



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-II (2026-2027)]

[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/348/2017-DD/39/2018-DC/1816/2023]

In the matter of:

Shri Rockey Joseph Gonsalves

Shri Jojopa D'Silva

Shri Raymond Machado & Others

"Genevieve" Bungalow,

Malungi Mulgaon, Distt. Palghar,

Vasai West (Maharashtra) – 401201

..... Complainant

Versus

CA. Abhijit Prabhakar Sanzgiri (M. No. 043230)

Partner, MIS A. P. Sanzgiri & Co. (FRN. 116293W)

Chartered Accountants

<u>Present address: -</u>	<u>Address in Prima Facie Opinion:-</u>
Plot No 22 House No 174 Anand Nagar Lane Behind Vakola Police Station Mumbai (Maharashtra)- 400055	2011202 A, Bhagwati Apartments, Dr. Charat Singh Colony, Chakala, Andheri East, Mumbai (Maharashtra) - 400093

.....Respondent

MEMBERS PRESENT:

1. CA. Prasanna Kumar D, Presiding Officer
2. CA. Mahesh Shah, Government Nominee
3. CA. Satish Kumar Gupta, Member
4. CA. Hans Raj Chugh, Member

DATE OF HEARING: 03rd October 2026

DATE OF PRONOUNCEMENT OF ORDER: 03rd October 2026

DATE OF ORDER: 03rd October 2026

1. That vide Findings dated 29th August 2026 under Rule 18(17) of the Chartered Accountants (Procedure of Investigations of Professional Misconduct and Conduct of Cases) Rules, 2007, the Disciplinary Committee was, inter-alia, of the opinion that **CA. Abhijit Prabhakar Sanzgiri (M. No. 043230)** (hereinafter referred to as the **Respondent**) is **GUILTY** of Professional Misconduct



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falling within the meaning of Item (7) 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 03rd October 2026.

3. The Committee noted that on the date of hearing on 03rd October 2026, the Respondent was present physically and made verbal submissions on the findings of the Committee. An opportunity was given for the submission of written representations and the Respondent filed a written response/submissions vide mail dated 16.09.2026. The Committee noted that the Respondent, in his written/verbal submissions, inter alia stated, as under: -

- i The Respondent submitted that the finding of guilt was based on a single, inadvertent classification of a non-cash item in the Cash Flow Statement under AS-3, which caused no financial harm or impact.
- ii It was contended that the isolated error did not mislead any stakeholder or cause any prejudice.
- iii The Respondent submitted that the error did not affect the Profit and Loss Account, Balance Sheet or the audit opinion as a whole.
- iv It was further submitted that the deviation was a solitary instance and should not be treated as gross negligence or a general failure to comply with applicable Standards.
- v The Respondent also referred to ICAI's FRRB practice of addressing similar errors through advisories rather than treating them as professional misconduct.
- vi The Respondent prayed the Committee for leniency in the matter.

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

5. Thus, keeping in view the facts and circumstances of the case, material on record including the verbal and written submissions of the Respondent on the Findings, the Committee noted that the Respondent had audited the financial statements of 'The Bassein Catholic Co-operative Bank Limited' for the financial year 2015-16.

6. As regards the charge that Cash Flow Statement of the Bank for FY 2015-16 states that net cash generated from the Operating Activities was Rs. 50.67 Crores whereas an increase of Rs.72.89 Crores was observed in fixed assets under Investment Activities and there was no explanation on how the investment was financed, the Committee noted that paragraphs 40 and 41 of AS-3 require investing and financing transactions which do not involve cash or cash equivalents to be excluded from the Cash Flow Statement. The Committee observed that, once the Cash Flow Statement formed part of the financial statements, the Respondent was required to ensure its



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compliance with the applicable Accounting Standards 3 and regulatory framework applicable on it. Accordingly, the inclusion of the non-cash item in the Cash Flow Statement constituted non-compliance with AS-3 and reflected failure to exercise due diligence and professional care expected from a statutory auditor. Hence, the Professional Misconduct on the part of the Respondent is clearly established as spelt out in the Committee's Findings dated 29th August 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 the Respondent commensurate with the Professional Misconduct/Other Misconduct established against him.

8. Thus, the Committee, keeping in view the facts and circumstances of the case, material on record and the representation of the Respondent before it, ordered that CA. Abhijit Prabhakar Sanzgiri (M. No. 043230), Mumbai, Maharashtra, be Reprimanded under Section 21B(3) of the Chartered Accountants Act, 1949.

