

CONFIDENTIAL

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

[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.

File No:- [PR/55/2023-DD/229/2023/DC/1916/2024]

In the matter of:

**Shri Anil Sharma,
Flat No. 1105, Udaigiri Tower,
Kaushambi,
Ghaziabad 201 010**

.....Complainant

Versus

**CA. Vivek Kant Gupta (M. No. 091926)
Partner, M/s VSH & Associates,
Chartered Accountants
A-38 Bathla Apartments,
43 I P Extension,
Delhi 110092**

.....Respondent

MEMBERS PRESENT:

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

DATE OF FINAL HEARING : 20th November 2025

PARTIES PRESENT:

Complainant: : Shri Anil Sharma (Through VC)

Counsel for the Respondent: Advocate S.S. Sharma (In person)

1. **Background of the Case:**

- 1.1 The Respondent had conducted the audit of M/s Udaigiri Residents Welfare Association (URWA) (hereinafter, referred to as "**Society**") for the Financial Year 2015-16.

2. **Charges in brief:**

- 2.1. A figure of Rs. 4,46,250/- under the head 'Development expenses' in the Receipt and Payments Account of the Society for the FY 2015-16 was audited by the Respondent without any documents/vouchers.

3. **The relevant issues discussed in the Prima facie opinion dated 05th March 2024 formulated by the Director (Discipline) in the matter in brief, are given below:**

- 3.1. With regard to allegation of booking of Development Expense of Rs.4,46,250/- in the audited Financial Statements of the Society for FY 2015-16 without any supporting vouchers/bills, on perusal of its audited 'Receipt and Payment Account' for the year ended 31-03-2016, it was noted that Rs.4,46,250 were shown on the payment side under the head 'Development expenses'. Further, a total Development expenses amounting to Rs. 4,77,873 were noted booked under the head 'Development Expense' in 'Statement of Members' Contribution and its Utilization'. This 'Development expense' was further noted to be a material portion of the total expenses being 17.17% of Rs. 25,98,762 as reflected under 'Statement of Member's Contribution and its Utilization' for the year ended 31.03.2016'.
- 3.2. On perusal of record copy of ledger account of 'Direct Expenses' for the period 01-04-2015 to 31-03-2016, it was noted that during the year, following five entries were made in such account.

Entries shown in 'Direct Expense' Ledger from 01.04.2015 to 31.03.2016 is as follows:

Date	Particular	Mode of Payment	Amount Paid
15-05-2015	Paid to Sanjay Supervisor for maintenance	Bank	7,000
01-06-2015	Paid to Omprakash Contractor for building maintenance	Bank	10,000
21-08-2015	Paid for electrical work	Bank	10,000
07-10-2015	Paid to Bijender for building maintenance	Bank	4,623
31-03-2016	FOR LOT OF WORK DONE BY SOCIETY LIKE MOTOR ROOM, BASEMENT WORK, DEVELOPMENT OF GROUND FLOOR, DEVELOPMENT OF LAWN, PARKING WORK AND ELECTRICITY WORK ETC.	CASH	4,46,250

- 3.3. From the above- mentioned ledger account, it was observed that the major cash expenses of Rs.4,46,250/- were booked through a single entry made on 31-03-2016. It was further noted that in respect of the said entry the Respondent though had stated that the said entry was total of several entries recorded in cash register which were duly audited and vouched however, failed to bring on record any detailed bifurcation, copy of bills/ vouchers/ invoices/ registers.
- 3.4. It was further noted that the Complainant in support of such alleged Development Expense entry had also brought on record the following documents which raised concern about the authenticity of the alleged entry of Rs.4,46,250/- in the books of accounts of the Society.
- 3.5. The Complainant had brought on record copy of the Minutes of Annual General Meeting of the Society held on 09th April, 2017 wherein the accounts of F.Y. 2015-16 were adopted, and on perusal it was noted that the then Treasurer of the Society had raised concern about the genuineness of the aforesaid expenses. The relevant extracts of the same were reproduced as under:-

"The treasurer also call attention of the house to 'Development Expenses' amounted to Rs. 4,46,250 debited to Income and Expenditure Account for the year 2015-16 by previous Executive Committee. This expenses was debited by way of a single cash payment entry as on March 31, 2016. No other detail, bill and / or supporting voucher for this large amount of single expenditure is available in record of the society. It was decided to make request to Past

President Mr. Rohit Sarin to furnish the details of this 'Development Expenses' amounted to Rs. 4,46,250 for the approval of the house."

