



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-424/2019-DD/46/2020/DC/1567/2022]

In the matter of:

**Shri Hukum Singh,
Khatkar Farm,
Kalwad Road, Jhotwara,
Jaipur- 302012**

.... Complainant

Versus

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

.... Respondent

MEMBERS PRESENT:

- 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

1. That vide Findings dated 21st 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. Sanjay Gupta (M. No. 091386)** (hereinafter referred to as the **Respondent**) is **GUILTY** of Professional



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

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

3. The Committee noted that the subject case was last listed for hearing before the Committee on 28.01.2026 and was adjourned at the request of Respondent. The Committee, however, decided to grant one last and final opportunity to the Respondent to appear before the Committee on the next date of hearing. The Committee decided that in the event of failure of Respondent to appear before the Committee in next hearing, the matter will be decided based on all documents and other materials available on record. The Committee noted that the Respondent was not present during the hearing on 05.02.2026 and no intimation regarding his participation in the meeting was received. On the date of hearing, the Officials made multiple attempts to contact the Respondent telephonically; however, the calls could not be connected. Thereafter, in view of the absence of the Respondent, the Committee decided that the matter will be decided based on all documents and other materials available on record. The Committee noted the written representation of the Respondent dated 29th January 2026 on the Findings of the Committee, which, inter alia, are as under: -

- Statement of account that was subjected to verification was placed on record which explained each aspect of the change in the balance in the account of the complainant and complied with the requirement of the relevant working papers in the instant case, and the supporting documents were in the company's custody.
- Quantification of those wrong acts and omissions was not verifiable beyond a limited extent and cannot be corroborated with confirmations or legal opinions.



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7. Thus, the Committee upon considering the seriousness of charge and the gravity of the matter, ordered that the Respondent i.e. CA. Sanjay Gupta (M. No. 091386), New Delhi be REPRIMANDED, removed his name from the Register of Members for a period of three (03) months and also imposed a fine of Rs. 1,00,000/- (Rupees One Lakh only) upon him, which shall be paid within a period of 60 (sixty) days from the date of receipt of the order.

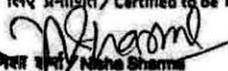
Sd/-
(CA. PRASANNA KUMAR D)
PRESIDING OFFICER

Sd/-
(ADV VIJAY JHALANI)
GOVERNMENT NOMINEE

Sd/-
(CA. SATISH KUMAR GUPTA)
MEMBER

Sd/-
(CA. MANGESH P. KINARE)
MEMBER

सत्यवति होमे के लिए प्रमाणित / Certified to be True Copy


निशा शर्मा / Nisha Sharma
सहायक सचिव / Assistant Secretary
अनुशासनसम्बन्धक 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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.....Respondent

MEMBERS PRESENT:

CA. Prasanna Kumar D, Presiding Officer (In person)
Adv. Vijay Jhalani, Government Nominee (In person)
CA. Mangesh P. Kinare, Member (In person)
CA. Satish Kumar Gupta, Member (In person)

DATE OF FINAL HEARING : 15th October 2025

PARTIES PRESENT:

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

1. **BACKGROUND OF THE CASE:**

1.1 M/s Adaab Hotels Ltd, Delhi (hereinafter referred to as the "Company"), is a family-owned company primarily controlled by two brothers, Shri Rajiv Choudhary and Shri Manish Choudhary, who serve as Executive Directors and, along with their family members, hold more than 80% of the company's shareholding. Their sister is married to Shri Hukum Singh, who was also a shareholder and director of the company. Together, the Complainant, his wife, and their family members hold less than 20% of the company's shares. Shri Hukum Singh was responsible for managing the business operations of the Jaipur unit of the company of the Company and had independent financial power. According to the Respondent, instances of financial misappropriation and mismanagement were discovered in the Jaipur unit under Shri Hukum Singh's supervision. Consequently, the Board of Directors decided to remove him from the position of director with effect from 26th July 2019.

