

CONFIDENTIAL

DISCIPLINARY COMMITTEE [BENCH – IV (2025-26)]
[Constituted under Section 21B of the Chartered Accountants Act, 1949]

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

Ref. No.: PR/321/18-DD/347/2018/ DC/1569/2022

In the matter of:

Assistant General Manager

UCO BANK,
Zonal Office,
No. 5, Parliament Street,
NEW DELHI-110 001

.....Complainant

Versus

CA. Balraj Kalia FCA, (M.No.17714).
M/s. Balraj Kalia & Co. (FRM 002402N)
C-2/400, Janakpuri,
NEW DELHI

.....Respondent

MEMBERS PRESENT:

CA. Prasanna Kumar D, Presiding Officer (In Person)
Ms. Dakshita Das, IRAS (Retd.), Government Nominee (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 : 07th November 2025

PARTIES PRESENT:

Authorized Representative of Complainant: Mr. Manoj Kumar (Through VC)
Respondent: CA. Balraj Kalia (Through VC)

1. **BACKGROUND OF THE CASE:**

1.1 The Respondent/Respondent firm was the Statutory Auditor of M/s. Shree Shyam Pulp and Board Mills Ltd. (hereinafter referred as the Company) for financial years 2012-13 and 2013-14 and audited the financial statements for said years.

2. **CHARGES IN BRIEF:**

2.1 The Complainant noted through findings/ observation of Forensic Audit Report, Lender's Independent Engineer's Report and Stock Audit Report that the Company has diverted funds both under fixed assets and current assets and most of trade receivables are fake and fictitious. But the Respondent has concealed the above vital facts in his audit reports for the financial years 2012-13 and 2013-14 and thus has misrepresented the financial position of the Company while auditing the accounts and various financial statements.

3. **The relevant issues discussed in the Prima Facie Opinion dated 8th November 2021 formulated by the Director (Discipline) in the matter in brief, are given below:-**

3.1. Based on the forensic audit report, the Lender's Independent Engineer's Report, and the Stock Audit Report, it was noted that the Company had diverted funds under both fixed assets and current assets and that most of the trade receivables were fake and fictitious. However, the Respondent had concealed the above vital facts in his audit reports for the financial years 2012-13 and 2013-14 and thus had misrepresented the financial position of the Company while auditing the accounts and various financial statements. It was noted that the forensic auditor had reported possible fund diversion from term loan disbursements to the tune of Rs. 252.30 crores during the financial years 2010-11, 2011-12, and 2012-13, and therefore, the observations made in the forensic report were limited to FY 2012-13, which was audited and signed by the Respondent on 15/06/2013. It was further noted that the Respondent, in his written submissions, had claimed that the Company had revised the accounts and had filed the same on 13.12.2014; however, it was not within the knowledge of the Respondent as to which accounts were furnished by the Company to UCO Bank. In view of the above statement

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92

of the Respondent, it was apparent that there were two sets of financial statements for FY 2012–13. The Respondent had given a clean report for the financial year 2012–13, and there were no major observations or remarks, as pointed out in the forensic report, regarding the assets and trade receivables of the Company.

3.2 Upon perusal of the forensic report, it was also noted that the forensic auditor had called for confirmation from various parties regarding their respective outstanding balances with the Company; however, upon perusal of their responses, it was noted that various parties, vide mail/letter, had denied having any knowledge of the subject Company. In view of the statement of the Respondent, it was evident that fraud had been perpetrated by the Management of the Company to the extent that manipulated accounts and forged bills were furnished, and fraudulent transactions were accounted for, which could have been detected by the Respondent to some extent had due audit procedures been diligently performed by him. Moreover, the Company had revised the financial statements, as acknowledged by the Respondent himself; however, the Respondent had failed to disclose the reasons for revising the audited financial statements at a later stage, and no clarity was offered as to whether the original audited financial statements were withdrawn or not. It was evident that the Respondent failed to disclose material facts known to him, and he failed to report material misstatements known to him in the financial statements audited by him. Further, he failed to exercise due diligence in the conduct of his professional duties for FY 2012–13.

