

**CONFIDENTIAL**

**DISCIPLINARY COMMITTEE [BENCH – II (2022-2023)]**

**[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/144/2016-DD/176/2016-DC/1247/2019]**

**In the matter of:**

**Shri Saud Ahmad,  
Joint Director (Legal & Prosecution), SFIO  
Ministry of Corporate Affairs, Govt. Of India,  
2nd Floor, Paryavaran Bhawan,  
CGO Complex, Lodhi Road  
New Delhi-110003**

**.....Complainant**

**Versus**

**CA. Shekhar Bhargava (M.No. 074179)  
M/s. Shekhar Bhargava & Co. (FRN 005461C)  
509/440  
Old Hyderabad,  
Lucknow-226007**

**.....Respondent**

**MEMBERS PRESENT:**

- 1. CA. (Dr.) Debashis Mitra, Presiding Officer (Present in person)**
- 2. Mrs. Rani Nair, I.R.S. (Retd.), Government Nominee (Present in person)**
- 3. Shri Arun Kumar, I.A.S. (Retd.), Government Nominee (Present in person)**
- 4. CA. Cotha S Srinivas, Member (Present in person)**

**DATE OF FINAL HEARING : 31.10.2022 (Through Physical/ Video Conferencing)**

**PARTIES PRESENT :**

**Complainant: Ms. Sumaiya Bansal, Senior Prosecutor SFIO (Authorized Rep.)**

**Respondent: CA. Shekhar Bhargava**

**CHARGES IN BRIEF:-**

1. The Committee noted that in the present case, the Complainant Department i.e. SFIO pursuant to a Central Government Order dated 4<sup>th</sup> July 2012 had conducted an investigation into the affairs of the M/s Basil International Ltd. (hereinafter referred to as "BIL") and its group Companies including Vamshi Chemicals Ltd (hereinafter referred to as "Vamshi/Company"). Thereafter submitted its investigation report dated 31<sup>st</sup> March 2014.
2. The Complainant Department stated that the main activity of the BIL was the mobilization and collection of money from the public under two schemes, namely Product Card Scheme and Redeemable Preference Share Scheme (page C-2 of prima-facie opinion). Investigation report (page C-14 to C-281 of prima-facie opinion) revealed that BIL issued Redeemable Preference Share Scheme on a private placement basis and collected Rs. 1,629.53 crore from the scheme during FY 2009-10 to FY 2012-13, and such an amount was found to be diverted to its group companies, including Vamshi Chemicals Ltd. and directors.
3. In the investigation report, it was held that the Respondent who was the statutory auditor of Vamshi Chemicals Ltd. for the FY 2008-09 did not take the necessary steps and follow the required instructions and failed to point out possible irregularities in his audit report. It is also reported that the Respondent appeared before the investigation team on 19<sup>th</sup> February 2013 and 20<sup>th</sup> February 2013 for giving statement on oath, and in the statement on oath, he admitted (page C-277 to C-278 of prima-facie opinion) several defects in the accounts and financials of the Company.
4. The Committee noted that in the present case, the Director (Discipline) had held the Respondent Prima-facie Guilty of of Professional Misconduct falling within the meaning of Items (7) and (8) of Part I of the Second Schedule to the Chartered Accountants Act, 1949 on the following charges:
  - a. The Respondent on Oath admitted that he had not received direct confirmation from the loanee parties, creditors, and bankers regarding their

balances as shown in the financial statements of the period ended on 31<sup>st</sup> March 2009 audited by him. (Reply to Q.23, page C-278 of the prima-facie opinion). The Complainant Department has contended that despite the irregularities, the Respondent has stated in para 4 (i) of the Audit Report (page C-257 of the prima-facie opinion) that he had obtained all information and explanation which to the best of his knowledge and belief, were necessary for the purpose of the audit. Thus, the stated defects were not mentioned anywhere in his audit report for F.Y. 2008-09.

