



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

[PR-G/250/18-DD/35/2019-DC/1506/2021]

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-G/250/18-DD/35/2019-DC/1506/2021

**In the matter of:**

**Shri T. Rajah Balaji,**  
Superintendent of Police,  
Central Bureau of Investigation,  
Bank Securities Fraud Cell,  
No.36 Bellary Road,  
Ganga Nagar,  
**BANGALORE - 560 032**

.....Complainant

Versus

**CA. Prakash Pesala (M.No.200805),**  
Partner of M/s. SPAD & Associates,  
8-3-222/6, Sant Mansion,  
C-63, Madhura Nagar,  
**HYDERABAD - 500 038**

.....Respondent

**Members present:**

CA. Aniket Sunil Talati, Presiding Officer  
Smt. Anita Kapur, Member (Govt. Nominee)  
Dr. K Rajeswara Rao, Member (Govt. Nominee)  
CA. Sushil Kumar Goyal, Member  
CA. Piyush S Chhajer, Member

**Party Present:**

(i) CA. Prakash Pesala – Respondent (appeared from Hyderabad Branch of the Institute)

**Date of Final Hearing: 12.04.2023 through Video Conferencing**

**Place of Hearing: New Delhi**

1. That vide report dated 07.12.2022, the Disciplinary Committee was of the opinion that CA. Prakash Pesala (M. No. 200805) was GUILTY Professional Misconduct falling within the meaning of Items (7) & (8) of Part I of Second Schedule to the Chartered Accountants Act, 1949 with respect to the allegation that the Respondent had issued a Net-worth certificate (C-33) dated 30.04.2012 to Shri K Srinivas Kalyan Rao certifying his net worth as on 31.03.2012 at Rs. 2,60,21,62,333/- (Rs.260.21Crore) which was incorrect and contained inflated figures as the said Net-worth was certified based on the huge investment in shares of the Company but subject shares were not actually transferred in the name of Shri K. Kalyan Srinivas Rao on the date of the said certificate.

It was noted that the said complaint was based on a case registered with CBI against Sh. Kalyan Rao, the Managing Director of M/s Best Crompton Engineering Projects Ltd. (hereinafter referred to as the 'Company') on the basis of complaint made by the Assistant General Manager, Central Bank of



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India, Corporate Finance Branch, Chennai (hereinafter referred to as the 'Bank') regarding fraud committed to the tune of Rs. 133.31 Crores. It was stated that in pursuance of the said criminal conspiracy, the Managing Director induced and cheated the bank to sanction them various credit limits such as Cash credit, Bank Guarantee and letter of credit along with adhoc/enhanced limits from 2010 to 2013 and due to non-repayment, the loan account became NPA on 28.05.2013 which caused wrongful loss of Rs. 133.31 crore to the Bank.

It was noted that Item (7) and (8) of Part I of Second Schedule states as under:-

**Second Schedule**

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

*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;*

*(8) fails to obtain sufficient information which is necessary for expression of an opinion or its exceptions are sufficiently material to negate the expression of an opinion”*

2. An action under Section 21B (3) of the Chartered Accountants Act, 1949 was contemplated against the Respondent and communication dated **27<sup>th</sup> March 2023** was addressed to him thereby granting him an opportunity of being heard in person and/or to make a written representation before the Committee on **12<sup>th</sup> April 2023** through video conferencing.

3. The Respondent appeared before the Committee on **12<sup>th</sup>- April, 2023** through video conferencing and made his oral representations on the findings of the Disciplinary Committee. The Committee considered the oral as well as the written representation dated **21<sup>st</sup> January, 2023** and **8<sup>th</sup> April, 2023**. It was noted that the Respondent inter-alia submitted as under:-

- a. At the outset, he reiterated his submissions relating to presence of Director (Discipline) through his authorized representative, eligibility of the later and questioned if notice was issued to Director(Discipline).
- b. Thereafter, with respect to merits of the matter, he again submitted that the alleged certificate was issued on 30/04/2012 for multiple VISA for business purpose for three Directors of the Company and that the Respondent was not the Statutory Auditor of the Company. The share transfer forms were seen by him which were to be submitted to the Company for transfer. The said transfer would have taken some time due to the process and procedures. When two directors were transferring their shares to the third director who was Managing Director and also when the Company was in their hands and shares were existing in the transferring persons names, as per him, he had duly verified the facts.
- c. As per him, “Net worth Certificate” was issued for obtaining multiple VISA for foreign travel purposes therefore, a generalized certificate to the client with the caption “To Whom So Ever it may Concern” was issued as per the ICAI Guidance Note on Audit Reports and Certificates for Special Purpose issued in the year 1984 by ICAI. He argued that it was the Client’s responsibility to forward the Certificate to the concerned authority, where it is so required and in the present case, the CFO erroneously submitted it to the bank.
- d. With respect to net-worth certified, the Respondent submitted that he had sought the information and obtained explanations from the parties whose net worth was under certification and in the aspect of shares, the persons who sold shares had reduced such shares from their assets and the person who purchased such shares added to his assets. Further, the net worth certificates as at 31/03/2012 was issued on 30/04/2012. He argued that as per the Complainant,

