



भारतीय सनदी लेखाकार संस्थान  
(संसदीय अधिनियम द्वारा स्थापित)

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

[DISCIPLINARY COMMITTEE BENCH-IV (2025-2026)]  
[Constituted under Section 21B of the Chartered Accountants Act, 1949]

**ORDER UNDER SECTION 21B (3) OF THE CHARTERED ACCOUNTANTS ACT, 1949 READ WITH  
RULE 19(1) OF THE CHARTERED ACCOUNTANTS (PROCEDURE OF INVESTIGATIONS OF  
PROFESSIONAL AND OTHER MISCONDUCT AND CONDUCT OF CASES) RULES, 2007.**

**File No [PR/G/255/17-DD/222/2017/DC/1558/2022]**

**In the matter of:**

**Shri. M.K Sahoo**

Additional Director,  
Serious Fraud Investigation Office (SFIO),  
Ministry of Corporate Affairs, Government of India,  
2nd Floor, Paryavaran Bhawan,  
CGO Complex, Lodhi Road,  
**NEW DELHI-110 003**

... Complainant

**Versus**

**CA. Rajiv Pal Puri (M. No. 084658)**

M/s. R.P Puri & Co.  
Chartered Accountants,  
L-22/1, DLF City,  
Phase – II,  
**Gurgaon – 122 002**

... Respondent

**MEMBERS PRESENT:**

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

**DATE OF HEARING: 05<sup>th</sup> February 2026**

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

1. That vide Findings dated 28<sup>th</sup> January 2026 under Rule 18(17) of the Chartered Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of

*R.P.P.*



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Cases) Rules, 2007, the Disciplinary Committee was inter-alia of the opinion that **CA. Rajiv Pal Puri (M. No. 084658)** (hereinafter referred to as the **Respondent**) is **GUILTY** of Professional Misconduct falling within the meaning of Clauses (5), (6), (7) & (8) of Part I of Second Schedule to the Chartered Accountants Act, 1949.

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

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

- The Respondent submitted that it is mere negligence and would not be construed as gross negligence.
- The Respondent quoted Supreme Court judgement and requested the Committee to take into consideration before passing the order.
- The Respondent requested that there is contravention of Companies Act, 1956 and not the contravention of ICAI standards.
- The Respondent requested the Committee to take a lenient view.

4. The Committee considered the reasoning as contained in Findings holding the Respondent 'Guilty' of Professional Misconduct vis-à-vis verbal submissions of the Respondent. The Committee noted that the issues/ submissions made by the Respondent as afore stated have been dealt with by it at the time of hearing under Rule 18.

5. Further, the Committee noted from submissions of the Respondent at the time of punishment that he has referred Hon'ble Supreme Court judgment dated 01.4.25 passed against *M/S. FAIME MAKERS PVT. LTD. VS DEPUTY REGISTRAR, CO-OPERATIVE SOCIETIES (3) MUMBAI & ORS.* wherein it was stated that "once a Competent Authority (quasi-judicial in nature) (i.e. Regional Director Mumbai, ACMM Court Delhi and ACMM Court Mumbai in the instant case)

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*settles an issue, that determination attains finality unless it is set aside in accordance with law."*

The Respondent has stated that the instant case is bound by the principle of res judicata. In this regard, the Committee noted that the disciplinary proceedings before this Committee are quasi judicial in nature and are governed by the specific provisions of the applicable statute and rules framed thereunder. The scope, standard, and object of these proceedings are distinct from judicial proceedings before any court of law. The Committee further noted that Disciplinary Committee of ICAI is required to examine whether the conduct of the Respondent has met the professional standards as required of its members and/or whether the Respondent is guilty of misconduct. On overall consideration, the Committee is of the view that the scope of two proceedings is different and thus the argument of the Respondent is not tenable.

6. Thus, keeping in view the facts and circumstances of the case, material on record including written and verbal representation of the Respondent on the Findings, the Committee noted that Respondent was the statutory auditor of the companies of Vaishnavi Group during the period 2007-08 till 2010-11. The investigation carried by Complainant Department revealed that the balance sheets of the said companies audited by the Respondent for the F.Y's 2007-08 till 2010-11 were not in compliance with the provisions of Section 211 read with Schedule -VI to the Companies Act, 1956 and the Accounting Standards laid down by the Institute of Chartered Accountants of India (ICAI). With respect to charge of non-compliances with the mandatory financial reporting framework, the Respondent has to justify such non-compliances solely on the ground of materiality. However, the amount of investment is material in these cases. The Committee does not find this contention acceptable, as compliance with the requirements of Schedule VI is mandatory and the said Schedule does not provide for presentation of only material information in the prescribed format.

7. In respect of charge, that the disclosures mandated under Schedule VI were not made. Apart from the absence of age-wise bifurcation of sundry debtors, information regarding whether such debts were fully secured or otherwise was not disclosed in the financial statements of the companies, the Respondent, as statutory auditor, failed to report or qualify such non-compliances in the respective audit reports. Considering the mandatory disclosures as required under law, the Committee concludes that the Respondent failed to discharge his professional duties with due diligence.

8. Further in respect of charge, that Ms. Nira Radia and Ms. Karuna Menon were directors in VCCPL, VASPL, LEISURE CLUB, CLARO, MAGIC AIR, MAANSI AGRO, VITCOM, NEUCOM. It is

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noted that Ms. Nira Radia and Ms. Karuna Menon were having controlling stake in the group companies. In view of the facts, name of the related party (group companies) and nature of the related party relationship should have been disclosed in the balance sheet irrespective of whether or not there have been transactions between the related parties in view of the requirements given under paragraph 21 of AS-18. The company has not given complete details of the transactions with group companies as required under paragraph 23 of AS 18. These details, being material in nature, should have been disclosed and, thus non-compliance with the requirement of AS 18.

9. With respect to other charges, that the Company, VASPL had given the properties on rent to VCCL, VITCOM and NEUCOM, but the same was not shown as rent received and rent paid in the respective financial statement of the Companies. It is noted that the amount received and paid by the Companies were of material in nature and the Respondent failed to verify the nature of transactions. Moreover, with respect to charge, that Schedule VI to the Companies Act, 1956 mandates disclosure of bank balances in the financial statements by segregating balances held with scheduled banks and those held with other banks, Respondent, as statutory auditor, did not report or draw attention to this non-compliance in the respective audit reports.

10. Thereafter with respect to charge, that the Respondent as auditor failed to check and verify the details related to contracts or arrangements which were to be entered into the Registers maintained in pursuance of Section 301 of the Companies Act, 1956, the Respondent failed to verify transactions held with group companies. Further, disclosure of nature of security given for the loan has not been disclosed in Notes to Accounts as per the requirement of Schedule VI of Companies Act 1956, the Respondent has not reported the said non-compliance. Hence, the Professional Misconduct on the part of the Respondent is clearly established as spelt out in the Committee's Findings dated 28<sup>th</sup> January 2026 which is to be read in consonance with the instant Order being passed in the case.

11. 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.

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12. Thus, the Committee ordered that the Respondent i.e. CA. Rajiv Pal Puri (M. No. 084658), Gurgaon be REPRIMANDED and also imposed a fine of Rs. 3,00,000/- (Rupees Three 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

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भारतीय सनदी लेखाकार संस्थान  
The Institute of Chartered Accountants of India  
आई.सी.ए.आर. भवन, सी-1, सेक्टर-1, नोएडा-201301 (उ.प्र.)  
ICAI Bhawan, C-1, Sector-1, Noida-201301 (U.P.)

**CONFIDENTIAL**

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

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

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

**File No.: - [PR/G/255/17-DD/222/2017/DC/1558/2022]**

**In the matter of:**

**Shri. M.K Sahoo**  
Additional Director,  
Serious Fraud Investigation Office (SFIO),  
Ministry of Corporate Affairs, Government of India,  
2<sup>nd</sup> Floor, Paryavaran Bhawan,  
CGO Complex, Lodhi Road,  
**NEW DELHI-110 003**

..... Complainant

Versus

**CA. Rajiv Pal Puri (M. No. 084658)**  
M/s. R.P Puri & Co.  
Chartered Accountants,  
L-22/1, DLF City,  
Phase – II,  
**Gurgaon – 122 002**

..... 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 : 28<sup>th</sup> October 2025**

**PARTIES PRESENT:**

**AR for the Complainant** : Advocate Gunjan Mittal (Through VC)  
**Counsel for the Respondent** : CA. Ayush Jain (In person)

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1. **Background of the Case:**

- 1.1 As per orders of the Ministry of Corporate Affairs, the Serious Fraud Investigation Office (SFIO), investigated into the affairs of Vaishnavi Corporate Communication Pvt. Ltd (VCCPL) and its 8 Group companies, which are as under: -
- i) Vaishnavi Advisory Services Pvt. Ltd (VASPL)
  - ii) Leisure Club India Pvt. Ltd (LEISURE)
  - iii) Claro Consultancy Pvt. Ltd (CLARO)
  - iv) Magic Airlines Pvt. Ltd (MAGIC)
  - v) Maansi Agro Pvt. Ltd (MAANSI)
  - vi) Crownmart International India Pvt. Ltd (CROWNMART)
  - vii) Vitcom Consulting Private Ltd (VITCOM).
  - viii) Neucom Consulting Pvt. Ltd (NEUCOM).
- 1.2 After investigation into the affairs of Vaishnavi Corporate Communication Pvt. Ltd and its group companies, the report was submitted by the SFIO to the Central Government. The relevant part of the Investigation report was provided by the Complainant wherein it is informed that Respondent was the statutory auditor of all the companies of Vaishnavi Group during the period 2007-08 till 2010-11. The investigation revealed that the balance sheets of the said companies audited by the Respondent for the F.Y's 2007-08 till 2010-11 were not in compliance with the provisions of Section 211 read with Schedule -VI to the Companies Act, 1956 and the Accounting Standards laid down by the Institute of Chartered Accountants of India (ICAI). It was further informed that during investigation several material misstatements, misclassifications, concealments were found which ought to have been disclosed in the Auditor's Reports of the Respondent. But on perusal of the auditor's report for the said years reveals that the Auditor did not qualify the said statutory violations done by the company in their financial statements.