2. **CHARGES IN BRIEF: -**

2.1 The Respondent audited the balance sheet of M/s Adaab Hotels Ltd, Delhi (Company) as on 31.03.2018 which contains a long-term borrowing of Rs 50,05,438.16/- in the name of Complainant shown as due and payable by the Company to the Complainant. The Complainant stated that in the absence of any payments towards aforesaid amount of Rs. 50,05,438.16/- by the Company to the Complainant during the financial year 2018-19 such amount of Rs. 50,05,438.16/- was shown as "NIL" in the audited balance sheet of the Company as on 31.03.2019. Therefore, the Complainant in his complaint alleged that the Respondent without verifying whether any actual amount has been paid by the Company to the Complainant or not showed "NIL" and on the contrary amount of Rs. 19,39,431.03/- was shown as recoverable from the Complainant under the head Long-Term Loan and Advances to the related parties as the amount due and payable by the Complainant to the Company as on 31.03.2019.

2.2 The Balance sheet as on 31.03.2019 was prepared in the fraudulent manner which deliberately conceals the outstanding salary amounting Rs. 18,89,773/- which was due and payable by the Company to the Complainant however, such amount of Rs. 18,89,773/- was shown as "NIL" on 31.03.2019.

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3. **The relevant issues discussed in the Prima facie opinion dated 11th October 2021, formulated by the Director (Discipline) in the matter in brief, are given below:**

- 3.1 As regard to the **first charge** mentioned in Para 2.1 above, it was noted that the Respondent had conducted the statutory audit of the Company for the financial years 2017–18 and 2018–19. From the audited financial statements, it was observed that the Complainant, being a relative of the Company's directors, had extended an unsecured loan of Rs.50,05,438.16, which was reflected under the head "Long-Term Borrowings" on the liability side of the balance sheet as on 31.03.2018. However, as on 31.03.2019, this amount was shown as "NIL," and instead, a sum of Rs. 19,39,431.03 was shown as recoverable from the Complainant. The Complainant had also produced an NCLT order dated 06.11.2019 which clearly mentioned that an amount of Rs. 1,18,24,984/- was outstanding in the name of the Complainant towards the Company, with no proof of repayment as claimed by the Company.
- 3.2 The Respondent, in his written statement, had submitted that the cash balance held at the Jaipur unit was physically not available to the Company but was with the Complainant as reported. It was stated that the accounts were finalized by the Company and provided to the Respondent for audit after reckoning and regularizing such transactions through necessary accounting treatment to present a true and fair financial position. From the above, it appeared that the Company had made certain adjustments in the Complainant's loan amount, which remained disputed and unpaid as of the signing of the audit report for FY 2018–19 dated 07.09.2019.
- 3.3 The Respondent had further submitted that the amount of Rs. 19,39,431.03 shown as recoverable from the Complainant in the balance sheet as on 31.03.2019 represented the net effect of all transactions in her account during FY 2018–19, along with the outstanding balance from FY 2017–18. However, the Respondent did not provide any details, bifurcation, or documentary evidence such as a management representation letter, agreement, or ledger account to substantiate how this figure was derived, despite being asked at the Rule 8(5) stage.
- 3.4 It was observed that the preparation of financial statements was the responsibility of the Company, while the Respondent, as the statutory auditor, was required to express an

opinion thereon. As per SA-505, "External Confirmation," the Respondent was required to obtain direct confirmation from the Complainant regarding whether he had taken any loan amounting to Rs. 19,39,431.03 from the Company during FY 2018–19. However, the Respondent failed to obtain such confirmation before signing the audit report. Furthermore, as per the requirements of AS-29 on "Provisions, Contingent Liabilities, and Contingent Assets," the Respondent was expected to ensure that the Company disclosed the Complainant's claim as a contingent liability, particularly since the dispute and NCLT proceedings were already known. Despite this, no such provision or disclosure was made in the Company's books, and the Respondent failed to report this fact in his audit report.

