The Institute of Cost Accountants of India

Board of Discipline u/s 21A of The Cost Accountants Act, 1959

Final order number: ICMAI/BOD/2026/55

Complaint number	Com/21-CA(137)/2024
In the matter of	Eswara Reddy Marthala (M/47445) [Complainant] Vs. M/s. KRJ & Associates (FRN/000316) [Respondent]
Date of Hearing	As per records and order sheet
Date of order	17th September, 2026

CORAM:

1	Shri P.K. Pujari, IAS (Retd)	Presiding Officer
2	CMA Avijit Goswami	Member

PRESENT IN HEARINGS

1	CMA(Dr) Hemant Kumar Sindhwani	Director (Discipline)

Brief of the case

1. The Disciplinary Directorate is in receipt of a complaint in Form I dated 2nd April, 2024 along with the prescribed complaint fee of Rs 2950/- (inclusive of GST) from Eswara Reddy Marthala (hereinafter referred to as the "complainant"), against M/s. KRJ & Associates (hereinafter referred to as the "respondent") bearing FRN number 00036, containing certain allegations against the respondent falling under various provisions of the Cost Accountants Act, 1959.
2. The complaint, comprising 81 pages including annexure, primarily contains allegations relating to the respondent's alleged acceptance of co-option as a member of the Central Council's Cost Auditing and Assurance Standards Board while simultaneously acting as the Auditor of the Hyderabad Chapter of The Institute of Cost Accountants of India, thereby allegedly compromising his independence and giving rise to a conflict of interest and professional misconduct. The particulars of the complaint, as set out in Form I, are reproduced herein below verbatim:

FORM I

[See sub-rule (1) of Rule 3]

1	Name of the Complainant: (With membership number, if member of Institute of cost Accountant of India)	Eswara Reddy Marthala Proprietor of M/s. M E Reddy & Associates M.No.47445
2	Name of the member/ firm Against whom complaints is being made: (with membership Number/ registration number of the firm, if Known)	M/s. KRJ & Associates and its partners Firm Registration Number : 000316 Mylavarapu Kameshwara Rao M.No. 7981 Susarla Nagendra Kumar M.No. 11824
3	Latest address of the complainant for communication	Flat # 110, Surya's yogitha Enclave, Road No.10C, Bandari Layout, Nizampet, Hyderabad - 500090
4	Last Available Professional address of the member or the firm against whom the complaints is made	4-124, Swaroopnagar, Uppal, Hyderabad- 500039
5	Particulars of allegation(s) Serially numbered together with corresponding clause/part of the relevant schedule(s), or particulars of allegation(s) serially numbered together with clause /part of the relevant scheduled(s) under which the alleged acts commission or omission or both would fall.	Separate Sheet Attached as per Annexure-1
6	Particulars of evidence(s) adduced in support of the allegation(s) made	1. Copy of the profile published in the Hyderabad circuit by the Hyderabad Chapter of The Institute of Cost Accountants of India. 2. List of Committees for 2023-24 available at institute site (copies attached as annexure 2 and 3).
7	Name(s) of person who have knowledge of the facts of the case	This information was received by me through the Hyderabad Chapter published circuit and institute website.

3. The complainant has submitted annexure 1 along with Form 1 containing allegations against Respondent which is reproduced herein below verbatim:

The Institute of Cost Accountants of India Board of Discipline

Quote

Annexure-I

It has come to our notice that the Co-option of Sri. Kameswara Rao Mylavarapu in the council sub-committee called internal Auditing and Assurance Standards Board, through the Monthly News Magazine called Hyderabad Circuit from the Hyderabad Chapter of The Institute of Cost Accountants of India. The Hyderabad Chapter of The Institute of Cost Accountants of India in the monthly news magazine called Hyderabad Circuit for month of September 2023 had published the profile of Sri Kameswara Rao Mylavarapu on occasion of his co-opted in the sub-committee. A copy of the profile published in the magazine is attached for your reference. Further actually Sri Kameswara Rao Mylavarapu is co-opted in the sub-committee called Cost Auditing and Assurance Standards Board, but whereas the Managing Committee of Hyderabad Chapter wrongly mentioned the sub-committee name as Internal Auditing and Assurance Standards Board. A copy of the detailed list of committee published by the Institute of Cost Accountants of India for the year 2023-24 is attached for your reference and request you to go through the S.No.25.

