

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/423/2019-DD/45/2020/DC/1566/2022]

In the matter of:

Smt. Babita Singh,
Khatkar Farm,
Kalwad Road, Jhotwara,
Jaipur- 302012

.....Complainant

Versus

CA. Sanjay Gupta (M. No. 091386)
M/s SSR & Co., Chartered Accountants,
12071/38, IInd Floor,
Naiwala, Karol Bagh,
New Delhi- 110005

.....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 : 15th October 2025

PARTIES PRESENT

Complainant	: Smt. Babita Singh (Through VC)
AR of Complainant	: Shri Hukum Singh (Through VC)
Respondent	: CA. Sanjay Gupta (Through VC)
Counsel for the Respondent	: CA. C. V. Sajan (Through VC)

1. Background of the Case:

- 1.1 **M/s Adaab Hotels Ltd**, Delhi (hereinafter referred to as the "**Company**") is a family-owned company in which two brothers, Shri Rajiv Choudhary and Shri Manish Choudhary are the executive directors, and they hold more than 80% of the shareholding within their family. The Complainant is sister of above two directors of the Company who is married to Shri Hukum Singh who himself was a director and shareholder in the Company. The Complainant and her husband together with their family members hold less than 20% shareholding in the Company. The Complainant's husband (i.e. Shri Hukum Singh) was responsible to look after the business activities of the Jaipur unit of the Company and had independent financial power. As per Respondent, certain instances of financial misappropriation and mismanagement on the part of the Complainant's husband were found by the directors of the Company, there after Complainant's husband was removed from the post of director of the Company with effect from 26th July, 2019.
- 1.2 The Respondent had conducted statutory audit of the Company for the financial years 2016–17, 2017–18, and 2018–19.

2. Charges in brief:-

- 2.1 The Respondent audited the balance sheet of M/s Adaab Hotels Ltd, Delhi (Company) as on 31.03.2017 which contains a long-term borrowings of Rs 4,19,109.00 in the name of Complainant shown as due and payable by the Company to the Complainant. The Complainant stated that in the absence of any payments towards aforesaid acknowledge amount of Rs. 4,19,109.00 by the Company to the Complainant during the financial year 2017-18 such amount of Rs. 4,19,109.00 was shown as "NIL" in the audited balance sheet of the Company as on 31.03.2018. Therefore, the Complainant in her complaint alleged that the Respondent without verifying whether any actual amount has been paid by the Company to the Complainant or not showed "NIL" amount under the head Long-Term Borrowing as on 31.03.2018.

3. The relevant issues discussed in the Prima Facie Opinion dated 11th October 2021, formulated by the Director (Discipline) in the matter in brief,

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are given below (only in respect of allegation 2.1 in which the Respondent had been held Prima Facie Guilty):-

- 3.1 From the perusal of the documents and information on record, it was observed that the Respondent had conducted the statutory audit of the Company for the Financial Years 2016-17, 2017-18 and 2018-19. It was seen from the audited financial statements of the Company that the Complainant was a relative of the directors of the Company and that an unsecured loan from the Complainant amounting to Rs. 4,19,109/- was reflected under the head "Long Term Borrowing" on the liability side of the Balance Sheet as on 31.03.2017; however, as on 31.03.2018, the said amount of Rs. 4,19,109/- was shown as "NIL". In this regard, the Respondent, in his written statement, had submitted that on the direction of the Complainant and her husband, such amount of Rs. 4,19,109/-, which had been standing in her name, was transferred to her husband's (i.e., Shri Hukum Singh's) account during the financial year 2017-18.
- 3.2 It was observed that an unsecured loan had appeared in the name of the Complainant's husband (i.e., Mr. Hukum Singh) amounting to Rs. 42,45,286.15 as on 31.03.2017, which had increased to Rs. 50,05,438.16 as on 31.03.2018. It was noted that the loan amount in the name of the Complainant's husband had increased by Rs. 7,60,152.01 from the financial year 2016-17 to 2017-18, and that the bifurcation for the same had not been submitted by the Respondent. It was further noted that the Respondent had not provided any submissions or documentary evidence (such as any consent letter given by the Complainant to the Company regarding the transfer of her loan amount to her husband's loan account, management representation letter regarding such adjustment from the management of the Company, etc.) by which an amount of Rs. 4,19,109.00 in the name of the Complainant was transferred to her husband's account as on 31.03.2018, as claimed by the Respondent in his written statement. The Respondent had also not produced the ledger accounts of the Complainant and her husband in the books of the Company when asked at the Rule 8(5) stage so as to verify the claim made by him. Moreover, from the Notes to Accounts attached to the financial statements of the Company for FY 2017-18, it was seen that the loan to the Complainant had carried a nil rate of interest, while the loan to the Complainant's husband had carried an interest rate of 13.70% per annum. Therefore, it was incomprehensible as to how the Company would have merged two

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types of loans—one without interest and one with interest—in its books, especially when such a transfer would have led to an additional interest cost to the Company. For this reason also, the contention of the Respondent was not accepted.

