



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

[PR/63/14-DD/172/2014-DC/790/2018]

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/63/14-DD/172/2014-DC/790/2018

In the matter of:

The Chief Manager,
Punjab National Bank
Large Corporate Branch
Banjara Hills, Road No.1,
Hyderabad - 500 034

.....Complainant

Versus

CA. Chandan Chauhan (M.No. 401474),
303, Sri Balaji Harmony Height,
7-1-67, Dharam Karam Road,
Ameerpet,
Hyderabad- 500 016

.....Respondent

Members present:

CA. Aniket Sunil Talati, Presiding Officer
Smt. Anita Kapur, Member (Govt. Nominee)
Shri P.K. Srivastava, Member (Govt. Nominee)
CA. Vishal Doshi, Member
CA. Sushil Kumar Goyal, Member

Date of Hearing: 25.04.2022 through Video Conferencing

Place of Hearing: New Delhi

Party Present:

(i) CA. Chandan Chauhan – Respondent (appeared from his personal location)

1. That vide report dated 08.02.2022 (copy enclosed), the Disciplinary Committee was of the opinion that CA. Chandan Chauhan (M.No. 401474) was **GUILTY** of professional misconduct falling within the meaning of Clause (7) of Part I of Second Schedule to the Chartered Accountants Act, 1949 with respect to the allegation that the Respondent had certified stock statement of M/s. Sheetal Refineries Ltd. (hereinafter referred to as 'the Company') as on 31.12.2012 wherein the debtors were shown as Rs.191.89Crores (C-37), however, the outstanding book debts in the Balance Sheet as on 31.01.2013 audited by the Respondent were only Rs.45.11Crores (C-53). As per the Complainant, this showed that book debt statement dated 31.12.2012 certified by the Respondent firm was not showing true picture of books of account of the Company and due to the casual approach of the Respondent, the consortium Bank had incurred heavy financial loss.

It was noted that Clause (7) of Part-I of Second Schedule states as under:-

Second Schedule

PART I: Professional misconduct in relation to chartered accountants in practice



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A chartered accountant in practice shall be deemed to be guilty of professional misconduct, if he-

“(7) does not exercise due diligence, or is grossly negligent in the conduct of his professional duties”

2. An action under Section 21B (3) of the Chartered Accountants Act, 1949 was contemplated against the Respondent and communication dated 11th April, 2022 was addressed to him thereby granting him an opportunity of being heard in person and/or to make oral/ written representation before the Committee on 25th April, 2022 through video conferencing.
3. The Respondent appeared before the Committee on 25th April, 2022 through video conferencing and made his oral submissions on the findings of the Disciplinary Committee. The Committee considered both the oral submissions as well as written representation made by the Respondent vide his letter dated 14th March, 2022. It was noted that the Respondent had, at the outset, submitted to have not agreed with the findings of the Hon'ble Disciplinary Committee. The Respondent further requested for lenient view in the matter against him on account of seventeen years of unblemished career as a practicing Chartered Accountant, dependent upon his practice as only source of income, liability towards his family consisting of two daughters, wife and elderly parents and that he had already suffered due to pendency of disciplinary proceedings. Further, he assured the Committee that he would be more careful while carrying his professional duties in future. The Respondent submitted that he was in the process of establishing his practice when the incident happened. He acted in complete good faith without any mala-fide. His client took advantage of his faith and trust. He was not personally benefitted from any of the impugned events, and it was amply clear from the fact that no chargesheet was filed against him. Accordingly, he prayed the Committee to take sympathetic and lenient view in his favour.
4. The Committee considered the oral as well as written representations submitted by the Respondent. The Committee noted that it was quite evident that books of accounts which formed basis for the certification of the debtors' statement of Company as on 31.12.2012 by the Respondent at Rs 191.89 crores was firstly, not maintained properly, secondly, had many discrepancies on account of non-reconciled accounts which the Respondent had failed to report in his certificate. The Committee noted that the Respondent had, in the alleged certificate, stated to have certified figures of the debtors based on his examination of the books of accounts and information/explanation received. In other words, the Respondent had given an undertaking to have conducted an exercise to certify the said figures. The Committee noted that as per 'Guidance Note on Audit Reports and Certificates for Special Purposes' while issuing a certificate, a professional is responsible for the factual accuracy stated therein and that, in extant case, the Respondent had failed to adopt due verification procedures due to which he was not able to detect the un-reconciled debtors which ultimately led to overstatement of debtors as on 31.12.2012. It was viewed that the Respondent even failed to mention the said fact on the face of the certificate that figure of Debtors were unaudited/not reconciled.

