



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

[PR- 283/14-DD/300/14/DC/625/17]

**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- 283/14-DD/300/14/DC/625/17]

**Shri P Chandrasekara Reddy,**  
DGM, Inspection & Vigilance,  
Dhanalakshmi Bank Ltd.  
Corporate Office,  
Dhanalakshmi Building, Naickanal  
Thrissur - 680001

**... Complainant**

**Versus**

**CA. Vijay Kumar Sharma (M. No. 415357),**  
SCO 13, Phase 9  
Industrial Area  
MOHALI Punjabi  
MOHALI (PUNJAB) - 160062

**... Respondent**

**Date of Order: 25<sup>th</sup> June, 2021**

**MEMBERS PRESENT:**

- 1. CA. Nihar N Jambusaria, Presiding Officer**
- 2. Ms. Nita Chowdhury, I.A.S (Retd.), Government Nominee**
- 3. CA. G. Sekar, Member**
- 4. CA. Manu Agarwal, 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 03.02.2020, the Disciplinary Committee was inter-alia of the opinion that **CA. Vijay Kumar Sharma (M. No. 415357)** (hereinafter referred to as the **Respondent**) was **GUILTY** of professional



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misconduct falling within the meaning of Clauses (7) & (8) of Part I of Second Schedule to the Chartered Accountant Act, 1949.

2. That an action under Section 21B (3) of the Chartered Accountants (Amendment) Act, 2006 was contemplated against the Respondent and a communication dated 09<sup>th</sup> June 2021 was addressed to him thereby granting an opportunity of being heard in person and/or to make a written representation before the Committee on 25<sup>th</sup> June, 2021.

3. The Respondent did not appear before the Committee and office apprised that notice dated 09<sup>th</sup> June 2021 was returned with postal remark "left without instructions". It was noted that the present matter was earlier fixed on 07<sup>th</sup> April 2021 wherein the Respondent did not appear before the Committee nor any communication was received from his side in this regard. It was noted that letter was addressed to professional address of member as available in Institute records. It was viewed that a member is always under an obligation to keep Institute's records updated with his contact details. In any case, it was noted that the Respondent had neither appeared before the Committee at the stage of hearing under Rule 18 of the Chartered Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules, 2007 despite being obtaining adjournment nor he bothered to appear at the punishment stage.

Accordingly, it was viewed that sufficient opportunity has been given to the Respondent to represent before the Committee on its findings to enable it to decide on quantum of punishment. In absence of any adjournment request from the Respondent, it was viewed that the Respondent had nothing further to state, so decided to conclude the matter.

4. The Committee noted that there were three charges against the Respondent, in which the Respondent was held guilty of professional misconduct by the earlier Committee as given here under:-



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4.1 That no seal was affixed on the vouchers checked by the Respondent to simplify that it was audited despite express mention of the same in the appointment letter.

4.2 Non-verification and non-reporting of Cash Transactions with reference to transactions of Rs. 10 Lakhs and above.

4.3 Various irregularities observed in the gold loan accounts.

5. The findings of the earlier Committee in respect of these charges are as under:-

5.1 *"In respect of this charge, the Committee noted that in the appointment letter, it has been specifically stated that, "Instructions may be given to the checking officials to affix his seal on the vouchers/ records perused to evidence the audit". Under such circumstances when the Respondent was specifically asked to affix seal on the vouchers/ records as per the terms of his engagement, the defense taken by the Respondent that they were stopped by bank officials for affixing the seal is not acceptable. If that be so, it would have been ideal for the Respondent to obtain the request in writing to avoid violation of the terms of appointment. Thus, the Committee decided to hold the Respondent guilty with respect to above charge.*

5.2 *In respect second charge, the Committee noted that as per RBI guidelines, the Banks are required to report all cash deposits and withdraws of Rs. 10 lakhs and above with full details in fortnightly statements to their controlling office. In the instant case, non- recording of cash transactions of Rs. 14.52 of M/s Reliable Enterprises on 03.09.2009 in the prescribed register may also have affected the fortnightly statement of the Bank. Thus, it is evident that the Respondent has failed to conduct the audit diligently and by applying proper checks. Accordingly, the Committee decided to hold the Respondent guilty with respect to above charge.*