- 3.3 It was viewed that the preparation of the financial statements had been the responsibility of the Company, and that the Respondent, as an auditor, had been required to give his opinion on the same. In this regard, relevant extracts of paragraph 6 of SA-505 "External Confirmation," which defined the term external confirmation, were noted as under:

(a) External confirmation – Audit evidence obtained as a direct written response to the auditor from a third party (the confirming party), in paper form, or by electronic or other medium.

- 3.4 In view of the above, being the auditor of the Company and having no other document with him to verify the same, the Respondent had been required to expand his audit procedures and should have obtained confirmation from the Complainant and her husband as to whether the amount of Rs. 4,19,109.00 in the name of the Complainant had been transferred to her husband's account; however, the Respondent had failed to obtain such confirmation from them before signing the audit report of the Company. Further, when the Respondent had been specifically asked vide office letter dated 23rd October, 2021, at the Rule 8(5) stage, to provide copies of working papers to substantiate his submissions made in his written statement against this allegation, the Respondent, despite seeking extension of time and despite being given sufficient time, had failed to submit any documents to substantiate his defence to counter the allegations raised by the Complainant against him. Hence, in view of the above facts and in the absence of the aforementioned information and details from the Respondent, the defence taken by the Respondent was not accepted regarding the loan amount of Rs. 4,19,109.00 in the name of the Complainant having been transferred to her husband's account in the Balance Sheet of the Company as on 31.03.2018, and it appeared that he had failed to discharge his professional duties in respect of verification of records related to loans and advances from related parties.

- 3.5 Accordingly, the Director (Discipline) in his prima facie opinion dated 11th October 2021 held the Respondent **GUILTY** of Professional Misconduct falling within the meaning of

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Clauses (6), (7), (8) of Part I of Second Schedule to the Chartered Accountants Act, 1949. The said Clauses of the Schedule to the Act, states as under:

Clause (6) 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

(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."

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

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

Clause (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

(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."

- 3.6 The Prima Facie Opinion formed by the Director (Discipline) was considered by the Disciplinary Committee at its meeting held on 25th April 2022. The Committee on consideration of the same, concurred with the reasons given against the charges and thus, agreed with the Prima Facie opinion of the Director (Discipline) that the Respondent is **GUILTY** of Professional Misconduct falling within the meaning of Clauses (6), (7), (8) 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:

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S. No.	Particulars	Dated
1.	Date of Complaint in Form 'I' filed by the Complainant	30 th January, 2020
2.	Date of Written Statement filed by the Respondent	15 th June, 2020
3.	Date of Rejoinder filed by the Complainant	27 th July, 2020
4.	Date of Prima Facie Opinion Formed by Director (Discipline)	11 th October, 2021
5.	Written statement by the Respondent after Prima Facie Opinion	25 th September 2025

5. Written Submissions filed by the Respondent:

5.1 The Respondent vide letter dated 25th September 2025 inter-alia, made the submissions which are given as under:

- i) The Complainant's grievance is that an unsecured loan of Rs. 4,19,109 shown in her name in the financial statements of Adaab Hotels Pvt. Ltd. (as of 31st March 2017) audited by the Respondent became "NIL" as on 31st March 2018, without repayment by the company.
- ii) That the complainant is a minority shareholder and sister of two company directors and her husband, Shri Hukum Singh, was also a director of the Company.
- iii) As of 31st March 2017, loans payable to family members included Rs. 42,45,286 in Hukum Singh's name, besides the complainant's loan.
- iv) In FY 2017-18, the family members mutually agreed to consolidate all family loans into Hukum Singh's loan account, which was interest-bearing. There was no written agreement, as it was a family arrangement.
- v) Accordingly, loans in the names of Babita Singh (complainant), Hukum Singh HUF, Usha Katkar, and Ragini Singh were transferred to Hukum Singh's loan account.
- vi) The ledger accounts of both Hukum Singh and Babita Singh reflect this, showing a nil balance in Babita Singh's account and an increased balance of Rs. 50,05,438 in Hukum Singh's account as of 31st March 2018.
- vii) The Respondent claims the complainant was aware of this and filed a false complaint exploiting the absence of formal documentation.
- viii) During the audit, there was no reason to doubt the financial statements, as the transactions caused no loss and were beneficial (interest-free loans converted to interest-bearing).

