



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-IV (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/147/2022/DD/157/2022-DC/1776/2023]

In the matter of:

Shri. Uttam Kumar Sahoo

ROC, Guwahati

Ministry of Corporate Affairs

5th Floor, Prithvi Planet, Ulubari

G.S. Road, Guwahati

...Complainant

Versus

CA. Subhash Chandra Sharma (M. No. 083982)

H. No. 304, Delhi Chamber, 3453

Delhi Gate,

New Delhi-110002

...Respondent

MEMBERS PRESENT:

1. Shri Jiwesh Nandan, I.A.S (Retd), Presiding Officer and Government Nominee (In person)
2. Ms. Dakshita Das, I.R.A.S. (Retd.), Government Nominee (Through VC)
3. CA. Mangesh P Kinare, Member (In person)
4. CA. Abhay Chhajed, Member (In person)

DATE OF HEARING : 06th January 2025

DATE OF ORDER : 20th January 2025

1. That vide Findings dated 26/11/2024 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. Subhash Chandra Sharma (M. No. 083982)** (hereinafter referred to as the **Respondent**) is **GUILTY** of Professional and Other Misconduct falling within the meaning of Item (7) of Part-I of the Second Schedule and Item (2) of Part-IV of First Schedule to the Chartered Accountants Act, 1949.

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



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communication was addressed to him thereby granting an opportunity of being heard in person/ through video conferencing and to make representation before the Committee on 06th January 2025.

3. The Committee noted that on the date of the hearing on 06th January 2025, the Respondent was present in person and appeared before it. During the hearing, the Respondent stated that he had already submitted his written representation dated 06th December 2024 on the Findings of the Committee. He submitted that audit of the Company was conducted during COVID period and mistakes/discrepancies pointed out in audited Financial Statements of the Company were due to clerical/human errors and he accepted these mistakes and sought leniency from the Committee in this matter. The Committee also noted the written representation of the Respondent dated 06th December 2024 on the Findings of the Committee, which, inter alia, are given as under:-

- Draft audit report of the Company was uploaded on RoC website instead of final report.
- No evidence was made available by the Complainant to substantiate the charges.
- Sought leniency on humanitarian grounds and keeping the long outstanding career and old age of the Respondent.

4. The Committee considered the reasoning as contained in the Findings holding the Respondent 'Guilty' of Professional and Other Misconduct vis-à-vis written and verbal representation of the Respondent. The Committee noted that the issues/ submissions made by the Respondent as aforesaid have been dealt with by it at the time of hearing under Rule 18.

5. Thus, keeping in view the facts and circumstances of the case, material on record including written and verbal representation of the Respondent on the Findings, the Committee noted that the trade guarantee (FLDG) is 76 % (approx.) of the total balance sheet size, which clearly indicates that the amount involved was highly material when compared with total balance sheet size of the Company and it is not known as to how the Respondent could issue a clean report for the financial year ended 31st March 2020 without considering the requirements of Schedule III to the Companies Act, 2013 with regard to highly material item in the balance



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sheet. The Company has not disclosed to whom the major loan of Rs. 30.88 crores (i.e., 71 % approx. of total balance sheet size) has been given, which is not in line with the requirement of Schedule III to the Companies Act, 2013.

6. The Committee further observed that proper disclosure for grant of loans and advances for the amount of Rs. 30.88 crores was not given in the financial statements. Moreover, the Committee was of the view that the Company was carrying on the operations as NBFC, but the Respondent has reported that Company has not conducted any Non-Banking Financial activity during the year. Therefore, it is very clear that the Respondent has prepared the Report without taking into consideration the actual amounts in the Financial Statements. Hence, the Professional and Other Misconduct on the part of the Respondent is clearly established as spelt out in the Committee's Findings dated 26/11/2024 which is to be read in consonance with the instant Order being passed in the case.

7. Accordingly, the Committee was of the view that the ends of justice would be met if punishment is given to him in commensurate with his Professional and Other Misconduct.

8. Thus, the Committee ordered that the name of the Respondent i.e. CA. Subhash Chandra Sharma (M. No. 083982), New Delhi be removed from the Register of members for a period of 01 (One) month under Section 21B(3)(a) of the Chartered Accountants Act 1949.