The acceptance of co-opted membership by Sri Kameswara Rao Mylavarapu (M.No.7981), in the central council sub-committee 'Cost Auditing and Assurance Standards Board' is professional misconduct and against professional ethics.

Whereas Mr. Kameswara Rao Mylavarapu, is a partner in the firm M/s. KRJ & Associates, Firm Registration No.000316, having their office at Hyderabad, who are acting as the statutory auditor of the Hyderabad Chapter, his actions are violating the provisions of the institute.

I am producing the sub-section 6 of section 17 for your reference:
"(6) Notwithstanding anything contained in this section, any Committee formed under sub-section (2), may, with the sanction of the Council, co-opt such other members of the Institute not exceeding '[one-third] of the total membership of the Committee as the Committee thinks fit, and any member so co-opted shall be entitled to exercise all the rights of a member of the Committee."

In view of the above, the section allowing the co-opted member is entitled to exercise all the rights of a member of the committee. Further the right is always vested with the management and the co-opted members are nothing but part of the management. The committees are formed in the interest of the institute and members and to take care of administration by way of taking appropriate decisions.

The auditor and the committee member both have distinct characters and each and every law has defined the same. Whereas the auditor is a watch dog and an independent agency and bound to duty to give an independent audit report on the financial statements with qualifications or without qualifications. The primary duty of the auditors is to go through the documents, evidence with transparency and to look into the compliance and accounting policies.

Here in the current situation, Sri Kameswara Rao occupied both the positions i.e. auditor and council sub-committee member by concealing the facts with a malintention, which is against the professional ethics and faith & belief of the institute and members.

Sri Kameswara Rao's actions are violating the purpose of the law and natural justice by holding two positions as auditor and committee member.

In the interests of the institute and members, I humbly request you to initiate disciplinary action against the firm M/s. KRJ & Associates and its partners.
1. Mylavarapu Kameswara Rao — M.No.7981
2. Susarla Nagendra Kumar — M.No.11824

Unquote

4. The above complaint was scrutinized and was registered in terms of Rule 5 of the Cost and Works Accountants (Procedure of Investigation of Professional and Other Misconduct and Conduct of Cases) Rules, 2007 and the same was proceeded with in the manner as prescribed in Chapter III of the Rules and was registered by the Disciplinary Directorate by giving a unique number, Complaint No. Com/21-CA(137)/2024.
5. The complaint dated 2nd April, 2024 was duly forwarded to the respondent vide communication No. G/DD/Com-CA(137)/(FRN000316)1/05/2024 dated 24th May, 2024 in terms of sub-rule (3) of Rule 8 of the Cost and Works Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules, 2007 with a request to submit his written defense statement within 21 days from the date of service of this letter.
6. The Respondent, thereafter vide communication dated 20th June, 2024 submitted 4 pages defense written submission which is reproduced here below;

Quote

The Director (Discipline)
The Institute of Cost Accountants of India,
CMA Bhavan, 12 Sudder Street,
KOLKATTA-700016

Dear Sir
Sub: Complaint No.Com/21-CA(137)/2024 dated 2.4.24
Ref: Your letter by Regd.Post No.G/DD/Com-CA(137)/(fRN000316)/1/5/2024 dated 24.5.2024
The above letter under reference is received by me today 10.6.24 with enclosures.
We hereby submit our response to the above Complaint.