- 3.5 When the Respondent was specifically asked vide an office letter dated 02.11.2020 to provide copies of working papers and balance confirmations related to the allegations, the Respondent, despite seeking extensions and being granted sufficient time, failed to submit any supporting documents. In view of these facts and the absence of relevant information, the defence submitted by the Respondent was found unacceptable.
- 3.6 Hence, in view of above facts and in absence of aforementioned information/details from the Respondent, the defense taken by the Respondent was not acceptable and it appears that he failed to discharge his professional duties in respect of verification of record related to loan and advances from related parties. Accordingly, he was held prima facie **Guilty** with respect to the allegation falling within the meaning of Clause (6), (7) & (8) of Part I of Second Schedule to the Chartered Accountants Act, 1949.
- 3.7 As regards the second charge mentioned in para 2.2 above of non-accounting of salary payable to the Complainant amounting to Rs. 18,89,773/-, it was first mentioned that the Complainant had alleged that an amount of Rs. 18,89,773/- was outstanding salary in the name of the Complainant, which was due and payable by the Company to the Complainant as on 31.03.2018. However, no documents/evidence were brought on record by the Complainant to establish that the amount of Rs. 18,89,773/- was outstanding against his name as salary payable. Therefore, the said allegation was examined in respect of the amount of Rs. 10,58,873/-, which was shown as

remuneration due and payable to the Complainant in the balance sheet of the Company as on 31.03.2018.

- 3.8 On perusal of the financial statements of the Company, it was noted that an amount of Rs. 10,58,873/- was shown as due to directors (i.e., in the name of the Complainant), and the same was reflected under the head "Other Current Liabilities" in the Balance Sheet of the Company as on 31.03.2018. However, as on 31.03.2019, such amount of Rs. 10,58,873/- was shown as "NIL".
- 3.9 In this regard, the Respondent in his Written Statement had submitted that "No salary was payable to the Complainant for the financial year 2018–19, as per board resolutions made available to him by the Company as part of audit evidence." However, the Respondent could not produce any documentary evidence in support of his submission, and from the aforesaid submission of the Respondent, it appeared that no amount had been paid to the Complainant by the Company against the aforesaid outstanding remuneration.
- 3.10 Further, when the Respondent was specifically asked vide office letter dated 23rd October, 2021 at the Rule 8(5) stage to provide a certified copy of the Board Resolution regarding non-payment of salary to the Complainant, the Respondent, despite seeking an extension of time and despite being given sufficient time, failed to submit any documents to substantiate his defence to counter the allegations raised by the Complainant against him.
- 3.11 Hence, in view of the above facts and in the absence of the aforementioned information/details from the Respondent, the defence taken by the Respondent was not acceptable, and it appeared that he had failed to discharge his professional duties in this respect. Accordingly, he was held prima facie **guilty** with respect to the allegation falling within the meaning of Clause (7) & (8) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.
- 3.12 Accordingly, the Director (Discipline) in his prima facie opinion dated 11th October 2021 held the Respondent **GUILTY** of Professional Misconduct falling within the meaning of

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

Clause (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."

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."

3.13 The Prima Facie Opinion formed by the Director (Discipline) was considered by the Disciplinary Committee in its meeting held on 25th April 2022. The Committee on consideration of the same, concurred with the reasons given against the charges and thus, agreed with the Prima Facie opinion of the Director (Discipline) that the Respondent is **GUILTY** of Professional Misconduct falling within the meaning of Clauses (6), (7), (8) of Part I of Second Schedule to the Chartered Accountants Act, 1949 and accordingly, decided to proceed further under Chapter V of the Chartered Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules, 2007.

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4. **Date(s) of Written submissions/Pleadings by parties:**

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

S. No.	Particulars	Dated
1.	Date of Complaint in Form 'I' filed by the Complainant	30 th January 2020
2.	Date of Written Statement filed by the Respondent	15 th June 2020
3.	Date of Rejoinder filed by the Complainant	26 th July 2020
4.	Date of Prima Facie Opinion Formed by Director (Discipline)	11 th October 2021
5.	Written statement by the Respondent after Prima Facie Opinion	25 th September 2025 13 th October, 2025
6.	Rejoinder by the Complainant after Prima Facie Opinion	07 th October 2025

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

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

- i. That the complainant was a minority shareholder and also a director of the company during FY 2018–19, being the husband of the sister of the two majority-shareholder directors. It was contended that the company, through a board resolution passed in April 2018, had decided not to pay any salary to any of its directors for FY 2018–19 due to continuous business losses.
- ii. That towards the end of the said financial year, the majority shareholders discovered that the Complainant had misappropriated company funds from the Jaipur unit, which was under his independent charge. It was stated that, upon discovery of the defalcation, the complainant was orally requested to explain and make good the losses; however, instead of complying, he issued a legal notice with a counterclaim on dated 31 July 2019.

