



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/287/2020/DD/285/2020/DC/1836/2023]

In the matter of:

**Shri S.C. Lingam,
Secretary,
Ship India Retired Employees Welfare Association,
C-506, New Haridas Park CHS Ltd,
B P Marg, Kandarpada "X" Road,
Near Dahisar Bridge, Dahisar (W)
Mumbai - 400 068**

.....Complainant

Versus

**CA. Bikash Kumar Gupta (M. No. 302730),
M/s. K. K. Chanani & Associates,**

Professional Address:-	Correspondence Address:-
43, 1 st floor, Evershine Mall, Mindspace, New Link Road, Malad West, Mumbai – 400064 (Maharashtra)	741, Naskarhat Road, Rabindra Pally, Bir Lila House, Kolkata – 700039

.....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



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1. That vide Findings dated 29th August 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. Bikash Kumar Gupta (M. No. 302730)**, (hereinafter referred to as the **Respondent**) is **GUILTY** of Professional Misconduct falling within the meaning of Item (5) and (7) of Part I of Second Schedule to the Chartered Accountants Act, 1949.

2. That pursuant to the said Findings, an action under Section 21B (3) of the Chartered Accountants (Amendment) Act, 2006 was contemplated against the Respondent and 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 through VC and made verbal submissions on the findings of the Committee. An opportunity was given for the submission of written representation and the Respondent filed a written response/submissions vide mail dated 17th September 2026. The Committee noted that the Respondent, in his written submissions, inter alia stated, as under: -

- i He relied on Clause 51 of the Scheme, which provides that the Corporation may withdraw, amend or modify the Scheme and that the benefits are not a matter of right, contract or condition of employment. He submitted that this clause was relied upon to establish that retirees had no enforceable right or ownership interest in the Trust corpus, and not to deny the auditor's professional obligations.
- ii The Respondent relied on Clause 4(e) of the merged Scheme, which provides that the remaining corpus would revert to Shipping Corporation of India (SCI) after the last member ceased to survive. He contended that the residual interest in the corpus belonged to SCI and that no retiree had any right to claim a share in it.
- iii He disputed the contention that employees had substantially contributed to the Trust corpus. According to him, the maximum employee contribution under the old Scheme could not have exceeded approximately Rs.15.19 lakh, compared with a corpus of Rs.9,03,00,000 as on 31.03.2016 and an additional Rs.15,81,90,000 funded by SCI upon merger.
- iv The Respondent submitted that the Committee's own figures showed an increase in the Trust corpus from Rs.8,99,56,746.34 as on 31.03.2016 to Rs.13,02,48,584.15 as on 31.03.2017, representing an increase of Rs.4,02,91,837.81, or 44.79%.
- v He contended that the deficit of Rs.11, 78, 98,162.19 in Reserves and Surplus arose from the accounting presentation of the transfer of Rs.10, 90, 79,644 to SCI through the Income and Expenditure Account, while the corresponding funding of Rs.15, 81, 90,000 by SCI was credited to Capital. Therefore, according to him, the deficit did not represent a reduction in the Trust's actual funds.

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- vi The Respondent further submitted that the merger enhanced the medical reimbursement entitlements of retirees. Under the merged Scheme, hospitalisation reimbursement limits were increased to lifetime ceilings ranging from Rs.4 lakh to Rs.10 lakh, along with annual domiciliary treatment limits. He also referred to the refund of initial contributions of Rs.47,32,000, together with interest at 8%, aggregating Rs.68,87,801.
- vii He therefore contended that the merger increased the available corpus and enhanced the retirees' entitlements, contrary to the Committee's conclusion that the transaction deprived retirees of medical benefits.
- viii The Respondent submitted that Clause (5) of Part I of the Second Schedule requires disclosure of a material fact where such disclosure is necessary in preparing the financial statements. He contended that the Findings did not identify any specific statutory or financial reporting requirement mandating disclosure of the merger.
- ix He relied on paragraph 3.7 of the Findings, which recorded that the Trust was not engaged in commercial, industrial or business activities and the Accounting Standards and their disclosure requirements did not appear to apply to it. He also relied on paragraph 3.12, which recorded that AS-5 was not applicable.
- x The Respondent submitted that the amount of Rs.10,90,79,644 represented medical expenses actually incurred by SCI on behalf of employees and spouses who retired between 01.01.1997 and 31.12.2006. He relied on the relevant ledger records, the Personnel and Administration Division's note dated 04.01.2017 and the Internal Audit Department's note dated 22.02.2017, which recorded that the statement of expenses had been verified.
- xi He further contended that no liability to SCI existed during FYs 2014-15 and 2015-16 because the merger terms were framed subsequently and the transaction was sanctioned on 02.01.2017. Therefore, he argued that the absence of a corresponding liability in the earlier years did not indicate concealment.
- xii He argued that the Committee had not adequately considered the intended users while determining the materiality of the alleged omission. He maintained that the auditor's disclosure obligations had to be assessed in accordance with the applicable reporting framework and the requirements of materiality.
- xiii The Respondent contended that the final finding was based on a different issue, namely, the alleged inadequacy of the narrative disclosure explaining the merger. He argued that he had not been given specific notice of this charge or an opportunity to defend himself against it.
- xiv The Respondent submitted that Clauses (5) and (7) of Part I of the Second Schedule have distinct ingredients. He contended that both clauses were held proved on the basis of the



