

CONFIDENTIAL

DISCIPLINARY COMMITTEE [BENCH – IV (2025-2026)]
[Constituted under Section 21B of the Chartered Accountants Act,1949]

Findings under Rule 18(17) read with Rule 19(2) of the Chartered Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules, 2007.

File No:- [PR/24/2019/DD/62/2019/DC/1601/2022]

In the matter of:

**Shri Jagmohan Lal Sharma,
(Represented by Legal Heir Mr. Vijay Sharma)
House No. 227, Sector-4,
Urban Estate,
Gurugram-122001**

.....Complainant

Versus

**CA. Jogesh Sahni (M.No.094163)
M/s. Sahni & Sahni,
Chartered Accountants,
322/14,
Jacob Pura,
Gurugram-122001**

.....Respondent

MEMBERS PRESENT:

**CA. Prasanna Kumar D, Presiding Officer (in person)
Adv. Vijay Jhalani, Government Nominee, (in person)
CA. Mangesh P. Kinare, Member (in person)
CA. Satish Kumar Gupta, Member (in person)**

DATE OF FINAL HEARING: 03rd November 2025

PARTIES PRESENT:

**Legal Heir of the Complainant: Mr. Vijay Sharma (In person)
Respondent: CA. Jogesh Sahni (In Person)
Counsel for the Respondent: Adv. S. S. Sharma (In person)**

1. Background of the Case:

- 1.1 The Complainant along with Shri Vinod Dahiya were 50% partners in a partnership firm, M/s Shree Balaji Lubes (hereinafter referred to as 'Firm') but there was a dispute going on between the partners and various court cases were also pending.

- 1.2 During this period, an information was given by the Complainant to the Respondent on 30th August 2018 not to prepare final books and accounts of the Firm without his consent but in his reply, the Respondent told the Complainant that it had already been prepared. As a reply, the Complainant asked the Respondent to provide him the signed copy of the balance sheet at the earliest which he never provided it to the Complainant.
- 1.3 In the month of October, when ITR filing for the Assessment year 2018-2019 was to be done, the Respondent contacted the Complainant on 28th October 2018 stating that the ITR had to be filed at the earliest and asked the Complainant to sign the concerned ITR. Complainant asked the Respondent to first provide him all the documents and also told the Respondent not to file the said ITR without the Complainant's consent but to his shock, the ITR was filed on 31st October, 2018 seeking consent of the other partner, Mr. Vinod Kumar Dahiya, with all the wrong information and with an intention to create a problem for the Complainant in the eyes of law.

2. **Charges in brief:**

- 2.1 The Respondent has acted in connivance with Mr. Vinod Kumar Dahiya, the other partner of the Firm and manipulated the books of accounts and stock in name of the Complainant to give undue advantage to Shri Vinod Kumar Dahiya who was in possession of the stock and books of accounts of the Firm and the Respondent with an ill-intent to cheat and misguide the Complainant, planned/plotted with Mr. Vinod Kumar Dahiya, to instate wrongful proceedings.

- 2.2 The Respondent despite being informed about the ongoing dispute between the two partners went ahead and submitted the balance sheet along with the tax audit report before the concerned authorities with the wrong consent of other partner which was containing all wrong information with an intention to create a problem in the eyes of law for the Complainant and give undue favor to the other partner Shri Vinod Kumar Dahiya.

3. **The relevant issues discussed in the Prima facie opinion dated 29th July 2020 formulated by the Director (Discipline) in the matter in brief, are given below:**



