



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 (2025-2026)]]

[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.

File No.: - [PPR/333/2016/DD/003A/INF/17/2020/DC/1261/2020]

In the matter of:

CA. Sunil Kumar (M.No.096300)

203, Yamuna Tower, Saini Enclave, LSC,

Delhi – 110 092 .

MEMBERS PRESENT:

- 1. CA. Prasanna Kumar D, Vice President- ICAI, Presiding Officer (in person)**
- 2. Adv. Vijay Jhalani, Government Nominee (in person)**
- 3. CA. Mangesh P Kinare, Council Member (in person)**
- 4. CA. Satish Kumar Gupta, Council Member (in person)**

DATE OF HEARING : 16th July 2025

DATE OF ORDER : 23rd September 2025

1. That vide Findings dated 20.01.2025 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. Sunil Kumar (M. No. 096300)** (hereinafter referred to as the **Respondent**) is **GUILTY** of Professional Misconduct falling within the meaning of Items (5), (6), (7) & (8) of Part I of 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 (Amendment) Act, 2006 was contemplated against the Respondent and a communication was addressed to him thereby granting an opportunity of being heard in person/



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through video conferencing and to make representation before the Committee on 16th July 2025.

3. The Committee noted that on the date of hearing on 16th July 2025, the Respondent was present through video conferencing. During the hearing, the Respondent stated that he had already submitted his written representation dated 12/03/2025 on the Findings of the Committee. The Committee also noted the written representation of the Respondent dated 12/03/2025 on the Findings of the Committee, which, inter alia, included the following: -

- Requirement in the concurrent audit report is only to report on irregularities and in the case of bills discounted, the reporting requirement was about overdue bills pending for payment or discounting beyond delegation.
- There were no instances of overdue amounts amongst the bills discounted against LC for the concurrent audit period.
- The branch manager had sufficient delegated powers for LC discounting and he never exceeded his power.
- There were no balances to be reported in concurrent Audit Reports and computerized concurrent audit report provides an output "No record found" meaning that there were no outstanding or reportable items.
- Where there was no data to be reported, the system would generate a standard language automatic output "No record found" in the reporting format of the Bank.
- Investigators later on discovered that the LCs were fabricated and that the Branch Manager was part of the scheme of the fraud. But this was not a matter detectable by a concurrent auditor.

4. The Committee considered the reasoning as contained in the Findings holding the Respondent 'Guilty' of Professional Misconduct vis-à-vis written 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.



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5. Thus, keeping in view the facts and circumstances of the case, material on record including written representation of the Respondent on the Findings, the Committee on perusal of Internal Investigation Report submitted by the Informant bank, noted the contents of said report, wherein balance outstanding against fraudulent/fake LCs at Rajindra Place branch unit of Jammu & Kashmir Bank was reported Rs.29.22 Crores. The investigation further established that bills were purportedly drawn on various banks, namely: **(i) Syndicate Bank, New Delhi – 22 bills aggregating to Rs. 21.48 Crores; (ii) Punjab National Bank, Ghaziabad – 2 bills aggregating to Rs. 2.85 Crores; and (iii) Bank of Baroda, New Delhi – 3 bills aggregating to Rs. 4.89 Crores.** On examination of the concurrent Audit Reports submitted by the Respondent for the period May 2014 to November 2014, the Committee observed that the Respondent failed to make any adverse remark, observation, or comment with respect to the discounting of LCs or the procedures adopted in that regard by the Branch. The Respondent had, instead, merely recorded “No Record Found” in relation to the following:

- (i) Report of invoked bank guarantees;
- (ii) Defaults in payment of invoked bank guarantees;
- (iii) Report on devolved Letters of Credit and outstanding amounts for more than fifteen days from the date of payment; and
- (iv) Report on expired guarantees and LCs.

5.1 The Committee was of the view that a concurrent auditor is under an obligation not merely to examine documents but also to scrutinize internal records of the Branch, inter alia, to ascertain whether any outstanding amounts were overdue and whether such outstanding amount was within the delegated powers of the respective officers. If the relevant records were not provided to him, the Respondent was expected to exercise more care and diligence rather than simply reporting “No Record Found.”

5.2 From the information received on record, the Committee came to conclusion that the treatment of discounted LCs and disbursal of payments to the concerned parties would necessarily have been reflected in the books of the Bank and the Respondent should have verified the same. The mere non-availability of records from the Branch should, in fact, have



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raised the Respondent's suspicion especially when Branch books were showing large outstanding amount. Hence, in accordance with accepted procedures of concurrent audit, this fact ought to have been escalated by him to the higher authorities of the Bank.