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same alleged omission of a narrative note, without separate findings establishing the requirements of each clause.

xv He contended that the matter concerned a single omission of narrative disclosure in the accounts of a non-commercial welfare fund for FY 2016-17, relating to an engagement undertaken approximately nine years earlier.

xvi The Respondent further stated that the merger had been approved by the Ministry of Shipping and sanctioned by the Chairman and Managing Director, and that his role was confined to auditing accounts prepared by management.

4. In respect of submissions of the Respondent, the observations of the Committee are as follows:

i The Committee noted that the absence of a specific Accounting Standard does not absolve a statutory auditor of their fundamental obligation under SA 700 (Forming an Opinion and Reporting on Financial Statements) to ensure that the financial statements present a "true and fair view".

ii As recorded in the proceedings of 25th March 2026 and 24th April 2026, the charges were read out, and the Respondent participated fully in de-novo hearings, filing extensive written submissions. Having argued the disclosure aspects before the Committee, the Respondent cannot claim lack of opportunity.

iii The charges framed under Clause (5) (failure to disclose a material fact) and Clause (7) (failure to exercise due diligence) of Part I of the Second Schedule explicitly encompass omissions in Notes to Accounts and the Audit Report.

5. The Committee considered the reasoning as contained in Findings holding the Respondent 'Guilty' of Professional Misconduct vis-à-vis verbal and 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.

6. 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 audit conducted by the Respondent in respect of the financial statements of the Shipping Corporation of India Post-Retirement Medical Trust for FY 2016-17, wherein expenditure amounting to Rs. 12,38,02,297/- was reflected under the head "Reimbursement of Medical Expenses" as against expenditure of Rs. 47,33,930/- in the immediately preceding year. The Committee further noted that this escalation in expenditure had converted the earlier surplus position of the Trust into a deficit and had a direct bearing on the corpus available for disbursement of medical benefits to retired employees of SCI. The charge is contained in paragraph 2 of findings of the Committee dated 29.08.2026.

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7. The Committee noted that the Respondent placed reliance on Clause 51 of the Scheme and the powers vested in SCI, submitting that since SCI controlled the Trust and the financial statements were not in the public domain, the "user" (SCI) was already aware of the merger details. However, the Respondent, in his capacity as Auditor of the Trust, failed to ensure adequate and proper disclosure regarding the true nature and effect of the transaction involving substantial funds reflected in the accounts. The Respondent failed to exercise due diligence by certifying financial statements that lacked transparency and failed to disclose a material transaction that fundamentally altered the Trust's financial position.

8. Accordingly, the Committee was of the view that the ends of justice would be met if punishment is given to him in commensurate with his Professional Misconduct established against him.

9. Thus, the Committee, keeping in view the facts and circumstances of the case, material on record and representation of the Respondent before it, and upon considering the seriousness of charges and the gravity of the matter, ordered that CA. Bikash Kumar Gupta (M. No. 302730), Mumbai be Reprimanded, Removed his name from the Register of Members for a period of 03 (Three 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/-

(CA. MAHESH SHAH)

GOVERNMENT NOMINEE

Sd/-

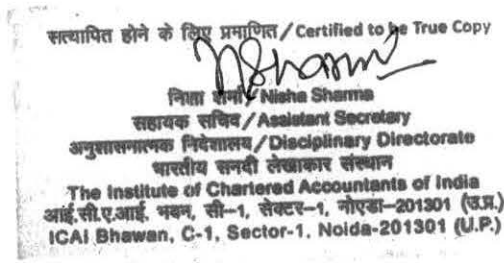
(CA. SATISH KUMAR GUPTA)

MEMBER

Sd/-

(CA. HANS RAJ CHUGH)

MEMBER



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/287/2020/DD/285/2020/DC/1836/2023]

In the matter of:

Shri S.C. Lingam,

Secretary,

Ship India Retired Employees Welfare Association,

C-506, New Haridas Park CHS Ltd,

B P Marg, Kandarpada "X" Road,

Near Dahisar Bridge, Dahisar (W)