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- ix) Hukum Singh, in another case (DC Case 1567/2022 – Hukum Singh vs Sanjay Gupta), had acknowledged the same Rs. 50,05,438 balance as payable to him, confirming the transfer was undisputed. Thus, there was no error or dispute regarding the loan balances as of 31st March 2018.
- x) Given the family relationships among lenders and directors, the Respondent relied on inquiries, verifications, and inspection of records, and therefore did not seek third-party confirmations from the complainant.
- xi) The choice of audit evidence is a matter of professional judgment, and there is no mandatory requirement to obtain balance confirmations in such circumstances.
- xii) The directors requested confidentiality, fearing the complainant would misuse the ICAI disciplinary mechanism to access company records, causing confusion and preventing submission of some documents during the PFO stage.
- xiii) Ledger evidence and explanations prove the allegations were factually incorrect and that there was no material misstatement, nondisclosure, or lack of due diligence.

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

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

S. No.	Date of meeting(s)	Status
1.	22 nd May, 2023	Adjourned at the request of the Respondent.
2.	02 nd November, 2023	Part heard and adjourned
3.	09 th September, 2025	Part heard and adjourned.
4.	03 rd October, 2025	Part heard and adjourned.
5.	15 th October, 2025	Hearing concluded and decision taken.

6.2 On the day of first hearing held on 22nd May 2023, the Committee noted that the Respondent was not present, however vide email dated 20th May 2023 he has sought adjournment on the ground that due to unavoidable professional commitments, he was not able to attend the hearing in captioned case. The office apprised the Committee that notice of listing of the case has been served upon the Complainant. There was technical difficulties on the part of Complainant who attempted to join the proceedings through VC without success. In view of above, the Committee adjourned the hearing to

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later date so as to provide one more opportunity to both the parties to present/defend the charges.

- 6.3 On the day of hearing held on 02nd November 2023, the Committee noted that the authorized representative of the Complainant was present through video-conferencing mode. As it was first hearing of the case and Complainant was to put on Oath, the Committee did not permit the representative of the Complainant to participate in the hearing and directed him that the Complainant herself has to appear before the Committee for oath taking. On the other side, the Respondent along with his Counsel CA. C.V. Sajan were present through video-conferencing mode and appeared before it.
- 6.4. 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 then 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.
- 6.5. On the day of hearing held on 09th September 2025, the Committee noted that the authorized representative of the Complainant was present through VC and appeared before it, whereas the Respondent sought an adjournment vide letter dated 03rd September 2025 on account of his engagement in tax audit deadlines. Upon being asked to make submissions, the authorized representative of the Complainant stated that all submissions had already been filed. Acceding to the request of the Respondent, the Committee adjourned the subject case to a later date.
- 6.6. On the day of hearing held on 03rd October 2025, the Committee noted that the Authorized Representative of Complainant (Mr. Hukum Singh) and Respondent along with his counsel were present through VC and appeared before it. The Committee directed the parties to make the submissions.

The authorised representative of Complainant stated that the transferred amount was moved from a non-interest-bearing account to an interest-bearing account of Mr.

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Hukum Singh. He further stated that proper auditing procedures were not followed, and the auditor failed to verify the legitimacy of the transfer. The Complainant stated that the board resolution dated 1st April 2018, cited as justification for the transfer, is alleged to be fabricated and is under sub judice.

The Counsel for Respondent stated that the transfer was made as per a family agreement during a period of no disputes (FY 2017-18). He further stated that the company faced heavy losses, and a resolution was passed to stop paying interest and salaries post-April 2018. He stated that interest was paid to Mr. Hukum Singh in FY 2017-18 but ceased thereafter due to financial constraints. After recording the submissions of parties, the Committee adjourned the matter to a later date.

- 6.7. On the day of final hearing held on 15th October 2025, the Committee noted Respondent along with Counsel and Complainant along with her Authorized Representative were present through VC and appeared before it.

The Counsel for Respondent submitted that the amount Rs. 4,19,000, which appeared as a loan from Ms Babita Singh in the balance sheet as of 31st March 2017 but was reduced to zero by 31st March 2018, was transferred to the account of Mr Hukum Singh, the Complainant's husband and provided evidence from the ledger account to substantiate the claim. The outstanding amount of Rs. 50, 05,438.16 in Mr Hukum Singh's account included the Rs. 4,19,000.00 in question. The Complainant authorized representative argued that no consent or confirmation was taken from her regarding the conversion of the non-interest-bearing loan into an interest-bearing loan.

The Respondent's Counsel countered by stating that the matter was a family issue and that the audit evidence provided was sufficient based on the auditor's professional judgment. He argued that the procedures followed were appropriate and that there was no misstatement or error in the balance sheet. He further stated that the audit evidence was adequate and the matter was not disputed.