Sd/-

(CA. PRASANNA KUMAR D)
PRESIDING OFFICER

Sd/-

(CA. MAHESH SHAH)
GOVERNMENT NOMINEE

Sd/-

(CA. SATISH KUMAR GUPTA)
MEMBER

Sd/-

(CA. HANS RAJ CHUGH)
MEMBER

सत्यापित होने के लिए प्रमाणित / Certified to be True Copy


नीलम पुंडीर / Neelam Pundir
वरिष्ठ कार्यकारी अधिकारी / Sr. Executive Officer
अनुशासनात्मक निदेशालय / Disciplinary Directorate
भारतीय सनदी लेखाकार संस्थान
The Institute of Chartered Accountants of India
आई.सी.ए.आई. भवन, सी.ए. सेक्टर-1, नोएडा-201301 (उ.प्र.)
ICAI Bhawan, C-1, Sector-1, Noida-201301 (U.P.)

CONFIDENTIAL

DISCIPLINARY COMMITTEE [BENCH – II (2026-2027)]
[Constituted under Section 21B of the Chartered Accountants Act, 1949]

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

File No:- [PR/348/2017-DD/39/2018-DC/1816/2023]

In the matter of:

Shri Rockey Joseph Gonsalves

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"Genevieve" Bungalow,

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Vasai West (Maharashtra) – 401201

.....Complainant

Versus

CA. Abhijit Prabhakar Sanzgiri (M. No. 043230)

Partner, M/s A. P. Sanzgiri & Co. (FRN. 116293W)

Chartered Accountants

Present address: -

Plot No 22 House No 174

Anand Nagar Lane

Behind Vakola Police Station

Mumbai (Maharashtra)- 400055

Address in Prima Facie Opinion:-

201/202 A, Bhagwati Apartments,

Dr. Charat Singh Colony,

Chakala, Andheri East,

Mumbai (Maharashtra) – 400093

.....Respondent

MEMBERS PRESENT:

CA. Prasanna Kumar D, Presiding Officer (in person)

CMA Chandra Wadhwa, Government Nominee (in person)

CA. Mahesh Shah, Government Nominee (in person)

CA. Satish Kumar Gupta, Member (in person)

CA. Hans Raj Chugh, Member (in person)

DATE OF FINAL HEARING : 20th March 2026

DATE OF DECISION TAKEN : 25th July 2026

DATE OF PRONOUNCEMENT OF DECISION : 29th August 2026

PARTY PRESENT:

Respondent- CA. Abhijit Prabhakar Sanzgiri (In person)

Counsel for Respondent- CA. Lakshay Gupta (In person)

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1. **Background of the Case:**

- 1.1. The Complainants have stated that they were shareholders/members of *The Bassein Catholic Co-operative Bank Ltd.* (hereinafter referred to as the "Bank"), while the Respondent had audited the financial statements of the Bank for FY 2015–16.
- 1.2. The Complainants have further stated that, upon studying the Annual Report of the Bank for FY 2015–16, they noticed that certain Accounting Standards had been violated and that the financial statements were misleading. Therefore, they raised certain queries with the Management of the Bank; however, they did not receive satisfactory or justifiable explanations.
- 1.3. The Complainants have stated that the financial statements certified by the Respondent did not tally in terms of sums.
- 1.4. The Complainants stated that they had observed certain irregularities in the financial statements of the Bank pertaining to FYs 2015–16 and 2016–17.
- 1.5. It was further noted that, while the financial statements of the Bank for FY 2015–16 had been audited by the Respondent, the financial statements for FY 2016–17 had been audited by another CA/CA firm. In this regard, it was also noted that the Complainants had filed a separate complaint against the said auditor, CA Gauri Bedekar (M. No. 108207), concerning the irregularities allegedly observed by them in the financial statements of the Bank pertaining to FY 2016–17, which is being dealt with separately under File Reference Number PR/348A/2017/DD/40/2018. Accordingly, only the charges raised against the Respondent in respect of FY 2015–16 have been considered in the present matter.

2. **Charges in brief:**

- 2.1 Cash Flow Statement of the Bank for FY 2015-16 states that net cash generated from the Operating Activities was Rs. 50.67 Crores whereas an increase of Rs. 72.89 Crores was observed in fixed assets under Investment Activities and there was no explanation on how the investment was financed.

