



भारतीय सनदी लेखाकार संस्थान  
(संसदीय अधिनियम द्वारा स्थापित)  
THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA  
(Set up by an Act of Parliament)

PR/G/385/17/DD/168/2018/DC/1499/2021

[DISCIPLINARY COMMITTEE [BENCH-II (2024-2025)]  
[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**

**[PR/G/385/17/DD/168/2018/DC/1499/2021]**

**In the matter of:**

**Shri B.S Shukla,  
Jt. Commissioner,  
Office of the Registrar of Co-Operative Societies,  
Commissioner Cooperation & Registrar Cooperative Services,  
M.P Vindhychal Bhawan, Area Hills,  
Bhopal (M. P) 462 003.**

**....Complainant**

**Versus**

**CA. Purushottam Gupta (M. No 412402)  
M/s, Singh Sushil Kumar & Co (FRN NO 008866C)  
Chartered Accountants,  
HIG – 423,  
New Housing Board Colony,  
Shahdol (M. P) 484 001.**

**....Respondent**

**Members Present:-**

**CA. Ranjeet Kumar Agarwal, Presiding Officer (in person)  
Mrs. Rani S. Nair, (IRS (Retd.)), Government Nominee (through VC)  
Shri Arun Kumar, (IAS (Retd.)), Government Nominee (through VC)  
CA. Sanjay Kumar Agarwal, Member (in person)  
CA. Cotha S Srinivas, Member (in person)**

**Date of Hearing : 28<sup>th</sup> March, 2024**

**Date of Order : 17<sup>th</sup> May, 2024**

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, the Disciplinary Committee was, inter-alia, of the opinion that **CA. Purushottam Gupta (M. No 412402), Shahdol (M.P.)**(hereinafter referred to as the '**Respondent**') is **GUILTY** of Professional Misconduct falling within the meaning of Item (7) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.

Shri B. S. Shukla, Jt. Commissioner of the Registrar of Co-operative Societies, Bhopal -Vs- CA. Purshottam Gupta (M. No. 412402)



# भारतीय सनदी लेखाकार संस्थान

(संसदीय अधिनियम द्वारा स्थापित)

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2. That pursuant to the said Findings, an action under Section 21B (3) of the Chartered Accountants (Amendment) Act, 2006 was contemplated against the Respondent and a communication was addressed to him thereby granting opportunity of being heard in person / through video conferencing and to make representation before the Committee on 28<sup>th</sup> March 2024.

3. The Committee noted that on the date of the hearing held on 28<sup>th</sup> March 2024, the Respondent was present through video conferencing and made his verbal representation on the Findings of the Disciplinary Committee in which while reiterating the submissions made during the course of hearing, he also stated that the Commissioner for Cooperation had appointed the Special Audit Committee and the report issued by them is the only basis for the complaint against him. However, the said report unequally states that Statutory Auditor is responsible and not the Concurrent Auditor. Further, the Hon'ble Committee had held CA. Ramdas Rajpal, who was the Concurrent Auditor for the financial year 2014-15 of the same bank not guilty in respect of the disciplinary case filed against him. The Respondent never worked with that bank subsequent to the period in respect of which charges have been alleged against him.

4. The Committee considered the reasoning as contained in the Findings holding the Respondent Guilty of Professional Misconduct vis-à-vis verbal representation of the Respondent. As regard the reference to another disciplinary case in the representation of the Respondent, the Committee was of the view that each disciplinary case is distinct and is decided on merits by the Competent Authorities i.e. Board of Discipline/Disciplinary Committee on the basis of documents and submissions on record. Thus, comparing 2 distinct disciplinary cases as 'apple to apple', is not warranted.

5. Keeping in view the facts and circumstances of the case, material on record including verbal representation on the Findings, the Committee was of the view that the Concurrent Audit attempts to shorten the interval between a transaction and its examination by an independent person. There is an emphasis in favour of substantive checking in key areas rather than test checking. Hence, a Concurrent Auditor has to do 100% checking of bank transactions or carry out the checking as per the appointment letter and Test checking of transactions are not permitted or not to be carried out during Concurrent Audit of Banks. The Committee noted that when an appointment letter is general then auditor is expected to do substantive checking rather than test checking.

