The Institute of Cost Accountants of India

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

Final order number: ICMAI/BOD/2026/45

Complaint number	Com/21-CA(126)/2024
In the matter of	CMA Manasi Arora (M/32367) [Complainant] Vs. CMA Davinder Singh Bhatia (M/11897) [Respondent]
Date of Hearing	As per records and order sheet
Date of order	19th August, 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 22nd December, 2023 along with the prescribed complaint fee of Rs 2950/- (inclusive of GST) from CMA Manasi Arora (hereinafter referred to as the "complainant") bearing membership number 32367, against CMA Davinder Singh Bhatia (hereinafter referred to as the "respondent") bearing membership number 11897, containing certain allegations against the respondent falling under various provisions of the Cost Accountants Act, 1959.
2. The complaint, comprising 24 pages including annexure, primarily contains allegations relating to the member conducted an audit despite being ineligible due to prior professional misconduct, lacked auditor independence because of a legal dispute with the

The Institute of Cost Accountants of India
Board of Discipline

auditee, and issued a false, misleading, and incorrect audit report due to gross negligence and failure to exercise due diligence. 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)	Manasi Arora M.No. 32367
2	Name of the member/ firm Against whom complaints is being made: (with membership Number/ registration number of the firm, if Known)	Davinder Singh Bhatia M.No. 11897
3	Latest address of the complainant for communication	513, Block A4, Savitry Heights-II, VIP Road, Zirakpur, Punjab - 140603
4	Last Available Professional address of the member or the firm against whom the complaints is made	346, Phase 3-B1, Sector 60, Mohali, Punjab - 160059
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.	Misconduct under Clause-1, 7 & 8, Part-II, Second Schedule of the CWA Act' 1959.
6	Particulars of evidence(s) adduced in support of the allegation(s) made	Details at Annexure 1 (Page Nos. 1 to 13) Supporting Documents at Annexure 2 (Page Nos 1 to 5) Annexure 3 (Page Nos 1 to 5)
7	Name(s) of person who have knowledge of the facts of the case	CMA Aman Kalra M.No. 16163

The Institute of Cost Accountants of India
Board of Discipline

3. 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(126)/2024.

4. The complaint dated 22nd December, 2023 was duly forwarded to the respondent vide letter No. G/DD/Com-CA(126)/(M-11897)/1/2/2024 dated 6th February, 2024, calling upon the Respondent to submit a written statement in terms of Rule 8(3) of The Rules, 2007 within 21 days from the date of service of the notice under reference. However, the Notice was returned undelivered by the postal authorities with endorsement "No such person name". Accordingly, the complaint dated 22nd December, 2023 was re-forwarded to the Respondent's updated professional address vide letter No. G/DD/Com-CA(126)/(M-11897)/2/02/2024 dated 16th February, 2024, calling upon the Respondent to submit a written statement in terms of Rule 8(3) of the Rules, 2007 within 21 days from the date of service of the said communication.

5. The respondent has submitted his written statement vide letter dated 2nd April, 2024 (served on 8th April, 2024) consisting of 58 nos of pages including Annexures. The same is reproduced below verbatim:

Quote

The Director Discipline,
The Institute of Cost Accountants of India,
Kolkata

Sub: Reply-Complaint no: Com/21-CA(126)/2024 - CMA Manasi Arora (M/32367) [Complainant] Vs. CMA Davinder Singh Bhatia (M/11897) [Respondent]

Sir,

1. Reference your letter no G/DD/Com-CA(126)/(M-11897)/1/2/2024 dated February 06/16, 2024 received on 23-02-2024.
2. It is stated that the aforesaid complaint filed by CMA Manasi Arora M No 32367 is frivolous, false, concocted with an attempt to shield her inefficiencies in the performance of duties while holding the charge of Chairperson of Chandigarh-Panchkula-Mohali (hereinafter referred to as CPM Chapter) from 19th June 2022 to 15th October 2023.

