



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/298/17-DD/353/2017/DC/1560/2022]

In the matter of:

**Smt. Shobha Shandilya,
465, 4th Floor, Udyog Vihar,
Phase – V, Gurugram
Haryana**

.... Complainant

Versus

**CA. Amit Agrawal (M. No. 401456)
M/s. Amit B.K. Agrawal & Co. (FRN 022872N)
K-1/119, Chitranjan Park,
Ground Floor,
New Delhi - 110019**

.... Respondent

MEMBERS PRESENT:

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

DATE OF HEARING: 05th January 2026.

DATE OF ORDER: 10th February 2026

1. That vide Findings dated 08th November 2025 under Rule 18(17) of the Chartered Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules, 2007, the Disciplinary Committee was inter-alia of the opinion that **CA. Amit Agrawal (M. No. 401456)** (hereinafter referred to as the “Respondent”) is **GUILTY** of



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Professional Misconduct falling within the meaning of Items (5), (6), (7) & (8) of the Part I of Second Schedule to the Chartered Accountants Act, 1949.

2. That pursuant to the said Findings, an action under Section 21B (3) of the Chartered Accountants (Amendment) Act, 2006 was contemplated against the Respondent and communication was addressed to him thereby granting an opportunity of being heard in person/ through video conferencing and to make representation before the Committee on 05th January 2026.

3. The Committee noted that on the date of hearing on 05th January 2026, the Respondent was present in-person. During the hearing, the Respondent made verbal submissions and also referred to the written representation dated 22nd December 2025 on the Findings of the Committee. The Committee noted the verbal and written representation of the Respondent dated 22nd December 2025 on the Findings of the Committee, which, inter alia, are as under:

- Emails and reports on record clearly established that the assignment was internal audit in nature, irrespective of nomenclature used.
- The Respondent relies on the Punjab & Haryana High Court order dated 17th September 2018, which held that PLN9 Security Services Pvt. Ltd. made false and misleading claims regarding service tax.
- The Committee's findings regarding alleged inconsistencies between the review report and statutory audit report for FY 2015-16 are stated to be factually incorrect and misconceived, as the observations in the review report pertained only to the period 01st April 2016 to 30th November 2016 and were based on unaudited records.
- Matters relating to vouchers and expenses were duly discussed with management during statutory audit and confirmed through management representation, leaving no reportable issue in the statutory audit report.
- Accordingly, the Respondent submits that the findings holding him guilty of professional misconduct are unsustainable, and prays for recall of the order dated 8th November 2025,



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dismissal of the complaint, and grant of an opportunity of being heard before passing any adverse order.

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 aforesaid 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 observed that the Respondent undertook the Internal Audit assignment despite the absence of a letter of formal appointment, as its acceptance was clearly evidenced through email correspondence, including confirmation of professional fees of Rs. 2 lakhs with 50% payable in advance. Although the Respondent contended that the primary internal audit related only to FY 2016-17 and that the limited review of FY 2015-16 was undertaken later, without a separate report or fee and after issuance of the statutory audit report for FY 2015-16; however, the Committee found that discrepancies relating to material heads such as employee benefit expenses and unauthorized expenditures were reported in the internal audit but not in the statutory audit for FY 2015-16. These inconsistencies indicated lack of due diligence and absence of sufficient audit evidence in the statutory audit.

6. The Committee was of the view that the Respondent, while holding office as statutory auditor for FY 2015-16 and FY 2016-17 until October 2017, accepted and carried out internal audit services in December 2016 and issued the internal audit report on 22nd January 2017. This dual role was found to be in violation of Section 144 of the Companies Act, 2013 and the independence requirements under the Code of Ethics, which prohibits a statutory auditor from providing internal audit services to the same client. Hence, the Professional Misconduct on the part of the Respondent is clearly established as spell out in the Committee's Findings dated 08th November 2025 which is to be read in consonance with the instant Order being passed in the case.