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- iii. The Respondent referred to three findings of misappropriation against the Respondent: (i) Rs.41,60,370.59 of cash shown in the Jaipur books was found missing, (ii) Rs.51,95,936 due from Shikha Hotels Jaipur as management fees was fraudulently collected into the account of Hukum Singh HUF, and (iii) Rs.17,11,585.60 of fictitious purchases were recorded under Hukum Singh HUF. Consequently, the complainant was removed from the directorship of the Company on 26 July 2019.
- iv. That the company's board resolved to recover the misappropriated amounts by adjusting them against the complainant's loan account and consolidating all dues, including any salary payable. A board resolution to this effect was passed, and a formal reply was issued to the complainant's legal notice. After the necessary accounting adjustments, the Respondent noted that the opening loan balance of Rs.50,05,438.16 as on 1 April 2018 turned into a debit balance of Rs.19,39,431.03 recoverable from the complainant as on 31 March 2019. Similarly, the salary payable balance of Rs.10,58,873 as on 31 March 2018 became Nil after adjustment.
- v. The Respondent contended that the complainant's claim of Rs.18,89,773 towards salary was false and unsupported by facts. The audit report, signed on 7 September 2019, was stated to have been prepared in full awareness of the company's losses and the misappropriation by the complainant. The Respondent relied upon the board resolutions and the company advocate's reply as valid and sufficient audit evidence. Accordingly, the amount of Rs.19,39,431 recoverable from the complainant was found to be proper.
- vi. That the NCLT and NCLAT orders cited by the Complainant were irrelevant to the audit quality, as they were issued after the date of the audit report. It was also stated that the complainant's IBC petition was filed subsequent to the audit report. The company, however, failed to defend the IBC case effectively since no criminal proceedings had been initiated against the complainant, leading to his recognition as a financial creditor under the IBC.
- vii. That the Company was referred to IBC proceedings by the NCLT, and in order to avoid losing control to the Interim Resolution Professional (IRP), the company decided to settle the complainant's claim. The Respondent maintained that such payment was a

business decision aimed at existing IBC proceedings and not an acknowledgment of debt. Accordingly, the NCLT and NCLAT orders dated November 2019 were subsequent to the audit report and therefore had no bearing on the Respondent's professional judgment.

- viii. That the audit procedures carried out were based on sufficient and appropriate audit evidence, and no third-party confirmation from the complainant was necessary. It was argued that SA 505 on external confirmations was inapplicable in disputed matters, and that SA 501 procedures such as inquiries with management and legal counsel were more appropriate.
- ix. That under AS 29, as on the date of the audit report, only the company's claim against the complainant existed, and there was neither any counterclaim nor any pending IBC case; hence, there was no requirement to disclose any contingent liability. It was also explained that certain documents were not provided during the PFO stage due to confidentiality concerns raised by the company's directors.
- x. That SA 505 does not mandate external confirmations for disputed balances. The inquiries conducted with management and legal counsel were stated to be sufficient, and no contingent liability existed as per AS 29. Finally, the Respondent maintained that salary payable was Nil since the company had formally resolved not to pay any director remuneration for FY 2018–19, and that the earlier salary payable balance was appropriately transferred to the complainant's loan account, as supported by the company's ledger evidence.

5.2. Further, the Respondent vide letter 13th October 2025 inter-alia, made the submissions which are given as under:

- The allegation made by the Complainant in the Rejoinder that the Board Resolution referred to in Paragraph 2(b) of the Written Statement was fabricated and forged is denied. Until the signing of the audited accounts for FY 2018–19, the Respondent had no evidence to suggest that the said Board Resolution was not genuine. The Resolution was produced before the Respondent by the Directors themselves, who held about 90% shareholding in the Company.