The Institute of Cost Accountants of India
Board of Discipline

The undersigned was appointed Auditor of the CPM Chapter to conduct the audit of accounts for the year 2022-23 by the General house in its Annual General Meeting held on 19-06-2022 at 6.00 PM at Chapter office Dev Samaj college, Sector 45, Chandigarh. The complaint filed by CMA Manasi Arora is out of her frustration against the administrative as well as financial irregularities pointed out by the undersigned in the Chapter Audit Report of the year 2022-23. In case the complainant feels the appointment is not correct, she should have approached my appointing authority i.e. General House of the CPM Chapter and not the undersigned. The undersigned had undertaken the audit job as per the laid down rules, regulations and procedure under the leadership of the complainant herself being chairperson of the CPM Chapter.

The complainant in the prescribed Form-I to the complaint has named CMA Aman Kalra M No 16163 as the person who have knowledge of the facts of the case. The person so named, presently chairman of the Chandigarh Chapter, has already written to the Director Discipline on 11-03-2024 that he is in no way linked to the case/complain and his name be deleted there from. The contents are reproduced here below:

"Dear Ms Manasi Arora
M.No. 32367,
I hope you are in high spirits and enjoying good health I am writing this email in regard to a complaint filed by you on dated 22.12.2023 against CMA Davinder Singh Bhatia M.NO.11897 with Director Discipline, The institute of Cost Accountants of India, kolkata.

In said complaint in form 1 para 7 you have mentioned my name without my information and consent. I request please give reasons for the same. As i have nothing to do with the said complaint, how can you write my name as the matter highlighted in your complaint is related to Chd-Pkl-Mohali chapter.

I therefore request you to please remove my name from there and confirm.
This is for your immediate action please.

Best regards
Aman kalra
M.NO.16163
amankalra1971@gmail.com"

Thus, the complaint against the undersigned is not maintainable.

3. However, without prejudice to above point wise reply to the issues raised by the complainant is submitted here below:

1&2) Ineligible to conduct such audit as:

(i) Already been held guilty of professional misconduct.

(ii) He is auditor not having independence being Petitioner to one of the Legal suit filed by him against the auditee.

The Institute of Cost Accountants of India
Board of Discipline

The Points raised at 1 & 2 of the complaint is nothing different but complimentary to each other. Thus, for the sake of brevity replied jointly here below:

The complainant has stated that the undersigned was held guilty of professional misconduct. The complainant has not stated the source from where she got the information at this stage, and not earlier, after a gap of 18 months from the date of my appointment as auditor (19.06.2022 -22.12.2023) and 30 months after the date of orders passed by the Board of Discipline (12.06.2021- 22.12.2023). Thus the complainant has filed the complaint with mischievous mind just to cover up her shortfalls as pointed out by the undersigned in Audit Report of her tenure and approached your office with an attempt to tarnish the image of an auditor who performed the duties with utmost care and diligence in a fair and transparent manner.

It is stated that the disciplinary case against the undersigned has already been settled on 12-06-2021 i.e. much before the appointment of the undersigned as auditor of CPM Chapter on 19-06-2022. The Disciplinary committee has at no stage held the undersigned guilty of professional misconduct. **Thus it is incorrect that the undersigned has been held guilty of professional misconduct.**

The complainant has alleged without applying her mind to the orders dated 12-06-2021 of the Disciplinary Committee quoted in her complaint. No documentary evidence in support of this part of the complaint related to guilty of professional misconduct under the CWA Act, 1959 has been produced by the complainant.

The appointment of the auditor is governed by bye law no 26(2) of the Chapter byelaws 2019 which states that:
"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".

Following the above the undersigned duly fulfils the laid down criteria as given below:
a) who shall be a cost accountant in practice: The undersigned is a full time COP holder since 06-02-2017 in the name and style Davinder Singh Bhatia and co., Registration no 001218
b) Appointed in the Annual General Meeting for the purpose: The appointment was done by the General house in the AGM of the CPM chapter held on 19-06-2022 wherein the complainant was also present.
c) The auditor should not be a member of the Managing Committee.