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the banker received the alleged net worth certificate vide original letter dated 28/03/2013 that is after 11 months of the date of issuance of the certificate by the Respondent. The Respondent clarified that normally the client won't wait for a period of 11 months to use the certificate by paying fees for a certificate to the CA 11 month before. Further, no banker will accept any net worth certificate which is older than one quarter.

- e. Further, he contended that for the assignment done in the year 2012, it is humanly impossible for anyone to produce the bank statements/ gift deeds / transfer deeds etc. as sought by the Disciplinary Committee.
4. At the outset, with respect to objections reiterated by the Respondent relating to appearance of Director(Discipline) through authorized representative, it was noted that said objection was addressed in detail in the Findings Report, hence, the hearing held was in line with the provisions of CA Rules, 2007. In context of merits of the matter, the Committee noted that out of total net worth of Rs. 260.21 crore certified, the investment in shares amounted Rs. 255.88 crores, thus latter constituted substantial portion of the net-worth certified. Further, it is evident that the alleged shares were not transferred in the name of his client as on 31.03.2012. It is noted that net worth represents the excess of assets over liabilities and that an asset is a resource that should be under the control of the individual due to past transaction. It is noted that in extant case, the fact that shares were yet to be transferred signify that the shares were not in his control. Further, it was noted that the Respondent issued the alleged certificate considering his client owning shares without confirming the same either from the share certificates or any endorsed share folio. With respect to the argument that shares were reduced from the net worth certificate of two individuals and added to that of Mr. Rao, it is noted that net worth could not be determined based on understanding among the individuals through adjustments to their net worth certificates or through sale deeds. The Respondent could produce no evidence to show that the consideration in lieu of these shares was transferred which is of crucial relevance as no liability for purchase of the shares figured in the networth certificate. Hence, it is incomprehensive to understand the basis on which the Respondent was convinced that Mr. Rao was the owner of the shares, other than an informal understanding among individuals. Moreover, when the Respondent had omitted to mention the fact of shares were yet to be transferred and included the said shares in the determination of net worth, it resulted in the inflation of Net-worth of Mr. Rao by Rs. 255.88 crores (total Net-worth Rs. 260 crores) in the said certificate so issued by the Respondent. It is further noted that issuing the generic certificate by using title "To Whom So Ever It May Concern" on the alleged Net-worth Certificate by the Respondent added to misconduct on the part of the Respondent as it gave an opportunity to the Company to submit the same to the Bank.

Thus, it is viewed that when a professional issues a certificate, he is responsible for the factual accuracy of what is stated therein. In fact, his examination of the records should be intense at the time of issuing certificate than that issuing audit report. However, in view of the incomplete verification done by the Respondent and absence of disclaimer relating to legal ownership of the shares reflected in the said certificate which the Respondent was required to state in the said certificate, it is viewed that he had not performed his professional duties diligently.

5. The Committee thus viewed that the misconduct on the part of the Respondent has been held and established within the meaning of Item (7) and (8) of Part I of 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. Prakash Pesala (M. No. 200805)** be removed for a period of 3 (Three) months 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



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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 from the Register of members for a further period of 1 (One) month as per the order of the Committee.