Mumbai - 400 068

.....Complainant

Versus

CA. Bikash Kumar Gupta (M. No. 302730),

M/s. K. K. Chanani & Associates,

Professional Address:-

43, 1st floor, Evershine Mall,

Mindspace, New Link Road,

Malad West,

Mumbai – 400064

(Maharashtra)

Correspondence Address:-

741, Naskarhat Road,

Rabindra Pally,

Bir Lila House,

Kolkata – 700039

.....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 : 24th April 2026

DATE OF DECISION TAKEN : 25th July 2026

DATE OF PRONOUNCEMENT : 29th August 2026

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PARTIES PRESENT:

Respondent - CA. Bikash Kumar Gupta (Through VC)

Counsel of Respondent - CA. Utsav Hirani (Through VC)

Complainant - Shri S.C. Lingam (Through VC)

Counsel of Complainant - Adv. Reshma K. Gujara (Through VC)

1. Background of the Case:

- 1.1 The Ship India Retired Employees Welfare Association (Association) represents the retired employees of the Shipping Corporation of India (hereinafter referred to as the "SCI") who are the beneficiaries of the Shipping Corporation of India Post-Retirement Medical Trust (hereinafter referred to as the "Trust"). The Trust was established in 1994, and its corpus was generated out of the contribution from SCI as well as from employees. The Respondent was the auditor of the Trust for the financial years 2014-15, 2015-16 and 2016-17.

2. Charges in brief:

The Respondent audited the financial statements of the Trust for the financial year 2016-17 in which a sum of Rs. 12,38,02,297/- was shown as expenditure incurred on reimbursement of medical expenses against the amount of Rs.47,33,930/- incurred in the immediately preceding year. This extraordinary increase resulted in a huge deficit of Rs.11,78,98,162/- in the Income & Expenditure account of the Trust which was till then in surplus in the preceding year which drastically brought down the corpus available for extending medical benefits to the retired employees of SCI, thereby depriving enhanced medical benefits to the retirees. As per the Complainant, the expenditure was not a reimbursement as no bills/ claims were produced for the same. Moreover, nothing related to such expenditure, which was quite material in amount or any government order/ agreement between SCI and the Trust was mentioned in the Notes to Accounts and Audit Report. The Complainant also stated that they were informed by the SCI that out of expenditure of Rs.12,38,02,297/-, Rs.11,97,31,531/- includes expenditure incurred in the past more than one decade (i.e., 01.04.2004 to 31.03.2017). The Complainant alleged that consideration of the earlier years' expenditure in the financial year 2016-17 is not tenable and justifiable particularly when the audited accounts for the previous financial years did not reflect any liability to the SCI. The Complainant stated that it was the responsibility of the auditor to draw attention of the users of the financial statements by issuing qualified audit report.

3. The relevant issues discussed in the Prima facie opinion dated 10th October 2023 along with initial Prima Facie Opinion dated 19th May 2023 formulated by the Director (Discipline) in the matter in brief, are given below:

3.1 Regarding the charge as mentioned in para 2.1 above, it was observed that SCI was having two post-retirement medical schemes (PRMS / Schemes). One scheme was functional through the Trust specifically formed for employees retired before 01.01.1997 (Trust), and the other scheme was maintained directly by SCI for employees retired between 01.01.1997 to 31.12.2006. The Respondent was auditor of the post-retirement medical schemes since FY 2014-15 run by the Trust. In the FY 2016-17, the Ministry of Shipping decided that the entire post medical retirement schemes would be functional through the Trust specifically formed for the purpose and whose audit was the subject matter of the said complaint. As per the Respondent, the sanction for the merger of schemes / PRMS were sought and obtained for the following:-

- "a) To merge the "Old Scheme" and "New Scheme": There will be only one PRMS Trust for all employees and their spouses who have retired prior to 01.01.2007.*
- b) To transfer the fund equaling to 1.5% of PBT for the year 2008-09 to PRMS Trust.*
- c) To transfer from PRMS trust an amount equal to the expenses incurred by SCI towards PRMS benefits for employees and their spouses retired between 01.01.1997 to 31.12.2006 which amounts to Rs.10,90,79,664/-.*
- d) To incorporate the changes in the systems (IT related).*
- e) To refund the initial contribution to "Old PRMS" of Rs.47,32,000/- and interest @ 8% from 01.08.1995 or joining date in SCI, whichever is later to 31.03.2016 amounting to Rs. 68,87,801/-.*
- f) To get the statement audited."*

3.2 As per the note of Personnel & Administration Division of Shipping Corporation of India Limited dated 24.06.2016 the monetary implication of the merger of both the schemes was as under: -

- a) For Employees and their spouses who have retired before 01.01.1997 the corpus of Rs. 9,03,00,000/- as on 31.03.2016 (amount is provisional and subject to audit) shall remain in the PRMS Trust (Annexure IV)*