The undersigned at not a member of the Managing committee of CPM Chapter.
No such self-declaration or disclosures as claimed by the complainant is required under the rules and regulations of the institute for appointment of auditor.

The undersigned was appointed auditor of the chapter in its Annual General Meeting held on 19-06-2022 by the members in the presence of complainant herself along with two Central Council members and one NIRC member CMA

Rakesh Bhalla, CMA Balwinder Singh, Vice President and President of the institute and CMA Anil Sharma nominee of NIRC. Copy of the attendance sheet and minutes of the AGM attached for ready reference. Annexure-1 (page 1-4). The said disciplinary proceedings were initiated against the undersigned under the Presidentship of CMA Balwinder Singh. It is proved beyond doubt that the said appointment was done as per rules by General house along with the consent of the then present President and vice president of the institute, nominees of central council and Regional Council to Chandigarh Chapter.

Further, more the willful negligence of the complainant from the facts is also proved from her following facts on record.

The undersigned was appointed Auditor for CPM Chapter for the year 2022-23 for which the complainant CMA Manasi Arora was the chairperson. She herself forwarded the Annual accounts of the year 2022-23 along with relevant record vide her mail dated 08-08-2023 which read as

"Dear Sir,
In reference to your appointment as an Auditor for FY 2022-23. We have compiled the Annual Accounts of our chapter and this has been approved by our managing Committee on 7th Aug 2023.

We are attaching the necessary files and notes to accounts required for completing the audit. Our Assistant Coordinator will visit your office with all required records for conducting the audit. **You are requested to issue the audit certificate** along with necessary other certifications required by our Institute.
Hope you will find the same in order.

Thanks & Regards
CMA Manasi Arora
Chairperson"

Thereafter, required information in the course of audit, as available with the chapter was forwarded to the undersigned. Now, all of a sudden after more than 18 months from the date of appointment, after the financial as well as administrative irregularities are pointed out and the Report is approved and adopted by the general house in its AGM held on 15-10-2023, she has come out with her solo opinion that the appointment of auditor is incorrect.

The Institute of Cost Accountants of India
Board of Discipline

You will appreciate that the point raised by the complainant as disqualification for appointment to be auditor does not hold good. As such the allegation by the complainant is frivolous and baseless and this part of the complaint should be set aside.

3) Failing to exercise due diligence and Gross Negligence in reporting, the audit opinion and reporting False, Misleading and Incorrect.

This part of the complaint is also frivolous and concocted to save her image for the gross financial as well as administrative irregularities committed by her during her tenure as Chairperson of the CPM Chapter. The audit report dated 25-08-2023 submitted by the undersigned to the managing committee of the **chapter contained the opinion** of the undersigned strictly based upon the record and the explanations given by the complainant and other managing committee members in the course of audit.

The notice of Chapter's Annual General Meeting, including the agenda item to consider and adopt audited annual accounts of the chapter for the year 2022-23 to be held on 15-10-2023 was duly circulated by the CPM Chapter vide their No. CPCCA/2023-24/0L Dated: 02-09-2023. **All the members including the complainant had plenty of time to raise the observation, if any, against the audit report. No observation was received/raised by any of the members including the complainant and the Audit report was unanimously adopted/approved by the members present in the AGM.**

The real problem with the complainant has arisen only after the complainant was asked by the CPM Chapter on 12-10-2023 to deposit the sum of Rs 16,638 incurred by her on her visit to NCC at Lucknow.

It is reiterated that the audit opinion is strictly based upon the record produced and the information furnished in the course of audit as discussed in the following paragraphs.

(a) Issue of Audit Report on 25.08.2023 for the financial year 2022-23 based on the appointment obtained through suppression of eligibility as auditor of CPM Chapter, the appointment being void ab-initio.