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- The Complainant himself has placed on record a copy of the said Board Resolution, which establishes that he was fully aware of the Board's decision.
- The Complainant has failed to adduce any evidence to demonstrate that the Respondent had knowledge of any alleged forgery at the time of conducting the audit.
- The reply to the legal notice issued on behalf of the Company asserts that a Board Resolution was passed on 2nd April 2018, which was relied upon by the Respondent.
- The Hon'ble NCLT, while adjudicating the petition filed by the Complainant under the IBC, took cognisance of the Board Resolution dated 2nd April 2018 and dismissed the petition, declining the Complainant's claim for director's remuneration.
- No order of any competent authority has been produced by the Complainant to substantiate the allegation of fabrication or forgery of the Board Resolution, despite claims of having filed petitions on this issue.
- The allegation that the Respondent relied upon a fabricated Board Resolution is therefore unsubstantiated. The Respondent is not responsible for examining the correctness or appropriateness of the decisions taken by the Board. The statutory filings of the Company support the existence of the Resolution.
- With regard to the debit of Rs. 41,603,370.59, the Respondent had explained that the amount represented the cash balance of the Jaipur unit as per the cash book, which was not physically available.
- The Complainant's explanation that the amount represented unaccounted expenses later rectified was not acceptable to the Respondent, particularly when such explanation was not accepted by the majority Directors of the Company.
- The issue relates to operational disputes, in respect of which the Respondent was entitled to rely on the position taken by the majority management.
- Regarding the debit of Rs. 5,195,936.00, the Respondent had explained that the amount, being management fees due to the Company from Shikha Hotels Jaipur, was fraudulently collected in the account of Hukum Singh HUF instead of the Company.
- The explanation offered by the Complainant in this regard was merely his version of events and was not accepted by the majority shareholders and Directors. The Respondent had no reason to accept the Complainant's explanation.
- The absence of consent or confirmation from parties involved in disputes does not invalidate the audit evidence relied upon by the Respondent.

- With respect to the debit of Rs. 1,711,585.60, the Respondent had explained that fictitious purchases were recorded in the Company's books by showing Hukum Singh HUF as the vendor.
- The Complainant's contention that these payments related to past years and had already been audited was not sufficient for the Respondent to disregard the view of the majority shareholders and Directors that the supporting documents produced by the Complainant were not genuine.
- There is no inconsistency in the figures. The earlier figure was based on unaudited books, whereas the final figure was derived after completion of audit and reconciliation of balances between the Jaipur and Delhi units.
- After audit, the net debit balance of Rs. 19,39,431.03 was correctly reflected in the audited accounts.
- The Respondent has already explained that the payment was made only to protect the Company from CIRP proceedings and that the Company is pursuing recovery of the amount from the Complainant. Multiple civil and criminal proceedings are pending.
- The Complainant has admitted that the Company has initiated both civil and criminal proceedings against him.
- It is evident that the Complainant initiated IBC proceedings after being aware of the ledger balances of the Company.
- The allegation that the financial statements were fabricated in the backdrop of the NCLT petition is therefore baseless and denied.
- The Company has continued to reflect the amount paid to the Complainant as recoverable in subsequent financial statements.
- In view of the above, the Respondent submits that the charges against him are unfounded and prays to be absolved of all allegation.

6. **Written Submissions filed by the Complainant: -**

The Respondent vide letter 07th October 2025 inter-alia, made the submissions which are given as under:

6.1. **The board resolution dated 02.04.2018**

- The document in question is a fabricated and forged document created by the majority shareholders of Adaab Hotels Ltd. (where the Respondent is the statutory auditor).