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5. The Committee thus viewed that the Professional and Other misconduct on the part of the Respondent has been held and established within the meaning of Clause (7) 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 that the name of the Respondent **CA. Chandan Chauhan (M. No. 401474)** be removed for a period of 1 (One) year from the Register of members alongwith a fine of Rs. 25,000/- (Rupees Twenty Five Thousand Only) be levied upon him that shall be payable within a period of 3 (Three) months from the date of receipt of the Order and in case he failed to pay the same as stipulated, the name of the Respondent be removed for a further period of 1 (One) month from the Register of members as per the order of the Committee. The said punishment shall run concurrently with the punishment awarded in another matter against the Respondent in case reference no. PR/267/16/DD/292/2016/DC/1384/2020.

Sd/-
[CA. Aniket Sunil Talati]
Presiding Officer

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

Sd/-
[Shri P.K. Srivastava]
Member (Govt. Nominee)

Sd/-
[CA. Vishal Doshi]
Member

Sd/-
[CA. Sushil Kumar Goyal]
Member

Date: 14.06.2022

Place: New Delhi


प्रमाणित सत्य प्रतिलिपि / Certified true copy

सीए ज्योतिका गровер / CA. Jyotika Grover
सहायक निदेशक/ Assistant Secretary
अनुशासन विभाग / Disciplinary Directorate
इंस्टीट्यूट ऑफ चार्टर्ड अकाउंटेंट्स ऑफ इंडिया
The Institute of Chartered Accountants of India
एन.एस. रोड, शाहदरा, दिल्ली-110032
N.S. Road, Shahdara, Delhi-110032

CONFIDENTIAL

DISCIPLINARY COMMITTEE [BENCH – III (2021-22)]
[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-63/14-DD-172/2014-DC/790/2018

In the matter of :

**The Chief Manager,
Punjab National Bank
Large Corporate Branch
Banjara Hills,
Road No.1,
Hyderabad - 500 034**

....Complainant

Versus

**CA. Chandan Chauhan (M.No. 401474),
303, Sri Balaji Harmony Height,
7-1-67, Dharam Karam Road,
Ameerpet,
Hyderabad- 500 016**

.....Respondent

MEMBERS PRESENT:

**Smt. Anita Kapur, Member(Govt. Nominee)&Presiding Officer
Shri Ajay Mittal, Member (Govt. Nominee)
CA. Chandrashekhar Vasant Chitale, Member
CA. P.K. Boob, Member**

Date of Final Hearing: 17th December, 2021 through VC

Place of Final Hearing: New Delhi

The following persons were also present:

- 1. Ms. Vinithra Srinivasan, Advocate – Counsel for the Complainant Bank**
- 2. CA. Chandan Chouhan – Respondent'**

(both appeared from their respective personal location)

Charges in Brief:

1. The Committee noted that in the *Prima Facie* Opinion formed by Director (Discipline) in terms of Rule 9 of the Chartered Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules, 2007, the Respondent was held *prima facie* guilty of Professional Misconduct falling

within the meaning of Clause (7) of Part-I of Second Schedule to the Chartered Accountants Act, 1949. The said Item to the Schedule states as under: -

Part I, Second Schedule

"(7) does not exercise due diligence, or is grossly negligent in the conduct of his professional duties;"

Charges alleged against the Respondent:

2. The Committee noted that the Complainant had alleged against the Respondent that he had certified stock statement of the Company, M/s. Sheetal Refineries Ltd. (hereinafter referred to as '**the Company**') as on 31.12.2012 wherein the debtors were shown as Rs.191.89 Cr. (C-37), however, the outstanding book debts in the Balance Sheet as on 31.01.2013 audited by the Respondent were only Rs.45.11 Cr (C-53). As per the Complainant, this showed that book debt statement dated 31.12.2012 certified by the Respondent firm was not showing true picture of books of account of the Company and due to the casual approach of the Respondent, the consortium Bank has incurred heavy financial loss.

