



# भारतीय सनदी लेखाकार संस्थान

(संसदीय अधिनियम द्वारा स्थापित)

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

(Set up by an Act of Parliament)

[DISCIPLINARY COMMITTEE [BENCH-I (2023-2024)]]

[Constituted under Section 21B of the Chartered Accountants Act, 1949]

ORDER UNDER SECTION 21B(3) OF THE CHARTERED ACCOUNTANTS ACT, 1949  
READ WITH RULE 19(1) OF THE CHARTERED ACCOUNTANTS (PROCEDURE OF  
INVESTIGATIONS OF PROFESSIONAL AND OTHER MISCONDUCT AND CONDUCT  
OF CASES) RULES, 2007.

In the matter of:

Shri Dinesh Chandra, Assistant General Manager, Punjab National Bank, Chennai

-Vs-

CA. Raj Kumar Bagri (M. No. 051956), Kolkata

[PR/245/2015/DD/244/2015/DC/1067/2019]

MEMBERS PRESENT:

CA. Aniket Sunil Talati, Presiding Officer

Shri Prabhash Shankar, IRS (Retd.), (Government Nominee)

CA (Dr). Rajkumar Satyanarayan Adukia, Member – (Through Online Mode)

CA. Gyan Chandra Misra, Member- (Through Online Mode)

1. That vide findings dated 07.02.2023 under Rule 18(17) of the Chartered Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules, 2007, the Disciplinary Committee was inter-alia of the opinion that **CA. Raj Kumar Bagri (M. No. 051956)** (hereinafter referred to as the **Respondent**) was **GUILTY** of professional misconduct falling within the meaning of Clause (7) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.

2. That pursuant to the said findings, an action under Section 21B(3) of the Chartered Accountants Act, 1949 was contemplated against the Respondent and communication was addressed to him thereby granting an opportunity of being heard in person / through video conferencing to make a written & verbal representation before the Committee on 9<sup>th</sup> June 2023..

3. The Committee noted that on the date of hearing i.e., 09<sup>th</sup> June 2023, the Respondent was present through video conferencing. The Respondent confirmed receipt of findings of the Committee and made his verbal submissions on the same.



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4. The Committee considered the reasoning as contained in findings holding the Respondent Guilty of professional misconduct vis-à-vis written and verbal submissions of the Respondent as made before the Committee.

5. Keeping in view the facts and circumstances of the case and material on record including verbal and written submissions on the findings, the Committee is of the view that the misconduct on the part of the Respondent is established. Accordingly, after due deliberations and keeping in view the facts and circumstances of the case, material on record and the Respondent's verbal and written submissions, the Committee ordered that the Respondent, CA. Raj Kumar Bagri (M. No. 051956) be reprimanded and also to impose a fine of Rs. 75,000/- (Rupees Seventy-Five Thousand) upon him to be paid within 90 days of receipt of the Order. The Committee also ordered that if the Respondent fails to pay the fine within the stipulated period as mentioned above, his name be removed from the Register of Members for a period of 1 (one) month.

Sd/-  
(CA. Aniket Sunil Talati)  
PRESIDING OFFICER

Sd/-  
(Shri Prabhash Shankar, I.R.S. (RETD.))  
GOVERNMENT NOMINEE

Sd/-  
(CA (Dr). Rajkumar Satyanarayan Adukia)  
MEMBER

Sd/-  
(CA. Gyan Chandra Misra)  
MEMBER

सही प्रतिलिपि होने के लिए प्रमाणित  
Certified to be true copy

मिशा शर्मा / Mishra Sharmi  
वरिष्ठ कार्यकारी अधिकारी / Sr. Executive Officer  
अनुशासनात्मक निदेशालय / Disciplinary Directorate  
इंस्टीट्यूट ऑफ चार्टर्ड एकाउंटेंट्स ऑफ इंडिया  
The Institute of Chartered Accountants of India  
एन सी ई आर भवन, गिआस नगर, शाहदरा, दिल्ली-110032  
Bhawan, Mishwas Nagar, Shahdra, Delhi-110032

DATE: 27/07/2023  
PLACE: NEW DELHI

**CONFIDENTIAL**

**DISCIPLINARY COMMITTEE [BENCH – I (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**

**Ref. No. PR/245/15/DD/244/2015-/DC/1067/2019**

**In the matter of:**

**Shri Dinesh Chandra,  
Assistant General Manager,  
Punjab National Bank,  
Large Corporation Branch, 781-785,  
3rd Floor, Rayala Towers, Anna Salai  
CHENNAI – 600 002.**

