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.: - [PR/81/20/DD/51/108/2022/1732/2023]

In the matter of:

Shri Ramesh Sanka
1611B, The Magnolias,
DLF Phase 5, Golf Course Road,
Gurugram (Haryana) - 122009

.... Complainant

Versus

CA. Vinesh Jain (M. No. 087701)
Partner, M/s S N Dhawan & Co LLP
Chartered Accountants
D-54, Aravali Kunj,
Sector-13, Rohini,
Delhi – 110085

.... Respondent

MEMBERS PRESENT:

1. **CA. Prasanna Kumar D, Presiding Officer (In person)**
2. **Ms. Dakshita Das, I.R.A.S (Retd.), Government Nominee (Through VC)**
3. **Adv Vijay Jhalani, Government Nominee (In person)**
4. **CA. Mangesh P. Kinare, Member (Through VC)**
5. **CA. Satish Kumar Gupta, Member (Through VC)**

DATE OF HEARING: 05th February 2026

DATE OF ORDER: 11th February 2026

1. That vide Findings dated 30th January 2026 under Rule 18(17) of the Chartered Accountants (Procedure of Investigations of Professional Misconduct and Conduct of Cases)

Rules, 2007, the Disciplinary Committee was inter-alia of the opinion that **CA. Vinesh Jain (M. No. 087701)** (hereinafter referred to as the "**Respondent**") is **GUILTY** of Professional Misconduct falling within the meaning Clause (7) 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 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 05th February 2026.

3. The Committee noted that on the date of hearing on 05th February 2026, the Respondent was present through Video Conferencing. During the hearing, the Respondent made verbal submissions and also referred to the written representation dated 02.02.2026 on the Findings of the Committee. The Committee noted the written and verbal representation of the Respondent dated 02.02.2026 on the Findings of the Committee, which, inter alia, are as under:

- The allegation that IRCPL collected money from customers in violation of the RERA Act is incorrect, as the company had filed the application for RERA registration within time and therefore, there was no violation of law.
- By virtue of the proviso to Section 3(1) of the Haryana RERA Act, 2016, an ongoing project which has filed an application for registration is not required to wait for registration to collect money from customers, and hence IRCPL was not subject to the restriction under Section 3(1) of the Haryana RERA Act, 2016.
- RERA application was pending, which arose due to RERA Haryana's Order No. 871 of 2018 disputing the compliance status of the company. The disclosure in FY 2018–19 was made to state correct facts in view of the RERA order, which itself resulted from RERA's failure to notice the pending application, whereas no such circumstances or disclosure requirement existed at the time of audit for FY 2017–18.

- There was no possibility of penalty under Section 59 of the Haryana RERA Act, as IRCPL had complied with Section 3 by filing the application within time as an ongoing project.
- RERA's failure to process or reject the application cannot be attributed as a failure of the auditor. Under Section 5(2) of the Haryana RERA Act, failure of the Authority to grant or reject registration results in deemed registration, which negates any allegation of non-registration.
- The audit reports issued from FY 2019–20 to 2023–24 reflect professional judgment based on facts and evidence of those years and cannot be used to judge audit quality for FY 2017–18 and 2018–19, as each audit is independent. As per SA 200 Para A26, professional judgment must be evaluated based on facts and circumstances known to the auditor at the date of the report.

4. The Committee considered the reasoning as contained in Findings holding the Respondent 'Guilty' of Professional Misconduct vis-à-vis written and verbal representation of the Respondent. The Committee noted that the issues/ submissions made by the Respondent as aforestated 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 it is imperative that as an auditor of real estate company, the Respondent must be aware about the RERA regulations and if these are not complied, the Respondent should have taken immediate action. The Respondent's failure to disclose the pending RERA registration in the FY 2017-18 audit report and enquire about it's registration status constitutes a material omission, as the non-registration of the project had significant implications for the company's compliance with RERA regulations. The Respondent did not exercise sufficient professional skepticism, to ascertain the status of the RERA application and its impact on the company's financial statements. Moreover, it is very important to check and report on the compliance of RERA provisions for real estate projects in the interest of customers and stakeholders, who rely on auditors certifications under this Act. The absence of any follow-up or verification of the

application status demonstrates a lack of due diligence on the part of the Respondent. The Respondent did not adequately address the implications of the RERA order in the FY 2018-19 audit report, as the disclosure made was limited to the pending application. The Committee noted that the Respondent has reported about the status of pending registration in his 'Emphasis of Matter' para in the audit report for FY 2019-20 and onwards only. The Committee also noted that the Respondent did not disclose the pending RERA registration in the audit report for FY 2017-18, even though the application was filed during the financial year. The disclosure was made only in the Notes to Accounts for F.Y. 2018-19, following a RERA order dated 20th December, 2018, which highlighted the non-registration of the project and proposed suo motu action against the Company.

6. The Respondent has not given disclosure in audit reports for Financial Year 2017-18 and 2018-2019 which demonstrates a lack of adherence to the principles of true and fair reporting and compliance with regulatory requirements. Moreover, the Respondent also failed to disclose that the Company had collected money from home buyers in violation of provisions of RERA Act 2016. Hence, the Professional Misconduct on the part of the Respondent is clearly established as spelt out in the Committee's Findings dated 30th January 2026 which is to be read in consonance with the instant Order being passed in the case.

7. The Committee viewed that the compliance of RERA law is of utmost importance for safeguarding the interests of the customers of the project as well as other stakeholders.

8. 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.

9. **Thus, the Committee upon considering the seriousness of the charge and the gravity of the matter, ordered that the Respondent i.e. CA. Vinesh Jain (M. No. 087701), New Delhi be REPRIMANDED, removed his name from the Register of Members for a period of three (03) months and also imposed a fine of Rs. 2,00,000/- (Rupees Two lakh 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/-
(MS DAKSHITA DAS, I.R.A.S (RETD.))
GOVERNMENT NOMINEE

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
निशा शर्मा/Nisha Sharma
सहायक सचिव/Assistant Secretary
अनुशासनात्मक निदेशालय/Disciplinary Directorate
भारतीय सनदी लेखाकार संस्थान
The Institute of Chartered Accountants of India
आई.सी.ए.आई. भवन, सी–1, सेक्टर–1, नोएडा–201301 (उ.प्र.)
ICAI Bhawan, C-1, Sector-1, Noida-201301 (U.P.)

CONFIDENTIAL

DISCIPLINARY COMMITTEE [BENCH – IV (2025-2026)]

[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/81/20/DD/108/2022/ DC/1732/2023]

In the matter of:

Shri Ramesh Sanka
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Versus

CA. Vinesh Jain (M. No. 087701)
Partner, M/s S N Dhawan & Co LLP
Chartered Accountants
D-54, Aravali Kunj,
Sector-13, Rohini,
Delhi – 110085 **.... Respondent**

MEMBERS PRESENT :

CA. Prasanna Kumar D, Presiding Officer (In person)
Ms. Dakshita Das, IRAS (Retd.), Government Nominee (Through VC)
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: 16th October 2025

PARTIES PRESENT:

Respondent: **CA. Vinesh Jain (Through VC)**
Counsel for the Respondent: CA. C.V. Sajan (Through VC)

1. **Background of the Case:**

The Respondent was the Statutory Auditor of IREO Group of Companies for two financial years i.e., for the periods ended on 31st March 2018 and 31st March 2019.

2. Charges in brief:

2.1 Gross violation by IREO Group of Companies, related to Cenvat / GST payments not made on receipt of Occupation Certificate (hereinafter referred to as '**OC**') and not reported by the Respondent in his audit report and in CARO reporting.

2.2 Non-Reporting of the fact that IREO Grace Realtech Private Limited (IGRPL) was not allowed to collect money from Corridors Project's customers as the Company had not received Beneficial Interest Policy (BIP) approval from Town and Country Planning Department, Haryana.

2.3 Non-reporting by the Respondent in his audit report that IREO Group CFO and Director, Mr. Jai Bharat Agarwal had been declared Proclaimed Person by Ludhiana Court and further, both Mr. Jai Bharat and Mr. Subhashish Lahiri, legal head of IREO have been declared Proclaimed persons by Saket court, Delhi.

2.4 Non-disclosure of Benami lands and wrong disclosure made in balance sheet of IGRPL to hide Benami land transactions.

2.5 Collection of money from customers by IREO Residences Company Pvt Ltd (hereinafter referred to as 'IRCPL') in violation of RERA Act and wrong disclosures made in the financial statements of IRCPL that application was pending with RERA even though application was rejected.

3. The relevant issues discussed in the Prima Facie Opinion dated 13th March, 2023 formulated by the Director (Discipline) in the matter in brief, are given below:

3.1 With respect to the first charge mentioned in para 2.1 above, wherein the reversal pertained to input availed by IREO Private Limited (IPL) and IREO Victory Valley Private Limited (IVVPL) respectively pertaining to the GST regime (i.e., on or after 01st July 2017), it was an admitted fact that from the initiation of the GST regime, the alleged input availed by the subject companies was required to be reversed on receipt of the occupancy/completion certificate. It was noted that the sale of a constructed building after obtaining the completion certificate was considered as an exempted supply and attracted the credit reversal mechanism as given in Rule 42 of

the CGST Rules. However, on perusal of various submissions and information available on record, it was evident that while IPL and IVVPL had received occupancy certificates on 14.09.2017 and 28.09.2017 in respect of SKYON and Victory Valley projects respectively, the Companies had not paid the input tax credit pertaining to unsold inventory/apartments held by them even though the said projects had become exempted from the provisions of GST.