FACTS OF THE CASE:

1. We are a firm of Cost Accountants by name KRJ & ASSOCIATES with Regn.No.000316.

The Institute of Cost Accountants of India Board of Discipline

2. We have two partners viz. **KAMESWARA RAO MYLAVARAPU** (M 7981) AND **NAGENDRA KUMAR SUSARLA** (M 11824).
3. KRJ & Associates have been the statutory auditors of Hyderabad Chapter of Cost Accountants from the financial 2021-22 for a period of 5 years. The appointment is being confirmed at every AGM (latest appointment is in the 59th AGM held on 31.5.2024).
4. KAMESWARA RAO MYLAVARAPU one of the partners of KRJ & Associates was co-opted as Member in Cost Auditing and Assurance Standard Board during August, 2023.

SUBMISSIONS:

1. As per bylaws of the Chapter under bylaw no.26 The Accounts of the Chapter shall be audited every year by the auditor who shall be a Cost Accountant in practice appointed for the purpose. **The auditor should not be a member of the Managing Committee. It may be noted KAMESWARA RAO MYLAVARAPU, partner of KRJ & Associates is not a member of Managing Committee.**
2. The Functions of the Cost Auditing and Assurance Standard Board (CAASB) constituted by the Central Council has following objectives and functions:
   a) Identify areas in which Standards on Quality Control. Assignment Standards, Standards on Cost Auditing and Standards on Related Services need to be developed.
   b) Develop Standards on Quality Control, Assignment Standards, Standards on Cost Auditing and Standards on Related Services so that they may be issued under the authority of the Council of the Institute.
   c) Develop Guidance Notes on issues arising out of any Standard or on cost auditing issues pertaining to any specific industry or on generic issues so that they may be issued under the authority of the Council of the Institute
   d) Formulate and issue Technical Guides, Practice Manuals and other Papers under its own authority for guidance of Cost Accountants in the cases felt appropriate by the Board.
   e) Review the existing Standards, Guidance Notes, Technical Guides, Practice Manuals and other Papers to assess their relevance in the changed conditions and to undertake their revision, if necessary.
   f) Provide Interpretations or formulate General Clarifications, where necessary, on issues arising from the Standards

3. Thus the Cost Auditing Standard Board functions have no relevance to Financial Audit of Hyderabad Chapter of Cost Accounts.
4. **Further as pointed in the Complainant, the Committees are not formed for taking care of administration by way of taking appropriate decision.**
5. As indicated in above para 2 in respect of functions of the CAASB, it is a Board and not committee at the outset and the objectives and functions have in no way affect the audit of Hyderabad Chapter of Cost Accountants (HCCA) Financial statements or member of CAASB can in any influence the audit work of HCCA.

The Institute of Cost Accountants of India
Board of Discipline

6. Out of Standing Committees constituted by Central Council of the Institute, the following are committees (21), Boards (11), Task Force (2)

7. Committees are:
a) Executive Committee
b) Examination Committee
c) Finance Committee
d) Disciplinary Committee under Section 21B(1)
e) Disciplinary Committee under Section 21D
f) Training & Education Facilities Committee
g) Journal & Publication Committee
h) Professional Development & CEP Committee
i) Regional Council & Chapter Coordination Committee
j) International Affairs Committee
k) Indirect Taxation Committee
l) Direct Taxation Committee
m) Committee for Accounting Technicians
n) Members' Facilities Committee
o) Infrastructure Committee
p) Corporate Laws Committee
q) Information Technology Committee
r) Members in Industry Committee
s) Public Relations Committee
t) Management Accounting Committee
u) Career Counseling & Placement Committee

BOARDS
v) Board of Discipline
w) Public Sector Undertaking Coordination Board
x) Cost Accounting Standard Board
y) Cost Auditing and Assurance Standards Board
z) Internal Auditing and Assurance Standards Board
aa) Banking Financial Services & Insurance Board
bb) Board for Advanced Studies & Research
cc) MSME & Start-up Promotion Board
dd) Agricultural Cost Management Board
ee) Cooperative Development Board
ff) Sustainability Standards Board

TASK FORCES
gg) Task Force on Election Reforms
hh) Technical Cell (Cost Audit & Statutory Compliances)

7. The Cooption of KAMESWARA RAO MYLAVARAPU is done by Central Council and is after the appointment of the Auditor for the year 2023. The Hyderabad Chapter has the knowledge of this cooption and had published in their monthly house magazine of Sept., 2023.