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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. Amit Agrawal (M. No. 401456), 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

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

CONFIDENTIAL

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

[Constituted under Section 21B of the Chartered Accountants Act, 1949]

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

File No:[PR/298/17-DD/353/2017/ DC/1560/2022]

In the matter of:

**Smt. Shobha Shandilya,
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.... Complainant

Versus

**CA. Amit Agrawal (M. No 401456)
M/s. Amit B.K. Agrawal & Co. (FRN 022872N)
K-1/119, Chitranjan Park,
Ground Floor,
New Delhi - 110019**

..... Respondent

MEMBERS PRESENT:

- 1. CA. Prasanna Kumar D, Presiding Officer (in person)**
- 2. Adv. Vijay Jhalani, Government Nominee (in person)**
- 3. CA. Mangesh P Kinare, Member (in person)**
- 4. CA. Satish Kumar Gupta, Member (in person)**

DATE OF FINAL HEARING : 05th August 2025

PARTIES PRESENT:

Respondent : CA. Amit Agrawal (In person)

Counsel for Respondent : Adv. Sukhmeet Singh (In person)

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1. Background of the Case:

- 1.1. The Complainant was the Director of Ms. PLN9 Security Services Pvt. Ltd., and the Respondent was appointed as the Statutory Auditor for financial years 2014-15 and 2015-16.
- 1.2. The Respondent was also approached by the Company to conduct an internal review/audit from April 2016 to November 2016 to check statutory compliances and later carried out a limited review for January 2015 to December 2016 at the management's request.
- 1.3. The Respondent firm was also the Auditor of a sister concern, PLN9 Service and Training Solutions Pvt. Ltd., from April 2014 to March 2017, but resigned due to the management's alleged failure to provide required financial statements and documents.
- 1.4. Besides statutory audits, the firm provided e-filing services for statutory returns, including TDS, Service Tax, and filings with the Registrar of Companies.
- 1.5. A special purpose audit was also carried out by M/s KRA & Co. for the period from January 2015 to December 2016 on the directions of the board for the purpose of determining the magnitude of fraudulent activities and the employees involved. Further, the Company also conducted a detailed review through another firm, namely M/s. Dassani & Associates for the year ending 2016.

2. Charges in brief:

- 2.1. The Respondent has not provided the desired financial details of the Company and thus colluded with and helped the team which had committed the financial embezzlement of funds of the Company and that on account of non-co-operation of the Respondent, the Company has suffered huge financial loss by virtue of interest, penalties/demurrages levied or to be levied by various Govt. Agencies on account of non-payment of dues as the funds of the Company were siphoned off by the employees working in finance & accounts department, in connivance with and support of the Respondent.

3. The relevant issues discussed in the Prima Facie Opinion dated 12th October 2021 formulated by the Director (Discipline) in the matter, in brief, are given below:

- 3.1. As regards the seventh and eighth allegation, it was observed that Complainant has failed to substantiate the charges and has made a very general statement that the Respondent has not provided the desired financial details of the Company to them

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without corroborating the same. Here it is pertinent to mention that it is the management of the Company that is responsible for preparing and providing the details and financial statements to the auditor for carrying out audit. It is also alleged that the Company has suffered huge financial loss by virtue of interest, penalties etc. levied by various government agencies on account of non-payment of dues. Here again how an auditor can be held responsible for non-payment of Government dues which is a prime responsibility of management of the Company. The auditor can only highlight and report non-payment etc. of government dues in his audit report. On perusal of Review Report issued by the Respondent, it is observed that the Respondent has highlighted instances of pending dues of PF, ESI Service Tax, TDS & penalties for non-payment / late payment of dues.

3.2. However, it was observed that there are instances wherein the shortcomings reported by the Respondent in his Internal / Limited Review Report are not contained in the Statutory Audit Report issued by him which is quite strange.

3.3. On one hand the Respondent in his Review Report at paper book page number under point (9) & (10) is reporting following:

"Both the Directors are authorized to verify the expenses, however during our verification, we observed that the expenses have been incurred without approvals of the Directors"

3.4. Whereas on the other hand in his Statutory Audit Report Respondent is reporting following:

"We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion" (W-29) and also that in our opinion the financial statements give true and fair view in conformity with the generally accepted accounting principles"

3.5. This was also evident from an email dated 27th January 2017 brought on record by Respondent himself wherein Respondent is asking writing to one of the employees of the Company as under:

"As discussed with the management, we also require all the cash vouchers duly authenticated by Mr. Alok Shandilya, Director of the Company since January 2015 to till date. Please do the same and confirm us when we can verify the same."