- It was made as an afterthought to defeat the legitimate and admitted claims of the Complainant.
- The document was produced for the first time during NCLT proceedings initiated by the Complainant.
- The Resolution, along with other fabricated company documents, has been challenged in the Oppression & Mismanagement case before the NCLT. The matter is Sub-Judice.
- The Board Resolution was issued as an afterthought after the Complainant demanded repayment of his loan.
- No notice or agenda for the Board meeting on 06.04.2018 was issued, dispatched, or served to the Complainant, who was the only salaried Director of the company at that time.
- The Respondent (Auditor) failed in his statutory and professional duties by relying on such unverified documents, and by making account adjustments without the concerned Director's consent.

(i) Repayment of entire loan amount before NCLAT –

Dates	Particulars
Till 31.3.2018	The Complainant had given loans of Rs. 11824984.16 including interest payable Rs. 50,05,438.16.
In 2018-19 till 31.3.2019	Payments of Rs. 58,34,773.00 and interest payable Rs.984773.00.
April 2019	The Complainant demanded repayment of his loan.
2. REPAYMENT OF ENTIRE LOAN AMOUNT BEFORE NCLAT	2. REPAYMENT OF ENTIRE LOAN AMOUNT BEFORE NCLAT
26.07.2019	Pursuant to this conspiracy, the Complainant (also a minority Shareholder) was removed from the post of Director.

(ii) Amount claimed by the company in ledger of Hukum Singh:

It has been submitted by the complainant vide letter dated 7th October 2025.

There is no consensus on the amount allegedly recoverable from Hukum Singh/complainant:

It is peculiar to note that, as per the Ledger, the amount shown as recoverable from Mr. Hukum Singh is Rs.24,08,540.03. However, in the Reply to the Legal Notice of the complainant, the company has quoted a different figure of Rs.26,29,204.03 as the amount recoverable from Mr. Hukum Singh, as per the ledger attached. Furthermore, the company has filed a recovery suit against Mr. Hukum Singh before the Saket District Court for an alleged and fictitious amount of Rs.19,39,431.03, which is presently pending adjudication.

(iii) Cash in hand amount of Adaab hotels ltd.:

It has been submitted by the complainant vide letter dated 7th October 2025.

7. Brief facts of the proceedings:

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

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

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

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

- 7.3 On the day of hearing held on 02nd November 2023, the Committee noted that the Complainant was present through video- conferencing mode. On the other side, the Respondent along with his Counsel were present through video-conferencing mode and appeared before it. Thereafter, they gave a declaration that there was nobody present except them in the respective room from where they were appearing and they would neither record nor store the proceedings of the Committee in any form. Being the 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 against him and whether he pleads guilty. The charges as contained in Prima facie opinion were also read out. On the same, the Respondent replied that he is aware of the 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 a future date.
- 7.4 On the day of hearing on 09th September 2025, the Committee noted that the Respondent sought an adjournment while the authorized representative of the Complainant Shri Hukum Singh appeared through VC and appeared before it. The Committee noted that the Respondent sought adjournment for the first time due to tax audit deadlines, and the Committee acceding to the request of the Respondent, adjourned the subject case to a future date.
- 7.5 On the day of hearing on 03rd October 2025, the Committee noted that the Complainant and Respondent along with his counsel were present through VC and appeared before it. The Committee directed the parties to make the submissions. The Complainant claimed that the balance sheet was hurriedly prepared and signed on 07th September 2019 shortly after the company received an advance copy of his NCLT application. The Complainant argued that the adjustments, including debits to his account, were unsupported by proper documentation. The Committee noted the submission of the Counsel for Respondent that the dispute had arisen from a family conflict that escalated

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into corporate disagreements, with the complainant, a minority shareholder and former Director. The Counsel for Respondent stated that the auditor's role was limited to presenting the balance sheet based on the company's legal stance and that the complainant's allegations were sub judice, making it impractical to obtain external confirmations. The Counsel for Respondent submitted that the auditor followed due diligence and disclosed subsequent developments in the company's financial statements. The Complainant requested time to submit a rejoinder addressing the respondent's submissions. Thereafter, the respondent to provide additional evidence, if any in the matter, including supporting documents for the alleged entries. After recording the submissions of parties, the Committee adjourned the matter.

