



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/G/253/2017/DD/237/2017/DC/1808/2023

In the matter of:

**Shri M.K. Sahoo,**  
**Additional Director,**  
Serious Fraud Investigation Office.  
Ministry of Corporate Affairs,  
Paryavaran Bhawan,  
CGO Complex, Lodhi Road,  
NEW DELHI -110003

.... Complainant

Versus

**CA. Pankaj Gupta (M. No. 093233),**  
M/s Bansal Gupta & Associates,  
Chartered Accountants,  
EG-6, Upper Ground Floor,  
Inderpuri,  
New Delhi- 110012

.... 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: 05<sup>th</sup> February 2026

DATE OF ORDER: 11<sup>th</sup> February 2026

1. That vide Findings dated 30<sup>th</sup> 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. Pankaj Gupta (M.



भारतीय सनदी लेखाकार संस्थान  
(संसदीय अधिनियम द्वारा स्थापित)

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA  
(Set up by an Act of Parliament)

**No. 093233**) (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 05<sup>th</sup> February 2026.

3. The Committee noted that on the date of hearing on 05<sup>th</sup> February 2026, the Respondent was present through Video Conferencing. During the hearing, the Respondent made verbal submissions and also referred to the written submission dated 03<sup>rd</sup> February 2026 on the Findings of the Committee. The Committee noted the verbal and written representation of the Respondent dated 03<sup>rd</sup> February 2026 on the Findings of the Committee, which, inter alia, are as under:

- An auditor's responsibility under Section 227(2) of the Companies Act, 1956 to express an opinion on the accounts of an auditee company that "it gives the information required by this Act in the manner so required" refers to the expression of an opinion on compliance with the requirements of Schedule VI, as laid down in Section 211(1) and (2) of the Companies Act, 1956. However, the provision in Section 211(1) regarding the presentation of the balance sheet, which states that it shall be "in the form set out in Part I of Schedule VI, or as near thereto as circumstances admit," leaves sufficient scope for the company management to deviate from the prescribed form.
- The matter so omitted were not very significant or crucial and caused any material misstatement, whether such omission would qualify as a case of noncompliance of Sec 211 of the Companies Act, 1956, despite that it is a noncompliance of Schedule VI was the legal question involved in this case.
- Both Financial Statements and Directors' Report were approved by the Board, there was no basis to assume either document was incorrect.



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

- There is no evidence to conclude that disclosures in the Directors' Report qualified as foreign exchange earnings for Financial Statements.
- The financial statements were duly approved and signed by directors, and the auditor, being an outsider, had no means to ensure signature by the Managing Director.

4. The Committee considered the reasoning as contained in Findings holding the Respondent 'Guilty' of Professional Misconduct vis-à-vis verbal and written 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 verbal and written representation of the Respondent on the Findings, the Committee is of the view with regard to first charge relating to non-disclosure of names of body corporates and valuation of investments that the Respondent being the statutory auditor of the Company failed to report / highlight non-compliance of Companies Act in his audit report(s) and he issued clean report on the Financial Statements of the Company for the year ended 31-03-2006 and 31-03-2007 and rather he reported in Paragraph 4(d) of his Audit Report for the FYs 2005-06 and 2006-07 that the Balance sheet and Profit & Loss Account of the respective years complied with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956. Despite clear statutory requirements under Section 211 and Schedule VI, the auditor did not ensure proper disclosure and presentation of items in the balance sheet. Such omissions indicate that he had not exercised reasonable care, and skepticism applied during the audit process. By certifying the financial statements without drawing attention to deviations in his audit report, the auditor did not strictly comply with the prescribed legal framework. Materiality does not override explicit statutory disclosure requirements. Further, with regard to second charge relating to non-disclosure of foreign exchange earnings in Notes to Accounts, the Committee noted that the absence of disclosure of foreign exchange earnings, as mandated under Part II of Schedule VI to the Companies Act, 1956, constitutes a non-compliance irrespective of the amount involved. Accordingly, the Respondent, while signing the audit report, failed to exercise

The Institute of Chartered Accountants of India  
Chartered Accountants  
Sector - 1, Connaught Place, New Delhi - 110028 (P.U.)  
ICAI Bhasan, C-1, Sector-1, Connaught Place, New Delhi - 110028 (P.U.)



# भारतीय सनदी लेखाकार संस्थान

(संसदीय अधिनियम द्वारा स्थापित)

**THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA**

(Set up by an Act of Parliament)

due diligence and professional skepticism, as required under the applicable statutory provisions and auditing standards.

6. In respect of third charge relating to non-signing of the financial statements by Managing Director for FY 2006-07, the Committee noted that the requirements of Section 215 of the Companies Act, 1956 have not been complied with. It is observed that the auditor, in the course of conducting the audit and issuing the audit report under Section 227 of the Companies Act, 1956, is required to ensure that the financial statements audited by him are duly approved and signed in accordance with the applicable requirements. The absence of Managing Director's signatures on the financial statements is a matter having a bearing on the validity of the financial statements and should have been appropriately considered and reported by the auditor. Hence, the Professional Misconduct on the part of the Respondent is clearly established as spelt out in the Committee's Findings dated 30<sup>th</sup> January 2026 which is to be read in consonance with the instant Order being passed in the case.

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

8. Thus, the Committee ordered that the Respondent i.e. CA. Pankaj Gupta (M. No. 093233), New Delhi be REPRIMANDED 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

*Anju Grover*

अंजू ग्रोवर / Anju Grover

सहायक सचिव / Assistant Secretary

अनुशासनमालक 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/G/253/2017/DD/237/2017/DC/1808/2023]**

**In the matter of:**

**Shri M.K. Sahoo,**  
Additional Director,  
Serious Fraud Investigation Office.  
Ministry of Corporate Affairs,  
Paryavaran Bhawan,  
CGO Complex, Lodhi Road,  
**NEW DELHI -110003**

**.....Complainant**

**Versus**

**CA. Pankaj Gupta (M. No. 093233),**  
M/s Bansal Gupta & Associates,  
Chartered Accountants,  
EG-6, Upper Ground Floor,  
Inderpuri,  
**New Delhi- 110012**

**.....Respondent**

**MEMBERS PRESENT:**

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

**DATE OF FINAL HEARING: 22<sup>nd</sup> December 2025**

**PARTIES PRESENT:**

**AR of the Complainant** : Shri. Anil Singh Tomar (Through VC)  
**Respondent** : CA. Pankaj Gupta (Through VC)  
**Counsel for the Respondent** : CA. C. V. Sajan (Through VC) *h*

1. **Background of the Case:**

1.1. The Ministry of Corporate Affairs, Government of India under Section 235 of the Companies Act, 1956 vide order dated 09.07.2012 directed the Complainant department (the Serious Fraud Investigation Office) to investigate into the affairs of **M/s Vaishnavi Corporate Communication Pvt. Ltd.** and its following 8 group Companies.