5.1 The Committee noted that in the Special Audit Report, it is clearly stated that the said misappropriation of funds was carried out during the period 06<sup>th</sup> May 2013 to 30<sup>th</sup> January 2015 for which the Concurrent Audit responsibilities were bestowed on the Respondent only.

5.2 The Committee viewed that Concurrent Audit is essentially a management process integral to the establishment of sound internal accounting functions and effective controls and setting the tone for a vigilant internal audit to preclude the incidence of serious errors and fraudulent manipulations. The Committee observed that e-KYC of old accounts were also done during such period and there were lacunas in compliance relating to KYC pertaining to the period when the Respondent was the concurrent auditor, hence it was his duty to verify the KYC of all the accounts which created suspicion. However, he gave excuses. The Committee observed that the Respondent, being the Concurrent Auditor of the Bank, failed to exercise due diligence in the conduct of his professional duties. He failed to report the fraud which is subject matter of extant complaint and deliberately overlooked the misappropriation of funds. He neither

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took any steps to report the said misappropriations in his report nor intimated the same to senior management about such manipulations.

5.3 Hence, professional misconduct on the part of the Respondent is clearly established as spelt out in the Committee's Findings dated 7<sup>th</sup> February 2024 which is to be read in consonance with the instant Order being passed in the case.

6. Accordingly, the Committee was of the view that ends of justice will be met if punishment is given to him in commensurate with his professional misconduct.

7. Thus, the Committee ordered that CA. Purushottam Gupta (M. No 412402), Shahdol (M.P.) be Reprimanded and also a Fine of Rs. 50,000/- (Rupees Fifty Thousand Only) be imposed upon him payable within a period of 60 days from the date of receipt of the Order.

sd/-  
(CA. RANJEET KUMAR AGARWAL)  
PRESIDING OFFICER


sd/-  
(MRS. RANI S. NAIR, IRS RETD.)  
GOVERNMENT NOMINEE

sd/-  
(SHRI ARUN KUMAR, IAS RETD.)  
GOVERNMENT NOMINEE

sd/-  
(CA. SANJAY KUMAR AGARWAL)  
MEMBER

sd/-  
(CA. COTHA S SRINIVAS)  
MEMBER

सही प्रतिलिपि होने के लिए प्रमाणित  
Certified to be true copy

  
बिषा 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, Shahdra, Delhi-110032

Shri B. S. Shukla, Jt. Commissioner of the Registrar of Co-operative Societies, Bhopal -Vs- CA. Purshottam Gupta (M. No. 412402)