Sd/-

(SHRI JIWESH NANDAN, I.A.S. (RETD.)
(PRESIDING OFFICER AND GOVERNMENT NOMINEE)

Sd/-

(MS. DAKSHITA DAS, I.R.A.S. (RETD.)
GOVERNMENT NOMINEE

Sd/-

(CA. MANGESH P KINARE)
MEMBER

Sd/-

(CA. ABHAY CHHAJED)
MEMBER

सही प्रतिलिपि होने के लिए प्रमाणित /
Certified to be true copy

नीलम पंडीर / Neelam Pundir
वरिष्ठ कार्यकारी अधिकारी / Sr. Executive Officer
अनुशासनात्मक निदेशालय / Disciplinary Directorate
इंस्टीट्यूट 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

DISCIPLINARY COMMITTEE [BENCH – IV (2024-2025)]

[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/147/2022/DD/157/2022-DC/1776/2023

In the matter of:

Shri. Uttam Kumar Sahoo
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Versus

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H. No. 304, Delhi Chamber, 3453
Delhi Gate,
New Delhi-110002

...Respondent

MEMBERS PRESENT:

Shri Jiwesh Nandan, IAS (Retd.), Government Nominee (in person)
Ms. Dakshita Das, IRAS (Retd.), Government Nominee (through VC)
CA. Mangesh P Kinare, Member (through VC)
CA. Abhay Chhajed, Member (in person)

DATE OF FINAL HEARING : 20th June 2024

DATE OF DECISION TAKEN : 21st August 2024

PARTIES PRESENT:

Complainant: Mr. Deep Narayan Chowdhury, ROC Guwahati (Authorized representative of the Complainant) (through VC)

Counsel for the Respondent: Advocate Amit K Pateria along with Mr. Vinayak Trivedi (in person)

1. Background of the Case:

- 1.1. It had come to the knowledge of the ROC, Guwahati that foreign nationals are involved/backing the company, namely "Rhino Finance Private Limited" (hereinafter referred to as **the Company**) and connived with the promoters & directors of the Company to run the

business of Non Banking Financial Business for lending money in India and using the Company for funding suspicious activities.

- 1.2. In the instant matter, the Respondent had audited the Financial Statements of the Company for Financial Year 2019-2020.

2. Charges in brief

- 2.1. Non- disclosure of long- term borrowing of Rs. 33.07 crores with proper break-up and details. The company has taken huge borrowings, and it has not disclosed the proper source of funds to hide the source of funding of the Company.
- 2.2. Suspicious borrowings of Rs. 33,07,75,212/- crores during the financial year 2019-2020 has been diverted as loan and advances for an amount of Rs. 30.88 crores without giving proper disclosures in the financial statements for the financial year 2019-2020 in respect of name of parties, terms & conditions of Loans & Advances.
- 2.3. The Company and Directors have not given proper disclosures and information about the source of revenue/ business activities when auditor is stating that subject NBFC Company has not carried out any NBF1 activities during financial year 2019-2020.
- 2.4. The Respondent has also connived with directors by not giving any adverse comments in audit report for financial year 2019-2020.

3. The relevant issues discussed in the Prima Facie Opinion dated 10th October 2022 formulated by the Director (Discipline) in the matter, in brief, are given below:

- 3.1. As regards the first charge, it was noted that from Note 3: Long term Borrowings, that neither the proper break up nor its classification into secured/unsecured relating with the trade guarantee has been disclosed by the Company as per requirements of Schedule III of the Companies Act, 2013. Trade guarantee (FLDG) is 76 % (approx.) of the total balance sheet size, which clearly indicates that the amount involved was highly material when compared with total balance sheet size of the Company and it is not known as to how the Respondent could issue a clean report for the financial year ended 31st March 2020 without considering the requirements of Schedule III to the Companies Act, 2013 with regard to highly material item in the balance sheet. Keeping in view of the same, the Respondent was held prima facie guilty of Professional Misconduct falling within the meaning of Item (7) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.

