



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/245/17-DD/245/2017/ DC/1559/2022]

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. Sanjiv Saddy (M. No. 083377)

M/s. S Saddy & Co.,

Chartered Accountants,

A-219, Som Dutt Chambers,

5, Bhikaji Cama Place,

New Delhi – 110 066

..... Respondent

MEMBERS PRESENT:

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

DATE OF HEARING: 05th February 2026

DATE OF ORDER: 11th February 2026



भारतीय सनदी लेखाकार संस्थान

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1. That vide Findings dated 30th January 2026 under Rule 18(17) of the Chartered Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules, 2007, the Disciplinary Committee was inter-alia of the opinion that **CA. Sanjiv Saddy (M. No. 083377)** (hereinafter referred to as the “Respondent”) is **GUILTY** of Professional and Other Misconduct falling within the meaning of Clause (1) of the Part II of Second Schedule and Clause (2) of Part IV of First Schedule to the Chartered Accountants Act, 1949.

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

3. The Committee noted that on the date of hearing on 05th February 2026, the Respondent was present in-person. During the hearing, the Respondent made verbal submissions and also referred to the written representation dated 04th February 2026 on the Findings of the Committee. The Committee noted the verbal and written representation of the Respondent dated 04th February 2026 on the Findings of the Committee, which, inter alia, are as under:

- The Respondent had no relationship with nor was a relative of any of the Common Directors.
- The Respondent states and submits that he did not; hold any “substantial interest” in the Company for which he was appointed as an auditor.
- The Respondent stated that there has been no compromise of independence in carrying out his duties as an Auditor and has given a correct, honest and unimpeachable report.
- The Respondent submits that if the mere holding of the position of a Director in a group company attracted a disqualification or amounted to Professional Misconduct the same ought to have been covered under the abovementioned statutes which took pains to detail that if a Member is disqualified to act as the auditor in a Company, he is



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disqualified to act as the auditor of all such Companies which are either subsidiary, co-subsi-
dary or the holding company (ies) of that company.

- The Respondent stated that, it is neither the case of the Complainant nor the finding of the Committee that Leisure, Maansi or Magic were either a Subsidiary, Co-subsi-
dary and Holding company of VCCPL. It is an admitted position that: a) both set of Companies were inter-se independent i.e. they never had any holding -subsidiary or co-subsi-
dary relationship at any point of time. b) both set of companies had never transacted any business among them so as to arise any situation to affect the independence.

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

The Committee noted that the mode of participation of CA. Mangesh P. Kinare, Member and CA. Satish Kumar Gupta, Member, in the instant matter in the final hearing held on 16th October 2005 was through video-conferencing, and the same be noted as such.

5. 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 the Respondent was holding the Directorship in group companies VCCPL and Vitcom since 11th April, 2006, while being the Statutory Auditor of LEISURE, MAGIC AND MAANSI for the Financial years 2005-06 and 2006-07. As per record, supported by Form No. 32, the Respondent acted as a Director in Vaishnavi Corporate Communications Pvt. Ltd. (VCCPL) with effect from 11th April 2006 and also acted as a Director in Vitcom Consulting Pvt. Ltd. (Vitcom), while simultaneously functioning as the Statutory Auditor of LEISURE, MAGIC and MAANSI during the relevant Financial Years 2005-06 and 2006-07.

6. The independence of the Statutory Auditor, in the instant case, is fundamentally compromised due to holding the position of Director in group companies of the audit client by



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the Respondent. Such a relationship gives rise to significant self-interest and familiarity interests of group management, thereby eroding objectivity and professional skepticism. These threats are structural and continuing in nature and therefore constitute a clear violation of the fundamental principles of integrity and objectivity enshrined in the Code of Ethics of ICAI. Hence, the Professional and Other Misconduct on the part of the Respondent is clearly established as spelt out in the Committee's Findings dated 30th January 2026 which is to be read in consonance with the instant Order being passed in the case.

7. Accordingly, the Committee was of the view that the ends of justice would be met if punishment is given to him in commensurate with his Professional and Other Misconduct. The Committee further observed that no significant business was done by these companies during the alleged period, and in the absence of significant business transactions, the gravity of the matter can be considered to be minimal.

8. Thus, the Committee ordered that the Respondent i.e. CA. Sanjiv Saddy (M. No. 083377), New Delhi be REPRIMANDED under Section 21B(3)(a) of 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

सत्यापित होने के लिए प्रमाणित / Certified to be True Copy
Neelam
नीलम पुंडीर / Neelam Pundir
वरिष्ठ कार्यकारी अधिकारी / Sr. Executive Officer
अनुरासनात्मक निदेशालय / Disciplinary Directorate
भारतीय सनदी लेखाकार संस्थान
The Institute of Chartered Accountants of India
आई.सी.ए.आई. भवन, सी-1, सेक्टर-1, नोएडा-201301 (उ.प्र.)
ICAI Bhawan, C-1, Sector-1, Noida-201301 (U.P.)

CONFIDENTIAL

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

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

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

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A-219, Som Dutt Chambers,
5, Bhikaji Cama Place,
New Delhi – 110 066

..... Respondent

MEMBERS PRESENT :

CA. Prasanna Kumar D, Presiding Officer (In person)
Ms. Dakshita Das, IRAS (Retd.), Government Nominee (Through VC)
CA. Mangesh P Kinare, Member (In person)
CA. Satish Kumar Gupta, Member (In person)

DATE OF FINAL HEARING : 16th October 2025
DATE OF DECISION TAKEN : 20th November 2025

PARTIES PRESENT:

AR for the Complainant : Adv. Gunjan Mittal (Through VC)
Respondent : CA. Sanjiv Saddy (In person)
Counsel for the Respondent : Advocate Sanjana Saddy (In person)

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1. **Background of the Case:**

- 1.1 SFIO had conducted investigation into the affairs of the Company i.e. **Vaishnavi Corporate Communications Pvt. Ltd** and its group Companies vide Central Government Order dated 9th July, 2012 and thereafter submitted its Investigation Report dated 21st January, 2014. As per the Investigation Report of SFIO, the Respondent along with another Chartered Accountant, CA. Rajiv Pal Puri (M. No. 084658) have conducted the statutory audit of various group companies of Vaishnavi Corporate Communication Pvt. Ltd and the Respondent had acted as the Statutory Auditor of three group Companies only for the F.Y. 2005-06 and 2006-07. Accordingly, the charges in relation to said Financial years for the below mentioned Companies have only been considered against the Respondent in the extant case:-

Name of the Company	Financial Years
Magic Airlines Pvt Ltd	2005-06 and 2006-07
Leisure club India Pvt Ltd	2005-06 and 2006-07
Maansi Agro Pvt Ltd	2005-06 and 2006-07

- 1.2 The Investigation has further revealed that the balance sheets of the said companies which were audited by the Respondent were not in compliance with the provisions of Section 211 read with Schedule-VI to the Companies Act, 1956 and the applicable Accounting Standards. 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. The auditor's report for the said years revealed that the Auditor did not qualify various statutory violations done by the respective companies in their financial statements.