Proceedings:

3. At the time of hearing on 17th December 2021, the Committee noted that the both the Complainant's Counsel and the Respondent appeared before it. The Respondent sought adjournment stating his main counsel; Mr. Ashish Makhija was travelling and therefore was not available to defend the matter against him.

The Committee noted that the ground of non-availability of Authorized Counsel had been the regular ground on which the Respondent had been seeking adjournment from time to time on one pretext or the other which could not be treated as valid ground to request for adjournment in the matter as per CA Rules 2007. The same was intimated to the Respondent in the past as well. The Committee noted that sufficient opportunities and co-operation had been extended in the alleged matter in terms of principles of natural justice and that the Respondent had accordingly, been informed about rejection of his adjournment request and that availability of the main counsel being not valid ground to seek adjournment under CA Rules, 2007.

It was also noted that for extant hearing the main Counsel had informed about his engagement with one of the Institute's programme arranged by Coimbatore Branch of ICAI which had been confirmed by the Branch stating his engagement being only from 10am to 12.00noon and accordingly, hearing time in the matter was re-scheduled to 12.15pm still the Main Counsel chose to seek adjournment showing his availability only from Jan 1, 2022 to Jan 16, 2022. It was viewed that sufficient opportunities and co-operation had been extended in the extant matter. The Committee considered the fact that the matter was pending for long and that last opportunity had been granted to the Respondent to defend his

case, still his main Counsel was not available to defend the matter. Accordingly, the Committee decided to proceed in the matter.

The Committee asked the Respondent to present his defence in the matter to which he expressed his inability and requested for time. The Committee thereafter directed the Respondent to file his Written Submissions in the matter within 7 days of the date of hearing with a copy of the Complainant who might file his rejoinder, if any, within next 7 days thereafter. With the aforesaid directions, hearing in the matter was concluded and the judgment was reserved.

3.1 Thereafter, on 24th January 2022, the Committee noted that the Respondent vide his e-mail dated 24th December 2021, submitted his Written Submissions in the matter as directed by the Committee and the Complainant vide his e-mail dated 31st December 2021 submitted its Rejoinder on the Written Submissions of the Respondent. Accordingly, the Committee considered the documents available on record alongwith oral and written submissions made by both the parties before it and, accordingly, decided on the matter.

Findings of the Committee:

4. The Committee before proceeding to give its findings on merits of the case noted that certain preliminary objections had been raised by the Respondent against the Committee's proceedings in the matter stating that in total disregard of the CA Rules 2007 and without completing the process, the Respondent was suddenly asked by the Committee, at the hearing held on 17th December, 2021, to argue the matter who was not being represented by his authorized Counsel being pre-occupied. The Respondent further objected stating that he requested for adjournment of hearing on grounds of pre-occupation of his authorized Counsel to any of the dates in the next fortnight when the Committee had scheduled some more hearings, but the request so made by the Respondent was rejected in complete disregard to the principles of natural justice and thus disallowed an opportunity to present his case before the Committee through his Counsel.

Further, he submitted that the matter was not delayed due to the Respondent in the past. On the contrary, the suo moto adjournments were granted by the Disciplinary Committee on two earlier occasions at the last moment despite the readiness of the Respondent and his counsel to appear. Thus, as per him, the process followed by the Committee was against the principles of natural justice. Firstly, the Respondent was denied an opportunity to make oral submissions and secondly, the Complainant was granted an opportunity to file rejoinder against written submissions of the Respondent

behind his back. Thus, he argued that the Respondent would not have any opportunity to meet the averments made in the rejoinder by the Complainant. This would have been possible only in personal hearing & oral submissions being made. Hence, as per him, the process adopted by the Committee during its proceedings was totally incorrect and untenable.