- b. The Respondent on Oath admitted that he had not received any document/agreement specifying the terms and conditions of unsecured loans of Rs.86.06 crores shown as on 31<sup>st</sup> March 2009. (Reply to Q.20, page C-277 of prima-facie opinion). As regards, reporting under CARO with respect to loan taken, it was observed that total of the balance sheet was Rs. 346 Crores approx. (page C-261 of the prima-facie opinion) whereas the unsecured loans were of Rs. 86.06 crores, thus constituting 24.82 % of the total size of balance sheet.
- c. The Respondent on Oath admitted that the Company had received a loan of Rs.15.03 crores from Shri Preet Pal Sethi, Director of the Company, in respect of which no document /agreement specifying the terms and conditions thereof was produced before him at the time of the audit. Later on, the Respondent felt that such a loan was prejudicial to the interests of the Company due to the conflict of interest between the director and the Company. (Reply to Q.21 & 22, page C-278 of prima-facie opinion). Hence, the Respondent failed to point out the non-existence of documents/agreements specifying terms and conditions of loans with respect to loans taken from its directors.

#### **BRIEF FACTS OF THE PROCEEDINGS:**

5. During the hearing on August 23, 2022, the Committee asked both parties whether they wanted a de-novo hearing because the composition of the Committee had changed further since the previous hearing. On the same note, both parties agreed that the Committee should continue its investigation into this



matter from where it left off at the previous hearing. The Committee acceded to their request and continued the hearing.

- 5.1 Thereafter, when the Committee asked the Complainant Department to open the charges, the Complainant's Counsel Sh. Kunal Rawat, Advocate, mentioned that in the previous hearing, details relating to other Companies where the Respondent was involved were called, and he needed around six weeks' time to compile and submit the same. Accordingly, he sought an adjournment. The same was objected to by the Respondent on the ground that the present matter relates to one Company, i.e M/s Vamshi for F.Y. 2008-09 only.
- 5.2 The Committee accordingly, asked the Respondent to submit his submissions. Thereafter, the Respondent's made their submission at length. After considering the same, the Committee also directed both the parties to submit their submissions/clarifications/ documents to the Committee in next four weeks.
- 5.3 The Committee noted that the Complainant Department failed to submit any submissions, however the Respondent vide his email dated 28<sup>th</sup> October 2022 attached his earlier submissions dated 23<sup>rd</sup> September 2016, 6<sup>th</sup> March 2017 and 5<sup>th</sup> September 2020.
6. On the day of the final hearing held on 31st October 2022, the Committee noted that Ms. Sumaiya Bansal, Senior Prosecutor SFIO was present on behalf of the Complainant Department, through Video Conferencing Mode. The Committee noted that the Respondent was also present through Video Conferencing Mode. The Committee noted that this case was fixed earlier on multiple occasion on the following dates: -

I	16.03.2020	Adjourned at the request of the Respondent
II	19.09.2020	Part Heard and adjourned
III	24.12.2020	Part Heard and adjourned
IV	12.11.2021	Adjourned at the request of the Respondent
V	23.08.2022	Part heard and adjourned.

- 6.1 The Complainant was asked to open the charges against the Respondent. The Complainant reiterated the charges from the Prima-facie Opinion. Thereafter, the Respondent presented his line of defence by presenting the arguments in detail. After considering all papers available on record and after detailed deliberations and recording the submissions, the Committee decided to conclude the matter.

### **FINDINGS OF THE COMMITTEE**

7. The Committee noted that the Respondent has made various submissions stating as under :
- a. He was the statutory auditor of Vamshi Chemicals Ltd for FY 2008-09, whereas the investigation report related to FY 2009-10 onwards.
  - b. Further, the investigation referred to the main activity of BIL regarding Product Card Scheme and Redeemable Preference Share Scheme. These activities were neither part of nor related to Vamshi Chemicals Ltd.
8. The Committee on the same noted that the Complainant Department has focused on alleged mobilisation of funds by BIL and its group companies, the period of investigation taken by SFIO is from FY 2004-05 onwards, as explained in paragraph 1.14 of the Investigation report (page C-29 of prima-facie opinion). Accordingly, the Committee was of view that the Respondent's defence that he was the statutory auditor of the period to which the investigation report does not relate to or that the company was not involved in the collection of funds from alleged schemes is not sustainable.
9. The Committee noted that the Respondent, regarding the first charge relating to direct confirmation from loanee parties, creditors, bankers etc., in his defence, in his written and oral submissions before it, had stated as under:
- i) That the audit was carried out in accordance with accepted auditing practice and accepted accounting principles followed in a statutory audit to obtain



reasonable assurance about the truth and fairness of the financial statements of the auditee company.