5.3 Accordingly, the Committee was of the opinion that the Respondent failed to discharge his professional duty in reporting the material discrepancies relating to discounting of LCs and the fraudulent procedures adopted by the Branch/Business Unit of the Informant Bank in his concurrent Audit Reports. The Committee further observed that the LCs in question were of high value, yet the Respondent neither made any comment thereon in his Audit Reports nor undertook any independent verification of such material transactions, but instead issued clean reports during the period under review under the pretext of not getting the records.

6 The Professional Misconduct on the part of the Respondent is clearly established as spelt out in the Committee's Findings dated 20th January 2025 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 Misconduct.

8 Thus, the Committee ordered that the Respondent i.e. CA. Sunil Kumar (M. No. 096300), Delhi be REPRIMANDED and also imposed a fine of Rs. 2,00,000/- (Two Lakhs rupees only) upon him, which shall be paid within a period of 60 (sixty) days from the date of receipt of the Order.

Sd/-

(CA. PRASANNA KUMAR D)
PRESIDING OFFICER

Sd/-

(Adv. VIJAY JHALANI)
GOVERNMENT NOMINEE

Sd/-

(CA. MANGESH P KINARE)
MEMBER

Sd/-

(CA. SATISH KUMAR GUPTA)
MEMBER

सत्यापित होने के लिए प्रमाणित / Certified to be True Copy

Prover

अध्यक्ष, सचिव / Asst. Secy

सहायक सचिव / Assistant Secretary

अनुशासनिक विभाग / Disciplinary Directorate

भारतीय सनदी लेखाकार संस्थान

The Institute of Chartered Accountants of India

Order No. CA. Sunil Kumar (M. No. 096300) (U.P.)
ICAI Bhawan, C-1, Sector-1, Noida-201301 (U.P.)

CONFIDENTIAL

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.: - [PPR/333/2016/DD/003A/INF/17/2020/DC/1261/2020]

In the matter of:

CA. Sunil Kumar (M.No.096300)
203, Yamuna Tower, Saini Enclave, LSC,
Delhi – 110 092

...Respondent

MEMBERS PRESENT:

CA. Ranjeet Kumar Agarwal, Presiding Officer (In person)
Shri Jiresh Nandan, I.A.S (Retd.), Govt. Nominee (In person)
Ms. Dakshita Das, I.R.A.S (Retd.), Govt. Nominee (In person)
CA. Mangesh P. Kinare, Member (Through VC)

DATE OF FINAL HEARING : 29th August 2024
DATE OF DECISION TAKEN : 06th January 2025

PARTIES PRESENT:

Respondent : CA. Sunil Kumar (Through VC)
Counsel for Respondent : CA. C.V. Sajan (Through VC)

1. Background of the Case:

A letter dated 06th September 2016 was received from the Vice President, Supervision & Control Division, Jammu & Kashmir Bank Ltd., Corporate Headquarters Srinagar, Kashmir (hereinafter referred to as the “**Informant Bank**”) raising allegations against M/s. Sunil K Varshney & Associates (hereinafter referred to as the “**Respondent firm**”). The Respondent firm was appointed as the concurrent auditor of Rajendra Place branch for a period of one year from May 2014 to April 2015.

2. **Charges in brief:**

- 2.1. The Respondent, being the concurrent Auditor, failed to point out and report fraudulent acts being carried out at Branch during concurrence of the concurrent audit and thus overlooked the various infirmities in the procedure adopted by branch for discounting of LCs, which are as under:
- i) An unusual time gap between the date of issuance/acceptance and discounting the LCs mostly drawn by purported counter parties from far-off station were issued, accepted, discounted on same day.
 - ii) Receipt/dispatch of these LCs from/through their beneficiaries was permitted by hand instead of using SFMS (Structured Financial Messaging System) platform or any other mode of authentic communication.
 - iii) Due to the non-reporting of these irregularities by Respondent firm, the informant bank was put to a huge loss.