3. **The relevant issues discussed in the Prima facie opinion dated 19th June 2023 formulated by the Director (Discipline) in the matter in brief, are given below:**

- 3.1. Regarding **charge as mentioned in para 2.1 above**, the Respondent in his written statement stated that out of net increase of Rs. 72.89 Crores in block of Fixed Assets, Rs. 57.77 Crores was on account of revaluation of owned branch premises

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classified under Land & building in the balance sheet. From the submissions of the Respondent, it was evident that the Respondent was aware that the revaluation of the assets to the tune of Rs. 57.77 were included by the Bank in the Cash Flow Statement under investing activities.

3.2. It was further noted that the Cash Flow Statement only deals with the movement of the cash flows into or out of the business wherein any movement in the revaluation reserve does not involve any exchange of cash and therefore, revaluations do not make into the cash flow statements under investing activities.

3.3. In this regard, Para 40 and 41 of AS-3 – Cash Flow Statements states as under:

“Non-cash Transactions

40. Investing and financing transactions that do not require the use of cash or cash equivalents should be excluded from a cash flow statement. Such transactions should be disclosed elsewhere in the financial statements in a way that provides all the relevant information about these investing and financing activities.

41. Many investing and financing activities do not have a direct impact on current cash flows although they do affect the capital and asset structure of an enterprise. The exclusion of non-cash transactions from the cash flow statement is consistent with the objective of a cash flow statement as these items do not involve cash flows in the current period....” (emphasis added)

3.4. Thus, it was evident that the Bank has failed to prepare its Cash Flow Statements in accordance with the requirements of AS-3 by reporting revaluation of assets of Rs. 57.77 crores under investing activities.

3.5. Accordingly, the Director (Discipline) in his Prima Facie Opinion dated 19th June 2023 held the Respondent Prima Facie **GUILTY** of Professional Misconduct falling within the meaning of Clause (7) of Part-I of Second Schedule to the Chartered Accountants Act, 1949. The said Clauses of the Schedule to the Act, states as under:

Clause (7) of Part-I of Second Schedule

“A chartered accountant in practice shall be deemed to be guilty of professional misconduct, if he–

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

- 3.4 The Prima Facie Opinion formed by the Director (Discipline) was considered by the Disciplinary Committee in its meeting held on 10th August 2023. 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 Clause (7) of Part-I of Second Schedule to the Chartered Accountants Act, 1949 and accordingly, decided to proceed further under Chapter V of the Chartered Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules, 2007.

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

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	09 th January 2018
2.	Date of Written Statement filed by the Respondent	15 th March 2018
3.	Date of Rejoinder filed by the Complainant	18 th April 2018
4.	Date of Prima Facie Opinion formed by Director (Discipline)	19 th June 2023
5.	Written Submissions filed by the Respondent after PFO	24 th October 2023

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

The Respondent vide his letter dated 24th October 2023, inter-alia, made the submissions which are given as under: -

- (i) That the Complaint is in contravention of Rule 3 of the Chartered Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules, 2007. The complaint does not meet the basic requirements stipulated in Column 5 of Form I, which requires particulars of specific allegations, serially numbered, together with the clause/part of the relevant Schedules under which the alleged acts of the member of the Institute would fall.

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- (ii) That the financial statements prepared by the management of the bank and audited by the Respondent are neither misleading nor fraudulent, as complete disclosure regarding the revaluation of assets had been made.
- (iii) Regarding the non-modification of the audit opinion, the Respondent submitted that the same was an inadvertent mistake on the part of the management of the bank, as they had included the revaluation of assets in the Cash Flow Statement prepared for the period under consideration merely on the basis that the net change in the value of fixed assets, except depreciation, is required to be reported under the said statement.
- (iv) That the Maharashtra Co-operative Societies Act, 1960, and the Banking Regulation Act, 1949, read in consonance with the RBI Master Circular dated 01.07.2013 relating to disclosures in financial statements, do not mandate the statutory auditor of such Co-operative Society Banks to express an opinion on the Cash Flow Statement.
- (v) That an inadvertent mistake in the preparation of the Cash Flow Statement by the management of the bank, apparently with no malafide intent and with no significant impact on the interests of the users of such financial statements, including the captioned Complainants, could not form the basis for adjudging the undersigned Respondent guilty of professional misconduct.
- (vi) That no adverse reference in any manner was made to this issue or to the overall financial statements by the RBI during its on-site inspection for FY 2015–16. Nowhere did the RBI, which conducted an independent inspection, indicate in its report that the auditors had failed to conduct a proper audit of the bank for FY 2015–16.