- b) SCI shall fund one time transfer of fund equaling to 1.5% of PBT for the year 2008-09.
- c) SCI has paid PRMS benefits for employees and their spouses retired between 01.01.1997 to 31.12.2006 and the same amount shall be given back to SCI from the PRMS Trust. The amount as on 31.03.2016 is Rs.10,90,79,644/- payable to SCI. (Annexure 'V').
- d) Employees retiring after 01.01.2007 and who have initially contributed Rs. 4000/- (staff), Rs. 5000/- (JO to Manager (old designation), Rs. 7,000/- AGM and above (old designation) in old PRMS Trust shall be refunded the amount along with interest @8% on their contribution till 31.03.2016 (Annexure VI).

The total financial implications (subject to audit) will thus be as follows:

Particulars	Amount
Corpus in the Trust as on 31.03.2016 (amount is provisional and subject to audit)	9,03,00,000.00
Add: 1.5% of PBT for 2008-09 (1.5% of Rs. 1054.60 crores)	15,81,90,000.00
Less: Amount of PRMS benefit given to employees and their spouses by SCI	10,90,79,644.00
Less: Refund of initial contribution to SCI employees	47,32,000.00
Less: Interest on initial Contribution @8%	68,87,801.00
Total Corpus	12,77,90,555.00

3.3 It was also noted the scheme of the Trust, the Corporation (SCI) reserved the right to withdraw, amend, modify or alter the Scheme based on the circumstances prevailing from time to time. The Scheme and/or benefits thereunder would not be deemed to be matter of right or contract or condition of employment. From Paras 8 and 9 of the said Scheme of the Trust, it was noted that employees were required to make one time contribution to the said Trust for being eligible for getting medical assistance under the Scheme of the Trust.

3.4 Hence, from the above, though SCI had the right to modify or amend the scheme based on the circumstances, the said scheme for employees retired before 01.01.1997 was running through the Trust in which the employees had also made contribution and was being audited separately from the other scheme of SCI. Hence, the users of the financial statements appeared to be the following categories of persons:-

- i) Employees who retired before 01.01.1997
- ii) The SCI
- iii) Income Tax Department as the Income Tax was being deducted on Interest income and the said schemes was exempted u/s 10(23AAA) of the Income Tax Act, 1961.

3.5 On perusal of the Balance Sheet as on 31.03.2015 and 31.03.2016, it was observed that no liability to SCI was shown or recognized in the financial statements which had been prepared on accrual basis. Hence, the same supported the contention of the Complainant that the amount of liability to SCI was NIL. However, a liability of Rs.1,06,51,887.40/- was reflected post-merger in the Balance Sheet as on 31.03.2017 and the same appeared to be due to the terms & conditions of the merger of two schemes. Apart from the liability in the name of SCI, the following material changes were observed in items of the financial statements:-

Particulars	31.03.2015 (a)	31.03.2016 (b)	31.03.2017 (after merger) (c)	% of increase in 2017 to last year amount [(c-b)/b]
Reimbursement of Medical Expenses	46,54,094.00	47,33,930.00	12,38,02,297.40	2515%
Capital	4,34,94,890.06	4,34,94,890.06	20,16,84,890.06	363%
Reserve & Surplus	4,47,37,079.38	4,64,61,856.28	(-)7,14,36,305.91	253%

3.6 Thus, it was observed that though there was increase in the amount of capital, yet there had been substantial reduction in the amount of Reserve & Surplus which was earlier available to the retiree beneficiaries of the Trust for their use but due to merger, as alleged, it was no longer available for their medical benefits. There was no information in the financial statements and Notes to Accounts about the reasons for such material changes made in the financial statements of the Trust.

3.7 As regards the violation of Accounting Standards, it was noted that the Trust appeared to provide post-retirement medical assistance to shore employees of SCI who had

retired before 01.01.1997 and as per the decision of SCI, the other post-retirement benefit scheme directly managed by SCI had been merged with the Trust. Hence, the Trust did not appear to have been engaged in commercial, industrial or business activities. Further, on perusal of the financial statements of the Trust for FY 2014-15, 2015-16 and 2016-17, it was observed that the Trust did not have any income from commercial, industrial or business activities. Thus, the various Accounting Standards and their disclosure requirements did not appear to have been applicable to the Trust.