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3.6. From the contents of the aforesaid email, it was quite clear that the cash vouchers from January 2015 were not authenticated by the Directors of the Company till 27th January 2017 and the Respondent has not reported this aspect in his audit report for FY 2015-16 which was issued much before 27th January, 2017 raising serious doubt on the required due diligence being done by the Respondent while auditing the accounts of the Company for FY 2015-16 and 2014-15. It was also observed that the expenses of the Company under the sub-head "Salary and Wages" under the main head "Employee benefit expenses" forms major part of total expenses of the Company during FY 2015-16 and Respondent in his review report has observed several discrepancies in the same but remained silent on this aspect in his Statutory Audit report for the same period i.e., FY 2015-16 for the reason not known.

3.7. It has been pointed out by the Complainant that the Respondent has accepted and confirmed the assignment of Internal review/audit & limited review/audit of the Company while he was also acting as Statutory Auditor of the Company which is in contravention with section 144 of the Companies Act, 2013 as per which no person who is appointed as auditor of the Company is allowed to provide the services of Internal Audit. Here, it was observed that the Respondent in his Written Statement has mentioned that on being approached by the management they conducted an internal review/audit for the period April 2016 to November 2016 and later, they also carried out a limited review for the period January 2015 to March 2016. This was evident from their Review Report wherein at para 1 of the Limitation Clause they have mentioned following:

"The period of review coverage is 1st April 2016 to 30th November 2016 which has been compiled from Unaudited Financial Statements of 2016-17. Apart from this, we have also conducted limited review for the period 2015-16"

3.8. Thus, it was evident that the period of limited review also covered the period of Statutory Audit conducted by him for the financial year 2015-16.

3.9. Accordingly, the Director (Discipline) in his Prima Facie Opinion dated 12th October 2021 opined that the Respondent was prima facie **Guilty** of Professional Misconduct falling within the meaning of Items (5), (6), (7), & (8) of the Part I of Second Schedule to the Chartered Accountant Act, 1949. The said items of the Schedule to the Act, states as under:

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Item (5) 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

(5) "fails to disclose a material fact known to him which is not disclosed in a financial statement, but disclosure of which is necessary to make the financial statement not misleading;

Item (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 mis-statement known to him to appear in a financial statement with which he is concerned in a professional capacity;

Item (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."

Item (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 to warrant the expression of an opinion or his exceptions are sufficiently material to negate the expression of an opinion;

3.10. The Prima Facie Opinion formed by the Director (Discipline) was considered by the Disciplinary Committee in its meeting held on 08th 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

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is prima facie **GUILTY** of Professional Misconduct falling within the meaning of Items (5), (6), (7), & (8) of the Part I of Second Schedule to the Chartered Accountant 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. Dates of Written Submissions/ Pleadings by the Parties:

The relevant details of the filing of documents in the instant case by the parties are given below –

S.no.	Particulars	Dated
1.	Date of Complaint in Form 'I' filed by the Complainant	24 th November, 2017
2.	Date of Written Statement filed by the Respondent	23 rd January, 2018
3.	Date of Rejoinder filed by the Complainant	31 st March 2018
4.	Date of Prima Facie Opinion formed by Director (Discipline)	12 th October 2021
5.	Written Submissions filed by the Respondent after PFO	14 th July 2022, 01 st August 2025

5. Written Submissions filed by the Respondent:

The Respondent vide letter dated 14th July 2022 and 01st August 2025 had, inter alia, made the submissions which are given as under: -

5.1. Preliminary objection raised by the Respondent

- (i) The Complainant has been disqualified with effect from 01.11.2016 (prior to filing the complaint) and upto 31.10.2021 as Director by Registrar of Companies, MCA u/s 164(2)(a) under the companies Act 2013 whereas the Complaint was filed on 24.11.2017.
- (ii) The Rejoinder dated 05.04.2018 has not been signed or verified by or on behalf of the Complainant but has been signed by Shri Alok Shandilya on behalf of the Company (while Alok Shandilya is neither complainant nor authorised by Board Resolution as no such authority has been enclosed).