- (i) M/s Vaishnavi Corporate Communications Pvt. Ltd
- (ii) M/s Vaishnavi Advisory Services Pvt. Ltd.
- (iii) M/s Leisure Club India Pvt. Ltd.
- (iv) M/s Claro Consultancy Pvt. Ltd
- (v) M/s Magic Airlines Pvt. Ltd.
- (vi) M/s Maansi Agro Pvt. Ltd.
- (vii) M/s Crownmart International India Pvt. Ltd
- (viii) M/s Vitcom Consulting Private Ltd.
- (ix) M/s Neucom Consulting Pvt. Ltd.

1.2. In response, the Investigation Report dated 21-01-2014 was submitted by the Complainant Department to MCA vide letter dated 22-01-2014 and based on it, MCA vide its letter dated 06-02-2014 directed the Complainant department to file a complaint against the Respondent who was statutory auditor of M/s Vaishnavi Corporate Communication Pvt. Ltd. (hereinafter referred to as "Company") for the F.Y.2005-06 and 2006-07.

2. **Charges in brief:**

2.1 The Complainant has stated that the Balance Sheets of the Company for the year ended on 31.03.2006 and 31.03.2007 audited by the Respondent were not in compliance with the provisions of Section-211 r/w schedule-VI of Companies Act 1956 and the Accounting Standard laid down by the Institute of Chartered Accountants of India (ICAI) as the names of body corporates in which such investments were made had neither been disclosed in the Balance sheets nor in its Schedules' or in 'Notes to accounts' annexed therewith. Therefore, by such non-disclosure of details of investments in the Balance Sheets of the Company as on 31.03.2006 and 31.03.2007, the Company has been stated to have violated the provision of Section 211(1) of the

Companies Act, 1956 and the Respondent did not qualify his Audit Report for the same.

2.2 The Complainant has stated that in 'Note-K' of Notes to accounts annexed to Balance Sheet as on 31.03.2006 & 31.03.2007 though the expenditures on foreign exchange were declared as Rs.35,66,347 and Rs. 23,17,089 respectively however, income in foreign exchange was not declared in either of the Financials. Further, even the Directors' Report for the respective years viz. 2005-06 and 2006-2007 had given both the inflow & outflow of foreign exchange in the Company. Thus, the Company had violated the provision of section 211 (2) r/w Schedule-VI Part II of the Companies Act 1956, and the Respondent is alleged not to have qualified his audit report for such violation.

2.3 The Complainant has stated that the Balance Sheet of the Company for the year ended on 31-03-2007 were signed by two directors of the Company namely CA. Sanjiv Saddy and Ms. Karuna Menon and not by Ms. Nira Radia who acted as the Managing Director of the Company for the period 01-11-2001 to 09-06-2008 and thus it has been stated to be a violation of the provision of Section 215(1) of the Companies Act, 1956 which required that amongst two directors, the financials of the Company must be compulsorily signed by the Managing Director of the Company if there was any Managing Director posted as such.

3. **The relevant issues discussed in the Prima Facie Opinion dated 08<sup>th</sup> February 2023 formulated by the Director (Discipline) in the matter in brief :**

3.1. With respect to **charge as mentioned in para 2.1 above**, from the perusal of the information and documents on record, it was noted that the allegation was against the disclosure violation by the Company in respect of its investment in its Balance sheet for the year ended 31-03-2006 and 31-03-2007. In this regard, the provisions of Section 211 of the Companies Act 1956 and Schedule VI of Part I of the Companies Act 1956 were noted.

3.1.1 It was amply clear that the Company should disclose the nature as well as the mode of valuation of such investment in the financial statements as per the guidelines set out in Schedule VI of Part I of Companies Act 1956. In the instant case, on perusal of the

Balance Sheet for the year ended 31.03.2006 brought on record by the Complainant, it was noted that the Company had made an investment of Rs. 19.50 Lacs during the year 2005-06 and the amount was noted to be shown under the head 'Investment' subheading 'Reliance Communication Ventures Limited' in its 'Schedule E' however, without disclosing anything about the exact nature of investment whether in shares or debentures or in the bonds of the Company. Further, the mode of valuation of such investment had also not been disclosed by the Company either in its Balance Sheet or in its Notes to Accounts to such Balance sheet.

3.1.2 Further, in the Balance Sheet of the Company for the year ended 31-03-2007, it was noted that the Company had shown the investment of Rs.19.50 Lacs as discussed in preceding para under the head Investment sub- heading 'In shares' in 'Schedule E'. In this regard, it was noted that unlike the previous year ended 31-03-2006, this year though it was mentioned that the investment was made in share however, the name of the Company the shares pertained to was not mentioned. In addition, the Company during the year 2007-08 had further made another investment of Rs.1 Crore and the amount was disclosed under the head Investment as Mutual Funds without giving any details of such mutual fund. It was also noted that the total value of investment (Rs. 1.19 Cores) as discussed above not disclosed as per the requirement of Schedule – VI of the Companies Act, 1956 is material as comes out approximately 8% of the total amount of Balance Sheet. Thus, it was apparent that the Company had failed to disclose its material amount of investment in accordance with the requirement of Companies Act, 1956.

3.1.3 In this regard, on perusal of audit report of the Respondent on the financials of the Company of such periods ended on 31-03-2006 and 31-03-2007, it was noted that the Respondent had opined that the Balance sheet had given the information as required by the Companies Act, 1956 in below mentioned words:

*In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;" (Emphasis added)*

3.1.4 Thus, it was viewed that the Company did not meet the requirements of disclosure of Investment in its 'Schedule E' for the year ended 31-03-2006 and 31-03-2007 in accordance with part-I of Schedule VI of the Companies Act, 1956 and the Respondent being the statutory auditor of the Company also failed to report / highlight this non-compliance of Companies Act in his audit report and issued his clean report on the Financial Statements of the Company for the year ended 31-03-2006 and 31-03-2007 and rather reported in para 4(d) of his Audit Report for the FY 2005-06 and 2006-07 that the Balance sheets and Profit & Loss Accounts of the respective years complied with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.