3.8 As regards the issue of materiality of the amount involved, it was observed that SA-320 on "Materiality in Planning and Performing an Audit" defined materiality in the context of an audit. It was observed that post-merger, a tentative amount of Rs.10,90,79,664/- was to be transferred to SCI from the Trust for the expenses incurred by SCI for employees and their spouses retired between 01.01.1997 to 31.12.2006. The said amount appeared to have been debited to the Income & Expenditure Account of the Trust as reimbursement of medical expenses to SCI and its impact on the financial position of the Trust was material as the Trust, which had been in profit before merger, had suffered huge loss of Rs.11,78,98,162.19/- post merger. Further, the materiality was evident from the percentage of Rs.10,90,79,644/- to the total revenue and expenditures of the Trust during the last three years and the current financial year 2016-17. Moreover, the amount had also materially impacted the figures of other heads of the financial statements such as Reserves & Surplus of the Trust.

3.9 It was noted that there were material changes in the amount of various items of financial statements due to the merger of two schemes. The Complainant alleged that the details / information about the merger were not given in the financial statement and Notes to Accounts. In this regard, on perusal of the financial statement of the Trust for the financial year 2016-17 (the financial year in which the merger took place), it was observed that no information / details about the merger were given in the financial statements and the same appeared to be omission of material information to the beneficiaries / stakeholders of the Trust. The Respondent, as auditor, was required to point out the non-disclosure of information / details of the merger, as the merger had substantial bearing / impact on the financial figures of the Trust, making them highly inconsistent with earlier year figures and further, due to inclusion of the other scheme for employees retired after 01.01.1997, the coverage of the scheme of the Trust was also changed from employees retired before 01.01.1997 to employees retired till 31.12.2006.

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- 3.10 It was clear that the financial statements audited by the Respondent included Notes to Accounts as well and it was the duty of the Respondent to comply with the Standards on Auditing and also obtain reasonable assurance about whether the financial statements were free from material misstatements. In the above matter, the Trust did not appear to have given disclosure about merger of two schemes and transfer of material amount as reimbursement of medical expenses to SCI. It was observed that the paragraphs of SA-700 on "Forming an Opinion and Reporting on Financial Statements" required an auditor to report the non-disclosures of material items in the financial statements including Notes to Accounts of an entity .
- 3.11 In view of the above, it can be stated that amount involved was material and the Respondent should have pointed out the non-disclosure of the information related to the merger of schemes but as an auditor he failed to do so.
- 3.12 The Director (Discipline) vide his Prima Facie Opinion dated 19th May, 2023 held the Respondent Guilty of Professional Misconduct falling within the meaning of Clause (5) and Clause (7) of Part I of the Second Schedule to the Chartered Accountants Act, 1949. The Prima Facie Opinion of Director (Discipline) was considered by the Disciplinary Committee in its meeting held on 22nd June, 2023. However, after consideration of the aforesaid Prima Facie Opinion the Committee viewed that the Respondent certified the financials based on the merger of post-retirement schemes by the Shipping Corporation of India in the current period. In view of the Committee the amount was enhanced due to merger of these schemes, and these cannot be treated as prior-period items and hence AS-5 was not applicable in this case.
- 3.13 The Committee in terms of provisions of Rule 9(2)(c) of the Chartered Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules 2007 decided to refer-back the matter to the Director (Discipline) to further investigate the matter considering the following observations/ direction of the Committee:
- a. Effect on users of the financial statements due to non-disclosure of the scheme in financial statement and Audit Report of the Respondent.
 - b. Violation of Accounting Standards vis-a-vis materiality of the amount involved.
- 3.14 Accordingly, The Director (Discipline) in his Prima Facie Opinion dated 10th October 2023 opined that the Respondent was Prima Facie GUILTY of Professional Misconduct falling within the meaning of Clauses (5) & (7) of Part I of the Second Schedule to the

Chartered Accountants Act, 1949. The said Clauses of the Schedule to the Act, states as under:

Clause (5) of Part I of Second Schedule

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

X X X X X X

"(5) fails to disclose a material fact known to him which is not disclosed in a financial statement, but disclosure of which is necessary in making such financial statement where he is concerned with that financial statement in a professional capacity;

Clause (7) of Part I of Second Schedule

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

X X X X X X

"(7) does not exercise due diligence, or is grossly negligent in the conduct of his professional duties;"

3.15 The Prima Facie Opinion formed by the Director (Discipline) was considered by the Disciplinary Committee in its meeting held on 14th December 2023. The Committee on consideration of the same, concurred with the reasons given against the charges and reiteration of view expressed in earlier PFO dated 19th May 2023 thus, agreed with the Prima Facie Opinion of the Director (Discipline) that the Respondent is GUILTY of Professional Misconduct falling within the meaning of Item (5) and (7) of Part I of the Second Schedule of the Chartered Accountants Act 1949 and decided to proceed further under Chapter V of these Rules.