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5.2. Submissions on the merits of the case

- (i) The Complainant filed the complaint out of personal animosity with malafide intent to harass the Respondent and harm his professional reputation.
- (ii) The Complaint attempted to obfuscate the Complainant's own responsibility for mismanagement and lack of oversight at M/s PLN9 Security Services Pvt. Ltd., using the Respondent and/or his firm as a scapegoat.
- (iii) Observations in Internal Review Report regarding expenses without approval of Directors pertain only to 01.04.2016 to 30.11.2016, based on unaudited records provided by management; these do not pertain to 01.04.2015 to 31.03.2016, which was audited in the Statutory Audit Report. No inconsistency exists between the reports.
- (iv) Statutory Audit Report for Financial Year 2015-16 was based on due diligence and representations by Complainant as Director.
- (v) Directors, Mr. Alok Shandilya and Ms. Shobha Shandilya provided a representation dated 01.06.2016, which was considered during the statutory audit.
- (vi) In December 2016, Director Shri Alok Shandilya requested the Respondent to conduct an internal review for the period 01.04.2016 to 30.11.2016, limited to financial, legal, tax, ROC, and other statutory compliance.
- (vii) The Respondent accepted the assignment and confirmed the scope via e-mail dated 20.12.2016.
- (viii) The Respondent acted as an independent external auditor for the internal review and was not the statutory auditor for FY 2016-17, so no provisions of the Companies Act were violated.
- (ix) The management later requested a limited review for April 2015 to March 2016, which was not an internal audit.
- (x) No internal audit report exists for the period January 2016 to March 2016, and no fees were charged for such an audit.
- (xi) It is incorrect to assume that an internal audit was conducted for this period.
- (xii) The Respondent and the Firm carried out audits of the Company with professionalism, ethics, integrity, and in compliance with the standards of the Institute.

6. Brief facts of the Proceedings:

Details of the hearing(s) fixed and held/ adjourned in the said matter are given as under—

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Particulars	Date of Meeting(s)	Status
1 st Hearing	22 nd May 2023	Part heard and adjourned
2 nd Hearing	05 th August 2025	Hearing concluded and decision taken.

- 6.1 On the day of hearing held on 22nd May 2023, the Committee noted that the Respondent along with Counsel were present physically and appeared before it. The office apprised the Committee that the Complainant was not present and notice of listing of the case has been served upon him.
- 6.2 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 in the affirmative and pleaded Not Guilty to the charges levelled against him. In the absence of the Complainant and in view of Rule 18 (9) of the Chartered Accountants (Procedure of Investigation of Professional and Other Misconduct and Conduct of Cases) Rules, 2007, the Committee adjourned the case to later date. The case was part heard and adjourned.
- 6.3 On the final day of hearing held on 05th August 2025, the Committee noted that the Respondent along with Counsel were present physically and appeared before it. The office apprised the Committee that the Complainant was not present and notice of listing of the case has been served upon her.
- 6.4 The Committee enquired from the Respondent/Counsel for the Respondent that since the composition of the Committee had changed subsequent to the last hearing held on 22/05/2023 in this case, whether he wished to have a de-novo hearing or may continue from the stage it was last heard. The Counsel of the Respondent opted for de-novo hearing and accordingly the Respondent was administered on Oath. Thereafter, the Committee enquired from the Respondent as to whether he was aware of the charges against him and then the charges as contained in prima facie opinion were read out. On the same, the Respondent replied that he is aware of the charges and pleaded 'Not Guilty' to the charges levelled against them.
- 6.5 The Committee noted the preliminary objections raised by the Respondent. The Counsel for the Respondent submitted that although the Respondent's firm was appointed as statutory auditor of the company for FY 2016-17 in the AGM of the

company held in August 2016; however, the Respondent never undertook the statutory audit of the company for FY 2016-17 and later he resigned from the auditorship in October 2017. Later, the Respondent's firm was appointed in December 2016 for conduct of internal audit of the company; but no appointment letter was issued by the Company for the said assignment, and the Respondent had acknowledged such appointment as internal auditor vide his email dated 20/12/2016 to the Company.

- 6.6 The Committee observed that the three-month internal audit period of January 2016 to March 2016 was concurrent with the statutory audit period of FY 2015-16. The Committee noted that the Respondent had stated that amount of money was received by the Respondent from the company towards advance for the internal audit assignment before the commencement of the assignment.
- 6.7 The Committee further observed that the Respondent had vide letter dated 25.10.2017 intimated to the Board of Directors of the company that due to failure on their part to supply the relevant documents and approved financial statements for conduct of audit for FY 2016-17, the Respondent is constrained to tender resignation as statutory auditor of the company with immediate effect. Thus, Form ADT-3 for resignation as auditor of the company was filed in November 2017. The Committee asked the Respondent that on the basis of the above facts, it is clear that the Respondent accepted the Internal Audit appointment in December 2016 while he was still the Statutory Auditor; to which the Respondent could not give any satisfactory answer and accepted the fact.
- 6.8 Based on the documents/material and information available on record and the oral and written submissions made by the Respondent, 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:

The Committee noted the background of the case as well as oral and written submissions made by Respondent, documents / material on record and gives its findings as under:-

- 7.1. The Committee at the outset noted that the Respondent has raised the following preliminary objection:

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- (i) The Complainant has been disqualified with effect from 01.11.2016 (prior to filing the complaint) and up to 31.10.2021 as Director by Registrar of Companies, MCA u/s 164(2)(a) under the companies Act 2013 whereas the Complaint was filed on 24.11.2017.
- (ii) The Rejoinder dated 05.04.2018 has not been signed or verified by or on behalf of the Complainant but has been signed by Shri Alok Shandilya on behalf of the Company (while Alok Shandilya is neither complainant nor authorised by Board Resolution as no such authority has been enclosed).

7.2. The Committee considered the preliminary objection raised by the Respondent and observed that the Respondent had not raised the issue at the first available opportunity, i.e., at the stage of filing the written statement under Rule 8, prior to the formation of the prima facie opinion. The Committee further noted that Form I, complete in all respects and accompanied by the requisite supporting documents, had been duly received from the Complainant.

7.3. As per Rule 3(4), the Disciplinary Directorate is required to ensure that the authorization, by way of a Board Resolution of the company in favour of the signatory to the complaint, is enclosed with the complaint. The Committee noted that this requirement has been duly complied with in the present case. The Committee also observed that the Respondent had not challenged the validity or competence of the Board Resolution authorizing the filing of the instant complaint with ICAI. Rather the Complainant has acknowledged the Board resolution of the company by pointing out that the rejoinder has not been filed as per the authorisation given under Board resolution.

7.4. With regard to the issue of filing of Rejoinder with the signatures of a person other than the complainant, the Committee observed that a rejoinder serves merely as a corroborative document to clarify or elaborate upon the points and submissions already made in the original complaint, and to respond to or rebut the contentions raised by the Respondent in the written statement. The Committee further noted that, as stated in the conclusion part of the prima facie opinion, certain additional allegations raised by the Complainant at the rejoinder stage were not part of the original complaint and, therefore, have not be considered, since expansion of charges at rejoinder stage cannot be permitted, particularly as the Respondent would not have been afforded an opportunity to defend against such allegations.

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- 7.5. In view of the above, the Committee was satisfied that no prejudice has been caused to the Respondent, even though the rejoinder formed part of the record, while forming the prima facie opinion. The Committee further observed that the complaint, along with the written submissions and defence filed by the Respondent, together with the relevant documentary evidence on record, were sufficient for determining the professional conduct of the Respondent in the present matter. Upon due consideration of the discussion in the foregoing paragraph, the Committee is of the view that the matter has been rightly registered and treated as a valid complaint case.
- 7.6. The Committee observed that the Respondent was reappointed as the statutory auditor for the financial year 2016-17 in Company's AGM held on 19-09-2016 which is evident from Form-ADT-1 for his appointment submitted on MCA-21 portal on 26-09-2016 supported with the AGM Resolution of such appointment and the appointment letter dated 19-09-2016. The Committee from Form ADT-3 filed on 15-11-2017 on MCA-21 portal, also noted Respondent's resignation from the post of statutory auditor of the Company w.e.f. 25-10-2017. The Committee noted that despite this statutory appointment between 19-09-2016 till 25-10-2017, the Respondent vide his email dated 20-12-2016 accepted another assignment i.e. Internal audit of the Company on 20-12-2016 for the same financial year (2016-17) covering the period from April 2016 to November 2016 and issued his Report thereon on 22-01-2017 with the nomenclature 'Review Report'. The Committee noted the submission of the Respondent that the internal audit assignment was orally discussed and was accepted in good faith however, in that respect no formal appointment letter was issued to him and neither the Respondent was able to submit any Board resolution of such appointment.
- 7.7. Though, the appointment letter of the Respondent was not available on record however, from the available 'Review Report' of Respondent issued on 22-01-2017 and from various emails put forth by the Respondent, the Committee observed that it is clearly evident that the said Report issued by the Respondent was in the nature of 'Internal Audit Report' only. The relevant extract of such emails noted by the Committee, are reproduced below:
- (i) E-mail dated 20-12-2016 sent by Respondent to the Company with the subject line – "Offer for detailed Internal Audit"

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"Respected Sir,

Thanks for your interest in awarding the work for Internal Audit of your company.