Institute of Cost Accountants of India
Board of Discipline

8. As regards misconduct, accepting appointment as Auditor or accepting the cooption of the CAASB is no where mentioned as misconduct under the The Institute of Cost Accountants Act. As both these appointment/Cooption were made by the Institute and its Chapter, there is nothing for the Auditor to additionally disclose. Hence this does not fall under Code of Ethics or Misconduct. **As stated by the Complainant there is nothing to conceal or any malintention in accepting the Cooption of CAASB or the appointment as Auditor.**
9. Cooption of a member to any committee or Board is to get the experience of the Member to the Institute for furtherance of the Institute's objectives.
10. The Membership in the CAASB is a voluntary service position and is not a remunerative occupation. It therefore does not attract any disciplinary action.
11. Even as per the latest bye-laws of the Chapter notified on 10th June 2024 under bye-law 26.2 it is stated as:

"The accounts of the Chapter shall be audited every year by the auditor who shall be a Cost Accountant in practice appointed in the Annual General Meeting for the purpose. The auditor should not be a member of the Managing Committee. Further, the auditor shall not be a partner of the managing committee member of that Chapter or of Regional Council Member or Council Member."

Thus there is no bar for the KRJ & Associates to hold the appointment of Auditor of HCCA and be a member of the CAASB.
My above submissions may be taken on record and drop the complaint as it does not call for any disciplinary action against the KRJ & ASSOCIATES (FRN 000316) or its partner viz. KAMESWARA RAO MYLAVARAPU (7981) AND NAGENDRA KUMAR SUSARLA (11824)

For KRJ & ASSOCIATES,
Cost Accountants (FRN 000316)
M KAMESWARA RAO
Partner M 7981

Unquote

7. The written statement dated 20th June, 2024 submitted by the Respondent was forwarded to the Complainant vide letter No. G/DD/Com-CA(137)/(M-47445)/07/2024 dated 5th July, 2024 calling upon him to submit a rejoinder in terms of Rule 8(4) of the Cost and Works Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules, 2007. The complainant, vide his letter dated 12th August, 2024 forwarded his three (3) pages rejoinder which is reproduced below in verbatim:

Quote

12th August 2024
From
Eswara Reddy Marthala

The Institute of Cost Accountants of India
Board of Discipline

Flat No.110, Surya's yogitha Enclave
Road No.10C, Bandari Layout,
Nizampet, Hyderabad - 500 090

To
The Director Discipline
The Institute of Cost Accountants Of India
CMA Bhawan, 12, Sudder street
Kolkata - 700 016

Sir,
Sub: submissions - request to take disciplinary action on M/s. KRJ & Associates and its partners – Reg.
Ref: 1. Your letter Ref.No.G/DD/Com-CA(137)/(M-47445)//07/2024 dated 05.07.2024