3. **The relevant issues discussed in the Prima Facie Opinion dated 09th December 2019 Formulated by the Director (Discipline) in the matter in brief, are given below:**

- 3.1. The Informant neither submitted the internal investigation report, wherein the alleged role of Respondent would have been highlighted and which was much germane to the allegations in the extant case despite being called for specifically under Rule 8(5), nor the copy of the Concurrent Audit Report prepared by the Respondent.
- 3.2. The Respondent submitted that he had verified all the LCs discounted which were supported by proper documents including request letter, invoices and transport receipt. Moreover, these documents were properly signed and stamped, so no suspicion or doubts about genuineness arose. The Respondent submitted to have discussed the Unverifiable debit balance in the daybook with Bank Staff due to which the Controlling officers were alerted that in turn led to internal investigation.
- 3.3. The Respondent used to examine the position of bills discounted/ purchased in the system and since no data was available in the system under relevant head, there was no question of suspecting or not verifying anything and to substantiate the same, he placed on record as proof of verification the statement of "outstanding in bill purchase account" which state that 'entries not found'.
- 3.4. The Informant Bank has not provided the internal investigation report, the copy of the Concurrent Audit Report prepared by the Respondent or any other documentary evidence to

substantiate the allegation; therefore, the same could not be established against the Respondent in absence of corroborative evidence.

- 3.5. Fraud which has been alleged to have remained undetected by the Respondent while carrying out the concurrent audit of the Rajendra Place Branch of Informant Bank, was perpetrated by the Manager of the Branch concerned who bypassed the regular system of record keeping. Thus, the data / information / documents which were not made part of the routine Banking System, by no means could have been verified / suspected by Respondent being the Concurrent auditor of Bank.
- 3.6. Accordingly, it was opined that the allegation raised in the extant case were not maintainable against the Respondent and he was held Not Guilty of Professional Misconduct in this regard.
- 3.7. The Director (Discipline) in his Prima Facie Opinion dated 09th December, 2019 opined that the Respondent was prima facie **Not Guilty** of Professional Misconduct falling within the meaning of Items (5), (6), (7) and (8) of Part- I of Second Schedule to the Chartered Accountants Act, 1949. The said items of the Schedule to the Act, states as under:

Item (5) of Part I of the Second Schedule:

"A chartered accountant in practice shall be deemed to be guilty of professional misconduct, if he—

(5) fails to disclose a material fact known to him which is not disclosed in a financial statement, but disclosure of which is necessary in making such financial statement where he is concerned with that financial statement in a professional capacity."

Item (6) of Part I of the Second Schedule:

"A chartered accountant in practice shall be deemed to be guilty of professional misconduct, if he—

(6) fails to report a material misstatement known to him to appear in a financial statement with which he is concerned in a professional capacity."

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—

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

Item (8) of Part I of the Second Schedule:

"A chartered accountant in practice shall be deemed to be guilty of professional misconduct, if he—

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

- 3.8. The Prima Facie Opinion Formed by the Director (Discipline) was considered by the Board of Discipline in its meeting held on 03rd/04th March 2020. The Board on consideration of the same was of the view that non provisioning of the Investigation Report / Concurrent Audit report by the Informant cannot be considered as a ground for closing of the case against the Respondent especially in view of the grave nature of allegations alleged against the Respondent. Accordingly, the Board did not concur with the reasons given against the charge(s) and thus, **did not agree** with the prima facie opinion of the Director that the Respondent is Not Guilty of Professional Misconduct falling within the meaning of Items (5), (6), (7) & (8) of Part- I of the Second Schedule to the Chartered Accountants Act, 1949 and decided to refer the matter to the Disciplinary Committee under Chapter V of the Chartered Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules, 2007.

4. **Date(s) of Written submissions/Pleadings by parties:**

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

S. No.	Particulars	Dated
1.	Date of Information Letter	06 th September 2016
2.	Date of Written Statement filed by the Respondent	05 th April 2017
3.	Date of additional documents at Rule 8 (5) stage	27 th June 2017 submissions of the Respondent
4.	Date of Prima Facie Opinion Formed by Director (Discipline)	09 th December 2019
5.	Written Submissions filed by the Respondent after PFO	01 st August 2020, 29 th November 2023 and 08 th April 2024

5. **Written submissions filed by the Respondent:-**

5.1 The Respondent vide letter dated 01st August 2020, inter-alia, submitted as under: -

- a) That the Informant is unable to substantiate the allegation.
- b) The Board of Discipline held a view that non provisioning of Investigation report on Concurrent audit Report by Informant was not sufficient reason to close the case in view of the serious allegation.
- c) The Hon'ble Disciplinary Committee shall specify the points of further inquiry that need to be answered by the Respondent to make this proceeding forward.