- 7.6 On the final day of hearing on 15th October 2025, the Committee noted that Respondent along-with Counsel and Complainant were present through VC and appear before it. The Committee noted that the Complainant alleged that the Board resolution denying salary to Directors was fabricated, as no notice, agenda, or proof of the meeting was provided. He argued that the Respondent failed to verify the authenticity of the resolution despite knowing of the salary dispute through a legal notice dated 9th August 2019. The Respondent countered that he relied on the company's records, NCLT orders, and legal counsel's opinion, asserting that the resolution was valid and recognized by courts. However, the Complainant emphasized the lack of direct audit evidence supporting the resolution's genuineness. The Complainant claimed that the company incorrectly debited Rs. 41.60 lakhs to his account based on incomplete tally data, whereas the actual cash balance was Rs. 12.10 lakhs. He argued that the updated tally data sent in July 2019 was ignored. The Respondent maintained that the company relied on the April 2019 tally data and deemed the cash misappropriated. The Complainant stated the cash was with him and would be submitted to the court as per its order.
- 7.7 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.

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

- 8.1 With respect to **first charge**, the Committee noted that unsecured loan of Rs. 50,05,438.16 shown as payable to the Complainant under the head "Long Term Borrowing" in the liability side of the Balance Sheet for FY 2017-18 of the Company whereas in the Balance sheet of the Company for FY 2018-19, there was no such liability to pay to the Complainant and rather a sum of Rs. 19,39,431.03 was lying as recoverable from the Complainant and its conversion to "Long term Loans and Advances to the related parties" amounting to Rs. 19,39,431.03 as recoverable from him in FY 2018-19. Upon examination of the financial statements, the Committee noted that in the audited balance sheet as on 31st March 2018, an unsecured loan of Rs.50,05,438.16 was shown as payable to the Complainant. In the next year's balance sheet as on 31st March 2019, the same amount was shown as nil, and instead Rs. 19,39,431.03 was lying as recoverable from the Complainant, although no repayment was proved.
- 8.2 The Respondent stated that the change arose from management's decision to adjust alleged losses attributed to the Complainant and to consolidate related-party balances. However, the Respondent did not produce any audit working papers, balance confirmations, legal opinions, or reconciliations evidencing the correctness of this adjustment. The Committee noted the submission of Respondent that the auditor acted appropriately by relying on the legal opinion provided by the company and adhering to **SA 501- Audit Evidence** due to the legal disputes involved.
- 8.3 The Committee noted the submissions of the Respondent that these claims were based on the company's position and legal opinion, and that he was not obligated to seek confirmation from the Complainant due to the existence of disputes between the majority and minority shareholders. The Respondent further asserted that the Standards on Auditing (SA) 505 and SA 501 were adhered to, and that the company's management's position was relied upon in the absence of other corroborative evidence.
- 8.4 The Committee observed that the Respondent failed to produce any documented evidence of discussions with external legal counsel, as required under SA 505, to substantiate his reliance on the legal notice as audit evidence. Further, the Respondent did not demonstrate that he had exercised adequate professional skepticism or made reasonable efforts to obtain independent confirmations or alternative audit evidence to

validate the claims made by the company. However, the Committee noted that if management provides the confirmation instead of the auditor obtaining it directly, the auditor may determine that the response is not reliable. In such a case, the auditor is required to evaluate the implications on the assessment of relevant risks of material misstatement, specifically including the risk of fraud.

8.5 Further, SA 240, The Auditor's Responsibilities Relating to Fraud, requires continued professional skepticism:

"12. Fraud risk factors ... indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud."

"24. The auditor shall consider whether other information obtained by the auditor indicates risks of material misstatement due to fraud."

8.6. Keeping in view of above requirements, it is noted that the Respondent being the auditor of the alleged company did not perform audit procedures that is required to be followed. In the instant case, the Respondent relied solely on management representation despite the existence of litigation and conflicting claims. The Committee therefore finds that the Respondent failed to obtain sufficient appropriate audit evidence, fails to report a material misstatement and did not exercise due professional care and skepticism. Accordingly, the Respondent is **Guilty** of Professional Misconduct under Clause (6), (7) and (8) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.