1. The learned respondent completely ignored Section 17 of the ICMAI Act., where this section opposes his co-option by granting the right to vote in the sub-committees. Further as stated by the respondent, there was no such provision in the Institute Act separately to constitute Boards. The Act through Section 17 speaks about the committees and sub-committees only and whatever the Boards and Task force formed or constituted all are part of the council sub-committees. The same information is available on the institute website and also published in the annual accounts of the institute.
2. The respondent stated that his partner Mr. M. Kameswara Rao coopted into Cost Auditing Standard Board and the functions have no relevance to financial audit and mentioned CASB is board only not committee. Here the respondent completely failed to understand the provisions of the Institute Act, whereas there is no such provision for Boards in the institute as stated above.
3. The cooption comes with right to vote along with council members equally and the right of vote always vested with the management. That means the cooption is nothing but part of management i.e. council, always vested with right and the auditor vested with duty and the respondent failed to understand the Law. The management and auditor are two distinct characters, and both never mingled in law.
4. As stated by the respondent according to chapter bylaws a cost accountant is eligible to act as statutory auditor for the chapter, that's true but the supremacy held with the Institute Act and all the actions of the committees, and the members must be within the range of the same. Hence the cooption is against the Institute Act, and the respondent failed to understand the provisions of the Act.
5. The respondent themselves agreed in their reply and stated that the cooption of Mylavarapu Kameswara Rao is done by Central Council and is after the appointment of the Auditor for the year 2023, that means the cooption was done after the appointment of the auditor and the same moment the respondent disqualified as auditor. The cooption falls under management services and auditors cannot act and give both services at the same time, which is against the law. The actions of Mr. M. Kameswara Rao are completely in an unprofessional and unethical way.

The Institute of Cost Accountants of India
Board of Discipline

6. Further the respondent stated that the Hyderabad Chapter has the knowledge of this cooption and had published in their monthly house magazine of Sept 2023. In fact, there was no official Management Committee at the Hyderabad Chapter for the period from 01.06.2023 to 09.11.2023, due to cancellation of elections on 31.05.2023. The existing committee (2019-2023) captured the chapter unofficially without proper sanction of authority from the council. During this unofficial period the cooption of Mr. M. Kameswara Rao took place and he himself considered that they were the committee. Further being an auditor, the respondent failed to disclose these facts about the unofficial committee in their Independent Audit Report. This is very clear that Mr. M. Kameswara Rao had been promoted under Quid Quo Pro with some understanding between the unofficial committee and CCM and Council and SIRC Ex-officio.
7. Further the respondent stated in Point No.7, as
"Cooption of a member to any committee or Board is to get the experience of the Member to the Institute for furtherance of the institute's Objectives."
I would like to produce the meaning of Objective: Something that you are trying to achieve.
The achievement always lying with the management and it is their duty to perform and the respondent himself clearly agreeing he is part of the management.
8. The respondent, being auditor failed to disclose the facts in the audit report and was neither qualified nor discussed. The auditor is a member of the Hyderabad chapter and very well knows about the things happening in the chapter since the cancellation of elections of the chapter. He has a clear idea about the cancellation of elections and unauthorized committee. According to the provisions of the Chapter By laws the council may extend the term of the existing committee in an unexpected situation, but council had not granted any such permission to the existing committee, and the same was confirmed by the present Management Committee of Hyderabad Chapter orally in the AGM and the auditor was also very much available in the said event. Further the adoption of accounts needs to be condemned despite dissent from members in AGM.
9. The office bearers 1. Mrs. Hima vidya Sanagavarapu – Chairperson 2. Mrs. Lavanya Kanduri – Vice Chairperson 3. Mr. Khaja Jalal Uddin – Secretary, was also part of the management of the unauthorized operations which was led by Mr. Someswara Babu. The auditor failed in verifying certain information and obtaining the evidence during the audit.
10. The Management Committee concealed the information from the auditor and further the auditor failed in applying audit techniques for getting evidence and intentionally avoided disclosing the facts in the audit report.
11. The auditor is not independent and its all seems the ex-officio, the Management Committee and the auditor colluded, and the auditor had been promoted to council committee under co-option.

In view of the above

a) The respondent disqualified as auditor on the moment Mr. M. Kameswara Rao accepted the cooption and further the present management committee of Hyderabad and the council ignored the same and let the respondent to sign the

Institute of Cost Accountants of India
Board of Discipline

financials, which are become invalid and further reappointed for the FY 2024-2025.

b) The respondent completely ignored the facts and did not disclosed/ qualified the same in their Independent Audit Report, which giving room that the auditor colluded.