5.2 The Respondent vide letter dated 29th November 2023, in compliance of the direction given on 21st November 2023, submitted the following documents: -

- a) Letter received from Informant Bank dated 11th July 2015 alleging professional misconduct against the Respondent.
- b) Reply given by the Respondent to Informant Bank dated 31st July 2015 denying the allegations.
- c) Copy of Letters of Credit purportedly issued by PNB and used for Bill discounting by the Informant Bank. (The said LC appeared to be genuine, however after the discovery of the fraud, it has turned out that that LC was fake.)
- d) Copy of working notes prepared by the then audit team of Respondent firm consisting of CA. Monika Varshney (Partner) and Mr Jitu Jain (audit clerk), during audit on the subject matter of LCs verification.
- e) A report generated by the system of the Informant Bank that there were no overdue bills outstanding as on 01st September 2014.

5.3 The Respondent vide letter dated 08th April 2024, inter-alia, submitted as under: -

- a) Non detection and reporting of a fraud orchestrated by the Bank Manager himself cannot make any case of omission by a concurrent auditor guilty of misconduct.
- b) The Manager of the Branch perpetrated fraud in LC discounting in connivance with certain clients of Bank. He bypassed the regular recording system and SFMS Platforms used by the bank.
- c) The internal auditors of Informant bank branch, who did internal audits, also failed to report the fraud.
- d) The Respondent in his seven concurrent audit report(s) available on record, has made total 762 adverse remarks.
- e) No case has been established against the Respondent.

6. **Brief facts of the Proceedings:**

6.1 The details of the hearing(s) fixed and held/adjourned in said matter is given as under:

S. No.	Date of meeting(s)	Status
1.	02 nd May 2023	Part Heard and adjourned.
2.	21 st November 2023	Part Heard and adjourned.
3.	23 rd January 2024	Part Heard and adjourned.
4.	10 th April 2024	Deferred due to paucity of time.
5.	29 th August 2024	Hearing concluded & judgment reserved.
6.	23 rd September 2024	Deferred due to paucity of time.
7.	11 th December 2024	Deferred.
8.	06 th January 2025	Final Decision taken.

6.2 On the day of the first hearing on 02nd May 2023, the Committee noted that the Respondent along with Counsel were present and appeared for the hearing through video conferencing mode. Thereafter, they gave declaration that there was nobody present except them in the respective room from where they were appearing and they would neither record nor store the proceedings of the Committee in any form.

6.3 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 and charges against the Respondent were read out. On the same, the Respondent replied that he was 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 later date.

6.4 On the day of hearing on 21st November 2023, the Committee noted that the Respondent along with Counsel were present through Video conferencing mode. Thereafter, the Committee noted that the case was part heard, and the Respondent was already on oath. The Committee asked the Respondent to make submissions in the matter.

6.5 The Counsel for the Respondent submitted that the Respondent has conducted the concurrent audit of Informant bank online and did not have a copy of the report(s) submitted to bank. There was no provision to take print out of the report(s). He has checked the letter of Credits discounted on the basis of normal business of the entity, which appeared to be

genuine. He further submitted that there was a normal practice in the branch for receipt/dispatch of LCs by hand and a register was maintained by the branch in charge himself. This was the procedure followed by the branch regularly and since this was the policy of bank followed by branch in routine and consistent in nature, therefore, it was not reported.

- 6.6 After recording the submissions of the Respondent, the Committee directed the Respondent to provide correspondences/queries raised by him during audit period with the management of the Informant bank.
- 6.7 The Committee directed the office to seek (a) Copy of the internal investigation report highlighting the role of the Respondent in the matter and (b) Copy of the Concurrent Audit Report(s) issued by the Respondent in case of Rajindra Place New Delhi branch of Informant Bank for period May 2014 to March 2015, which were essential for the purpose of enquiry and arriving at logical conclusion of the matter from the Informant bank.
- 6.8 On the day of hearing on 23rd January 2024, the Committee noted that the Respondent along with Counsel were present through Video conferencing mode. The Counsel for the Respondent submitted that he has filed written submissions dated 29.11.2023 to counter the charges. The Committee perused the written submissions of the Respondent, and also noted the oral submissions made by him. The Counsel for the Respondent submitted that he has received copy of internal investigation report of Informant Bank (Jammu & Kashmir Bank) and concurrent audit reports of the Respondent in subject matter from the office of Disciplinary Directorate on 17.01.2024 and requested the Committee to grant some more time to study the documents. The Committee acceded to the request of the Counsel for the Respondent and adjourned the hearing in captioned case.
- 6.9 On the day of hearing on 10th April 2024, consideration of subject case was deferred by the Committee due to paucity of time.
- 6.10 On the day of hearing on 29th August 2024, the Committee noted that the Respondent along with Counsel were present through VC and appeared before it. The Committee noted that the Respondent was put on oath on 02.05.2023. The Committee also noted that the Respondent had filed Written Statements dated 01.08.2020, 29.11.2023 and 08.04.2024 in this case.
- 6.11 Thereafter, the Committee asked the Counsel for the Respondent to make submissions. The Counsel for the Respondent submitted that he had made detailed submissions in this case