2. **Charges in brief:**

The Complainant made following allegations in respect of audit of 8 companies conducted by the Respondent: -

S. No.	Allegations	Companies involved
2.1.	Non-disclosure of details of long-term investment in the balance sheet.	1. VASPL 2. VCCPL

2.2.	Non-bifurcation of sundry debtors as shown in the balance sheet.	1. VASPL 2. CLARO 3. VITCOM
2.3.	Non-disclosure of related party transaction in the balance sheet.	1. VASPL 2. VCCPL 3. CLARO 4. LEISURE 5. MAANSI 6. VITCOM 7. NEUCOM
2.4.	Showing rent in guise of the Support Services in the profit and loss account of VASPL.	1. VASPL 2. VCCPL 3. VITCOM 4. NEUCOM
2.5.	Non bifurcation of the bank balances as shown in the balance sheet	1. CLARO 2. MAGIC
2.6.	Non-adherence of the due procedure for adoption of the financial statements and failure to act independently as per the requirement of Code of Ethics.	1. CLARO 2. LEISURE 3. MAGIC 4. MAANSI
2.7.	Non- approval of board of directors and non-disclosure in the statutory register for entering into related party transaction.	1. CLARO
2.8.	Non-disclosure of security given for secured loan in the Balance Sheet.	1. LEISURE

3. **The relevant issues discussed in the Prima Facie Opinion dated 22<sup>nd</sup> July 2020 formulated by the Director (Discipline) in the matter in brief, are given below:**

3.1 **Allegation related to non-disclosure of details of long-term investment in the balance sheet:-**

3.1.1 In respect to above allegation, it was noted that the aforesaid allegation was mentioned in respect of the following companies:-

- a) VASPL (allegation as mentioned in para 2.1 above)
- b) VCCPL (allegation as mentioned in para 2.1 above)

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- 3.1.2 The Respondent did not make any specific submission in respect of the aforesaid allegation. He only denied the allegation and stated that negligence on his part with respect to necessary disclosure / reporting of non-compliances under various provisions of the Companies Act, 1956, if any, was unintentional and the same did not affect the true and correct view of the state of affairs of the Company as all were informative in nature. He also stated that all companies were closely held private limited companies and the shares were held within the family only.
- 3.1.3 The Respondent also stated that the offence had already been compounded by the Regional Director (NR) with respect to 7 out of 8 companies and that the compounding fee had already been deposited on 30<sup>th</sup> March, 2017.
- 3.1.4 It was observed that the Respondent, instead of making submissions on merits, tried to take shelter under the orders passed for compounding of offence. On one side, he made submissions before the Disciplinary Directorate that the non-disclosures / offence were unintentional and were not affecting the true and correct view of the financial affairs of the Company. On the other hand, he went for compounding of offence by admitting the same and paid the amount of fine imposed for the same. Hence, it was stated that though the Respondent took defence before the Disciplinary Directorate based on other reasons, yet it was a fact that he had admitted his mistake before the Regional Director (NR).
- 3.1.5 In view of the above requirement, it was viewed that appropriate disclosures as required by Schedule VI to the Companies Act, 1956 had not been given in the financial statements of VASPL and VCCPL. In the case of VASPL, investment of Rs. 80,000/- was made and no details with regard to the nature of investment were given in the financial statements for the financial years ended 31.03.2008, 31.03.2009, 31.03.2010 and 31.03.2011. In the case of VCCPL, a statement of investments classifying trade investments and other investments and showing the name of the body corporate in whose shares or debentures investments had been made was not given in the financial statements for the financial years ended 31.03.2008, 31.03.2009, 31.03.2010 and 31.03.2011).
- 3.1.6 It was viewed that in the extant cases, non-compliances of mandatory financial reporting framework were observed for which the auditor defended against such non-compliances on the grounds of materiality only. It was viewed that compliance with the requirements of Schedule VI was essential and nowhere was it prescribed to present only material information in the given format. On the contrary, para A16 of "Application and Other

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Explanatory Material of SA 450 – 'Evaluation of Misstatement identified during Audit' stated as follows:

- iv) "A16. The circumstances related to some misstatements may cause the auditor to evaluate them as material, individually or when considered together with other misstatements accumulated during the audit, even if they are lower than the materiality for the financial statements as a whole. Circumstances that may affect the evaluation include the extent to which the misstatement: · Affects compliance with regulatory requirements; · Affects compliance with debt covenants or other contractual requirements; · Relates to the incorrect selection or application of an accounting policy that has an immaterial effect on the current period's financial statements but is likely to have a material effect on future periods' financial statements;...."

Further, para 5 of AAS-13 on "Audit Materiality" stated as under:-

"Auditor considers materiality at both the overall financial information level and in relation to individual account balances and classes of transactions. Materiality may also be influenced by other considerations, such as the legal and regulatory requirements, non-compliance with which may have a significant bearing on the financial information"

Hence, it was noted that it was a case of non-compliance of regulatory requirement and the Respondent's contention regarding 'materiality' in the context of balance sheet size was not tenable. Thus, it was viewed that such non-compliance only indicated non-exercise of due diligence on the part of the Respondent while discharging his attest function and accordingly, the Respondent was held prima facie **GUILTY** of professional misconduct falling within the meaning of Clauses (5), (6), (7) and (8) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.

### 3.2 Allegation related to non-bifurcation of sundry debtors as shown in the balance sheet.

3.2.1 In respect of above allegation, it was noted that the aforesaid allegation was raised in respect of the following companies: –

- a) VASPL (allegation as mentioned in para 2.2 above)
- b) CLARO (allegation as mentioned in para 2.2 above)
- c) VITCOM (allegation as mentioned in para 2.2 above)

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3.2.2 The Respondent did not make any specific submissions in respect of the aforesaid allegation. The submissions of the Respondent and observations as mentioned were reiterated.

3.2.3 As regard the requirement of Schedule VI to the Companies Act, 1956 regarding disclosure of details of Sundry debtors in the balance sheet, it is observed that the following is required to be given in the balance sheet:-

(6) Sundry debtors –

(a) Debts outstanding for a period exceeding six months.

(b) Other debts.

Less: Provision

It also requires to disclose the following information:-

“In regard to sundry debtors particulars to be given separately of –

(a) debts considered good and in respect of which the company is fully secured; and

(b) debts considered good for which the company holds no security other than the debtor's personal security; and

(c) debts considered doubtful or bad. Debts due by directors or other officers of the company or any of them either severally or jointly with any other person or debts due by firms or private companies respectively in which any director is a partner or a director or a member to be separately stated.”

3.2.4 On perusal of the Balance Sheets of VASPL as at 31.03.2008, 31.03.2009 and 31.03.2010, and requirement of Schedule VI to the Companies Act, 1956, it was viewed that the disclosures regarding sundry debtors as required by Schedule VI were not given in the financial statements. Apart from disclosures related to age-wise bifurcation of sundry debtors, information as to whether sundry debtors were fully secured or not was not given in the financial statements of the Companies. The Respondent, as auditor, failed to point out the same in his respective audit reports. It was also noted that the amount of sundry debtors was material when compared with the size of the balance sheet. Further, the observations were reiterated and accordingly, the Respondent was held prima facie **GUILTY** of professional misconduct falling within the meaning of Clauses (5), (6) & (7) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.

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3.3 **Allegation related to non-disclosure of related party transaction in the balance sheet.**

3.3.1 In respect of above allegation, it was noted that the aforesaid allegations were raised in respect of the following companies: –

- a) VASPL (allegation as mentioned in para 2.3 above)
- b) VCCPL (allegation as mentioned in para 2.3 above)
- c) CLARO (allegation as mentioned in para 2.3 above)
- d) LEISURE (allegation as mentioned in para 2.3 above)
- e) MAANSI (allegation as mentioned in para 2.3 above)
- f) VITCOM (allegation as mentioned in para 2.3 above)
- g) NEUCOM (allegation as mentioned in para 2.3 above)

3.3.2 The Respondent did not make any specific submissions in respect of the aforesaid allegations. The submissions of the Respondent and observations as mentioned in para 17(ii) to (iv) were reiterated here.

3.3.3 In respect of the above allegations, it was noted that the main contentions of the Complainant were that the Company and/or its directors had significant control over other group companies, which included the authority and responsibility for planning, directing and controlling the activities of such other companies. Further, some directors of the Company were holding shares in other group companies. In view of the above facts, the name of the related party (group companies) and the nature of the related party relationship should have been disclosed in the balance sheet irrespective of whether or not there had been transactions between the related parties.