4.1 The Committee noted that the hearing in the extant matter had been scheduled on 2nd July, 2020, 23rd January, 2021, 21st June, 2021, 23rd July, 2021, 11th August, 2021, 30th September, 2021, 15th November 2021, and 17th December 2021. It was noted that on 2nd July, 2020, the request of the Counsel for the Respondent to appear through video-conferencing being in US was considered by the Committee and was permitted to appear before it through video-conferencing. Thereafter on 23rd January, 2021 the request to summon witness was considered. On 21st June, 2021, the Counsel for the Respondent was allowed to examine his witnesses.

On 23rd July, 2021, the Respondent sought adjournment on the grounds of death of a close relative in his family and on being asked to represent himself through his authorized Counsel(s) before the Committee, the Respondent vide his another e-mail dated 20th July 2021 requested to either reschedule the time of hearing from 11:00a.m to 4:00 p.m as his Counsel was stated to have had three cases scheduled simultaneously for hearing on the same day till 4pm or adjournment be granted in the matter. Further, he reiterated the adjournment requests vide e-mail dated 22nd July, 2021. The Committee granted adjournment for the said hearing but at the same time decided that last opportunity was granted to the Respondent to appear before it and defend the matter and also that no further adjournment would be granted in the said matter(s) which was duly communicated to him.

As regard next hearing scheduled on 11th Aug, 2021, another mail was received from the Counsel on 9th August, 2021 requesting to postpone the time of hearing the matter after 2pm as the Main Counsel was stated to be arguing some other matter before the Hon'ble Delhi High Court. It was noted that the Counsel was informed that non-availability of Authorized Counsel could not be treated as valid ground to request for short adjournment/adjournment in the matter as per CA Rules 2007 and that while granting adjournment during previous hearing last opportunity had been granted to the Respondent to defend the matter. It was noted that thereafter, the Respondent appeared alongwith his Main Counsel and that the witnesses were further examined by the Respondent and cross examined by the representatives of the Director (Discipline).

Thereafter, for the hearing scheduled on 30th Sept, 2021 and 15th November, 2021, the Respondent had particularly pointed out that the suo moto adjournments were

granted by the Disciplinary Committee during the said hearings at the last moment despite the readiness of the Respondent and his counsel to appear for the said hearings. However, the Committee noted that when the case was taken up by it for hearing although the Respondent appeared before it but his Main Counsel was not available in the waiting room of the video-conferencing platform, so the Committee had no option but to adjourn the hearing. Later, on review of attendance, it was noted that the Main counsel had joined the said meeting twice for a duration of 1 minute only which could not be taken as presence before the Committee for the purpose of defending the case. It was noted that it was only on 15th Novemebr, 2021 that all the scheduled hearings were cancelled by the Committee due to certain unavaoidable circumstances.

From the above-said details, it was noted by the Committee that when on 17th Dec, 2021, the Main Counsel again sought adjournment indicating his pre-occupation for a seminar of the Institute, again the Committee had re-scheduled its hearing after obtaining details of his engagement in the programme, still the Main Counsel chose not to appear before it. The Committee noted the facts that the matter was pending for long and that last opportunity had been granted to the Respondent to defend his case. Since, sufficient opportunities and co-operation had been extended in the alleged matter in terms of principles of natural justice, the Committee had rejected the request for adjournment of hearing being non-availability of the main counsel not valid ground to seek adjournment under CA Rules, 2007. In any case, in terms of principle of natural justice, an opportunity was given to the Respondent to submit his written submissions.