3.3. Accordingly, the Director (Discipline) in his Prima Facie Opinion dated 8th November 2021, held the Respondent Prima Facie **Guilty** of Professional Misconduct falling within the meaning of Clauses (5), (6), (7), (8) and (9) of Part I of Second Schedule to the Chartered Accountants Act, 1949 to the Chartered Accountants Act, 1949. The said Clauses of the Schedule to the Act, state as under:

Clause (5), (6), (7), (8) and (9) of Part I of Second Schedule states as under:

A Chartered accountant in practice shall be deemed to be guilty of professional misconduct if he—



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

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

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

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

(9) fails to invite attention to any material departure from the generally accepted procedure of audit applicable to the circumstances"

3.4 The Prima Facie Opinion formed by the Director (Discipline) was considered by the Disciplinary Committee in its meeting held on 25th April 2022. 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 (5), (6), (7), (8) and (9) 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	13 th November 2018
2.	Date of Written Statement filed by the Respondent	31 st January 2019
3.	Date of Rejoinder filed by the Complainant	14 th May 2019
4.	Date of Prima Facie Opinion Formed by Director (Discipline)	8 th November 2021
5.	Written Submissions by the Respondent after Prima Facie Opinion	4 th August 2022, 26 th August 2025 and 1 st November 2025
6.	Documents filed by the Complainant after PFO	22 nd September 2025

5. WRITTEN SUBMISSIONS FILED BY THE RESPONDENT:

5.1 The Respondent vide email dated 04th August 2022, 26th August 2025 and 1st November 2025 inter-alia, made the submissions which are given as under:-

- The accounts for FY 2012-13 were finalized on 15.06.2013. Later due to natural calamity in end June, 2013 Company's Plant and Equipment and Raw Materials and Finished Goods had got destroyed. The damage, as per the duly signed statement by the Directors, was to the tune of Rs. 66,89,69,704. After salvage realization of Rs. 8,96,00,558 the net loss was to the tune of Rs. 57,93,69,146. This damage and erosion of the assets of the Company had to be accounted for in the revised accounts of FY 2012-13.
- Govt. of Uttarakhand Notification dated 25 July 2013 declaring entire Uttarakhand state as natural calamity affected.
- Govt. of India, Ministry of Finance letter dated 01st August 2013 instructing Banks to announce moratorium on repayment of loan and interest for a period of one year in respect of all kinds of loans outstanding in Uttarakhand.
- Govt. of India, Ministry of Finance letter dated 01st August 2013 to Indian Banks Association instructing Banks to announce moratorium on repayment of loan and interest for a period of one year in respect of all kinds of loans outstanding in Uttarakhand.

- v. The Revised accounts were as a result of the erosion in the assets of the Company. There was no malafide action, or manipulation in the revised accounts or fraud as apprehended in the complaint.
- vi. Audit procedures included verifying receipt of loans into company accounts and performing test checks of records for fund application, including invoices and supporting documents.
- vii. The audit was conducted professionally with skepticism maintained throughout, with no negligence or deliberate misrepresentation.
- viii. The Respondent prayed for lenient view in the matter.

6. The Complainant vide email dated 22nd September 2025 provided details of loan.

7. **BRIEF FACTS OF THE PROCEEDINGS:**

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

S. No.	Date of meeting(s)	Status of Hearing
1.	22 nd May 2023	Part Heard & Adjourned
2.	01 st September 2025	Part Heard & Adjourned
3.	23 rd September 2025	Part Heard & Adjourned
4.	07 th November 2025	Hearing concluded and decision taken

