



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

[PR-266/14-DD/296/2014-DC/1476/2021]

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

[PR-266/14-DD/296/2014-DC/1476/2021]

In the matter of:

Shri P A Thawani,
General Manager
Bank of Baroda
Ashram Road Branch,
Vallabh Sadan Compound,
Opp. Natraj Cinema, Ashram Road
AHMEDABAD – 380009

....Complainant

Versus

CA. Sandhya Jayesh Vasandani, (M.No.128973)
MIG 386, K.K. Nagar Society,
Sector-4, Ghatlodia,
Ranna Park,
AHMEDABAD – 380061

.....Respondent

MEMBERS PRESENT:

1. CA. (Dr.) Debashis Mitra, Presiding Officer (Present in person)
2. Mrs. Rani Nair, I.R.S. (Retd.), Government Nominee (Present in person)
3. Shri Arun Kumar, I.A.S. (Retd.), Government Nominee (Present in person)
4. CA. Cotha S Srinivas, Member (Present in person)

DATE OF MEETING : 31.10.2022 (Through Physical/ Video Conferencing Mode)

1. That vide findings under Rule 18 (17) of the Chartered Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules, 2007 dated 26th August 2022, the Disciplinary Committee was inter-alia of the opinion that **CA. Sandhya Vasandani (M.No.128973), Ahmedabad** (hereinafter referred to as the “Respondent”) was **GUILTY** of Professional Misconduct falling within the meaning of Item (5) and (7) of Part I of the Second Schedule to the Chartered Accountant Act, 1949

2. The Committee noted that the Respondent was present through video conferencing mode. The Committee noted that the Respondent, while accepting her mistake before it, submitted that



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at the time of the audit she was not in a condition to go to the client's place for auditing, hence she relied and blindly trusted upon another Chartered Accountant, who also happened to be her friend and was coordinating with her. She further mentioned that she came to know about the mistakes when the complaint in the instant case was filed against her. Thereafter, she tried to contact her friend but failed to do so as she had shifted to Australia. The Committee noted that she also admitted that she blindly signed the documents given to her by her (CA) friend.

3. The Committee, while looking into the matter and the conduct of the Respondent, is of the opinion that there were serious charges against the Respondent in respect of the audit report signed by her. The Committee noted that the Respondent accepted her mistake before the Committee and accepted that the audit reports were signed by her only, hence the accountability for true and fair view of the documents signed by her lies with the Respondent only. The Committee noted that the Respondent failed to exercise her due diligence while signing the documents and merely relied upon another Chartered Accountant without using her professional skepticism.

4. Accordingly, ends of justice can be met if reasonable punishment is given to her to commensurate with the above professional misconduct.

5. Therefore, keeping in view the facts and circumstances of the case, material on record and submissions of the Respondent before it, the Committee ordered that the name of that name of the Respondent - CA. Sandhya Vasandani (M.No.128973), Ahmedabad be removed from the Register of members for a period of 01 (One) year along with fine of Rs. 1,00,000/- (Rupees One Lakh).

sd/-
(CA. (DR.) DEBASHIS MITRA)
PRESIDING OFFICER

sd/-
(MRS. RANI NAIR, I.R.S. RETD.)
GOVERNMENT NOMINEE

sd/-
(SHRI ARUN KUMAR, I.A.S. RETD.)
GOVERNMENT NOMINEE

sd/-
(CA. COTHA S SRINIVAS)
MEMBER

DATE: 06.01.2023
PLACE: NEW DELHI

सही प्रतिलिपि होने के लिए प्रमाणित/
Certified to be true copy

Rakul
अरुण कुमार / Arun Kumar
कार्यकारी अधिकारी / Executive Officer
अनुशासनात्मक निदेशालय / Disciplinary Directorate
इंस्टीट्यूट ऑफ चार्टर्ड एकाउंटेंट्स ऑफ इंडिया
The Institute of Chartered Accountants of India
आईसीएआई भवन, विश्वास नगर, शाहदरा, दिल्ली-110032
ICAI Bhawan, Vishwas Nagar, Shahdara, Delhi-110032

CONFIDENTIAL**DISCIPLINARY COMMITTEE [BENCH – II (2022-2023)]****[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-266/14-DD/296/2014-DC/1476/2021]****In the matter of:**