This point has been repeatedly discussed in detail in the preceding paragraphs that the undersigned was appointed strictly as per the laid down rules/regulations/byelaws and procedures. Nothing is concealed. In case that was the requirement, why did the complainant remain silent for such a long period and now approached with the complaint without supporting Document/Rules of such disclosure requirement.

(b) As per para-2 to the Audit Report - Qualified opinion reported by Shri Davinder Singh Bhatia.

a) Premature Encashment of FDR:

The complainant has commented upon this part of the opinion forming part of the audit report which reads as:

"In our opinion the said premature encashment of the FDR, without requisite actual prior approval of the CHD-PKL-MHL chapter amounts to misrepresentation of facts on the part of the secretary of the chapter and without any actual requirement of funds leading to financial losses to the Institute."

It is stated that the opinion was based on the facts that the approval of the competent authority for premature encashment of FDR of Rs five lac was obtained from the Secretary ICAI by furnishing false information to the sanctioning authority that the Managing Committee of CPM chapter in its meeting held on 14-12-2021 has decided to withdraw the FDR of Rs 5 lac. Copy of the sanction request letter dated 18-12-2021 from CPM Chapter is reproduced here below:

"The Secretary
The Institute of Cost Accountants of India
Kolkata

Dear Sir,
This has reference to the subject above. It is submitted that the Chapter has earned an operating surplus of Rs.5,09,871 during the financial year 2020-21. The operating surplus was deposited as a temporary Fixed Deposit in the Bank to earn better interest earnings.

At the present juncture, the Chapter is in the need of funds for meeting its operating expenses and the Chapter is not having ready cash & bank balance.

The Managing Committee in its meeting held on 14th December, 2021 at Hotel K C Residency, Sector 35-B, Chandigarh decided to withdraw the **Fixed Deposit No. 300786617691 with Indus Ind Bank, having original deposit amount of Rs.5,00,000, deposited on 06-Nov-2020 (copy attached)** for meeting operational expenses. It was further decided to send the request to the competent authority of the Institute to allow the withdrawal of the above said Fixed Deposit.
You are requested to grant necessary approval.

Thanking you
Yours Faithfully
Lovinder
Secretary
CHD-PKL-MHL
CHAPTER
The copy of above mail and sanction of 25-01-2023 attached for ready reference. Annexure-2 (page 5-6). As per the copy of the minutes of the said meeting provided in the course of audit, no such agenda item is discussed and approved in the meeting. Copy of the Minutes of Meeting attached for ready reference. Annexure-3 (Page 7-13). Hence false information to the approving authority.

The chronological order of the events in sanction, encashment and investment of the FDR number 300786617691 would clarify the picture.

i) The case for sanction of premature encashment of FDR for 5 lac taken up with Secretary, ICAI....... 18-12-2021.

ii) Approval accorded by the Secretary ICAI... 25-01-2023,

iii) Premature encashment of FDR of Rs 5 lac.... 20-02-2023

iv) Investment in FDR Rs 3 lac... 21-02-2023

v) Current account Bank Balance on 21-02-2023......... Rs 2,37,448

31-03-2023.... Rs 2,81,334

The balance amount of the FDR realisation amount is kept in current account.

Copy of the ledger accounts of FDRs and Current account along with correspondence with Secretary, ICAI is attached at Annexure-4 (Page 14-16) and Annexure 5 (Page 17-21) for ready reference.

The above action on the part of the then Chairperson, now the complainant, resulted in financial loss to the chapter against premature encashment and keeping the amount in current account without any justification/requirement and approval of the Managing Committee of the chapter.

Hence the opinion in the audit report on the subject is strictly as per the record.

Based upon the facts the disciplinary action falls due against (i) Committee member CMA Lovinder for such misrepresentation of facts to the secretary in the course of obtaining approval and (ii) the Chairperson of the chapter for encashing the FDR premature without any actual requirement of funds leading loss to the chapter.

b) Expenditure without approval-Unauthorised expenditure.