Hence I strongly urge to take disciplinary action against the respondent and the partners 1. Mr. M. Kameswara Rao 2. Nagendra Kumar Susara.

Thanking you,
Yours faithfully
ESWARA REDDY MARTHALA
M.NO.47445

Unquote

8. **Investigation and Analysis**

a) At the outset, it is pertinent to examine the relevant provisions of the Cost Accountants Act, 1959 and the applicable Cost Accountants' Chapters Bye-Laws governing the eligibility and independence of the auditor of a Chapter during the period under consideration.

b) It is observed that Section 17(6) of the Cost Accountants Act, 1959 provides that any Committee constituted under sub-section (2) thereof may, with the sanction of the Council, co-opt other members of the Institute, subject to the prescribed limit, and that a member so co-opted shall be entitled to exercise all the rights of a member of such Committee. Thus, a co-opted member enjoys, for the purposes and functioning of the Committee to which he has been co-opted, the same rights as other members of that Committee. However, such status is confined to the concerned Committee and cannot, in the absence of any specific statutory provision, be construed as conferring upon the co-opted member the status of a Council Member or participation in the management or governance of all affairs of the Institute.

c) It is further observed that the matter pertains to the Council Year 2023–24, during which the Cost Accountants' Chapters Bye-Laws, 2019 were applicable. The Cost Accountants' Chapters Bye-Laws, 2024, though stated to be effective from 10^{th} June, 2024, were notified on 5^{th} August, 2024, whereas the tenure of the Respondent as a co-opted member for the Council Year 2023–24 had already concluded on 21st July, 2024. Accordingly, the revised Bye-Laws cannot be applied retrospectively to determine the Respondent's eligibility or alleged misconduct for the period in question.

The Institute of Cost Accountants of India
Board of Discipline

The matter is, therefore, required to be examined under the Bye-Laws, 2019. Nevertheless, for clarity and comparative understanding, the relevant provisions relating to the meaning of "Managing Committee" and eligibility of the auditor both the 2019 and 2024 Bye-Laws are reproduced hereunder.

Particulars	**Cost Accountants' Chapters Bye-Laws, 2019**	**Cost Accountants' Chapters Bye-Laws, 2024**
Meaning of "Managing Committee"	"Managing Committee" means the governing body of the Chapter constituted in accordance with Clause 2(b) of these Bye-Laws.	"Managing Committee" means the governing body of the Chapter constituted in accordance with Clause 2(b) of these Bye-Laws.
Clause 26.2- Accounts and Audit	The accounts of the Chapter shall be audited every year by an auditor who shall be a Cost Accountant in practice appointed in the Annual General Meeting for the purpose. The auditor should not be a member of the Managing Committee.	The accounts of the Chapter shall be audited every year by the Auditors who shall be a Cost Accounting Firm appointed in the Annual General Meeting for the purpose. The auditor should not be a member of the Managing Committee or Faculty of that Chapter or Regional Council Member or Council Member. Further, the auditor shall not be a partner of the Managing Committee Members of that Chapter or Regional Council Member or Council Member.

d) A plain reading of the definition of "Managing Committee" under the aforesaid Bye-Laws shows that it means the governing body of the concerned Chapter constituted in accordance with the Bye-Laws. The expression is, therefore, specific to the governance structure of a Chapter and cannot, without an express provision to that effect, be extended to include a Committee or Board constituted at the Central Council level.

e) Under the Cost Accountants' Chapters Bye-Laws, 2019, the restriction under Clause 26.2 was specific and limited: the auditor of the Chapter should not be a member of the Managing Committee. Since "Managing Committee" was expressly defined as the governing body of the Chapter, the restriction then prevailing did not expressly extend to a member of a Regional Council, Council Member, or a member co-opted to a Committee/Board constituted at the Central Council level.