7.1. During the hearing held on 22nd May 2023, the Committee noted that the Respondent was present before it through video conferencing mode. Thereafter, the Respondent gave 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 CA. Ashok Jain representing the Complainant bank was present in the meeting venue, however, his authorization was awaited from Complainant bank. The Committee was of the view that without authorization, he should not be allowed to participate in the hearing. Being first hearing of the case, the Respondent was put on oath. Thereafter, the Committee enquired from



the Respondent as to whether he was aware of the charges and charges against the Respondent were read out. On the same the Respondent replied that he is aware of the charges and pleaded Not Guilty to the charges levelled against him. In view of Rule 18 (9) of the Chartered Accountants (Procedure of Investigation of Professional and Other Misconduct and Conduct of Cases) Rules, 2007, the Committee adjourned the case to later date. With this, the case was part heard and adjourned.

7.2 During the hearing held on 01st September 2025, the Committee noted that Mr. Manoj Kumar (AR of Complainant) and the Respondent was present through VC and appeared before it. The Committee noted that the Respondent submitted that his written statement dated 26.08.2022 be treated as his complete and final response. The Authorized Representative of the Complainant had sought time for preparation and presentation of the case and accordingly, the Committee acceded to the request and adjourned the case to future date. Thereafter, the Committee directed the Complainant to provide the details of sanction and disbursement of working capital and term loans, including sanction dates, disbursement dates, enhancements, year-wise utilization, purpose of release and details of funds utilisation, and whether they achieved the intended objectives, in relation the allegations of diversion of funds noted in the forensic audit report (Rs.125.06 crores – working capital, Rs.252.30 crores – term loan, Rs.13.58 crores – miscellaneous). With this, the case was part heard and adjourned.

7.3 During the hearing held on 23rd September 2025, the Committee noted that the Committee noted that AR of Complainant and Respondent was present through VC and appeared before it. The Committee noted that the Complainant vide email dated 22.09.2025 has provided some inputs and emphasized the need for detailed disbursement data of Rs. 23.10 crores released by UCO Bank in 2012-13, including party-wise breakdown and identification of suspicious transactions, to assess the auditor's conduct. The AR of complainant committed to providing the required details, citing reliance on forensic audit reports and internal records. The AR of Complainant requested for one month time for preparation of details. Acceding to the request of the Complainant, the Committee adjourned the subject case to a future date.

7.4 During the hearing held on 7th November 2025, the Committee noted that authorized representative of Complainant and Respondent was present through VC and appeared before it. The Complainant's authorised representative submitted a statement giving dates of sanction, sanctioned amounts, and disbursement dates; however, the Committee required a more detailed statement. The Complainant submitted that the complaint is based on findings of a forensic audit report, which records large-scale fund diversion through multiple transactions and consortium accounts, rendering manual tracing difficult, and indicating diversion of funds to bogus vendors aggregating approximately Rs. 252 crores during FY 2010–11 to 2012–13. He submitted that re-examination may be required to cull out and prepare the details, due to the complexity of transactions. The Respondent reiterated his earlier submissions stating that the audit for FY 2012–13 was completed on 15th June 2013 and, based on the evidence and test checks then available, no fund manipulation or bogus invoices were observed.

7.5. Based on the documents/material and information available on record and the oral and written submissions made by the parties, the Committee concluded the hearing in subject case and decided on the conduct of the Respondent.

8. Findings of the Committee

8.1 The Committee noted that the charge against the Respondent was that the Company has diverted funds both under fixed assets and current assets and most of trade receivables are fake and fictitious which was came to notice through findings/observation of Forensic Audit Report, Lender's Independent Engineer's Report and Stock Audit Report. But the Respondent has concealed the above vital facts in his audit reports for the financial years 2012-13 and 2013-14 and thus has misrepresented the financial position of the Company while auditing the accounts and various financial statements.