3.1.5 Accordingly, the Respondent was held prima facie **GUILTY** of Professional Misconduct falling within the meaning of Clause (7) of Part I of Second Schedule to the Chartered Accountants Act, 1949.

3.2 With respect to **charge as mentioned in para 2.2 above**, from the perusal of the information and documents on record, it was noted that the following relevant extract of section 211 (2) of the Companies Act 1956 merit consideration here:

*"(2) Every profit and loss account of a company shall give a true and fair view of the profit or loss of the company for the Financial Year and shall, subject as aforesaid, comply with the requirements of Part II of Schedule VI, so far as they are applicable thereto"*

3.2.1 It was further noted the requirements of Schedule VI 4D of Part II of the Companies Act, 1956 merits consideration here:

*4D. The profit and loss account shall also contain by way of a note the following information, namely:—*

*(a)*

*value of imports calculated on C.I.F. basis by the company during the financial year in respect of: —*

*(i) raw materials.* *h*

(ii) components and spare parts.

(iii) capital goods.

(b) expenditure in foreign currency during the financial year on account of royalty, know-how, professional, consultation fees, interest, and other matters.

(c) value of all imported raw materials, spare parts and components consumed during the financial year and the value of all indigenous raw materials, spare parts and components similarly consumed and the percentage of each to the total consumption.

(d) the amount remitted during the year in foreign currencies on account of dividends, with a specific mention of the number of non-resident shareholders, the number of shares held by them on which the dividends were due and the year to which the dividends related.

(e) earnings in foreign exchange classified under the following heads, namely:—

(i) export of goods calculated on F.O.B. basis.

(ii) royalty, know-how, professional and consultation fees.

(iii) interest and dividend.

(iv) other income, indicating the nature thereof.]

3.2.2 From the above provision, it was amply clear that the Company's financials in compliance with Section 211 must be prepared in accordance with the requirements of Part II of Schedule VI (old) which clearly requires to mention foreign expenditures as well as foreign earnings. However, in the extant case, it was noted that 'Schedule K' of Notes to the Financial Statement as on 31.03.2006 and 31.03.2007 exhibited only the foreign expenditures amounting to Rs. 35,66,347/- and Rs. 23,17,089/- and there was no information/disclosure about the foreign exchange earnings. On the other hand, the Directors' report as on 31.03.2006 and 31.03.2007 had clearly shown both the foreign exchange income and expenditure in the following manner:

**As on 31.03.2006**

Foreign exchange earnings & Outgo:

Foreign exchange earnings Rs. 14,07,600

Foreign exchange outgo Rs. 35,66,347

**As on 31.03.2007**

Foreign exchange earnings & Outgo:

Foreign exchange earnings Rs. 34, 715

4

Foreign exchange outgo Rs. 2,317,089

3.2.3 Thus, it was apparent that the Company while preparing its Notes to Accounts attached to the financials for the year ended 31-03-2006 and 31-03-2007 had not complied with the provisions of Section 211 read with Part II of Schedule VI (old) to the Companies Act, 1956 and while the Respondent being the statutory auditor of the Company had not reported such violation in his respective periods' audit report for the year 2005-06 and 2006-07 rather he had reported in the following manner

*"1) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;*

*i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2006;*

*and*

*ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date.*

3.2.4 It was also noted that though, the amounts of foreign exchange earnings in both the years 2005-06 and 2006-07 are not material being less than 1% of the total income shown in the Profit and Loss Account of the respective years, however, in the light of the clear requirement of Companies Act, 1956 to disclose the foreign currency earnings in Notes to accounts of the Financials, it was viewed that the Respondent had been grossly negligent while giving his audit report in the manner so above on the Financials of the company for the year 2005-06 and 2006-07 and accordingly, he was held prima facie **GUILTY** of Professional Misconduct falling within the meaning of Clause (7) of Part I of Second Schedule to the Chartered Accountants Act, 1949.

3.3 With respect to **charge as mentioned in para 2.3 above**, on perusal it was noted that the financials of the Company for the F.Y.2006-07 were signed by two director of the Company namely Ms. Karuna Menon and Mr. Sanjiv Saddy inspite of the fact that Ms. S

Nira Radia was holding position of Managing Director in the Company during 2006-07 as evidenced from the minutes of the Board held on 09-06-2008 put forth by the Complainant on record wherein the resignation of Ms. Nira Radia was accepted by the Board of the Company on 08-06-2008.

3.3.1 In this regard the relevant provisions of Section 215(1)(ii) and 215(3) of Companies Act 1956 were noted. In the light of these provision, it was clear that the Financials of the Company for the year ended 31-03-2007 apart from any one director were required to be signed by Ms. Nira Radia, the Managing Director of the Company and the Respondent being the statutory auditor of the Company was required to check before giving his audit report thereon that whether the Financials were duly signed by the Board in accordance with the above mentioned provisions of Section 215(1) of then governing act i.e., the Companies Act, 1956. However, the Respondent had not pointed out the violation of such provision and had given his audit report thereon. Thus, it was viewed that he had not performed his duty diligently and accordingly, 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.

3.4 Accordingly, the Director (Discipline) in his Prima Facie Opinion dated 08<sup>th</sup> February 2023 opined that the Respondent is Prima Facie **GUILTY** of Professional Misconduct falling within the meaning of Clause (7) of Part I of 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-*

x                    x                    x                    x                    x                    x                    x

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

3.5 The Prima Facie Opinion formed by the Director (Discipline) was considered by the Disciplinary Committee in its meeting held on 17<sup>th</sup> July 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 <sup>w</sup>

Clause (7) of Part I of 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:**

4.1 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	16 <sup>th</sup> August, 2017
2.	Date of Written Statement filed by the Respondent	08 <sup>th</sup> July, 2020
3.	Date of Rejoinder filed by the Complainant	Received on 25 <sup>th</sup> May, 2021
4.	Date of Prima Facie Opinion formed by Director (Discipline)	08 <sup>th</sup> February, 2023
5.	Written Submissions filed by the Respondent after Prima Facie Opinion	17 <sup>th</sup> April, 2024 & 16 <sup>th</sup> December, 2025
6.	Written Submissions filed by the Complainant after Prima Facie Opinion	27 <sup>th</sup> September, 2024

5. **Further Written Submissions filed by the Respondent:**

The Respondent vide letter dated 17<sup>th</sup> April 2024 inter-alia, made the submissions which are given as under:-

- 5.1 The Respondent filed an application dated 7<sup>th</sup> November 2017 seeking dismissal of the complaint due to the extreme age of the matter and non-availability of audit working papers, and requested invocation of Rule 12 of CA (Procedure of Investigations etc.) Rules, 2007.
- 5.2 The Director (Discipline) placed the application before the Board of Discipline, which sought comments from the Complainant.