3.3.4 It was noted that Paragraph 21 of AS-18, Related Party Disclosures, provided that:

*"21. Name of the related party and nature of the related party relationship where control exists should be disclosed irrespective of whether or not there have been transactions between the related parties."*

3.3.5 Hence, it was viewed that the aforesaid requirement prescribed the disclosure of all related parties irrespective of any transaction that had taken place with them if control existed. It was noted that Ms. Nira Radia and Ms. Karuna Menon were directors in VCCPL, VASPL, LEISURE CLUB, CLARO, MAGIC AIR, MAANSI AGRO, VITCOM and NEUCOM. It was also alleged that Ms. Nira Radia and Ms. Karuna Menon were having controlling stake in the group companies. Apart from the above persons, Mr. Satish Kumar Narula, Mr. Manoj Warriar, Mr. Vishal Bhushan Mehta and Shri Sanjiv Saddy were also common directors in

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the Companies. In view of the above, the names of related parties as given in the Financial Statements did not appear to be a complete list of related parties. In addition to the above, some transactions that were made with other group companies during the year were also not disclosed in the manner as required by AS-18. Since the Respondent did not provide any specific submissions / working papers in respect of related party disclosures, the Respondent could not be exonerated at this stage.

3.3.6 Keeping in view the above, the observations as made were reiterated and accordingly, the Respondent was held prima facie **GUILTY** of professional misconduct falling within the meaning of Clauses (5), (6) & (7) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.

3.4 **Allegation related to showing rent in guise of the Support Services in the profit and loss account: -**

3.4.1 In respect of above allegation, it was noted that the aforesaid allegation was mentioned in respect of the following companies: –

- a) VASPL (allegation as mentioned in para 2.4 above, related to reflecting rent received from below-mentioned group companies as professional fees received)
- b) VCCPL (allegation as mentioned in para 2.4 above, related to reflecting the amount of rent paid to VASPL as professional fees paid)
- c) ITCOM (allegation as mentioned in para 2.4 above, related to reflecting the amount of rent paid to VASPL as professional fees paid)
- d) NEUCOM (allegation as mentioned in para 2.4 above, related to reflecting the amount of rent paid to VASPL as professional fees paid).

3.4.2 The Respondent did not make any specific submissions in respect of the aforesaid allegation. The submissions of the Respondent and observations were reiterated here.

3.4.3 In respect of the above allegations, it was noted that the Company, VASPL, had given the properties on rent to VCCPL, VITCOM and NEUCOM but the same was not shown as rent received and rent paid in the respective financial statements of the Companies.

3.4.4 It was observed that in respect of the amounts paid or received by the Companies, no question was raised by the Complainant. However, the question was raised in respect of the accounting head under which the amounts paid or received were booked by the aforesaid



companies. In order to substantiate this allegation, the Complainant referred to certain agreements under which the properties and other assets were given on rent.

3.4.5 It was also noted that the amounts received and paid by the Companies were material in nature. On the contrary, the Respondent could not bring on record any evidence to show that the income booked under the head professional fees received or paid was against the professional services rendered or received by the Companies. Hence, it appeared that the Respondent failed to verify the nature of the transactions and accordingly, he was held prima facie **GUILTY** of professional misconduct falling within the meaning of Clauses (5), (6) and (7) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.

3.5 **Allegation related to Non bifurcation of the bank balances as shown in the balance sheet.**

3.5.1 In respect of above allegation, it was noted that the aforesaid allegation was raised in respect of the following companies: –

- a) CLARO (allegation as mentioned in para 3.5 above)
- b) MAGIC (allegation as mentioned in para 3.5 above)

3.5.2 The Respondent did not make any specific submissions in respect of the aforesaid allegation. The submissions of the Respondent and observations were reiterated here. It was noted that as per the requirement of Schedule VI to the Companies Act, 1956, in respect of bank balances, the following were required to be given in the financial statements:-

*“(7B) Bank balances –  
(a) with Scheduled banks; and  
(b) with others.”*

3.5.3 In view of the above requirement, it was viewed that the aforesaid disclosure was required to be given in the financial statements, but the Companies had not given the same, and the Respondent, as auditor, failed to point out the same in his respective audit reports. On perusal of the financial statements of the aforesaid Companies, it was also noted that the Companies appeared to have a limited number of transactions during the period under question and hence, keeping in view the number of transactions and the size of the balance sheet, the amount of bank balances appeared to be material. Accordingly, the Respondent was held **GUILTY** of professional misconduct falling within the meaning of Clauses (5), (6) & (7) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.

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3.6 **Allegation related to non-adherence of the due procedure for adoption of the financial statements and failure to act independently as per the requirement of Code of Ethics.**

3.6.1 In respect of above allegation, it was noted that the aforesaid allegation was raised in respect of the following companies:-

- a) CLARO (allegation as mentioned in para 3.6 above)
- b) LEISURE (allegation as mentioned in para 3.6 above)
- c) MAGIC (allegation as mentioned in para 3.6 above)
- d) MAANSI (allegation as mentioned in para 3.6 above)

3.6.2 The Respondent did not make any specific submissions in respect of the aforesaid allegation. The submissions of the Respondent and observations were reiterated here.

3.6.3 In respect of the above allegation, it was noted that the main contention of the Complainant was that in a single day, accounts were approved by the Board of Directors and signed by the Respondent as auditor, and the audited accounts along with the audit report thereon were considered by the Board of Directors for the Directors' Report. The Complainant alleged that completing the entire process of finalization of accounts in a single day, more specifically within a few hours, year after year, could not be said to be incidental, rather intentional and wilful, so as to only complete the formalities without adhering to the norms of corporate governance.

3.6.4 In respect of the above allegation, it was noted that there was no bar or restriction on signing the financial statements on the day of approval of the same by the Board of Directors. The only requirement was that the accounts should be approved by the Board of Directors before submitting the same to the Auditor for audit. However, it was observed from the Inspection Report that Ms. Bharti Dey and Ms. Manju Vohra, Company Secretaries of VCCPL, who were handling the secretarial functions of all the companies in the group, including the aforesaid companies, had stated in their statements that no draft Balance Sheets were presented before the Board, as the final Balance Sheets were prepared by Mr. Sanjiv Saddy or Mr. R.P. Puri (the Respondent in the extant case), respectively. They had also stated that the financial statements which the statutory auditors used to prepare and finalize were put before the Board, and they were adopted along with the auditors' report and Directors' Report simultaneously in the same meeting where the auditors were present informally.

3.6.5 In light of the above statements of the Company Secretaries who were handling the work of all group companies, it was noted that the Respondent had failed to provide any defence in

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this regard, where the allegation so raised was quite grave in nature. It was accordingly viewed that the Respondent had nothing further to submit in this regard and accordingly appeared to be in agreement with the contention of the Complainant, specifically when the financial statements of three Companies, i.e., CLARO, MAGIC and MAANSI, for the financial year 2010-11 were approved by the respective Boards of Directors and signed by the Respondent on a single day, i.e., 25.08.2011, in sheer violation of the provisions of the Companies Act, 1956. Hence, the Respondent was held prima facie **GUILTY** of professional misconduct falling within the meaning of Clause (7) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.

3.6.6 As regards the **second leg of the extant allegation** relating to the independence of the auditor, the provisions of Standard on Auditing (SA) 200, "Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Standards on Auditing", were perused, and it provided as under--

*"The auditor is subject to relevant ethical requirements, including those pertaining to independence, relating to financial statement audit engagements. Relevant ethical requirements ordinarily comprise the Code of Ethics issued by the Institute of Chartered Accountants of India.*

*In the case of an audit engagement it is in the public interest and, therefore, required by the Code of Ethics, that the auditor be independent of the entity subject to the audit. The Code describes independence as comprising both independence of mind and independence in appearance. The auditor's independence from the entity safeguards the auditor's ability to form an audit opinion without being affected by influences that might compromise that opinion. Independence enhances the auditor's ability to act with integrity, to be objective and to maintain an attitude of professional skepticism."*

In view of the above, it is evidently clear that the auditor should act independently while forming an opinion on the financial statements of the company without being effected by the influences which might compromise his independence. In respect to the Independence of Auditor, ICAI has issued the Guidance Note on Independence of Auditors which further provides that:

*"Independence of the auditor has not only to exist in fact, but also appear to so exist to all reasonable persons. The relationship between the auditor and his client should be such that firstly, he is himself satisfied about his independence and secondly, no unbiased person would be forced to the conclusion that, on an objective assessment of the circumstances,*

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*there is likely to be an abridgement of the auditors' independence. In all phases of a Chartered Accountant's work, he is expected to be independent, but in particular in his work as auditor, independence has a special meaning and significance. Not only the client but also the stakeholders, prospective investors, bankers and government agencies rely upon the accounts of an enterprise when they are audited by a Chartered Accountant."*

3.6.7 On perusal of the above, it was clearly evident that as the Respondent, being the statutory auditor, was preparing the financial statements of the Companies and attending Board Meetings wherein the accounts were being approved by the Board of Directors, it was established that circumstances existed which affected his independence. On the one hand, he was discharging duties in a managerial capacity, while on the other hand, he took upon himself the statutory duty of expressing an independent opinion on the financial statements, and thus failed circumstantially to conduct an independent audit of the Companies. It was to be appreciated that independence of mind was a fundamental concept of audit and had to be always maintained. Nothing could substitute for the essential and fundamental requirement of independence. It was noted that the Guidance Note on "Independence of Auditor" also provided that the independence of the auditor had not only to exist in fact, but also appear to so exist to all reasonable persons, and his relationship with his client should be such that, firstly, he was himself satisfied about his independence and, secondly, no unbiased person would be forced to the conclusion that, on an objective assessment of the circumstances, there was likely to be an abridgement of the auditor's independence. Thus, the auditor had to be satisfied about his independent relationship with the client and he should not compromise his independence, as all the stakeholders of the Company relied on his report.