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5.3 In respect of last charge, the Committee informed the Complainant that the Respondent has reported that the fraud in gold loan was detected before his appointment. In reply to this the Complainant denied and submitted that the gold loan portfolio aggregating to Rs. 22.07 crore was sanctioned and disbursed between July to October 1st week which were found to be spurious and fraudulent. The Complainant submitted that the fraud was detected in the first week of October and in the concurrent audit report of July, August, September, the auditor was certifying that the gold loans were sanctioned and disbursed as per the guidelines and due to which the bank was deriving comfort from the audit report.

The Committee sought explanation from the Complainant as to what action has been taken against the branch employees to which the Complainant replied that the Branch Manager, Assistant Branch Manager and Officers were dismissed, and a criminal complaint was filed against them and they were jailed for 4-5 months and are currently on bail.

The Committee asked the Complainant as to whether the Concurrent auditor is expected to verify 100% of gold loans to which the Complainant replied that there are many other lapses on the part of Respondent like limit for a Branch Manager to a particular customer in gold loan was restricted to a limit which was exceeded in many cases but the same was not reported. The Committee also questioned the Complainant as to whether they attribute any financial benefit to the Respondent to which the Complainant replied that they don't know as they don't have any proof for the same. Further the Committee asked as to whether there is any criminal case or connivance against the Respondent to which the Complainant negated.

It is noted that the direction has been violated and in respect of advances above Rs.5 lakhs, part of the loan amount was paid in cash and the balance credited to third party's account. Also in some cases, the disbursement of loan was made on different dates. The Complainant has brought on record generated report on "Statement of Accounts" of one of the customer namely Mr. Himanshu



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*Singh (C-138 to C-139) in support of this charge wherein the relevant entries have been highlighted and which indicates discrepancies as pointed out by the Complainant.*

*The next discrepancy pointed out by the Complainant is that the appraisal charges paid were much above the rate fixed by the Corporate Office. In this regard, upon perusal of Circular No. CPMG/52/2012-13 dated 7th September, 2012 (C-142 to C-143), it is observed that the appraisal fees is mentioned as Rs. 250/- + Service Tax for the loan amount up to Rs. 5 lakhs and Rs.500/- + Service Tax for the loan above Rs. 5 lakhs (C-143) while as per the report on 'Statement of Account' of the customer (C-140 to C-141), an amount of Rs. 8,312/- (C-140) has been charged towards valuation charge.*

*Apart from above, the Committee noted the submissions of the Complainant wherein he quoted the statement of the Respondent in their clarification dated 31st December, 2013 to the Complainant as under:-*

*"We sincerely regret for the aberration on our part in the very first month of our assignment having been caught on wrong foot by the perpetrators of well-planned frauds during the change of Concurrent Auditors in the office". However, it is observed that the Complainant has not provided the related letter of the Respondent as being referred to.*

*Further, it is observed that as per the terms and conditions of appointment letter, the Respondent was required to specifically report to the Managing Director of the Bank and also to the RBI for any matter susceptible to be a fraud or fraudulent activity or any foul play in any transactions".*

6. Looking into the nature of professional misconduct established against the Respondent, the Committee was of the view that ends of justice could be met if punishment awarded is in commensurate with misconduct held and established against him.



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7. Therefore, keeping in view the facts and circumstances of the case, material on record before it, the Committee ordered that the name of the Respondent i.e. CA. Vijay Kumar Sharma (M. No. 415357) be removed from the register of members for a period of 06 (Six) Months.