- 3.1 With regard to the **charge as mentioned in para 2.1 above**, the Respondent, in his written statement, submitted that the Complainant was a partner in the Firm along with Shri Vinod Dahiya as per the partnership deed dated 17th April 2012, and that the books of account of the partnership firm, which were maintained by the firm itself, were audited by him as required under Section 44AB of the Income-tax Act, 1961. Referring to the background of the complaint, the Respondent stated that he was never informed by the Complainant about any dispute between the partners or about the pendency of various court cases, except for a request not to finalise the accounts received through an SMS sent from the mobile phone of Shri Vijay Sharma, S/o Shri Jagmohan Lal Sharma, who was an employee of the partnership firm drawing salary for its day-to-day operations.
- 3.2 It was noted that the Respondent had certified the financial statements of the Firm for the financial year ended 31st March 2018, in addition to issuing the tax audit report for the said year.
- 3.3 Upon perusal of the documents and information available on record, it was observed that the allegation against the Respondent was that he had acted in connivance with the other partner of the firm and to the detriment of the Complainant by manipulating the books of account and reflecting incorrect stock figures to benefit the proprietorship firm owned by the wife of Shri Vinod Dahiya, namely "Shree Goverdhan Lubes." In support of his allegation, the Complainant submitted that the GST TRAN-1 credit declared on 30th June 2017 amounted to Rs. 6,88,225/-, implying an opening stock of approximately Rs. 68,80,000/-. Further, GST sales from 1st July 2017 to 31st March 2018 amounted to Rs. 1,50,33,692/- and GST purchases for the same period amounted to Rs. 1,26,07,156/-, resulting in total stock available for sale of Rs. 1,94,07,154/-. After reducing the cost of sales calculated at 80% of sales, i.e., Rs. 1,20,26,954/-, the closing stock as on 31st March 2018 should have been Rs. 73,80,200/-. On adding non-excise stock of Rs. 20,00,000/-, the total closing stock should have been Rs. 93,80,200/-, whereas the financial statements reflected a closing stock of only Rs. 1,06,508/-, allegedly to provide undue benefit to the second partner.
- 3.4 The Respondent, in his defence, reiterated that the books of account were maintained by the partners and that he had acted solely as the tax auditor under

Section 44AB of the Income-tax Act, 1961. He stated that he was unaware of any dispute between the partners and that, as the due date for filing the tax audit report was imminent, the balance sheet duly signed by one partner, Shri Vinod Dahiya, was provided to him. The same was audited and signed by the Respondent along with the tax audit report on 31st October 2018 and furnished to the Income-tax Department to avoid penalties. Regarding stock, he stated that the books were produced only after the close of the financial year and that stock and other items were in the custody and knowledge of the partners.

- 3.5 On perusal of papers available on record, it was noted that the Respondent had certified the Financial Statements of the Firm for the F.Y. ended 31st March 2018 besides issuing the tax audit report for the same year. It was noted that the Respondent had furnished his tax audit report in Form No. 3CB which clarified that the Firm was not required to get its accounts audited under any other law and it was the Respondent only who, while furnishing the tax audit report, had audited the books of accounts of the Firm and certified its Financial Statements. Thus, being a tax auditor in such circumstances, a statutory duty was cast upon him to ensure the proper maintenance and correctness of books of accounts before they were certified by him as a tax auditor. However, it was noted that the discrepancy as pointed out by the Complainant regarding closing stock of the Firm as on 31st March 2018, had not been clarified/replied to by the Respondent in his Written Statement and he had opted to remain silent about the same by merely stating that facts about stock and other items were in the knowledge of the partners who were maintaining the books and that it was only after the close of the Financial Year that the books of accounts of the Firm were produced before him, and also by providing on record a representation dated 28th October 2018 signed by the other partner Shri Vinod Dahiya wherein closing stock had been stated at Rs. 1,06,508/-. However, considering the second charge of connivance between the Respondent and Shri Vinod Dahiya, not much credence was given to this single piece of evidence brought on record. It was thus felt that it was incumbent upon the Respondent to come forth to justify his position by submitting on record the audit procedures he had adopted and the evidences he had gathered, particularly about the stock position, before certifying the Financial Statements and before forming his opinion in the tax audit report. The Complainant had pointed out that the closing stock should have been reflected at around Rs.

93,80,200/- , which had been shown at a mere amount of Rs. 1,06,508/-, and thus there was a huge difference between the two figures which, although left unexplained by the Respondent, had been substantiated by the Complainant by providing the calculation and also enclosing supporting papers to substantiate the same. It was accordingly viewed that the Respondent had not only failed to report a material misstatement appearing in the Financial Statements but had also failed to exercise due diligence in performing the tax audit of the Firm as was warranted under the circumstances, which had widespread ramifications as the Financial Statements of the Firm certified by the Respondent had formed the basis for ITR filing for the A.Y. 2018-19 as well. Accordingly, the Respondent was held prima facie **guilty** of professional misconduct falling within the meaning of Items (6) and (7) of Part I of the Second Schedule to the Chartered Accountants Act, 1949 with respect to this charge.