3.6.8 Thus, in the extant case, in view of the requirements stated above, it was evidently clear that the Respondent had compromised his independence while acting as the statutory auditor of the Company and thus failed to follow the mandatory requirement of independence laid down in SA-200 and the Guidance Note on 'Independence of Auditor,' which was not expected of a Chartered Accountant, who was expected to maintain high standards of conduct in his profession and whom society looked upon with integrity and trust. Accordingly, the Respondent was held prima facie **GUILTY** of professional misconduct falling within the meaning of Clause (7) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.

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3.7 **Allegation related to non- approval of board of directors and non-disclosure in the statutory register for entering into related party transaction.**

3.7.1 In respect of above allegation, it was noted that the aforesaid allegation was raised in respect of the Company, CLARO (allegation as mentioned in para 2.7 above).

3.7.2 The Respondent did not make any specific submissions in respect of the aforesaid allegation. The submissions of the Respondent and observations on were reiterated here.

3.7.3 In respect of the above allegation, the contention of the Complainant was that the Respondent, as auditor, failed to check and verify the details related to contracts or arrangements which were to be entered into the Registers maintained in pursuance of Section 301 of the Companies Act, 1956. In this regard, it was observed that the Complainant referred to an agreement entered into with Auroveda India and Auroveda Gnosis and stated that as on the date of entering into the agreement with Auroveda India Pvt. Ltd., i.e., 30.04.2009, one of the directors of CLARO, namely Mr. Partho Sanyal, was also a director in Auroveda India. Similarly, another director, namely Mr. Akshay Raid, was holding directorship in Auroveda Gnosis while being a director of CLARO.

3.7.4 It was observed that the Complainant did not provide copies of the agreements, and in the absence of the same, the materiality involved could not be determined. However, keeping in view the observations above in respect of related party transactions, which indicated that the Respondent failed to verify transactions held with group companies, the benefit could not be extended to the Respondent. Accordingly, he was held prima facie **GUILTY** of professional misconduct falling within the meaning of Clauses (6) & (7) of Part I of the Second Schedule to the Chartered Accountants Act, 1949, for not verifying the details of contracts and arrangements with related parties.

3.8 **Allegation related to non-disclosure of security given for secured loan in the Balance Sheet.**

3.8.1 In respect of above allegation, it was noted that the aforesaid allegation was raised in respect of the Company, LEISURE (allegation as mentioned in para 2.8 above).

3.8.2 The Respondent did not make any specific submissions in respect of the aforesaid allegation. The submissions of the Respondent and observations were reiterated here.

3.8.3 In respect of the above allegation, it was observed that the disclosure in respect of security worth Rs. 18 crore given against a secured loan taken from HDFC Bank of Rs. 12 crore was



not given in the financial statements for the financial year 2009-10 and the notes attached thereto. Since the amount of security was material and as per the requirement of Schedule VI, the same was required to be given in the financial statements and/or the notes attached thereto, but the Respondent, as auditor, failed to point out the said non-disclosure in his audit report. Hence, the Respondent was held prima facie **GUILTY** of professional misconduct falling within the meaning of Clauses (5), (6) & (7) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.

3.9 Accordingly, the Director (Discipline) in his Prima Facie Opinion dated 22<sup>nd</sup> July 2020 opined that the Respondent is Prima Facie **GUILTY** of Professional Misconduct falling within the meaning of Clauses (5), (6), (7) and (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 (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 in making such financial statement where he is concerned with that financial statement in a professional capacity;

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

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**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                    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;

- 3.10 The Prima Facie Opinion formed by the Director (Discipline) was considered by the Disciplinary Committee in its meeting held on 08<sup>th</sup> April 2022. The Committee on consideration of the same, concurred with the reasons given against the charge(s) and thus, agreed with the Prima Facie opinion of the Director (Discipline) that the Respondent is **GUILTY** of Professional Misconduct falling within the meaning of Clauses (5), (6), (7) and (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:

S. No.	Particulars	Dated
1.	Date of Complaint in Form 'I' filed by the Complainant	16 <sup>th</sup> August, 2017
2.	Date of Written Statement filed by the Respondent	13 <sup>th</sup> November, 2017
3.	Date of Rejoinder filed by the Complainant	--
4.	Date of Prima Facie Opinion formed by Director (Discipline)	22 <sup>nd</sup> July, 2020
5.	Written Submissions filed by the Respondent after Prima Facie Opinion	18 <sup>th</sup> August, 2022, 24 <sup>th</sup> September, 2025 07 <sup>th</sup> October, 2025 & 27 <sup>th</sup> October, 2025

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

5.1 The Respondent vide letter dated 18<sup>th</sup> August 2022 and 24<sup>th</sup> September 2025, inter-alia, made the submissions which are given as under: -

- The Companies referred to by the Complainant in the investigation report were registered under the Companies Act, 1956.
- The form and contents of the financial statements as referred to in the extant case is prescribed u/s 211 of the Companies Act, 1956.
- The Respondent was appointed by the aforesaid companies as auditor in accordance with the Section 224 of the Companies Act, 1956 and requisite auditor's reports in accordance with Section 227 of the Companies Act, 1956 were issued in each such case for each relevant year.
- The Complainant (SFIO) has been established and authorized by Government of India to investigate the aforesaid companies in accordance with Section 235 of the Companies Act, 1956.
- The unintentional and bona-fide omissions on part of the Respondent in the capacity of auditor in each relevant case in the extant case have already been compounded by the court of law in accordance with the clause (c) of sub-section (3) of Section 621A of Companies Act, 1956 as reproduced hereunder: -

*"Wherever any offence is compounded before the institution of any prosecution, no prosecution shall be instituted in relation to such offence, either by the Registrar or by any shareholder of the company or by any person authorized by the Central Government against the offender in relation to whom the offence is so compounded."*

- The Respondent has been discharged in each of the prosecution cases filed by the Complainant (SFIO) against the Respondent before ACMM (Special Acts) in Delhi & Mumbai with respect to each of the aforesaid companies for the same offences as referred to in the subject complaint.
- The subject complaint by the Complainant is void-ab-initio, defective and null, and may be dropped at the threshold. Such already compounded offences which have already been accepted in the court of law as unintentional and bona-fide omissions on part of the Respondent cannot be challenged/prosecuted again by one arm of Government of India (Complainant SFIO) in other arm of Government of India (Disciplinary Committee, ICAI) by overriding or in contravention to the provisions of Companies Act, 1956 passed by the Parliament of India. It is a clear and direct violation of law, and your good self may not proceed further with this complaint and drop it at the very threshold.

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- There is no violation of any legal provision or due procedure prescribed under the Companies Act, 1956 on part of the Respondent as auditor.
- No documentary evidence as per Section 60 of the Indian Evidence Act, 1872, such as minutes of meeting or attendance records signed by the Respondent as auditor, exist in the instant case proving that Respondent as auditor attended any such meeting-making the allegations defective, baseless and without any substantive evidence.
- Further, such company secretaries, whose statements have been used as primary basis for allegations against the Respondent, have themselves been complained against by the Complainant for professional misconduct.
- Questioning the independence of an auditor cannot be made upon defective and circumstantial evidence as shaped by the feeling and mindset of the investigation agency (Complainant) against the auditor (Respondent) but require concrete unobjectionable documentary evidence-admissible in the court of law.

5.2 Further, the Respondent vide letter dated 07<sup>th</sup> October 2025 inter-alia, made the submissions which are given as under:-

- Respondent states that with respect to the allegations contained in paragraphs 17 to 24 (except paragraph 22) of the prima-facie opinion, the Respondent invokes the doctrine of double jeopardy and Article 20(2) of the Constitution of India. It is submitted that these legal protections prohibit a person from being tried or punished more than once for the same offence.
- The Respondent submitted that he has already been tried and punished for the alleged offences in respect of the concerned companies by the Regional Director, Mumbai, under the Companies Act, 1956, and that these punishment orders were subsequently reaffirmed by the courts of the ACMM, Delhi and ACMM, Mumbai.
- Without prejudice to the above, the Respondent submitted that the alleged offences under clauses (5), (6), and (7) of Part I of the Second Schedule to the Chartered Accountants Act, 1949 no longer survive. The alleged lapses pertain only to technical disclosure omissions relating to undisputed financial figures under Schedule VI and applicable Accounting Standards.
- The Respondent also invoked the principle *actus reus non facit reum nisi mens sit rea*, contending that there was no guilty mind. No financial figures were disputed, and the alleged lapses were merely bona fide technical omissions in reporting disclosure deficiencies made by company management. These omissions did not affect the true and fair view of the financial statements, and the absence of mala fide intent is evidenced by the compounding and discharge orders passed by the competent authorities.