8.2 The Committee noted that the allegation pertains to financial year 2012-13 & 2013-14. However, the forensic audit report was limited to financial year 2012-13 only. It is also noted that the Respondent has certified financial statement for financial years 2013-14

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on 02.09.2014, which were signed after the finalisation and signing of the forensic audit report meaning thereby that the audited financial statements of the Company for FY 2013-14 by the Respondent were not the basis for conducting the forensic audit and more pertinently the Respondent in his Audit Report for the FY 2013-14 had issued disclaimer of opinion for said financial year while reporting many observations which were pointed out in stock audit report of M/s. Maneesh Rajendra & Associates, Chartered Accountants. The same is reproduced as under:

“ 20. Disclaimer from Statutory Auditor - Considering the Forensic Audit Report conducted by M/s Anil Shalini & Associates, Chartered Accountants and the stock Audit Report by M/s Maneesh Rajendra & Associates, Chartered Accountants and representations made by the company in this regard either before the Banks we are unable to form our opinion whether the Statement of profit and Loss showing the losses and the Balance Sheet representing the Assets & Liabilities of the Company as on date are correct.”

Thus, on the basis of above, a view has been formed that the allegations raised in the extant matter are not maintainable against the Respondent in respect of audited financial statements of the Company pertaining to FY 2013-14 as the Respondent has disclaimed the Financial Statements of the Company for the said year.

8.3 The Committee noted that the Respondent in his written submissions has claimed that the Company has revised the accounts and filed the same on 13.12.2014, but it is not in the knowledge of the Respondent that which accounts were furnished by the Company to UCO Bank. In view of above statement of the Respondent, it is apparent that there are two sets of financial statements for FY 2012-13 i.e. one dated 15.06.2013 and another is revised by the Company as claimed by the Respondent. He further submitted that the other set of revised accounts was adopted by a Board Resolution dated 02.09.2014 and the fact of the matter is that due to natural calamity in end June, 2013, the Company's Plant and Equipment and Raw Materials and Finished Goods had got destroyed. The damage was to the tune of Rs. 66,89,69,704/-; and after salvage realization of Rs. 8,96,00,558/-, the net loss was to the tune of Rs. 57,93,69,146/-. This damage and erosion of the assets of the Company had to be



accounted for in the revised accounts of FY 2012-13. The Committee in this regard noted that the Government of Uttarakhand, vide notification dated 25 July 2013, declared the entire state as "natural calamity affected," confirming the magnitude and authenticity of the event. These events necessitated a revision of accounts of FY 2012-13.

- 8.4 The Committee noted that the Respondent during his audit verified receipts of funds from the bank and their application as recorded by management. His audit procedures included verifying receipt of loans into company accounts and performing test checks of records for fund application, including invoices and supporting documents. It is noted that these procedures are consistent with the Standards on Auditing applicable to statutory audits and reflect reasonable care and diligence expected from an auditor.
- 8.5 The Committee noted that the Complainant vide email dated 22.09.2025 has provided some partial inputs and submitted that during the financial year 2012-13, Rs. 23.10 crores have been released by UCO bank. The Committee further noted that Complainant relied on the findings of a forensic audit report conducted by the lead bank in the consortium. However, the Complainant admitted during the hearings that the forensic audit report spans multiple financial years and does not specifically isolate the transactions related to the financial year 2012-13. Furthermore, the Complainant acknowledged the difficulty in segregating and identifying specific transactions related to the alleged fund diversion and fake trade receivables due to the complexity and volume of transactions in the consortium account. The Committee thus noted that the Complainant was unable to provide the bifurcation of Rs. 23.10 crores so as to include party-wise breakdown and identification of suspicious transactions, to assess the auditor's conduct.
- 8.6 The Committee noted that the Respondent submitted that his audit for the financial year 2012-13 was conducted diligently and in accordance with professional standards. He emphasized that his audit was completed on 15th June 2013, prior to the discovery of any alleged fund diversions or fake trade receivables. The Respondent further stated that his audit was based on the evidence available at the time and that he had issued a

disclaimer of opinion for the financial year 2013-14 upon becoming aware of potential misstatements. The Committee noted that the Respondent also highlighted that the forensic audit report, which forms the basis of the complaint, was conducted after the completion of his audit and does not provide conclusive evidence of his professional misconduct during the relevant financial year.