- 5.3 The reply of the Complainant did not provide any logical or legally valid response to the grounds raised by the Respondent and merely repeated earlier allegations unrelated to the Respondent's application.
- 5.4 Although the investigation of VCCPL was ordered on 9th July 2012, the Respondent had no knowledge of any proceedings relating to the audits of FY 2005-06 and 2006-07, and no evidence or statement of the Respondent was collected by SFIO due to non-service of notices.
- 5.5 The Respondent had no knowledge of the investigation, decision to file complaint, or filing of complaint with ICAI until receipt of ICAI notice dated 14th September 2017.
- 5.6 Consequently, there was no occasion for the Respondent to preserve audit working papers beyond normal retention periods, and attempts to trace the records were unsuccessful.
- 5.7 The complaint having been received nearly 10 years after completion of audit, the Respondent's inability to lead evidence due to absence of working papers constituted bona fide reasons, and initiation of investigation in 2012 did not justify rejection of the application.
- 5.8 The charge relates to alleged non-disclosure of investments and the Respondent's failure, as statutory auditor, to report the same in his audit report for FY 2005-06 and 2006-07, which was alleged to constitute professional misconduct under Item (7) of Part I of the Second Schedule.
- 5.9 The observations of the Director (Discipline) suffer from serious errors of judgment and do not constitute professional misconduct, as the alleged omissions do not amount to violations of Schedule VI – Part I of the Companies Act.
- 5.10 Section 211 of the Companies Act permits compliance with Schedule VI "as near thereto as circumstances admit" and requires application of general instructions "as far as may be", allowing flexibility for minor variations. W

R

- 5.11 Minor or innocuous omissions in disclosure, such as non-mentioning of investee name, nature of investment, or valuation method, does not amount to violations warranting penal consequences under Section 211.
- 5.12 The omissions in Schedule E – Investments for FY 2005-06 and 2006-07 were harmless, had no adverse impact, did not affect the true and fair view, and did not result in any material misstatement.
- 5.13 The company had complied with Accounting Standards, particularly AS-13, and valuation of investments at cost or market value whichever is lower was followed; omission of explicit disclosure in FY 2005-06 was trivial.
- 5.14 The conclusion in the PFO that Schedule VI requirements were not met was exaggerated, as the basic intent of Section 211 was fully complied with.
- 5.15 Since there was no serious violation of Section 211, the Respondent cannot be said to have failed in his duties under Section 227, and the audit report provided reasonable assurance, not absolute assurance, as clarified under AAS-1 and SA-200.
- 5.16 The alleged disclosure anomalies were trivial and within the scope of reasonable assurance, and therefore did not render the audit report deficient or incorrect.
- 5.17 The Respondent had examined all relevant facts relating to investments, including valuation, materiality, and accounting treatment, and appropriate noting was made in working papers, which later became untraceable due to the long delay in proceedings.
- 5.18 The omission of names of Mutual Funds was not a prescribed requirement under Schedule VI and therefore could not be treated as a disclosure violation or material misstatement.
- 5.19 Clause (7) of Part I of the Second Schedule equates lack of due diligence with gross negligence, which requires a much higher degree of fault than mere errors of judgment or innocent omissions. 3

P

- 5.20 Judicial precedents establish that misconduct requires ill-motive, and mere negligence, inefficiency, or errors of judgment do not constitute professional misconduct.
- 5.21 The Respondent acted reasonably, exercised due diligence, and the alleged omissions were trivial and innocuous; hence, Clause (7) of Part I of the Second Schedule is not attracted.
- 5.22 The Director (Discipline) alleged gross negligence on the ground that foreign exchange earnings were not disclosed, despite being less than 1% of total income, which observation was factually incorrect.
- 5.23 The disclosures made in Schedule K correctly reflected the factual position in compliance with Section 4D of Part II of Schedule VI of the Companies Act, 1956. Clause 4D(e) requires disclosure only of earnings in foreign exchange under specified categories such as exports, royalties, interest, dividends, or other income. VCCPL had no foreign exchange earnings in any of the prescribed categories during FY 2005-06 and 2006-07, as its operations were entirely in India.
- 5.24 The company incurred foreign currency expenditures (foreign travel, media, and overseas expenses), which were duly disclosed in the financial statements and Directors' Reports. Refunds of foreign VAT received during both years were recoveries against expenses, not income or earnings, and therefore were rightly not disclosed as foreign exchange earnings.
- 5.25 The financial statements were correctly prepared and audited, and there was no error or omission, contrary to the presumption of the Director (Discipline).
- 5.26 The disclosure in the Directors' Report resulted from an erroneous interpretation by a separate compliance team; the Respondent had no responsibility to audit the Directors' Report. Due to inordinate delay and non-availability of working papers, the Respondent could only provide oral explanations based on memory and had sought non-proceeding of the matter under Rule 12, which was arbitrarily not exercised.