**CONFIDENTIAL**

**DISCIPLINARY COMMITTEE [BENCH – II (2023-2024)]**

**[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/G/385/17/DD/168/2018/DC/1499/2021**

**In the matter of:**

**Shri B.S Shukla,**

**Jt. Commissioner,**

**Office of the Registrar of Co-Operative Societies,**

**Commissioner Cooperation & Registrar Cooperative Services,**

**M.P Vindhyachal Bhawan, Area Hills,**

**Bhopal (M. P) 462 003**

**....Complainant**

**VERSUS**

**CA. Purushottam Gupta (M. No 412402)**

**M/s, Singh Sushil Kumar & Co (FRN NO 008866C)**

**Chartered Accountants,**

**HIG – 423,**

**New Housing Board Colony,**

**Shahdol (M. P) 484 001**

**.....Respondent**

**MEMBERS PRESENT**

**CA. Ranjeet Kumar Agrawal, Presiding Officer (Present in person)**

**Smt. Rani Nair, Govt Nominee (Present in Person)**

**Shri Arun Kumar, Govt. Nominee (Present in Person)**

**CA. Sridhar Muppala, Member (Present in Person)**

**DATE OF FINAL HEARING: 31-10-2023 (Through physical / video conferencing mode)**

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**PARTIES PRESENT:**

**Complainant:** Not Present

**Respondent:** CA. Purushottam Gupta (Through video conferencing Mode)

**Respondent Counsel:** CA. Sharad Vaze (Through video conferencing Mode)

**BACKGROUND OF THE CASE**

1. The brief background of the case is as under:
  - a. That the Respondent/ Respondent Firm was appointed as Concurrent Auditor by District Central Co-operative Bank, Rewa, MP (hereinafter referred to as the "DCC Bank") to conduct audit of Dabhra Branch vide order no. 2310 dated 25<sup>th</sup> January 2014 for the year 2013-14.
  - b. A Special Audit of Dabhra Branch of DCC Bank, Rewa was conducted for the year 2013-14 and 2014-15 wherein it was found that an amount of Rs. 23 crores were misappropriated.
  - c. Based on the Special Audit, the allegation is that the Respondent, being Concurrent Auditor of the Bank for the period 2013-14, has not performed his duties properly and has not reported irregular procedures/ practices adopted by the branch officials which caused huge loss to the Bank.

**CHARGES IN BRIEF**

2. The Committee noted that the charges against the Respondent as mentioned in the complaint dated 18<sup>th</sup> December, 2017 is that the Respondent / Respondent firm in its capacity as the concurrent auditor, has failed to communicate to the Bank's Management about the unusual behaviors and irregular procedures to prevent fraudulent embezzlement in a timely manner due to which these irregular procedures continue for two long years which in turn caused huge loss to the bank i.e. around Rupees 23 crores.
3. The Committee noted that the Respondent in his reply at the stage of PFO had inter-alia, mentioned as under:

- a. That the Respondent Firm was appointed to conduct the Concurrent Audit of 10 branches and one HO (Head Office) of Rewa District Co-op. Bank Ltd. for the FY 2013-14 on 25<sup>th</sup> January 2014. The appointment letter no. 2316 (Sic. 2310) dated 25<sup>th</sup> January 2014 has been issued almost after the expiry of 10 months of the audit period. As per Clause no. 11 of the appointment letter, audit assignment will be for FY 2013-14 and will automatically stand terminated on 15<sup>th</sup> June 2014. It is very clear that for a concurrent audit of 12 months of 10 branches and head office, the Bank had given the Respondent almost 4 months only.
- b. That the Special Audit Report in the instant matter is divided in to three parts. In the special audit report, there is no direct or indirect comment about the Concurrent Auditors of the Branch.
- c. The facts essential to understand the matter are as follows:

Date	Particulars
10/07/2012	Migration to Computerized Accounting by Bank – Board Resolution
25/01/2014	Appointment of Respondent Firm as Concurrent Auditor for FY 2013-14
24/02/2015	Detection of embezzlement by Joint Registrar
17/04/2015	Constitution of Committee to conduct Special Audit
14/10/2015	Submission Special Audit Report (SAR)
26/07/2017	Blacklisting of Respondent firm
04/07/2018	Stay by Hon'ble High Court of MP for blacklisting of Respondent Firm

- d. That the Respondent Firm was appointed to conduct Concurrent Audit for F.Y. 2013-14. During the said period, the embezzlement of Rs. 16.14 Crores was detected.
- e. That in Special audit report two types of frauds are mentioned viz.,

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- i. Cash withdrawal during the period 06/05/2013 to 30/01/2015 from the accounts with forged signatures and
- ii. Transfer by NEFT to 76 accounts in 9 other banks during the period 22/10/2013 to 09/02/2015. Further, of these 76 accounts, 42 were closed at the time of the Special Audit.
- f. Further, as per Special Audit Report (SAR) at page 2, it is mentioned that when the present accounts were being migrated to a computerised accounting system, the Head Office of the Bank was not vigilant. Further, the Head Office has not taken proper care and "the loopholes in the initiation of the CBS system were abused by some unscrupulous employees of the Bank."
- g. Further, it is stated in the SAR that some employees colluded by deliberately not giving information of some accounts to migrate in the new system and such balances were transferred to "Sundries" account. The balance lying in the "Sundries" account was transferred to those accounts whose KYC forms & signature cards were not taken initially or deliberately misplaced by the coterie of unscrupulous employees of the Branch. Because of the absence of signature cards/ KYC Forms, a coterie of unscrupulous employees forged the cash withdrawals.
- h. Further, as per second last para on the last page of SAR (Special Audit Report) (page 18 of the enclosures to Form I), wherein the Special Audit Committee has held Statutory Auditor (M/s. SPJV & Co., Chartered Accountants) is answerable to the fraud at Dabhra Branch and no aspersion whatsoever is cast on the Respondent or Respondent Firm.
- i. That the fraud did not originate in FY 2013-14, and it was started by some unscrupulous employees at the time of migration of bank accounts to computerized accounts under CBS. The said migration commenced in 2012, well before the audit period. In fact, SAR on page 2 has unequivocally blamed the Head Office.