before the Committee during the hearing held on 23.01.2024 and as per directions of the Committee he has filed written submissions dated 08.04.2024 in this case, wherein he had reported 167 instance(s) where Respondent had given his comments/observations in the concurrent Audit Report(s) of Informant bank. He submitted that he had adequately reported misappropriation of funds and other managerial lapses in his report(s). Further, in situations where he did not get records from the Management of the Informant Bank, he had duly reported "No Record Found" in concurrent Audit Report(s). Moreover, subsequent auditor also not raised any point in their Report(s).

- 6.12 Based on the documents and material available on record and after considering the oral and written submissions made by the Respondent, the Committee concluded the hearing in the matter and judgment was reserved.
- 6.13 Thereafter, in the meeting held on 06th January 2025, the Committee noted that the subject case was heard by it at length in the presence of the Counsel for the Respondent/ Respondent and the hearing was concluded at its meeting held on 29.08.2024 and the judgment was reserved.
- 6.14 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 Counsel for the Respondent before it, the Committee took the decision on the conduct of the Respondent.

7. Findings of the Committee:

- 7.1 The Committee noted that the charge(s) against the Respondent are that the Respondent being concurrent Auditor failed to point out various infirmities in the procedure adopted by Rajendra Place Branch Unit of Jammu and Kashmir Bank regarding discounting of LCs, such as:-
- a) An unusual time gap between date of issuance/ acceptance and discounting the LCs.
 - b) Receipt/dispatch of LCs was permitted by hand instead of using SFMS (Structured Financial Messaging System) platform.

The details of charge(s) are given in para 2.1 above.

- 7.2 The Committee noted the background of the case as well as oral and written submissions made by the Respondent, documents / material provided by the Informant (viz. Internal

Investigation Report and Concurrent Audit Report(s) of the Respondent) and gives its findings as under: -

- 7.3 The Committee noted that the Respondent in his written submissions and during the hearing has submitted before it that there were 21 items which a concurrent auditor was required to report in each report and in his seven concurrent Audit Report(s) which were issued by the Respondent for period May 2014 to November 2014 brought on record by the Informant, 147 points were required to be covered in these reports and he had made adverse remarks on 67 points. Further, he submitted that the Bank Manager himself in connivance with certain clients of the Bank perpetrated the fraud in LC discounting and bypassed the regular recording system and online platform used by the bank. The Respondent further submitted that as per SA 240, the primary responsibility for the prevention and detection of fraud rest with those, who were charged with the governance but in this matter, the Management of the Bank was itself involved in the matter.
- 7.4 On perusal of Internal Investigation Report submitted by the Informant bank, the Committee noted the contents of said report, wherein balance outstanding against fraudulent/fake LCs at Rajindra Place branch unit of Jammu & Kashmir Bank was reported Rs.29.22 Crores. The investigation established that bills were purportedly drawn on various banks such as Syndicate Bank New Delhi - 22 bills of 21.48 Crores, Punjab National Bank, Ghaziabad - 2 bills of 2.85 Crores and Bank of Baroda New Delhi - 3 bills of 4.89 Crores.
- 7.4.1 It was mentioned in the Investigation Report that in past, the bills had been realized in normal course of business, but after joining of Mr. Khazanchi at the branch in July 2013 the branch was indulged in unethical/ fraudulent practice of discounting of fake LCs. The branch has accepted the LCs issued on plain paper signed by two officials of the bank, without seeking any confirmation/authentication from any of the local branches. The beneficiaries of most of these fake LCs discounted, had opened fresh accounts and thereafter bills were discounted on their behalf without monitoring the transactions in the accounts. Most of the customers did not have any regular credit facility at the branch. As such, the branch has discounted LCs in total violation of the credit policy of the bank. While handling the documents, proper procedures had not been adhered to at all levels as the documents of fake LCs had never been properly dispatched or directly delivered to the address of issuing banks under proper receipt.
- 7.4.2 Thereafter, the Committee noted that in said report, the role of the Respondent has been specifically discussed and narrated that the branch was under the purview of concurrent