- 3.6. Further, the Complainant had also brought on record copy of letter dated 20th December, 2020 of few Residents of the Society addressed to its Secretary stating therein the points of discussion in their ensuing General Body Meeting (GBM) and amongst others a point of discussion stated under para – 4 (reproduced below) appears on the same issue as that of the development expense of Rs.4,46,250/- in question.

'Understand that some expenses were booked on March 31,2016 to the tune of approx. 4 to 5 lacs. Request pl. share the details along with the supporting.'

- 3.7. It was further noted that the Complainant in the same matter of alleged development expenses Rs. 4,46,250 had also filed a Complaint dated 03rd January, 2023 before the Police Commissioner, Ghaziabad with the subject 'Siphoning of Funds by the Managing Committee Members of the Society'. On perusal, it was noted that the allegation of siphoning of funds in the form of such single cash entry of Rs.4,46,250 from the Society was made against the Managing Committee Members of the Society along with its auditor i.e. the Respondent who is alleged in such complaint too audited the alleged Development expense of Rs.4,46,250 without any voucher/supporting document. Further, in response to aforesaid Complaint a summon notice dated 17-02-2023 was also issued by the Assistant Police Commissioner to the then Managing Committee Members of the Society on to be present before Police Commissioner.

- 3.8. The Complainant has also brought on record a Charge sheet dated 27th April, 2023 wherein the then Managing Committee Members were made accused under Sections 420/467//468/471/384/409/120B of IPC. Subsequently, the said Charge Sheet was also noted to have been submitted to the Court on 24-04-2023 and further an application dated 20-06-2023 was also submitted to the Court of C. J. M Ghaziabad wherein amongst others the issue of siphoning of funds by the then Managing Committee Members through single cash entry of Rs.4,46,250/- on 31-03-2016 was again stated. 47

3.9. From the above facts on record where the Respondent in respect of such alleged expense entry of Rs.4,46,250 which was noted as a material expense of the Society for the year 2015-16, had failed to provide any detail of voucher or supporting document, and further the fact that the entire expense made in cash was accounted for in the books of account on a single day and that too on the last day of the accounting year 2015-16 i.e. on 31-03-2016, raised suspicion on the genuineness of such Development expense. Besides, the other documents put forth by the Complainant on record as discussed in preceding paras wherein the concern on the same issue was raised by the then Treasurer in the AGM dated 09th April, 2017, by few Residents of the Society in their letter to its secretary and then by the Complainant in his Police Complaint and finally in the Charge Sheet filed to the Court thereafter, the same matter was noted to have found place. Though, the matter in the Court had not reached to its finality till date however, in the absence of any sufficient detail/ bifurcation or evidence from the Respondent in support of such material Development expense audited and certified by him, he could not be exonerated at this stage and hence, it was viewed that the Respondent had not been diligent while auditing the expense of the Society and also given his opinion on the affairs of the Society for the year ended 31-03-2016 without having sufficient information. Hence, the Respondent was held prima facie **GUILTY** of Professional Misconduct falling within the meaning of Clause (7) and (8) of Part I of Second Schedule to the Chartered Accountants Act, 1949.

3.10. The Director (Discipline) in his Prima Facie Opinion dated 05th March 2024 opined that the Respondent was Prima Facie **GUILTY** of Professional Misconduct falling within the meaning of Clause (7) and (8) 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) and (8) 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

(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"