We are geared up to take the work on TOP PRIORITY and can start the same from 22.12.2016 itself.

We understand that the scope of this Internal Audit is limited to Financial, Legal, Tax, ROC and other statutory compliance.

Besides this, we will also go through the detailed analysis of the systems in place of the company and will not only bring out the areas vulnerable to revenue leakages but also will suggest for the system improvement and strengthening.

We have all the expertise in the field and we require the co-operation from the staff of the company so that we can complete the work effectively.

With the above, we can submit our report by the end of the month.

The total remuneration for the above assignment will be Rs. 200000/- plus service tax (Including conveyance and other out of pocket exps). However travelling exps need to be paid for outstation visits other than Delhi and Gurgaon, if needed.

50% of the above fees required to be paid in advance before the start of the work along with the work order."

- (ii) E-mail dated 27-01-2017 sent by Respondent to the Company with the subject line – "Regarding Internal Audit "

"Dear Lakhan ji.

As per our discussion and further to our mail dated 20.12.2016 for start of internal Audit, it is more than a month now and you will appreciate that we have done all our hard work to dig out various problems in your accounts as well as in system,

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During our last visit on 20.01.2017, we have finalised the audit report and sent to you and it was discussed in front of the management that you will provide the following details latest by Tuesday, ie. 24.01.2017:

a. Compliance report on that Internal Audit report confirming the corrections of all the shortcomings but have not been provided so far to us and vivek ji is confirming that the same are still pending.”

(iii) E-mail dated 10-02-2017 sent by Respondent to the Company

“Dear Sir,

Please find enclosed herewith Compliance pending points list after discussion in last meeting at your office 04.02.2017 with Anjali Ji and updated tally data. We had made the necessary changes as requirement of Compliance

a. Compliance report on that Internal Audit report confirming the corrections of all the shortcomings but have not been provided so far to us and vivek ji is confirming that the same are still pending.

(iv) E-mail dated 24-04-2017 sent by Respondent to the Company with the subject line – “Suggestive Process and reports to be introduced”

“Dear Sir,

This is further to our analysis and audit of your company systems, we suggest the introduction of some systems and reports pattern which are attached herewith.”

7.8. Thus, the Committee observed that the Internal Audit assignment was undertaken by the Respondent for which though no formal appointment letter is on record, its acceptance was given over email by the Respondent along with the confirmation of consideration for this assignment which was fixed at Rs.2 Lacs and 50% of which was to be received by the Respondent in advance.

7.9. The Committee from the ‘Limitation’ para of the Internal Audit Report/Review Report of Respondent further noted that besides 2016-17 (April,2016 to November,2016) the Respondent also conducted an internal limited review of the Company for the period 2015-16. The Committee in this regard noted the submission of the Respondent that the

main Internal Audit assignment was in respect of F.Y.2016-17 only however, at the request of management during discussion he had conducted limited review of cash vouchers for the period pertaining to 2015-2016 though this period was not covered in the main/original audit scope. The Respondent also submitted that in respect of this limited review pertaining to the FY.2015-16 neither any separate report was issued, nor any invoice was generated by him. The Committee also noted another argument of the Respondent that such limited review of the Company pertaining to 2015-16 was done subsequently after the issuance of his statutory audit report for the F.Y.2015-16 on 26-08-2016.

7.10. The Committee further observed the discrepancies in material head of the Statement of Profits and Loss' i.e. 'Employee Benefit Expenses - Salary and Wages' and the incurrance of unauthorised expenses without the approval of directors as revealed and reported by the Respondent in the Internal Audit Report but not in the Statutory Audit Report for the F.Y.2015-16. The Respondent argued that these discrepancies pertained to the main internal audit period (2016-17) and not w.r.t. the statutory audit period of Respondent i.e. 2015-16. However, in view of the fact the Respondent had clearly written under the 'Limitations' para of his Internal Audit Report that he had conducted the limited review for the period 2015-16 as well, the Committee emphasized that the shortcomings reported in the Internal audit report were not reflected in the statutory audit report for 2015-16. Thus, the Committee seeing the inconsistencies in the two audit reports of the Respondent, viewed that the audit in respect of material item of the balance sheet for the F.Y.2015-16 was not conducted diligently having reasonable evidence at hand.