Sd/-

[CA. Aniket Sunil Talati]  
Presiding Officer

Sd/-

[Smt. Anita Kapur]  
Member (Govt. Nominee)

Sd/-

[Dr. K Rajeswara Rao]  
Member (Govt. Nominee)

Sd/-

[CA. Sushil Kumar Goyal]  
Member

Sd/-

[CA. Piyush S Chhajed]  
Member

Date: 1<sup>st</sup> May, 2023

Place: New Delhi

यहाँ प्रतिलिपि होने के लिए प्रमाणित  
Certified to be true copy

  
बिश्वा नाथ तिवारी / Bishwa Nath Tiwari  
कार्यकारी अधिकारी / Executive Officer  
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

CONFIDENTIAL

DISCIPLINARY COMMITTEE [BENCH – III (2022-23)]  
[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

Ref. No. [PR-G/250/18-DD/35/2019-DC/1506/2021]

In the matter of:

**Shri T. Rajah Balaji,**  
Superintendent of Police,  
Central Bureau of Investigation,  
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No.36 Bellary Road,  
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**BANGALORE - 560 032**

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Versus

**CA. Prakash Pesala (M.No.200805),**  
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C-63, Madhura Nagar,  
**HYDERABAD - 500 038**

.....Respondent

Members present:

**CA. Aniket Sunil Talati, Presiding Officer**  
**Smt. Anita Kapur, Member (Govt. Nominee)**  
**Dr. K Rajeswara Rao, Member (Govt. Nominee)**  
**CA. Vishal Doshi, Member**  
**CA. Sushil Kumar Goyal, Member**

Date of Final Hearing: 7<sup>th</sup> October, 2022 through Video Conferencing

The following parties were present

- 1) CA. Prakash P. - Respondent
- 2) Shri Sunil Kumar Appaji - Counsel for the Respondent  
(appeared from ICAI, Hyderabad Branch)

**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 Item (2), (7) and (8) of Part I of Second Schedule to the Chartered Accountants Act, 1949.

Item (2), (7) and (8) to the Second Schedule state as under: -

*Second Schedule:*

*Part I: Professional misconduct in relation to chartered accountants in practice  
A chartered accountant in practice shall be deemed to be guilty of professional misconduct, if he-*

....  
*"(2) certifies or submits in his name, or in the name of his firm, a report of an examination of financial statements unless the examination of such statements and the related records has been made by him or by a partner or an employee in his firm or by another chartered accountant in practice"*

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

*"(8) fails to obtain sufficient information which is necessary for expression of an opinion or its exceptions are sufficiently material to negate the expression of an opinion"*

#### **Brief background and the allegations against the Respondent:**

2. The CBI, Bank Securities and Frauds Cell Bangalore (hereinafter referred to the 'Complainant Department') had registered a case RC No. 4(E)2016/CBI Case /BS &FC/BLR under Section 120B read with 420, 468, 471 of Indian Penal Code against Sh. Kalyan Rao, the Managing Director of M/s Best Crompton Engineering Projects Ltd. (hereinafter referred to as the 'Company') on the basis of complaint made by the Assistant General Manager, Central Bank of India, Corporate Finance Branch, Chennai (hereinafter referred to as the 'Bank') regarding fraud committed to the tune of Rs. 133.31 Crores. In pursuance of the said criminal conspiracy, the Managing Director induced and cheated the bank to sanction them various credit limits such as Cash credit, Bank Guarantee and letter of credit along with adhoc/enhanced limits from 2010 to 2013 and due to non-repayment, the loan account became NPA on 28.05.2013 which caused wrongful loss of Rs. 133.31 crore to the Bank. In light of this, the allegation raised against the Respondent was that the Respondent had issued a Net-worth certificate (C-33) dated 30.04.2012 certifying the networth of Sri K. Kalyan Srinivasa Rao, the Managing Director of the Company as on 31.03.2012 at Rs. 2,60,21,62,333/- (Rs.260.21Crore) which was incorrect and contained inflated figures as the said Net-worth was certified based on the huge investment in shares of Company but subject shares were not actually transferred in the name of Shri K. Kalyan Srinivas Rao on the date of the said certificate.

#### **Proceedings:**

3. During the hearing held on 7<sup>th</sup> October 2022, the Committee noted that the Respondent alongwith his Counsel appeared before it from their respective personal location through video-conferencing. Thereafter, they gave declaration that there was nobody present except them in the room from where they were appearing and that they would neither record nor store the proceedings of the Committee in any form.

The Committee noted that the matter was part-heard and accordingly asked the Respondent's Counsel to proceed ahead in the matter and make his submissions. The Counsel for the Respondent made his submissions in the matter. The Committee, thereafter, examined him on the facts of the case.

Based on the documents and information available on record and after considering the oral and written submissions made by the Respondent, the Committee concluded the hearing. However, the Counsel for the Respondent sought time to make submissions made during hearing in writing. The Committee asked him to make the said submissions in writing within 7 days of the date of hearing.