**.....Complainant**

**Versus**

**CA. Raj Kumar Bagri,  
Commerce House,  
5<sup>th</sup> Floor, Suite 11A,  
2A Ganesh Chandra Avenue,  
Kolkata – 700 013.**

**.....Respondent**

**MEMBERS PRESENT (Through Video Conferencing):-**

**CA. Aniket Sunil Talati, Presiding Officer  
Shri Prabhask Shankar (Govt. Nominee), Member  
CA. Gyan Chandra Misra, Member  
CA. Priti Paras Savla, Member**

**DATE OF FINAL HEARING : 14.09.2022**

**PLACE OF FINAL HEARING : ICAI, Kasba, Kolkata**

**PARTIES PRESENT:**

**Complainant's representative : Shri Ramesh Kumar Singh, AGM,**

**Counsel for the Respondent : CA. A P Singh**

**BRIEF OF THE DISCIPLINARY PROCEEDINGS:-**

1. At the outset of the hearing, the Committee noted that the Complainant's representative was present. The Respondent was not present however, his Counsel was present. The Complainant's representative was put on oath. On being enquired from the Counsel for the Respondent as to whether he would like to have de-novo hearing or the hearing in continuation of the last hearing, he opted for de-novo hearing in the matter. Thereafter, the Committee commenced de-novo hearing. When the Committee enquired from the Counsel for the Respondent as to whether he is aware of the charges levelled against the Respondent, he replied in affirmative and pleaded not guilty on behalf of the Respondent. The Complainant's representative stated that they do not want to submit any further submission or documents. Thereafter, the Counsel for the Respondent made his submissions. The Committee also posed questions to the Complainant's representative and the Counsel for the Respondent. After hearing the submissions of both the parties, the Committee decided to conclude the hearing in the above matter.

**BRIEF BACKGROUND OF THE MATTER:-**

2. In the instant case, M/s Arvind remedies Ltd. (hereinafter referred to as the "Company/ ARIL") had taken working capital finance and term loan from the consortium of Bank which was led by the Complainant Bank. The Company defaulted in the payment of interest and principal commitments and the account has slipped into NPA category with all the banks in the consortium. The Consortium initiated the process of restricting loan account on request from the Company and accordingly stock audit, forensic audit, valuation of Company's assets, TEV study and final package preparation was initiated. The Complainant brought on record a soft copy of the Forensic Audit dated 23.05.2015. The Respondent was statutory auditor of the Company for the financial years 2011-12, 2012-13 and 2013-14.

**Charges levelled against the Respondent:-**

3. In the first allegation, the Complainant alleged that the Company was maintaining multiple data bases of which one matches with books of accounts and the other for purpose of excise, sales tax and internal control purposes. Further, the data base maintained for sale tax was different from data base maintained for excise department. It was alleged that the Company inflated purchases and sales by purchasing and selling majority of stocks from/to controlled parties. By this the Company minimized extra outflow of VAT and maintain revenue neutrality (Input tax credit was almost equal to output tax credit). In actual books sales to such controlled parties were not reflected. The goods were purchased on letter of credit, which was discounted, and the payment so received was shown as payment received from goods sold to various government hospitals, government agencies, army hospitals etc. The fact is that sales to government agencies/hospitals were totally fabricated and hence they never paid such amount. Such sales never tallied with sales tax return including Inter State sales. There was major difference between inter-state purchase as well as inter-state sales and export. The statutory auditor missed out evidence on statutory payment such as challans or returns.

3.1 The Respondent failed to report under CARO in respect of fixed assets and inventory. The Company was unable to provide any authenticated/ reliable working papers to support the claim of physical verification. It is not known how Respondent has given the clean audit report. The statutory auditor missed out Income tax orders/ demand while calculating income tax provision and reporting under CARO.

**SUBMISSIONS OF THE RESPONDENT / COMPLAINANT IN BRIEF:-**

4. The Respondent and Complainant in their written submissions and/or through their Counsel/ representative inter alia submitted the following:-

4.1 The Respondent stated that there is a delay of 32 months in providing the Prima Facie Opinion. He had received Prima Facie Opinion vide covering letter dated 11<sup>th</sup> August 2020.

4.2 The Respondent stated that the complaint was received on 6<sup>th</sup> October 2015 but was not forwarded to the Respondent within 60 days.

4.3 The Respondent stated that the instant complaint is coming through an authority whose general resolution or power of attorney is required to file the complaint. He has not been provided with the copy of the general resolution or power of attorney along with the complaint.