by

- 5.27 The charge of nondisclosure of foreign exchange earnings was based on incomplete and unreliable information and the prima facie opinion under Clause (7) of Part I of the Second Schedule was flawed and bad in law.
- 5.28 Even assuming, arguendo, that foreign exchange earnings existed and were omitted, such non-material omissions would not amount to violation of Section 211, given the flexibility permitted under the statute. An auditor's report under Section 227 provides reasonable assurance, not absolute assurance, and minor, non-material omissions cannot constitute gross negligence. Treating every inconsequential omission as professional misconduct would negate the very concept of reasonable assurance and is a flawed and perverse interpretation. The allegation of nondisclosure of foreign exchange earnings is baseless, factually incorrect, and not borne out of records, and cannot sustain a charge of professional misconduct.
- 5.29 The observations in the PFO are perverse, bad in law, and not based on valid reasoning, as Section 227(1) of the Companies Act, 1956 does not cast responsibility on the auditor to ensure overall compliance by company management with all provisions of company law.
- 5.30 The auditor's responsibility to seek information and explanations is limited to matters falling under Sections 227(1A), 227(2), 227(3), 227(4), and 227(4A), and there is no requirement to report compliance with Section 215 of the Act. The presumption that an auditor is legally responsible to ensure that the balance sheet is signed by the Managing Director is baseless and incorrect, as penal provisions under Section 218 apply only to company officers and not to the auditor.
- 5.31 Imposing responsibilities on auditors not envisaged under law would make audit an onerous task and unfairly expose auditors to liability for management non-compliances.
- 5.32 All three charges against the Respondent were based on incorrect understanding of facts and law, were inconsequential, trivial, and not legally tenable under Clause (7) of Part I of the Second Schedule. The proceedings deserve to be quashed as they were initiated despite inordinate delay, rejection of the Respondent's application under 2

R

Rule 12 was erroneous, and the PFO failed to appreciate settled law on professional misconduct

Further, the Respondent vide letter dated 16<sup>th</sup> December 2025 inter-alia, made the submissions which are given as under: -

- 5.33 The first charge relating to non-reporting of non-disclosure of investment description and measurement in FY 2005-06, and non-disclosure of investee company names in FY 2006-07, did not amount to "not exercising due diligence" under Clause (7) of Part II of the Second Schedule, as the omissions were inconsequential, within permissible limits under Section 211 of the Companies Act read with Schedule VI, did not constitute material misstatement or non-disclosure of material fact, and did not compromise the basic objective of audit under SA 200 Paras 3 and 5.
- 5.34 The second charge regarding non-reporting of non-disclosure of foreign exchange earnings for FYs 2005-06 and 2006-07 was baseless since the company had no foreign exchange earnings falling within Part II 4(D) of Schedule VI; the amounts disclosed in the Directors' Report were foreign exchange receipts by way of reimbursements of overseas VAT or other expenses and not earnings, and further evidence could not be produced due to non-availability of audit working papers as proceedings were initiated after expiry of the retention period.
- 5.35 The third charge of not reporting non-compliance of Section 215 due to non-signing of financial statements by the Managing Director for FY 2006-07 was not valid, as there was no obligation under Section 227 of the Companies Act, 1956 for the auditor to report such non-compliance. Clause (7) was not applicable in view of the legal principles laid down by the Hon'ble Calcutta High Court in ICAI vs. Somnath Basu.
- 5.36 Reliance was placed on the decision of the Hon'ble Disciplinary Committee in DC Case No. 1787/23 (CA Pallav Pradyumn Narang), where similar non-disclosures under Schedule III / Section 129 of the Companies Act, 2013 were held to be innocuous and without mala fide intention, leading to absolution. 4/

- 5.37 The standard of proof for invoking professional misconduct under Clause (7) of Part II of the Second Schedule is "beyond reasonable doubt", as held in Shadilal Batra vs. ICAI.
- 5.38 The Respondent was unaware of any investigation or findings until the complaint was filed after about ten years from the audit, by which time audit working papers had been discarded due to expiry of the retention period, making verification of audit quality and substantiation of explanations impossible.
- 5.39 The SFIO report and Notification No. 11 therein were not invoked against the Respondent, as the findings were made without investigation against him, as acknowledged in the SFIO report itself.
- 5.40 Non-disclosure of additional information prescribed in Schedule VI did not amount to failure to present a true and fair view, as no material misstatement or material non-disclosure was established under SA 200, and professional misconduct is tested under Section 22 of the CA Act read with the Schedules and SAs, not merely on non-compliance with the Companies Act.
- 5.41 Deviations from Schedule VI were attributable to company management and did not constitute professional misconduct, as the auditor was not required to report minor omissions that were not reportable under SA 450 and SA 705, rendering the allegation of failure to issue a qualified report incorrect.
- 5.42 Audit quality and diligence cannot be questioned for omission of the word's "shares" and "at cost", as the nature and valuation of investments were otherwise clear from a combined reading of the financial statements of FY 2005-06 and 2006-07, and the omission was unintentional and innocuous.
- 5.43 Delay in filing the complaint leading to expiry of the seven-year retention period for working papers and consequent inability to explain audit issues constitutes a valid ground for discharge of the Respondent, especially in view of discretion under Rule 12 of the CA (Procedure of Investigation, etc.) Rules, 2007. E

R

- 5.44 Allegations that omissions were material were unsubstantiated and contrary to facts, since the balance sheets of both years together provided complete information as required under Schedule VI.
- 5.45 The contention that foreign exchange earnings shown in the Directors' Report were material was irrelevant, as the amounts were reimbursements and not qualifying foreign exchange earnings under Schedule VI Part II 4(D), and the issue could not be examined without audit working papers.

**Written Submissions filed by the Complainant:**

The Complainant vide letter dated 29<sup>th</sup> September 2024 inter-alia, made the submissions which are given as under: -

- 5.46 No substantial ground was raised by Pankaj Gupta to justify invocation of Rule 12, particularly in view of the irrefutable findings in the SFIO complaint and Investigation Report, and the plea of non-availability of records is termed an afterthought and a dilatory tactic.
- 5.47 Acceptance of the Respondent's interpretation would defeat the object of disciplinary proceedings, especially since there is no statutory time limit for filing complaints or destruction of records.
- 5.48 As a statutory auditor and member of ICAI, the Respondent was required to comply with auditing standards, guidelines, pronouncements, and ethical requirements of the Institute.
- 5.49 The issue of applicability of Rule 12 was duly considered by the Board of Discipline in its 129th meeting dated 04.11.2019, the application was rejected, the decision was communicated to the Respondent, and the alleged dilatory and misleading submissions made to obtain a favourable order are liable to be rejected.
- 5.50 The investigation of the Complainant found that the Company's Balance Sheets audited by the Respondent were not compliant with Section 211 read with Schedule VI of the Companies Act, 1956 and applicable accounting standards. 4/