In any case, the Committee viewed that the Respondent had been allowed to submit in writing only the oral submissions made during the hearing. Accordingly, the Committee decided on the matter. Further, it was noted that the Respondent had made his written submissions vide email dated 20<sup>th</sup> October, 2022.

**Findings of the Committee:**

4. At the outset, the Committee noted that the Respondent had at the outset, made certain preliminary submissions which were dealt before considering the matter on merits. The said preliminary submissions are discussed below:

(i) that the Respondent sought reasons based on which the Committee agreed upon the prima facie opinion of the Director(Discipline)

(ii) that, as per the Respondent, neither the CA Act nor the Rules framed thereunder permits the Committee to entertain any representative for and behalf of the Director (Discipline) and that the Director (Discipline) has to be personally present in every hearing or may abstain. Further, he stated that that the notice for hearing was not sent to the Director (Discipline) though the law requires his presence.

4.1 With respect to the preliminary submission relating to reasons based on which the prima facie opinion was accepted by the Committee, it was noted that vide letter dated Oct 1, 2021, the Respondent was duly informed that the Committee had considered the prima-facie opinion dated 4th June 2021 of the Director (Discipline) along with the Complaint, Written Statement and Rejoinder submitted by the Complainant and the Respondent and that it had on consideration of the same, *concurred with the reasons given against the charge(s)* and thus, agreed with the

prima-facie opinion of the Director (Discipline). Hence, it was viewed that the reasons based on which the Committee had accepted the prima facie opinion was duly communicated to the Respondent.

4.2 With respect to preliminary objection relating to presence of Director (Discipline) at each hearing, the Committee noted Rule 18(6) of the Chartered Accountants (Procedure of Investigations of Professional and other Misconduct and Conduct of cases) Rules, 2007 that provides provisions in relation to appearance of the party through authorised representative are reproduced as under:

*Rule 18(6)*

*The Presiding Officer of the Committee shall fix a date, hour and place of hearing, which shall not ordinarily be later than 45 days from the date of receipt of prima facie opinion and the committee shall cause a notice to be sent of such date, hour and place to the Director, respondent and complainant and require them to appear before it in person to make oral submissions, if any.*

*Explanation—For the purpose of this rule, the appearance includes, unless and otherwise directed, appearance by an advocate or through any authorized representative, who may be a Chartered Accountant, Cost Accountant or Company Secretary.*

It was noted that explanation to Rule 18(6) of the aforesaid Rules provides that the parties to the Disciplinary proceedings may appear through an advocate, or through an authorised representative who may be a Chartered Accountant, Cost Accountant or Company Secretary. It was viewed that the said explanation does not limit its applicability only to the Respondent or Complainant meaning thereby that the appearance of Director (Discipline) through advocate or authorised representative is permissible. Further Rules neither specifically bar the appearance of Director (Discipline) through advocate/authorised representative nor mandates his physical presence in every meeting/hearing before the Committee. It was noted that during the hearing the Director (Discipline) was duly represented by his authorised representative as per the Rules. Further, it was noted that in view of the presence of the authorised representative during hearing, the second leg of preliminary submission about the notice not being issued to the Director(Discipline) is not sustainable. Hence, the Committee decided to consider the merits of the matter.

5. It was noted that the charge against the Respondent was that he had issued a Net-worth certificates dated 30.04.2012 to Shri K Srinivas Kalyan Rao (C-33) certifying his net worth as on 31.03.2012 at Rs. 2,60,21,62,333/- (Rs.260.21Crore) which was incorrect and contained inflated figures as the said Net-worth was certified based on the huge investment in shares of Company but subject shares were not

actually transferred in the name of Shri K. Kalyan Srinivas Rao on the date of the said certificate.

5.1 The Committee noted that the Respondent had, in his defense, submitted that he had issued the alleged Net worth Certificate at the request of a client who had informed him that he will be requiring the said net worth certificate for obtaining Visa for foreign travel purposes for more than one country. Therefore, the Respondent had issued a generalized certificate to the client with the caption "To Whom So Ever it may Concern". He argued that any person/enterprise which are using such a certificate will generally get general assurance and in case of specific need seek specific certificate. Any certificate issued with said title/ caption could not give full assurance but simply asserts a fact as of some date.