3.2. In this regard, the Complainant had provided a copy of the 'Panchnama dated 18.10.2019', from which it was evident that search proceedings had been conducted by the GST department at the offices of IREO group companies on 18.10.2019. Further, copies of Form DRC-03 (Intimation of payment made voluntarily or made against the show cause notice (SCN) or statement) (D-23 to D-27) had also been provided by the Complainant, from which it was evident that the total input tax credit of Rs. 8.24 crores (approx.) and Rs. 5.29 crores (approx.) in respect of IPL and IVVPL respectively had been reversed voluntarily from the electronic credit ledger by the management of IPL and IVVPL on 18.10.2019. Further, the tax period for which the said amounts of Rs. 8.24 crores (approx.) and Rs. 5.29 crores (approx.) had been paid by both Companies was also mentioned as 'JULY 2017' in the said Form DRC-03.

3.3. Thus, it was evident that while the said amounts of Rs. 8.24 crores (approx.) and Rs. 5.29 crores (approx.) should have been reversed/paid by IPL and IVVPL respectively during FY 2017-18 after receiving the completion/occupancy certificates, the Companies had failed to reverse the same and had reversed it only during the search proceedings conducted by the GST department on 18.10.2019. The Respondent had also failed to report the same in his audit report issued on the financial statements of both IPL and IVVPL pertaining to FYs 2017-18 and 2018-19. Accordingly, it was viewed that the Respondent was 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 in respect of the instant leg of charge.

3.4 Further, from the copy of the 'Panchnama dated 18.10.2019', it was noted that search proceedings had been conducted by the GST department at the offices of IREO group companies, including the alleged companies i.e., IPL, IVVPL and IGRPL, on

18.10.2019. It was also noted that during the search proceedings, the concerned department had computed the additional tax liability of Rs. 727.34 crores pertaining to IPL, IVVPL, IGRPL and IREO Residences Company Private Limited. It was noted that the Respondent had audited the financial statements of the aforementioned four companies and had signed and issued the audit reports pertaining to FY 2018-19 on the following dates:

Name of the Companies	**Date of signing audit reports for FY 2018-19**
IPL	14.11.2019
IVVPL	27.09.2019
IGRPL	28.09.2019
IREO Residences Company Private Limited	27.09.2019

3.5 From the above, it was noted that while the search proceedings had been conducted by the GST department at the offices of IREO group companies on 18.10.2019, the audit report in respect of IPL had been signed and issued by the Respondent in the capacity of its Statutory Auditor on 14.11.2019, i.e., after the date of the search proceedings. In other cases, the audit reports had been signed by the Respondent before the date of the search proceedings conducted by the Department. Thus, it was viewed that appropriate disclosure in respect of the said search proceedings of the Department, raising an overall/total demand of Rs. 727.34 crores and raising a demand of Rs. 443.19 crores in respect of IPL, should have been disclosed by the Company/IPL in its financial statements for FY 2018-19 for better understanding of stakeholders. However, IPL had failed to disclose the same in its financial statements, and the Respondent, being the Statutory Auditor, had also failed to report the same in his audit report. Accordingly, the Respondent was ***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, in respect of the instant leg of charge

3.6. With respect to charge mentioned in para 2.2 above, the Respondent had admitted that there was a requirement for applying for change in BIP policy, which Precision Realtors Private Limited (being the original developer) had actually done on 14.02.2019, and thereafter, the Corridor project had also received the occupancy certificate dated 31.05.2019. The Respondent had also argued that there was no provision in the policy that a developer could not collect money from customers without obtaining approval for change in developer. In this regard, it was noted that under Para 2(i) of the policy, it was specifically mentioned that the licencee/Developer was required to seek prior approval of DGTCP in respect of change in beneficial interest. The Respondent had also provided a copy of the order dated 01.04.2016 of DTCP, Haryana, in his defence. It was further noted that the details of the original order no. 11333-11345 dated 29.06.2015, which had been referred to in the above order dated 01.04.2016 of DTCP, Haryana, had not been provided on record by the Respondent.

3.7. DTCP had specifically mentioned that the licence for the Corridor project had originally been given to Precision Realtors Private Limited and that, in the absence of any application for change in BIP by the developer, the said project could not have been launched by IGRPL, which was also not authorized to develop, sell, make any booking, or collect money from home buyers. However, it was an admitted fact (by the Respondent) that IGRPL had been disclosed as the developer in the flat buyer agreement executed with the customer. It was also noted that the subject of both letters of DTCP had been stated as "Investigation into case FIR no. 230/18, u/s 406/420/120-B, P.S. Motinagar". Thus, it was evident that an FIR had also been registered with the Delhi Police in respect of the Corridor Project of IGRPL.

3.8. The Respondent had stated that, as part of his audit procedures, he had satisfied himself by studying the DTCP policy document and by obtaining other documents, while also arguing that there was no provision in the policy that a developer could not collect money from customers without obtaining approval for change in developer. However, in view of the paragraphs of the policy document dated 18.02.2015 as reproduced above, and also the two letters of DTCP addressed to EOW, Delhi Police, it was not clear at that stage as to how the Respondent, being the Statutory Auditor of IGRPL, had satisfied himself when the amount had been collected by IGRPL from home buyers on account of this project without having its name changed

in the records of DTCP, Haryana. Thus, while the application for change in developer from Precision Realtors Private Limited to IGRPL had been filed with DTCP on 14.02.2019 after payment of administrative charges, it was viewed that, being the Statutory Auditor of IGRPL for FY 2017-18 and 2018-19, the Respondent had been required to report in his audit reports that no application for change in developer for the Corridor project along with payment of administrative charges had been filed during FY 2017-18 and further that delayed payment had been made during FY 2018-19 in respect of change in developer for the Corridor project of IGRPL. Accordingly, it was viewed that the Respondent was *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.

3.9. With resect to charge mentioned in para 2.3. above, it was noted that Section 82(1) to (3) of the Code of Criminal Procedure, 1973 laid down the provisions and procedure for and after declaring a person as a "Proclaimed Person". Further, Section 82(4) stipulated that where the proclaimed person failed to appear at the specified place and time, the Court could pronounce him as a "proclaimed offender". However, such pronouncement as a proclaimed offender could be issued only if the said person was accused of the offences stipulated in Section 82(4) and that too, only after the Court had made such inquiry as it deemed fit.

3.10. In the instant matter, the Complainant had stated that Mr. Jai Bharat Agarwal had been declared a "Proclaimed Person" by the Judicial Magistrate, Ist Class, Ludhiana on 29.04.2019 and further that both Mr. Jai Bharat Agarwal and Mr. Subhashish Lahiri, Head of Legal of IREO Group, had been declared "Proclaimed Persons" on 19.10.2019 by the Saket Court, Delhi. It was evident that non-bailable warrants had been issued against Mr. Jai Bharat Aggarwal and Mr. Subhashish Lahiri, who had also been declared proclaimed persons by the Saket Court. In this regard, the Complainant had stated that both persons were regularly attending the IREO offices. From the submissions of the Respondent available on record, it was emerging that the Respondent had been aware of the attendance of both persons at the IREO offices and also of the court orders.

3.11. Moreover, the financial statements of IPL for FY 2018-19, which had been audited and signed by the Respondent in the capacity of Statutory Auditor, had also been

signed by Mr. Jai Bharat Aggarwal on 14.11.2019 in the capacity of CFO of the Company. It had also been stated by the Complainant that Mr. Jai Bharat Aggarwal had been the Director and KMP of various other IREO Group companies, which had not been refuted by the Respondent. Thus, it was viewed that no benefit could be extended to the Respondent in the instant matter and that the Respondent, being already aware of the courts' orders declaring Mr. Jai Bharat Aggarwal and Mr. Subhashish Lahiri as proclaimed persons, and also of their presence at the IREO offices, ought to have reported in his Audit Report that Mr. Jai Bharat Aggarwal and Mr. Subhashish Lahiri, being senior officers of IPL, had been declared proclaimed persons by the Ludhiana Court and the Saket Court, for the better understanding and information of the stakeholders. Accordingly, it was viewed that the Respondent was 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.

3.12. With respect to charge mentioned in para 2.4 above, it was noted that the Respondent had argued that he had not been the Auditor of IGRPL and Global Estate during the years 2010 to 2013, when the alleged land had been purchased and the other MOUs and rectification deed had been executed. However, in view of the fact that IGRPL had acquired the development rights and had been developing the Corridor Project on the alleged land, the original owner of which (as per the sale deeds—Global Estate Private Limited) did not exist, and further that the payment for the same had allegedly been made by other companies, i.e., persons other than the purchaser itself, and also in view of Note 25(b) of the audited financial statements of IGRPL and the other reasoning given above, it was viewed that no benefit could be extended to the Respondent at that stage. Accordingly, it was viewed that the Respondent was 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.

3.13. With respect to charge mentioned in para 2.5 above, it was evident that the Hon'ble Haryana Real Estate Regulatory Authority, Gurugram, had decided to take suo motu cognizance against the promoters of IRCPL for not getting the project registered. Thus, the various contentions/submissions of the Respondent made at the Written Statement stage could not be accepted at the prima facie stage, especially when the Respondent had failed to provide any documentary evidence in support of his

submissions. Thus, it was noted that the management had given incorrect disclosure under Note 35 to the audited financial statements of IRCPL for FY 2018-19 and that the Respondent had merely relied upon the same without independently verifying the facts and had, thus, failed to report the same in his audit report. Accordingly, it was viewed that the Respondent was *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.