- j. The scope of concurrent audit given in the appointment letter is too general and without any specific items/ issues/ areas to be covered in depth. The Respondent Firm checked the KYC of new accounts opened during FY 2013-14 and presumed compliance of KYC with respect to accounts opened in earlier years.
- k. The Respondent is not supposed to verify the old accounts KYC forms unless the same is specifically included in the appointment letter. The Respondent is not a handwriting or a signature expert. It is not the Respondent's duty to check each and every cash withdrawal by withdrawal-slip or self-cheque.
- l. As per Manual of Concurrent Audit of Banks issued by ICAI, Minimum Audit Programme for certain areas has been given. Further, Para 1.27A of said manual relates to cash transactions and nowhere in the said para it is mentioned that Concurrent Auditor is required to verify each and every cash withdrawal with the correctness of the signature of the person withdrawing cash and the same is beyond the scope of any audit.
- m. That the Special Audit Team had given its report to the Joint Commissioner of Co-operative Societies, Madhya Pradesh without following principles of natural justice. During the Special Audit, the Audit Team did not seek any information/ explanation from the Respondent Firm.
- n. That the Commissioner of Co-operative Societies, Bhopal (without giving any opportunity of being heard to the Respondent) vide his order dated 26<sup>th</sup> July, 2017 had black listed the Respondent Firm to conduct Statutory Audit of Cooperative Societies through the panel of auditors of Registrar for a period of five years.

*B. S. Shukla*



o. The Respondent had already challenged the said order dated 26<sup>th</sup> July, 2017 before the Hon'ble High Court of Madhya Pradesh in Writ Petition No. 14582/2018. The Respondent also submitted copy of a stay order dated 4<sup>th</sup> July, 2018 passed in the said matter by the Hon'ble High Court of Madhya Pradesh to support his defence.

4. The Director (Discipline) had, in his Prima Facie opinion dated 24<sup>th</sup> June, 2021, noticed that:

a. Though the Respondent has reported some discrepancies in his concurrent audit report such as non-maintenance of various registers but has clearly failed to report the fraud which is subject matter of extant complaint.

b. The Respondent has deliberately overlooked the misappropriation of funds and also neither taken any steps to report the said misappropriations in his report nor did he intimate the same to senior management about such manipulations which later on detected by the Special Audit Team appointed by the Bank/ Complainant Department.

c. In the Special Audit Report, it is clearly stated that the said misappropriation of funds was carried out during the period 06<sup>th</sup> May 2013 to 30<sup>th</sup> January 2015 for which the concurrent audit responsibilities were bestowed with the Respondent only.

d. It is further observed that the Respondent being concurrent auditor cannot escape his liability on the ground that branch officials were involved in the said misappropriation of funds, and he had no role to play.

e. Further, the Respondent failed to provide any plausible explanation for his clean concurrent audit report even when there were huge fraudulent transactions executed in the depositor accounts maintained by the said branch and under such circumstances, Respondent is held liable for not

reporting such huge amount of fraud perpetrated in the books of accounts of the said branch.