Against the total expenditure of Rs 1,09,097 incurred on behalf of Direct Taxation Committee and Indirect Taxation committee HQ ICAI for hosting the seminar under the banner "Tax Evasion and Reforms in India", at The Confederation of Indian Industry (CII) on 26.06.2022 only a sum of Rs 94,611 is received as reimbursement. The remaining amount of Rs 14,486 is treated as Chapter expense and charged to Professional development account.

The program was sponsored by HQ, ICAI. In the course of holding the program a sum of Rs 1,09,097 was incurred by CPM chapter on behalf of HQ. After forwarding the claim of Rs 1,09,097 to HQ for reimbursement only a sum of Rs 94,611 was received. The difference amount Rs 14,486 remaining unpaid, being not in order. Annexure 6 Page 22. The amount of the bills rejected by HQ were accepted and paid by CMP Chapter from its

The Institute of Cost Accountants of India
Board of Discipline

own funds. The failure to secure full reimbursement for the incurred expenditure suggests lack of transparency and effective communication leading to an overstatement of the deficit by Rs. 14,486.

The complainant in support of her incurring the expenditure of Rs 14,486 has quoted chapter bye laws 5(2) pertaining to functions of the chapter.

The complainant has stated that **the Managing Committee of the Chapter is authorised** to incur 100% expenditure on any event permissible under the bye-laws without any re-imbursement or sponsorship.

The complainant has miserably failed to follow that **it is the Managing committee as a whole and not the chairperson alone** empowered to incur the expenditure subject to administrative and financial approval of the competent authority. In this case the Managing Committee of the chapter had nowhere approved the said event of 26-06-2022 to be held at wholly or partially expense of the chapter. Thus the opinion that "The failure to secure full reimbursement for the incurred expenditure suggests a lack of transparency and effective communication leading to an overstatement of the deficit by Rs. 14,486"

The complainant has stated that the expenditure of Rs 14,486 is approved ex-post facto by the Managing Committee in its meeting held on 15-08-2023 by passing the resolution

"The Program on Tax Evasion and Reforms in India is held at CII on 26.06.2022 with the total expenditure of Rs 109097 out of which a sum of Rs 94611 is received as reimbursement from HQ and balance of Rs 14486 are treated as expense of chapter. The committee approved the difference amount."

The above quote does not state the reason of short payment receipt and the details of the bill(s) amounting to Rs 14,486 being treated as Chapter expenses. At no stage original bills for the amount were produced in the course of audit.

Besides, the minutes of the said meeting of 15-08-2023 quoted by the complainant appears to be fake as these could not be found in the Minutes Book of the CPM Chapter in the course of inspection of record at Chapter office. Copy of the correspondence held with CPM Chapter enclosed at annexure 7 (Page 23). Thus, no authenticity of the minutes quoted by the complainant could be established and comments given thereon.

Under the circumstances explained above we have given the right opinion. The acceptance of Audit Report by the General House in its AGM held on 15-10-2023 also supports our opinion.

c) overstatement of the deficit by Rs. 35,779:
National Cost Convention 2022 was held at Lucknow in May 2022.

The Institute of Cost Accountants of India Board of Discipline

As per the communication dated 25 April 2022 from Vice President, ICAI to all the chapters category A chapter was authorised to nominate 3 members as delegates of Management Committee members out of the financial grant as admissible to the chapters. Ann-8 (page 24-25). Accordingly three managing committee members CMA Geeta Dhingra, CMA Bhawna Sharma and CMA Aman Kalra were authorised by the Managing committee And communicated to HQ ICAI vide email of 25-05-2022. Ann-9 (p -26)

A sum of Rs 35,779 was incurred on the visit but not claimed as reimbursement and treated as Professional development charges by debiting the account on 7-06-2022 (Copy of the ledger account attached). Ann-10 (P-27). The claim was not raised till the annual accounts were handed over for audit. It amounted to an overstatement of the deficit by Rs. 35,779.

It was only after the audit that the claim was sent by the new managing committee to Finance department of HQ on 22-12-2023 for reimbursement (Ann-11.. P-28) and the admissible reimbursement amount received.