2. **Charges in brief:**

- 2.1 **Non-adherence of the due procedure for adoption of the financial statements** in violation of the Sections 215(3) and 217(3) of the Companies Act, 1956 in case of following Companies audited by the Respondent:-

Name of Company	Financial Year
Magic Airlines Pvt Ltd	2005-06 and 2006-07
Leisure club India Pvt Ltd	2005-06 and 2006-07
Maansi Agro Pvt Ltd	2005-06 and 2006-07

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2.2 **Holding the Directorship in group companies i.e. VCCPL and Vitcom since 11th April 2006 by the Respondent, while being the Statutory Auditor of LEISURE, MAGIC AND MAANSI for the Financial years 2005-06 and 2006-07.**

3. **The relevant issues discussed in the Prima Facie Opinion dated 07th January 2021 formulated by the Director (Discipline) in the matter in brief, are given below:**

3.1 **Allegation related to non-adherence of the due procedure for adoption of the financial statements in violation of the sections 215(3) and 217(3) of the Companies Act 1956:-**

3.1.1 It was noted that the aforesaid allegation had been raised against the Respondent in respect of three companies for the period stated against him:-

- a) MAGIC 2005-06 and 2006-07
- b) LEISURE 2005-06 and 2006-07
- c) MAANSI 2005-06 and 2006-07

3.1.2 The Complainant in this regard had stated that sections 215(3) and 217(3) of the Companies Act lays down the provisions with regard to the manner in which the balance sheet and profit & loss account of a company had to be authenticated by the Board of directors before being placed in the Annual General Meeting of the Company .

3.1.3 The Respondent had submitted that the allegation was baseless and without any legal basis and has been made on the basis of statements of Ms. Bharti Dey and Mrs. Manju Vohra who were not the Company Secretaries of MAGIC during the period 2005-2007. Further, he had stated that it was not mentioned by the Complainant as to how any provision of Section 227 and 211 have been contravened by him due to consideration and signing of the balance sheet on the same date by the Directors. He further pointed out that the Company never did any business in the two years and only few accounting entries were made which were examined and audited in detail by him in compliance with the statutory responsibilities assigned to him.

3.1.4 In respect of above allegation, it was noted that the main contention of the Complainant was that in a single day, accounts was approved by the Board of Directors and signed by the Respondent as auditors and audited accounts along with audit report thereon was considered by the Board of Director for Director Report and the same was finalised on the same day. The Complainant alleged that completing the entire process of finalization of accounts in single day, more specifically within few hours, year after year, cannot be said to

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be incidental, rather intentional and willful, so as to only complete the formalities without adhering to the norms of corporate governance.

3.1.5 It was noted in this regard that there was no bar / restriction on signing the financial statement 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 Investigation report that Ms. Bharti Dey Company Secretaries of Vaishnavi Corporate Communications Pvt Ltd, who were looking after the secretarial compliances / functions of all the companies in the group, including afore-stated companies, have stated in their statements that no draft Balance Sheets were presented before the Board as final balance sheet were prepared by Mr. Sanjiv Saddy (i.e. the Respondent) or Mr. R. P. Puri respectively. They had also stated that the Financial Statements which the statutory auditors used to prepare and finalise were put before the Board which were adopted along with the auditors' report and directors' report simultaneously in the same meeting where the auditors used to be present informally. It was further observed that although the Respondent had stated that Ms. Bharti Dey and Mrs. Manju Vohra were not the Company Secretaries of MAGIC during the period 2005-2007, but from the statement on oath, Ms. Bharti Dey, had stated that beside Vaishnavi Corporate Communications Pvt Ltd., she was handling the secretarial work of other group companies except Neucom Consulting Pvt Ltd. The same goes to hint upon the procedure by which the statutory provisions and guidelines were flouted by the Vaishnavi Group to suit their own ulterior motives.

3.1.6 It was further observed from perusal of the financial statements of MAGIC for the years ending 2005-06 and 2006-07 as available on record that although not much business had been transacted during the said years as the Income earned during 2005-06 and 2006-07 was Rs 88,191.77 and Rs. Nil respectively but considering the details tabulated as above in Para No 14.2 above, it was noted that company had adopted the similar procedure for finalisation of its financial statements year after year whereby the entire process of finalisation/approval of accounts followed by its audit by the statutory auditors has been accomplished in a single day. It was felt that the same cannot be a mere co-incidence rather it seems to be intentional and wilful so as to complete the formalities without adhering to the provisions of statutory compliances as contended by the Complainant. It was pertinent to note that the Respondent had also not provided any corroborative evidence in form of his working papers maintained during course of his audit or any detail/description as to the audit procedures/techniques adopted by him or the audit evidence that were gathered by him while drawing the conclusion to base the audit opinion to substantiate his defence that the

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accounts were examined and audited in detail by him in compliance with the statutory responsibilities assigned to him despite being specifically called for by this Directorate under Rule 8(5). Accordingly, the Respondent was held prima facie **Guilty** of professional misconduct falling within the meaning of Clauses (7) and (8) of Part I of Second Schedule to the Chartered Accountants Act, 1949.

3.2 **Allegation related to holding the Directorship in group companies VCCPL and Vitcom since 11th April 2006, while being the Statutory Auditor of LEISURE, MAGIC AND MAANSI for the Financial years 2005-06 and 2006-07: -**

3.2.1 As regard the charge relating to holding the directorship in group companies, it was noted from perusal of Form 32 as available on record that the Respondent was acted as a Director in two of the group companies of Vaishnavi Group namely in Vaishnavi Corporate Communications Pvt. Limited (VCCPL) w.e.f 11th April 2006 and in Vitcom Consulting Pvt, Limited also (Vitcom) as he has signed Form -32 in his capacity as a Director. It may be noted that 'group companies', although, had not been defined but it generally refers to a set of companies controlled by a common apex company and promoted by same set of promoters and/or any promoter group. In the instant case, on perusal of the list of Directors provided at C-36, it had been noted that Ms. Nira Radia, Ms. Karuna Menon, Sh. Satish Kumar Narula and Sh. Manoj Warriar were some of the Directors which were common in both set of Companies ,i.e. one which were audited by the Respondent (LEISURE, MAGIC AND MAANSI) and others where the Respondent held the Directorship (ie. VCCPL and Vitcom).