- ii) That during the audit he verified the statements of Bank accounts, their balance confirmations, reconciliations, and statements of accounts of various parties as appearing in the books of accounts with reference to the transactions as recorded in the bank statements and books and their confirmed ledger balances from respective parties.
- iii) The working papers submitted contain Bank Account Ledger, Reconciliation, Statement of various parties, and their balance confirmations.
- iv) That all the transactions were routed through proper banking channels which were duly verified in bank statements and the confirmations of parties in most of the cases. All the working papers were placed on record and were duly considered and examined by the Disciplinary Directorate as mentioned in Para 9.5 and 9.6 of the prima facie report.
- v) The prima facie opinion states that bank account statements of only limited period are in working papers and therefore it is opined that he had verified bank account for a limited period only. This is totally wrong appreciation of facts and general auditing practices by the Disciplinary Directorate. Bank statements of the whole year of an auditee are not kept in audit working papers. Normally the auditor keeps the account statement for the closing period is kept in confirmation of year-end balance only.
- vi) Accordingly, the level of assessed inherent or control risk did not warrant the need for external confirmation as mentioned in Para 3 of SA 505. As per SA 305, based upon the assessed risks of material misstatement and the substantive audit procedures performed, the auditor has to consider whether external confirmation procedures are to be performed or not. External confirmation may not be required in the circumstances and the assessed risk of material misstatement.

9.1 The Committee in this regard noted that this charge has emanated from the observation of SFIO with respect to transactions held between BIL and Vamshi Chemicals Ltd. during 2005-06 to 2011-12, as stated in para 4.123 of the Investigation Report (page C-105 of prima-facie opinion ) reproduced below:

*"..total closing balance of Loans and Advances/Investments as 31.03.2011 stated to be made by BIL to Vamshi Chemicals Ltd. amounts to Rs. 61,26,47,383 only. However, scrutiny of banking transactions reveals transfer of Rs. 169,90,01,924 from the bank account of BIL to the bank accounts of Vamshi Chemicals Ltd, during the period from 12.06.2006 to 27.07.2010. Thus, no correlation is found between the figures gathered from the banking transactions and those mentioned in the balance sheets of BIL."*

9.2 The Committee noted that in the statement of Oath before the Complainant Department on 20<sup>th</sup> February 2013 (Reply to Q.23, page C-278 of the prima-facie opinion), the Respondent admitted as under:

*"Q.23 Whether as auditor of the Company have you obtained confirmation of balances at the close of account i.e. 31.03.2009 in respect of bank balances, loanee party balances, debtors and creditors independently?"*

*Ans: We have not obtained independent confirmation from the parties."*

9.3 The Committee noted that the Respondent has brought on record his working papers, which contain the audit notings (page D-211 to D-222 of the Prima-facie opinion). He further submitted that all the transactions were routed through banking channels and that there was no reason at the time of the audit to further investigate. The Committee observed that the Respondent has solely relied on banking transactions and did not obtain other appropriate evidence to examine whether all the transactions were routed through the banking channel or otherwise were appropriately recorded. In view of the significant value of transactions involved, the Committee viewed that, being a prudent professional, the Respondent should have sought direct confirmation from the parties in compliance with the requirements of the provisions of AAS-30 (now SA-505)



relating to external confirmations and should not have merely relied on the bank statements to complete the audit.