4.4 The Respondent stated that the conclusions contained in Prima Facie Opinion are based on the forensic report which is post facto and it was at hindsight. The forensic report on which the whole complaint is based is the document which is post-dated that means after the date when the audit was completed. The persons who are conducting forensic audit have different powers and have different approach. The Counsel for the Respondent further stated that even the Court has come down in many cases and SEBI makes it clear that in case you are referring the documents which are totally post facto, those are kind of things which was never available to the auditor and could not have been made available to the auditor in the normal course of conduct in his duties, you can't charge the auditor. The Complaint has been based on the report of a forensic auditor, whose terms of appointment have not been made available to them. Whether the forensic auditor was required to comment on the conduct of the statutory auditor it has to be examined.

5. The Respondent also stated that he had qualified the accounts which were subject to the limited review and that was not subject to the full scope of audit and due to the qualification, the issue came to the light.

5.1 The Respondent stated that he is currently not the partner of M/s. Doshi Chatterjee Bagri & Co. The audit working papers have been seized by the CBI and a list of copy of the seized document was provided by the Respondent which includes working papers relating to inventory, physical verification of stock as on 31.03.2013 & 2014, details of valuation of inventories as on 31.12.2013, 31.03.2014, excise reconciliation, details of Cenvat credit and service tax return for the period ended 31.12.2013 & 2014, bank reconciliation statement and copy of internal audit reports etc.

5.2 The Respondent stated that he has never come across multiple databases while conducting the audit. They were provided access to the database by the Company which was used by him while conducting audit. If multiple databases were maintained and if the access of the same was not provided, how would one come to know of the existence of other database. The Complainant bank carried out various inspections and stock audits as is required by any lender but could not come across any such incident.

5.3. The Respondent stated that he had checked purchases and sales transactions on random basis every quarter and did not come across fake purchases or sales. At the end of the period, certain invoices were raised for which he observed that dispatch took place after the end of the year. Such sales were reversed. He checked sales invoices with corresponding documents like customer's order, lorry receipt. The purchases were verified from purchase orders and good receipts notes.

5.4 The Respondent stated that they have checked the assessment orders received from the Income Tax departments during the year as provided to him by the clients and necessary adjustments were made accordingly. The Company never informed him regarding special audit being ordered by the Income Tax Department.

5.5. During the limited review for the quarter ended 31.12.2014, when they could not verify the recoverability of debtors with subsequent realization, he qualified the same in his review report.

5.6. As regard the chart prepared by the forensic auditor showing difference between sales as per sales tax return and as per books, the Respondent stated that he had performed verifications by cross referencing to sales / excise details. It appears that the auditor was subjected to fraud by the Company. In fact, as it appears on hindsight, the instant matter relates to a fraud perpetuated by the Company on various stake holders including the statutory auditors. Wherever reference is made to figures extracted from multiple sets of books of accounts, the Respondent can make no comment as he was not aware of such set of books of accounts there was no reason for him to even presume that the Company could have operated with multiple books of accounts. There was no reason for him to imagine that the copies of the returns (of sales tax or excise) provided to him were forged.

5.7 The Respondent stated that assessment order dated 26.03.2014 for A.Y. 2008-09 of the Income Tax Department was never produced or made available to the auditor. Further, copy of demand notice was never provided to the Respondent. It appears that the tax liability concluded around that period was concealed from the auditors.

5A. The Complainant stated that the loan account was turned into NPA on 31.12.2014 and the complaint has been filed for the accounts for the financial year ended 31.03.2013.

**FINDINGS OF THE COMMITTEE: -**

6. It has been observed that the Respondent has raised some technical objections as mentioned in paras no. 4.1 to 4.3 above. Accordingly, it has been decided to first deal with the technical objections before giving any findings on merits of the case, as under:-

6.1 In respect of objection related to delay in providing Prima Facie Opinion, the Committee observed that the prima facie opinion was considered by the Disciplinary Committee in August, 2019. The minutes of the said meeting was approved in February, 2020. Thereafter, the Prima Facie Opinion could not be sent to the concerned party due to imposition of Covid's lockdown and restriction in March, 2020. The copy of the prima facie opinion was sent to the Complainant and the Respondent in August, 2020. Hence, the objection that there was delay of 32 months in providing PFO is not tenable.

6.2 In respect of second objection that the complaint was sent to him after 60 days of receipt of the same in the Directorate, it is observed that the complaint dated 6<sup>th</sup> October, 2015 was received from the Complainant after 6<sup>th</sup> October, 2015 and it was sent to the Respondent within 60 days of receipt of the same on 8<sup>th</sup> December, 2015. Hence, the said objection of the Respondent is also not tenable.