**General Manager,
Bank of Baroda,
ZOSARB Branch,
4th Floor, BOB Towers,
Opp Law Garden,
Ellisbridge,
AHMEDABAD – 380006**

....Complainant**Versus**

**CA. Sandhya Vasandani, (M.No.128973)
MIG 386, K.K. Nagar Society,
Sector-4, Ghatlodia,
Ranna Park,
AHMEDABAD – 380061**

.....Respondent**MEMBERS PRESENT:**

**CA. (Dr.) Debashis Mitra, Presiding Officer (Through VC)
Mrs. Rani Nair, I.R.S. (Retd.), Government Nominee
Shri Arun Kumar, I.A.S. (Retd.), Government Nominee
CA. Cotha S Srinivas, Member**

DATE OF FINAL HEARING:13.07.2022 (Through physical/ Video Conferencing mode)**PARTIES PRESENT :**

**Representative for Complainant Department: Mr. Puneet Jain, Chief Manager
alongwith Mr. Mohit Jain, the then Credit Manager**

Counsel for Respondent : Mr. Deepak Shah, Advocate

CHARGES IN BRIEF:-

1. The Committee noted that in the present case the Respondent was held Prima-facie Guilty by the Director (Discipline) of Professional Misconduct falling within the meaning of Items (5) and (7) of Part I of the Second Schedule to the Chartered Accountants Act, 1949 on the following charges with respect to audit of M/s SLS Tubes Private Limited (hereinafter referred to as the “**Company**”) conducted by her for the Financial Year 2012-13:
 - a. That the Respondent failed to report about non-adherence of the disclosure requirements of AS-9 with respect to figures of gross sales less excise duties and further break up of manufacturing sales and trading sales (if any) was not given in financial statements of the Company.
 - b. That the Respondent failed to report incomplete details of contingent liabilities.
 - c. That the Respondent failed to report that the Company had not prepared and attached Cash Flow Statement with the Balance Sheet for the year 2012-13 as required as per the provisions of Accounting Standard-3.
 - d. That the Respondent failed to report that in note no. 4 of the Balance Sheet, working capital of Rs 16,71,51,723/- taken from the Bank was shown under Long Term Borrowings.
 - e. That the Respondent signed the Balance Sheet and Profit & Loss account without the same being signed by two directors, which is in violation of Section 215 of the Companies Act, 1956.
 - f. That the Respondent failed to report that advances of Rs. 11,45,61,725/- was given by the Company despite incurring heavy losses and that, too, without charging interest.

BRIEF FACTS OF THE PROCEEDINGS:

2. The Committee noted that this case was heard earlier in hearing held on 28th June, 2022, wherein Mr. Deepak Shah, Advocate, Counsel of the Respondent was present from his place through Video Conferencing Mode. The Committee

noted that Mr. Puneet Jain, Chief Manager, along with Mr. Mohit Jain, the then Credit Manager, was present on behalf of the Complainant Department through Video Conferencing Mode. Since the Complainant appeared for the first time, he was administered on oath. At the outset, the Committee enquired from parties that, since the composition of the Committee had changed further to the previous hearing held on 30th September 2021, as to whether they wished to have a de-novo hearing. On the same, the parties submitted that the Committee may continue its proceedings in this matter from the stage it was left at the last hearing. The Committee acceded to their request and continued the hearing as a detailed hearing was held before it and the matter was part heard & adjourned as the Committee gave directions to both the parties to submit various documents which were duly submitted by both parties.

3. On the day of the final hearing held on 13th July 2022, the Committee noted that the Representative(s) of the Complainant Department, Mr. Puneet Jain, Chief Manager alongwith Mr. Mohit Jain, the then Credit Manager, was present before it through Video Conferencing mode from their place. The Respondent's Counsel Mr. Deepak Shah was also present before it through Video Conferencing mode. The Committee noted that both the parties had made their submissions in the matter. Thereafter, Counsel for the Respondent presented his line of defense by presenting the arguments and the Committee posed certain questions to him to arrive at a decision. Keeping in view the facts and circumstances of the case, material on record and submissions from the parties, the Committee decided to conclude the matter.