5. Accordingly, the 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, held the Respondent Prima Facie Guilty of Professional Misconduct falling within the meaning of Item (7) of Part I of Second Schedule to the chartered Accountants Act, 1949. The said item in the Schedule of the Act states as under:

***Clause (7) of Part I of the Second Schedule:***

“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”*

**SUBMISSION OF THE RESPONDENT ON THE PRIMA-FACIE OPINION:**

6. The Committee noted that the Respondent in his written submissions dated 5<sup>th</sup> November 2021 had, inter-alia, stated as under:
- a. That there is no comment by Director (Discipline) on the initiation of fraud by the Bank employees way back 2012, when the Bank migrated to computerised accounting.
  - b. The Director (Discipline) is stressing the statement of the Respondent that he has verified 100% vouchers prepared/maintained by the branch officials. This 100% checking is misunderstood by DD as it refers to those vouchers which the Respondent is supposed to check as concurrent auditor.
  - c. When an auditor is not supposed to check the cash deposit and withdrawal slips and cheques, the question of its checking does not arise.

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**BRIEF FACTS OF THE PROCEEDINGS:**

7. The Committee noted that the instant case was fixed for hearing on following dates:

S.No.	Date	Status of Hearing
1.	31.10.2022	Adjourned on request of the Respondent
2.	22.06.2023	Part- Heard and Adjourned in absence of Complainant
3.	28.07.2023	Adjourned on request of the Respondent
4.	18.09.2023	Part heard & Adjourned
5.	17.10.2023	Deferred due to paucity of time
6.	31.10.2023	Heard & Concluded.

8. On the day of the first hearing, held on 31<sup>st</sup> October 2022, the Committee noted that the Complainant was not present. However, the Respondent vide email dated 28<sup>th</sup> October 2022 sought adjournment on account of personal reasons stating to be his sister's marriage on 25<sup>th</sup> November 2022. The Committee looking into the absence of Complainant acceded to the Respondent's request and decided to adjourn the matter to a future date.
9. On the day of the second hearing, held on 22<sup>nd</sup> June 2023, the Committee noted that the Respondent along with his counsel CA. Sharad Vaze was present through Video conferencing Mode. The Committee further noted that neither the Complainant was present, nor any intimation was received despite notice/email duly served upon him.
- 9.1 The Respondent was administered on oath. Thereafter, the Committee enquired from the Respondent as to whether he is aware of the charges. On the same, the Respondent replied in the affirmative and pleaded Not Guilty to the charges levelled against him.

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- 9.2 The Committee looking into grounds of natural justice decided to give final opportunity to the Complainant to present his representations, if any. Thereafter, the Committee decided to adjourn the hearing to a future date. With this, the hearing in the matter was partly heard and adjourned.
10. On the day of the third hearing, held on 28<sup>th</sup> July 2023, the Committee noted that neither the Complainant was present, nor any intimation was received from him despite the notice of hearing was duly served upon him.
- 10.1 The Committee noted that the Respondent vide e-mail dated 25<sup>th</sup> July, 2023 sought an adjournment of the hearing by stating that
- a. That a disciplinary case, on similar facts, is pending against CA. Ramdas Rajpal and that case was heard by the Disciplinary Committee on 22<sup>nd</sup> June 2023.
  - b. In that hearing, CA. Ramdas Rajpal was directed to submit translated copy of the Special audit report.
  - c. That though no such direction was given to him, yet, looking into similarity of facts he is seeking adjournment.
- 10.2 Keeping in view the principles of natural justice and reasons mentioned by the Respondent in his adjournment request, the Committee decided to accede to the adjournment request made by the Respondent. With this, the hearing in the above matter was adjourned at the request of the Respondent.
11. On the day of the fourth hearing held on 18<sup>th</sup> September 2023, the Committee noted that neither the Complainant was present, nor any intimation was received from his end despite notice/email duly served upon him. The Committee further noted that the Respondent and his Counsel sought adjournment at the time of hearing to get an English translated copy of the Special Audit Report. The Committee looking into the adjournments taken and delay in getting the translated copies by the Respondent directed the Respondent's counsel (CA. Sharad Vaze) to submit the translated copy within

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the next 2 weeks. Accordingly, the instant matter was adjourned to a future date.