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

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

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S.No.	Date of meeting(s)	Status
1	31 st October 2023	Oath taken by parties and adjourned
2	13 th October 2025	Adjourned at the request of Respondent
3	20 th March 2026	Hearing concluded, and findings reserved
4	25 th July 2026	Decision taken

- 6.2. On the day of hearing on 31st October 2023, the Committee noted that the present matter was listed for hearing for the first time. Both parties were administered on Oath. Thereafter, the Committee enquired from the Respondent as to whether he was aware of the charges and charges against the Respondent were read out. On the same the Respondent replied that he is aware of the charges and pleaded Not Guilty to the charges levelled against him. In view of Rule 18 (9) of the Chartered Accountants (Procedure of Investigation of Professional and Other Misconduct and Conduct of Cases) Rules, 2007, the Committee adjourned the case to later date.
- 6.3 On the day of hearing on 13th October 2025, the Committee noted that the Respondent, vide his email dated 9th October 2025, requested for an adjournment of hearing on the ground that he and his authorised representative are engaged in preparing necessary pleadings for submission before the Hon'ble Bench. Further, due to ongoing Income Tax compliances for other clients, he is unable to attend the hearing fixed for 13th October 2025. Since the request for adjournment of hearing had been received for the first time, the Committee, keeping in view of the principles of natural justice, acceded to the request of the Respondent for adjournment.
- 6.4 On the day of hearing on 20th March 2026, the Committee noted that Respondent along with Counsel was present in person and appeared before it. However, the Complainant was not present despite the fact that notice of the hearing was duly served upon him. The Committee enquired from the Respondent that since the composition of the Committee had changed subsequent to the last hearing held on 31/10/2023 in this case, whether he wished to have a de-novo hearing or may continue from the stage it was last heard. 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

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read out. On the same, the Respondent replied that he is aware of the charges and pleaded 'Not Guilty' to the charges levelled against them.

Thereafter, the Committee asked the Respondent whether he want to make submissions then the Counsel for the Respondent stated that the issue was merely a presentation error, not a material misstatement or negligence. The auditor had followed applicable accounting standards, and the revaluation reserve was disclosed in multiple instances within the financial statements. He emphasized that the issue did not impact the economic decisions of any stakeholders, nor did it cause harm or loss to the bank. The Counsel for Respondent stated that the cash flow statement was not a requirement under the Maharashtra Cooperative Society Act or banking regulations for the financial year in question. The alleged discrepancies were reconciled, and no adverse findings or penalties were issued by the Reserve Bank of India (RBI). The counsel argued that the matter was a minor presentation issue, not constituting gross negligence or misconduct. The Committee noted the submissions of the Respondent.

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

- 6.5. At the meeting held on 25th July 2026, the Committee noted that the subject case was heard by it at length in the presence of the Respondent, and the hearing was concluded at its meeting held on 20th March 2026, and the Findings was reserved. The Committee considered the material on record submissions of the Respondent. The Committee deliberated in detail on the said case and took decision on the conduct of the Respondent.

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

- 7.1 The Committee noted that there is one charge against the Respondent in which he has been held Prima Facie Guilty and same has been explained in para 2.1 above.
- 7.2 The Committee noted that the Respondent has raised objection on maintainability of the instant complaint that the complaint does not meet the basic requirements

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stipulated in Column 5 of Form I, which requires particulars of specific allegations, serially numbered, together with the clause/part of the relevant Schedules under which the alleged acts of the member of the Institute would fall. The Committee noted that although there is a column in Form I for mentioning of particulars of allegations together with corresponding clause/part of the relevant schedule(s) under which the alleged acts of commissions or omissions or both would fall, but non-mentioning of such clauses or wrong mentioning of them in the complaint does not make the complaint defective as being claimed by the Respondent. The Committee was of the view that a Complainant is required to mention the allegations which form factual foundation for the Authority to exercise jurisdiction over the matter. Further, it is now a well settled principle of law that non-mentioning or wrong mentioning of provision(s) of law would not be of any relevance, if the authority/Court had the requisite jurisdiction to pass an order. Hence, mere non-mentioning or wrong mentioning of clause(s) by the Complainant in the prescribed Form-I does not absolve the Respondent from charges levelled against him. The Committee found no substance in the procedural objections raised by the Respondent and held that the complaint was validly instituted and maintainable.