3.14 Accordingly, the Director (Discipline) in his Prima Facie Opinion dated 13th March 2023 opined that the Respondent is Prima Facie **Guilty** of Professional Misconduct falling within the meaning of Clause (7) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.The said Clause of the Schedule to the Act, states as under:

> ***Clause (7) of Part I of the Second Schedule:***
> *"A Chartered Accountant in practice shall be deemed to be guilty of professional misconduct if he:*
> *(7) does not exercise due diligence or is grossly negligent in the conduct of his professional duties."*

3.15. The Prima Facie Opinion formed by the Director (Discipline) was considered by the Disciplinary Committee in its meeting held on 22nd March 2023. The Committee on consideration of the same, concurred with the reasons given against the charge(s) and thus, agreed with the Prima Facie opinion of the Director (Discipline) that the Respondent is **GUILTY** of Professional Misconduct falling within the meaning of Clause (7) of Part I of the Second 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	18th May 2020
2.	Date of Written Statement filed by the Respondent	31st July 2020
3.	Date of Rejoinder filed by the Complainant	07th September 2020
4.	Date of Prima Facie Opinion formed by Director (Discipline)	13th March 2023
5.	Written Submissions filed by the Respondent after Prima Facie Opinion	03rd May 2023, 16th August 2025, 22nd August 2023, 19th September 2025, 22nd September 2025, 01st October 2025 and 10th October 2025
6.	Written Submissions filed by the Complainant after Prima Facie Opinion	Not Filed

5. Written Submissions filed by the Respondent

5.1. The Respondent, vide letter dated 03rd May 2023, inter-alia, submitted as under:

(i) Preliminary objection raised by the Respondent:-

The Respondent has raised objection on maintainability of instant case as per Rule 3(4) of the Chartered Accountant (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules 2007 which indicate "(4) A complaint filed by or on behalf of a company or a firm, shall be accompanied by a resolution, duly passed by the Board of Directors of the company or the partners of the firm, as the case may be, specifically authorizing an officer or a person to make the complaint on behalf of the company or the firm." The Respondent has mentioned that from the above it is imperative to note that in the absence of a resolution passed by the Board of Directors or partners of a company or firm, authorizing an officer or person to file a complaint on their behalf, as per Rule 3(4), renders the complaint void ab initio, and consequently, it becomes necessary to close the inquiry since the fundamental requirement of authorization from the concerned authorities has not been complied with, and any further action taken on such a complaint would be tantamount to a violation of the established legal principles and procedural guidelines.

(ii) Submissions on the merit of the case:-

- The charge as mentioned in para 2.1 above pertains to the Skyon and Victory Valley projects, where the companies received the occupancy certificate ("OC") on 14th September 2017 and 28th September 2017, respectively after the implementation of the Goods and Services Tax ("GST") on 1st July 2017. That the Companies did not take any GST input tax credit from 1st July 2017, until the receipt of the occupancy certificates ("OC") in September 2017 and therefore, no input tax reversal was required. Section 16 of the GST Act provides for the conditions for availing input tax credit.
- The GST department conducted a search in the office of IREO group companies. During this search, it was found that there was a reversal of input credit, but no tax liability was determined or computed by the tax authorities at that given point of time.
- That the documentary evidence has been produced by the Respondent to prove that there was no gross negligence and appropriate due diligence was taken while performing his duties (refer submission of 2020 where the work performed by the Respondent in terms of specific audit procedure has been mentioned). Further, Director Discipline must take cognizance of the fact that the scope of the audit was statutory audit and not a forensic investigation. Further, the Respondent referred to the decision of the Apex Court, wherein the Apex Court stated that- "Due Diligence" means reasonable diligence; it means such diligence as a prudent man would exercise in the conduct of his own affairs.

5.2. The Respondent, vide letter dated 16th August 2025, inter-alia, submitted as under: -

(i) The Respondent stated that the charge regarding Rule 42 of the CGST Rules is erroneous because the projects in question reached final stages before GST was enacted, meaning no significant credit accrued that required reversal. He claims the reversal forced by GST officers during a 2019 search was for pre-GST CENVAT credit, the DD previously admitted which did not need reversal.

(ii) That the alleged Rs 443.19 crore demand on IPL did not exist when the FY 2018-19 audit report was signed on November 14, 2019. The official Show Cause Notice was only issued in September 2020, and earlier internal documents were not accessible to the auditor at the time of the audit.

(iii) That there was no "disputed tax liability" to report under CARO 2016 because the entries made during the GST search were inconsequential and did not result in cash outflows.

(iv) The charge involves the failure to report IGRPL's delay in applying for "beneficial interest holder" status for the Corridor project. The Respondent argues this was a management oversight from FY 2015-16, prior to his tenure as auditor, which was rectified in 2019 and did not render the project illegal.

(v) That an auditor's reporting duties under Section 143 of the Companies Act and SA 250 do not extend to court orders unrelated to material financial misstatements or the company's ability to operate.

(vi) That errors in legal status (identifying a "firm" as a "company") were drafting mistakes rectified years before his audit. He maintains there is no evidence of benami transactions.

(vii) Regarding the Grand Hyatt Residency project, the Respondent stated the company had filed for RERA registration in July 2017. He argues that a subsequent Suo-moto order by RERA was administrative and did not require disclosure in the FY 2017-18 financial statements.

5.3. The Respondent, vide letters dated 22nd August 2023/ 28th August 2023, made a request to examine an official of IREO Private Limited Company as witness.

5.4. The Respondent, vide letter dated 19th September 2025, inter-alia, submitted as under:

(i) With respect to administrative expenses, he submitted that Precision Realtors Pvt Ltd (PRPL), the original developer and licensee of the "Corridor Project", submitted the application on 14th Feb 2019 with the Director, Town and Country Planning, Haryana for change of developer (to Ireo Grace Realtech Private Limited – IRGPL) in compliance of the BIP Policy dated 18th Feb 2015.

(ii) Although the liability to pay the administration charges for the change of "Beneficial Interest" was on the applicant PRPL according to the said policy, due to the inability of the applicant company to pay, the beneficiary company IRGPL paid the required amount of 40% of the charges at the time of the application, and the relevant receipt of the administration charges is on record. This amount being integral to the cost of development of the project was charged to Project in Progress.

(iii) The allegation of violation of provisions of Haryana Development and Regulation of Urban Areas Act, 1975 against IGRPL for its marketing and development activities of the "Corridor Project" is without merit because the order of the Director General, Town and Country Planning dated 29th June 2015, which seemed to have been relied upon by the complainant, was withdrawn subsequently by another order dated 1st April 2016, both by the same officer. Administration charges payable was only a procedural issue and had no bearing on the legal validity of the project or on the permissibility for marketing and development activities by IGRPL.

(iv) The above facts establish that there was no primary liability on IGRPL to pay towards the administration charges payable to DTCP. Hence there was no case for creating any provision towards those liabilities in the books of accounts of IGRPL. The element of non-compliance on account of delay in filing the application under BIP Policy or in remitting administrative charges are on PRPL, the license holder, and not on IGRPL.

(v) Regarding the occupancy certificates, he submitted that the occupancy certificates issued by DTCP on 31.05.2019 for Phase I and on 27.01.2022 for Phase II of the Corridor Project are placed on record. The certificates show that they were issued to PRPL and others, i.e., the original developer and other co-developers including IGRPL.

(vi) The proceedings in the complaints against IGRPL (FIR 230/18) with the EOW have already been closed, and the closure report dated 3rd May 2023 issued by the Additional Chief Metropolitan Magistrate, Tis Hazari Court, Delhi West is placed on record. Therefore, the letters issued by DTCP to the EOW relied upon in the PFO have become irrelevant. The fact that DTCP issued occupancy certificates for the project is conclusive proof of legal compliance.

(vii) With respect to fourth charge regarding the RERA registration, the certificate of registration dated 7th/8th Dec 2017 issued by RERA Haryana to IGRPL on the Corridor Project Phases I and II are placed on record.

(viii) The allegation of "Benami property" in the complaint has no leg to stand because neither the allegation of payment of consideration by another person was substantiated nor any other person than "Global Estates" was identified as beneficiary of the property held by Global Estates in its name, thus failing on the test of establishing the allegation. As opposed to this, evidence on record shows that it was just a series of drafting mistakes in identifying the constitution of Global Estates

that led to describing it wrongly as a company in place of a "firm", which it was, and which was already corrected.

(ix) Further, Global Estates was not the auditee entity. Global Estates is one of the multiple associates in the development project in which the auditee IGRPL is the developer. The contentious property transaction happened in the year 2010, i.e., seven years prior to the Respondent becoming auditor of the auditee company. The project got required license, approvals, RERA registration and occupancy certificates from the authorities concerned from time to time.

(x) With respect to fifth charge regarding the RERA registration of the IREO Residency Projects, it is submitted that although the company had applied for RERA registration, it was not pursued further as the project was discontinued by the company. There were 66 customers who had made bookings before RERA came into force and subsequently all the applicants were settled, and the property was sold to Oberoi Realty eventually in 2024. Since the application was filed as per norms in 2017, there was nothing unusual to disclose in 2017–18. However, disclosure in the accounts of FY 2018–19 was made in the background of the complaint with RERA.

5.5. The Respondent, vide letter dated 22nd September 2025 provided the copy of the intimation filed by Oberoi Reality with Stock exchanges and relevant portion of the sale deed as evidence of sale of property by IREO Residences.

5.6. The Respondent, vide letter dated 01st October 2025, inter-alia, submitted as under:-

(i) The prima facie charge was that the management of the company had given a wrong disclosure under Note 35 of the Financial Statements of IRCPL for FY 2018–19 and the Respondent had merely relied upon the same without verifying the facts independently and thus failed to report on the same in his audit report.

(ii) The defence presented by the Respondent through written submissions and oral arguments was strictly limited to reply to this particular charge.

(iii) The averment that there was no violation of RERA provisions by the company is correct.

(iv) According to Section 3(1) of the RERA Act, promoters of real estate projects are not allowed to advertise, market, book, sell, offer to sell, or invite proposed buyers without registration.

(v) Booking, selling, and making offers involve collection of money, and therefore prohibition on such activities implies prohibition on collection of money without RERA registration.

(vi) The proviso to Section 3(1) makes a distinction for ongoing projects where completion certificate has not been issued.

(vii) The law treats Section 3(1) as applicable to new projects launched after the Act came into effect, while ongoing projects were governed by the proviso.

(viii) There was no prohibition on ongoing projects to continue their activities, including bookings and collections, subject to filing of an application for registration.

(ix) The company complied with this requirement by filing an application on 28th July 2017.

(x) If the intent of law was to prohibit ongoing projects also without registration, there would have been no need for the proviso distinguishing them from new projects.