7.11. The Committee further observed the dual role of Respondent in the Company as while being duly appointed/reappointed as Company's statutory auditor for the F.Y. 2015-16 and F.Y.2016-17 and further while holding the office of statutory auditor till October,2017 he also accepted its Internal Audit assignment (though verbally) in December,2016. Thereby, on the date of issuance of his Internal Audit Report i.e. on 22-01-2017 the Respondent was continuing to hold the position as statutory auditor for the period 2016-17. The Committee deliberated that Section 144(b) of the Companies Act,2013 specifically prohibits statutory auditor of a company to provide internal audit services to such auditee client.

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7.12. The Committee also deliberated on the provisions of Code of Ethics-2009 which requires the professional accountants to observe the highest ethical standards of independence and noted that its para 290.173 also prohibits the statutory auditor to be its internal auditor as it would not be possible for him to give an independent and objective opinion as statutory auditor on the financials of that client. Further, the Respondent's extension of scope of internal audit from the period 2016-17 to the F.Y.2015-16, is also observed by the Committee as amounted to providing of internal audit services while holding the office of statutory auditor of the Company until his resignation in October,2017. The Committee viewed that in order to justify his Internal Audit assignment the Respondent's defence/argument that though appointed as statutory auditor, he had never conducted Company's statutory audit for the F.Y. 2016-17 does not absolve him from being violative of the provision of Section 144 of the Companies Act, 2013 as during the period September,2016 to October, 2017 while holding the office of statutory auditor of the Company he provided the services of internal audit to the company.

7.13. In respect of Respondent's justification for his Internal Audit Report pertaining to 2015-16 too, the Committee did not accept his argument that his internal audit for the F.Y. 2015-16 was conducted in January, 2017 which was subsequent to the issuance of his statutory audit report in August, 2016. The Committee was of the view that though on the date of conducting internal audit, the statutory audit for the F.Y.2015-16 was already concluded, the Respondent still was holding the office of Statutory Auditor for the F.Y.2016-17 and his internal audit even in respect of F.Y. 2015-16 could have impacted his opinion in his statutory audit report for the F.Y. 2016-17 for which he was appointed for. The Committee thus concluded that the dual role of Respondent led to violation of Section 144 of the Companies Act, 2013. Further, the conduct of internal audit by Respondent while also holding the office of statutory auditor of the Company, contravened the fundamental principle of independence as defined in Code of Ethics which created conflict of interests and undermined the credibility of both assignments.

7.14. Further, the Committee also observed that while conducting the 'Internal Audit' assignment, the Respondent had made certain observations regarding Financial Year 2015-16, which were not pointed out during the statutory audit for the same year and the Respondent had issued clean report for the year. This clearly proves that the Respondent had not exercised due diligence and could not get sufficient evidences to form the opinion of and did not report material facts which could have been reported.

CA Shobha C. Shandilya, Director
(R.S) 100105-100105, 1-100105, 1-100105, 1-100105
(9.U) 100105-100105, 1-100105, 1-100105, 1-100105

7.15. In view of the above, the Committee held the Respondent **GUILTY** of Professional Misconduct falling within the meaning of Items (5), (6), (7), & (8) of the Part I of Second Schedule to the Chartered Accountant 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 above	Para 7.1 to 7.15 as above	Items (5), (6), (7), & (8) of the Part I of Second Schedule

9. In view of the above observations, considering the oral and written submissions of the Complainant and the Respondent and material on record, the Committee held the Respondent **GUILTY** of Professional Misconduct falling within the meaning of Items (5), (6), (7), & (8) of the Part I of Second Schedule to the Chartered Accountant Act, 1949

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

Sd/-
(ADV. VIJAY JHALANI)
GOVERNMENT NOMINEE

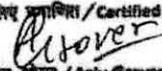
Sd/-
(CA. MANGESH P KINARE)
MEMBER

Sd/-
(CA SATISH KUMAR GUPTA)
MEMBER

DATE: 08th November 2025

PLACE: Noida

सत्यापित होने के लिए प्रमाणित / Certified to be True Copy


अनुप सिंघ / Anup Singh
सहायक सचिव / Assistant Secretary
अनुशासनमयक निदेशालय / Disciplinary Directorate
भारतीय सार्वजनिक लेखाकार संस्थान
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