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	07 th October 2020
2.	Date of Written Statement filed by the Respondent	12 th February 2021
3.	Date of Rejoinder filed by the Complainant	21 st March 2021
4.	Date of Prima Facie Opinion formed by Director (Discipline)	19 th May 2023 & 10 th October 2023
5.	Written Submissions filed by the Respondent after PFO	28 th February 2024
6.	Rejoinder filed by the Complainant after PFO	07 th March 2024

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

The Respondent vide his submissions dated 28.02.2024, inter-alia, made the submissions which are given as under: -

- i. That the complaint is not maintainable as it was filed without a proper resolution authorizing the Complainant to act on behalf of the association, as required under Rule 3. It was argued that the resolution submitted later appears to be backdated and questionable, particularly as it was allegedly passed during the COVID-19 lockdown, raising doubts about its authenticity and validity. The Respondent also questioned the existence and legitimacy of the entity (SIREWA) and stated that the identity and authority of its board members are unclear.
- ii. It was submitted that the complaint does not comply with procedural requirements of Form I, as Annexure I containing details of allegations was not provided. The Respondent further stated that Annexure II, which was claimed to contain evidence, merely repeated allegations and did not provide any supporting proof.
- iii. It was argued that the Complainant failed to establish proper authorization to represent beneficiaries of the SCI PRMS Trust and did not clarify the distinction between the Trust and the association. Such procedural defects should have been identified and rectified during scrutiny by the Disciplinary Directorate under Rule 5.
- iv. Information requested by the Complainant was not shared due to confidentiality obligations, as the Complainant's connection with the Trust was unclear. It was submitted that SCI operated two post-retirement medical schemes which were merged in FY 2016–17 under directions of the Ministry, and the Trust thereafter administered all such benefits.
- v. An agreement between SCI and the Trust led to recovery of past medical expenses from the Trust, and the liability crystallized in FY 2016–17 in accordance with accrual accounting principles. It was argued that recognition of such liability in FY 2016–17 did not require any change in accounting policy or separate disclosure, as it has followed the accrual basis and ICAI guidance. Documentation regarding merger of schemes and financial adjustments was provided to the auditor and duly considered.
- vi. He maintained that the expenditure was neither a prior period item nor an extraordinary item under AS-5, as it arose from a current-year decision relating to

normal activities of the Trust. It was emphasized that SCI had the authority to amend or modify the scheme, and the Complainant was aware of the Ministry's decision and related transactions.

- vii. The financial statements accurately reflected the agreed arrangement and did not adversely affect retirees' entitlements. It was highlighted that the Disciplinary Directorate itself acknowledged that recording of reimbursement expenses was not incorrect and that financial statements did not contain material misstatements.
- viii. He contended that the methodology adopted by the Disciplinary Directorate to assess materiality was deviates significantly from the detailed guidance and not in accordance with SA 320, as it failed to consider proper benchmarks, auditor judgment, performance materiality, and aggregate impact of misstatements.
- ix. The Respondent reiterated that recognition of expenses in FY 2016-17 complied with AS-5 since the liability crystallized in that year and did not relate to prior period errors or omissions.
- x. It was further argued that no modification of audit opinion was required under SA 705, as there was no material misstatement and the financial statements presented a true and fair view. The Respondent concluded that all actions were in compliance with Accounting and auditing standards, demonstrating due diligence and professional integrity.

6. **Further Written Submissions filed by the Complainant**

The Complainant vide his submissions dated 07.03.2024, inter-alia, made the submissions which are given as under: -

- i. All procedural requirements, including authorization of Secretary S.C. Lingam and submission of supporting documents, have been duly complied with and accepted by the competent authority, making the Respondent's objections invalid. The ultimate beneficiary of the PRMS (The Shipping Corporation of India Ltd.) are the Complainants.
- ii. That the burden of proof lies on the respondent to justify its correctness with proper evidence.

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- iii. That no supporting documents such as medical bills or invoices for Rs. 12,38,02,297.40 exist on record, the entry does not specify beneficiaries, government resolutions cannot substitute bills, and trustees cannot be beneficiaries, rendering the entry invalid.

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:

Particulars	Date of meeting(s)	Status
1	14 th June 2024	Part heard and adjourned
2	25 th March 2026	Part heard and adjourned
3	24 th April 2026	Hearing concluded and Findings reserved
4	25 th July 2026	Decision taken