- 3.6 With regard to **charge as mentioned in para 2.2 above**, it was noted that the Financial Statements certified by the Respondent had been signed by only one partner, Mr. Vinod Kumar Dahiya, whereas the fact of the matter was that there were two partners of the Firm, one being the Complainant himself and the other Mr. Vinod Kumar Dahiya, with an equal share of 50% each in the Firm. The Respondent had not offered any explanation for the same to reason out and logically understand the circumstances under which the signature of the other partner could not be obtained. He, being an independent professional, was expected to be fair in his dealings towards both the partners of the Firm. Further, on perusal of the documents brought on record by the Respondent, including the trial balance, representation from the Firm about stock, cash in hand, payments relating to expenditure covered under Section 40A(3), including the copy of the appointment letter of the Respondent, and various other documents received by him from the Firm, it was seen that all these documents bore the signatures of Shri Vinod Dahiya only and nowhere had any document authenticated by the Complainant for the purpose of audit been brought on record. It was noted that there was a WhatsApp screenshot provided by the Complainant along with the Complaint, on perusal of which it was apparent that the Complainant had requested the Respondent not to finalise the books of accounts without his consent, to which the Respondent had replied that they had already been finalised. This conversation made it evident that the Complainant had been kept out

from the finalisation of accounts of the Firm, which had been done with the other partner Shri Vinod Dahiya. Further, it was viewed that it would not be out of place to conclude that the sole basis of such one-sided finalisation could have been none other than to favour the ill-designs of Shri Vinod Dahiya, which had also been pointed out/alleged by the Complainant.

- 3.7 Thus, in light of the same, it was opined that the Respondent being an independent professional was expected to be fair towards both the partners but based on above reasoning and documents available on record, it was evident that the Respondent has connived with one partner of the Firm to the detriment of the other partner i.e. the Complainant which brings disrepute to the profession and was unexpected of a Chartered Accountant who was looked upon with integrity and trust by the society at large. Accordingly, the Respondent is held prima facie **guilty** of Other Misconduct falling within the meaning of Clause (2) of Part IV of the First schedule to the Chartered Accountants Act 1949.
- 3.8 The Director (Discipline) in his Prima Facie Opinion dated 29th July 2020 opined that the Respondent was Prima Facie **GUILTY** of Professional Misconduct falling within the meaning of Clause (6) and (7) of Part I of the Second Schedule and Other Misconduct falling within the meaning Clause (2) of Part IV of the First Schedule to the Chartered Accountants Act, 1949. The said Clauses to the Act, states as under:

Clause (6) and (7) 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"

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

Clause (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-

(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."

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3.9 The Prima Facie Opinion formed by the Director (Discipline) was considered by the Disciplinary Committee in its meeting held on 10th August 2022. 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 Clause (6) and (7) of Part I of the Second Schedule and Clause (2) of Part IV of the 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. **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 Complaint in Form 'I' filed by the Complainant	24 th January 2019
2.	Date of Written Statement filed by the Respondent	30 th April 2019
3.	Date of Rejoinder filed by the Complainant	22 nd May 2019
4.	Date of Prima Facie Opinion formed by Director (Discipline)	29 th July 2020
5.	Written Submissions filed by the Respondent after PFO	19 th January 2023 & 31 st October 2025
6.	Documents sent by the Legal Heir of the Complainant after PFO vide email dated	02 nd June 2023 26 th June 2023 14 th September 2025

5. **Further written submissions filed by the Respondent:**

5.1 The Respondent vide letter dated 19th January 2023, inter-alia, made the submissions which are given as under: -

- (i) The respondent was never indulged in the administrative or accounting or any policy matters of the above referred partnership firm. OK