(xi) Therefore, the requirement of prior registration was intended only for new projects launched after 1st May 2017.

(xii) There was no illegality in collecting money from bookings already made or even making fresh bookings in an ongoing project.

(xiii) This was the understanding of the Respondent and the basis for stating that IRCPL had not violated RERA provisions in FY 2017–18 and FY 2018–19.

(xiv) The alleged evidence represented collections made against a project that was already ongoing.

(xv) The company filed necessary declarations as required under Section 4(2)(l) of the RERA Act along with the application for registration.

(xvi) The respondent prayed that this submission along with the previous submissions may be considered as the defences presented by the Respondent to the prima facie charges.

5.7. The Respondent, vide letter dated 10th October 2025, inter-alia, submitted as under:

(i) In support of the averment made by the Respondent that he had examined the matter of compliance with RERA registration requirements during the audit of FY 2017–18, the Management Representation Letter obtained is provided as audit evidence.

(ii) The Management Representation Letter covers the subject of filing of RERA application.

(iii) In support of the audit procedure in respect of RERA registration during the audit of FY 2018–19, the Management Representation Letter obtained is provided as audit evidence.

(iv) The contents of the Management Representation Letter substantiate the averment made by the Respondent about the context and need of the disclosure in Note to Accounts No. 35 in the financial statements of FY 2018–19.

(v) The company had filed a reply in response to the complaint filed by Pradeep Kumar Jaiswal with RERA.

(vi) It is evident from the reply that the company had disclosed to the Authority that it had filed application for registration.

(vii) The copy of the said reply made available to the Respondent was a digital copy prepared by the advocate and was unsigned, but it was filed with RERA along with a sworn affidavit.

(viii) Regardless of the fact that the RERA order dated 20th December 2018 proposed suo-moto action against the company on the alleged charge that the company had not obtained registration under RERA 2016, the Authority never initiated any action based on the said order.

(ix) Since the company received no notice in pursuance of the said order, there was no occasion for the company to send any follow-up correspondence in this regard.

(x) RERA never issued any communication or show cause notice to the company proposing rejection of the application filed for registration.

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/remark
1	05th June 2023	Part heard and adjourned in the absence of the Complainant.
2	04th August 2025	Part heard and adjourned
3	19th August 2025	Part heard and adjourned
4	23rd September 2025	Part heard and adjourned
5	09th October 2025	Part heard and adjourned
6	16th October 2025	Hearing concluded and decision taken

6.2 On the day of hearing held on 05th June 2023, the Committee noted that the Respondent was present through Video conferencing mode. Thereafter, he gave a declaration that there was nobody present except him from where he was appearing and that he would neither record nor store the proceedings of the Committee in any form. The office apprised the Committee that daughter of the Complainant vide e-mail dated 30/05/2023 has sought adjournment of the case as her father (i.e. Complainant) is in jail.

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 is aware of the charge(s) and pleaded 'Not Guilty' to the charge(s) levelled against him. In the absence of the Complainant and 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 held on 04th August 2025, the Committee noted that the Respondent along with Counsel were present for the hearing through video conferencing. The Committee noted that neither the Complainant nor his authorized Representative was present for the hearing despite the notice of hearing duly served upon the Complainant. In view of this, the Committee was of the view that sufficient opportunity was granted to the Complainant and in his absence, decided to proceed further in the matter. 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 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 him.

The Committee directed the Respondent/Counsel for the Respondent to make the submissions. The Counsel for the Respondent submitted that the Hon'ble Supreme Court has held that Cenvat credit which has been rightly availed, is an indefeasible right in the hands of the assessee. Further, the Hon'ble Tribunal has also held that an assessee is not legally required to reverse any Cenvat Credit which has been availed by him till obtaining Completion Certificate, i.e., during the period when output service was wholly taxable in his hands, merely because later on, the said output service has become exempt on receipt of Completion Certificate. Thus, while conducting the audit of IPL and IVVPL, the Respondent had sufficient audit evidence(s) in his hands relying upon which the subject Companies had not paid the amount of Cenvat credit attributable to the unsold inventory / apartments on receiving of completion / occupancy certificates and accordingly, not reported by the Respondent in his audit reports.

He further submitted that show cause notice from Department is itself not a demand; rather it required the Company to respond to the question/queries raised therein. Moreover, show cause notice was received after signing the audit report. There was no demand notice from Department after filing of response to show cause notice.
The Counsel for the Respondent further submitted that DTCP came out with a policy for change in developer on 18.02.2015. As per policy, any change in 'beneficial interest' (BIP) of the existing developer shall make an application to the Director General, Town and Country Planning, Haryana seeking approval of the same. As per policy, applicant seeking change in beneficial interest shall be required to deposit administrative charges. There was no provision in the policy that developer could not collect money from customers without obtaining approval for change in developer. These transactions pertained to prior audit period i.e. 31.03.2018. After recording the above submissions of the Counsel for the Respondent, the Committee adjourned the case to a later date.

6.5 On the day of hearing on 19th August 2025, the Committee noted that Counsel for Complainant and Respondent along with his Counsel were present through VC and appeared before it.

The Counsel for the Complainant (viz. Ms. Aastha Singh) requested the Committee that the proceedings of the case may be deferred until the Complainant is personally present in the hearings. She stated that the Complainant has technical and complete knowledge of this case. In this regard the Committee noted the contents of email dated 13/08/2025 of Counsel for the Complainant (Ms. Aastha Singh) requested inter-alia for grant of additional time in the instant matter. The Committee considered the said email of the Counsel for the Complainant and clarified that proceedings cannot be indefinitely delayed due to non-appearance of the Complainant and was of the view that a detailed written complaint with its annexures are already on record and further clarifications or evidence could be supplemented by Counsel for the Complainant if required in the absence of the Complainant and accordingly directed the office to provide the relevant documents to the Counsel for the Complainant. Further, the Committee noted that this case was last listed on 22/05/2023 and an e-mail dated 11/05/2023 was received from Ms. Meghna Sanka (daughter of the Complainant) stating that her father (Complainant) is at present in Gurugram District Jail, and the subject case be postponed till August, 2023 i.e. as he (complainant) desired to present this case personally. Accordingly, acceding to the request of Ms. Meghna Sanka, the matter was not listed thereafter. In view of this, the Committee was of the view that sufficient opportunity was granted to the Complainant and in his absence, decided to proceed further in the matter, and accordingly requested the parties to make their submissions in the matter.

The Committee noted that the case is part heard and Respondent is already on Oath and directed the Respondent/Counsel for the Respondent to make the submissions. As regards charge as mentioned in para 2.3 above, the Counsel for the Respondent submitted that the Key managerial persons who have signed the financial statements of the Company was declared as proclaimed person by Court. He submitted that the responsibility of an auditor, as defined in Section 143 of the Companies Act, 2013, does not cast any obligation upon the Respondent to report a Court order declaring the Key Managerial Personnel of the auditee Company as proclaimed person.

The Counsel for the Respondent further submitted that, in terms of SA 250, the auditor is required to consider instances of non-compliance as per laws only where such non-compliance may either cause material misstatement of the financial

statements or impact the going concern of the Company. The order of the District Court declaring Shri Jai Bharat Aggarwal and Shri Subhasis Lahiri as proclaimed persons was arising out of their failure to appear before the Court in connection with proceedings relating to delay in construction of projects. The counsel added that such Order neither resulted in any material misstatement of the financial statements nor impaired the company's ability to continue as a going concern. Hence, there was no legal or professional basis for requiring the Respondent to report the same in the audit report.

As regards charge as mentioned in para 2.4 above the Counsel for the Respondent further submitted that the Corridor project was procured in the year 2011 and the Respondent was the auditor for the financial year 2017-18. 'Global Estates', one of the landowners, is identified as a "company" in two sale deeds and as "firm" in other deeds was nothing but a drafting error. He further submitted that licences and approvals from DTCP, RERA, and occupancy certificate granted to the project could not have been issued without proper rectification of ownership documents. The Committee directed the Counsel for Respondent to submit relevant documents showing original owner of the project, having regard to the fact that payment has been allegedly made by other Companies.

As regards charge as mentioned in para 2.5 above the Counsel for the Respondent submitted that the Grand Hyatt Residency project of IRCPL, launched in 2012, was an ongoing project at the time of enactment of RERA in May 2017. The Company duly filed its application on 28th July 2017, which was examined during audit. The Counsel submitted that upon receipt of the Haryana RERA order dated 20th December 2018, which wrongly indicted the Company of non-compliance, the company made disclosure in the financial statements of FY 2018–19. The Company has got the registration later. The Committee directed the Counsel for the Respondent to submit RERA registration certificate.

As regards charge as mentioned in para 2.2 above Counsel for the Respondent submitted that issue is related to the Corridor project and the license for the project was granted in 2013 to Precision Realtors Pvt. Ltd., which subsequently transferred development rights to IGRPL through a Development Agreement of February 2013, and IGRPL had launched the project accordingly. The DTCP policy requiring filing of

application and payment of fees for change in beneficial interest came only in February 2015, by which time IGRPL was already developer of the project. On the query posed by committee as who paid the administrative charges to DTCP, the Counsel informed that the administrative charges were paid by IGRPL and IGRPL had developed the said project.

After recording the submissions of the Counsel for the Respondent, the Committee directed that the following documents/information be provided by the Respondent: -

(i) Payment receipt of administrative charges (in respect of charge as mentioned in para 2.2 as above).

(ii) Copy of occupancy certificate (in respect of charge as mentioned in para 2.2 as above).

(iii) Copy of RERA registration certificate (in respect of charge as mentioned in para 2.4 & 2.5 as above).