3.2.2 The Guidance Note of the ICAI on the 'Independence of the Auditors' very clearly provides that the Independence of mind is a fundamental concept and /or expression of opinion on the Financial Statements in any form, and, therefore, must always be maintained. Nothing can substitute for the essential and fundamental requirement of independence. The said Pronouncement further provides that the Independence of the auditors has not only to exist infact, but also appear to so exist to all reasonable persons. The relationship between the auditor and the clients needs to be such that firstly, the auditor is himself satisfied about his independence and secondly, no unbiased person would be forced to conclude on an objective assessment of circumstances that there is likely to be an abridgement of the auditor's independence. Thus the independence of auditor is a pre-requisite whose existence needs to be assured which in the instant case has been viewed to be hampered/jeopardised as the Respondent has acted both as Statutory auditor as well as the

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Director, although, for different companies but which all squarely fell under the same management or the controlling authority.

3.2.3 It was noted that a member is expected to interpret the requirement regarding independence much more strictly than what the law required and he should not place himself in a compromising situation or in that which jeopardised his independence. Thus, it was viewed that in light of such a requirement, it was viewed that the Respondent by accepting the said directorship while being the auditor in certain other group companies had landed himself in a situation whereby not only he comprised upon his independence but the same was also in conflict with his role as the statutory auditor whereby he was expected to act independently. Thus, in light of the same, the Respondent was prima facie held **Guilty** of Professional Misconduct falling within the meaning of Clause (4) of Part I of the Second Schedule to the Chartered Accountant Act 1949. It was further viewed that the said Conduct of the Respondent has also brought disrepute to the profession and in such circumstances, he was also held prima facie **Guilty** of Clause (2) of Part IV of First Schedule to the said act.

3.3 Accordingly, the Director (Discipline) in his Prima Facie Opinion dated 07th January 2021 opined that the Respondent is Prima Facie **Guilty** of Professional and Other Misconduct falling within the meaning of Clauses (4), (7) and (8) of Part I of Second Schedule and Clause (2) of Part IV of First Schedule to the Chartered Accountants Act, 1949. The said Clause of the Schedule to the Act, states as under:

Clause (4) 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

(4) expresses his opinion on financial statements of any business or enterprise in which he, his firm, or a partner in his firm has a substantial interest;

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;

Clause (2) of Part IV of the First Schedule:

"A member of the Institute, whether in practice or not, shall be deemed to be guilty of other misconduct, if he:

X X X X X X X

(2) in the opinion of the Council, brings disrepute to the profession or the Institute as a result of his action whether or not related to his professional work."

- 3.4 The Prima Facie Opinion formed by the Director (Discipline) was considered by the Disciplinary Committee in its meeting held on 08th April 2022. The Committee on consideration of the same, concurred with the reasons given against the charge(s) and thus, agreed with the Prima Facie opinion of the Director (Discipline) that the Respondent is **Guilty** of professional and other misconduct falling within the meaning of Clauses (4), (7) and (8) of Part I of Second Schedule and Clause (2) of Part IV of First 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 th June, 2017
2.	Date of Written Statement filed by the Respondent	17 th October, 2017
3.	Date of Rejoinder filed by the Complainant	--
4.	Date of Prima Facie Opinion formed by Director (Discipline)	07 th January, 2021

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5.	Written Submissions filed by the Respondent after Prima Facie Opinion	22 nd July, 2022 17 th May, 2023 & 22 nd April, 2024
6.	Written Submissions filed by the Complainant after Prima Facie Opinion	15 th September 2022, 14 th June, 2023.

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

5.1 The Respondent vide letter dated 22nd July 2022, inter-alia, made the submissions which are given as under:-

- The date of the Complaint has been incorrectly mentioned in the Prima Facie Opinion as 16th June 2017. A bare reading of the Complaint would demonstrate that the same was signed, filed, and verified on 16th August 2017. Pertinently, the said Complaint raises baseless allegations regarding Financial Statements for the years 2005-06 and 2006-07 and has been filed after more than 10 years of the alleged event.
- The alleged notice calling for documents & reminders thereof were issued by the Directorate at an old address (despite the current address being reflected in Form-I) of the Respondent where the Respondent is no longer available. The Respondent is not liable to keep such documents 10-12 years after the audit.
- The Director (Discipline) has not considered that the Respondent was a statutory auditor for the Companies i.e. Magic Airlines Pvt. Ltd., Leisure Club India Pvt. Ltd. and Maansi Agro Pvt. Ltd., only for Financial Year 2005-06 and 2006-07 and therefore was not related to the companies in any manner during the years under investigation. Further, the Director (Discipline) has not considered that the very same allegations as made by the Complainant herein have already been dismissed as against the Respondent by the Ld. Court of Sh. D.K. Sharma, ACMM, Central (Special Acts), Tees Hazari, Delhi vide order dated 18.02.2015.
- The Respondent seeks to place reliance on Rule 12 of the Chartered Accountants (Procedure of Investigations of Professional and other Misconduct and Conduct of Cases) Rules, 2007.
- The Director (Discipline) ought to have dismissed 'the Complaint for the prejudice that it causes to the Respondent in as much as the Respondent will not be able to lead any evidence or documents pertaining to events that happened more than 10- 12 years ago. Reliance is placed on Standard on Quality Control (SQC)- 1 published in October 2007. As per the said guidelines, a Statutory Auditor is mandated to retain the Working Papers with respect to an Audit only for a period of 7 years.

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- The Statutory Auditor cannot be made liable for alleged non-adherence of due procedure for adoption of the financial statements under Section 21 5(3) and 21 7(3) of the Companies Act, 1956. Pertinently, both the said provisions cast obligations upon the Company and its Board of Directors and no obligations except signing of financial statement and issue of audit report are cast upon the Statutory Auditor under the said provisions.
- The Respondent did not serve as a Statutory Auditor in the Companies where he was a Director. He was the Statutory Auditor of MAANSI, MAGIC and LEISURE which were separate corporate entities.
- SFIO Investigation of the Companies in question was limited to the period 2008-2010 in as much as the said investigation was directed by the Ministry of Corporate Affairs in specific reference to the inspection report of the ROC NCT Delhi & Haryana based on the balance sheet for the Financial Year 2008-09 and 2009-10. It is submitted that the Respondent was not associated with the Companies in the said period of 2008-2010.
- The SFIO Complaint lacked material particulars and/ or any details or even basic pleading regarding the alleged irregularities. The report fails to disclose any violations in the Respondent's Report as alleged. Accordingly, the Criminal Case filed by the SFIO was quashed as against the answering Respondent by the Ld. Court of Sh. ACMM vide order dated 18.02.2015. Pertinently, no appeal was preferred by the SFIO against the said order and as such the said order has attained finality.
- The consideration and signing of Balance of Sheets by the Board of Directors in a single day was a mere co-incidence and all due procedures were followed by the Respondent which can be seen clearly in the above circumstances. Further, as is evident no business was being carried out by the Companies. Therefore, there were few entries in the Accounts.
- That a Board Report of the Company also require to be approved by the Board of Directors of the Company before signing the same by the authorized that a Board Report of the Company also require to be approved by the Board of Directors of the Company before signing the same by the authorized signatories of the Company. It is also submitted that as the Board Report would be prepared based on the audited financial statements, as it contains board's remarks of auditor's qualification, it can be approved in the same or another meeting, but after finalization and signing of audit report of the company only. Therefore, there is no specific statutory embargo upon the practice that balance sheet cannot be signed and approved on single day. Thus, it is wrong to say that respondent wilfully non-complied with provision and procedure laid down in section 215 of Companies Act, 1956.
- It is wrong to say that being a director in the group companies, the respondent could not have taken an independent and unbiased view of the accounts of the companies, where he was statutory auditor in other group companies. In this regard the legal position is

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categorically settled by Hon'ble High of Delhi in the case of Yogeshwari Kumari vs. The Institute of Chartered Accountants of India & Anr. (2011) concurred with reasoning of the Ld. Single Judge and reiterated in para no. 5 of the judgment.