Thus, based upon the record produced in the course of Audit the following opinion was given in the Audit Report:
In the Audit report I was of the opinion that

"An expenditure of Rs. 35,779 was incurred to cover traveling and boarding charges for three committee members of the institute authorised by the Managing Committee of the Chandigarh-Panchkula-Mohali Chapter of cost accountants attending the National Cost Convention meet at Lucknow. This expenditure was allocated under the head of Professional Development expenses and consequently charged to the Chapter's profit and loss account."

"This expenditure was eligible for full reimbursement from the Head office being duly approved by the managing committee of CHD-PKL-MHL chapter and within the upper financial limit eligible for reimbursement of these three members. The expenditure was not claimed as reimbursement and treated as Professional development charges, leading to an overstatement of the deficit by Rs. 35,779."

The above referred was my opinion. In case it was not correct, the complainant or other members could raise the issue and recorded in the proceedings of the Annual General Meeting. But nothing so happened. Thus, this part of the complaint needs to be set aside.

(c) Misuse of Position.

The above referred opinion is based on the following information provided to me in the course of audit:

Institute of Cost Accountants of India Board of Discipline

The Managing Committee in its meeting held on 22-05-2022 nominated three members viz: CMA Geeta Dhingra, CMA Aman Kalra, CMA Bhavna Sharma to attend the NNC to be held in May 2022 at Lucknow. It did not include the name of CMA Manasi Arora. Email dated 25-05-2022 at appendix- 9 (P-26) refers.

CMA Manasi Arora got her Air tickets booked through ICAI Delhi office for which a sum of Rs 16638 was incurred by Delhi office. How she got the said booking done at her own is best known to her.

Chandigarh chapter raised the voucher of Rs 16.638 crediting HQ ICAI and debiting the amount to professional Development expenses in its books of accounts on **07-06-2022** without any supporting documents/bills. Copy of the account placed as Ann-10 (Page 27) refers.

Finance department raised debit voucher to Chandigarh Chapter for Rs 16638. Email dated 29-03-2023 from finance.delhi.jd1 attached herewith referss. Anne-12 (page 29-38)

Based upon the record produced in the course of audit, it was observed that the program, for other than three managing committee members nominated by the chapters was delegate Fee paid program.

Thus, based upon the record produced in the course of Audit the following opinion was given in the Audit Report:
In the Audit report I was of the opinion that

"Another expenditure of Rs. 16,638 has been charged to the Professional Development expenses under the pretext of the NCC meet in Lucknow, attended by CMA Manasi Arora."

"In this case both the essentials financial and administrative approvals from the competent authority are not produced in the course of audit. As per the record available only three persons as authorised by the Head Quarter ICAI vide email communication dated 25-04-2022 to attend the program on institute expense were sponsored to the Head Quarter which did not include the name of Manasi Arora."

"In the course of audit it is revealed that a sum of Rs 16,638 is charged to professional Expense by crediting the amount to Head Quarter ICAI without any supporting documents on record. On inquiring the authenticity of expenditure, it is revealed that expenditure pertains to Manasi Arora for her unauthorised attending the NCC Meet at Lucknow and HQ ICAI having met the expenditure at the initial stage is now charged to CHD-PKL-MHL chapter."

The above referred was my opinion. In case it was not acceptable by the complainant or other members they were at liberty to raise their observation and

The Institute of Cost Accountants of India
Board of Discipline

recorded in the proceedings of the Annual General Meeting. But nothing so happened. Thus, this part of the complaint being frivolous needs to be set aside.

The complainant had stated that the debit note raised by the HQ was considered in the Managing Committee held on 15-08-2023 and the decision taken therein confirmed in the managing committee meeting held on 29-08-2023. While analysing her submission, the agenda as well as minutes of the said meeting(s) 15-08-2023 and 29-08-2023 appears to be fake as these are not available in the Minutes Book of the CPM Chapter. Copy of the correspondence held with CPM Chapter enclosed. Ann-7 (p23) and App-13 (P-39) refers. Thus, no authenticity of the minutes quoted by the complainant and comments given thereon can be established.