- (ii) The Respondent was not informed by either partner about any dispute, except for a message from the Complainant's son, an employee of the Firm, received after the audit had been concluded and while the tax audit report was being filed. The Complainant was in custody of all the records. Disciplinary Directorate has failed to consider the contradictory statements of the Complainant while narrating the Brief background of the case under consideration in Para 9.1 of the PFO.
- (iii) The complaint filed against the Respondent is full of lies, against the facts of the case and just to harass and defame the Respondent. The Complainant has failed to submit documentary evidence to substantiate the figures appearing in the Calculation Sheet of Stocks as on 30th June, 2017 which is the basis of working out the Closing Stock as at 31st March, 2018.
- (iv) The Complainant has never disputed the Financial Statements for the FY ended 31st March, 2017 i.e. for FY 2016-17 duly audited and certified by the Respondent.
- (v) The complaint is founded on assumptions and just to tarnish the reputation of a Professional and to settle his score with the other partner with whom he might have disputes on other issues otherwise than the Financial Transactions and the Partnership.
- (vi) The contention of the Disciplinary Directorate while framing PFO had failed to appreciate the fact that the circumstances under which the signature of the Complainant could not be obtained had been explained in his earlier replies in Para-2 of his Letter dated 30th April, 2019 and had been endorsed by the other Partner Shri Vinod Kumar Dahiya through his Letter dated 25.04.2019. The Other Partner in the Firm Shri Vinod Kumar Dahiya vide his Letter dated 25.04.2019 explained the circumstances under which the signature of the Complainant partner could not be obtained, and the Financial Statements were got signed from the Respondent and Tax Audit Report was furnished.
- (vii) The Disciplinary Directorate had failed to consider the above statement of the other Partner Shri Vinod Kumar Dahiya and only acted upon the allegations levelled by the Complainant which are only based on estimates/assumptions, wild calculations without any substantial and documentary evidence and against the facts of the case.

Under the Partnership Act, 1932, the liabilities of the partners are joint and several. Being a Partner of equal share, the other Partner Shri Vinod Dahiya would also be liable for consequences jointly or severally for the wrong doings in the Firm. Rather, he had acted to safeguard the interests of the Firm and also that of the partners including that of the Complainant Partner.

- (viii) The Respondent had not done anything wrong, and the other partner had also done so to safeguard the Firm and the partners from the legal hassles and consequences under the Income tax Act, 1961 and other consequences due to non-filing of the Tax Audit Report and IT for the FY 2017-18 relevant for AY 2018-19. The compliance of statutory obligations under any Law is the first and foremost duty of a person. The other partner Shri Vinod Dahiya in getting the Financial Statements signed by the Respondent and the Respondent in filing the Tax Audit Report had acted bonafidely and for compliance of the Law i.e. the Provisions of Income tax Act, 1961. While doing so, the Respondent had not committed anything wrong and had acted diligently.
- (ix) Respondent had not connived with any of the Partners in the Firm particularly the other partner Shri Vinod Dahiya as had been alleged by the Complainant rather he had acted to comply with the Law to safeguard the interests of the Firm as well as that of the partners. The Complainant has miserably failed to give any information about dispute with the other partner particularly the specific date from which the dispute with the other Partner i.e. Sh. Vinod Dahiya arises and the nature and reasons of dispute with him.
- (x) Clause 17 of the Partnership Deed dated 17th Day of 2012 duly signed and executed by both the Partners and duly witnessed by two witnesses and notarized, which is reproduced hereunder for your ready reference reads as –

"That each of the partners shall be entitled and empowered to sign the agreements, contracts or any other documents on behalf of the Firm. All acts, deeds, and things of each partner shall be deemed to have been done for and on behalf of the firm which shall be binding upon the other partners."

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- (xi) The clause had been consistently followed by the partners, as the Financial Statements for the year ended 31st March 2016 were signed solely by the Complainant, Mr. Jagmohan Lal Sharma, while those for the years ended 31st March 2017 and 31st March 2018 were signed solely by the other partner, Shri Vinod Kumar Dahiya, and neither partner, including the Complainant, had ever raised any objection to such sole signing of the Financial Statements.
- (xii) The Respondent requested that an opportunity be granted to cross-examine the Complainant prior to the final disposal of the proceedings.