5.2 Further, the Respondent vide letter dated 17th May 2023, inter-alia, made the submissions which are given as under: -

- It has recently come to the knowledge of the Respondent that the Board of Discipline, the Institute of Company Secretaries of India, in the matter of Serious Fraud Investigation office (Through Shri Manoj Kumar Sahoo, Addl. Director) vs. Bharti Dey, by order dated 12.08.2019, held Company Secretary Ms. Bharti Dey not guilty of the very same charges by holding that there is no legal impediment in holding Board Meeting on the same day for approval of accounts and then taking on record final accounts. Further, as is apparent from a reading of the said order dated 12.08.2019, in her Written Statement Ms. Bharti Dey denied that she was looking after the Secretarial Compliance of all the companies in M/s Vaishnavi Group. Despite being a party to the said proceedings, the Complainant has suppressed this order which has a direct bearing on the present case.
- The Respondent has never initiated the Balance Sheet or Profit and Loss Account and further, errors in the minutes book is entirely the responsibility of the Chairman and the Company Secretaries of the respective Companies. The Respondent as a Statutory Auditor has no control over what is recorded in the minutes of a meeting and the same cannot be read against the Respondent in any manner whatsoever.
- Neither the Complainant nor the Director (Discipline) has pointed out any anomaly with the Audit Report submitted by the Respondent. It is not the case of the Complainant or the Director Discipline that the Auditor has failed in its duty to flag any inconsistency in the financial statements. The mere allegation that the Accounts were passed, approved and audited in a single day cannot sustain as there is no bar in law against the same. Especially when admittedly no business was done by these companies during the years when the Respondent was the Auditor and there were only a few entries, it was only reasonable that the Accounts were approved and audited in a single day.
- The Respondent was a Director in Vitcom from 02.07.2007-26.03.2008, only for a period of 9 months with no completed financial year, and the Respondent was a Director in VCCPL from 11.04.2006 to 26.03.2008. The only Financial Year during which he was a Director in VCCPL and a Statutory Auditor in the 3 Companies was 2006-07. The Respondent was merely a Director in another Company and was not the Statutory Auditor of the same company. For the sake of abundant clarity, it is reiterated that the Respondent was not

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Director and Statutory Auditor of the same Company at any time. Therefore, no violation in this regard can be attributed to the Respondent.

- The Respondent was the statutory auditor for the period 2005 to 2007 during which period there were no inter se transactions, no consultancy contracts done by any of the three companies so the entire basis on which the investigation was ordered does not apply to the Respondent for the period for which he was the Statutory Auditor. These submissions were also made by the Respondent before the LD. ACMM.

5.3 Further, the Respondent vide letter dated 22nd April 2024, inter-alia, made the submissions which are given as under: -

With respect to Allegation No 1:

- The Respondent submits that most allegations raised by the Complainant Department pertain to Financial Years not audited by him; the only allegation concerning the audited period relates to failure to report non-adherence to due procedure for adoption of Financial Statements under sections 215(3) and 217(3) of the Companies Act, 1956.
- The Respondent states that this allegation is baseless, founded on surmises and conjectures, as the responsibility under sections 215(3) and 217(3) is cast upon the Company and its Directors, not upon the statutory auditor, whose duties are governed by section 227 of the Companies Act, 1956, and no allegation has been made under that section.
- The Respondent submits that due procedure under sections 215(3) and 217(3) for authentication of the Balance Sheet and Profit and Loss Account was required to be followed by all three Companies.
- The fact that the Final Accounts were signed by the Company Secretary itself evidences that due procedure under the Act was followed before the Financial Statements, signed by the Directors, were submitted to the Respondent for audit.
- The allegation is based on statements of two Company Secretaries recorded by the Complainant Department, which are irrelevant and unreliable: one joined in 2010 and her statements have no relevance to FY 2005-06 and 2006-07, and the other was never Company Secretary of the three Companies audited by the Respondent, as supported by Financial Statements on record.
- There is no provision in the Companies Act restricting signing of Financial Statements by auditors on the same day as their adoption and approval by the Board, and this fact alone does not establish improper audit.

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- It has been admitted by the Company Secretary, Ms. Bharti Dey, that all procedures relating to adoption of accounts can be completed in a single day by private companies, which has not been negated by the Complainant Department.
- All three Companies had yet to commence operations, resulting in very few vouchers requiring verification, a fact acknowledged by the Director (Discipline) of ICAI and corroborated by statements of the Director, Ms. Karuna Menon, explaining that projects could not take off due to lack of necessary approvals.
- No allegation has been raised regarding any misstatement, non-disclosure of material facts, or negligence in the Financial Statements, establishing that the audit was conducted with utmost diligence.
- The mere fact that adoption and signing of Financial Statements occurred on the same day does not establish non-compliance with due procedure or lack of impartiality in audit.
- The Respondent places on record the Order dated 22 June 2019 of the Board of Discipline of ICSI in the matter against Ms. Bharti Dey, wherein it was held that there is no legal impediment in holding the Board Meeting and approving and signing accounts on the same day, and she was held not guilty.
- Even the Director (Discipline) of ICAI has accepted that there is no bar on signing Financial Statements on the day of Board approval, yet formed an unfavorable opinion solely due to absence of working papers, overlooking that allegations relating to other years were not upheld and that no situation necessitated production of such papers.
- The Complainant's allegation was limited only to same-day approval and signing of accounts and did not relate to conduct of audit or non-compliance with section 227; therefore, the opinion formed goes beyond the scope of allegations raised in Form I under the CA Rules, 2007.
- The Respondent denies any obligation to provide audit working papers when such requirement was not within the scope of the allegation and was sought almost 12 years after completion of audit.
- The Respondent finally submits that no evidence has been brought on record to show non-compliance with sections 215(3) and 217(3), no specific provision violated has been identified, and no basis exists for alleging that same-day approval and audit amounts to non-compliance, rendering the allegation frivolous and damaging to his professional reputation.

With respect to Allegation No 2:

- The Respondent humbly states that although allegations of grave nature with serious professional ramifications have been raised, the Complainant Department has failed to substantiate them in any manner.