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- The Respondent submitted that the case is based solely on statements of co-accused Company Secretaries without any corroborative evidence. Reliance is placed on Supreme Court jurisprudence holding that a co-accused's statement is not substantive evidence and cannot be the sole basis for conviction. Further, the Respondent was never given an opportunity to cross-examine the co-accused, rendering such statements legally unacceptable.

5.3 Further, the Respondent vide letter dated 27<sup>th</sup> October 2025 inter-alia, made the submissions which are given as under:-

**Maintainability and Jurisdiction:**

- The alleged technical contraventions under the Companies Act, 1956 have been fully compounded under Section 621A, with legal finality and amnesty; the alleged acts are extinguished and regularized by law.
- SFIO, as the Complainant, derives its powers solely from the Companies Act and is not an independent constitutional authority. Its mandate is limited to investigating and prosecuting under the Companies Act.
- Once the contraventions are lawfully compounded, SFIO loses legal standing to maintain a complaint under the Chartered Accountants Act, 1949. Allowing such proceedings would constitute legal overreach, violate the doctrine of finality, and breach protections under Article 20(2) of the Constitution (prohibiting double jeopardy) and Section 26 of the General Clauses Act, 1897 (prohibiting double punishment).

**Interplay between Companies Act and Chartered Accountants Act:**

- Preparation of financial statements and audit reports is governed by statutory obligations under Sections 211 and 227 of the Companies Act, 1956; non-compliance constitutes an offence under the Companies Act.
- Disciplinary jurisdiction under the Chartered Accountants Act, 1949 is secondary and derivative, typically following statutory violations.
- In this case, since the alleged statutory violations have been compounded and settled, the conduct in question has lost its status as a continuing offence and has been lawfully regularized.
- The Respondent emphasized that acts forgiven by law cannot be re-prosecuted or punished under a different statute merely due to a change in forum. This principle ensures legal certainty and protects individuals from indefinite or repetitive consequences for a single adjudicated act.

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

6.1 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/remark
1	22 <sup>nd</sup> May, 2023	Part heard and adjourned.
2	23 <sup>rd</sup> April, 2024	Adjourned at the request of the Respondent.
3	26 <sup>th</sup> September, 2025	Part heard and adjourned.
4	09 <sup>th</sup> October, 2025	Part heard and adjourned at the request of Counsel of Complainant.
5	28 <sup>th</sup> October, 2025	Hearing concluded and decision taken.

6.2 On the day of first hearing held on 22<sup>nd</sup> May 2023, the Committee noted that the authorized representative from Complainant Department and the Respondent along-with Counsel were present before it through video conferencing mode. Being first hearing of the case, the Respondent was put on oath. Thereafter, the Committee enquired from the Respondent as to whether he was aware of the charges and charges against the Respondent were read out. On the same the Respondent replied that he is aware of the charges and pleaded Not Guilty to the charges levelled against him. In view of Rule 18 (9) of the Chartered Accountants (Procedure of Investigation of Professional and Other Misconduct and Conduct of Cases) Rules, 2007, the Committee adjourned the case to later date.

6.3 On day of next hearing held on 26<sup>th</sup> September 2025, the Committee noted that the Respondent along-with counsel was present in person and appeared before it. Thereafter, the Committee noted that the case was part heard and the Respondent(s) were already on oath. The Committee enquired from Counsel for the Respondents that since the composition of the Committee had changed subsequent to the last hearing in this case, whether he wished to have a de-novo hearing or may continue from the stage it was last heard, by taking all submissions already on record. The Counsel submitted that the proceedings in the instant matter(s) be continued from the stage these were last heard. The Counsel for Respondent submitted that the allegations, except for one, pertained to technical lapses in accounting standards (AS) disclosures, which had already been compounded and adjudicated by the Regional Director (RD) and ACMM Court, rendering the proceedings void ab initio. The Counsel claimed that the doctrine of double jeopardy, Article 20(2) of the Indian Constitution, and Section 26 of the General Clauses Act, would get invoked as the Respondent should not be tried again under the CA Act for the same offenses. The Respondent maintained that the lapses were technical, non-material, and

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without malafide intent, emphasizing that no harm was caused to public interest or financial figures. The Committee noted the submissions of the Respondent.

The Committee noted that the AR of complainant department has requested for an adjournment. The Committee adjourned the matter so as to allow time to the Complainant Department to engage a Counsel for representation. With this, the matters were part-heard and adjourned.

- 6.4 On day of hearing held on 09<sup>th</sup> October 2025, the Committee noted that the Counsel for the Complainant was present through VC and the Respondent along with his Counsel were present in person and appeared before it.

The Counsel representing the Complainant Department (SFIO) submitted that she had only received the complaint copy from the Department and had not been provided with the Written Statement (WS) submitted by the Respondent. She requested that copy of written submissions of the Respondent may be provided to her to facilitate preparation for the Rejoinder. She further explained that she was recently appointed to the case and then requested additional time to prepare her Rejoinder.

The Committee observed that the Complainant Department had been given multiple opportunities in the past to file Rejoinder but had failed to do so. The Committee instructed the Counsel for Complainant Department to submit her Rejoinder by 23<sup>rd</sup> October 2025. With this, the case was adjourned at the request of Counsel of the Complainant.

- 6.5 On the day of final hearing held on 28<sup>th</sup> October 2025, the Committee noted AR for the Complainant was present through VC and Respondent along-with Counsel was present in person and appeared before it.

The Committee noted that the Complainant has filed Rejoinder in the matter. The AR of Complainant stated that the SFIO investigated a group of nine companies on the directions of the Ministry of Corporate Affairs and identified several undisclosed and suspicious transactions. During the investigation, it was found that Mr. Rajiv Puri, the statutory auditor for these companies from 2007–08 to 2010–11, failed to disclose multiple related party transactions, long-term investments, and proper bifurcation of sundry debtors in the financial statements of Vaishnavi Advisory Services Pvt. Ltd. and its group companies.

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

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

- 7.1 The Committee noted that the allegations against the Respondent, which have been explained in para 2.1 to 2.8 above. The Committee also noted the submissions of the Respondent as detailed in para 5 above, wherein, he had inter alia, submitted as under:
- 7.1.1 The Respondent has accepted his association with Vaishnavi Corporate Communications Pvt Ltd (VCCPL) and its Group companies as statutory auditor from F.Y. 2007-08 to F.Y.2010-11. He was acting only as an independent auditor/consultant and he did not have any other relationship, whatsoever, with the company/s and its directors.
- 7.1.2 In pursuit of performing his duties as consultant, he used to visit the client's place frequently for understanding the problems, offer suitable advice to the management and guiding staff on various issues relating to direct tax, indirect tax, PF, ESI, and Payroll etc. and also used to represent them before the appropriate authorities.
- 7.1.3 He was duly compensated by the Company for these visits and meetings and appearances, as that was done on their insistence only. The amount of fee charged by him for rendering above services is alleged as substantial, whereas, it was actually corresponding to his efforts and time devotion. Further, his role was strictly restricted to giving alternative advises on the given problem and he was nowhere made part of decision-making process. He never attended any board meeting of the Company(s). To verify his statement, the minutes of the company(s) including attendance records may be referred to.
- 7.1.4 The statements of directors /Company Secretaries/staff of the group companies before the SFIO cannot be relied upon, as the same were given by them as collective/ conscious decision taken by them in order to get their respective offences compounded.
- 7.1.5 The negligence on his part with respect to necessary disclosures/ reporting of non-compliances under various provisions of the Companies Act, 1956, if any, is unintentional and because of omission or under his bona fide view that the same were not required to be reported in the Auditors' report. Also, the same did not affect the true and correct view of the financial affairs of the company as all these were informative in nature.
- 7.1.6 All these Companies were closely held private limited Companies, and the shares are held within the family only. There is no motive/beneficiary for doing such non-compliance/non-disclosure intentionally. Moreover, the Respondent submitted that offence is already

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compounded by Regional Director (NR) and the compounding fee is already deposited on 30<sup>th</sup> March, 2017.

- 7.1.7 Further, he stated that prosecution in respect of these companies was filed by SFIO before the ACMM (Spl Acts) in Tis Hazari, Delhi. The ACMM, Delhi has already discharged the Respondent by taking cognizance of the compounding of the offences, by Regional Director (NR). In view of compounding of the offence by Regional Director (NR), the offence becomes acquittal and therefore, further action against him including inquiry/complaint of professional or other misconduct by any statutory authority for the same violation, may not be desirable.
- 7.2 In view of above submissions of the Respondent, the Committee noted that the Respondent has taken the plea that *"offence is already compounded by Regional Director (NR) and the compounding fee is already deposited on 30<sup>th</sup> March, 2017 and he has already discharged by taking cognizance of the compounding of the offences, by Regional Director (NR). Therefore, further action against him including inquiry/complaint of professional or other misconduct by any statutory authority for the same violation, may not be desirable"*. The Committee noted that details of penalty order (against the Respondent) in respect of application for compounding of offences under the Companies Act, 1956, as follows:-

S. No.	Name of the Company	Amount Paid	Date of Payment
1.	M/s Maansi Agro Private Limited	40,000	30.03.2017
2.	M/s Claro Consultancy Private Limited	40,000	30.03.2017
3.	M/s Leisure Club India Private Limited	40,000	30.03.2017
4.	M/s Vaishnavi Advisory Services Private Limited	40,000	30.03.2017
5.	M/s Vaishnavi Corporate Communications Private Limited	40,000	30.03.2017
6.	M/s Magic Airlines Private Limited	40,000	30.03.2017
7.	M/s Vitcom Consulting Private Limited	40,000	30.03.2017

In view of said order, the Committee was of the opinion that Respondent has accepted offence before the other Government authority. In view of above plea of the Respondent, the Committee was of the view that disciplinary proceedings against the Respondent in the extent case are quasi-judicial in nature.