- 3.2. As regards the Second charge, it was noted from Note 13: Short term Loans and advances & Other Assets as disclosed in the financial statements that the Company has given loans and advances to Others amounting to Rs. 30.88 crores. However, the Company has not disclosed to whom the major loan of Rs. 30.88 (i.e., 71 % approx. of total balance sheet size) has been given, which is not in line with the requirement of Schedule III to the Companies Act, 2013. Despite this, the auditor i.e., the Respondent has given a clean report for the financial year ended 31st March 2020 making him 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.
- 3.3. As regards the third charge, it was noted from clause (xvi) of annexure A to the independent auditor's report, wherein the auditor (i.e. Respondent) has reported that RBI granted certificate of Registration (COR) to the Company on 05-03-2020 for carrying out the operations as business of non-banking financial company. He further stated that the Company has taken approval from the Board of Directors of the company that it has not conducted any Non-Banking Financial activity during the period. However, by looking into the financial statements of the Company, it was noted from note 14: Revenue from operations that Company has earned revenue from operations amounting to Rs. 10.96 crores and out of which Rs. 9.86 crores (i.e. 90 % of revenue from operations) was exempted services. It was observed that the Company has got the major amount of revenue from operations as exempted just because it is doing business as NBFC. On one side, it seems that the Company has prepared financial statements for the year ended 31st March 2020 as if it is carrying on the operations as NBFC, however, on the other side in the audit report, the auditor (i.e. Respondent) has reported that Company has not conducted any Non-Banking Financial activity.
- 3.4. Further, through written statement, Respondent has clarified that RBI has registered the subject company as NBFC vide certificate dated 16th October 2000 and has been carrying out financial business from then. And inadvertently, he has reported under CARO reporting that certificate of registration issued on 5th March 2020 and not carrying the operations as NBFC as a clerical error. It was noted that the auditor (i.e. Respondent) issued the audit report without due diligence and has been grossly negligent in his duties by projecting wrong picture about the Company through incorrect reporting in his audit report. Accordingly, for the instant allegation, the Respondent was prima facie Guilty of Professional Misconduct falling within the meaning of Item (7) of Part-I of Second Schedule to the Chartered Accountant Act, 1949.
- 3.5. As regards the fourth charge, it was noted that inspite of all these major/ glaring discrepancies, the Respondent (i.e., auditor) has given unqualified / clean audit reports for the financial year ended 31st March 2020 which not only clearly shows gross negligence and lack of due diligence on his part but the possibility of his being in hand in gloves with the Management of

the Company can also not be ruled out at this stage. Accordingly, he was prima facie held Guilty for Professional and other Misconduct within the meaning of Item (2) of Part IV of First Schedule and Item (7) of Part I of Second Schedule to the Chartered Accountants Act, 1949.

- 3.6. Accordingly, the Director (Discipline) in his Prima Facie Opinion dated 10th October 2022 opined that the Respondent was prima facie **Guilty** of Professional and Other Misconduct falling within the meaning of Item (7) of Part I of Second Schedule and Item (2) of Part-IV of First Schedule to the Chartered Accountants Act, 1949. The said item of the Schedule to the Act, states as under:

Item (7) of Part I of the Second Schedule:

"A Chartered Accountant in practice shall be deemed to be guilty of professional misconduct if he:

x x x x x x

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

Item (2) of Part IV of the First Schedule:

"A member of the Institute, whether in practice or not, shall be deemed to be guilty of other misconduct, if he-

x x x x x x

"(2) in the opinion of the Council, brings disrepute to the profession or the Institute as a result of his action whether or not related to his professional work."

- 3.7. The Prima Facie Opinion Formed by the Director (Discipline) was considered by the Disciplinary Committee in its meeting held on 09th June 2023. The Committee on consideration of the same, concurred with the reasons given against the charges and thus, agreed with the Prima Facie Opinion of the Director (Discipline) that the Respondent is **GUILTY** of Professional and Other Misconduct falling within the meaning of Item (7) of Part – I of the Second Schedule and Item (2) of Part-IV of First Schedule to the Chartered Accountants Act, 1949 and accordingly, decided to proceed further under Chapter V of the Chartered Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules, 2007.