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- Independence refers to freedom from undue influence, vested interests, or constraints, enabling an auditor to stand apart and make correct and uncontaminated decisions.
- While the Complainant alleges lack of independence on part of the Respondent, it has failed to bring on record any instance, circumstance, or relationship that could demonstrate how the Respondent's independence was compromised.
- The allegation is raised merely on the basis that two sets of Companies were controlled by the same Group, which by itself is insufficient to vitiate auditor independence, especially since each company is a separate legal entity.
- Unless companies are related as holding, subsidiary, or co-subsiary, an auditor can independently function without compromising independence; hence the allegations are baseless, uncorroborated, and founded on incomplete understanding of facts and law.
- The Respondent relies on para 3.3.1 of the Guidance Note on Independence of Auditors (January 2005), which explains that independence is ensured through disqualifications and restrictions provided under section 226 of the Companies Act, 1956.
- Section 226 clearly lays down qualifications and disqualifications of auditors and provides that a person disqualified as auditor of one company is also disqualified for its holding, subsidiary, or co-subsiary companies.
- On a combined reading of the Companies Act, 1956 and the Guidance Note, it is evident that disqualification arises only when companies are related as holding, subsidiary, or co-subsiary.
- Therefore, unless VCCPL and VITCOM (where the Respondent was Director) were related as holding, subsidiary, or co-subsiary to LEISURE, MAGIC, and MAANSI (where he was auditor), the Respondent's independence could not be compromised.
- The Companies Act makes it clear that mere common management, without inter-dependence, does not attract disqualification provisions.
- The allegation has thus been raised on surmises without appreciating that there was no dependence or relationship between the two sets of Companies during the audited period.
- The Guidance Note further clarifies that independence is a state of mind and personal character and should not be confused with superficial or visible standards imposed by law.
- It also recognizes that independence is subjective and mere existence of a relationship does not necessarily affect independence.
- In the present case, although the Companies were under the same management: both sets of Companies were inter-se independent and never had any holding, subsidiary, or co-subsiary relationship; both sets of Companies never transacted any business with each other.

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- The circumstances were such that the relationship existed as if it had never existed, and there was no situation that could threaten the Respondent's independence.
- The Respondent had satisfied himself about his independence, and even an objective assessment cannot conclude any abridgement of independence.
- The Respondent notes that in the Rejoinder dated 15 September 2022, the Complainant denied his reliance on clause (11) of Part I of the First Schedule to the Chartered Accountants Act, 1949, which permits a Chartered Accountant to be a Director unless interested as auditor.
- The Complainant relied instead on clause (4) of Part I of the Second Schedule, but the same is inapplicable as neither the Respondent nor his firm held any substantial interest in the Companies audited by him.
- The Respondent further denies the new contention raised in the Rejoinder that he acted as Finance Head of the group Companies, as no documentary evidence exists to support this claim.
- The Respondent submits that statements of directors relied upon by the Complainant are self-serving, made to shield themselves during SFIO investigation, and should not be relied upon.
- The Respondent clarifies that while he assisted the two Companies as Director in taxation matters due to his expertise, he was never involved in day-to-day affairs or administration and never acted as Head of the Finance Department.

6. **Rejoinder filed by the Complainant:**

6.1 The Complainant vide letter dated 15th September 2022, inter-alia, made the submissions which are given as under:-

- At All averments, contents, statements, and submissions made by the Respondent in the written statement, which are contrary or inconsistent with the complaint or this Rejoinder, are denied in seriatim. Contents of the complaint are reiterated as true and correct. Nothing stated in the written statement shall be deemed admitted due to non-traversal or otherwise.
- The Complainant reserves the right to add, vary, modify, or elaborate its reply, averments, contentions, and submissions, and to submit further documents and lead oral as well as documentary evidence.
- Vide Order No. SFIO/Pros/OTR/0011/2021 dated 08.09.2021, Shri S. K. Yadav, Additional Director, was authorized by the Director, SFIO, to file complaints before ICAI.

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- Contentions of the Respondent are vague and evasive. Respondent was Statutory Auditor of Magic Airlines Pvt. Ltd., Leisure Club India Pvt. Ltd., and Maansi Agro Pvt. Ltd. for FYs 2005-06 and 2006-07, and of Vaishnavi Advisory Services Pvt. Ltd. for FY 2006-07.
- Balance Sheets of Leisure, Magic, and Maansi as on 31.03.2006 and 31.03.2007 were audited by the Respondent. Board Minutes dated 17.08.2006 and 27.07.2007 show that consideration and signing of balance sheets, auditor's report, directors' report, and finalization of accounts were completed in a single day. This pattern continued up to FY 2010-11.
- Balance Sheets of Magic as on 31.03.2006 and 31.03.2007 were finalized in a single day as per Minutes dated 31.07.2006 and 27.07.2007, and this practice continued up to FY 2010-11.
- Board Minutes of Leisure show balance sheets and P&L were initialed by Statutory Auditors, approved by the Board, and then forwarded back to auditors for signature and report. Similar resolutions exist for Magic and Maansi, constituting violation of Section 215(3) of the Companies Act, 1956, showing accounts were finalized before Board approval.
- Respondent was Director in Vaishnavi Corporate Communications Pvt. Ltd. (11.04.2006–26.03.2008) and Vitcom Consulting Pvt. Ltd. (02.07.2007–26.03.2008), signed Form-32, and admitted receiving remuneration, establishing clear conflict of interest.
- Respondent admitted being in-charge of accounts, finance, and taxation of all group companies while on the Board.
- Independence of the statutory auditor was seriously compromised and continued year after year.
- Allegation of baseless complaint is denied. Complaint is based on SFIO Investigation Report dated 21.01.2014.
- Working papers were called for in 2013 but were not produced. Respondent failed to submit records even within seven years.
- Investigation period was 2004-05 to 2011-12, during which Respondent was related to the companies.
- Proceedings under the CA Act are distinct from CRPC proceedings. Criminal court findings are not binding on ICAI. Standard of proof is preponderance of probability. Reliance placed on Supreme Court judgments.
- Rule 12 provides discretion and not limitation. Delhi High Court judgment in Ashish Agarwal v. ICAI relied upon. Working papers were called within seven years but not produced.
- Investigation period reiterated as 2004-05 to 2011-12. Respondent's denial of involvement is false.