3.11 The Prima Facie Opinion formed by the Director (Discipline) was considered by the Disciplinary Committee in its meeting held on 23rd September 2024. The Committee on consideration of the same, concurred with the reasons given against the charges and thus, agreed with the Prima Facie Opinion of the Director (Discipline) that the Respondent was **GUILTY** of Professional Misconduct falling within the meaning of Clause (7) and (8) 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.N o.	Particulars	Dated
1.	Date of Complaint in Form 'I' filed by the Complainant	24 th May, 2023
2.	Date of Written Statement filed by the Respondent	10 th August, 2023
3.	Date of Rejoinder filed by the Complainant	28 th August, 2023
4.	Date of Prima Facie Opinion formed by Director (Discipline)	05 th March 2024
5.	Written Submissions filed by the Respondent after PFO	20 th June 2025 and 31 st October 2025
6.	Written Submissions filed by the Complainant after PFO	17 th February 2025 and 05 th November 2025

5. **WRITTEN SUBMISSIONS FILED BY THE RESPONDENT:**

5.1 The Respondent vide email dated 20th June 2025, inter-alia, made the submissions which are given as under:-

- (i) Regarding the charge of audit of Development Expenses without Supporting Documents, it was submitted that the expense was not a single entry but a summary of various expenses incurred throughout the year and transferred from the petty cash register on 31.03.2016.


- (ii) The ledger account and narration clearly show bifurcation into five categories: motor room work, basement work, ground floor development, lawn/parking work, and electricity work.
- (iii) He claimed that the society maintained petty cash register, which contained detailed records of these expenses, but it was not sought by Director (Discipline).
- (iv) He denied any wrongdoing and stated that the audit was conducted in accordance with applicable standards.

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

- (i) That the Director (Discipline) found that the query in the AGM minutes was raised by the Treasurer, not the Vice President, and there was no record showing the Respondent was present in that AGM. Hence, the allegation was not maintainable.
- (ii) The extant complaint was initiated with malicious, motivated by internal disputes among Society's office bearers, and the auditors were unnecessarily dragged into their conflict. The Director (Discipline) misinterpreted certain papers regarding the development expense and emphasizes that two of three allegations had already been rejected by the Director as unsubstantiated.
- (iii) That the audit process involves professional judgment based on information and representations provided by the entity, and it was impractical to foresee what additional documents might satisfy the authority later. The Society's financial statements were prepared in accordance with applicable Accounting Standards, Generally Accepted Accounting Principles (GAAP), and ICAI guidelines, following the principles of materiality, accrual, and going concern. The audit was conducted in compliance with Standards on Auditing, and the auditor's opinion was based on information and explanations provided by the management during the audit.

6. **WRITTEN SUBMISSIONS FILED BY THE COMPLAINANT:**

6.1 The Complainant vide email dated 17th February 2025, inter-alia, made the submissions which are given as under: -

- (i) That the Respondent persistently avoided disclosing key facts and attempted to shift blame to the Complainant in his initial response. The Respondent failed to respond to legitimate queries despite repeated efforts to obtain financial documents. 

- (ii) Regarding single cash entry of Rs. 4,46,250/- on the last date of financial year, it was stated that the same was highly suspicious and indicate financial misappropriation. The handwritten explanations of financial matters undermine professionalism.
- (iii) The Complainant also submitted copy of relevant pages of the Uttar Pradesh Apartment (Promotion of Construction, Ownership and Maintenance) Act, 2010, Rules framed thereunder and Model Bye Laws to support his claim.

6.2 The Complainant vide email dated 05th November 2025 submitted certain documents with the facts inter alia stated as below:-

- (i) The Respondent was allegedly re-appointed as auditor for multiple consecutive years without valid approval of the General Body, contrary to statutory provisions mandating appointment by majority consent and discouraging indefinite continuation.
- (ii) An expenditure of Rs. 4,46,250/- was recorded as a single cash entry under "Expenses" on 31.03.2016 without any break-up, vouchers, bills, or supporting documents. Despite written queries raised in April 2017 and repeated follow-ups, neither the society nor the Respondent provided any supporting records.
- (iii) When approached during September–October 2022, the Respondent refused to supply audit records, stating that such records were destroyed after 2–3 years.

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

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

S.No.	Date of meeting(s)	Status
1	04 th August 2025	Part heard and adjourned
2	07 th November 2025	Part heard and adjourned
3	20 th November 2025	Hearing concluded and decision taken

7.2. On the day of first hearing on 04th August 2025, the Committee noted that the Complainant and Respondent along with his Counsel were present through video-conferencing and appeared before it. Being first hearing of the case, the Complainant and the Respondent were put on Oath. Thereafter, the Committee enquired from the Respondent as to whether he was aware of the charge(s) against him and whether he pleads guilty. The charges as contained in prima facie opinion were also read out. On the same, the Respondent replied that he is aware of the

charge(s) 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 future date.