Sd/-  
(CA. NIHAR N JAMBUSARIA)  
PRESIDING OFFICER

[Approved through mail dated 09/08/2021]  
(MS. NITA CHOWDHURY, I.A.S RETD.)  
GOVERNMENT NOMINEE

[Approved through mail dated 13/08/2021]  
(CA. G. SEKAR)  
MEMBER

[Approved through mail dated 06/09/2021]  
(CA. MANU AGARWAL)  
MEMBER

*SL*

प्रमाणित सत्य प्रतिलिपि / Certified true copy

*Suneel Kumar*  
सा. सुनील कुमार / CA. Suneel Kumar  
सहायक सचिव / Assistant Secretary  
अनुशासनात्मक निदेशालय / Disciplinary Directorate  
इंस्टीट्यूट ऑफ चार्टर्ड एकाउंटेंट्स ऑफ इंडिया  
The Institute of Chartered Accountants of India  
आर्म्स चौक, भवन, विश्वास नगर, शाहदरा, दिल्ली-110032  
ICAI Bhawan, Vishwas Nagar, Shandra, Delhi-110032

**CONFIDENTIAL**

**DISCIPLINARY COMMITTEE [BENCH – I (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- 283/14-DD/300/14/DC/625/17]**

**In the matter of:**

**Shri P Chandrasekara Reddy,  
 DGM, Inspection & Vigilance,  
 Dhanalakshmi Bank Ltd.  
 Corporate Office,  
 Dhanlakshmi Building, Naickanal  
 Thrissur - 680001**

**... Complainant**

**Versus**

**CA. Vijay Kumar Sharma (M. No. 415357),  
 M/s. J. Singh & Associates,  
 Chartered Accountants,  
 505,506,507, 5<sup>th</sup> Floor,  
 HUB Town, Shankarwadi  
 Andheri (E)  
 Mumbai – 400060**

**... Respondent**

**MEMBERS PRESENT:**

**Shri Jugal Kishore Mohapatra, Govt. Nominee & Presiding Officer  
 Smt. Rashmi Verma, IAS (Retd.), (Govt. Nominee)  
 CA. Babu Abraham Kallivayalil, Member  
 CA. Dayaniwas Sharma, Member**

**DATE OF FINAL HEARING/ORDER : 16.10.2019**

**PLACE OF FINAL HEARING/ORDER : ICAI, New Delhi**

**PARTIES PRESENT:**

**Complainant : Not Present**

**Respondent : Not Present**

**\* Counsel for Complainant : Aneesh S ✓**

**BRIEF OF THE DISCIPLINARY COMMITTEE: -**

1. The Committee noted that first hearing of the case was held on 29.08.19 which was adjourned in order to provide an opportunity to the Respondent. The case was then listed for hearing on 16.10.2019. On the day of hearing, the Respondent & Complainant were both not present, however, the counsel of the Complainant was present. It was observed that Respondent sought adjournment in the last meeting held on 29.08.19 which was granted and this time again Respondent sought adjournment which was not permitted by the Committee. The Committee decided to proceed ahead with the matter ex-parte the Respondent. The counsel of Complainant was put on oath. The Committee asked him if he wish to submit something beyond what he has already given, the counsel replied that he do not want to submit any thing further. Thereafter, the Committee raised multiple questions to the counsel of the Complainant. After hearing the submissions, the Committee decided to conclude the hearing in the matter.

**BRIEF OF THE CHARGES AND FINDINGS OF THE DISCIPLINARY COMMITTEE: -**

2. The Committee noted that the Respondent was appointed as a Concurrent Auditor of the Bank Branch in the month of July, 2013 and the major allegation against him pertains to the gold loan related fraud. The Committee noted that the Respondent was held prima facie guilty of following charges:

- (i) That no seal was affixed on the vouchers checked by the Respondent to evidence the audit despite express mention of the same in the appointment letter.
- (ii) Non-verification and non-reporting of Cash Transactions with reference to transactions of Rs. 10 Lakhs and above.
- (iii) Allegations relating to various irregularities observed in the gold loan accounts.