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- Respondent violated ethical principles under the Code of Ethics. Section 22 of the Chartered Accountants Act, 1949, and Clauses (7) and (8) of Part I of the Second Schedule are attracted.
- 6.2 The Complainant vide letter dated 14th June 2023, inter-alia, made the submissions which are given as under:-
- All submissions made by the respondent in his written statement that are inconsistent or contrary to the complaint and previous rejoinders have been expressly denied. The complainant also reserves the right to supplement, vary, or modify its submissions and to provide additional documents or oral and documentary evidence if required.
 - The complaint is based on the SFIO investigation report dated 21.01.2014, prepared following directions from the Ministry of Corporate Affairs.
 - The respondent's claim that the complaint is baseless or time-barred was rejected. The Delhi High Court judgment in Ashish Agarwal v. ICAI & Ors. (01.09.2022) states that Rule 12 of the Chartered Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules, 2007, does not prohibit entertaining complaints even if they relate to misconduct committed more than seven years prior.
 - The respondent failed to produce audit working papers for the years 2005–06 and 2006–07 when called upon in 2013. Since the request was within seven years from the audit, the failure to provide the papers was unjustified and showed non-compliance.
 - The respondent finalized accounts of companies in a single day, within a few hours, repeatedly year after year.
 - This was considered intentional and willful rather than incidental, indicating a disregard for corporate governance norms.
 - The respondent's reliance on statements of company secretary Bharti Dey and references to disciplinary proceedings before the Institute of Company Secretaries of India (ICSI) were denied as irrelevant.
 - Bharti Dey admitted under oath to attending board meetings and preparing minutes, supporting the complainant's case.
 - The respondent was accused of repeatedly making misleading, diversionary, and vexatious submissions to waste ICAI's time.
 - Board resolutions from 2006 and 2007 for companies such as Leisure, Magic, and Maansi show that financial statements were initialed by the statutory auditor before being approved by the board.
 - This was a violation of Section 215(3) of the Companies Act, 1956, which requires board approval before auditor certification.

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- The respondent admitted during SFIO investigation that draft balance sheets and profit and loss accounts were system-generated using Tally software, which he signed as auditor before board approval. This practice further demonstrated procedural violations and compromised audit independence.
- Accounts were passed, approved, and audited within hours, which clearly indicates willful avoidance of due procedures and lack of adherence to corporate governance.
- The respondent also accepted directorships in certain Vaishnavi Group companies while serving as statutory auditor of others within the same group.
- This created a conflict of interest and compromised his independence, making him liable under Clause (4), Part I, Second Schedule of the Chartered Accountants Act, 1949.
- The SFIO investigation order dated 09.07.2012 covered the period 2004–05 to 2011–12, and the role of the respondent emerged only after the detailed investigation.
- The dismissal of related criminal complaints by the ACMM court does not affect ICAI's disciplinary proceedings, as proceedings under the Chartered Accountants Act are distinct from criminal proceedings.
- The standard of proof in disciplinary matters is "preponderance of probability," unlike "beyond reasonable doubt" required in criminal cases.
- The ICAI Code of Ethics requires adherence to fundamental professional principles: integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour.

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

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

S. No.	Date of meeting(s)	Status/remark
1	22 nd May, 2023	Part heard and adjourned.
2	23 rd April, 2024	Deferred due to paucity of time.
3	26 th September, 2025	Part heard and adjourned.
4	15 th October, 2025	Adjourned at the request of counsel of Complainant.
5	16 th October, 2025	Hearing concluded and judgement reserved.
6	20 th November, 2025	Decision taken.

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7.2 On the day of first hearing held on 22nd May 2023, the Committee noted that the authorized representative from Complainant Department were present before it through video conferencing mode and the Respondent along-with his Counsel were present before it in person. Thereafter, the Complainant gave a declaration that there was nobody present except them from where they were appearing and that they would neither record nor store the proceedings of the Committee in any form.

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 charge(s) and pleaded 'Not Guilty' to the charge(s) 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.

7.3 On the day of hearing held on 23rd April 2024, the Consideration of subject case was deferred by the Committee due to paucity of time.

7.4 On the day of hearing held on 26th September 2025, the Committee noted that the Respondent along with his Counsel were physically present and the Complainant vide email dated 26.09.2025 requested a short adjournment on account of appointment of Counsel.

The Committee enquired from the Respondent/Counsel for the Respondent 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. The Counsel of the Respondent opted for de-novo hearing and accordingly the Respondent was administered on Oath. Thereafter, the Committee enquired from the Respondent as to whether he was aware of the charges against him and then the charges as contained in prima facie opinion were read out. On the same, the Respondent replied that he is aware of the charges and pleaded 'Not Guilty' to the charges levelled against him.

The Committee directed the Respondent/Counsel for the Respondent to make the submissions. The Respondent and his Counsel made submissions. The counsel for Respondent denied the allegations, stating that the audit process was conducted in accordance with professional practices, and the companies audited had minimal transactions limited to statutory expenses. The counsel argued that signing financial statements on the same day as their approval by the board is a common and accepted practice in the profession. Regarding the second allegation, the counsel contended that the companies in question were independent entities with no shareholding or financial

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transactions between them, and that the respondent's directorship in two companies did not compromise his independence as an auditor for the other three companies.

The Committee noted the submissions made Respondent's counsel. The hearing was adjourned to provide an opportunity for SFIO to present their submissions and for the respondent to address the questions raised during the hearing. With this, the matters was part-heard and adjourned.

7.5 On the day of hearing held on 15th October 2025, the Committee noted that the Respondent along with Counsel was present in person and Authorized representative of Complainant was present through VC and appeared before it. However, the Counsel of Complainant had sought adjournment during the hearing for preparation of case and for filing of written submission if any. Acceding to the request of the Counsel of Complainant, the Committee adjourned the said case to a future date.

7.6 On the day of hearing held on 16th October 2025, the Committee noted that Respondent along-with Counsel were present in person and AR of Complainant was present through VC and appeared before it.

Regarding the first allegation, the Counsel for the Respondent argued that Section 215 of the Companies Act does not mandate a specific time gap between the approval of financial statements by the Board and the signing of the auditor's report. The Respondent's Counsel emphasized that the process followed was not in violation of the law, as the Board meeting could approve the accounts and authorize the Directors to sign them, which could then be presented to the auditor for signing on the same day. The Complainant's AR countered by stating that the process was not followed properly, citing a statement on oath given by a Company Secretary.

As regards the second allegation, the Respondent's Counsel argued that there was no substantial interest or conflict of interest as defined under the Companies Act and the Chartered Accountants Act Regulations. The Respondent was a Director in one company and an auditor in another, but there was no overlap in shareholding or substantial interest between the companies.

The Counsel for Respondent also referred to Guidance Note on Independence of Auditors, which emphasizes independence as a state of mind and not solely based on relationships. The Complainant's AR argued that the Respondent's dual roles compromised his independence, citing common management. The Committee concluded the hearing, allowing the Complainant's AR to submit relevant judgments if any within two days.

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Based on the documents and material available on record and after considering the oral and written submissions made by both the parties, the Committee concluded the hearing in the matter and judgment was reserved.

7.7 On the day of meeting held on 20th November 2025, the Committee deliberated on the said case and took decision on the conduct of the Respondent.