4. **Dates of Written Submissions/ Pleadings by the Parties:**

The relevant details of the filing of documents in the instant case by the parties are given below:-

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S. No.	Particulars	Dated
1.	Date of Complaint in Form 'I' filed by the Complainant	24 th March 2022
2.	Date of Written Statement filed by the Respondent	27 th April 2022
3.	Date of Rejoinder filed by the Complainant	Not filed
4.	Date of Prima Facie Opinion formed by Director (Discipline)	10 th October 2022
5.	Written Submissions filed by the Respondent after PFO	17 th July 2023
6.	Written Submissions filed by the Complainant after PFO	Not filed

5. Written submissions filed by the Respondent: -

The Respondent vide letter dated 17th July 2023, inter-alia, made the submission which are given as under: -

- (i) The Prima Facie allegations framed against the Respondent are not supported by any evidence, as charge of professional misconduct is quasi criminal which must be supported by the evidence.
- (ii) Mere failure to meet the expected standard of efficiency by a professional, cannot be regarded as a misconduct. Therefore, the allegations framed against the Respondent may kindly be dropped.
- (iii) Regarding non-disclosure of break-up of long-term borrowings amounting to Rs. 33.07 crores, the mistake/ error conducted by the Respondent and his team at the time of signing of balance sheet was just an inadvertent human error/mistake and having no mens-rea.
- (iv) The alleged wrong disclosure of Para (xvi) to CARO in Annexure A of Independent Auditor's Report was inadvertent and unintentional without any malafide. The Auditee Company is Non-Banking Finance Company since 2000 and doing lending business across India.
- (v) Trade Guarantee (FLDG) amounting to Rs. 33.07 crores were unsecured trade guarantee and were appropriately presented in the audited balance sheet of the Company. Security was provided to the Company by third party and, therefore, there is no meaning to issue any security against the guarantee provided to the Company.
- (vi) The Company is registered Non-Banking Finance Company as investment and credit Company carrying business of retail/personal digital lending of small ticket size loan during the audit period to large public approximately 77,000 plus borrowers.

6. Brief facts of the Proceedings:

6.1 Details of the hearing(s)/ meeting(s) fixed and held/ adjourned in the said matter are given as under –

Particulars	Date of Meeting(s)	Status
1 st hearing	10 th August 2023	Adjourned at the request of the Respondent
2 nd hearing	23 rd April 2024	Part heard and adjourned
3 rd hearing	28 th May 2024	Deferred due to paucity of time
4 th Hearing	03 rd June 2024	Adjourned at the request of the Respondent
5 th Hearing	20 th June 2024	Hearing Concluded and Judgment Reserved
---	09 th August 2024	Deferred due to paucity of time
---	21 st August 2024	Decision taken

6.2. On the day of first hearing on 10th August 2023, the Committee noted that the Respondent vide email/letter dated 10/08/2023 has sought adjournment due to his ill health. The office apprised the Committee that the Complainant was not present and notice of listing of the case has been served upon him. The Committee acceded to the request of the Respondent and in the absence of the Complainant, adjourned the matter to a later date.

6.3. On the day of hearing on 23rd April 2024, the Committee noted that the Respondent along with his Counsel were present in person and appeared before it. Being first hearing of the case, the Respondent was put on Oath. Thereafter, the Committee enquired from the Respondent as to whether he was aware of the charges against him and then the charges as contained in prima facie opinion were read out. On the same, the Respondent replied that he is aware of the charges and pleaded 'Not Guilty' to the charges levelled against him. In view of Rule 18(9) of the Chartered Accountants (Procedure of Investigation of Professional and Other Misconduct and Conduct of Cases) Rules, 2007, the Committee adjourned the case to a later date.

6.4. On 28th May 2024, the subject case was fixed for hearing. However, consideration was deferred by the Committee due to paucity of time.

6.5. On the day of the hearing on 03rd June 2024, the Committee noted that in the captioned case, the Respondent vide mail dated 01.06.2024 had sought adjournment as the health of his Counsel was not good and he showed his inability to appear on the day of the hearing.

Acceding to the above request of the Respondent, the Committee adjourned the captioned case to a future date.