6.3 In respect of objection that the complaint was not authorised to file the complaint, it is observed that a copy of General Power of Attorney was duly enclosed with the complaint and the same was part of the annexure to the prima facie opinion sent to the Respondent. Further, the Committee observed that as per explanation to Rule 3(4) of the Chartered Accountants (Procedures of Investigation of Professional and Other Misconduct and Conduct of Cases) Rules, 2007, "*in case of a bank or financial institution, the general resolution or power of attorney authorizing an officer holding a particular position to file complaints on behalf of the bank or financial institution, shall be deemed to be the specific resolution passed by the bank or financial institution concerned, for the purpose of these rules.*" Accordingly, the Committee is of the view that since the General Power of Attorney was in favour of the Complainant and was signed by the Director of the Complainant Bank, it cannot be stated that the complaint was not authorised to file the instant complaint in accordance with requirement of afore-stated Rules, 2007.

7. In respect of first charge relating to difference in the amount of sales and purchase which the Respondent as auditor failed to point out in his audit report, the Respondent stated that there is difference between the scope / working of audit of statutory auditor and forensic auditor and just because certain information has come to light during the course of the forensic audit does not imply that the same information would have been available during the course of the statutory audit. The Respondent also stated that the Respondent is currently not the partner of M/s. Doshi, Chatterjee, Bagri & Co. The audit working papers have been seized by the CBI. As per the Respondent, working papers relating to inventory, physical verification of stock as on 31.03.2013 & 2014, details of valuation of inventories as on 31.12.2013, 31.03.2014, excise reconciliation, details of Cenvat credit and service

tax return for the period ended 31.12.2013 & 2014, bank reconciliation statement, copy of internal audit reports etc. were seized by the CBI.

7.1 The Respondent also stated that he has never come across multiple databases while conducting the audit. If multiple databases were maintained by the Company, the access of the same was not provided to him. The forensic auditor discovered this nature of fraud, he has come to believe that others, including the statutory auditor should have discovered the same despite the nature/purpose/extent/methodology of statutory audit being entirely different as compared to the forensic audit. The Respondent also stated that the Complainant carried various inspections and stock audits but could not come across any such incident.

7.2 The Respondent further stated that he had checked purchases and sales transactions on random basis every quarter and did not come across fake purchases or sales. At the end of the period, certain invoices were raised for which he observed that dispatch took place after the end of the year. Such sales were reversed. He checked sales invoices with corresponding documents like customer's order, lorry receipt. The purchases were verified from purchase orders and good receipts notes.

8. Though the Respondent stated that he had verified the documents produced before him and it was the Company which has perpetrated fraud on various stakeholders including auditors yet the Respondent as auditor is supposed to verify the documents / record produced before him and also check the effectiveness of Internal control to decide the extent of reliability on documents produced before him. Keeping in view the above basic perspective of audit, on perusal of the documents on record including Special Audit report, the Committee observed that the following differences were noted between the sales as per books and sales as per Sales tax return:-

(Rs. In crores)

Financial year	Sales as per Books (E-2)	Sales as per Sales tax return (E-1)	Difference
2011-12	455.95	233.60	222.35
2012-13	696.61	232.24	464.37
2013-14	961.76	333.36	628.40

It is further seen that as per forensic auditor, there was deviation in the sales as per books vis-a-vis sales disclosed in original excise return which is as under:-

(Rs. In crores)

Financial year	Sales of manufactured goods as per Books	Sales as per Excise return	Difference (E-3)
2011-12	431.93	36.01	395.92
2012-13	664.61	39.67	624.94
2013-14	926.21	40.96	885.25

It is further seen that as per the forensic auditor, there was also a deviation in purchases as per books vis-a-vis purchases disclosed in sale tax return which is as under (E-4 & E-5):-

Financial year	Purchases as per Books	Purchases as per Sales tax return	(Rs. In crores)
			Difference
2011-12	356.22	241.97	114.25
2012-13	530.49	226.75	303.75
2013-14	751.87	325.18	426.70

Hence, from the above, it is clearly visible that there was huge material difference between the sales / purchases reported and sales / purchases as per returns filed with the Government authorities.