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- 7.3 The Committee noted that the principle of double jeopardy does not preclude the initiation of inquiries or proceedings by different authorities, particularly when they serve different purposes or when the sanctions, they can impose are different in nature. The initiation of disciplinary proceedings by ICAI, against its member, even after compounding by Regional Director (MCA), is not considered double jeopardy, because it involves separate regulatory bodies or authorities, distinct standards of conduct and different aspects of professional responsibilities. Thus, the principle of double jeopardy as enshrined in Article 20(2) of the Constitution do not apply directly to the disciplinary proceedings of ICAI which operates within its own distinct and independent sphere of statutory authority.
- 7.4 Thus, the Committee viewed that the plea raised by the Respondent is not sustainable. The Committee was of the considered view that compounding of offence as in instant case by Regional Director (MCA) under Section 621A of the Companies Act 1956, could not mitigate the professional misconduct of the Respondent as alleged by the Complainant. After dealing with request/plea of the Respondent, the Committee decided to proceed with merits of the case and gives its findings in respect of charges, in which has been held Prima Facie Guilty and has been explained in para 2 above.
- 7.5 On perusal of the charges, the Committee noted that the Complainant made charges in respect of 8 companies of one Group of Companies. Details of companies along with financial year given below in which Respondent was statutory auditor:

S. No.	Name of the Company	Financial Year
1.	Vaishnavi Advisory Services Pvt. Ltd (VASPL)	2007-08 to 2010-11
2.	Leisure Club India Pvt. Ltd (LEISURE)	2005-06 to 2010-11
3.	Claro Consultancy Pvt. Ltd (CLARO)	2007-08 to 2010-11
4.	Magic Airlines Pvt. Ltd (MAGIC)	2007-08 to 2010-11
5.	Maansi Agro Pvt. Ltd (MAANSI)	2007-08 to 2010-11
6.	Vaishnavi Corporate Communications Pvt Ltd (VCCPL)	2007-08 to 2010-11
7.	Vitcom Consulting Private Ltd (VITCOM)	2008-09 to 2010-11
8.	Neucom Consulting Pvt. Ltd (NEUCOM)	2008-09 to 2010-11

The Complainant made similar nature of charges in respect of these 8 companies and accordingly, the same are being dealt with charges -wise as under:-

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7.6 **Charge related to non-disclosure of details long term investment in the balance sheet**

7.6.1 It is noted that the aforesaid charge is alleged in respect of the following companies: -

- a) VASPL and
- b) VCCPL

7.6.2 The Respondent stated that the offence is already compounded by Regional Director (NR) with respect to these companies and the compounding fee is already deposited on 30<sup>th</sup> March, 2017. The Committee noted that that the Respondent instead of making submissions on merits, tried to take shelter under the orders passed for compounding of offence.

7.6.3 In view of Schedule VI to the Companies Act, 1956, the Committee noted that the following information are required to be disclosed in the financial statements regarding investment:-

*"Showing nature of investment and mode of valuation, for example cost or market value and distinguishing between –*

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

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

*(3) Immovable properties.*

*(4) Investments in the capital of partnership firms (5) Balance of unutilised monies raised by issue"*

Note No. (1) of Part I of Schedule VI to the Companies Act, 1956, requires as follows:-

*(1) A statement of investments (whether shown under Investment or under Current Assets as Stock-in-trade) separately classifying trade investments and other investment should be annexed to the balance sheet, showing the names of the bodies corporate (indicating separately the names of the bodies corporate under the same management) in whose shares or debentures, investments have been made (including all investments, whether existing or not, made subsequent to the date as at which the previous balance sheet was made out) and the nature and extent of the investment so made in each such body corporate;....."*

7.6.4 On perusal of Financial Statements audited by the Respondent, the Committee observed that in view of above mentioned requirements, it is viewed that appropriate disclosures as

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required by the Schedule VI to the Companies Act, 1956 have not been given in the financial statements of VASPL and VCCPL. In case of VASPL, details of investments are given below:-

Year	2007-08	2008-09	2009-10	2010-11
Investment	-	80,000	1,14,81,500	1,14,81,500

From the above, it is noted that amount of investment has been substantially increased from Rs. 80,000/- to Rs. 1,14,81,500/- in F.Y. 2009-10 & 2010-11. However, no details with regard to the nature and extent of investment made in each body corporate was given in the financial statement for the financial year ended 31.03.2008, 31.03.2009, 31.03.2010 and 31.03.2011. In case of VCCPL, a statement of investments classifying trade investment and other investment and showing the name of the body corporate in whose shares or debentures, investment have been made were not given in the financial statement for the financial year ended 31.03.2008, 31.03.2009, 31.03.2010 and 31.03.2011.

- 7.6.5 In view of the above, the Committee is of the view that in the instant case, non-compliances with the mandatory financial reporting framework have been observed. The auditor has sought to justify such non-compliances solely on the ground of materiality. However, the amount of investment is material in both cases. The Committee does not find this contention acceptable, as compliance with the requirements of Schedule VI is mandatory and the said Schedule does not provide for presentation of only material information in the prescribed format.
- 7.6.6 On the contrary, paragraph A16 of SA 450, "Evaluation of Misstatements Identified during the Audit", clearly states that certain misstatements may be considered material due to their nature, including those affecting compliance with regulatory requirements, even if they are lower than the overall materiality level. Further, paragraph 5 of AAS-13 on "Audit Materiality" emphasises that materiality is influenced not only by quantitative factors but also by legal and regulatory considerations, non-compliance with which may have a significant bearing on the financial information. Accordingly, the Committee concludes that the auditor's reliance on materiality to justify non-compliance with mandatory reporting requirements is untenable.
- 7.6.7 On the basis of above, the Committee is of the view that such non-compliance only indicates non-exercise of due diligence on part of the Respondent while discharging his attest function and accordingly, held the Respondent **GUILTY** of Professional Misconduct falling within the

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meaning of Clauses (5), (6), (7) and (8) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.

**7.7 Charge related to non-bifurcation of Sundry Debtors as shown in the balance sheet:-**

7.7.1 It is noted that the aforesaid charge is raised in respect of the following companies: -

- a) VASPL
- b) CLARO
- c) VITCOM

7.7.2 In view of this charge, the Committee noted that the requirement of Schedule VI to the Companies Act, 1956 regarding disclosure of details of Sundry debtors in the balance sheet. In respect of this charge, the Committee noted that Schedule VI to the Companies Act, 1956 mandates specific disclosures in respect of sundry debtors in the balance sheet, including age-wise classification of debts outstanding for a period exceeding six months and other debts, after deduction of provision, as well as separate disclosure of debts considered good and fully secured, debts considered good but unsecured, and debts considered doubtful or bad. The Schedule further requires separate disclosure of debts due from directors, officers of the company, or entities in which directors are interested.

7.7.3 In view of audited Financial Statements of VASPL as at 31.03.2008, 31.03.2009 and 31.03.2010, the Committee noted that disclosures regarding sundry debtors were given as under: -

Balance Sheet as at	Details of disclosure given in the Balance Sheet
31.03.2008	"Sundry Debtors (Outstanding less than six months)"
31.03.2009	Sundry Debtors Outstanding more than six months Outstanding less than six months
31.03.2010	Sundry Debtors Outstanding more than six months Outstanding less than six months

In case of CLARO, the following disclosures were given in the financial statements:-

Balance Sheet as at	Details of disclosure given in the Balance Sheet
31.03.2010	Sundry Debtors
31.03.2011	Sundry Debtors

In case of VITCOM, the following disclosure were given in the financial statements:-

Balance Sheet as at	Details of disclosure given in the Balance Sheet
31.03.2008	Outstanding less than six months

7.7.4 Upon perusal the financial statements, the Committee observed that the disclosures mandated under Schedule VI were not made. Apart from the absence of age-wise bifurcation of sundry debtors, information regarding whether such debts were fully secured or otherwise was also not disclosed in the financial statements of the companies. The Committee further observed that the Respondent, as statutory auditor, failed to report or qualify such non-compliances in the respective audit reports. Considering the mandatory disclosures as required under law, the Committee concludes that the respondent failed to discharge his professional duties with due diligence.

7.7.5 Accordingly, in view of above, the Committee is of the view that the Respondent is **GUILTY** of Professional Misconduct falling within the meaning of Clauses (5), (6) & (7) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.