On the other hand the Managing Committee in its meeting held on 17th September 2023 decided to recover Rs 16638 from her. Appendix- 14 (P 40-42). It is to be noted that the decision to recover the amount is taken by the Managing Committee when the complainant herself was the chairperson of the CPM Chapter. It was followed by another reminder of 11-03-2024 by the Chairman of Chandigarh Chapter. The copy of the demand letter dated 12-10-2023 and reminder of 11-03-2024 is attached as App-15 (P 43-44) for ready reference. Thus the submission by the complainant does not hold good that the Managing Committee had regularised the expenditure of Rs 16,638.

Later on, it also came to notice that none of the debit vouchers raised by the Finance department, account books of the Chapter proves that she was a chapter sponsored delegate. To the contrary it proves that either she did not attend the NCC-2022 program or attended it without paying the delegate fee, which is not a legitimate act on the part of any of the members. Either of the act is least expected from a person of her status. It also needs to be proved making her liable for recovery of delegate fee to the institute or cancellation of CEP hours granted and suitable disciplinary action against her, as deemed fit.

Prayer:

1. **The submissions made above proves that I have exercised due deligence in the performance of my duties in the course of audit of chapter accounts and the opinion is given only on the basis of information provided by the chapter. There was nothing on record of the chapter to negate the expression of opinion. None of the acts done in the course of audit of accounts of the chapter fall in the ambit of Clause 7 and 8 of Part 1 of the Second Schedule to the CWA Act 1959. The complaint filed by CMA Mansi Arora against me be Summarily rejected and filled.**
2. CMA Manasi Arora, the complainant, during her tenure had miserably failed in the performance of her duties by doing the acts such as premature encashment of FDR, non-claiming of chapter entitlements for the three members' attendance to NCC-2022, incurring expenditure on her own without approval from any of the competent

The Institute of Cost Accountants of India
Board of Discipline

authority, producing minutes of the meeting(s) which are not available on record and concealing the decision of the managing committee holding her responsible for recovery of unauthorised amount Rs. 16638 spent by her, challenging the action of AGM in appointing the auditor, non-submission of rightful claims for reimbursement etc.

Thus, suitable disciplinary action should be initiated against the defaulters.

3. The complainant CMA Manasi Arora be **penalised to pay compensation amount of Rs. One lac to the undersigned** for filing frivolous complaint causing mental agony, mental torture and mental stress to the undersigned.
4. Any other relief as deemed fit.

Thanking you,
CMA Davinder Singh Bhatia
Membership no 11897

Unquote

6. The written statement dated 2nd April, 2024 submitted by the Respondent was forwarded to the Complainant vide letter No. G/DD/Com-CA(126)/(M-32367)/2/04/2024 dated 15th April, 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 29th April, 2024 forwarded his 14 pages rejoinder which is reproduced below in verbatim:

Quote

The undersigned had filed Complaint No. Com/21-CA(126)/2024 against Shri. Davinder Singh Bhatia, Membership No.11897 (Respondent).

The Complaint was filed as the Respondent's following actions falls within the ambit of professional misconduct under the Act:

1. Being ineligible to conduct such audit as: he has already been held guilty of professional misconduct.
2. Being ineligible to conduct such audit as: he is auditor <u>not</u> having independence being Petitioner to one of the Legal suit filed by him against the auditee.
3. Failing to exercise due diligence and Gross Negligence in reporting, the audit opinion and reporting being False, Misleading and Incorrect.

Our observations on the written statement received from the Respondent are as under:

1. <u>**Being ineligible to conduct such audit as: he has already been held guilty of professional misconduct.**</u>

&

2. <u>**Being ineligible to conduct such audit as: he is auditor not having independence being Petitioner to one of the Legal suit filed by him against the auditee.**</u>

(a) The written statement by the Respondent is a common reply to both S.No. 1 & 2 together. In the written statement Page No.3, para second, the Respondent has stated as under:
"It is stated that the Disciplinary case against the undersigned has already been settled on 12-06-2021 i.e. much before the appointment of undersigned as auditor of CPM Chapter on 19-06-2022. The Disciplinary Committee at no stage has held the undersigned guilty of professional misconduct. Thus, it is incorrect that the undersigned has been guilty of professional misconduct."