8.7 The Committee further noted that the allegations against the Respondent are primarily based on subsequent forensic findings, none of which were reasonably discoverable at the time when the statutory audits for FY 2012-13 was conducted. The natural calamity that struck Uttarakhand in June 2013, duly recognised by the Government, resulted in substantial destruction of the Company's assets, necessitating revision of accounts—an action undertaken in good faith and strictly in accordance with accounting principles. The Respondent's audit procedures, including verification of loan receipts, examination of supporting documents, test checks, and reliance on management representations as permitted under SA 580, were fully aligned with the Standards on Auditing and the professional norms applicable to a statutory auditor. No inconsistencies or indicators of falsification were present to warrant deeper forensic investigation, nor is a statutory audit expected to uncover sophisticated fraud in the absence of such triggers. There is likewise no evidence of malafide intent, collusion or wilful omission on the part of the Respondent. On the contrary, he has been a victim of the management's concealment and had no conceivable incentive or involvement in any alleged irregularity.

8.8 The Committee examined the forensic audit report, the submissions made by both parties, and the evidence presented during the hearings. The Committee noted that it is evident that the forensic audit report does not provide specific details or conclusive evidence of the Respondent's involvement in or failure to detect the alleged fund diversions and fake trade receivables during the financial year 2012-13. The Committee noted that the Respondent's issuance of a disclaimer of opinion for the financial year 2013-14 demonstrates his professional skepticism, due diligence and adherence to auditing standards.

8.9 Based on the foregoing analysis, the Committee finds that the allegations of professional misconduct against the Respondent are not substantiated by conclusive evidence. The forensic audit report and the submissions made by the Complainant fail to establish any specific act of negligence or misconduct on the part of the Respondent during the statutory audit for the financial year 2012-13. In view of the above, the Committee holds that the Respondent failed to disclose a material fact, failed to exercise due diligence and also failed to obtain sufficient and appropriate audit evidence

8.10 Therefore, it is evident that the Respondent exercised reasonable care and diligence expected of a Chartered Accountant in statutory audit engagements. Accordingly, the Committee held the Respondent **NOT GUILTY** of Professional Misconduct falling within the meaning of Clause (5), (6), (7), (8) and (9) of Part I of Second Schedule to the Chartered Accountants Act, 1949.

9. CONCLUSION

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

CHARGES (AS PER PFO)	FINDINGS	DECISION OF THE COMMITTEE
Para 2.1 as above	Para 7.1 to Para 7.10 as above	Not Guilty- As per Clause (5), (6), (7), (8) and (9) of Part I of Second Schedule

10. In view of the above observations, considering the oral and written submissions and material on record, the Committee held the Respondent **NOT GUILTY** of Professional Misconduct falling within the meaning of Clause (5), (6), (7), (8) and (9) of Part I of Second Schedule to the Chartered Accountants Act, 1949.



11. **ORDER**

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

Sd/-
[CA. PRASANNA KUMAR D]
PRESIDING OFFICER

Sd/-
[SMT. DAKSHITA DAS]
(GOVT. NOMINEE)

Sd/-
[ADV. VIJAY JHALANI]
(GOVT. NOMINEE)

Sd/-
[CA. MANGESH P. KINARE]
MEMBER

Sd/-
[CA. SATISH KUMAR GUPTA]
MEMBER

DATE: 23rd January 2026

PLACE: Noida

सत्यापित ढोने के लिए प्रमाणित/Certified to be True Copy

गीता अनिलदत्त कुमार/Geetha Aniladutt Kumar
कार्यकारी अधिकारी/Executive Officer
अनुसासनात्मक नियोजनात्मक/Disciplinary Directorate
भारतीय सनदी संसाकार संस्थान
The Institute of Chartered Accountants of India
आई.सी.ए.आई. भवन, सी-१, सेक्टर-१, नोएडा-२०१३०१ (उ.प.)
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