Further, the Respondent's argument that on 17th Dec 2021, the matter was also fixed for cross-examination of Mr. Jitender Kumar Agarwal by Counsel of the Complainant on 17.12.2021 was completely wrong because the due opportunity was given to the Complainant immediately after the Director(Discipline) had cross examined the witness. In any case, the Complainant had not raised any objection for not providing the said opportunity. It was noted that the Respondent further argued that the Complainant was also given an opportunity to file his rejoinder on his final submission. However, not providing the Respondent further opportunity to submit on averments made in rejoinder was against the law. It was viewed that firstly, the Committee could not withdraw the right of the Complainant to file the rejoinder and that providing both the parties to keep on submitting on each other's submissions would have been a never ending process and it would in any case to be considered by the Committee in view of the documents/information available on records. It was viewed that the parties concerned should entrust the Committee for diligently discharging its responsibility. Accordingly, it was viewed that the preliminary objections raised by the Respondent was untenable and accordingly decided to consider the merits of the matter.

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4.1.1 The Committee noted that the Complainant Bank had alleged that the Respondent had certified debtors of the Company, M/s. Sheetal Refineries Ltd. as on 31.12.2012 at Rs.191.89 Cr. (C-37), however, the outstanding book debts in the Balance Sheet as on 31.01.2013 audited by the Respondent were only Rs.45.11 Cr (C-53) which, as per the Complainant, established that the book debt statement dated 31.12.2012 certified by the Respondent firm was not showing true picture of books of account of the Company.

4.1.2 The Committee, thereafter, noted the submissions made by the Respondent wherein he submitted that he had certified the stock statement of M/s Sheetal Refineries Ltd. (hereinafter referred to as 'the Company') on the basis of facts as reflected in the books of account of the Company as on 31.12.2012 and that he had acted with due diligence and proper care as applicable in the normal circumstances and in accordance with generally accepted accounting and auditing principles. He also submitted that the Respondent had certified the debtors on the basis of the books of account as on 31.12.2012, as maintained by the management and produced before him and that there was no occasion for the Respondent to suspect anything wrong in the books of account and hence the certificate issued by the Respondent matched with the figures reflected in the books of account. He further stated that a certificate is a written confirmation of the accuracy of the facts stated therein and does not involve any estimate or opinion and it was a matter of record that the certificate issued by the Respondent contained an accurate figure based on the books of account maintained by the Company and as per the information and explanation provided to the Respondent by the company.

4.1.3 He further pointed out that during the 9 months period from April 2012 to December 2012, the company had achieved sales of Rs. 526.43 crores which was also reflected in VAT Returns and looking at the entire scenario, it was clear that the increase in debtors was not abnormal and hence there was no reason for the Respondent to suspect that the figure of the debtors was wrong. In the absence of any suspicion he did not feel it appropriate to look into any other aspect more so when the figures of the sundry debtors certified by the Respondent as on 31.12.2012 was in consonance with the balance of the sundry debtors appearing in the books of account.

4.1.4 He also submitted that the primary responsibility of maintenance of the books of account is of the management of the company as Section 209 of the Companies Act, 1956 casts a responsibility of maintaining proper books of account first on the

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managing directors or manager and every officer of the company and in their absence on each director of the company. The Chartered Accountant issuing a certificate based on position appearing in the books of account maintained by the company cannot be held responsible for any error in the books of account occurring due to non-reconciliation of accounts. He further mentioned that while issuing a certificate, the Chartered Accountant is not required to review the entire books of account as is done in the case of audit to arrive at the financial position of the company. The Respondent was expected to deploy the test of materiality and the same was used by the Respondent for verifying the debtors vis a vis the sales made by the Company. The Respondent also argued that the Complainant Bank had not relied on alleged certificate at the time of sanction or disbursement of credit facilities.

4.2 The Committee further noted the submissions made by the Complainant in the Rejoinder wherein it was inter-alia stated that the loan which was sanctioned to the Company was disbursed based on the documents submitted by the company and one among such documents was the alleged certificate reporting the debtors at as Rs.191.89Crores but subsequently, the company had prepared Audited Balance sheet as on 31.01.2013 (10 months' period from 01.04.2012 to 31.01.2013) and the same was audited by the Respondent wherein the outstanding book debts was only Rs.45.11Crores. Thus, there was a huge gap of Rs.146.78 Cr in the debtors within a month time, which was not clearly justified by the company and the certificate was also issued without any qualifications that reconciliation was pending. Based on and trusting the alleged certificate, the Bank disbursed amounts to the tune of several crores to the Company which ultimately lead to heavy losses to the Bank, which deals in public money.