- 5.51 Several misstatements, misclassifications, concealments, and non-disclosures were identified which were not qualified in the audit reports, despite statutory violations.
- 5.52 Investments made by the company were not disclosed in the balance sheets, schedules, or notes to accounts.
- 5.53 Foreign exchange expenditure was disclosed, but foreign exchange earnings were not disclosed in the financial statements, contrary to statutory requirements.
- 5.54 Respondent in his reply to PFO, while on one hand provides with an explanation for non-disclosure of foreign exchange earnings, on the other he pleads inability to recollect the exact details. explanation/justification for non-disclosure of Foreign Exchange earnings is nothing but an afterthought. The Respondent failed to qualify these omissions in his audit reports and issued clean audit reports. The Respondent did not disclose deviations from accounting standards or their impact on the company's results.
- 5.55 The plea of delay and non-availability of records is termed a dilatory tactic to evade liability.
- 5.56 On non-disclosure of investments, the Prima Facie Opinion is stated to be well-reasoned and justified.
- 5.57 On non-disclosure of foreign exchange earnings, the Respondent is held grossly negligent for failing to qualify the omission in his audit report.
- 5.58 The Respondent failed to ensure that the balance sheet was duly signed as required under Section 215 of the Companies Act, 1956. The Respondent was failed to discharge his professional duties towards the companies of which he was the statutory auditor.
- 5.59 The Respondent violated Sections 211 and 227 of the Companies Act, 1956 and failed to comply with applicable Standards on Auditing.

5.60 The Respondent failed to maintain professional standards and did not provide a true and fair view of the company's financial affairs.

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

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

S. No.	Date of meeting(s)	Status/remark
1	23 <sup>rd</sup> April, 2024	Part heard and adjourned
2	15 <sup>th</sup> December, 2025	Part heard and adjourned
3	22 <sup>nd</sup> December, 2025	Hearing concluded and decision taken.

6.2 On the day of first hearing held on 23<sup>rd</sup> April 2024, the Committee noted that the Respondent was present through Video conferencing mode. Thereafter, he made 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. Being first hearing of the case, the Respondent was put on Oath. Thereafter, the Committee enquired from the Respondent as to whether he was aware of the charges against him and then the charges as contained in prima facie opinion were read out. On the same, the Respondent replied that he is aware of the charges and pleaded 'Not Guilty' to the charges levelled against him. In view of Rule 18(9) of the Chartered Accountants (Procedure of Investigation of Professional and Other Misconduct and Conduct of Cases) Rules, 2007, the Committee adjourned the case to a later date. With this, the case was part heard and adjourned.

6.3 On the day of hearing held on 15<sup>th</sup> December 2025, the Committee noted that Respondent along with Counsel and authorized representative of Complainant were present through VC and appeared before it. Thereafter, the Committee noted that the case was part heard and the Respondent(s) were already on oath. The Committee enquired from Counsel for the Respondents that since the composition of the Committee had changed subsequent to the last hearing in this case, whether he wished to have a de-novo hearing or may continue from the stage it was last heard, by taking all submissions already on record. The Counsel submitted that the

4/

proceedings in the instant matter(s) be continued from the stage these were last heard. The Respondent's counsel stated that the charges included non-disclosure of investment details, discrepancies in foreign exchange earnings and expenditures, and non-compliance with Section 215 regarding the signature of the Managing Director on the balance sheet. The Respondent's Counsel argued that the omissions were minor and did not affect the true and fair view of the financial statements, and that the errors were not significant enough to constitute professional misconduct. The Counsel also highlighted the lack of working papers due to the time elapsed since the audit, making it difficult to provide detailed explanations. The Complainant's AR countered that the omissions violated mandatory disclosure requirements under Schedule VI and questioned the validity of the Respondent's explanations, emphasizing the importance of compliance with statutory obligations. The Committee noted the submissions of the parties. With this, the case was part heard and adjourned.

- 6.4 On the day of hearing held on 22<sup>nd</sup> December 2025, the Committee noted that authorized representative of the Complainant and Respondent along with Counsel was present through VC and appeared before it. The Counsel for the Respondent submitted that oral arguments had already been advanced and written submissions filed, addressing both the respondent's arguments and responses to the complainant's contentions. The Counsel for the Respondent emphasized that charges of professional misconduct must be clearly proved, akin to criminal proceedings, and cannot rest on suspicion, error of judgment, or relative assessments such as alleged lack of due diligence, especially in the absence of concrete evidence like working papers. The Counsel for the respondent further argued that, on specific charges, there was no clear evidence establishing fault on the part of the respondent, particularly where disclosures were based on information approved by management. It was reiterated that, in the absence of clear and cogent evidence, the respondent could not be held guilty of professional misconduct, and the proceedings deserved to be dropped. The authorised representative of the complainant, on the other hand, submitted that all submissions had already been made in the earlier hearing and submitted that the respondent should be held guilty of professional misconduct and deserved appropriate penalty. 2

f

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

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

- 7.1 The Committee noted that there are charges against the Respondent in which he has been held Prima Facie Guilty, and the same has been explained in para 2 above. The Committee further noted the written submissions of the parties as detailed in para 5, above.
- 7.2 In respect of Preliminary Objection relating to applicability of Rule 12 raised by the Respondent, it is clarified that in this regard said request of the Respondent received vide his letter dated 07-11-2017 was placed before the Board of Discipline (BOD) and in its 129<sup>th</sup> meeting held on 04-11-2019 and BOD decided not to entertain the application of the Respondent under Rule 12. The decision of the Board was duly intimated to the Respondent vide letter dated 18-05-2020. Hence, the objection of the Respondent of delay in filing the Complaint by the Complainant department being already dealt with by Board of Discipline, does not stand and hence, rejected by the Committee.
- 7.3 After dealing with preliminary objection of the Respondent as above, the Committee noted that there are three allegations against the Respondent in paras 2.1, 2.2 and 2.3 above.
- 7.4 In respect of **first charge** related to non-disclosure of names of body corporates in which investments were made and valuation of investments neither been disclosed in the Balance sheets nor in its Schedules' or in 'Notes to accounts 'annexed with Financial Statements, the Committee noted the submissions of the Respondent and perused the documents brought before it. The Committee noted that the Respondent stated that alleged omissions were trivial and did not affect the "true and fair view." The Committee further noted from Schedule 'E' given in F.Y. 2005-06 & 2006-07: -

✓

**VAISHNAVI CORPORATE COMMUNICATIONS PRIVATE LIMITED**  
**SCHEDULES FORMING PART OF BALANCE SHEET**  
**AS AT 31<sup>ST</sup> MARCH, 2006**