- 9.4 The Committee further observed that, as per Para 3 of AAS 5 (Audit Evidence), the auditor should evaluate whether he has obtained sufficient, appropriate audit evidence before drawing his conclusions therefrom. The audit evidence should, in total, enable the auditor to form an opinion on the financial information. In forming such an opinion, the auditor may obtain audit evidence on a selective basis by way of judgmental or statistical sampling procedures. The Committee noted that no such procedure had been followed by the Respondent rather he merely relied on the statements provided by the client.
- 9.5 In the opinion of the Committee, while AAS 5 (Audit Evidence) lays down several methods of inquiry and confirmations, the Respondent has not been able to bring out any reasoning/justification as to why no confirmations have been obtained.
- 9.6 In addition to this, the Committee also noted that, as per AAS 5, an external confirmation represents audit evidence secured from the third party is more reliable than internal evidence. External confirmation needs to be secured to reduce the audit risk to an acceptable level. Noting, no such external confirmation of balances had been secured by the Company and the Respondent as an auditor in the case of loanee accounts, bankers, creditors etc.
- 9.7 The Committee on considering the arguments of the Respondent, formed the opinion that it was the responsibility of the auditor to design and perform audit procedures in such a way as to enable to obtain sufficient audit evidence so that a reasonable opinion could have been formed for forming an audit opinion. These evidence were to be obtained by substantive procedures as per AAS 5 (Audit Evidence). These substantive procedures among others, covered external confirmations. The Committee was convinced with the fact that the Respondent failed to collect evidence obtained from independent sources to reduce the audit risk. Noting, no confirmation of balances had been secured by the Company



and the Respondent as an auditor in the case of creditors, loanee parties and bankers.

9.8 The Committee further noted that Respondent failed to obtain confirmation from parties to whom advances were given. Therefore, the Committee concluded that the Respondent did not exercise due diligence in the audit of the auditee company and did not plan the audit to ensure the existence and correctness of large number of unconfirmed party balances, and hence he is held guilty on this charge in terms of the provisions of Item (7) of Part-I of Second Schedule to the Chartered Accountants Act, 1949.

10. The Committee noted that, regarding the second charge relating to non obtaining and checking of any document/agreement specifying terms and conditions of unsecured loan of Rs. 86.06 crore shown as on 31<sup>st</sup> March 2009, the Respondent in his defence in his written and oral submissions before it had stated as under:

- i) The management could not produce any agreement specifying terms and conditions when they asked for such a document.
- ii) That this fact was specifically mentioned in report under CARO.
- iii) That there was no law requiring the agreement to be documented.

10.1 The Committee noted that para 55 (b) of the Statement on the Companies (Auditor's Report) Order, 2003 issued by the ICAI states that:

*"The auditor should examine agreements entered into by the company with the parties covered in the register maintained under section 301 of the Act or any other supportive documents available for ascertaining the rate of interest and other terms and conditions of all loans taken by the company from companies, firms or other parties covered in the register maintained under section 301 of the Act."*

10.2 The Committee noted that the Respondent in CARO reporting had stated as under (page D-9 of the prima-facie opinion):

*"(iii) A) a) According to the information & explanation given to us the company has taken unsecured loans from fifteen parties covered under section 301*

of the Companies Act, 1956. The maximum amount involved is Rs. 86,06,72,000/-.

- b) According to the information & explanation given to us the company has not paid any interest on the loan taken from parties listed in the register maintained under section 301 of the Companies Act, 1956 and hence no question of prejudicial to the interest of the Company arises. There are no other terms and conditions stipulated in respect of the said loan.
- c) The principal amounts are repayable on demand and there is no repayment schedule. The interest where applicable is payable on demand.
- d) In respect of the said loans, the same are repayable on demand and therefore the question of overdue amount does not arise. In respect of the interest, where applicable, is payable on demand."

10.3 The Committee noted from the above that the Respondent had certified that the Company had not paid any interest on unsecured loans and that interest is repayable on demand. In other words, the loans can be demanded instantly and may endanger the short-term paying capacity of the Company. The Committee also noted that the Respondent merely relied on the submissions of the management and did not exercise his independent verification in respect of checking the terms and conditions for such loans.

10.4 The Committee also that in the statement of Oath before the Complainant Department on 20<sup>th</sup> February 2013 (Reply to Q.20, page C-277 of the prima-facie opinion), the Respondent admitted as under:

"Q.20 Unsecured loans of Rs. 86.06 crores have been booked as on 31/03/2009. Have you seen the arrangement with the parties. Were the terms of the agreements were not prejudicial to the interests of the Company?"

Ans: There were no documents/ agreements specifying terms & conditions produced to us. Presently I feel that the above is prejudicial to interests of the Company."