5.2 He also submitted that the Respondent had in fact issued three certificates for three different persons for obtaining visa from various consulates and thus if all the three certificates were considered together, the matter could be understood that the certificates were issued to the accurate levels. He submitted in the aspect of shares, that while issuing the certificates to the persons who sold shares, he had reduced such shares from their assets and added to assets of the person who had purchased the said shares. Accordingly, as per him, he had sought the information from his client and obtained explanations with respect to the parties whose net worth was under certification

5.3 The Committee noted that the Respondent further stated that when the Complainant conducted inquiry and summoned the Respondent in the year 2017, the Respondent had explained the matter and showed the details to the Complainant's Office. Only after satisfying themselves, they decided not to seek any further information and explanations from the Respondent. The Certificate for Net-worth as on 31/03/2012 was issued by the Respondent on 30/04/2012. As per the Complainant, the banker had received the Net-worth Certificate vide original letter dated 28/03/2013 that is after 11 months of the date of issuance of the certificate by the Respondent. He argued that no banker would accept any Net-worth Certificate which was older than one quarter and that in extant case, on this aspect, the banker had not given any information nor the Complainant had raised any doubt.

5.4 With respect to the certificate not containing information that shares were yet to be transferred as on the date of certificate, the Respondent stated that the purpose of the certificate was general purpose and it was not a statement/ certificate of legally owned assets statement/ certificate. As per him, for the computation of Net worth, it is the assets and liabilities of the client that are to be considered and not the legal title of the asset. If a person is having assets in his spouse or family member's

name or has entered into agreement, then those will also be included reducing the relevant liabilities / payables towards such assets.

5.5 The Respondent also raised issue on holding the Respondent guilty under Item (2) of Part I of Second Schedule. The Respondent submitted to have obtained complete information connected to the issuance of the certificate and that the Respondent had issued a certificate and not financial statement, thus, holding him guilty of the said clause was erroneous.

6. The Committee upon perusal of the alleged certificate (C-33) noted that its components include certain immovable properties such as flat, house, agriculture land, jewellery and an investment in shares and that out of total net worth of Rs. 260.21 crore, the investment in shares amounted Rs. 255.88 crores. Thus, the investment in shares constituted substantial portion of the networth. The details of the shares so held is also available on record (C-95) duly attested by Mr. Rao stating that shares have been purchased from the shareholders but yet to be transferred in his name as on 31.03.2012. It is noted that the Respondent argued that certificate was general purpose and it was not a statement/ certificate of legally owned assets statement/ certificate. Further, when the Committee asked the Respondent as to whether he had verified that the shares being so transferred were in physical form or in demat form, and that physical shares folio that was endorsed was in the possession of the Respondent. The Counsel for the Respondent, in this regard, stated that the said transfer had taken place through transfer deeds and the said shares were not in dematerialized form.

6.1 It is noted that net worth represents the excess of assets over liabilities and that an asset is a resource that should be under the control of the individual due to past transaction. It is noted that in extant case, the fact that shares were yet to be transferred signify that the shares were not in his control. Neither had he obtained the share certificates nor an endorsed share folio. The argument that shares were reduced from the net worth certificate of two individuals and added to that of Mr. Rao is completely unacceptable. It is viewed that net worth could not be determined based on understanding among the individuals through adjustments to their net worth certificates or through sale deeds. It was noted that in extant case, the Respondent neither brought on record any bank statements through which he had verified the amount being transferred against the alleged shares nor any document showing transfer of impugned shares. It is viewed that the Respondent has simply accepted the declaration made by the said Managing Director which mentioned about the breakup details of the investment in shares and issued network certificate but failed to verify the underlying transaction between the parties, movement of consideration between the parties which should have been substantiated by entries in bank statement of accounts or any agreement between the parties. Thus, shares

were neither in possession of his client at the time when the alleged certificate was issued nor he had their ownership. Thus, his client had no control on shares and thus could not be treated as his asset. Moreover, when the Respondent had omitted to mention the fact of shares were yet to be transferred and included the said shares in the determination of net worth, it resulted in the inflation of Net-worth of Mr. Rao by Rs. 255.88 crores (total Net-worth Rs. 260 crores) in the said certificate so issued by the Respondent which almost constituted 98% of the value of the total net-worth certificate.

6.2 The Committee noted that the omission of material information with respect to shares and thereafter using the title "To Whom So Ever It May Concern" on the alleged Net-worth Certificate issued by the Respondent added to misconduct on the part of the Respondent as per 'Guidance Note on Audit Reports and Certificates for Special Purposes' reproduced below: .