6.6. On the day of hearing on 23rd September 2025, the Committee noted that the Respondent along-with Counsel were present through VC and appeared before it. As regards charge as mentioned in para 2.2 above related to Collection of money from customers by IREO Residences Company Pvt Ltd (hereinafter referred to as 'IRCPL') in violation of RERA Act and wrong disclosures made in the financial statements of IRCPL, the Counsel for the Respondent explained that the administrative charges were paid by Precision Realtors in 2019, and the occupancy certificate was issued thereafter. He submitted that the non-payment of administrative charges was a procedural issue by Precision Realtors and not a legal violation by IGRPL. Regarding charge as mentioned in para 2.4 above, the Counsel clarified that the RERA registration was requested in the context of charge as mentioned in para 2.2 above, as it pertained to the same corridor project. He further argued that the definition of a benami transaction was not satisfied in this case, as the alleged land was not held for the benefit of another party, and there was no evidence to support the claim of a benami transaction.

As regards charge as mentioned in para 2.5 above, the Counsel stated that the company filed an application for RERA registration on July 27, 2017, as required for ongoing projects, but the registration was not granted. He argued that the company

did not violate RERA norms, as it ceased all real estate activities after filing the application. The Committee allowed the Respondent to provide additional submissions/clarifications if any the points discussed in the hearing. With this, the case was part-heard and adjourned

6.7. On the day of hearing on 09th October 2025, the Committee noted that the Respondent along with his Counsel were present through VC and appeared before it. However, the Complainant was not present despite the fact that notice of the hearing was duly served upon him.

As regards non-disclosure of RERA Application in the financial statements for FY 2017-18, the Counsel for Respondent argued that the filing of the RERA application in 2017-18 was an administrative matter and did not require disclosure in the financial statements as there was no statutory requirement or material misstatement. He stated that disclosure was made in the 2018-19 financial statements following a December 2018 RERA order that highlighted the company's non-registration. The Counsel for Respondent stated that the company complied with the provisions of RERA Act by filing the application within the stipulated three-month period for ongoing projects, as allowed under the proviso to Section 3 of the Act. He argued that the law differentiates ongoing projects from new projects, which cannot collect money or advertise without prior registration. The Counsel for Respondent maintained that the company's actions were lawful, as the application was filed and no rejection or show-cause notice was issued by RERA.

The Counsel for Respondent stated that the project was abandoned in year 2019 due to financial difficulties, with no further collections or construction activities undertaken after March 2019. The company focused on settling liabilities and selling the project to another entity. With this, the case was adjourned to a later date.

6.8. On the day of hearing on 16th October 2025 the Committee noted that Respondent along-with Counsel was present through VC and appeared before it. However, the Complainant was not present despite the fact that notice of the hearing was duly served upon him.

The Committee asked the Respondent to make his submissions in the matter. The Respondent submitted that he had already submitted a written representation and in respect of last charge as mentioned in para 2.5 above regarding RERA registration, Respondent clarified that the company had filed application with Haryana RERA in FY 2017–18. For FY 2018–19, the RERA registration remained pending, appropriate disclosures were made in Note 35 of the financial statements, and refunds were made to customers as per RERA orders. It also confirms that no action or proceedings had been initiated by RERA regarding the pending registration.

Regarding the proceedings in the Pradeep Kumar Jaiswal case, the Respondent produced the company's reply, which expressly states that the company had applied for registration dated 28 July 2017. Similarly, no show-cause notice proposing rejection or cancellation of the registration application was received.

6.9. Based on the documents/material and information available on record and after considering the oral and written submissions made by the parties, the Committee concluded the meeting and took decision on the conduct of the Respondent.

7. **Findings of the Committee:-**

7.1 The Committee noted that the Respondent has raised objection on maintainability of instant case as per Rule 3(4) of the Chartered Accountant (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules 2007 which indicate "(4) A complaint filed by or on behalf of a company or a firm, shall be accompanied by a resolution, duly passed by the Board of Directors of the company or the partners of the firm, as the case may be, specifically authorizing an officer or a person to make the complaint on behalf of the company or the firm." The Respondent has mentioned that from the above it is imperative to note that in the absence of a resolution passed by the Board of Directors or partners of a company or firm, authorizing an officer or person to file a complaint on their behalf, as per Rule 3(4), renders the complaint void ab initio, and consequently, it becomes necessary to close the inquiry since the fundamental requirement of authorization from the concerned authorities has not been complied with, and any further action taken on

such a complaint would be tantamount to a violation of the established legal principles and procedural guidelines.

The Committee noted the objection of the Respondent and was of the view that this Rule is applicable wherein, the Complaint is filed by or on behalf of Company or a firm. The Committee perused the complaint Form, (i.e. Form 'I') and noted that said complaint is filed by Mr. Ramesh Sanka in his individual capacity and not on behalf of the Company or in the capacity of Director of the Company as he has verified the said complaint Form in his individual name/capacity, thus, the Committee ruled out the objection of the Respondent.

The Committee further noted that the Respondent has made a request to examine an official of IREO Private Limited Company as witness. The Committee further noted that the Respondent has not given valid reasons for examination of said witness and did not corroborate the relevance of this witness. Thus, calling for examination of witness was not warranted as the documents/evidence placed on record are ample for the purpose of consideration of the matter. The Committee, on consideration, was of the view that the said request was clearly made for the purpose of vexation and delay and therefore, be refused in view the provisions of Rule 18(14) of the Chartered Accountants (Procedure of Investigation of Professional and Other Misconduct and Conduct of Cases) Rules, 2007. The Committee accordingly decided to consider the matter on merits.

After dealing with preliminary objection of the Respondent, the Committee noted that charge against the Respondent in which has been held Prima Facie Guilty have been explained in para 2.1, 2.2, 2.3 & 2.4 above.

7.2 In respect of **charge as contained in para 2.1 above**, the same has been dealt as under:

As regards the instant charge wherein the reversal pertains to input availed by IPL and IVVPL pertaining to **GST regime** (i.e., on or after 01st July 2017), the Committee perused documents on record and was of the view that this leg of the charge pertains to the Skyon and Victory Valley projects, where the companies received the occupancy certificate ("OC") on 14 September 2017 and 28 September 2017, respectively, after the implementation of the Goods and Services Tax ("GST") on 1

July 2017. The Committee also noted the submissions of the respondent wherein he stated that the companies did not take any GST input tax credit from 1 July 2017, until the receipt of the OC in September 2017, and therefore, no input tax reversal was required.

7.2.1 The Committee noted the provisions of Section 16 of the CGST Act, which provides for the conditions for availing input tax credit.

> *"Section 16(1) of the GST Act provides that "Every registered person shall, subject to such conditions and restrictions as may be prescribed and in the manner specified in section 49, be entitled to take credit of input tax charged on any supply of goods or services or both to him which are used or intended to be used in the course or furtherance of his business and the said amount shall be credited to the electronic credit ledger of such person.*
>
> *(2) Notwithstanding anything contained in this section, no registered person shall be entitled to the credit of any input tax in respect of any supply of goods or services or both to him unless, —*
>
> *(a) he is in possession of a tax invoice or debit note issued by a supplier registered under this Act, or such other tax paying documents as may be prescribed.*
>
> *(b) he has received the goods or services or both.*
>
> *Explanation.—For the purposes of this clause, it shall be deemed that the registered person has received the goods where the goods are delivered by the supplier to a recipient or any other person on the direction of such registered person, whether acting as an agent or otherwise, before or during movement of goods, either by way of transfer of documents of title to goods or otherwise;*
>
> *(c) subject to the provisions of section 41, the tax charged in respect of such supply has been actually paid to the Government, either in cash or through utilisation of input tax credit admissible in respect of the said supply; and*
>
> *x x x x*

7.2.2 The Committee was of the view that every registered person is entitled to take credit of input tax charged on any supply of goods or services that are used or intended to be used in the course or furtherance of their business. However, such credit can only be claimed if the registered person has received a tax invoice or debit note, the supplier has furnished the details of such supply in the prescribed manner, and the recipient has furnished the monthly return under section 39 of the CGST Act.

Therefore, based on the provisions of Section 16 of the CGST Act, the Committee was of the opinion that it can be inferred that the companies would be entitled to claim input tax credit only if the conditions specified under Section 16(1) are fulfilled. The Committee further noted that the Respondent has demonstrated that the ITC in question was related to the service tax regime prior to the implementation of GST on July 1, 2017.The Committee also referred to the contention of the Respondent that an assessee is not legally required to reverse any Cenvat Credit which has been availed by him till obtaining Completion Certificate, i.e., during the period when output service was wholly taxable in his hands, merely because later on, the said output service has become exempt on receipt of Completion Certificate. In this regard, the Committee noted the cases referred by the Respondent. The Committee agreed to the Respondent's argument that he exercised due diligence in relying of GST provisions coupled with some decided cases in forming his opinion.

7.2.3 The Committee observed that the reversal of ITC in October 2019 was a voluntary action taken by the company during a GST Department search operation, and it did not result in any financial outflow or material misstatement in the financial statements. The Respondent was not obligated to report this reversal in the audit report for FY 2017-18, as it was not a legal requirement at the relevant time and for that the Respondent had some evidence to rely upon in terms of decided cases. The Committee viewed that the Respondent acted in accordance with the applicable laws and professional standards, and the said charge of professional misconduct is unfounded.

Hence, in conclusion, the Committee was of the view that the companies were not required to reverse any input tax credit in relation to the Skyon and Victory Valley

projects, as they did not claim any input tax credit and accordingly, held the Respondent **NOT GUILTY** on this count.

7.3 As regards **charge as contained in para 2.1 above**, the Committee noted that search proceedings had been conducted by GST department in the offices of IREO group companies including alleged companies i.e., IPL, IVVPL and IGRPL on 18.10.2019 and the concerned department has computed the additional tax liability of Rs. 727.34 crores pertaining to IPL, IVVPL, IGRPL and IREO Residences Company Private Limited, but the Respondent failed to disclose the same in his Audit Reports.