- 10.5 The Committee noted that the Respondent in his statement under Oath, accepted that no documents specifying terms were available and he now is of the view that the loans are prejudicial to the Company. The Committee noted that the Respondent had lent himself to this situation because he had not exercised due care and failed to obtain sufficient information for forming an opinion. The Committee also noted that the Respondent had not mentioned the fact of non-availability of documents specifying terms in his CARO report.
- 10.6 The Committee also noted that total of the balance sheet was 346 Crores Approx (page C-261 of prima-facie opinion) whereas the unsecured loans were of Rs. 86.06 crores, thus constituting 24.82 % of the total size of balance sheet. The Respondent has neither obtained direct confirmation from the parties providing the unsecured loans nor obtained agreement against the same.
- 10.7 In other words, the basis on which nature of such receipts was not available with the Respondent which leads to multiplication of misrepresentation over the period 2005-06 to 2010-11 viz. whether such receipts were investments of BIL in Vamshi Chemicals Ltd. or they were unsecured loans (Para 4.128 & 4.129 on C-106 of the prima-facie opinion).
- 10.8 The Committee stated that just because interest has not been paid does not mean that the loans are not detrimental to the company's interests. Hence, the Respondent should have reported his disclaimer by stating that the agreements are not available on record rather than stating that the said loans are not prejudicial to the interests of the Company. The Committee noted that the Respondent has nowhere in his audit report mentioned that no documents/agreements relating to such loans have been obtained or examined by him, nor has he provided any management representation letter based on which he placed his reliance about confirmation of outstanding balances of unsecured loans or their terms and conditions . Considering the facts on record and the reasoning stated, it is concluded that the Respondent did not obtain sufficient information to express his opinion in the audit report, and the opinion



expressed also indicates that the Respondent failed to act diligently in the absence of such information.

10.9 Accordingly, the Committee in his considered view hold the Respondent guilty for said charge in terms of provisions of Items (7) and (8) of Part I of Second Schedule to the Chartered Accountants Act, 1949.

11. The Committee noted that, regarding the last charge relating to non-existence of documents/agreements specifying terms and conditions of loans with respect to loans taken from its directors, the Respondent in his defence in his written and oral submissions before it had stated as under:

- (i) That all balances were correctly stated.
- (ii) That the conflict arose after few years of 2008-09 (period audited by him).
- (iii) The same has no bearing on true and fair view of the financial statements audited by him.

11.1 The Committee also that in the statement of Oath before the Complainant Department on 20<sup>th</sup> February 2013 (Reply to Q.21 and 22, page C-278 of prima-facie opinion), the Respondent admitted as under:

*"Q.21 In continuation of Q 20 the unsecured loans of Rs. 86.06 crores as on 31/03/2009 included Rs. 15.03 crores taken from Other Individual Mr. Preet Pal Sethi who had been the director of the Company. Was there any arrangement between him and the Company whether the terms of agreement were not prejudicial to the Company being checked by you as the auditor?"*

*Ans: There were no documents/ agreements specifying terms & conditions produced to us. Presently I feel that the above is prejudicial to interests of the Company.*

*Q.22 Since Mr. Preet Pal Sethi was related to this Company, hence was there any conflict of interest between him and the Company?"*

*Q*

Ans: As stated in question no. 21, there appears to be conflict of interest between him and the Company.”

11.2 The Committee noted that the Respondent, in his statement under oath, accepted that no documents specifying terms were available and that he now is of the view that the loans are prejudicial to the Company. The Committee noted that the Respondent had lent himself to this situation because he had not exercised due care and failed to obtain sufficient information for forming an opinion. The Committee also noted that the Respondent had not mentioned the fact of the non-availability of documents specifying terms in his CARO report.

11.3 The Committee noted that, similar to its previous observation, here again the Respondent agrees that no documents specifying terms were available. The Committee noted that findings relating to a similar charge are already covered in Paragraph 10 and its subparagraphs; hence, the Committee did not give separate findings on this charge and decided to hold the Respondent Guilty of Professional Misconduct falling within the meaning of Items (7) and (8) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.

## CONCLUSION

12. In view of the above findings stated in above paras vis a vis material on record, the Committee gives its charge wise findings as under:

Charges (para ref.)	Findings (para ref.)	Decision of the Committee
4 (a)	9 to 9.8	Guilty - Item (7) of Part I of the Second Schedule
4 (b)	10 to 10.9	Guilty - Item (7) and (8) of Part I of the Second Schedule
4 (c)	11 to 11.3	Guilty - Item (7) and (8) of Part I of the Second Schedule

13. The Committee, accordingly, in its considered opinion holds the Respondent **GUILTY** of Professional Misconduct falling within the meaning of Item (7) and (8) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.