- 7.3 The Committee further noted the submissions of the Respondent that the allegation regarding the presentation of cash flow was raised by the Complainant at the stage of rejoinder. However, on perusal of the records, the Committee observed that the issue relating to presentation of cash flow was already forming part of the original complaint and cannot be said to have been raised for the first time in the rejoinder.
- 7.4 The Committee noted the submissions of the Respondent wherein he has relied upon the matter of CA. Gauri Suresh Bedekar (PR1348A117-DD/40/18-DC/1394/2020) decided by the Disciplinary Committee in the year 2024. Upon perusal of the said matter, the Committee observed that the issue involved therein related to payment of dividend to shareholders, which was different from the allegation under consideration in the instant case. The Committee further noted that an allegation of similar nature had also formed part of the Prima Facie Opinion in the aforesaid case (i.e. CA Gauri Suresh Bedekar), wherein the Director (Discipline) had held the Respondent therein Not Guilty on the ground that neither the said Respondent nor her firm had conducted the audit of the bank for the financial year 2015–16 or had any association whatsoever with the bank during the relevant period and, accordingly, no relation could be

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established between the said Respondent and the allegations pertaining to that financial year. Accordingly, the Committee found no substance in the said argument. Thus, the Committee proceeded to consider the matter on its merits.

7.5 With regard to charge as mentioned in para 2.1 as above, the Committee noted that the main issue is related to financing of increase in fixed assets amounting to Rs. 72.89 Crores, when net cash generated from the operating activities was only Rs. 50.67 Crores in the Cash Flow Statement of the Bassein Catholic Co-operative Bank Ltd for FY 2015-16 under Investing Activities. The Respondent stated that post 2015-16, there was no statutory requirement under the Banking Regulations Act and Maharashtra Co-operative Societies Act, 1960 for preparation of Cash Flow Statement, however, the same was prepared as a matter of consistent practice along with financial statements.

7.6 The Committee noted the details of Cash Flow Statement of the Bank which is given hereunder:

Cash Flow Statement for the Financial Year 2015-16	
Particulars	Amount (in Crores)
Net cash generated from operating activities	Rs. 50.67
Increase in fixed assets under Investment Activities	Rs. 72.89

7.7 The Committee noted, the submissions of the Respondent, that the Respondent was aware that the revaluation of assets amounting to Rs. 57.77 lakhs was reflected under the head "Cash Flow from Investing Activities." The Committee noted the Respondent's defense that the error was inadvertent and fully disclosed elsewhere in the Financial Statements, and that no material harm or adverse financial resulted; and that such inclusion was a matter of presentation and not a misstatement.

7.8 In this regard, the Committee noted that Paragraph 40 and 41 of AS-3 – Cash Flow Statement states as under:

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"Non-cash Transactions

40. Investing and financing transactions that do not require the use of cash or cash equivalents should be excluded from a cash flow statement. Such transactions should be disclosed elsewhere in the financial statements in a way that provides all the relevant information about these investing and financing activities.

41. Many investing and financing activities do not have a direct impact on current cash flows although they do affect the capital and asset structure of an enterprise. The exclusion of non-cash transactions from the cash flow statement is consistent with the objective of a cash flow statement as these items do not involve cash flows in the current period....".

7.9 On perusal of Audit Report for the F.Y. 2015-16 signed by the Respondent, in the Opinion Para, he has reported that:

"In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with the notes thereon give the information required by the Banking Regulation Act, 1949 as well as the Maharashtra Co-operative Societies Act 1960, and rules made thereunder, in the manner so required for the Urban Co-Operative Bank and give a true and fair view in conformity with the accounting principles generally accepted in India:

i) In the case of the Balance Sheet, of the state of affairs of the Bank as at 31st March, 2016;

ii) In the case of the profit and loss account, of the profit for the year ended on that date; and

iii) In the case of the Cash Flow Statement, of cash flows for the year ended on that date."

7.10 In the para of Report on Other Legal and Regulatory Matters under Audit Report it is also stated that:

"In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement comply with applicable Accounting Standards."