7.8 **Charge related to non-disclosure of Related Party Transaction in the Balance Sheet: -**

7.8.1 The Committee noted that the aforesaid charge are raised in respect of the following companies: -

- a) VASPL
- b) VCCPL
- c) CLARO
- d) LEISURE
- e) MAANSI
- f) VITCOM
- g) NEUCOM

7.8.2 In respect of above charge, the Committee noted that on perusal of investigation report of SFIO, the Committee noted that Ms. Nira Radia and Ms. Karuna Menon were directors in VCCPL, VASPL, LEISURE CLUB, CLARO, MAGIC AIR, MAANSI AGRO, VITCOM, NEUCOM. It was also alleged by the Complainant that Ms. Nira Radia and Ms. Karuna Menon were having controlling stake in the group companies. Apart from above persons, Mr. Satish Kumar Narula, Mr. Manoj Warriar, Mr. Vishal Bhushan Mehta and Shri Sanjiv Saddy were also common directors in the Companies.

7.8.3 The Contention of the Complainant was that Company and/or its directors was having significant control over other group companies which includes the authority and responsibility for planning, directing and controlling the activities of such other companies. Further, some

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directors of the Company were holding shares in other group companies. In view of these facts, name of the related party (group companies) and nature of the related party relationship should have been disclosed in the balance sheet irrespective of whether or not there have been transactions between the related parties in view of the requirements given under paragraph 21 of AS-18.

7.8.4 In view of above, the Committee was of the view that the name of related parties as given in Financial Statements does not appear to be a complete list of related parties. In addition to above following was noted from investigation report of SFIO in respect of VCCPL:-

Year	Related parties disclosed	Transactions disclosed	Remarks
2006-07	No disclosure	No disclosure	—
2007-08	(i) VASPL (ii) Crownmart (iii) Claro  (iv) Noesis	Balance outstanding at the year end a) Receivable – VASPL - Rs.86,82,496/- - Noesis Rs. 79,10,591/-  b) Payable – Crownmart Rs. 2,72,108/-	The previous year-end balances disclosed though there was no disclosure in the balance sheet of the previous year i.e. 2006-07
2008-09	(i) VASPL (ii) Crownmart (iii) Claro (iv) Noesis (v) Neucom (vi) Vitcom	Balance outstanding at the year end a) Receivable – VASPL Rs. 86,82,496/- - Neucom Rs. 2,65,520/- - Noesis Rs. Nil b) Payable – Crownmart Rs. 2,72,108/-	The transactions during the year not disclosed
2009-10	(i) VASPL (ii) Crownmart (iii) Noesis (iv) Neucom (v) Maansi	Balance outstanding at the year end a) Receivable – VASPL Rs. 86,82,496/- - Neucom Rs. Nil b) Payable – Crownmart Rs. 2,72,108/-	The transactions during the year not disclosed
2010-11	(i) VASPL (ii) Crownmart (iii) Noesis (iv) Neucom (v) Maansi (vi) Leisure	Balance outstanding at the year end a) Receivable – VASPL Rs. Nil  - Neucom Rs. 29,63,693/- - Leisure Rs. 10,88,000/- b) Payable – Crownmart Rs. Nil - VASPL Rs. 1,23,166/-	The transactions during the year not disclosed.

7.8.5 Further, Paragraph 23 of AS-18 noted as follows:-

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"(23) If there have been transactions between related parties, during the existence of a related party relationship, the reporting enterprise should disclose the following:

- (i) the name of the transacting related party;
- (ii) a description of the relationship between the parties;
- (iii) a description of the nature of transactions;
- (iv) volume of the transactions either as an amount or as an appropriate proportion;
- (v) any other elements of the related party transactions necessary for an understanding of the financial statements;
- (vi) the amounts or appropriate proportions of outstanding items pertaining to related parties at the balance sheet date and provisions for doubtful debts due from such parties at that date; and
- (vii) amounts written off or written back in the period in respect of debts due from or to related parties."

7.8.6 As evident from above, the company has not given complete details of the transactions with group companies as required under paragraph 23 of AS 18. It has disclosed only outstanding balance at the year end and not disclosed transactions occurred with related party during the year. These details, being material in nature, should have been disclosed, thus non-compliance with the requirement of AS 18. Similar charge was also against the VASPL, CLARO, LEISURE, MANSI, VITCOM & NEUCOM.

7.8.7 On the basis of above, facts, the Committee is of the view that the Respondent is **GUILTY** of Professional Misconduct falling within the meaning of Clauses (5), (6) & (7) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.

7.9 **Charge related to showing rent in guise of the Support Services in the profit and loss account of VASPL:-**

7.9.1 The Committee noted that the aforesaid charge is mentioned in respect of the following companies:-

- a) VASPL
- b) VCCPL
- c) VITCOM
- d) NEUCOM

7.9.2 In respect of above charges, the Committee noted that the Company, VASPL had given the properties on rent to VCCL, VITCOM and NEUCOM, but the same was not shown as rent

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received and rent paid in the respective financial statement of the Companies. In order to substantiate this charge, the complainant referred certain agreements under which the properties and other assets were given on rent. It is also noted that the amount received and paid by the Companies were of material in nature.

7.9.3 The Respondent submitted that it is matter of opinion that the rent was included in support of services. Further he admitted that the same should be shown as rent and got rectified the same under compounding order.

7.9.4 On the basis of above, the Committee is of the view that the Respondent failed to verify the nature of transactions and accordingly, Respondent is **GUILTY** of Professional Misconduct falling within the meaning of Clauses (5), (6) and (7) of Part I of Second Schedule to the Chartered Accountants Act, 1949.

7.10 **Charge related to Non bifurcation of the bank balances as shown in the balance sheet: -**

7.10.1 The Committee noted that the aforesaid charge is raised in respect of the following companies:-

- a) CLARO
- b) MAGIC

7.10.2 The Committee noted that Schedule VI to the Companies Act, 1956 mandates disclosure of bank balances in the financial statements by segregating balances held with scheduled banks and those held with other banks. In view of this requirement, the Committee observed that such disclosures were required to be made; however, the companies failed to disclose the same in their financial statements.

7.10.3 The Committee further noted that the respondent, as statutory auditor, did not report or draw attention to this non-compliance in the respective audit reports. On perusal of the financial statements, the Committee observed that the companies had a limited number of transactions during the period under consideration and, having regard to the size of the balance sheets, the amount of bank balances was material.

7.10.4 Accordingly, the Committee concludes that the respondent failed to exercise due professional care in ensuring compliance with the mandatory disclosure requirements. Thus, the Committee held the Respondent **GUILTY** of Professional Misconduct falling within the

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meaning of Clauses (5), (6) & (7) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.

7.11 **Charge related to Non-adherence of the due procedure for adoption of the financial statements and failure to act independently as per the requirement of Code of Ethics:**

7.11.1 The Committee noted that Respondent was Statutory Auditor of following companies: -

S. No.	Name of the Company	Financial Year
1	Leisure Club India Pvt. Ltd (LEISURE)	2005-06 to 2010-11
2	Claro Consultancy Pvt. Ltd (CLARO)	2007-08 to 2010-11
3	Magic Airlines Pvt. Ltd (MAGIC)	2005-06 to 2010-11
4	Maansi Agro Pvt. Ltd (MAANSI)	2005-06 to 2010-11

The Committee on scrutiny of the Auditor's Reports, Balance Sheet and Profit & Loss Accounts of these Companies for financial years 2005-06, 2006-07, 2007-08, 2008-09, 2009-10 and 2010-11 and/ or the Minutes Book of the Board of directors' meeting, observed that dates of signing / approving of the Balance Sheets and Profit & Loss Account have reported here as under:-

**Leisure Club India Pvt. Ltd (LEISURE)**

F.Y.	Date of Approval of draft financial statements by Board of Directors	Date of signing by Statutory Auditor	Date of Directors' Report
2005-06	17.08.2006	17.08.2006	17.08.2006
2006-07	27.07.2007	27.07.2007	27.07.2007
2007-08	20.08.2008	20.08.2008	20.08.2008
2008-09	25.08.2009	25.08.2009	25.08.2009
2009-10	24.08.2010	24.08.2010	24.08.2010
2010-11	24.08.2011	24.08.2011	24.08.2011

**Claro Consultancy Pvt. Ltd (CLARO)**

F.Y.	Date of Approval of draft financial statements by Board of Directors	Date of signing by Statutory Auditor	Date of Directors' Report
2007-08	11.08.2008	11.08.2008	11.08.2008
2008-09	25.08.2009	25.08.2009	25.08.2009
2009-10	24.08.2010	24.08.2010	24.08.2010
2010-11	25.08.2011	25.08.2011	25.08.2011

**Magic Airlines Pvt. Ltd (MAGIC)**

F.Y.	Date of Approval of draft financial statements by Board of Directors	Date of signing by Statutory Auditor	Date of Directors' Report
2005-2006	31.07.2006	31.07.2006	31.07.2006
2006-2007	27.07.2007	27.07.2007	27.07.2007
2007-2008	28.08.2008	28.08.2008	28.08.2008
2008-2009	18.08.2009	18.08.2009	18.08.2009
2009-2010	16.08.2010	16.08.2010	16.08.2010
2010-2011	25.08.2011	25.08.2011	25.08.2011

**Maansi Agro Pvt. Ltd (MAANSI)**

F.Y.	Date of Approval of draft financial statements by Board of Directors	Date of signing by Statutory Auditor	Date of Directors' Report
2005-06	17.08.2006	17.08.2006	17.08.2006
2006-07	27.07.2007	27.07.2007	27.07.2007
2007-08	20.08.2008	20.08.2008	20.08.2008
2008-09	19.08.2009	19.08.2009	19.08.2009
2009-10	24.08.2010	24.08.2010	24.08.2010
2010-11	25.08.2011	25.08.2011	25.08.2011

7.11.2 On perusal of above, the Committee was of the view that draft financial statements of these Companies for Financial Year 2005-2006 (MAGIC, LEISURE and MAANSI) were considered and approved by the Board of Directors on 31.07.2006 and 17.08.2006 and for CLARO for Financial Year 2007-08 were considered and approved by the Board of Directors on 11.8.2008 and on same day these were forwarded to the Statutory Auditor for his audit, received back and considered the Auditors Report thereon, and also approved the Directors Report on same day. Similar procedures were adopted while approving the Balance Sheet and Directors Report for the financial year 2006-2007.