7.3. On the day of hearing on 07th November 2025, the Committee noted that Complainant was present through VC and Counsel of the Respondent was present in person and appeared before it. The Complainant stated that the cash entry of Rs. 4.46 lakhs recorded on 31st March 2016 in the petty cash register without supporting documents was fabricated and lacked transparency, raising concerns about potential fund siphoning. He emphasized that the register was handwritten, and the expenditure details were consolidated at the end of the year without proper documentation. The counsel for the Respondent countered the allegations, stating that the petty cash register was maintained by the Society and that the auditor had verified all entries in the register, which were vouched for by the Society. He stated that the responsibility for providing supporting documents lies with the Society, not the auditor, and that the Complainant should approach the office bearers for the vouchers. The counsel for Respondent requested another hearing date to present the Respondent's explanation/clarification. The Committee noted the submissions of the parties. With this, the case was part heard and adjourned to a future date.

7.4. On the day of hearing held on 20th November 2025, the Committee noted that Counsel for the Respondent was present in person and Complainant was present through VC and appeared before it. The Counsel for the Respondent submitted that the documents had already been provided and explained that the petty cash records were maintained on a continuing balance basis, though the Bench observed that the copies submitted were unclear and contained mismatches. The Counsel for the Respondent maintained that the applicable society by-laws were followed and explained the pagination differences. Thereafter, the Counsel for the Respondent made submissions in detail. The Committee thereafter asked the Complainant to make his submissions. The Committee noted the submissions made by both the parties.

7.5. 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 case and decided on the conduct of the Respondent.

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

8.1. The Committee noted the charge that the one entry of "Development Expenses" of Rs. 4,46,250/- shown in the Receipts and Payment Account of the Society for the year ended 31st March 2016 was audited by the Respondent without any supporting documents/vouchers.

8.2. The Committee further noted that the Respondent submitted copy of Trial Balance, PNB Bank Reconciliation Statement Ledger, Accounting Charges Ledger, Civil Maintenance Leger, Electricity-EUDD Leger, Fire Fighting Maintenance Ledger, House Keeping Charges Ledger, Intercom Expenses Leger, Lift Maintenance Ledger, Miscellaneous Expenses Ledger, Staff Salary Ledger, Direct Expenses Ledger and Petty Cash Register for the relevant period to support his claim that he had carried out the audit assignment properly.

8.3. The Committee upon examination of these documents noted that the Petty Cash Register was regularly maintained with consecutive page number on each page. Further, the opening Balance and Closing Balance were clearly shown against the expenses made in cash on monthly basis. The Committee also noted that the balance outstanding in petty cash register against each head of expense tallied with the figures shown in the respective Ledger accounts of the said expense. The Complainant raised concerns about mismatched page numbers in the petty cash register and alleged violations of the UP Apartments By-laws.

8.4. The Committee further noted that the Respondent in his submissions mentioned that the details of the cash expenses incurred as shown in the Receipts and Payment Account are as under: 92/

S No.	Particular	Mode of payment	Total Amount (In Rs.)
1.	Motor Room work	Cash paid during the year	1,01,120
2.	Basement work	Cash paid during the year	1,07,909
3.	Development Ground Floor	Cash paid during the year	1,55,448
4.	Lawn, Parking work	Cash paid during the year	52,673
5.	Electricity work	Cash paid during the year	29,100
Total			4,46,250