5.2 The Respondent vide letter dated 31st October 2025, inter-alia, made the submissions which are given as under:

- (i) The matter primarily arises from an internal dispute between the partners of M/s Shree Balaji Lubes. The respondent submits that the police complaint and legal notice filed by the complainant were against another partner, Mr. Vinod Dahiya, and that the respondent was not involved in such inter-se partner disputes.
- (ii) At the time of conducting the audit, the respondent states that he was unaware of the police complaint and was informed by Mr. Dahiya that the matter had already been closed by the authorities. Allegations regarding certain financial transactions, including transfers of Rs. 9,00,000 and Rs. 3,50,000, are denied by the respondent, who asserts that these transactions were carried out in the normal course of business and were duly recorded in the books of account.
- (iii) The Respondent further clarifies that the purchase bill alleged to be missing was properly accounted for, with advance payment recorded and the transaction reflected in the GST B2B summary. Other documents and allegations relied upon by the complainant such as emails, correspondence with a bank, and handwritten stock records are stated to be either unrelated to the respondent's scope of work or pertaining to a different business entity and also it is relevant to the period next financial year which is not under consideration and, therefore, irrelevant to the present proceedings.

5.3 The Legal Heir of the Complainant vide email dated 02nd June 2023, inter-alia, submitted the documents which are given as below:

1. WhatsApp chat screenshot (between Jagmohan Sharma & Jogesh Sahni)
2. GST Electronics Credit Ledger of Shree Balaji Lubes
3. Closing Stock calculation
4. Purchase Ledger Shree Balaji Lubes 2017-18
5. Partnership Deed between of Shree Balaji Lubes
6. GST Registration Certificate
7. PAN card of Shree Balaji Lubes
8. Death Certificate of Jagmohan Lal Sharma
9. ITR Acknowledgement of Shree Balaji Lubes for the A.Y. 2018-19
10. Trading and profit and loss account of Shree Balaji Lubes F.Y. 2017-18
11. Form 3CB/3CD of Shree Balaji Lubes for the F.Y. 2017-18
12. Tax Invoices
13. Account Ledger
14. Application by Jagmohan Lal Sharma to Bank Manager for stopping transaction of CC limit.
15. Police Complaint dated 23.06.2018.
16. Some other supporting documents.

5.4 The Legal Heir of the Complainant vide email dated 26th June 2023, inter-alia, submitted the documents which are given as below:

1. Application for impleading LRs after the death of complainant
2. Death Certificate
3. Special Power of Attorney (SPA) in favor of Mr. Vijay Sharma.
4. LRs Certificate

5.5 The Legal Heir of the Complainant vide email dated 14th September 2025, inter-alia, submitted the documents which are given as under:

He forwarded the same documents as those forwarded on 2nd June 2023 and 26th June 2023.

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

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

S.No.	Date of meeting(s)	Status
1	5 th June 2023	Part heard and adjourned
2	18 th September 2024	Adjourned at the request of the Respondent
3	18 th September 2025	Part heard and adjourned
4	28 th October 2025	Adjourned at request of Respondent
5	03 rd November 2025	Hearing concluded and Decision Taken

6.2 On the day of first hearing on 05th June 2023, the Committee noted that the Respondent was present through Video Conferencing mode however his Counsel was present physically at ICAI Bhawan, New Delhi. The Committee further noted that Mr. Vijay Sharma Son of the Complainant was present through Video Conferencing mode. Mr. Vijay Sharma informed that the Complainant (his father) has since expired and he decided to pursue this case as Complainant, in his place as legal heir. The Committee noted his statement and directed him to file a formal application/affidavit to this effect and no objection certificate(s) from other legal heir(s) (if any). 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 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 later date. With this, the case was part heard and adjourned.

6.3 On the day of the hearing on 18th September 2024, the Committee noted that the Counsel for the Respondent vide email dated 15.09.2024 had sought an adjournment on account of Respondent being busy due to pendency of Audit work on the date of hearing. Acceding to the request of the Counsel of the Respondent, the Committee adjourned the captioned case to a later date. The Committee also directed the office to inform the Respondent to appear before it at the time of next listing and in case of his failure to appear, the matter would be decided ex-parte

based upon the documents and materials available on record. With this, the case was adjourned.

6.4 On the day of hearing held on 18th September 2025, the Committee noted that the Respondent along with his Counsel and authorized representative of Complainant was present in person and appeared before it. The Committee enquired from the Respondent/Counsel for the Respondent that since the composition of the Committee had changed subsequent to the last hearing held on 05/06/2023 in this case, whether he wished to have a de-novo hearing or may continue from the stage it was last heard. The Counsel of the Respondent opted for de-novo hearing and accordingly the Respondent was administered 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 them. The Committee directed the Respondent/Counsel for the Respondent to make the submissions. The Complainant alleged that the Respondent manipulated accounts, filed returns despite instructions not to, and failed to reconcile stock discrepancies, which led to financial losses. The Counsel for Respondent denied the allegations, stating that the Complainant had not provided sufficient documents to support his claims and argued that the discrepancies in stock were not the auditor's responsibility but is that of the client's. The Complainant also mentioned filing an FIR in 2018, which is still pending in court, and claimed that the other business partner may have committed fraud. The Counsel for Respondent requested additional time to review facts and documents. With this the case was part- heard and adjourned.