audit carried out by M/s. Sunil K. Varsheny Associates (Respondent/Respondent firm) and he had failed to point out the irregularities in these transactions despite the fact that the LCs were of high value in nature. The Concurrent auditor had not even commented on the relevant account head in monthly concurrent audit report(s) instead a passing reference has been given in most of the audit reports as "no record found" which defeats the purpose of conducting audit.

7.5 After recording the submissions of the Respondent and contents of internal Investigation Report of Informant Bank, the Committee was of the view that the Respondent had made observation/adverse comments/remarks in his concurrent Audit Report(s) in respect of;

- (i) New deposits accounts opened during the month.
- (ii) staff accounts.
- (iii) outstanding debit balance.
- (iv) irregularities in fresh sanctions/dispensed during the month.
- (v) details of unauthorised overdrawn in CC, SODs and PCL.
- (vi) details of authorised overdrawn (other than adhoc limits)
- (vii) report on bill purchased beyond delegated authority (only in November, 2014 report)
- (viii) report on non-fund facilities allowed beyond delegated authority.
- (ix) aggregate of excess allowed beyond delegated authority.
- (x) report of stock statements overdue for more than 3 months.
- (xi) book debts older than 3 months.
- (xii) expired insurance policies.
- (xiii) statement of defaults in instalments/interest (excluding NPA)
- (xiv) Report on accounts where marking of lien on mortgage property and RoC formalities are pending (only one instance in November, 2014 report)
- (xv) Report on pending renewals of sanctioned limits.
- (xvi) Report on pending renewals of sanctioned limit.
- (xvii) Report on renewal of security documents.
- (xviii) Report on vehicle advances where RCs not obtained.
- (xix) Self extending review/renewal date of CC, SOD & other working capital facilities in absence of proper sanction/approval.
- (xx) Excess cash holding (xx) Report on suspense/sundry deposits/clearing adjustment and
- (xxi) Report on balancing of books.

The Committee also observed that the Respondent has made majority observations/adverse comments in concurrent audit report(s) for the month of October/November, 2014 when internal Investigation was ordered by the Informant Bank.

7.6 The Committee observed that allegation in this matter are regarding LCs discounting, however, on perusal of concurrent Audit Report(s) of the Respondent available on record for the period May, 2014 to November, 2014, it is noted that the Respondent had not given a single comment and or adverse remark/observation in these reports on LCs discounting and procedure adopted in this regard by the branch. The Respondent had simply mentioned that "No Record Found" in respect of (i) Report of invoked bank guarantees; (ii) default in payment of invoked bank guarantees; (iii) report on devolved letter of credits and outstanding for more than 15 days from date of payment and (iv) Report on expired guarantees and LCs.

7.7 The Committee further observed that as per investigation report, the branch had a total outstanding of Rs. 100.59 crores as on 19/11/2014 out of which an amount of Rs. 29.22 crores, comprises of 27 bills discounted on behalf of various account holders. On 12/05/2014 i.e. audit period of the Respondent, a bill for Rs. 1.39 crores was discounted on behalf of CD account no. 10825 of M/s. Anjani Exports a proprietorship of Mr. Atul Kumar Goel. This account was opened on 12/05/2014 with a deposit of Rs. 5000 and on same day, documents were tendered by the party against fake LCs purportedly issued by Bank of Baroda on 09/05/2014 when the party was not formally even constituent of the branch. This was sufficient to doubt the genuineness of the documents. Further, from 16/07/2014, the branch has discounted a number of fake LCs purportedly issued by Syndicate Bank on behalf of two concerns; M/s. Aarush Extrusion Pvt. Ltd. And Ajmal Engineering Works. The so-called LCs have been accepted in physical form issued on plain paper without having any bank official logo, except a rubber seal of the bank affixed on one corner of the same. The LCs have been signed by two officials of the Bank with rubber seal. As per the standing instructions, only SFMS enabled LCs are to be accepted, however, the fraudsters have managed to manipulate the documents while attaching a covering letter of issuing bank with fraudulent LCs, certifying therein that the Branch is not SFMS enabled and requested to accept the LCs in physical form.