- 7.2 On the day of hearing on 14th June 2024, the Committee noted that the Complainant was not present before it and vide email dated 05th June 2024, he had sought adjournment as he was out of station. The Committee noted that the Respondent was present before it through video conferencing. Since it was the first hearing in the case, the Committee decided to proceed ahead with the hearing in the case. Thereafter, the Respondent was administered on Oath. The Committee enquired from the Respondent as to whether he was aware of the charges against him and then the charges as contained in prima facie opinion were read out. On the same, the Respondent replied that he is aware of the charges and pleaded 'Not Guilty' to the charges levelled against them. The Committee directed the Respondent/Counsel for the Respondent to make the submissions. The Committee, looking into the fact that this was the first hearing, decided to adjourn the hearing in the case to a future date. With this, the hearing in the case was part heard and adjourned.
- 7.3 On the day of hearing on 25th March 2026, the Committee noted that Respondent along with Counsel(s) and Complainant along with Counsel were present through VC and appeared before it. Thereafter, the Committee noted that the case was part heard and the Respondent was already on oath. The Committee enquired from the Respondent that since the composition of the Committee had changed subsequent to the last hearing held on 14.06.2024 in this case, whether he wished to have a de-novo hearing by taking all submissions/representations already on record or may continue from the stage it was last heard. The Respondent opted for de-novo hearing

and accordingly the Respondent and Complainant were 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 requested next date of hearing to present the submissions. The Committee, acceding to the request of the Counsel for the Respondent, adjourned the subject case to a future date. With this, the case was part heard and adjourned.

- 7.4 On the day of hearing on 24th April 2026, the Committee noted that Respondent along with his Counsel and the Complainant along with his Counsel were present through VC and appeared before it. The Counsel for the Respondent submitted that the allegation relating to disclosure in the financial statements of a Trust created by Shipping Corporation of India (SCI) for employee medical benefits and was fully controlled and operated by SCI. He referred to Clause 51 of the scheme, which provides SCI with the authority to amend, modify, or withdraw the scheme at its discretion. He further submitted that the primary user of the financial statements of the Trust was SCI itself and not the Complainant. The Counsel submitted that the complainant had obtained the financial statements through the Right to Information Act (RTI), and that such financial statements were not otherwise available in the public domain. The Counsel for the Complainant argued that the Trust had significant contributions from employees, particularly an amount of approximately Rs. 9 crores from the earlier scheme. The Counsel submitted that as per Income and Expenditure Account for the year ended 31st March 2017, an entry of Rs. 12,38,02,297/- was described as "reimbursement of medical expenses". She argued that this entry was misleading because, in substance, the amount had been transferred back to SCI rather than being paid to the beneficiaries and constituted a material misrepresentation. She further submitted that the auditor had failed to disclose the true nature of this transaction in the notes to accounts. The Committee noted the submissions of both the parties.
- 7.5 Based on the documents and material available on record and after considering the oral and written submissions of the parties, the Committee concluded the hearing in the matter and findings was reserved. With this, the hearing in the case was concluded and the findings was Reserved.

7.6. 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 Complainant and Respondent, and the hearing was concluded at its meeting held on 24th April 2026, and the Findings was reserved. The Committee considered the material on record including submissions of the parties. The Committee deliberated in detail on the said case and took decision on the conduct of the Respondent.

8. Findings of the Committee: -

- 8.1 The Committee at the outset examined the preliminary objection(s) raised by the Respondent challenging the maintainability of the complaint on grounds relating to authorization, procedural compliance and jurisdiction. The Respondent stated that the Complainant was not Authorized to represent the Association and disputed the legitimacy of the authorization relied upon. Objections were also raised regarding alleged non-compliance with Form-I requirements and inadequacy of annexures accompanying the complaint.
- 8.2 After considering the material available on records, the Committee observed that the Complainant had placed on record minutes of the Management Committee meeting dated 06.09.2020 authorizing filing of the complaint on behalf of the Association. The Committee observed that the Director (Discipline) had already considered and addressed the preliminary objection in the Prima Facie Opinion dated 19th May 2023. The Committee further observed that the complaint, together with all accompanying documents including particulars of allegations, audit reports, and financial statements, had been duly processed by the Disciplinary Directorate and forwarded to the Respondent for submission of his defence. Accordingly, the Committee found no substance in the procedural objections raised by the Respondent and proceeded to consider the matter on merits.
- 8.3 The Committee noted that the Charge (as given in para 2 above) is relating to the audit conducted by the Respondent in respect of the financial statements of the Shipping Corporation of India Post- Retirement Medical Trust for FY 2016–17, wherein expenditure amounting to Rs. 12,38,02,297/- was reflected under the head "Reimbursement of Medical Expenses" as against expenditure of Rs. 47,33,930/- in the immediately preceding year. The Committee further noted that this escalation in expenditure had converted the earlier surplus position of the Trust into a deficit and had

a direct bearing on the corpus available for disbursement of medical benefits to retired employees of SCI.