12. The fifth hearing in respect to instant matter held on 17<sup>th</sup> October 2023 was deferred due to paucity of time.
13. On the day of final hearing held on 31<sup>st</sup> October 2023, the Committee noted that the Complainant vide email dated 6<sup>th</sup> October 2023 submitted that he has nothing further to submit and the matter may be decided based upon documents/ submission on record. The Committee further noted that the Respondent along with his Counsel CA. Sharad Vaze was present through Video Conferencing Mode. Thereafter, the Respondent was asked to make his submissions.
  - 13.1 The Respondent in his submissions had inter-alia submitted as under:
    - a. That the Complainant has filed a complaint mentioning the involvement of branch manager, other officials of the branch, Statutory Auditor and Concurrent auditors. However, there is no direct or indirect comment about the Concurrent auditor i.e. the Respondent.
    - b. The special auditor had not pointed out any irregularity on the part of the Respondent.
    - c. That there were two types of fraud, viz., cash withdrawal and transfer to NEFT. As regards fraud, by cash withdrawal, the auditor is not expected to compare signatures. As regards fraud by transfer to NEFT, the same cannot be checked by an auditor because these transactions were verified by the Manager as well as one official of the Branch.
    - d. That 100% checking is practically impossible.
    - e. There is no role of the concurrent auditor with respect to E-KYC of old accounts.
    - f. The Respondent aggrieved by the order of Complainant of blacklisting the Respondent for conducting further audit without giving any opportunity, approached the MP High Court and obtained a stay order from there.

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13.2 The Committee posed certain questions to Respondent Counsel to understand the issue involved and the role of the Respondent in the case. Thereafter, the Committee, looking into the Respondent's submissions against the charges levelled, recorded his plea and accordingly concluded the hearing.

**FINDINGS OF THE COMMITTEE:**

14. The Committee noted that the charge against the Respondent was that the Respondent / Respondent firm in its capacity as the concurrent auditor had failed to communicate to the Bank's Management about the unusual behaviors and irregular procedures to prevent fraudulent embezzlement in a timely manner, due to which the said situation continues for two long years which in turn causes huge loss to the bank i.e. around Rupees 23 crores. The Respondent, however, simply stated that the special auditor had not mentioned irregularities on the part of the Respondent or commented on the duties assigned to them in their Special Audit Report.

15. The Committee noted two types of fraud were mentioned in the special audit report, viz., cash withdrawal during the period 6<sup>th</sup> May 2013 to 30<sup>th</sup> January 2015 and transfer to NEFT during the period 22<sup>nd</sup> October 2013 to 9<sup>th</sup> February 2015.

16. The Committee noted that the Respondent was appointed as concurrent auditor of 10 branches and one HO (Head Office) of Rewa District Co-op. Bank Ltd. for the F.Y. 2013-14 on 25<sup>th</sup> January 2014 and as per Clause no. 11 of the said appointment letter, audit assignment will automatically stand terminated on 15<sup>th</sup> June 2014. The Respondent accordingly pleaded that he was given 4 months only for the said audit.

16.1 The Committee in this regard noted that the Respondent as a concurrent auditor was required to conduct his audit with due diligence and professional skepticism in the allotted time. He cannot take the plea that he was provided

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with very less time to audit because the appointment letter had clearly mentioned the time deadlines and once the Respondent had accepted the said appointment, he was duty bound to adhere to those timelines.

- 16.2 The Committee further noted that Concurrent audit is an examination which is contemporaneous with the occurrence of transactions or is carried out as near thereto as possible. The Committee accordingly viewed that acceptance of audit after the completion of the year defeats the objective of concurrent audit because in concurrent audit as an when transactions are carried out by the Bank/Branch, the same has to be checked immediately without any delay.
17. The Committee noted that the Respondent had taken the plea that it was not his duty to check each and every cash transaction as per his appointment letter.
- 17.1 In this regard, the Committee viewed that the role of the Respondent as concurrent auditor is vast, and he was required to do 100% checking of bank transactions or carry out the checking as per the appointment letter. He cannot take the plea of test checking as the same is not expected from a concurrent auditor.
- 17.2 The Committee further noted that the Respondent failed to bring his detailed appointment letter on record to establish his stand regarding test audit or limited checking.
- 17.3 The Committee viewed that the concurrent audit attempts to shorten the interval between a transaction and its examination by an independent person. There is an emphasis in favour of substantive checking in key areas rather than test checking.
- 17.4 Hence, a Concurrent Auditor has to do 100% checking of bank transactions or carry out the checking as per the appointment letter and Test checking of

