 21B (3) of the Chartered Accountants Act, 1949 was contemplated against the Respondent and communication dated 27th November 2020 was addressed to her thereby granting her an opportunity of being heard in person and/or to make a written representation before the Committee on 7th December 2020 through video conferencing.

3. The Committee noted that the Respondent vide her email dated 6th December, 2020 made her written submissions. It was noted that sufficient opportunity had been given to her to appear before the Committee to make her submissions in the matter. In the absence of any adjournment request from her, the Committee decided to proceed in the matter. The Committee considered her Written Representation dated 14th September 2020 and 5th December 2020 wherein she, inter-alia, stated that she had prepared the projected financial statements based on the information and explanations provided to her and she accordingly, requested that a lenient view be taken considering the time lapse as the matter was quite old.

4. The Committee considered the oral and written submissions made by the Respondent and noted that there was a huge difference in the figures of sales as reported in audited financial statements of various firms vs a vs that stated in the respective projected financial statements. For instance, in case of M/s RRR Agencies, the sales were reported at Rs. 91.02 Lakhs in the audited financials of 2008-09 whereas the Respondent has certified projected financial statements reporting sales at Rs.200 Lakhs for 2009-10. The Committee reviewed the guidance issued by ICAI in terms of projected financial statement as referred in **Standards on Assurance Engagement (SAE) – 3400 on the Examination of Prospective Financial Information** and was of the opinion that the Respondent was required to do proper verification and examination of assumptions of management to support the various figures being certified in projected/ estimated financials including that of turnover of the future period(s) instead of relying on the information as provided by the management. In the extant case, the Respondent failed to provide any explanation regarding the basis on which the said sales figures were projected whereas the bankers relied on them and reported to have incurred the losses.



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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 clause (3) of Part I of the Second Schedule 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. (Ms.) Rita V. (M.No.205148)** from register of members for a period of 3(three) months beside imposing a fine of Rs. 20,000/-.

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: 7th December, 2020



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CONFIDENTIAL

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

**[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.**

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No.41/1, Annai Complex (1 Floor)
Opp. To Petrol Bunk, Meter Factory Road,
Indian Bank Colony,
TIRUCHIRAPALLI 620 021

..... Respondent

MEMBERS PRESENT:

CA. Atul Kumar Gupta, Presiding Officer
CA. Amarjit Chopra, Government Nominee
CA. Rajendra Kumar P, Member
CA. Chandrasekhar Vasant Chitale, Member

DATE OF HEARING : 11.12.2019

PLACE OF HEARING : ICAI Bhawan, Chennai



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Parties Present: None

Charges in Brief:-

1. The crux of allegations against the Respondent is that she 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 to someone named Shri 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 the proceedings:

2. The Committee noted that the matter was fixed for hearing for the first time on 30th July, 2019 and adjourned on the request of the Respondent. Again the matter was fixed on 15th October, 2019, however, the Respondent was not present. The Committee, however, to give a final opportunity to both the parties, adjourned the matter and fixed the hearing for December, 2019. However, on the date of hearing, none of the parties were present and the Committee decided to proceed ex-parte.

Finding of the Committee:

3. This case was made based on the Prima Facie Opinion of Director Discipline wherein he holds the respondent guilty of Professional misconduct under clause (3) of Part 1 of Schedule 2 to the Chartered Accountants Act 1949 which states as under:

Clause 3 of Part 1 “permits his name or the name of his firm to be used in connection with an estimate of earnings contingent upon



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future transactions in a manner which may lead to the belief that he vouches for the accuracy of the forecast”

4. In this case the Complainant alleges that Respondent has certified the sales figures and projected sale which is exaggerated for various firms without verifying the documents for assisting to obtain credit from Indian bank which caused a loss of Rs. 1,55,68,000/- to the bank. As per Complainant the Respondent has certified the sales figure of M/s RRR Agencies, M/s SPP Weldone Engineering, M/s Deeksha Agency, M/s Oberon Organics, M/s DA Marketing, M/s Shanmugavalli, M/s Vijayavel Marketing and M/s Darshini for the financial year 2009 to 2011 which are inflated in nature without any documentary evidence and base.
5. On the date of hearing Committee noted that none of the Complainant and Respondent were present. Committee Noted that the Respondent already obtain two adjournment on earlier occasion and today neither present nor seeks any adjournment. As per Rule 18 of (Procedure of investigations of Professional and other misconduct and conduct of Cases) Rules, 2007 the committee decided to proceed with the case as ex-parte.
6. The Committee reviewed the complainant papers and replies submitted by the Respondents on different occasions. Committee noted that the value of sale as certified by the various firms for the year 2009-10 and projected have huge difference and estimated at higher value. To illustrate, turnover of M/s RRR Agencies which certified for 2008-09 is Rs. 91.02 Lakhs, projected for Rs. 200 Lakhs for 2009-10. On being reviewed the reply submitted, Respondent has given in writing that she had prepared the financial statements from the information and explanations given to her for year 2008-09 and for the next years the same are projections of likely sales and purchase and other expenses.
7. The Committee reviewed the guidance issued by ICAI in terms of projected financial statement as refer **Standards on Assurance Engagement (SAE) – 3400 on the Examination of Prospective Financial Information**, Which



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clearly states that an Auditor has to obtain sufficient evidence while examining prospective financial information and has also to obtain sufficient level of knowledge of business and to be able to evaluate whether all significant assumptions required for the preparation of prospective financial information have been identified. In this regard, committee refer **para 2 of SAE 3400:**

Para 2: In an engagement to examine prospective financial information, the auditor should obtain sufficient appropriate evidence as to whether:

(a) management's best-estimate assumptions on which the prospective financial information is based are not unreasonable and, in the case of hypothetical assumptions, such assumptions are consistent with the purpose of the information;

(b) the prospective financial information is properly prepared on the basis of the assumptions;

(c) the prospective financial information is properly presented and all material assumptions are adequately disclosed, including a clear indication as to whether they are best-estimate assumptions or hypothetical assumptions;

(d) the prospective financial information is prepared on a consistent basis with historical financial statements, using appropriate accounting principles.

Further Para 27 which deals with documentation clarifies:

27. The auditor should document matters, which are important in providing evidence to support his report on examination of prospective financial information, and evidence that such examination was carried out in accordance with this SAE. The working papers will include the sources of information, basis of forecasts and the assumptions made in arriving the forecasts, hypothetical assumptions, evidence supporting the assumptions, management representations regarding the intended use and distribution of the information, completeness of material assumptions, management's acceptance of its responsibility for the information, audit plan, the nature, timing and extent of examination



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procedures performed, and, in case the auditor expresses a modified opinion or withdraws from the engagement, the reasons forming the basis of such decision.

8. From the above two para(s), it is clear that the Respondent was required to do a proper verification and examine assumptions of management to support the various figures before certifying the estimated turnover for next years which she failed to do and the bankers relying on the certificate issued incurred the losses.

Conclusion:

9. In view of the above and consistent absence of Respondent on all the three occasions when hearing was fixed, as if Respondent has nothing to add on merit, Committee hold the Respondent guilty of Professional Misconduct falling under clause 3 of Part 1 of Second Schedule to Chartered Accountants Act 1949.

Sd/-

(CA. ATUL KUMAR GUPTA)

PRESIDING OFFICER

Sd/-

**(CA. AMARJIT CHOPRA)
GOVERNMENT NOMINEE**

Sd/-

**(CA. RAJENDRA KUMAR P)
MEMBER**

Sd/-

**(CA. CHANDRASEKHAR VASANT CHITALE)
MEMBER**

DATE : 10th February, 2020

PLACE : NEW DELHI