6.5 On the day of the hearing on 28th October 2025, the Committee noted that the Counsel for the Respondent had sought an adjournment vide email dated 25th October 2025 due to other professional commitments. Acceding to the request of the Counsel of Respondent, the Committee adjourned the subject case to a later date. With this, the case was adjourned.

6.6 On the day of the hearing on 03rd November 2025, the Committee noted that Legal heir of the Complainant and Respondent along with Counsel were present in person and appeared before it. The complainant stated that the Respondent, as the auditor,

filed incorrect financial statements and GST returns without his consent, leading to reduced stock values and discrepancies in the firm's accounts. He claimed that three purchase bills amounting to Rs. 12,74,338 were not properly accounted for, resulting in a mismatch in stock valuation. The complainant further alleged that the respondent acted in collusion with his business partner to manipulate financial records and sell stock without proper documentation. The Respondent refuted the allegations, stating that the dispute was primarily between the complainant and his business partner, and that he had no involvement in the alleged stock manipulation or unauthorized transactions. He submitted that the financial statements and GST returns were prepared based on the records provided by the complainant's firm and that all transactions were duly entered into the books of accounts. The Respondent also highlighted that the complainant's claims regarding stock discrepancies were inconsistent with the firm's opening balance, purchase, and sales records. He maintained that the stock valuation was accurate as per the books and denied any wrongdoing. The Committee noted the submissions of the parties.

6.7 Based on the documents/material and information available on record and the oral and written submissions made by the parties, and on consideration of the facts of the case, the Committee concluded the hearing in subject case and took decision on the conduct of the Respondent.

7. **Findings of the Committee:**

The Committee noted that there are two charges against the Respondent in which he has been held Prima Facie Guilty, and the same has been explained in para 2 above. The Committee further noted the written submissions of the parties as detailed in para 5 above.

7.1 The Committee noted that the Complainant and Shri Vinod Dahiya were 50% partners in M/s Shree Balaji Lubes and were involved in disputes. Despite the Complainant's instruction on 30th August 2018 not to finalize the firm's accounts without his consent, the Respondent claimed they were already prepared. In October 2018, the Complainant asked the Respondent not to file the Firm's ITR without his approval, but the Respondent filed it on 31st October 2018 using the other partner's consent and allegedly incorrect information.

- 7.2 The Committee noted the submission of the Respondent that he had made a request through letter dated 19/01/2023, wherein he had requested for cross-examination of the Complainant. The Committee noted that the Complainant (viz. Shri Jagmohan Lal Sharma) has expired on 16.05.2021, and the copy of death certificate has been brought on record by the Complainant's legal heir. Further, it was noted that the Respondent had not provided any reasons for examination of any other person to prove or disprove any fact and that no person could be summoned merely to enable the Respondent to conduct a roving and a fishing enquiry. In the absence of any gist of evidence that the Respondent proposed to lead from the Complainant's side, the Committee declined the said request of the Respondent. In view of the aforesaid, the request of the Respondent for examination of witnesses was denied as per Rule 18(14) which empowers the Committee to reject any request for examination of witnesses if it is of the opinion that such request is vexatious or intended to defeat the ends of justice.
- 7.3 Regarding **charge as mentioned in para 2.1 above**, the Committee observed that the Complainant alleged that the Respondent connived with Shri Vinod Kumar Dahiya to manipulate the firm's books and understated the closing stock as at 31.03.2018 (showing Rs.1,06,508 instead of approximately Rs.93.80 lakh), thereby certifying materially misstated financial statements and failing to exercise due diligence.
- 7.4 The Committee observed that the partner Shri Vinod Dahiya's letter dated 25.04.2019 and the representation dated 28.10.2018 confirm that the books and supporting information were provided by the partner in possession and that the partner certified the figures. These documents were not effectively rebutted by simultaneous firm-maintained stock reconciliation.
- 7.5 The Committee further noted that several documents relied upon by the Complainant either relate to other entities or to periods after the relevant financial year, or do not clearly identify themselves as records of the Firm for FY 2017-18 and consequently, those documents are of limited value in proving auditor knowledge of a deliberate misstatement.