8.7 With respect to **second charge** regarding non-disclosure of salary payable to the Complainant in the FY 2018-19. The Committee noted from the financial statements that the balance sheet as on 31st March 2018 showed Rs. 10,58,873 as "Remuneration payable to directors" identifiable with the Complainant. In the balance sheet as on 31st March 2019, the said liability was shown as nil, though no evidence of payment existed.

8.8 The Respondent claimed that, as per a Board Resolution dated 2nd April 2018, no salary was payable to any director during FY 2018-19 due to losses. The abstract of the same is reproduced below:

“Resolved that in view of the consistent losses in the company, the Board has decided that no salary and any allowance shall be given to any Director of the company w.e.f 1st April, 2018.

Further resolved that no interest shall be given on any deposit /loan taken from directors of the company w.e.f 1st April, 2018.”

- 8.9 The Committee noted the contention of the Complainant that the Respondent failed to provide documentary evidence of the notice, agenda, and receipt copy of the Board meeting held on 2nd April 2018. The Respondent clarified that, as an auditor, he was not responsible for maintaining corporate compliance records, including notices and agendas of Board meetings. The Committee noted that the Respondent's role as an auditor does not extend to verifying the procedural compliance of Board meetings, as this falls under the purview of the company's management.
- 8.10 The Committee further noted that the Counsel for Respondent has consistently maintained that the Board of Directors of Aadab Hotels passed a resolution on 2nd April 2018, which explicitly stated that no salary or interest would be paid to any Director from 1st April 2018 onwards. The Respondent has relied upon this resolution as the basis for the non-payment of salary to the Complainant. While the Complainant has disputed the authenticity of this resolution, the Respondent has provided evidence in the form of NCLT and NCLAT orders, which have taken cognizance of the said resolution. The Complainant contended that the Respondent failed to exercise due diligence in verifying the authenticity of the Board resolution, especially in light of the legal notice sent by the Complainant on 9th August 2019, which raised a dispute regarding the salary claim. The Respondent, however, stated that he relied on the company's records, including the reply to the legal notice dated 19th August 2019, which reiterated the existence of the Board resolution. The Respondent further clarified that he was not obligated under SA 505 to seek confirmation from the Complainant or verify the genuineness of the Board resolution beyond the audit evidence provided by the company.

8.11 The Committee further noted from ledger account of Hukum Singh Remuneration and Hukum Singh Account for the FY 2018-19 that salary payable account was settled. It was also noted Hukum Singh Remuneration that Rs 3,69,100 has been paid to him as on 11th May, 2018 and further the balance amount has been transferred to Hukum Singh Account as on 31.3.2019. The Committee therefore concludes that the Respondent has relied on the documents available on record to adjust the salary amount of the Complainant. The Committee observed that the Respondent has demonstrated that his actions were guided by professional judgment and audit standards. He relied on the company's records, legal notices, and judicial orders to form his opinion regarding the non-payment of salary to the Complainant. The Committee finds no evidence to suggest that the Respondent acted negligently or failed to adhere to the prescribed audit standards. Accordingly, the Respondent is held **Not Guilty** of professional misconduct under Clause (7) and (8) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.

9 Conclusion:

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

CHARGES (AS PER PFO)	FINDINGS	DECISION OF THE COMMITTEE
Para 2.1 as above	Para 8 to 8.6 as above	Guilty - Clause (6), (7) and (8) of Part I of the Second Schedule
Para 2.2 as above	Para 8.7 to 8.11 as above	Not Guilty - Clause (7) and (8) of Part I of the Second Schedule

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

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M.

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: 21st January 2026

Place: Noida

सत्यापित होने के लिए प्रमाणित / Certified to be True Copy

मीनू गुप्ता / Meenu Gupta
वरिष्ठ कार्यकारी अधिकारी / Sr. Executive Officer
अनुशासनात्मक निदेशालय / Disciplinary Directorate
भारतीय सनदी लेखाकार संस्थान
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