FINDINGS OF THE COMMITTEE

4. At the outset, the Counsel of the Respondent pleaded that his client i.e the Respondent had just signed the financial statements and the actual auditor was CA. Tarang Shah. His client had merely signed based on reliance on another auditor and had refunded the fee to CA. Tarang Shah. The Committee on the same, clarified to him, that since the signatures on the financial statement and the Audit Report were of the Respondent and hence the accountability for true

and fair view of the documents, signed by her, lies with the Respondent only. The Committee accordingly directed him to argue his case on the merits.

5. With regards to the first charge, the Counsel of the Respondent submitted that there are two methods of presentation, one is the inclusive method, and the other is the exclusive method. Therefore, whatever sales are net of excise duty, the same has been mentioned by his client in her Audit Report. The Committee is convinced by the Respondent's plea that sales can be shown in both ways i.e by way of net of excise or by way of disclosing sales and excise duty separately. Since, either of option exercised by the Company cannot considered to be wrong. The Committee noted that the lapse in reporting was purely technical in nature and was not affecting the decision of users of the financial statements. Hence the Committee decided to extend, benefit of doubt in favour of the Respondent and hold her not Guilty on this charge.
6. With regards to the second charge relating to incomplete details of contingent liabilities, the Counsel of the Respondent submitted as under:
 - a. That in allegation the Complainant failed to mention about which contingent liability the Respondent failed to report in her audit report.
 - b. In the absence of any contingent liability, the Respondent was not required to report the same in her audit report.
 - c. That the Respondent was not informed about any bank guarantee by her client therefore in the absence of any information, the Respondent did not require to report the same.
 - d. Since there was no contingent liability, hence, the Respondent had not mentioned about it in her Audit Report.
- 6.1 The Complainants' representative in this regard had submitted that there were more than 10 Bank Guarantees issued to the Company total amounting to Rs. 4,93,63,797/- which were not expired as on 31st March 2013 and which the Company should have shown as contingent liability and which the Respondent as an auditor failed to report in her audit report.

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- 6.2 The Respondent's Counsel in this regard mentioned that as per management of the Company there was no bank guarantee exiting. He further added that there is no such bank guarantee as on 31st March 2014 at the MCA portal also.
- 6.3 The Committee in this regard noted that the Respondent failed to produce any management representation letter in this regard. Further, the Respondent was pleading about the non-existence of bank guarantees as on 31st March 2014 at the MCA portal, whereas the alleged period in this matter was financial year 2012-13. The Committee noted that apparently the Respondent had not checked MCA records before signing the audit report. The Committee also noted that the Respondent only relied on the management and no management representation was obtained by her. The Committee noted that as a prudent auditor she should have taken confirmation from the Bank for loan outstanding/Bank Guarantee which she failed to do.
- 6.4 The Committee accordingly noted that the Respondent despite being grossly negligent in her professional duties, had also failed to report material fact in the financial statements. Accordingly, the Committee held the Respondent guilty of Professional Misconduct falling within the meaning of Items (5) and (7) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.
7. With regards to the third charge regarding failure in attaching cash flow statement with the Balance Sheet for the year 2012-13, the Counsel of the Respondent submitted that the Respondent as an auditor is not required to sign cash flow statement. The Committee regarding the alleged charges observed that the cash flow statement was optional during the period 2012-13 and hence non reporting of the same cannot be tantamount to misconduct on the part of the Respondent. The Committee accordingly decided to exonerate the Respondent from this charge.
8. With regards to the fourth charge relating to disclosure of working capital loan of Rs 16,71,51,723/- taken from the bank, which was shown under Long Term Borrowings, the Counsel of the Respondent draw attention of the Committee to pages C-23 and C-31 of Prima-facie Opinion and mentioned that working capital and the bank from whom it was borrowed was specifically mentioned.