**SCHEDULE – 'E'**  
*(Amount in Rs.)*

<b>INVESTMENTS</b>	<b>As at 31.03.2006</b>	<b>As at 31.03.2005</b>
<b>Investment in Subsidiary Company (Unquoted)</b>		
Nil (Previous Year 6,36,230) Equity shares of Maansi Agro Private Limited of Rs. 10/- each fully paid up	–	63,62,300.00
Share Application Money (pending allotment)	–	37,68,736.00
Reliance Communication Ventures Limited	19,50,010.75	–
<b>TOTAL</b>	<b>19,50,010.75</b>	<b>1,01,31,036.00</b>

**VAISHNAVI CORPORATE COMMUNICATIONS PRIVATE LIMITED**  
**SCHEDULES FORMING PART OF BALANCE SHEET**  
**AS AT 31<sup>ST</sup> MARCH, 2007**

**SCHEDULE – 'E'**  
*(Amount in Rs.)*

<b>INVESTMENTS</b>	<b>As at 31.03.2006</b>	<b>As at 31.03.2005</b>
(stated at cost or market value whichever is lower)		
- In Mutual Funds	1,00,00,000.00	–
- In Shares	19,50,010.75	19,50,010.75
<b>TOTAL</b>	<b>1,19,50,010.75</b>	<b>19,50,010.75</b>

7.4.1 The Committee upon the perusal of the information and documents on record in this regard noted the provisions of Section 211 of the Companies Act 1956. The Committee observed that the provisions of Section 211 prescribed in the Companies Act, 1956 is mandatory provision which requires that the financial statements must be prepared in the Form set out in Schedule VI (or as near as possible). The Committee

noted the submissions of the Counsel for the Respondent that the law itself allows flexibility by using expressions such as "as far as possible" and requires only due regard to be given to the general instructions. Therefore, minor deviations from Schedule VI, by themselves, do not amount to a violation of Section 211. The Committee is of the view that Schedule VI lays down mandatory disclosure requirements intended to ensure uniformity, transparency, and a true and fair view of financial statements. Any deviation, even if perceived as minor, undermines statutory discipline and cannot be justified on the ground of flexibility. The Committee further observed that Section 211 obligates strict adherence to prescribed formats, and failure to disclose items as required by Schedule VI constitutes a clear violation, irrespective of whether the management subjectively believes that the true and fair view remains unaffected. Hence, the Committee is of the view that the compliance cannot be diluted by treating mandatory provisions as merely suggestive.

7.4.2 The Committee further noted that the relevant requirements relating to Investments given under Part I of Schedule VI to the Companies Act, 1956 is given as under:

**"INVESTMENTS:**

*Showing nature of investments and mode of valuation, for example, cost or market value and distinguishing between—*

*(1) Investments in Government or Trust Securities.*

*(2) Investments in shares, debentures or bonds (showing separately shares, fully paid-up and partly paid-up and also distinguishing the different classes of shares and showing also in similar details investments in shares, debentures or bonds of subsidiary companies."*

7.4.3 In view of above provisions, the Committee noted from the above mentioned requirements that it is apparent that the Company should disclose the nature as well as the mode of valuation of such investment in the financial statements as per the guidelines set out in Schedule VI of Part I of Companies Act 1956. These disclosures are necessary for the users of the financial statements so that they can get the information from the financial statements itself. Accordingly, the Committee viewed

by ✓

that the disclosure requirements as prescribed in the form given under Schedule VI to the Companies Act, 1956 is required to be followed.

- 7.4.4 The Committee on perusal of the Balance Sheet for the year ended 31.03.2006 noted that the nature of investment, i.e. whether in shares or debentures or in the bonds of the Company has not been disclosed for Reliance Communication Ventures Ltd. Further, the mode of valuation of such investment has also not been disclosed by the Company either in its Balance Sheet or in its Notes to Accounts to such Balance sheet.
- 7.4.5 Further, the Committee observed that in the Balance Sheet of the Company for the year ended 31.03.2007, the investment of Rs.19.50 Lacs has been disclosed under the sub- heading 'In shares' in 'Schedule E: Investment'. In this regard, it is noted that though it was mentioned that the investment was made in shares, however, the name of the company to which the shares pertained has not mentioned. Similarly, details of mutual funds of Rs. 1 Crore have not been provided. Thus, it is apparent that the Company has failed to comply the disclosure requirements given in Part I, Schedule VI to the Companies Act, 1956 in respect of Investments.
- 7.4.6 In view of facts and reasonings given above, the Committee is of the view that the Respondent being the statutory auditor of the Company failed to report / highlight this non-compliance of Companies Act in his audit report(s) and he issued clean report on the Financial Statements of the Company for the year ended 31-03-2006 and 31-03-2007 and rather he reported in Paragraph 4(d) of his Audit Report for the FYs 2005-06 and 2006-07 that the Balance sheet and Profit & Loss Account of the respective years complied with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act,1956.
- 7.4.7 Thus, on the basis of above, the Committee is of the opinion that despite clear statutory requirements under Section 211 and Schedule VI, the auditor did not ensure proper disclosure and presentation of items in the balance sheet. Such omissions indicates that he had not exercised reasonable care, and skepticism applied during the audit process. By certifying the financial statements without drawing attention to these deviations in his audit report, the auditor did not strictly comply with the prescribed legal framework. Accordingly, the Committee is of the view that the Respondent failed

R

to exercise due diligence expected from him in conduct of professional duties and 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.

7.5 In respect of **Second charge** regarding non- disclosure of foreign exchange earnings in the Notes to Accounts of the Company for the Financial Year 2005-06 and 2006-2007 while the same was reported in the Directors' Report for such respective periods, the Committee noted from the submissions of the Respondent that VAT refunds wrongly treated as "earnings in foreign exchange" and disclosure requirements of Schedule VI does not applied in this case, because there was no foreign exchange earnings. These were reimbursements for foreign exchange.