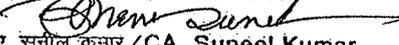
Sd/-  
(CA. (Dr.) DEBASHIS MITRA)  
PRESIDING OFFICER

Sd/-  
(SMT RANI NAIR, IRS (RETD.))  
GOVERNMENT NOMINEE

Sd/-  
(SHRI ARUN KUMAR, I.A.S.(RETD.))  
GOVERNMENT NOMINEE

Sd/-  
(CA. COTHA S. SRINIVAS)  
MEMBER

प्रमाणित सत्य प्रतिलिपि / Certified true copy

  
सी.ए. सुनील कुमार / CA. Suneel Kumar  
सहायक सचिव / Assistant Secretary  
अनुरागसनात्मक निदेशालय / Disciplinary Directorate  
इंस्टिट्यूट ऑफ चार्टर्ड एकाउंटेंट्स ऑफ इंडिया  
The Institute of Chartered Accountants of India  
आईसीएआई भवन, विश्वास नगर, शाहदरा, दिल्ली-110032  
#CAI#Bhawan, Vishwas Nagar, Shahdra, Delhi-110032

DATE: 11.02.2023  
PLACE: New Delhi



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

[PR/144/2016-DD/176/2016-DC/1247/2019]

**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/144/2016-DD/176/2016-DC/1247/2019]

**In the matter of:**

**Shri Saud Ahmad,**

Joint Director (Legal & Prosecution), SFIO  
Ministry of Corporate Affairs, Govt. Of India,  
2nd Floor, Paryavaran Bhawan,  
CGO Complex, Lodhi Road  
New Delhi-110003

.....Complainant

**Versus**

**CA. Shekhar Bhargava (M.No. 074179)**  
**M/s. Shekhar Bhargava & Co. (FRN 005461C)**  
509/440  
Old Hyderabad,  
Lucknow-226007

.....Respondent

**MEMBERS PRESENT:**

1. **CA. Ranjeet Kumar Agarwal, Presiding Officer** (Present in person)
2. **Mrs. Rani Nair, I.R.S. (Retd.), Government Nominee** (Present in person)
3. **Shri Arun Kumar, I.A.S. (Retd.), Government Nominee** (Present in person)
4. **CA. Sanjay Kumar Agarwal, Member** (Present in person)

**DATE OF MEETING : 11.04.2023 (Through Physical/ Video Conferencing Mode)**

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 11.02.2023, the Disciplinary Committee was, inter-alia, of the opinion that **CA. Shekhar Bhargava** (hereinafter referred to as the **Respondent**) was **GUILTY** of professional misconduct falling within the meaning of Item (7) and (8) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.



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2. The Committee noted that the charges against the Respondent were as follows:
- 2.1 The Respondent on Oath admitted that he had not received direct confirmation from the loanee parties, creditors, and bankers regarding their balances as shown in the financial statements of the period ended on 31<sup>st</sup> March 2009 audited by him. (Reply to Q.23, page C-278 of the prima-facie opinion). The Complainant Department has contended that despite the irregularities, the Respondent has stated in para 4 (i) of the Audit Report (page C-257 of the prima-facie opinion) that he had obtained all information and explanation which to the best of his knowledge and belief, were necessary for the purpose of the audit. Thus, the stated defects were not mentioned anywhere in his audit report for F.Y. 2008-09.
- 2.2. The Respondent on Oath admitted that he had not received any document/agreement specifying the terms and conditions of unsecured loans of Rs.86.06 crores shown as on 31st March 2009. (Reply to Q.20, page C-277 of prima-facie opinion). As regards, reporting under CARO with respect to loan taken, it was observed that total of the balance sheet was Rs. 346 Crores approx. (page C-261 of the prima-facie opinion) whereas the unsecured loans were of Rs. 86.06 crores, thus constituting 24.82 % of the total size of balance sheet.
- 2.3. The Respondent on Oath admitted that the Company had received a loan of Rs.15.03 crores from Shri Preet Pal Sethi, Director of the Company, in respect of which no document /agreement specifying the terms and conditions thereof was produced before him at the time of the audit. Later on, the Respondent felt that such a loan was prejudicial to the interests of the Company due to the conflict of interest between the director and the Company. (Reply to Q.21 & 22, page C-278 of prima-facie opinion). Hence, the Respondent failed to point out the non-existence of documents/agreements specifying terms and conditions of loans with respect to loans taken from its directors.
3. The Committee noted that the Respondent was present before it. The Committee noted that the Respondent relied upon his written submissions dated 3<sup>rd</sup> March 2023 and 6<sup>th</sup> April, 2023. the Respondent in his submissions before it, inter-alia mentioned as under:
- a) That he had audited the accounts of Vamshi Chemicals Ltd. for only one financial year 2008-09 and the focus of the Complainant Department was to investigate the main activity of the BIL, i.e., Basil International Ltd. and not Vamshi Chemicals.