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

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

8.1 The Committee noted that the Respondent has referred the provisions of Rule 12 of the Chartered Accountant (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules 2007 which indicate time limit of 7 years on entertaining complaint or information in respect of any misconduct alleged to have been committed by the member of the Institute and the subject charge raised by the Complainant pertain to the period which was more than seven years old and hence need not be entertained in view of provision of Rule 12. The Committee observed that Rule 12 is attracted in a situation / circumstance where on account of time lag, the Respondent faces any difficulty in securing proper evidence for his / her defense and it does not ipso facto render the complaint / information as not maintainable. Further, the Committee noted that sufficient documents/papers are on record, based upon which subject matter may reached at its finality. Therefore, the plea of the Respondent is not maintainable, and the case has been dealt with on merits of the facts / documents on record.

8.2 After dealing with preliminary objections of the Respondent, the Committee noted that there are two charges against the Respondent in which has been held Prima Facie Guilty and has been explained in para 2.1 and 2.2 above.

8.3 In respect of **first charge** as contained in para 2.1 above, i.e. non-adherence of the due procedure for adoption of the financial statements in violation of the sections 215(3) and 217(3) of the Companies Act, 1956. The Committee noted the Respondent was Statutory Auditor of following Companies:-

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Name of the Company	Financial Years
Magic Airlines Pvt Ltd	2005-06 and 2006-07
Leisure club India Pvt Ltd	2005-06 and 2006-07
Maansi Agro Pvt Ltd	2005-06 and 2006-07

The Committee on scrutiny of the Auditor's Reports, Balance Sheet and Profit & Loss Accounts of these Companies for financial years 2005-06, and 2006-07 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:-

Table 1 (MAGIC)

Financial Year	Date of approval of draft financial statement 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

Table 2 (LEISURE)

Financial Year	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

Table 3 (MAANSI)

Financial Year	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

- 8.4 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 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.

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8.5 The relevant Section 215(3) 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:

(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.

8.6 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.

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- 8.7 The Complainant's Authorised Representative countered the submission by contending that the prescribed process had not been duly followed, relying on a statement made on oath by a Company Secretary. However, it was noted that the said Company Secretary was not in the employment of the company during the relevant period.
- 8.8 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 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 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.
- 8.9 In view of above facts and findings, the Committee held the Respondent **NOT GUILTY** of professional misconduct falling within the meaning of Clauses (7) & (8) of Part I of Second Schedule to the Chartered Accountants Act, 1949.
- 8.10 In respect of **Second charge** i.e. holding the Directorship in group companies VCCPL and Vitcom since 11th April, 2006, while being the Statutory Auditor of LEISURE, MAGIC AND MAANSI for the Financial years 2005-06 and 2006-07, the Committee noted that as per record, supported by Form No. 32, the Respondent acted as a Director in Vaishnavi Corporate Communications Pvt. Ltd. (VCCPL) with effect from 11th April 2006 and also acted as a Director in Vitcom Consulting Pvt. Ltd. (Vitcom), while simultaneously functioning as the Statutory Auditor of LEISURE, MAGIC and MAANSI during the relevant Financial Years 2005-06 and 2006-07.
- 8.11 On perusal of records it is noted the details of the Company and the Respondent's role in these Companies are given below: -

Name of Company	Directors	The Respondent is -

VCCPL	Karuna Menon Rajiv Mohan Sanjiv Saddy Vishal Mehta Nira Radia (CMD)	Director
LEISURE	S.K. Narula Karuna Menon	Auditor
MAGIC	S.K. Narula Rajiv Mohan	Auditor
MAANSI	Nira Radia Karuna Menon	Auditor

From the above details it can be seen that the said companies formed part of the same group, being under common management and control, as evidenced by the presence of common Directors. Even though the term "group companies" is not expressly defined, the factual matrix clearly demonstrates common control and management, thereby bringing the companies within the ambit of group entities for the purpose of examining auditor independence. Further, it can be observed that in the year 2006-2007 the Respondent is director with Nira Radia, Karuna Menon and Rajiv Mohan in the company VCCPL. It is further important that the shareholding of this company was held equally by Nira Radia and Karuna Menon. Hence it is clear that Nira Radia and Karuna Menon had appointed the Respondent (who was not having any shareholding) as director in the company. In the same year, the Respondent was auditor of the companies in which the directors are either or both of these persons. The Committee was of the view that when the respondent is one of the directors with Nira Radia, Karuna Menon and Rajiv Mohan without having any shareholding in the company, it is clear that he was having close working/business relationship with them; while on the other hand the Respondent is auditor in the company where same persons are directors having control on the working of the Company. The Committee opined that in such scenario independence of the Respondent as an auditor would certainly be questionable and any prudent Chartered Accountant should not have accepted appointment as auditor in such scenario.

- 8.12 The explanations advanced by the Respondent regarding absence of transactions, limited business activity, or lack of identified infirmities in the audit reports do not negate the

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existence of a conflict situation. The charge pertained to impairment of independence and conflict of interest, and not to specific errors or misstatements in the audit reports. Further, the question of testing independence is to be tested at the time of acceptance of the Audit without really estimating what would be quantum of transactions in the company. Therefore, the Committee did not find in merit of these arguments of the Respondent.

8.13 The Committee noted that the Guidance Note on Independence of Auditors issued by the Institute of Chartered Accountants of India categorically emphasizes that independence of mind is a fundamental requirement for an auditor and that such independence must not only exist in fact but must also appear to exist to all reasonable and objective persons. The test to be applied is whether, on an objective assessment of the circumstances, an unbiased person would be led to conclude that the auditor's independence is likely to be compromised.

8.14 The Committee further noted that explanatory notes to Clause (4) of Part I of the Second Schedule to the Chartered Accountant Act 1949 in Code of Ethics 2009 (page 197-198 , Tenth Edition) also states as follows:

"...Public conscience is expected to be ahead of the law. Members, therefore, are expected to interpret the requirement as regards independence much more strictly than what the law requires and should not place themselves in positions which would either compromise or jeopardise their independence.

Member must take care to see that they do not land themselves in situations where there could be conflict of interest and duty."

8.15 The Committee noted the following provisions from the Guidance Note on Independence of Auditors –

"1.2 It is not possible to define "independence" precisely. Rules of professional conduct dealing with independence are framed primarily with a certain objective. The rules themselves cannot create or ensure the existence of independence. Independence is a condition of mind as well as personal character and should not be confused with the superficial and visible standards of independence which are sometimes imposed by law. These legal standards may be relaxed or strengthened but the quality of independence remains unaltered.

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1.3 There are two interlinked perspectives of independence of auditors, one, independence of mind; and two, independence in appearance. The Code of Ethics for Professional Accountants, issued by International Federation of Accountants (IFAC) defines the term 'Independence' as follows:

"Independence is: (a) Independence of mind – the state of mind that permits the provision of an opinion without being affected by influences that compromise professional judgment, allowing an individual to act with integrity, and exercise objectivity and professional skepticism; and

(b) Independence in appearance – the avoidance of facts and circumstances that are so significant a reasonable and informed third party, having knowledge of all relevant information, including any safeguards applied, would reasonably conclude a firm's, or a member of the assurance team's, integrity, objectivity or professional skepticism had been compromised."