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7.11 In view of the above, the Committee observed that the Respondent has given his opinion on Cash Flow Statement though not required by statute the Cash Flow Statement was prepared using the indirect method, wherein changes in revaluation reserve and corresponding adjustments in fixed assets under Investing Activities were reflected.

7.12 The Committee further noted that the Respondent, in his Audit Report, has stated in the Opinion Para that the said accounts together with the notes thereon give the information required by the Banking Regulation Act, 1949 as well as the Maharashtra Co-operative Societies Act, 1960 and give a true and fair view in conformity with the accounting principles generally accepted in India, including the Cash Flow Statement.

7.13 The Committee observed that the issue relates to classification and presentation of non-cash items in the cash flow statement. It is noted that such misclassification is not merely a presentation issue but a deviation from the mandatory requirements of AS-3, which directly impacts the correctness and reliability of the Cash Flow Statement.

7.14 The Committee is of the view that once the Cash Flow Statement was prepared and made part of the financial statements, the Respondent was under an obligation to ensure that the same complied with the applicable Accounting Standard 3 and regulatory framework applicable on it. The Committee further observed that, in any case, the responsibility of the Respondent to ensure compliance with the applicable Accounting Standards existed at the time of issuance of the audit report.

7.15 The Committee noted that the Cash Flow Statement only deals with the movement of the cash flows into or out of the business wherein any movement in the Revaluation Reserve does not involve any exchange of Cash and therefore, revaluations do not form part of the Cash Flow Statement under Investing Activities. In view of the non-compliance with AS-3 as noted above, the opinion formed by the auditor in the audit report is not in accordance with the applicable accounting standard.

7.16 The Committee observed that the applicable Accounting Standards (AS) require strict compliance in the presentation of financial statements, including the cash flow statement. The Committee viewed that the inclusion of non-cash items in the cash flow

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statement constituted a violation of AS-3, irrespective of whether such deviation results in material harm or financial impact.

7.17 The Committee further observed that the Respondent's assertion that the error was merely a matter of presentation and not gross negligence is not tenable in law, as the duty of care owed by a professional auditor extends to the proper application of accounting principles. The Respondent failed to exercise due diligence and professional care expected of a statutory auditor while verifying the Cash Flow Statement. The Committee further noted that the inclusion of non-cash items in the Cash Flow Statement and certification of the same as compliant with Accounting Standards may mislead the users of financial statements and impair their understanding of actual cash flows. The fact that no public harm or regulatory penalty ensued does not absolve the Respondent of his professional responsibilities.

7.18 The Committee is of the opinion that the lapse on the part of the Respondent is not merely inadvertent but reflects failure to adhere to the principles of auditing, including ensuring compliance with applicable Accounting Standards and reporting deviations appropriately. Accordingly, inclusion of revaluation reserve, being a non-cash item, in the Cash Flow Statement under Investing Activities is not in compliance with requirements of AS-3.

7.19 Accordingly, in view of the above facts and circumstances, the Committee holds that the Respondent has failed to comply with the requirements of AS-3 and has issued an incorrect audit opinion stating compliance with applicable Accounting Standards and. Therefore, the Committee holds the Respondent **Guilty** of Professional Misconduct under Clause (7) of Part-I of the Second Schedule to the Chartered Accountants Act, 1949.

8. Conclusion:

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

Charges (as per PFO)	Findings	Decision of the Committee
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Para 2.1 as above	Para 7.5 to 7.19 as above	Guilty- Clause (7) of Part-I of Second Schedule to the Chartered Accountant Act 1949
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9. In view of the above observations, considering the material on record including verbal and written submissions of the Respondent, the Committee held the Respondent **GUILTY** of Professional Misconduct falling within the meaning of Clause (7) of Part-I of Second Schedule to the Chartered Accountant Act 1949.

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

Sd/-
(CMA CHANDRA WADHWA)
GOVERNMENT NOMINEE

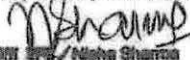
Sd/-
(CA. MAHESH SHAH)
GOVERNMENT NOMINEE

Sd/-
(CA. SATISH KUMAR GUPTA)
MEMBER

Sd/-
(CA. HANS RAJ CHUGH)
MEMBER

DATE: 29.08.2026

PLACE: Noida

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निशा शर्मा / Nisha Sharma
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