- 8.5. The Counsel for Respondent provided a detailed explanation regarding the high-value cash entry. He clarified that the entry was a consolidated amount representing various expenditures incurred throughout the financial year, including development work such as motor room construction, basement work, lawn and parking development, and electricity work. The Counsel for Respondent stated that the petty cash register was maintained by the welfare association and that the auditor relied on the records provided by the association. The Counsel for Respondent submitted photocopies of the petty cash register and other supporting documents to substantiate his defense.
- 8.6. The Committee noted that the primary responsibility for maintaining accurate and complete financial records lies with the welfare association of the society. The Committee observed that the Respondent, as the auditor, relied on the records provided by the association and verified the entries in the petty cash register; and that the Respondent cannot be held accountable for the absence of supporting vouchers or bills, as these were not under his direct control.
- 8.7. The Committee further noted that the entries show that the expenses made on monthly basis were based on the withdrawals made from the Society's account maintained with PNB Bank. Further, the entry of Rs. 4,46,250/- entered in the Receipts and Payment Account was properly bifurcated and was a consolidated single entry shown in the account to reflect correct picture of the expenses incurred

during the year. The Counsel for the Respondent further submitted that all the expenditures entered in the petty cash register were part of the books of accounts.

- 8.8. Considering the overall facts and documents brought on record, the Committee viewed that the primary charge against the Respondent is founded on the premise that the Respondent failed to verify each and every bill, voucher, and supporting document, thereby allegedly failing to exercise due diligence in the discharge of his professional duties while certifying the Financial Statements of the Society for the FY 2015-16. In this regard, the Committee noted that the professional responsibility of a Chartered Accountant, particularly while carrying out audit or certification functions, is governed by the Standards on Auditing, the Code of Ethics, and the generally accepted auditing practices. These standards do not mandate that an auditor or professional accountant is required to examine each and every transaction or voucher exhaustively, unless there exist specific circumstances which warrant such an enhanced level of scrutiny.
- 8.9. The Committee is of the considered view that the Respondent cannot be expected to assume the role of an investigator or to conduct a forensic examination of all bills and vouchers in the absence of any extraordinary circumstances, red flags, or specific information that would reasonably put a prudent professional on notice. Routine professional engagements are conducted on the basis of test checks, sampling, reliance on internal controls, and representations made by management, unless circumstances demand otherwise. In the present case, no material has been brought on record by the Complainant to demonstrate the existence of any such extraordinary or suspicious circumstances which would have necessitated the Respondent to depart from normal professional procedures and adopt an unusually high degree of vigilance. There is also no evidence to suggest that the Respondent had prior knowledge of any irregularity or that such irregularities were so apparent that they could not have escaped the notice of a reasonably competent professional exercising ordinary care.
- 8.10. The Committee viewed that the Counsel for Respondent demonstrated that the Respondent had exercised due diligence in verifying the financial records provided

by the welfare association. The Committee, therefore, finds no evidence to suggest that the Respondent acted negligently or failed to adhere to professional standards in the discharge of his duties as an auditor. The Committee finds no conclusive evidence from the side of the Complainant to substantiate the claim that the Respondent was involved in any wrongdoing or professional misconduct.

8.11. The Committee observed that petty cash register has been audited by the Respondent and therefore the Respondent has exercised due diligence in auditing the financial statements of M/s Udaigiri Residents Welfare Association. The Committee further noted that professional misconduct cannot be inferred merely on the basis of hindsight or on the occurrence of subsequent events. The conduct of the Respondent must be judged on the basis of the information available and the circumstances prevailing at the time when the professional work was performed.

8.12. In view of the above, the Committee exonerated the Respondent from the present charge and held the Respondent '**Not Guilty**' of Professional Misconduct falling within the meaning of Clause (7) and (8) of Part I of the Second Schedule to the Chartered Accountants Act 1949.

9. **Conclusion:**

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

Charges (as per PFO)	Findings	Decision of the Committee
Para 2.1 as above	Para 8.1 to 8.12 as above	Not Guilty- Clause (7) and (8) of Part I of the Second Schedule

10. In view of the above observations, considering the oral and written submissions of the parties and material on record, the Committee held the Respondent **NOT GUILTY** of Professional Misconduct falling within the meaning of Clause (7) and (8) 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/-
(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

DATE: 23rd January 2026

PLACE: Noida

सत्यापित होने के लिए प्रमाणित / Certified to be True Copy

Geetha
गीता अनिरुद्ध कुमार / Geetha Anirudha Kumar
कार्यकारी अधिकारी / Executive Officer
अनुशासनात्मक निदेशालय / Disciplinary Directorate
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