- 8.1 The Committee on perusal of page C-31 of Prima-facie Opinion noted that working capital was shown under Long-term borrowings, whereas the Working Capital is the capital of a business which is used for its day-to-day trading operations, and its disclosure under long term borrowings is not appropriate. The disclosure depicts that the funds raised on a short-term basis have been used for long term investments/purposes. The Committee noted that, to the contrary, the Respondent in her CARO report (page C-22 of the Prima-facie opinion) under para 17 had opined that there are no funds raised on a short-term basis that have been used for long term investment.
- 8.2 The Committee noted that the Respondent/ her counsel failed to give any justification regarding such disclosure. Further, there is no clarity as regards the terms of the Working Capital Facilities taken from the Bank.
- 8.3 The Committee accordingly observed the casual approach of the Respondent in reporting the same and hence held the Respondent guilty of Professional Misconduct falling within the meaning of Item (7) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.
- 9 With regards to the fifth charge that Balance Sheet and Profit and Loss Account were signed by only one Director, the Counsel for the Respondent submitted that on the MCA portal the audit report along with financial statements uploaded were signed by two directors. The Committee noted that as per Section 215 of the Companies Act 1956, every Balance Sheet and every Profit and Loss Account of a Company shall be signed on behalf of the Board of directors, in the case of a Company other than, Banking Company, by its managing agent, secretaries and treasurers, manager or secretary, if any, and by not less than two directors of the company one of whom shall be a managing director. However, in the instant matter, the Balance Sheet and Profit and Loss Account for the year ended 31st March 2013 have been signed and authorized only by the Managing Director and not by the other Directors (pages C-23 and C-24 of Prima-facie Opinion), which is a clear violation of Section 215 of the Companies Act, 1956. The Committee further noted that these signed documents were given to the Complainant Bank also and hence the stand of the Respondent's Counsel, that financial statements with the signatures of two directors are uploaded on the MCA portal, is merely an

attempt to cover the earlier malpractices. The Respondent under such circumstances should not have certified the financials of this company unless and until the same was duly authenticated as per the requirement of the Companies Act, 1956. The Committee accordingly observed the casual approach of the Respondent in reporting the same and hence held the Respondent guilty of Professional Misconduct falling within the meaning of Item (7) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.

- 10 With regards to the sixth and last charge relating to giving interest-free advances of Rs.11,45,61,725/- by the Company despite incurring heavy losses, the Counsel for the Respondent submitted that advances were also properly disclosed by the Respondent under Note 12 of the Financial Statements (page C-34 of Prima-facie Opinion). The Committee on perusal of the same noted that balance of the advances as on 31st March 2013 was Rs. Rs.11,45,61,725/-, whereas balance of the same as on 31st March 2012 was Rs. 34,97,201/-. Hence, the Company made net advance of Rs. 11,10,54,524/- during the year. The Committee also noted that the turnover of the Company during these periods was similar and for the same turnover the Company had taken a loan of around six crore rupees. The Respondent's Counsel on the question of providence of a net advance of 11 crores as against an increase in turnover of only six crores, failed to provide any justifiable answer.
- 10.1 The Counsel of Respondent as regards the loss occurred submitted that the same was due to lower realization of sale price and higher input costs. The Committee noted that the Respondent had not brought on record any evidence to substantiate her above claim.
- 10.2 The Committee also noted that despite losses, the Company has made advances without charging interest which the Respondent as an auditor should have reported as it was substantially impacting the financial position of the Company. In this regard, the Committee noted that though providing loans & advances and charging interest on the same is the decision and prerogative of the Management, yet, the Respondent should have reported the evident misappropriation in his Audit Report by way of qualification, which was not done in the instant matter.

10.3 The Committee accordingly observed the Respondent not only failed to exercise due diligence in reporting this matter but also failed to report material fact in the financial statements, and hence held the Respondent guilty of Professional Misconduct falling within the meaning of Items (5) and (7) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.

11 Accordingly, the Committee holds the Respondent guilty in respect of the second, fourth, fifth and sixth charges for which the reasoning is mentioned in paras 6, 8,9, and 10 above.

CONCLUSION

12. In view of the above findings stated in the above paragraphs vis-a-vis material on record, the Committee in its considered opinion holds that the Respondent is **GUILTY** of Professional Misconduct, falling within the meaning of Items (5) and (7) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.

Sd/-
(CA. (Dr.) DEBASHIS MITRA)
PRESIDING OFFICER

Sd/-
(SMT RANI NAIR, IRS (RETD.)
GOVERNMENT NOMINEE

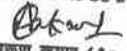
Sd/-
(SHRI ARUN KUMAR, IAS (RETD.)
GOVERNMENT NOMINEE

Sd/-
(CA. COTHA S. SRINIVAS)
MEMBER

DATE: 26.08.2022

PLACE: NEW DELHI

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अरुण कुमार / Arun Kumar
कार्यकारी अधिकारी / Executive Officer
अनुशासनात्मक निदेशालय / Disciplinary Directorate
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