7.11.3 The relevant Section 215(3) of the Companies Act 1956 which mentions about 'Authentication of Balance Sheet and Profit and Loss Account' along with Section 217 which mentions about 'Board's Report read as below:

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(3) *The balance sheet and the profit and loss account shall be approved by the Board of directors before they are signed on behalf of the Board in accordance with the provisions of this section and before they are submitted to the auditors for their report thereon.*"

**"217. BOARD'S REPORT**

(1) *There shall be attached to every balance sheet laid before a company in general meeting, a report by its Board of directors, with respect to -*

(a) *the state of the company's affairs ;*

(b) *the amounts, if any, which it proposes to carry to any reserves in such balance sheet ;*

(c) *the amount, if any, which it recommends should be paid by way of dividend ;*

(d) *material changes and commitments, if any, affecting the financial position of the company which have occurred*

*between the end of the financial year of the company to which the balance sheet relates and the date of the report ;*

(e) *the conservation of energy, technology absorption, foreign exchange earnings and outgo, in such manner as may be prescribed.].....*

*(3) The Board shall also be bound to give the fullest information and explanations in its report aforesaid, or, in cases falling under the proviso to section 222, in an addendum to that report, on every reservation, qualification or adverse remark contained in the auditors' report.*

7.11.4 From the reading of Section 215 and 217 of the Companies Act,1956, it is noted that the draft Financials of the Company before these are signed on behalf of the Board and before these are handed over to the auditor for audit should first be approved by the Board. Thus, it is understood that there is no bar/restriction on signing the financial statement on the day of approval of the same by the Board of Directors. The only requirement is that the accounts should be approved by the Board of Directors before submitting the same to the auditor for audit.

7.11.5 On perusal of documents on record and in view of above table, the Committee observed that the date(s) of approval of Financial Statements by the Board of Director and signing date(s) by the Respondent are similar; in other way, the Respondent signed the Financial

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Statements of the Companies on same day of approval by the Board of Directors of the Companies. In view of this, the Committee is of the view that there is no statute, which prescribed minimum time or period for performing or completing the audit assignment by an Auditor from the day/time of approval by the Board of Directors of auditee Company. The Committee is of the opinion that completion of audit assignment depends purely upon the wisdom/skill/knowledge of the auditor and due to the only fact that the auditor signed the Financial Statements on same day of its approval by the Board of Directors, is not valid ground to hold the Respondent Guilty of Professional Misconduct. Further, the Committee is of the considered view that the Complainant failed to demonstrate the specific law, which has been violated by the Respondent in this respect.

7.11.6 In view of above facts and findings, the Committee held the Respondent **NOT GUILTY** of professional misconduct falling within the meaning of Clause (7) of Part I of Second Schedule to the Chartered Accountants Act, 1949.

7.12 Charge related to non- approval of Board of directors and non-disclosure in the Statutory Register for entering into Related Party Transactions: -

7.12.1 The Committee noted that the aforesaid charge is raised in respect of the CLARO.

7.12.2 The Committee noted that the contention of the Complainant was that the Respondent as auditor failed to check and verify the details related to contracts or arrangements which were to be entered into the Registers maintained in pursuance of Section 301 of the Companies Act, 1956.

7.12.3 The Committee further noted that the Complainant referred an agreement entered into with Auroveda India and Auroveda Gnosis and stated that as on the date of entering into the agreement with Auroveda India Pvt. Ltd i.e. 30.04.2009, one of the directors of CLARO namely, Mr. Partho Sanyal was also director in Auroveda India. Similarly, another director, namely, Mr. Akshay Raid was holding directorship in Auroveda Gnosis while being a director of CLARO.

7.12.4 In view of above, the Committee was of the view that the Respondent failed to verify transactions held with group companies and accordingly, Respondent was **GUILTY** of Professional Misconduct falling within the meaning of Items (6) & (7) of Part I of Second Schedule to the Chartered Accountants Act, 1949 for not verifying the details of contract and arrangement with related parties as alleged by the Complainant.

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7.13 **Charge related to non-disclosure of security given for secured loan in the Balance Sheet:-**

7.13.1 The Committee noted that the aforesaid charge is raised in respect of the LEISURE for F. Y. 2009-10, that security was not disclosed against secured loan taken from HDFC Bank. The abstract of balance sheet is as follows:

PARTICULARS	As at March 31, 2010 (Amount Rs.)	As at March 31, 2009 (Amount Rs.)
<b>SCHEDULE - 2</b>		
<b>LOAN FUNDS</b>		
<b>Secured Loans</b>		
HDFC Bank Limited	12,00,00,000.00	—
<b>Unsecured Loans</b>		
Due to Directors & Ex-Directors	9,30,000.00	9,30,000.00
<b>Total</b>	<b>12,09,30,000.00</b>	<b>9,30,000.00</b>

7.13.2 From the perusal of minutes of BOD, it was noted that a resolution was passed on 13<sup>th</sup> September 2009 for borrowing a loan of Rs. 12 Crores from HDFC bank and for creation of mortgage on company property to be acquired by the company at 4<sup>th</sup> Floor, Vatika City Point, Sector 25, MD, Gurugram, in favour of bank to secure due payment to the bank. The Committee noted that contractionary information has been given at two different places.

7.13.3 The Committee further noted that as per requirement of Schedule VI of Companies Act 1956, "Long Term Borrowings" are reported as follows: -

- (i) Long term borrowings shall be classified as:
  - (a) Bonds/debenture
  - (b) Term loans
    - from banks.
    - from other parties.
  - (c) Deferred payment liabilities.
  - (d) Deposits.
  - (e) Loans and advances from related parties.
  - (f) Long-term maturities of finance lease obligations.
  - (g) Other loans and advances (specify nature).
- (ii) Borrowings shall further be sub-classified as secured and unsecured. Nature of security shall be specified separately in each case.

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The Committee is of the view that disclosure of nature of security given for the loan has not been disclosed in Notes to Accounts as per the above-mentioned requirements. Further, the auditor has not reported the said no-compliance.

7.13.4 On the basis of above, the Committee held the Respondent **GUILTY** of professional misconduct falling within the meaning of Clauses (5), (6) & (7) of Part I of Second Schedule to the Chartered Accountants Act, 1949.

7.14 In view of the above, the Committee was of the considered opinion that the Respondent is **GUILTY** of Professional Misconduct falling within the meaning of Clauses (5), (6), (7) & (8) of Part I of Second Schedule to the Chartered Accountants Act, 1949.

8. **Conclusion:**

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

Charges (as per PFO)	Findings	Decision of the Committee
Para 2.1 as given above	Paras 7.6 to 7.6.7 as given above	<b>GUILTY</b> - Clauses (5), (6), (7) and (8) of Part I of the of Second Schedule
Para 2.2 as given above	Paras 7.7 to 7.7.5 as given above	<b>GUILTY</b> - Clauses (5), (6) and (7) of Part I of the of Second Schedule
Para 2.3 as given above	Paras 7.8 to 7.8.7 as given above	<b>GUILTY</b> - Clauses (5), (6) and (7) of Part I of the of Second Schedule
Para 2.4 as given above	Paras 7.9 to 7.9.4 as given above	<b>GUILTY</b> - Clauses (5), (6) and (7) of Part I of the of Second Schedule
Para 2.5 as given above	Paras 7.10 to 7.10.4 as given above	<b>GUILTY</b> - Clauses (5), (6) and (7) of Part I of the of Second Schedule
Para 2.6 as given above	Paras 7.11 to 7.11.7 as given above	<b>NOT GUILTY</b> - Clause (7) of Part I of the of Second Schedule
Para 2.7 as given above	Paras 7.12 to 7.12.4 as given above	<b>GUILTY</b> - Clauses (6) and (7) of Part I of the of Second Schedule
Para 2.8 as given above	Paras 7.13 to 7.13.4 as given above	<b>GUILTY</b> - Clauses (5), (6) and (7) of Part I of the of Second Schedule

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

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

Sd/-  
(ADV. VIJAY JHALANI)  
GOVERNMENT NOMINEE

Sd/-  
(CA. MANGESH P KINARE)  
MEMBER

Sd/-  
(CA. SATISH KUMAR GUPTA)  
MEMBER

DATE: 28<sup>th</sup> January 2026

PLACE: New Delhi

सत्यापित होने के लिए प्रमाणित / Certified to be True Copy

  
बिष्णुनाथ तिवारी / Bishwa Nath Tiwari  
वरिष्ठ कार्यकारी अधिकारी / Senior Executive Officer  
अनुशासनात्मक निदेशालय / Disciplinary Directorate  
भारतीय सन्दी 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.)

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