f) The scope of the restriction was subsequently enlarged under the Cost Accountants' Chapters Bye-Laws, 2024, whereby Clause 26.2 expressly extended the disqualification, inter alia, to a Regional Council Member and Council Member, in addition to a member of the Managing Committee or Faculty of the concerned Chapter. The revised provision further introduced a restriction where the auditor is a partner of a Managing Committee Member of that Chapter, a Regional Council Member or a Council Member. Significantly, even the enlarged provision does not expressly prescribe any disqualification in respect of a member co-opted to a Committee/Board of the Central Council.

g) Even assuming arguendo that a co-opted member, by virtue of Section 17(6) of the Cost Accountants Act, 1959, enjoys rights, including voting rights, equivalent to those of other members of the Committee, such equivalence is confined to the concerned Committee and does not confer upon the co-opted member the status of a Council Member for all purposes. In any event, the enlarged restrictions under the 2024 Bye-Laws cannot be invoked in respect of the period preceding their notification on 5th August, 2024.

h) Accordingly, the eligibility and independence of the Respondent during the period under consideration are required to be determined with reference to the Cost Accountants' Chapters Bye-Laws, 2019, which governed the relevant period. A restriction subsequently introduced or enlarged under the 2024 Bye-Laws cannot be applied retrospectively so as to create a disqualification or constitute misconduct in respect of conduct which was not expressly prohibited under the Bye-Laws applicable at the material time.

9. **Comments and Findings of the Disciplinary Directorate**

a) Upon examination of the Complaint, written statement, rejoinder and material available on record, it is observed that M/s KRJ & Associates was the Statutory Auditor of the Hyderabad Chapter and that CMA Mylavarapu Kameswara Rao, a partner of the Respondent Firm, was co-opted as a member of the Cost Auditing and Assurance Standards Board (CAASB) during August 2023. These facts are not in dispute.

b) The principal allegation of the Complainant is that, by virtue of such co-option and the rights conferred upon a co-opted member under Section 17(6) of the Cost Accountants Act, 1959, CMA Mylavarapu Kameswara Rao became part of the management of the Institute and, consequently, the Respondent Firm ceased to be independent and became disqualified from continuing as Statutory Auditor of the Hyderabad Chapter.

c) The eligibility of the Respondent Firm as auditor is required to be tested against the regulatory provisions applicable at the material time. The Cost Accountants' Chapters Bye-Laws, 2019, then applicable, defined "Managing Committee" as the governing body of the Chapter and, under Clause 26.2, prohibited the auditor from being a member of such Managing Committee. The restriction was thus specific to membership of the Managing Committee of the concerned Chapter and did not extend to a member co-opted to a Committee/Board constituted at the Central Council level.

d) The record does not establish that CMA Mylavarapu Kameswara Rao was a member of the Managing Committee of the Hyderabad Chapter. His position was that of a co-opted member of CAASB. Accordingly, his co-option did not attract the disqualification prescribed under Clause 26.2 of the Cost Accountants' Chapters Bye-Laws, 2019.

e) It is further observed that the scope of Clause 26.2 was subsequently enlarged under the Cost Accountants' Chapters Bye-Laws, 2024, by expressly extending the restriction, inter alia, to a Regional Council Member and Council Member. Significantly, even the enlarged provision does not expressly include a member merely co-opted to a Committee/Board of the Central Council. In any event, the subsequent enlargement of the restriction cannot be applied retrospectively so as to create a

Institute of Cost Accountants of India Board of Discipline disqualification or misconduct in respect of conduct governed by the earlier Bye-Laws.