- 8.4 The Committee noted that a substantial portion of the aforesaid expenditure related to earlier years covering the period from 01.04.2004 to 31.03.2017, despite no corresponding liability being reflected in the audited accounts of previous financial years. It was further alleged that the expenditure was unsupported by reimbursement claims or medical bills and no explanatory disclosure was made in the financial statements, Notes to Accounts, or Auditor's Report regarding the background of the transaction, the Government directives, or the arrangement between SCI and the Trust.
- 8.5 The Committee noted the charge that expenditure amounting to Rs 12,38,02,297/- was reflected under the head "Reimbursement of Medical Expenses" and being the statutory auditor, its impact on the financial statements has not been disclosed. The Committee noted the submission of the Respondent that SCI had operated two post-retirement medical schemes which were merged during FY 2016-17 pursuant to Ministry directions and that all related documents and financial adjustments had been made available during audit.
- 8.6 The Committee further noted the submission of the Respondent that there was no dispute regarding recognition and measurement of the merger between the old PRMS and new PRMS schemes and that the liability had crystallized during FY 2016-17 on accrual basis. It was also contended that the Trust was fully controlled and administered by the management of Shipping Corporation of India (SCI), which as per Clause 51 of the Scheme retained the authority to withdraw, amend, modify, or alter the scheme in terms of the governing provisions.
- 8.7 The Committee considered the aforesaid submissions of the Respondent and observed that the principal issue is that to adequate disclosure had not been made in the audited financial statements regarding the true nature and effect of the transaction arising from merger of the schemes.
- 8.8 The Committee noted that categorizing a fund transfer to the parent corporation (SCI) as "Reimbursement of medical expenses" is fundamentally misleading. The Committee further viewed that despite the material nature of this transaction which transformed the financial position of the Trust from surplus to significant deficit, the Respondent failed to ensure any disclosure regarding the merger or the underlying government orders was included in the Notes to Accounts. The Committee noted that as per the requirements of SA 320, the amount was highly material due to its size and its impact on the Trust's

Reserves & Surplus. Furthermore, under SA 700, the auditor is required to report on whether the financial statements provide adequate disclosures for material items. However, in the extant case, being the statutory auditor of the Trust, the Respondent neither ensured that adequate disclosures were made in respect of the material transaction arising out of merger of the old and new PRMS schemes, nor qualified or modified his audit report despite being fully aware.

- 8.9 The Respondent submitted that since SCI controlled the Trust and the financial statements were not in the public domain, the "user" (SCI) was already aware of the merger details. However, the Committee was of the view that the duty of a Statutory Auditor to ensure a "true and fair view" and to comply with Standards on Auditing (SAs) is independent of the management's internal knowledge. The Committee observed that the Trust had been constituted for a specific purpose of reimbursing medical expenses of employees and contributions from employees formed a substantial component of the Trust Corpus. The reliance placed by the Respondent on clause 51 of the Scheme and the powers vested in SCI thereunder does not absolve the Respondent of the professional obligation to ensure full and proper disclosure in the Audit Report.
- 8.10 Upon careful examination of the audited accounts and the relevant scheme documents the Committee is of the view that the Respondent, in the capacity of Auditor of the Trust, failed to ensure adequate and proper disclosure with regard to the true nature and effect of transaction of substantial funds reflected in the accounts. The Committee noted that the amount of Rs. 12.38 Crores shown under reimbursement of medical expenses was presented in the Financial Statement in a manner suggestive of disbursement to beneficiaries, whereas, in substance, the said funds had been transferred to SCI pursuant to a Government Approval.
- 8.11 The Committee finds that the Respondent failed to exercise due diligence by certifying financial statements that lacked transparency and failed to disclose a material transaction that fundamentally altered the Trust's financial standing. By allowing a significant transfer of funds to be labelled as a routine expense without further explanation, the Respondent's failure deprived the beneficiaries and stakeholders of a clear, transparent and accurate understanding of the financial position of the Trust .
- 8.12 Accordingly, the Committee held that the Respondent's omission to properly disclose the true character and substance of the transaction amounting to Rs. 12,38,02,297/- constituted a lapse in professional conduct and resulted in the financial statements not presenting a complete and transparent picture of the affairs of the Trust. Hence, the

Committee held the Respondent **GUILTY** of Professional Misconduct falling within the meaning of Clauses (5) & (7) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.

9. 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
Para 2 as above	Para 8.3 to 8.12 as above	Guilty- Clauses (5) and (7) of Part I of Second Schedule to the Chartered Accountant Act 1949

10. In view of the above observations, considering the material on record including verbal and written submissions of the parties, the Committee held the Respondent **GUILTY** of Professional Misconduct falling within the meaning of Clauses (5) and (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

सत्यापित होने के लिए प्रमाणित / Certified to be True Copy

Nisha Sharma
निसा शर्मा / Nisha Sharma
सहायक सचिव / Assistant Secretary
अनुशासनात्मक निदेशालय / Disciplinary Directorate
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