6.6. On the day of the hearing on 20th June 2024, the Committee noted that the authorized representative of the Complainant was present through VC and the Counsel for the Respondent was present in person and appeared before it. The Committee noted that the Respondent was put on oath on 23.04.2024. Thereafter, the Committee asked the Counsel for the Respondent to make submissions. The Committee noted the submissions of the Counsel for the Respondent which, inter alia, are given as under –

- (i) The Respondent is suffering from various ailments and not keeping well.
- (ii) The Respondent accepted that the wrong disclosure of para (xvi) of CARO in annexure A of the Auditors' Report was inadvertent and unintentional mistake without any malafide intention. Said mistake occurred from him and his team at the time of signing of Balance Sheet.
- (iii) The Counsel for the Respondent sought leniency in this case.
- (iv) Papers/working papers were given to Registrar of Companies.
- (v) No more submissions in this case.

6.7. The authorized representative of the Complainant submitted that he had already provided all the documents related to this case and has nothing more to submit in this case and Committee may decide the matter accordingly. The Committee, after considering the arguments/submissions of the parties, concluded the hearing in the matter and judgment was reserved. The Committee directed the Counsel for the Respondent to file written submissions (if any) within 10 days, however, no submissions were filed by the Counsel for the Respondent.

6.8. On 09th August 2024, the subject case was fixed for taking decision in the matter. However, consideration was deferred by the Committee due to paucity of time.

6.9. Thereafter, on 21st August 2024, the subject case was fixed for taking decision. After detailed deliberations, and on consideration of the facts of the case, various documents on record as well as oral and written submissions made by the parties, the Committee took decision on the conduct of the Respondent. *32*

7. Findings of the Committee: -

7.1 The Committee noted that the charges against the Respondent are as under: -

- (i) The Company has not disclosed long-term borrowing of Rs. 33.07 crores with proper break-up and details.
- (ii) Borrowings of Rs. 33,07,75,212 has been diverted as loan and advances, without giving proper disclosures in the financials.
- (iii) The Auditor has reported in the Audit Report that the Company has not conducted NBFi activities during Financial Year 2019-2020, but Company has booked revenue of Rs 10.95 crores as disclosed in Financial Statement.
- (iv) The Respondent had connived with the Directors for not giving any adverse comments in Audit Report.

The details of charges are given in paras 2.1 to 2.4 above.

7.2 At the outset, the Counsel for Respondent prayed that the inadvertent mistake(s) committed by the Respondent/his team were just clerical/human error which occurred during the time of unconventional circumstance of Covid-19 pandemic, which may be ignored and not considered as basis of professional misconduct. The Counsel for Respondent pleaded for leniency keeping in view the unblemished long career of Respondent spanning to 40 years, and with the onset of Covid-19 pandemic, the Respondent was forced to resort to online mode to perform his professional assignments which he was not conversant with. The Counsel for Respondent further submitted that the mistake which occurred at the hands of the Respondent was that the draft financial statements were uploaded/filed on ROC portal. When this was brought to his knowledge, the Respondent had requested the Company to take appropriate corrective steps in the matter. The Counsel for Respondent submitted that the mistakes on the part of Respondent was mainly due to error of judgement and no ill intention was present in his action and hence prayed for leniency.

The Committee noted the background of the case as well as oral and written submissions made by the Complainant and Respondent, documents / material on record and gives its findings as under: -

7.3 As regards the **first charge** against the Respondent, on perusal of audited Financial Statements of the Company, the Committee noted that the Company has disclosed long term borrowings of Rs. 33.07 crores in its Financial Statements, but there was no disclosure on

break-up of these long term borrowings as per 'General Instructions for preparation of Balance Sheet' of Division I, Schedule III to the Companies Act, 2013. The Committee observed that Long Term Borrowings are required to be presented in the format as prescribed below:

"C. Long Term Borrowings

- (i) Long term Borrowings shall be classified as-
 - (a) Bonds/ Debentures
 - (b) Term Loans
 - (I) from banks
 - (II) from other parties
 - (c) Deferred payment liabilities
 - (d) Deposits
 - (e) Loans and advances from related parties.
 - (f) Long term maturities of finance lease obligations
 - (g) Other loans and advances (specify nature);
- (ii) Borrowings shall further be sub-classified as secured and unsecured. Nature of security shall be specified separately in each case