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- b) Further, the investigation referred to the main activities of BIL regarding the Product Card Scheme and Redeemable Preference Share Scheme. These activities were neither part of nor related to Vamshi Chemicals Ltd.
- c) That his statement recorded on oath was made sole basis to raise three allegations against him which have been misconstrued by the Complainant Department as admissions by him.
- d) No evidence has been adduced by the Complainant Department with details of any transaction recorded in the books of accounts of Vamshi Chemicals Ltd. which ought not to have been recorded or which was misstated or concealed.
- e) As regards the first allegation, he submits that not obtaining independent confirmation from the parties cannot be the sole basis for arriving at the conclusion that he has failed to follow any audit procedure to obtain sufficient appropriate audit evidence before drawing this conclusion.
- f) As regards the second and third charges the Respondent stated that in CARO he had duly reported that there are no other terms and conditions stipulated in respect of the said loan.
- g) That due and reasonable care was taken by him while conducting the professional assignment. And he is not grossly negligent in the conduct of my professional duties, as the default was neither culpable nor was it wilful blindness but can be taken, if at all, as a minor deviation from the highest expected standard of efficiency from a professional, which cannot be regarded as a misconduct.

4. The Committee, while considering his oral and written submissions on record vis-à-vis facts on record and the reasoning stated, concluded that though the auditing period of the Respondent was beyond the period covered in the investigation by the Complainant Department, yet, it is evident that the Respondent did not obtain sufficient information to express his opinion in the audit report, and the opinion expressed also indicates that the Respondent failed to act diligently in the absence of such information. The Committee also noted that the Respondent had not mentioned the fact of the non-availability of documents specifying terms in his CARO report.



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5. Accordingly, the Committee, looking into the gravity of the charge *vis-a-vis* submissions of the Respondent, decided to give a reasonable punishment to the Respondent in the instant matter.

6. 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, CA. Shekhar Bhargava (M.No. 074179), be reprimanded along with a fine of Rs. 50,000/- (Rupees Fifty Thousand Only).

sd/-

(CA. RANJEET KUMAR AGARWAL)  
PRESIDING OFFICER

sd/-

(MRS. RANI NAIR, I.R.S. RETD.)  
GOVERNMENT NOMINEE

sd/-

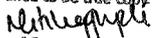
(SHRI ARUN KUMAR, I.A.S. RETD.)  
GOVERNMENT NOMINEE

sd/-

(CA. SANJAY KUMAR AGARWAL)  
MEMBER

DATE: 13<sup>th</sup> MAY, 2023

PLACE: NEW DELHI

सही प्रतिलिपि होने के लिए प्रमाणित  
Certified to be true copy  
  
सीए नीतिका गुप्ता / CA. Nitika Gupta  
सहायक निदेशक / Assistant Director  
अनुशासनात्मक निदेशालय / Disciplinary Directorate  
इंस्टिट्यूट ऑफ चार्टर्ड एकाउंटेंट्स ऑफ इंडिया  
The Institute of Chartered Accountants of India  
आईसीएआई भवन, विश्वास नगर, शाहदरा, दिल्ली-110032  
ICAI Bhawan, Vishwas Nagar, Shahdara, Delhi-110032