transactions are not permitted or not to be carried out during Concurrent audit of Banks.

17.5 The Committee noted that when an appointment letter is general then auditor is expected to do substantive checking rather than test checking.

18. The Committee noted that the Respondent has taken the plea that the branch officials of the bank are involved in the misappropriation of funds by NEFT, and he has no role to play.

18.1 The Committee viewed that a concurrent auditor may not sit in judgment of the decisions taken by a branch manager or an authorized official as the same is beyond the scope of concurrent audit. However, the audit will necessarily have to see whether the transactions or decisions are within the policy parameters laid down by the Head Office, they do not violate the instructions or policy prescriptions of the RBI, and that they are within the delegated authority.

18.2 The Committee accordingly viewed that pleading of the Respondent is not tenable because if the branch officials deviate from the norms, a concurrent auditor was required to cover those deviations and report the said matter in his report.

19. The Committee noted that the Respondent took plea that no aspersion is cast on the Respondent or his firm as per the special audit report. However, it is noted that as per the Special Audit Report, it is clearly stated that the said misappropriation of funds was carried out during the period 06<sup>th</sup> May 2013 to 30<sup>th</sup> January 2015 for which the concurrent audit responsibilities were bestowed with the Respondent only.

20. The Committee noted that in the special audit report it was mentioned that on account of the absence of signature cards/ KYC Forms, a coterie of unscrupulous employees forged the cash withdrawals. The Respondent has

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taken the plea that he had checked the KYC of new accounts opened during FY 2013-14 and is not supposed to verify the old accounts KYC forms unless specifically included in the appointment letter.

- 20.1 The Committee on the same noted that there was migration of accounts at that time due to the initiation of the CBS system in the bank. The Committee noted that at the time of migration of accounts the concurrent auditor is required to work with extra care and diligence because it is a period where there is vast possibility of error and fraud.
- 20.2 During that period there are more chances of vulnerabilities and hence the auditor is expected to plan and perform his audit in such a manner to obtain reasonable assurance regarding true and fair view of the financial statements.
- 20.3 The Committee viewed that the concurrent audit is essentially a management process integral to the establishment of sound internal accounting functions and effective controls and setting the tone for a vigilant internal audit to preclude the incidence of serious errors and fraudulent manipulations.
- 20.4 It is seen that e-KYC of old accounts were also done during such period and there were lacunas in compliance relating to KYC pertaining to the period when the Respondent was the concurrent auditor, hence it was his duty to verify the KYC of all the accounts which creates suspicion however he is giving excuses.
21. The Committee accordingly concluded that the Respondent being the concurrent auditor of the Bank has failed to exercise due diligence in conduct of his professional duties and failed to report the fraud which is subject matter of extant complaint and has deliberately overlooked the misappropriation of funds and also neither taken any steps to report the said misappropriations in his report nor he intimated the same to senior management about such manipulations.

**CONCLUSION**

22. In view of the above findings stated in the above para's vis-a-vis material on record, the Committee, in its considered opinion, holds the Respondent is **GUILTY** of Professional Misconduct falling within the meaning of Item (7) of Part 1 of the Second Schedule to the Chartered Accountants Act, 1949.

**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. SRIDHAR MUPPALA)**  
**MEMBER**

**DATE: 07<sup>TH</sup> FEBRUARY, 2024**

**PLACE: NEW DELHI**

सही प्रतिलिपि होने के लिए प्रमाणित  
Certified to be true copy

*Bishwa Nath Tiwari*  
बिष्वा 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  
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