7.4 The Committee noted from Note 3: Long term Borrowings, as disclosed in the financial statements that the Company has taken trade guarantee (FLDG) amounting to Rs. 33.07 crores. However, in the said Note neither the proper break up nor its classification into secured/unsecured relating with the trade guarantee (FLDG) has been disclosed by the Company as per the requirement of Schedule III of the Companies Act, 2013. The Committee noted that the trade guarantee (FLDG) is 76 % (approx.) of the total balance sheet size, which clearly indicates that the amount involved was highly material when compared with total balance sheet size of the Company and it is not known as to how the Respondent could issue a clean report for the financial year ended 31st March 2020 without considering the requirements of Division I, Schedule III to the Companies Act, 2013 with regard to highly material item in the balance sheet. The Committee noted the submission of the Counsel for Respondent that although the final figure was mentioned, but it was a bonafide mistake not to give the bifurcation of long term borrowings as per Schedule III to the Companies Act 2013. On perusal of the financial statements of the Company, the Committee viewed that the details of trade guarantee, being 76% of the total balance sheet size which is material in nature, should have been disclosed in the Financial Statements. Keeping in view of the same, and admission of the charge by the Respondent, the Committee held the Respondent **GUILTY** of Professional Misconduct falling within the meaning of Item (7) of Part I of Second Schedule to the Chartered Accountants Act, 1949 in respect of the instant allegation.

7.5 As regards the **second charge**, that borrowings of Rs. 33.07.75.212 during Financial Year 2019-2020 has been diverted as loan and advances for an amount of Rs. 30.88 crores without giving proper disclosures, the Committee noted that the Respondent has accepted this mistake in his submissions before the Committee during the hearing. Further, the Committee noted that paragraph 6 (R) of 'General Instructions for preparation of Balance Sheet' of Division I, Schedule III to the Companies Act, 2013, requires Short Term Loans and Advances to be presented in the format as prescribed below:

"R. Short-term loans and advances

(i) *Short-term loans and advances shall be classified as:*

- (a) *Loans and advances to related parties (giving details thereof);*
- (b) *Others (specify nature).*

(ii) *The above shall also be sub-classified as:*

- (a) *Secured, considered good;*
- (b) *Unsecured, considered good;*
- (c) *Doubtful.*

(iii) *Allowance for bad and doubtful loans and advances shall be disclosed under the relevant heads separately.*

(iv) *Loans and advances due by directors or other officers of the company or any of them either severally or jointly with any other person or amounts due by firms or private companies respectively in which any director is a partner or a director or a member shall be separately stated.*

7.6 The Committee perused the Audited Financial Statements of the Company and noted from Note 13: Short term Loans and advances & Other Assets as disclosed in the financial statements that the Company has given loans and advances to Others amounting to Rs. 30.88 crores. However, the subject Company has not disclosed to whom the major loan of Rs. 30.88 crores (i.e., 71 % approx. of total balance sheet size) has been given, which is not in line with the requirement of Schedule III to the Companies Act, 2013. The Committee observed that proper disclosure for grant of loans and advances for the amount of Rs. 30.88 crores was not given in the financial statements. The Committee viewed that the details of loan granted covering name of parties, nature of loan, etc. were required to be disclosed in the financial statements and the Respondent has failed to disclose the same. Despite this, the auditor i.e., the Respondent, has given a clean report for the financial year ended 31st March 2020. In view of this, the Committee held the Respondent **GUILTY** of Professional Misconduct falling

within the meaning of Item (7) of Part I of Second Schedule to the Chartered Accountants Act, 1949 for this charge

7.7 As regards the **third charge** regarding the status of subject Company as NBFC, the Committee noted the submissions of the Counsel for the Respondent, wherein he prayed that the inadvertent mistake(s) committed by the Respondent/his team were just clerical/human error which occurred during the time of unconventional circumstance of Covid-19 pandemic, which may be ignored and not considered as basis of professional misconduct.

7.8 In view of submissions of the Counsel for the Respondent and on perusal of Audited Financial Statements of the Company, the Committee noted that clause (xvi) from Annexure A of the Audit Report given in the Financial Statements, the reporting by auditor is given as under;

"(xvi) In our opinion, company is required to be registered under section 45-IA of the Reserve Bank of India Act 1934 since main object of the company is to carry on business of non-banking financial operation. Company had already applied for registration with RBI as per section 45-IA of the Reserve Bank of India Act 1934 and RBI granted certificate of Registration (COR) to company on 05-03-2020. However, we have taken approval from the Board of Directors of company that the company has not conducted any Non Banking Financial activity during the period."