4.2.1 The Complainant further pointed that the Company had admitted in its letters dated 22.08.2013 and 28.10.2013 to BIFR that stock statement of December, 2012 was not reconciled and book debt statement dated 31.12.2012 did not show true picture and therefore, it was obvious that as a statutory auditor and former Independent director, the Respondent was well-aware of the method and manner in which the company was maintaining its books of accounts; even on being questioned by the banks, the Respondent replied casually in his letter dated 13.12.2013.

4.2.2 The Complainant further mentioned that sanction of limits and disbursement of the loan were two separate scenarios which meant that although the loan was sanctioned to the said company on the face of the documents produced before it but

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the disbursement and the quantum of the said loan was based on stock and book debts as on 31.12.2012. If the fact of non-reconciliation of debtors had been brought to the notice of the Complainant bank, the bank would have reconsidered the quantum of disbursement of the loan or even would have reconsidered the loan itself. It was pointed out that subsequently, within one month, the book debts, which was earlier showed as Rs.191.98 Crores reduced drastically to Rs.45.11 Crores as on 31.01.2013 which was not possible in case of normal course of business.

5. The Committee further noted that on request made by the Respondent, Shri Jitendra Agarwal, the Managing Director of the Company was summoned to depose as the Respondent Witness and he appeared before the Committee for deposition. He was, thereafter, examined by the Respondent before the Committee and cross examined by the representative of the Director (Discipline). In his deposition, he had clearly admitted that due to his family problems, he could not visit Office and the accounts could not be properly maintained and reconciliation of debtors and creditors could not be properly done. He further submitted that in last week of December 2012 and first week of January 2013, when the internal audit was done, it was found that lot of accounts were pending for reconciliations which were informed to the Respondent as well. Incidentally, it was noted that alleged certificate was issued on 15th Jan, 2013.

6. The Committee further noted that CA G. Venkateswarlu who had conducted the stock and receivable audit of the Company in the month of April 2013 was also summoned to appear before the Committee as Respondent's Witness. He also appeared before the Committee for examination by the Respondent and was, thereafter, cross examined by the representative of the Director (Discipline). In his deposition, he submitted that he had issued a Stock Audit Report as on 31.03.2013 and although was not provided with the copy of the Certificate issued by the Respondent but there were lot of discrepancies in the figures of Stock and debtors as on 31.12.2012 both in the debtors and stock figures as per Company's books.

7. The Committee further noted that Shri Jitendra Agrawal, the witness of the Respondent and also MD of the Company, who was associated with the Company since 2002 and was aware of all the happenings of the Company, had deposed before the Committee that for the purpose of issuing the debtors statements, the details of all the sales transactions, cash book, bank book, debtors creditors etc were provided to the Respondent and that the Respondent did not seek any further

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document and information. However, on further examination, the MD of the Company had also submitted before the Committee that due to family problems, he did not visit office and thus the accounts of the Company were not being properly maintained and that the reconciliation of debtors and creditors was also pending. The Committee further noted that there was a letter dated 28th October 2013 written by the Company to BIFR available on record wherein it was stated that:-

"The S. Debtors List of 31.12.2012 submitted to the bank was not reconciled as there was No Internal Audit in the Company during that Year. This has created a Mess. The Sales during the year to 4 Parties as mentioned by the bank are Care Edible 74 Crores (due showing 53 Crores), Ushodaya Ent. Rs. 37 Crores (showing due 13 Crores), Nidhi Agencies 111 Crores (Due Showing 33 Crores) and Lohiya Industries 18 Crores (Due showing 11 Crores). These Debtors Dues showing were not reconciled for the amounts which have already realized before Dec 2012 as the accounting team in the company had suddenly vanished and few old accountants' were busy giving information to the I T Scrutiny."