*"5.2 Where a reporting auditor is free to draft his report or certificate, he should consider the following:*

*(a) Specific elements, accounts or items covered by the report or certificate should be clearly identified and indicated.*

*(b) The report or certificate should indicate the manner in which the audit was conducted, e.g., by the application of generally accepted auditing practices, or any other specific tests.*

*(c) If the report or certificate is subject to any limitations in scope, such limitations should be clearly mentioned.*

*(d) Assumptions on which the special purpose statement is based should be clearly indicated if they are fundamental to the appreciation of the statement.*

*(e) Reference to the information and explanations obtained should be included in the report or certificate. In certain cases apart from a general reference to information and explanations obtained, a reporting auditor may also find it necessary to refer in his report or certificate to specific information or explanations on which he has relied.*

*(f) The title of the report or certificate should clearly indicate its nature, i.e., whether it is a report or a certificate. Similarly, the language should be unambiguous, i.e., it should clearly bring out whether the reporting auditor is expressing an opinion (as in the case of a report) or whether he is only confirming the accuracy of certain facts (as in the case of a certificate). For this, the choice of appropriate words and phrases is important.*

*(g) If the special purpose statement is based on general purpose financial statements, the report or certificate should contain a reference to such statements. However, the report or certificate should not contain a reference to any other statement unless the same is attached therewith. It should be clearly indicated whether or not the statutory audit of the general purpose financial statements has*

been completed and also, whether such audit has been conducted by the reporting auditor or by another auditor. In case the general purpose financial statements have been audited by another auditor, the reporting auditor should specify the extent to which he has relied on them. He may communicate with the statutory auditor for securing his cooperation and in appropriate circumstances, discuss relevant matters with him, if possible.

**(h) Where a report requires the interpretation of a statute, the reporting auditor should clearly indicate the fact that he is merely expressing his opinion in the matter. He should take sufficient care to ensure that in respect of matters which are capable of more than one interpretation, his report is not misconstrued as representing a settled legal position.**

**(i) An audit report or certificate should ordinarily be a self-contained document. It should not confine itself to a mere reference to another report or certificate issued by the reporting auditor but should include all relevant information contained in such report or certificate.**

**(j) The reporting auditor should clearly indicate in his report or certificate, the extent of responsibility which he assumes. Where the statement on which he is required to give his report or certificate, includes some information which has not been audited, he should clearly indicate in his report or certificate the particulars of such information.**

Further, it is noted that paragraph 2.2 of erstwhile 'Guidance Note on Audit Reports and Certificates for Special Purposes', issued by the Institute states that a "certificate" is a written confirmation of the accuracy of the facts stated therein and does not involve any estimate or opinion. Thus, it is viewed that when a professional issues a certificate, he is responsible for the factual accuracy of what is stated therein. In fact his examination of the records should be more intense at the time of issuing certificate than that issuing audit report. However, in view of the incomplete verification done by the Respondent and absence of disclaimer relating to legal ownership of the shares reflected in the said certificate which the Respondent was required to state in the said certificate, it is viewed that he had not performed his professional duties diligently. The Respondent is accordingly, held **Guilty** for not exercising due diligence while issuance of impugned Net-worth Certificate.

6.3 It is noted that the Respondent has objected on the applicability of Item (2) of Part I of Second Schedule to the Chartered Accountants Act, 1949 in the extant matter which has been dealt in detail under Code of Ethics, when it, inter alia, states that "The above clause restrains a member from subscribing to the report on a financial statement so long as it has not been examined by him or by a partner or an employee of his firm or by another chartered accountant in practice. It has been introduced to ensure that the work entrusted to him has been carried out by the member either directly or under his supervision before he renders his report."

In this regard, the Committee observed that it is true from the discussion held in preceding paragraphs that the Respondent had certified the net-worth without examining the corroborative evidence thereof either directly himself or through any member under his supervision. However, the said certification did not involve an examination of financial statements, hence, the Committee viewed that the said matter falls outside the ambit of Item (2) of Part I of Second Schedule.

**Conclusion :**

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

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

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

Sd/-  
[Dr. K. Rajeswara Rao]  
Member (Govt. Nominee)

Sd/-  
[CA. Vishal Doshi]  
Member

Sd/-  
[CA. Sushil Kumar Goyal]  
Member

Date: 7<sup>th</sup> December, 2022  
Place: New Delhi

*Jyotika*  
प्रमाणित सत्य प्रतिलिपि / Certified true copy

सीए. ज्योतिका ग्रोवर / CA. Jyotika Grover  
सहायक सचिव / Assistant Secretary  
अनुशासनात्मक निदेशालय / Disciplinary Directorate  
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