7.8 The further scrutiny of fraudulent LCs reveal that all LCs are prepared in a unique typed format wherein essential details and other reference number like date, shipment even in certain cases amount have been written manually, this clearly substantiates on the face of it that these LCs are not genuine but fraudulent one and branch officials have overlooked all

these security measures for unknown reasons. All the bills discounted by the branch are outstanding as on date i.e. Investigation Report date 29/12/2014.

- 7.9 The Committee also observed that, the Respondent claimed to have verified new accounts opened. While verifying new accounts, a concurrent auditor is also supposed to monitor the use of newly opened accounts and satisfy himself that the accounts are genuine. Hence, when the discounting of LCs has been done by opening new accounts, it should have raised red flag in the mind of concurrent auditor. Further, as mentioned above, the amounts of Bills Discounted has been continuously shown outstanding in the Branch books. Needless to say that a concurrent auditor is supposed to verify not only it's documents but also the internal records of the Branch to check whether these are overdue and whether this outstanding amount is within the delegated powers of the respective officers. In fact, not getting the records from the Branch should have further raised doubts in concurrent auditor's mind and as per accepted concurrent audit procedures, the issue could have been escalated by the Respondent to the higher authorities of the Bank.
- 7.10 In view of above, the Committee observed that the treatment of discounting of LCs and disbursement of payment to parties concerned would have been reflected in the books of the Bank and Respondent should have verified the same. In fact, if the records were not made available to him, the Respondent should have exercised much more care and diligence than simply reporting "No Record Found". Thus, the Committee opined that the Respondent failed to report above discrepancies in discounting of LCs and fraudulent procedure adopted by the branch/business unit of Informant Bank in concurrent audit report(s).
- 7.11 Thereafter, the Committee noted that the Respondent has submitted that it was a Management perpetrated fraud and as per Investigation report of the Informant Bank, Branch Manager, Mr. Khazanchi was involved in the fraud related to discounting of LCs. The Respondent further submitted that as per SA 240, the primary responsibility for prevention and detection of fraud rests with those who are charged with governance of the entity and management. The Committee noted that said submissions of the Respondent is not relevant in the instant case as the Respondent was only the concurrent auditor of the Bank. The Committee noted that the Respondent cannot absolve himself from the responsibility by stating that the primary responsibility for prevention and detection of fraud rests with Management. The Committee further noted that purpose of concurrent audit is regular

review of financial transactions and to ensure compliance with necessary audit systems, and the concurrent auditor is appointed by Management itself. Further, the purpose of concurrent audit is also to make aware in advance of deviations to the Management by diligently performing the audit assignment. The Committee observed that mere reporting in concurrent Audit Report(s) "No Record Found" cannot be construed as sufficient audit observation especially in view of discussion in paras 7.9 and 7.10 above. The Committee was of the view that the LCs discounted were of high value, but the Respondent had not given any comment in concurrent Audit Report(s) and had issued a clean report(s) during all such periods without independent verification of such material LCs. Therefore, the Committee opined that the Respondent has failed to exercise due diligence, while carrying out his Professional duties as concurrent auditor of Rajindra Place branch of Jammu and Kashmir Bank.

- 7.12 The Committee, considering the above facts, was of the considered view that the Respondent did not perform his professional duties diligently, which is evident by the documents on record. Hence, the Committee held the Respondent **GUILTY** of Professional Misconduct within meaning of Items (5), (6), (7) & (8) of Part I of Second Schedule to the Chartered Accountants Act, 1949.

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 above.	Para 7.1 to 7.12 as above.	GUILTY as per Items (5), (6), (7) & (8) of Part I of Second Schedule

9. In view of the above observations, considering the oral and written submissions of the Respondent only and material on record, the Committee held the Respondent **GUILTY** of Professional Misconduct falling within the meaning of Items (5), (6), (7) & (8) of Part I of Second Schedule to the Chartered Accountants Act, 1949.

Sd/-

(CA. RANJEET KUMAR AGARWAL)
PRESIDING OFFICER

Sd/-

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

Sd/-

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

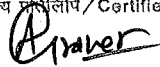
Sd/-

(CA. MANGESH P KINARE)
MEMBER

DATE: 20th January, 2025

PLACE: NEW DELHI

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