- 7.6 The Respondent's evidence and consistent explanation before the Committee is that the books of accounts were produced to him only after the close of the financial year, that he relied upon records and representations provided by the partner in custody of the books, and that he performed the tax audit and certified financials on that basis.
- 7.7 Moreover, the Complainant had not produced simultaneous independent physical stock verification reports, or other documentary proof demonstrating that the Respondent ignored express audit red flags or deliberately certified false figures.
- 7.8 The complainant presented evidence, including:
- (i) Allegations of stock misappropriation amounting to Rs. 12,74,338, which was shown in the balance sheet as Rs. 1,06,508.
 - (ii) A bill dated 24-02-2018 for Rs. 36,000, claimed to be missing from the stock records.
 - (iii) SMS communication dated 30th August 2018, instructing the Respondent not to file the return and balance sheet without consent.
 - (iv) A handwritten note from the complainant's late father, indicating concerns about financial irregularities.
- 7.9 The Respondent denied the allegations, asserting that the discrepancies were due to disputes between the complainant and his business partner. The Respondent claimed that he acted in accordance with the information provided by the complainant and his partner and that the stock valuation was based on the management's inputs.
- 7.10 The Committee carefully analyzed the evidence and submissions made by both parties. The Committee noted that the Complainant's allegations of stock misappropriation and financial discrepancies are primarily based on disputes with his business partner. The evidence provided by the complainant, including the bill for Rs. 36,000 and the stock valuation discrepancies, does not conclusively establish the Respondent's involvement in any financial misconduct. The Committee further noted that the Respondent has provided supporting documents, including bank statements and GST returns, which demonstrate that the transactions were duly recorded and payments were made accordingly.

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- 7.11 The Committee noted the Respondent's defense that the stock valuation was based on the management's inputs is supported by the audit report, which explicitly states that the stock valuation was provided by the management. There is no evidence to suggest that the Respondent acted negligently or in collusion with the complainant's business partner.
- 7.12 The Committee found that the complainant's allegations regarding the creation of a parallel firm and stock manipulation were primarily directed at the complainant's partner and not the respondent. The FIR filed by the complainant against his partner did not mention the respondent's name, further corroborating the respondent's claim of non-involvement in the alleged misconduct. The Committee viewed that the allegations against the respondent were not substantiated by corroborative evidence. The Complainant's claims of stock manipulation and unauthorized filing of returns were not supported by corroborative evidence. The Respondent provided detailed explanations and documentary evidence to refute the allegations, demonstrating that he acted in accordance with the information provided by the management.
- 7.13 The Committee found no evidence to suggest that the respondent was involved in the creation of the parallel firm or the alleged misuse of stock. The Committee concluded that the respondent's actions were consistent with his professional responsibilities and that the allegations against him were unfounded.
- 7.14 The elements necessary to establish professional misconduct under Clause (6) of Part I of the Second Schedule i.e., that the auditor knew of a material misstatement and failed to report it are not made out on the record before the Committee. Also, the record similarly fails to establish gross negligence, or a lack of due diligence as contemplated by Clause (7) of Part I of the Second Schedule, as there is no convincing evidence that the Respondent omitted essential audit procedures or acted recklessly.
- 7.15 For these reasons, the Committee finds that the Complainant has not proved collusion, deliberate misstatement, or gross negligence by the Respondent. Accordingly, on Charge 1, the Respondent is held **NOT GUILTY** of professional

misconduct under Clause (6) & (7), Part I of Second Schedule to the Chartered Accountants Act, 1949.