7.3.1 The Committee noted that on 29th September 2020, a Show Cause Notice ("SCN") was issued by the GST Department for a tax demand. In view of this, the Committee observed that this notice was issued after the audit report for IPL had already been signed on 14th November 2019. Therefore, the question of disclosing the same in the audit report does not arise. Moreover, the Committee was of the view that SCN itself is not a demand for tax rather it is an explanation called from concerned entity/Company. Thus, the Committee held the Respondent **NOT GUILTY** on this count.

7.4 As regards **charge as contained in para 2.1 above**, i.e. as per the requirements of Para 3(vii) of Companies Auditor's Report Order (CARO), 2016, the Respondent failed to report that company was not regular in depositing undisputed statutory dues. The Committee was of the view that there was no tax demand raised by the GST department at the time of the search proceeding. Further, the Committee noted that the financial statements of all 4 subject companies to whom SCNs were issued, have been audited and signed in September and November 2019 and the SCNs have been dated and issued on 29.09.2020 i.e., after ten months (approx.) of signing the financial statements of subject Companies for FY 2018-19. Therefore, it is not comprehensible as to how the disputed liabilities should have been disclosed in the audit report by the Respondent, which was issued even before the Show Cause Notice issued by the GST Department. Thus, the Committee held the Respondent **NOT GUILTY** on this count.

7.5 Therefore, the Respondent is held **NOT GUILTY** of Professional Misconduct falling within the meaning of Clause (7) of Part I of Second Schedule to the Chartered Accountants Act, 1949 in respect of above charges.

7.6 In respect of **charge as contained in para 2.2 above,** i.e. non-Reporting of the fact that IREO Grace Realtech Private Limited (IGRPL) was not allowed to collect money from Corridors Project's customers as the Company had not received Beneficial Interest Policy (BIP) approval from Town and Country Planning Department (DTCP), Haryana. The Committee noted the submissions of the Respondent wherein, he has submitted that the Licence for Corridor project was received in the name of Precision Realtors Private Limited, the original developer of the project, from DTCP in February 2013 and the building plan was approved in July 2013. Thereafter, a development agreement was executed between Precision Realtors Private Limited (Precision) and Ireo Grace Realtech Private Limited (IGRPL) dated 7th February 2013, wherein development rights of the land was transferred by Precision Realtors Private Limited to Ireo Grace Realtech Private Limited. Accordingly, IGRPL had launched the project in 2013. The Respondent further submitted that the policy document of DTCP requiring filing of application and payment of administrative fees in case of change of beneficial interest was brought on 18th February 2015, and at that time IRGPL had already been the developer of the Corridor Project. He further stated that the complainant was the CEO of the company when the DTCP came with the policy document in February 2015. These matters pertain prior to Financial Year 2017-18 and there was no occasion for the Respondent to suspect that there was non-compliance on regulatory matters in the past. The Respondent further submitted that IGRPL received the RERA registration for Corridor project on 07.12.2017, which itself suggest that the approvals of project was in order.

7.6.1 In view of the above charge, submissions of the Respondent and documents/papers before it, the Committee noted that there was change vide agreement dated 07/02/2013 in developer from Precision to IGRPL. The Committee further noted that DTCP came out with a policy for change of developer on 18th February 2015. All these events pertain to period prior to appointment of the Respondent as statutory auditors of the Company. Hence, the Respondent cannot be held responsible for the same.

7.6.2 Moreover, the Committee on perusal of para 4.2 of Beneficial Interest Policy (BIP) was of the view that there is no provision which restricts the company to collect money from the customers or to suspend the project. There is no time limit specified in the policy for filing the application. As per said policy, any applicant seeking change in beneficial interest shall be required to deposit administrative charges on the date of application i.e. 40% of administrative charges must be paid at the time of application and balance to be paid before final approval.

7.6.3 Further, the Committee noted that the DTCP vide its order dated 31st March 2016 had clarified that it may not be appropriate to categorize a licensed project to be in violation of section 7(1) of the Haryana Development and Regulation of Urban Areas Act 1975 only on account of marketing/development being undertaken by third party other than original developer.

7.6.4 The Committee noted that the Respondent has established that the obligation to pay administrative charges rested with Precision Realtors, the original license holder, and not with the auditee company, IREO Grace Real tech Private Limited (IGRPL). The non-payment of administrative charges was a procedural matter and did not constitute a violation of any law. The DTCP clarified in its order dated April 1, 2016, that the change of beneficiary interest did not render the project illegal.

7.6.5 The Committee further noted that the Respondent became the statutory auditor of IGRPL in FY 2017-18, few years after the administrative charges were due in 2015. The Respondent reasonably relied on the work of previous auditors and had no reason to suspect non-compliance by Precision Realtors. The Committee observed that the issue of non-payment of administrative charges came to light only in FY 2018-19, when the company applied for an occupancy certificate and paid the charges to regularize the matter.

7.6.6 In view of the above, the Committee finds that the Respondent was not required to report this matter in the audit reports for FY 2017-18 and FY 2018-19, as it did not constitute a material misstatement or a violation of law affecting the auditee's ability to operate.

7.6.7 Thereafter, the Committee noted that the Company (Precision Realtors P. Ltd.) made an application to Director Town and Country Planning on 14th February 2019 and 40% Administrative charges amounting to Rs. 1.54 crore at the time of application were paid. Finally, the Committee noted that the Company received an Occupancy Certificate from DTCP on 31 May 2019 for Phase I and on 27th January 2022 for Phase II of the Corridor Project.

7.7 In view of above noted facts and findings, the Committee was of the opinion that the instant charge of the Complainant was not factually correct and held the Respondent **NOT GUILTY** in respect of this charge within the meaning of Clause (7) of Part I of the Second Schedule of the Chartered Accountants Act, 1949.

7.8 With regard to **Charge in para 2.3 as above** i.e. non-reporting by the Respondent in his audit report that IREO Group CFO and Director, Mr. Jai Bharat Agarwal had been declared Proclaimed Person by Ludhiana Court and further, both Mr. Jai Bharat and Mr. Subhashish Lahiri, legal head of IREO have been declared Proclaimed persons by Saket Court, Delhi. The Committee noted the submissions of the Respondent, wherein he submitted that an auditor's reporting responsibilities defined in sub-sections (2) to (6), (8), (11) and (12) of Section 143 of the Companies Act 2013 did not cast any obligation on the Respondent to report on a Court Order which declared the KMP of the auditee company as proclaimed offenders. Further the requirement of verification of compliance with other laws applicable on an auditor as per the provisions of SA 250, is to examine such non-compliances of law that can cause material misstatement to the financial statements or are on such law, the non-compliance of which may affect the ability to run its business.

7.9 In view of above charge, submissions of the Respondent and documents on record, the Committee made reference to para 46 of the Guidance Note on CARO 2016 which states as follows -

"46. Whether any fraud by the company or any fraud on the company by its officers or employees has been noticed or reported during the year; If yes, the nature and the amount involved is to be indicated; [Paragraph 3(x)]"

"Para (a) This clause requires the auditor to report whether any fraud by the company or any fraud on the company by its officers or employees has been noticed or reported during the year. If yes, the auditor is required to state the amount involved and the nature of fraud. The clause does not require the auditor to discover such frauds. The scope of auditor's inquiry under this clause is restricted to frauds 'noticed or reported during the year. The use of the words "noticed or reported" indicates that the management of the company should have the knowledge about the frauds by the company or on the company by its Officer and employees that have occurred during the period covered by the auditor's report.

7.10 In view above requirement of the law, the Committee was of the view that this clause specifies the scope of the auditor's inquiry, which is restricted to frauds "noticed or reported" during the year. As per this clause, the auditor is not required to actively discover or investigate potential frauds. However, if the auditor becomes aware of any instances of fraud during the course of audit, either through their own observations or through reports from the Company's management, he is required to report on these instances in his audit report. The use of the words "noticed or reported" in the clause indicates that the Company's management should have knowledge about any frauds committed by the company or on the company by its officers and employees during the period covered by the auditor's report. Further, this means that if the management has knowledge of any frauds, it should report it to the auditor, and the auditor should then include these instances in his audit report. The Committee noted that interestingly, the Complainant himself was in management that time and he that time he never thought of bringing the alleged fraud to the notice of the Respondent i.e. Auditor.

7.11 In view of above, the Committee was of the opinion that auditor's scope of inquiry is restricted to frauds noticed or reported during the year and report on any material irregularities or misstatements he become aware during the course of his audit.

7.12 In view of above noted facts and findings, the Committee held the Respondent **NOT GUILTY** in respect of this charge within the meaning of Clause (7) of Part I of the Second Schedule of the Chartered Accountants Act, 1949.

7.13 With regard to **charge as contained in para 2.4 above** against the Respondent i.e. non-disclosure of Benami lands and wrong disclosure made in balance sheet of Ireo Grace Realtech Private Limited (IGRPL) to hide Benami land transactions. The Committee noted the submissions of the Respondent, wherein he has submitted that he was not the auditor of Ireo Group prior to Financial Year 2017-18. The Respondent further submitted that he was never been auditor of Global Estate or Precision. The Respondent satisfied that the legal title of the land was with Global Estates. IGRPL being the developer was entitled to account for the inventory developed for the corridor project being expenses incurred on superstructures and development of premises, collectively described as inventory. He further submitted that a real estate development agreement where landowners and developers are different, the project assets get scattered in different balance sheets, proportionate to the role played by each of them. At the same time, for the purpose of accounting the inventory attributed to the developer, it is necessary to ascertain that the developer has a rightful stake and authority. This is the context in which the Respondent stated that he had verified the purchase of land concerned by landowners through registered sale deeds.

7.14 The Respondent further submitted that there is no credible evidence on records brought by the complainant of benami payments or benami title, beyond an error in the name on the legal status, part of the land owning entity Global Estates shown as "a company" instead "a firm" that was duly rectified in the past itself. In order to comply with Standards, an auditor is required to perform procedures that cover practical issues and limitations to their obligations and responsibilities. The auditor must document their work and conclusions based on the procedures performed, document examined, discussions with management, and their own professional skepticism.