8.1 Apart from above, it is observed that the forensic auditor had also brought on record copy of Income Tax Assessment order of the Company for A.Y. 2008-09, 2010-11 and 2011-12 and on perusal of the order for A.Y. 2008-09, it is noted from the order that:-

*"The assessee's contention vide its submission has been carefully considered along with the details available for earlier Assessment years viz. 2006-07 and 2007-08. Upon verification of the earlier year folders, it was found that the issue of artificial inflation of income and expenses was started from the scrutiny proceedings of the AY 2006-07, which led filing of revised return for the AYs 2007-08 and 2008-09. For the AY 2006-07 along with AY 2007-08 and 2008-09, the assessee approached Hon'ble ITSC twice, which were rejected. Subsequent to the orders of the Hon' ble ITSC, the AO was left with more than three incomes for the same Assessment years. In order to get clarity owing to complex nature of the issue, the AY 2006-07 was referred to Special audit. The assessee's income as per special audit was a huge loss, but as per the return of Income filed and the subsequent application before the Hon' ble ITS, the income was positive. This led to the rejection of books and accounts for the AY 2006-07 and 2007-08 and the AO estimated the income which is nothing but the highest of the various incomes available before AO for that particular assessment."*

*"For the AY 2008-09 there were five different figures shown as income which was narrated above. Since the assessee has given five different figures for the same AY, the books of accounts and the return of income is hereby rejected as cannot be relied upon and proceeded to estimate the income of the assessee."*

The above facts indicate that the Company was not reflecting correct transactions in the books of accounts.

8.2. The Committee agreed with the submissions of the Respondent that the scope / working of the Special auditor and the Statutory auditor are different and the same cannot be put on same footing. However, keeping in view the huge material differences between the sales / purchases as shown in the record of the Company and as shown in excise /sales tax returns filed with the Government Authority, it clearly appears that the Respondent blindly relied upon the record provided by the Company and did not bother to verify the amount of sales / purchases with the returns filed with the Government departments. Further, the Respondent did not make any comment on the weakness of the Internal control, and he found the

Internal control procedures as adequate and commensurate with the size of the Company. The Respondent took plea that the Company was maintaining multiple books of accounts and he was not given access to other books of accounts and he has never come across of any second set of record / documents. It is observed that the said plea of the Respondent was not acceptable as the difference would have been easily noticeable if he had taken steps to verify the figures of sales / purchases with the returns filed with the Government Authority.

8.3. The Committee also noted that the Respondent took plea that he did not have complete working papers to defend himself as the same were seized by the CBI. In this regard, the Committee observed that the plea taken by the Respondent is not acceptable in view of the fact that he does not appear to have written to the CBI to get the copies of the same. Moreover, since the figures filed with the excise and sale department and as shown in the books of the Company show the different figures of sales / purchases, it appears that the Respondent had never tried to reconcile the figures of sales with sales / excise returns otherwise he would have known about the material differences in the figures. Hence, it appears a case where the Respondent merely relied upon the records produced by the management of the Company and he did not apply his professional scepticism to check the reliability of the records with the documents submitted to the Government Department. Further, the Respondent's claim that he qualified his limited review report for the quarter ended 31<sup>st</sup> December, 2014 does not appear to be an sufficient action in view of the fact that the said action appears to be taken after the Complainant bank declared the loan as NPA on 31.12.2014 (as per submissions of the Complainant and in absence of any contrary submissions of the Respondent). Therefore, considering above facts, it may be stated that the Respondent failed to exercise due diligence while auditing the financial statements of the Company for the financial years under question. Accordingly, he is held **Guilty** of Professional Misconduct falling within the meaning of Clause (7) of Part I of Second Schedule to the Chartered Accountants Act, 1949.

9. In respect of next allegation relating to failure to report under CARO reporting in respect of verification of fixed assets and inventory by the management of the Company, the Respondent stated that it is not uncommon for audit firms to take support of other audit firms to attend and observe the stock verification undertaken by clients. The statutory auditor remains responsible for the work of its own experts. He further stated that there is no requirement for any such disclosure in the report of the statutory auditor. The Respondent also stated that detailed working papers are available on record as audit evidence of the statutory auditor to prove that his representatives were present during the physical verification.