1.4 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, there is likely to be an abridgement of the auditors' independence.

1.5 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..."

8.16 The Committee further noted that 'independence of mind' and 'independence in appearance' are both essential to preserve and demonstrate the credibility of the audit function to stakeholders, as independence of mind ensures that the auditor forms judgments objectively, with integrity and professional skepticism, free from undue influence, conflicts of interest or bias, while independence in appearance assures stakeholders that no relationships or circumstances exist which, to a reasonable and informed third party, would create a perception that the auditor's objectivity is compromised. The absence of either undermines confidence in the audit opinion, since even an objectively formed judgment loses its value if stakeholders reasonably perceive a lack of independence; therefore, the concurrent maintenance of both is fundamental to sustaining trust in financial reporting and upholding the public interest role of the auditor.

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8.17 As per Paragraph 5 of Notification dated 05th August 1985 on "Clarification regarding authority attached to the documents issued by the Institute" the Committee observed that: -

"Guidance Notes are primarily designed to provide guidance to members on matters which may arise in the course of their professional work and on which they may desire assistance in resolving issues which may pose difficulty. Guidance Notes are recommendatory in nature. A member should ordinarily follow recommendations in a guidance note relating to an auditing matter except where he is satisfied that, in the circumstances of the case, it may not be necessary to do so. Similarly, while discharging his attest function, a member should examine whether the recommendations in a guidance note relating to an accounting matter have been followed or not. If the same have not been followed, the member should consider whether keeping in view the circumstances of the case, a disclosure in his report is necessary."

8.18 Thus, it is noted that Guidance Notes are recommendatory in nature. The Committee observed that such Guidance Notes are issued by the ICAI with the objective of assisting members in ensuring uniformity, completeness, and clarity in reporting. They represent the Institute's considered interpretation of the reporting requirements and are intended to be followed by professionals unless there are justified reasons for departure. Accordingly, non-adherence to the disclosure practices recommended in the Guidance Note, without adequate justification, detracts from the quality and transparency of reporting expected from a statutory auditor. The Committee noted that if the same have not been followed, then disclosure is required to be made.

8.19 In the present case, the Respondent simultaneously occupied the position of Statutory Auditor in certain companies and the position of Director in other companies with same director and controlling authority. Such dual roles, even though held in different corporate entities, created a situation of conflict of interest and placed the Respondent in a compromising position incompatible with the role of an independent statutory auditor.

8.20 The contention of the Respondent that there was no violation of section 226 of the Companies Act, 1956 or that there was no holding, subsidiary or co-subsiary relationship between the companies, does not sufficiently address the larger and more fundamental requirement of auditor independence as envisaged under the Code of Ethics and the Guidance Note. Independence under professional standards is not confined merely to statutory disqualifications but extends to situations which may impair or appear to impair objectivity and professional judgment.

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8.21 A member of the Institute is expected to interpret and apply the requirement of independence more strictly than the bare minimum prescribed under law and is duty-bound to avoid placing himself in any position which may jeopardise or even appear to jeopardise his independence. By accepting and continuing the Directorship in group companies while acting as Statutory Auditor of other group companies, the Respondent failed to maintain the required level of independence expected of a Chartered Accountant in practice.

8.22 In the light of the foregoing discussion, the Committee concludes that the independence of the Statutory Auditor, in the instant case, is fundamentally compromised due to holding the position of Director in group companies of the audit client by the Respondent. Such a relationship gives rise to significant self-interest and familiarity threats. This dual role impairs both independence of mind and independence in appearance, as a reasonable and informed third party would perceive the auditor to be aligned with the interests of group management, thereby eroding objectivity and professional skepticism. The Committee finds that these threats are structural and continuing in nature and therefore constitute a clear violation of the fundamental principles of integrity and objectivity enshrined in the Code of Ethics of ICAI.

8.23 The Committee observed that, in the instant case, as per prima facie opinion Clause (4) of Part I of the Second Schedule to the Chartered Accountants Act, 1949 was applied. However, the Committee also viewed that Clause (1) of Part II of the Second Schedule to the Chartered Accountants Act, 1949, also will also be applicable as it contravenes the provisions of the Code of Ethics and for not following the Guidance Note without recording appropriate reasons . The said Clause of the Schedule to the Act states as under:

Clause (1) of Part II of the Second Schedule:

" A member of the Institute, whether in practice or not, shall be deemed to be guilty of professional misconduct, if he-:

(1) contravenes any of the provisions of this Act or the regulations made thereunder or any guidelines issued by the Council;

8.24 Accordingly, the Respondent is held **GUILTY** of Professional Misconduct within the meaning of Clause (1) of Part II of the Second Schedule to the Chartered Accountants Act, 1949. Further, such conduct, being inconsistent with the ethical standards and expectations of the profession, is also held to be conduct which has brought disrepute to the profession. The Respondent is therefore also held **GUILTY** under Clause (2) of Part IV of the First Schedule to the Chartered Accountants Act, 1949.

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8.25 In view of the above, the Committee was of the considered opinion that the Respondent is **GUILTY** of Professional and Other Misconduct falling within the meaning of Clause (1) of Part II of Second Schedule and Clause (2) of Part IV of First Schedule to the Chartered Accountants Act, 1949 in respect of this charge.

9. **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 8.3 to 8.9 as given above	NOT GUILTY - Clauses (7) and (8) of Part I of the of Second Schedule.
Para 2.2 as given above	Paras 8.10 to 8.24 as given above	GUILTY - of Clause (1) of Part II of Second Schedule and Clause (2) of Part IV of First Schedule.

10. In view of the above observations, considering the oral and written submissions of the parties and material on record, the Committee held the Respondent **GUILTY** of Professional and Other Misconduct falling within the meaning of Clauses (1) of Part II of Second Schedule and Clause (2) of Part IV of First Schedule to the Chartered Accountants Act, 1949.

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

Sd/-
(MS. DAKSHITA DAS, I.R.A.S., RETD.)
GOVERNMENT NOMINEE

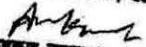
Sd/-
(CA. MANGESH P KINARE)
MEMBER

Sd/-
(CA. SATISH KUMAR GUPTA)
MEMBER

DATE: 30th January 2026

PLACE: New Delhi

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अरुण कुमार / Arun Kumar
कीर्त कार्यकारी अधिकारी / Sr. Executive Officer
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भारतीय सन्दी लेखाकार संस्थान

The Institute of Chartered Accountants of India
आर्य की ए. ०६३१७७, नया दिल्ली-२०१३०१ (उ.प्र.)
10A/1 Bhawan, C-1, Sector-1, Noida-201301 (U.P.)