7.15 In view of submissions of the Respondent and related documents/papers on record, the Committee was of the view that IGRPL had acquired the development rights and was developing the group housing project (Corridor Project) on the alleged land. The Committee also noted that a disclosure has also been given in Note 25(b) of audited financial statements of IGRPL for FY 2018-19 audited by the Respondent. The Committee further noted that two sale deeds were executed wherein M/s Global

Estate had been described as a 'Company incorporated under the provisions of Companies Act 1956. However, no Company in the name of 'Global Estates' exists as per data available at MCA21 portal. Thereafter, the Committee perused the submissions of the Respondent, wherein he has stated that Precision Realtors Private Limited, Maderia Buildcon Private Limited, Blue Planet Infra Developers Private Limited and Global Estate entered into a Memorandum of Understanding (MOU) on 27.08.2010 for filing an application for grant of group housing colony licence. But the name of Global Estate was inadvertently mentioned as Global Estates Private Limited in the said MOU. Thereafter, an addendum dated 08.06.2011 to MOU dated 27.08.2010, was executed to amend the name of Global Estate as partnership firm which was also examined by the Respondent during the conduct of his audit and brought on record.

7.16 After above, the Committee perused that a rectification deed was executed and registered on 18.02.2013, wherein it was rectified, that Global Estate was a partnership firm. The Committee further noted that the Complainant has provided the extracts of sale deed available with three different departments i.e., Tehsil, Jamabandi and DTCP and stated that all three different departments had different sale deeds with them. On perusal of these sale deeds, the Committee observed that while in certain sale deed, Global Estate is mentioned as private limited company, in other sale deed available with other department, the same is mentioned to be a firm.

7.17 In view of above, the Committee noted that the Respondent was not the Auditor of IRGPL and Global Estates during the Year(s) 2010 to 2013 when the alleged land had been purchased and other MOUs and rectification deeds were executed. Moreover, the Committee was of the view that IRGPL had acquired the development rights and was developing the Corridor project on the alleged land and the original owner, as per sale deeds was Global Estate, a partnership firm instead of Global Estate Private Limited, which was mentioned in certain documents/deeds and same was rectified through an addendum dated 18.06.2011, which was registered on 18.02.2013.

7.18 The Committee noted that the Respondent has demonstrated that the alleged benami transaction does not meet the legal definition of a benami transaction under the Benami Transactions (Prohibition) Act, 1988. The Committee observed that the

land in question was owned by Global Estate, and the error in naming it as "Global Estate Private Limited" was a clerical mistake. The Committee viewed that the ownership and beneficiary of the land were clearly established, and there was no evidence to support the charge that the land was held for the benefit of another party.

7.19 The Committee, therefore, finds that the Respondent was not required to report the alleged benami transaction in the audit reports, as the charge was based on unfounded assumptions and lacked evidence.

7.20 Moreover, on perusal of audited Financial Statements of IGRPL for Financial Year 2018-2019 audited by the Respondent, the Committee observed that a detailed note [Note 25(b)] was given to this effect has been given and name is mentioned as 'Global Estate'. In view of these facts and findings, the Committee was of the opinion that it may be typographical error that the name is mentioned as 'Global Estate Private Limited' instead of the 'Global Estate' and same was duly rectified and registered with concerned Department. Thus, the Committee exonerated the Respondent in instant charge against him.

7.21 In view of above, the Committee held the Respondent **NOT GUILTY** of Professional Misconduct falling within the meaning of Clause (7) of Part-I of Second Schedule to the Chartered Accountants Act, 1949 in respect of instant charge.

7.22 In respect of **charge as per para 2.5 above** i.e. collection of money from customers by IREO Residences Company Pvt Ltd (hereinafter referred to as 'IRCPL') in violation of RERA Act and wrong disclosures made in the financial statements of IRCPL that application was pending with RERA even though application was rejected. The Committee noted the submissions of the Respondent, wherein he submitted that the Grand Hyatt Residency project was initiated in 2012 by IRCPL.

7.23 The counsel for the Respondent further submitted that Real Estate (Regulation and Development) Act, commonly known as RERA, was not enforced until May 2017. According to the provisions of RERA, developers are obligated to apply for registration of their ongoing projects within three months of the Act's commencement if the project has not received a completion certificate. The Company, for the Grand

Hyatt Residency project, submitted its application for registration on 28th July 2017, which was within the stipulated timeframe and as on 31st March 2019, the project's registration was still pending. This matter was disclosed in Note 35 of the company's financial statements for F.Y. 2018-19, where it was duly revealed that the project's registration was still pending despite the application having been filed, which was stated below -

"The Company had filed for the registration under the Real Estate (Regulation and Development) Act, 2016 on 28 July 2017. However, the said registration is still pending to be received."

7.24 The counsel for the Respondent submitted that in view of above, it is imperative that the matter of the pending registration was appropriately disclosed in the company's (IRCPL) financial statements. Therefore, there is no question of non-disclosure of any fact. It is the management of the company, which holds the primary responsibility of preparing and presenting the financial statements. As an auditor of the company, the respondent can only perform their audit based on the available evidence at the time of signing the report. In this case, the respondent performed his audit based on the information provided by the management of the company, including the disclosure of the pending registration of the Grand Hyatt Residency project. Therefore, any question of non-disclosure, negligence, or providing misleading information does not arise.

7.25 On perusal of submissions of the Respondent and documents available on record, the Committee referred to Section 3(1) of the Haryana Real Estate (Regulation and Development) Act, 2016, which provides the mandatory requirement of registration of real estate project with Real Estate Regulatory Authority. The relevant text has been reproduced as under:

"3. Prior registration of real estate project with Real Estate Regulatory Authority.

(1) No promoter shall advertise, market, book, sell or offer for sale, or invite persons to purchase in any manner any plot, apartment, or building, as the case may be, in any real estate project or part of it, in any planning area, without registering the real estate project with the Real Estate Regulatory Authority established under this Act.

Provided that projects that are ongoing on the date of commencement of this Act and for which the completion certificate has not been issued, the promoter shall make an application to the Authority for registration of the said project within a period of three months from the date of commencement of this Act." (emphasis added)

7.26 The Committee noted the submissions of the Respondent, wherein he has stated that while the Grand Hyatt Residency project of IRCPL was launched in 2012, RERA was notified in May 2017. Thus, as per the requirements of aforementioned provisions of RERA Act, the Company had filed application for registration on 28th July 2017.

7.27 The Respondent submitted that there were 66 customers, who had made bookings before RERA came into force and subsequently all the applicants were settled and the property was sold to Oberoi Realty eventually in 2024 and it was further submitted that Management Representation letter obtained during the F.Y. 2017-18 audit as audit evidence to support that RERA compliance was examined. Respondent also submitted that:-

- Since IRCPL filed its application on 28th July 2017 for an ongoing project launched in 2013, it complied with the law.
- Therefore, ongoing bookings and collections were lawful and non- violation of RERA.
- The alleged evidence referred to collections from an ongoing project.
- Most bookings were made between 2013 and 2017, with only two after May 2017.
- The collections in F.Y. 2018-19 related only to the ongoing project. Thus, these were not violations of RERA

7.28 In view of above, the Committee was of the noted that it is evident that the Company had filed application with RERA for registration within stipulated time. However, the Committee observed that said application was pending with RERA authorities and the Respondent has not made such disclosure in this regard in the financial statements of the Company as on 31.03.2018. , These facts were disclosed by way

of 'Notes to Accounts' in the audited financial statements of Company (IRCPL) as at 31.03.2019 signed on 27.09.2019. Further, the Committee noted that the Complainant has provided the extract of complaint no. 871 of 2018 which has been filed by 'Mr. Pradeep Kumar Jaiswal' against the subject company and others before the Haryana Real Estate Regulatory Authority, Gurugram wherein the decision was given on 20.12.2018. The Committee observed that the said order was available on the website of 'Haryana Real Estate Regulatory as on 20.12.2018. Para 50 of the said order reads as under:

> "*The authority has decided to take suo-moto cognizance against the promoter for not getting the project registered and for that separate proceeding will be initiated against the respondent u/s 59 of the Act by the registration branch*"

7.29 Further, the Committee referred to Section 59 under Chapter VIII of The Haryana Real Estate (Regulation and Development) Act, 2016, which reads as under:

> "*59. Punishment for non-registration under section 3.*
> *(1) If any promoter contravenes the provisions of section 3, he shall be liable to a penalty which may extend up to ten percent of the estimated cost of the real estate project as determined by the Authority.*
> *(2) If any promoter does not comply with the orders, decisions or directions issued under sub-section (1) or continues to violate the provisions of section 3, he shall be punishable with imprisonment for a term which may extend up to three years or with fine which may extend up to a further ten percent of the estimated cost of the real estate project, or with both*"

7.30 On the basis of above, the Committee was of the view that the Respondent had failed to disclose the above vital fact in his audit report of the Company signed by him on 27/09/2019 that the Company had not registered with RERA and the subject application filed by it had been rejected by the authority, as can be inferred from the abovementioned Order. Moreover, from documents available on record, it is noted that Grand Hyatt Residences has collected money from two buyers in the month of June and July 2017, Rs. 1.99 Crores and Rs. 5.18 Crores respectively, but as on that date there was no separate (ESCROW) account maintained by the Company as

per provisions of above law. In view of above decision of RERA, the Committee was of the view that it is evident that the Haryana Real Estate Regulatory Authority, Gurugram had decided to take suo-moto cognizance against the promoters of IRCPL for not getting the project registered.