8. The Committee further noted that there was another letter dated 22nd Aug 2013 written to BIFR wherein the Company had interalia stated as follows:

"...the MD of the company was mentally upset due to Losses in the business as well as Family problems parents becoming seriously sick. He could not attend office for a long time. The Operations of the company were at a mess as also the administration and accounts Department. The Old accountants have left the job and new accountants have come in place. The Accounts receivable and payables were nor reconciled by the MD nor the accountants. The huge Turnover of the company and outstanding Debtors is a hectic task and debtors and creditors reconciliation can be done only by the sales, purchase and collection team. In the absence of the MD no employee was working properly and Accounts were complete mess. The bank was pressurizing for Monthly stock and debtors statement. So whatever the unreconciled Debtors list was available in accounting package was given to the bank. The stock statement does not certify that the Debtors balances are reconciled and confirmed by the debtors. They are always subject to confirmation and reconciliation. Subsequently on reconciliation it was realized that many debtors the payments were realized earlier only and entry was not passed in accounts. Therefore immediately on reconciling accounts the company reported the BIFR and informed the Bank vide letter dt 8.3.13."

(Signature)

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The Committee, thus, was of the view that it was quite evident that books of accounts which formed basis for the certification the debtors statement of the Company as on 31.12.2012 by the Respondent at Rs 191.89 crores were firstly, not maintained properly, secondly, had many discrepancies on account of non-reconciled accounts which the Respondent had failed to report in his certificate. It was noted that the Respondent had certified as follows:

"This is to certify that Sundry Debtors of the company amounted to Rs.191,89,41,518 (Rs. One Ninety One Crores Eighty Nine Lacs Forty One Thousand Five Hundred and Eighteen Only) as on 31.12.2012 as per books of account examined and according to information and explanation given to us."

The Committee noted that the Respondent had, in the said certificate certified the figures of the debtors based on his examination of the books of accounts and information/explanation received. In other words, the Respondent had given an undertaking to have conducted an exercise to certify the said figures.

9. It was viewed that considering the undertaking expressed in the certificate by the Respondent, his argument that he relied only upon figures as given in books of accounts while certifying the figures could not be accepted. If the debtors' figures as given in the books of accounts were required to be reconciled in order to test the correctness of figures as reflected therein. In this regard, the Committee noted that Guidance Note on Audit Reports and Certificates for Special Purposes states as under:

"2.2 A certificate is a written confirmation of the accuracy of the facts stated therein and does not involve any estimate or opinion. Thus, when a reporting auditor issues a certificate, he is responsible for the factual accuracy of what is stated therein."

10. Thus, from the above, the Committee was of the view that the professional, while issuing a certificate, is responsible for the factual accuracy stated therein and that, in extant case, the Respondent had failed to adopt due verification procedures due to which he was not able to detect the un-reconciled debtors which ultimately led to overstatement of debtors as on 31.12.2012. He has even failed to mention the said fact on the face of the certificate that figure of Debtors were unaudited/not reconciled. Thus, it was clear that the Respondent had failed to exercise due diligence in carrying

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out his professional duties and is thus guilty of professional misconduct falling within the meaning of Clause (7) of part I of the second schedule to the Chartered Accountants Act, 1949.

Conclusion:

11. Thus in conclusion, 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 the Second Schedule to the Chartered Accountants Act, 1949.

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

Sd/-
[Shri Ajay Mittal]
Member (Govt. Nominee)
[Approved and confirmed through e-mail]

Sd/-
[CA. Chandrashekhar Vasant Chitale]
Member

Sd/-
[CA. P.K. Boob]
Member

Date: 8th February, 2022
Place: New Delhi

प्रमाणित सत्य प्रतिलिपि / Certified true copy
Mohita Khanna
सी.ए. मोहिता खन्ना / CA. Mohita Khanna
अनुशासन सचिव / Assistant Secretary
अनुशासन निदेशालय / Disciplinary Directorate
इंस्टीट्यूट ऑफ़ चार्टर्ड एकाउंटेंट्स ऑफ़ इंडिया
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