7.5.1 In view of submissions of the parties and documents on record, the Committee noted the following relevant extract of section 211 (2) of the Companies Act 1956 merit consideration here:

*"(2) Every profit and loss account of a company shall give a true and fair view of the profit or loss of the company for the Financial Year and shall, subject as aforesaid, comply with the requirements of Part II of Schedule VI, so far as they are applicable thereto"*

7.5.2 The Committee further noted the relevant extract of Schedule VI of Part II, Statement of Profit & Loss account:

*The profit and loss account shall also contain by way of a note the following information, namely :—*

*(a)....*

*(b)....*

*(c)....*

*(d)...*

*(e) earnings in foreign exchange classified under the following heads, namely :—*

*(i) export of goods calculated on F.O.B. basis;*

*(ii) royalty, know-how, professional and consultation fees;*

*(iii) interest and dividend;*

*(iv) other income, indicating the nature thereof.]*

R

7.5.3. In view of above provisions of Schedule VI, the Committee is of the view that it is evident that the Company's financials in compliance with Section 211 of the Companies Act, 1956 must be prepared in accordance with the requirements of Part II of Schedule VI which clearly requires to mention foreign expenditures as well as foreign earnings. The Committee noted from Director's Report given in financial statements for F.Y. 2005-06 and 2006-07 as follows:-

S. No.	Particulars	2005-06 (Amount in Rs.)	2006-07 (Amount in Rs.)
1.	Foreign exchange earnings	14,07,600/-	34,715/-
2.	Foreign exchange outgo	35,66,347/-	23,17,089/-

However, in Notes to Accounts given in F.Y. 2005-06 and 2006-07 it is noted that only the foreign expenditures amounting to Rs. 35,66,347/- and Rs. 23,17,089/- was disclosed and there was no disclosure about the foreign exchange earnings.

7.5.4 In view of above, the Committee noted that non- disclosure of foreign exchange earnings in consecutive years in which the Respondent was statutory auditor is not acceptable, and that similar non-compliance has been made in two consecutive years.

7.5.5 The Committee further noted that the amount of foreign exchange earnings is immaterial. The Committee is of the view that materiality does not override explicit statutory disclosure requirements. The absence of disclosure of foreign exchange earnings, as mandated under Part II of Schedule VI to the Companies Act, 1956, constitutes a non-compliance irrespective of the amount involved. Accordingly, the Committee is of the view that the Respondent, while signing the audit report, failed to exercise due diligence and professional skepticism, as required under the applicable statutory provisions and auditing standards.

7.5.6 On the basis of above reasoning, 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.

- 7.6 In respect of **Third charge** regarding financials of the Company for the year 2006-07 signed only by the Directors and not by the Managing Director as per requirements of Section 215 of the Companies Act 1956, the Committee noted from the submissions of the Respondent that ensuring directors' signatures is not the statutory duty of auditor. Further, Section 227 of Companies Act, 1956 provides the auditor's responsibilities and Section 215 imposes only on management. No reporting requirement exists under CARO as well as in the Companies Act for the extant matter.
- 7.6.1 After noting the submissions of the parties and on perusal of documents on records, the Committee noted that the financials of the Company for the F.Y.2006-07 were signed by two director of the Company namely Ms. Karuna Menon and Mr. Sanjiv Saddy inspite of the fact that Ms. Nira Radia was holding position of Managing Director in the Company during 2006-2007.
- 7.6.2 In this regard, the Committee referred the relevant provisions of Section 215(1)(ii) and 215(3) of Companies Act 1956, which are as under:
- "215. AUTHENTICATION OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (1) every balance sheet and every profit and loss account of a company shall be signed on behalf of the Board of directors - (i) in the case of a banking company, by the persons specified in clause (a) or clause (b), as the case may be, of subsection (2) of section 29 of the Banking Companies Act, 1949 (10 of 1949) ; (ii) in the case of any other company, by its manager or secretary if any, and by not less than two directors of the company one of whom shall be a managing director where there is one."*
- 7.6.3 In view of above mentioned requirements, the Committee noted that Managing Director of the Company is required to be signed by apart from any one director. However, in instant case, in F.Y. 2005-06, Ms. Nira Radia, MD, along with Ms. Karuna Manon, Director, had signed the financials but in the F.Y. 2006-07, two directors namely, Ms. Karuna Manon and Mr. Sanjiv Saddy had signed the financial statements inspite of Mr. Nira Radia was holding position of MD during F.Y. 2006-07 also. Therefore, the Committee is of the opinion that the requirements of Section 215 of the Companies Act, 1956 have not been complied for FY 2006-07 only. The Committee considered the submissions of the Respondent that ensuring affixation of directors'

signatures on the financial statements is not part of the statutory duties of the auditor and that such responsibility rests solely with the management under Section 215 of the Companies Act, 1956. While the Committee noted that the primary responsibility of signing the financial statements lies with the management, it observed that the auditor, in the course of conducting the audit and issuing the audit report under Section 227 of the Companies Act, 1956, is required to ensure that the financial statements audited by him are duly approved and signed in accordance with the applicable requirements. The absence of directors' signatures on the financial statements is a matter having a bearing on the validity of the financial statements and should have been appropriately considered and reported by the auditor. The Committee viewed the fact that no specific reporting requirement exists under CARO for the extant matter does not absolve the auditor from exercising due diligence and professional skepticism while certifying the audit report.

7.6.4 On the basis of above, the Committee is of the view that the Respondent failed to exercise due diligence expected from him in conduct of professional duties and held the Respondent **GUILTY** of Professional Misconduct falling within the meaning of Clause (7) of Part-I of the Second Schedule to the Chartered Accountants Act, 1949.

7.6.5 In view of the above findings, the Committee held the Respondent **GUILTY** of Professional Misconduct" falling within the meaning of Clause (7) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.

**8 Conclusion:**

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

Charges (as per PFO)	Findings	Decision of the Committee
Para 2.1 as given above	Paras 7.4 to 7.4.7 as given above	<b>GUILTY</b> - Clause (7) of Part I of the of Second Schedule

Para 2.2 as given above	Paras 7.5 to 7.5.6 as given above	<b>GUILTY</b> - Clause (7) of Part I of the of Second Schedule
Para 2.3 as given above	Paras 7.6 to 7.6.4 as given above	<b>GUILTY</b> – 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/-**  
**(ADV. VIJAY JHALANI)**  
**GOVERNMENT NOMINEE**

**Sd/-**  
**(CA. MANGESH P KINARE)**  
**MEMBER**

**Sd/-**  
**(CA. SATISH KUMAR GUPTA)**  
**MEMBER**

**DATE: 30<sup>th</sup> January 2026**

**PLACE: New Delhi**

सत्यापित होने के लिए प्रमाणित / Certified to be True Copy

  
गीता अनिरुद्ध कुमार / Goetha Anirudha Kumar  
कार्यकारी अधिकारी / Executive Officer  
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.)