f) The further allegations raised in the rejoinder regarding an allegedly unauthorised Managing Committee of the Hyderabad Chapter, quid pro quo, collusion and failure to make appropriate disclosure/qualification in the audit report are not supported by cogent material establishing any nexus between the Respondent's audit engagement and the co-option of CMA Mylavarapu Kameswara Rao to CAASB. Mere assertion, suspicion or inference, without supporting material, is insufficient to establish a prima facie case of professional or other misconduct.

g) Insofar as CMA Susarla Nagendra Kumar, the other partner of the Respondent Firm, is concerned, no specific act or omission constituting professional or other misconduct has been established against him independently in the material placed on record.

h) In view of the foregoing, the allegation that the Respondent Firm became disqualified or compromised its independence merely on account of the co-option of CMA Mylavarapu Kameswara Rao to CAASB is not established. Accordingly, no prima facie case of professional or other misconduct is made out against M/s KRJ & Associates or its partners under the Cost Accountants Act, 1959 and the Rules framed there under.

10. <u>Findings and Order of the Board of Discipline</u>

a) The Board, upon consideration of the Complaint, written statement of the Respondent, rejoinder of the Complainant, prima facie opinion of the Director (Discipline) and the material available on record, notes that the principal issue is whether the co-option of CMA Mylavarapu Kameswara Rao, partner of the Respondent Firm, to the Cost Auditing and Assurance Standards Board (CAASB) during the Council Year 2023–24 rendered the Respondent Firm ineligible to continue as Statutory Auditor of the Hyderabad Chapter or otherwise impaired its independence.

b) The Board observes that the Cost Accountants' Chapters Bye-Laws, 2019, applicable during the relevant period, prohibited an auditor of a Chapter from being a member of the Managing Committee of that Chapter. The material on record does not establish that CMA Mylavarapu Kameswara Rao was a member of the Managing Committee of the Hyderabad Chapter; rather, he was a co-opted member of CAASB. Further, the

Institute of Cost Accountants of India
Board of Discipline

rights available to a co-opted member under Section 17(6) of the Cost Accountants Act, 1959 are confined to the Committee concerned and do not, by themselves, confer upon such member the status of a Council Member or a member of the Managing Committee of the Chapter.

c) The Board further notes that no cogent material has been brought on record to establish that the aforesaid co-option resulted in participation by the Respondent in the management of the Hyderabad Chapter, impaired the independence of the Respondent Firm as its auditor, or resulted in any prohibited conflict of interest. The allegations of collusion, quid pro quo and failure to make disclosure/qualification in the audit report are also not substantiated by supporting material.

d) Insofar as CMA Susarla Nagendra Kumar, the other partner of the Respondent Firm, is concerned, no specific act or omission constituting professional or other misconduct has been established against him independently.

e) In view of the above facts, the Board upholds with the prima facie opinion of the Director (Discipline) that the allegation of disqualification or impairment of independence of the Respondent Firm on account of the co-option of CMA Mylavarapu Kameswara Rao to CAASB is not established. Accordingly, no prima facie case of professional or other misconduct is made out against M/s KRJ & Associates or its partners under the Cost Accountants Act, 1959 and the Rules framed there under.

f) Accordingly, in exercise of powers conferred under section 21A(4) of the Cost Accountants Act, 1959, read with Rule 9(3)(a) of the Cost and Works Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules, 2007, the Board hereby orders that the proceedings against M/s. KRJ & Associates (FRN/000316) be dropped, and the case stands closed.

g) The complaint is, therefore, disposed of accordingly.

A Goswami

CMA Avijit Goswami
(Member)

Shri P.K. Pujari, IAS (Retd)
(Presiding Officer)

The Institute of Cost Accountants of India
Board of Discipline

Place: New Delhi
Date: 17th September, 2026

Distribution under Rule 15(3) of the Rule

1) Director(Discipline), The Institute of Cost Accountants of India
2) Complainant, Eswara Reddy Marthala (M/47445)
3) Respondent, M/s. KRJ & Associates (FRN/000316)

The Institute of Cost Accountants of India
Board of Discipline