7.31 The Committee noted that the RERA Act, 2016, mandates that all ongoing real estate projects, for which completion certificates have not been issued as of the date of commencement of the Act, must be registered with RERA within three months of the Act's implementation. The IREO Residency project falls under the category of an ongoing project, and the company was required to comply with this statutory obligation. While the Respondent has argued that the company filed an application for RERA registration on July 27, 2017, within the prescribed timeline, the Committee observed that the application was not processed, and no registration certificate was issued by RERA. Further, the Respondent failed to provide any document regarding steps taken by him to collect any evidence from the Company of any follow-up or communication with RERA to ascertain the status of the application, despite the absence of a registration certificate for the project. The Committee also noted that the Respondent did not disclose the pending RERA registration in the audit report for FY 2017-18, even though the application was filed during that financial year. The disclosure was made only in the Notes to Accounts for FY 2018-19, following a RERA order dated December 20, 2018, which highlighted the non-registration of the project and proposed suo motu action against the company.

7.32 Further, the Committee noted that the Respondent in his Audit Reports for the Financial Years 2019–20, 2020-21, 2021–22, 2022-23 and 2023-24 added "Emphasis of matter" Para. It has been noted that the said para was incorporated under the "Emphasis of Matter" paragraph of the Audit Reports, wherein the Respondent specifically highlighted and drew the attention of the users of the financial statements inter alia to pending registration with RERA, as detailed hereinbelow.

Emphasis of matters para for F.Y. 2019-20

x x x x x x x

"As stated in Note No 33 to financial statements, the Real Estate Project of the Company is pending registration with Real Estate Regulatory Authority (RERA)."

Emphasis of matters para for F.Y. 2020-21

x x x x x x x

"As mentioned in note 32 to the accompanying financial statements, the Company is not in compliance with certain requirement / provisions of applicable laws and regulations, including but not limiting to the Income tax, Goods and Services Tax Act, ESI, Real Estate (Regulation and Development) Act, 2016 and PF etc., as applicable."

Emphasis of matters para for F.Y. 2021-22

x x x x x x x

"As mentioned in note 33 to the accompanying financial statements, the Company is not in compliance with certain requirement / provisions of applicable laws and regulations, including but not limiting to the Income tax, Goods and Services Tax Act, ESI, Real Estate (Regulation and Development) Act, 2016 and PF etc., as applicable."

Emphasis of matters para for F.Y. 2022-23

x x x x x x x

"As mentioned in note 34 to the accompanying financial statements, the Company is not in compliance with certain requirement / provisions of applicable laws and regulations, including but not limiting to the Income tax, Goods and Services Tax Act, ESI, Real Estate (Regulation and Development) Act, 2016 and PF etc., as applicable."

Emphasis of matters para for F.Y. 2023-24

x x x x x x x

"As mentioned in note 33 to the accompanying financial statements, the Company is not in compliance with certain requirement / provisions of applicable laws and regulations, including but not limiting to the Income tax Act 1961, Goods and Services Tax Act 2017, ESI, Real Estate (Regulation and Development) Act, 2016 and PF etc., as applicable and Note 7(i) regarding registration of the project pending under The Real Estate (Regulations and Development Act 2016)."

7.33 The Committee noted the provisions of section 5 of the Haryana Real Estate (Regulation and Development) Act, 2016 which reads as under –

> *"(1) On receipt of the application under sub-section (1) of section 4, the Authority shall within a period of thirty days. (a) grant registration subject to the provisions of this Act and the rules and regulations made thereunder, and provide a registration number, including a Login Id and password to the applicant for accessing the website of the Authority and to create his web page and to fill therein the details of the proposed project; or (b) reject the application for reasons to be recorded in writing, if such application does not conform to the provisions of this Act or the rules or regulations made thereunder: Provided that no application shall be rejected unless the applicant has been given an opportunity of being heard in the matter.*
>
> *(2) If the Authority fails to grant the registration or reject the application, as the case may be, as provided under sub-section (1), the project shall be deemed to have been registered, and the Authority shall within a period of seven days of the expiry of the said period of thirty days specified under sub-section (1), provide a registration number and a Login Id and password to the promoter for accessing the website of the Authority and to create his web page and to fill therein the details of the proposed project.*
>
> *(3) The registration granted under this section shall be valid for a period declared by the promoter under sub-clause (C) of clause (I) of sub-section (2) of section 4 for completion of the project or phase thereof, as the case may be."*

The Committee noted that Section 5 of the Act relating to grant of registration provides that upon receipt of an application under Section 4(1) of the Act, the Authority is statutorily bound to act within thirty days of receiving an application, i.e. either grant registration or reject it with recorded reasons after giving the applicant a hearing. If no decision is taken within this period, the project is deemed to be registered, and the Authority shall issue the registration number and login credentials within seven days thereafter.

The Committee further noted that Section 4 of the Act related to application for registration of real estate project provides that the promoter is required to enclose certain documents with the application and a declaration stating that seventy per cent of the amounts collected from allottees from time to time shall be maintained in a separate bank account and used only for the project. Withdrawals are allowed only in proportion to project completion and after certification by the engineer, architect, and Chartered Accountant. The Committee further noted that the promoter shall get his accounts audited within six months after the end of every financial year by a chartered accountant in practice and shall produce a statement of accounts duly certified and signed by such chartered accountant and it shall be verified during the audit that the amounts collected for a particular project have been utilised for the project and the withdrawal has been in compliance with the proportion to the percentage of completion of the project. This would ensure that project funds are utilised solely for the intended purpose and in compliance with the prescribed norms, thereby safeguarding the interests of the allottees. The Committee observed that the statutory framework mandates strict financial discipline, with the auditor playing a key oversight role.

The Committee noted that the Respondent has never made any enquiry whether the project has got registration number and the Company is complying with its obligations as aforestated, especially after the RERA authority passed an order in December 2018, which explicitly stated that the project was not registered and proposed suo moto action under Section 59 of the Act. Had he made proper enquiries as per above RERA provisions, he could have easily concluded that the company had not got RERA registration in the financial year 2017-18 only which would have been helpful to the customers.

The Respondent's reliance on the purported absence of a show-cause notice or rejection from the RERA authority does not absolve him of his responsibility to provide a complete and accurate audit report. The Committee concluded that the respondent ought to have known that the Company has not received RERA registration in financial year 2017-18 and should have reported the same in that year only. The Committee noted that the Respondent has only

reported about the status of pending registration in his 'Emphasis of Matter' para in the auditor report for FY 2019-20 and onwards. Thus, the Committee observed that the Respondent has failed to disclose the status of non-registration in the financial statements and highlight the implications of non-registration in the audit report of 2017-18 and more so in the audit report for 2018-19, in light of the RERA Order against the Company.

7.34. The Committee also noted that, a registered entity has to comply with various obligations including filing certain forms including forms to be signed by the auditors. Hence, it is much more imperative that as an auditor of real estate company, the Respondent must be aware about the RERA regulations and if these are not complied, the Respondent should have taken immediate action. In view of this, the Committee viewed that the Respondent's failure to disclose the pending RERA registration in the FY 2017-18 audit report and enquire about it's registration status constitutes a material omission, as the non-registration of the project had significant implications for the company's compliance with RERA regulations. The Respondent's argument that the filing of the application was a routine administrative matter and did not require disclosure is not tenable, given the importance of RERA compliance in the real estate sector and the potential consequences of non-registration, including legal and financial liabilities. The Committee further noted that the Respondent did not exercise sufficient professional skepticism, to ascertain the status of the RERA application and its impact on the company's financial statements. Moreover, the Committee felt that it is very important to check and report the compliance of RERA provisions for real estate projects in the interest of customers and stakeholders, who rely on auditors certifications under this Act. The absence of any follow-up or verification of the application status demonstrates a lack of due diligence on the part of the Respondent. Additionally, the Committee observed that the Respondent did not adequately address the implications of the RERA order in the FY 2018-19 audit report, as the disclosure made was limited to the pending application. In fact, the Committee was of the view that simply mentioning the status of non registration in 'Emphasis of Matter' in the year 2018-19 after adverse RERA order raises further doubts about the intention of the Respondent.

7.35. Based on the above findings, the Committee concluded that the Respondent failed to fulfil his professional obligations as a statutory auditor by not adequately reporting

the non-registration of the IREO Residency project with RERA in the audit report for FY 2017-18.

7.36. In conclusion, the Committee was of the view that the Respondent has not given disclosure in audit reports for Financial Year 2017-18 and 2018-2019 which demonstrates a lack of adherence to the principles of true and fair reporting and compliance with regulatory requirements. Moreover, as stated above, he also failed to disclose that the Company had collected money from home buyers in violation of provisions of RERA Act 2016. Thus, the Committee found the Respondent to be grossly negligent in carrying out his professional duties and held the Respondent **GUILTY** of professional misconduct on the instant charge.

7.37. Accordingly, the Respondent is held **GUILTY** of Professional Misconduct falling within the meaning of Clause (7) of Part-I of Second Schedule to the Chartered Accountants Act, 1949 in respect of instant charge.

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	Paras 7.2 to 7.5 as given above	**NOT GUILTY** - Clause (7) of Part I of the of Second Schedule
Para 2.2 as given above	Paras 7.6 to 7.7 as given above	**NOT GUILTY** - Clause (7) of Part I of the of Second Schedule
Para 2.3 as given above	Paras 7.8 to 7.12 as given above	**NOT GUILTY** - Clause (7) of Part I of the of Second Schedule
Para 2.4 as given above	Paras 7.13 to 7.21 as given above	**NOT GUILTY** - Clause (7) of Part I of the of Second Schedule
Para 2.5 as given above	Paras 7.22 to 7.37 as given above	**GUILTY** - Clause (7) of Part I of the 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 Misconduct falling within the meaning of Clause (7) of Part-I of Second Schedule to the Chartered Accountants Act, 1949.

Sd/-
(CA. Prasanna Kumar D)
PRESIDING OFFICER

Sd/-
(Ms. Dakshita Das, IRAS {Retd.})
GOVERNMENT NOMINEE

Sd/-
(Adv. Vijay Jhalani)
GOVERNMENT NOMINEE

Sd/-
(CA. Mangesh P. Kinare)
MEMBER

Sd/-
(CA. Satish Kumar Gupta)
MEMBER

DATE: 30th January 2026

PLACE: New Delhi

Jyotika

CA. Jyotika
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