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

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7. Findings of the Committee:

- 7.1. The Complainant alleged that in the Balance Sheet as on 31.03.2017, an unsecured loan of Rs. 4,19,109.00 was shown as payable to her; however, in the subsequent audited Balance Sheet as on 31.03.2018, the said amount was shown as "NIL" without any repayment having been made. It was alleged that the Respondent failed to verify this change and thereby did not perform the audit in accordance with the auditing standards.
- 7.2. The Respondent submitted that the complaint arose purely out of a family dispute among shareholders and directors. The Complainant, a minority shareholder, was the sister of the two principal directors namely Shri Rajiv Choudhary and Shri Manish Choudhary, while her husband, Shri Hukum Singh, was also a director. During FY 2017-18, it was mutually agreed among the members to consolidate all loans payable to the family members of Shri Hukum Singh into his single, interest-bearing loan account. Accordingly, the balances outstanding in the names of Smt. Babita Singh, Shri Hukum Singh, HUF, Smt. Usha Katkar, and Smt. Ragini Singh were transferred to Shri Hukum Singh's account, resulting in a NIL balance in the Complainant's account as on 31.03.2018. The Respondent further submitted ledger accounts of both Smt. Babita Singh and Shri Hukum Singh, which clearly reflected this transfer of Rs. 4,19,109.00.
- 7.3. The Respondent submitted that this adjustment was known and agreed upon by all family members, and no one had raised any objection at the time. In fact, the Committee noted that Shri Hukum Singh himself, in another disciplinary case (DC/1567/2022 – Hukum Singh vs. CA Sanjay Gupta), had accepted the correctness of the transferred balance and relied upon the same closing figure of Rs. 50,05,438.16 as on 31.03.2018. This confirmed that the transfer was undisputed and mutually accepted within the family.
- 7.4. During the hearing, the Committee also noted that the Respondent demonstrated the relevant ledger accounts, journal entries to justify the consolidation of loans. The Respondent pointed out that in the previous year 2016-17, the Complainant's loan appeared in the Balance Sheet, while in 2017-18 it was merged into her husband's

account, increasing his balance correspondingly. He stated that this was a result of family understanding and was supported by company records.

- 7.5. The Complainant, through her counsel, contended that the transfer of Rs. 4,19,109.00 from her non-interest-bearing account to an interest-bearing account of her husband was done without her consent and that no confirmation was obtained. She alleged that the Board Resolution relied upon by the Respondent was fabricated and under challenge before the NCLT.
- 7.6. The Committee observed that if the entry was indeed made without consent, the Complainant's husband, Shri Hukum Singh, should have raised the issue earlier when he accepted the consolidated balance of Rs. 50,05,438.16. The Committee found merit in the Respondent's submission that the same figure had already been accepted in the earlier proceedings by Shri Hukum Singh himself.
- 7.7. The Respondent explained that considering the family-run nature of the Company and given that all parties were either directors or shareholders closely related to each other, he exercised his professional judgment in relying on management representations, inspection of books, and internal documentation instead of obtaining third-party confirmations. He emphasized that under SA 505 (External Confirmations), there is no mandatory requirement to seek confirmations in every case, and that his audit approach was reasonable in the circumstances.
- 7.8. The Committee also took note of the Respondent's explanation that working papers could not be produced earlier due to confidentiality concerns expressed by the Company's directors, who feared misuse of the documents in the on-going family dispute.
- 7.9. The Committee concluded that the Respondent had adequately discharged his professional responsibilities, exercised due care and professional skepticism, and had no intent of negligence or misrepresentation. Considering the family-run nature of the Company, wherein the complainant and her husband being shareholder/Director, his audit procedures were consistent with auditing standards, and the decision not to obtain external confirmations was within acceptable limits of auditor.

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7.10. In view of the above, the Committee held the Respondent **NOT GUILTY** of Professional Misconduct falling within the meaning of Clauses (6), (7), (8) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.

8. 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 7.10 as above	NOT GUILTY - Clauses (6), (7) and (8) of Part I of the 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 **NOT GUILTY** of Professional Misconduct falling within the Clauses (6), (7) and (8) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.

10. Order

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

Sd/-
(CA. PRASANNA KUMAR D)
PRESIDING OFFICER

Sd/-
(ADV. VIJAY JHALANI)
GOVERNMENT NOMINEE

Sd/-
(CA. MANGESH P KINARE)
MEMBER

Sd/-
(CA. SATISH KUMAR GUPTA)
MEMBER

DATE: 28th January 2026

PLACE: New Delhi

संलग्नित होने के लिए प्रमाणित / Certified to be True Copy
[Signature]
गीता अनिरुद्ध कुमार / Geetha Anirudha Kumar
कार्यकारी अधिकारी / Executive Officer
अनुशासनात्मक निदेशालय / Disciplinary Directorate
भारतीय सनदी लेखाकार संस्थान
The Institute of Chartered Accountants of India
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