9.1 In respect of above allegation, on perusal of the documents on record, the Committee observed that the Respondent brought on record copy of letter of CA. B T Vajawat to show that verification of stocks was done by the other experts for the financial year ended on 31.03.2014. As regard the verification of Inventory and fixed assets, it is noted that physical verification of inventory is the responsibility of the management of the Company which should verify all material items at least once in a year and more often in appropriate cases. It is, however, necessary that the auditor satisfies himself that the physical verification of inventories has been conducted at reasonable intervals by the management and that there is adequate evidence on the basis of which the auditor can arrive at such a conclusion. It is also noted that as per

SA-501 on "Audit Evidence - Specific Considerations for Selected Items", an auditor is required to ensure the following compliance:-

"4. When inventory is material to the financial statements, the auditor shall obtain sufficient appropriate audit evidence regarding the existence and condition of inventory by:

(a) Attendance at physical inventory counting, unless impracticable, to: (Ref: Para. A1-A3)

(i) Evaluate management's instructions and procedures for recording and controlling the results of the entity's physical inventory counting; (Ref: Para. A4) 1 SA 330, "The Auditor's Responses to Assessed Risks". 2 SA 500, "Audit Evidence". 3 SA 501

(ii) Observe the performance of management's count procedures; (Ref: Para. A5)

(iii) Inspect the inventory; and (Ref: Para. A6)

(iv) Perform test counts; and (Ref: Para. A7-A8)

(b) Performing audit procedures over the entity's final inventory records to determine whether they accurately reflect actual inventory count results.

5. If physical inventory counting is conducted at a date other than the date of the financial statements, the auditor shall, in addition to the procedures required by paragraph 4, perform audit procedures to obtain audit evidence about whether changes in inventory between the count date and the date of the financial statements are properly recorded. (Ref: Para. A9-A11)

6. If the auditor is unable to attend physical inventory counting due to unforeseen circumstances, the auditor shall make or observe some physical counts on an alternative date, and perform audit procedures on intervening transactions.

7. If attendance at physical inventory counting is impracticable, the auditor shall perform alternative audit procedures to obtain sufficient appropriate audit evidence regarding the existence and condition of inventory. If it is not possible to do so, the auditor shall modify the opinion in the auditor's report in accordance with SA 705(Revised)3. (Ref: Para. A12-A14)"

9.2 Similarly, in case of fixed assets, physical verification of the assets has to be conducted by the management and not by the auditor. It is, however, necessary that the auditor satisfies himself that such verification was done and that there is adequate evidence on the basis of which he can arrive at such a conclusion. The auditor may prefer to observe the verification, particularly when verification of all assets can be made by the management on a single day or within a relatively short period of time. If, however, verification is a continuous process or if the auditor is not present when verification is made, then he should examine the instructions issued to the staff (which should, therefore, be in writing) by the management and should examine the working papers of the staff to substantiate the fact that verification was done and to determine the name and competence of the person who did the verification. In making this examination, it is necessary to ensure that the person making the verification had the necessary technical knowledge where such knowledge is required. It is not necessary that only the company's staff should make verification. It is also possible for verification to be made by outside expert agencies engaged by the management for the purpose.

9.3 From the above, it is observed that though the management is primarily responsible for verification of Inventory and Fixed Assets yet the Respondent as auditor was responsible to verify the record and procedures & process of verification. In the instant case, the Respondent brought on record documents in respect of verification of inventory for the financial year 2013-14 only and in respect of other

years and also for fixed assets, he did not bring on record any documentary evidence to establish that he has made verification to check as to whether the Company has made proper record and physical verification of Inventory and fixed assets were conducted by the Company with due process. Being material items to the financial statements, the Respondent should have been more careful and verified the process of verification to obtain evidence to ensure that the financial statements are free from material misstatement, if any, but he failed to do so. Accordingly, the Committee decided to hold the Respondent Guilty of Professional Misconduct falling within the meaning of Clause (7) of Part I of Second Schedule to the Chartered Accountants Act, 1949.

**Conclusion:-**

10. Thus 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 Second Schedule to the Chartered Accountants Act, 1949.

Sd/-  
(CA. ANIKET SUNIL TALATI)  
PRESIDING OFFICER

Sd/-  
(SHRI PRABHASH SHANKAR, I.R.S. (RETD.))  
GOVERNMENT NOMINEE

Sd/-  
(CA. PRITI PARAS SAVLA)  
MEMBER

Sd/-  
(CA. GYAN CHANDRA MISRA)  
MEMBER

Date: 07/02/2023

प्रमाणित सत्य प्रतिलिपि / Certified true copy  
मुकेश कुमार मिश्रा / Mukesh Kumar Mittal  
सहायक सचिव / Assistant Secretary  
अनुशासनात्मक निदेशालय / Disciplinary Directorate  
इंस्टिट्यूट ऑफ चार्टर्ड एकाउंटेंट्स ऑफ इंडिया  
The Institute of Chartered Accountants of India  
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