- 7.16 As regards the **charge 2**, despite being informed about the partners' dispute and being asked not to finalise accounts, the Respondent finalised the accounts and filed the tax audit report/ITR on 31.10.2018 with the consent of only the other partner, thereby giving undue favour to him.
- 7.17 The Committee had considered the WhatsApp/SMS evidence of 30.08.2018, the partner representations, the police complaint and legal notice placed on record, the invoices and bank statements tendered during hearings, and the oral submissions made on 18.09.2025 and 03.11.2025.
- 7.18 The Committee observed that the SMS communication from the complainant's father, instructing the Respondent not to file the return and balance sheet without consent, was received after the Respondent had already finalized the financial statements based on the information provided by the complainant and his partner. The Respondent's actions were in accordance with the customary practice of the firm, where only one partner signed the financial statements.
- 7.19 It is observed that the SMS/WhatsApp evidence demonstrates that a request was made by the Complainant not to finalise accounts without consent; however, that communication, in the context of an active intra-partnership dispute, does not by itself prove bad faith or dishonest conduct on the part of the Respondent.
- 7.20 The Committee noted that the complainant has admitted that he was not directly involved in the accounts of the firm and relied on hired accountants and the Respondent for financial matters. The complainant's lack of direct involvement in the accounts raises questions about the accuracy of his allegations against the Respondent. The Committee further noted that the complainant's allegations are primarily directed at his business partner, who allegedly created a parallel firm and misappropriated stock and financial resources. The complainant has filed a police complaint and an FIR against his business partner, but there is no mention of the name of the Respondent in these documents.

7.21 The Committee noted the Respondent's pleaded position, that the partner in possession of books supplied the records and that statutory filing deadlines (tax audit/ITR) necessitated completion to avoid penalties; and the partnership deed clause did not require both partners' signatures for filing, has been produced to the Committee.

7.22 The Respondent had produced entries and records showing that certain invoices and payments were recorded in the firm's books and GST returns; and that the police complaint and legal notice do not name the Respondent or establish any administrative or statutory finding against him.

7.23 The Committee thus finds no direct evidence to support the claim that the Respondent acted in collusion with the complainant's business partner or engaged in any financial misconduct. The Respondent has provided a reasonable explanation for his actions and has submitted supporting documents to substantiate his defense. Therefore, the Committee concluded that the Respondent's actions, including the filing of returns and preparation of financial statements, were based on the information provided by the complainant and his business partner, and there is no evidence to suggest any wrongdoing on the part of the Respondent.

7.24 The Committee therefore viewed that ensuring statutory compliance on the basis of documents provided by the partner in possession, and in the absence of proof that the auditor knowingly certified false information or acted dishonestly does not amount to conduct that objectively "brings disrepute" to the profession under Clause (2) of Part IV to the Chartered Accountants Act, 1949.

7.25 For these reasons, the Committee finds that the Complainant has not discharged the burden of proving that the Respondent acted with dishonest motive or in a manner that would amount to Other Misconduct under Clause (2) of Part IV to the Chartered Accountants Act, 1949. Accordingly, on Charge 2 the Respondent is held **NOT GUILTY**.

7.26 Accordingly, both charges fail. And hence the Respondent is held **NOT GUILTY** of Professional and Other Misconduct under the Chartered Accountants Act, 1949.

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ICAI Bhubaneswar, C-3, Sector-1, Noida-201301 (U.P.)
The Institute of Chartered Accountants of India
Executive Director
Executive Officer

8. **Conclusion:**

In view of the findings stated in above paras, vis-a-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 7.3 to 7.15 as above.	NOT GUILTY- as per Clause (6) and (7) of Part I of the Second Schedule to the Chartered Accountants Act, 1949
Para 2.2 as above	Para 7.16 to 7.25 as above	NOT GUILTY- as per Clause (2) of Part IV of the First Schedule to the Chartered Accountants Act, 1949

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 **NOT GUILTY** of Professional Misconduct and Other Misconduct falling within the meaning of Clause (6) and (7) of Part I of the Second Schedule and Clause (2) of Part IV of the First Schedule to the Chartered Accountants Act, 1949.

10. **ORDER**

Accordingly, in terms of Rule 19(2) of the Chartered Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules, 2007, the Committee passes an Order for closure of this case against the Respondent.

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

Date: 11th February 2026

Place: New Delhi

सत्यापित होने के लिए प्रमाणित / Certified to be True Copy

Charan Singh
Charan Singh / Charan Singh
कार्यकारी अधिकारी / Executive Officer
अनुशासनत्मक निदेशालय / Disciplinary Directorate
भारतीय सनदी लेखाकार संस्थान
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