3. In respect of first charge, the Committee noted that in the appointment letter, it has been specifically stated that, "Instructions may be given to the checking officials to affix your seal on the vouchers/ records perused to evidence the audit". Under such circumstances when the Respondent was specifically asked to affix seal on the vouchers/ records as per the terms of his engagement, the defense taken by the Respondent that they were stopped by bank officials for affixing the seal is not acceptable. If that be so, it would have been ideal for the Respondent to obtain the request in writing to avoid violation of the terms of appointment. Thus, the



Committee decided to hold the Respondent guilty with respect to above charge.

4. In respect of second charge the Committee noted that as per RBI guidelines, the Banks are required to report all cash deposits and withdraws of Rs. 10 lakhs and above with full details in fortnightly statements to their controlling office. In the instant case, non- recording of cash transactions of Rs. 14.52 of M/s Reliable Enterprises on 03.09.2009 in the prescribed register may also have affected the fortnightly statement of the Bank. Thus, it is evident that the Respondent has failed to conduct the audit diligently and by applying proper checks. Accordingly, the Committee decided to hold the Respondent guilty with respect to above charge.

5. In respect of third charge, the Committee informed the Complainant that the Respondent has reported that the fraud in gold loan was detected before his appointment. In reply to this the Complainant denied and submitted that the gold loan portfolio aggregating to Rs. 22.07 crore was sanctioned and disbursed between July to October 1st week which were found to be spurious and fraudulent. The Complainant submitted that the fraud was detected in the first week of October and in the concurrent audit report of July, August, September, the auditor was certifying that the gold loans were sanctioned and disbursed as per the guidelines and due to which the bank was deriving comfort from the audit report.

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8. It has been noted that the direction has been violated and in respect of advances above Rs.5 lakhs, part of the loan amount was paid in cash and the balance credited to third party's account. Also in some cases, the disbursement of loan was made on different dates. The Complainant has brought on record generated report on "Statement of Accounts" of one of the customer namely Mr. Hiimanshu Singh (C-138 to C-139) in support of this charge wherein the relevant entries have been highlighted and which indicates discrepancies as pointed out by the Complainant.

9. The next discrepancy pointed out by the Complainant is that the appraisal charges paid were much above the rate fixed by the Corporate Office. In this regard, upon perusal of Circular No. CPMG/52/2012-13 dated 7th September, 2012 (C-142 to C-143), it is observed that the appraisal fees is mentioned as Rs. 250/- + Service Tax for the loan amount up to Rs. 5 lakhs and Rs.500/- + Service Tax for the loan above Rs. 5 lakhs (C-143) while as per the report on 'Statement of Account' of the customer (C-140 to C-141), an amount of Rs. 8,312/- (C-140) has been charged towards valuation charge.

10. Apart from above, the Committee noted the submissions of the Complainant wherein he quoted the statement of the Respondent in their clarification dated 31st December, 2013 to the Complainant as under:-

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11. Further, it is observed that as per the terms and conditions of appointment letter, the Respondent was required to specifically report to the Managing Director of the Bank and also to the RBI for any matter susceptible to be a fraud or fraudulent activity or any foul play in any transactions. In view of this, the Committee decided to hold the Respondent guilty with respect to above charge.

Conclusion

9. Thus, in the considered opinion, the Respondent is **Guilty** of professional misconduct falling within the meaning of clause (7) & (8) of Part I of Second Schedule to the Chartered Accountant Act, 1949.

Sd/-

(SHRI JUGAL KISHORE MOHAPATRA, I.A.S. (Retd.))  
GOVERNMENT NOMINEE &  
PRESIDING OFFICER

Sd/-

MS. RASHMI VERMA, I.A.S. (Retd.)  
GOVERNMENT NOMINEE

Sd/-

(CA. DAYANIWAS SHARMA)  
MEMBER

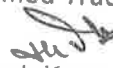
Sd/-

(CA. BABU ABRAHAM KALLIVAYALIL)  
MEMBER

DATE: 03<sup>rd</sup> February, 2020

PLACE: New Delhi

Certified True Copy

  
Mukesh Kumar Mittal  
Assistant Secretary  
Disciplinary Directorate  
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