7.9 In view of above, the Committee noted that paragraph (xiv) of CARO, 2016 requires the auditor to report that:

"Whether the company is required to be registered under section 45-IA of the Reserve Bank of India Act, 1934 and if so, whether the registration has been obtained."

7.10 The Committee on perusal the Financial Statements of the Company, noted that the Company has earned revenue from operations amounting to Rs. 10.96 crores. Further, the Committee observed that the Respondent has reported in the Audit Report that the main object of the Company is to carry on business of non-banking financial operation. The Respondent has further reported in the Audit Report that the Company has not conducted any non-banking financial activity during the period; whereas an amount of Rs.9.86 crores is shown under exempted service in Note 14 to the financial statements, i.e. revenue from operations. In view of this, the Committee was of the view that the Company was carrying on the operations as NBFC, but the Respondent has reported that Company has not conducted any Non-Banking

Financial activity during the year. Hence it is very clear that the Respondent has prepared the Report without taking into consideration the actual amounts in the Financial Statements.

7.11 In view of above, the Committee opined that the Respondent has issued the Audit Report without exercising due diligence and has been grossly negligent in his duties. Accordingly, the Respondent is held **GUILTY** of Professional Misconduct falling within the meaning of Item (7) of Part-I of Second Schedule to the Chartered Accountant Act, 1949 for this charge.

7.12 As regards the **fourth charge**, the Committee was of the view that the Respondent has admitted that there were certain discrepancies in the Audited Financial Statements of the Company (as discussed above), however, he failed to report the same as per requirements of Companies Act, 2013. Accordingly, the Committee held the Respondent **GUILTY** of Professional and Other Misconduct falling within the meaning of Item (2) of Part IV of First Schedule and Item (7) of Part I of Second Schedule to the Chartered Accountant Act, 1949.

7.13 The Committee was of the view that all the charges against the Respondent are of gross negligence in reporting as per statutory requirements on the figures evidently appearing in the financial statements. Hence the plea taken by the Respondent as regards these being mistakes occurring because of resorting to online reporting with the onset of Covid-19 pandemic, is completely incorrect and so not acceptable.

8. Conclusion:

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

Charges (as per PFO)	Findings	Decision of the Committee
Para 2.1 as given above	Para 7.1 to 7.4 as given above.	GUILTY as per Item (7) of Part I of Second Schedule.
Para 2.2 as given above	Para 7.5 to 7.6 as given above.	GUILTY as per Item (7) of Part I of Second Schedule.
Para 2.3 as given above	Para 7.7 to 7.11 as given above.	GUILTY as per Item (7) of Part I of Second Schedule.
Para 2.4 as given above	Para 7.12 as given above.	GUILTY as per Item (2) of Part IV of First Schedule and Item (7) of Part I of Second Schedule.

9. In view of the above observations, considering the oral and written submissions of the parties and material on record, the Committee held the Respondent **GUILTY** of Professional and Other Misconduct falling within the meaning of Item (7) of Part-I of the Second Schedule and Item (2) of Part-IV of First Schedule to the Chartered Accountants Act, 1949.

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Sd/-
(SHRI JIWESH NANDAN, I.A.S. {RETD.})
GOVERNMENT NOMINEE

Sd/-
(MS. DAKSHITA DAS, I.R.A.S.{RETD.})
GOVERNMENT NOMINEE

Sd/-
(CA. MANGESH P KINARE)
MEMBER

Sd/-
(CA. ABHAY CHHAJED)
MEMBER

DATE: 26/11/2024
PLACE: New Delhi

सही प्रतिलिपि होने के लिए प्रमाणित
Certified to be true copy

गीता अनिलुधा कुमार / GEETHA ANISUDHA KUMAR
कार्यकारी अधिकारी / Executive Officer
अनुशासन/अभियोग / Disciplinary Officer
भारतीय चार्टर्ड अकाउंटेंट्स संघ
The Institute of Chartered Accountants of India
अनुशासन/अभियोग, कक्षा-1, काला खान, नया दिल्ली-110032
K Al Khann, Vidya Nagar, Condra, Delhi-110032