Rejoinder to written statement by undersigned:
The written statement by the Respondent is nothing but falsification before the Disciplinary Directorate / Board of Discipline which has already held him guilty of professional misconduct in the case in question.**The Respondent needs to be further prosecuted for perjury in view of false statement before the Disciplinary Directorate / Board of Discipline.**

(b) The written statement by the Respondent is a common reply to both S.No. 1 & 2 together. In the written statement Page No.4, para one, the Respondent has stated as under:
"It is proved beyond doubt that the said appointment was done as per rules by General house along with the consent of the then present President and vice president of the Institute, nominees of central council and Regional Council to Chandigarh Chapter"

Rejoinder to written statement by undersigned:
The written statement by the Respondent is nothing but falsification before the Disciplinary Directorate / Board of Discipline. The Respondent has falsely stated that the appointment was made with the approval of the then President / Vice-President / Nominees of Council Member / Nominee of Regional Council. Neither these authorities are authorized by the Council to give consent or approval to said appointment nor any such approval was obtained by the CPM Chapter and further that the Respondent has failed to establish his statement by way of any evidence depicting approval by the said authorities. As such, the undersigned re-iterates that the Respondent was **ineligible to conduct such audit as: he has already been held guilty of professional misconduct and also ineligible to conduct such audit as: he is auditor not having independence being Petitioner to one of the Legal suit filed by him against the auditee.**

The Respondent needs to be further prosecuted for perjury in view of false statement before the Disciplinary Directorate / Board of Discipline.

(c) On the matter **that "Being ineligible to conduct such audit as: he is auditor not having independence being Petitioner to one of the Legal suit filed by him against the auditee."**, the respondent has failed to submit any independent written statement, as

The Institute of Cost Accountants of India
Board of Discipline

such, the undersigned is unable to offer any comments. The undersigned reiterates that the Respondent is guilty of Professional misconduct being ineligible to conduct audit of CPM Chapter as he was auditor not having independence being Petitioner to one of the Legal suit filed by him against the auditee.

3. Failing to exercise due diligence and Gross Negligence in reporting, the audit opinion and reporting being False, Misleading and Incorrect.

3(a) Issue of Audit Report on 25.08.2023 for the financial year 2022-23 based on the appointment obtained through suppression of eligibility as auditor of CPM Chapter, the appointment being void ab-initio.

The Respondent has failed to submit any independent written statement for this para, as such, the undersigned has no further comments to offer but to re-iterate that the Respondent has Issued Audit Report on 25.08.2023 for the financial year 2022-23 based on the appointment obtained through suppression of eligibility as auditor of CPM Chapter, the appointment being void ab-initio, as such is guilty of Clause 7 and Clause 8 of Part 1 of the Second Schedule to the CWA Act 1959.

3(b) As per para-2 to the Audit Report - Basis of Qualified opinion, it is reported by Shri Davinder Singh Bhatia, as auditor the following:

(a) Premature encashment of FDR:

"As per the record produced and the explanations given Fixed Deposit Receipt (FDR) number 300786617691 intended to mature on 09-11-2023, was inexplicably encashed prematurely on 20-02-2023 by misrepresenting the facts to the sanctioning authority i.e., Secretary ICAI Kolkata by Sh Lovinder, Secretary, CHD-PKL-MHL chapter vide email of 18-12-2021"

Rejoinder to written statement by undersigned:

In the written statement on Page No.6, the Respondent has himself reproduced the approval by the Headquarter for encashment of Fixed Deposits as well as other related details. The said details in itself proves that the statement made in the Audit Report by the Respondent is false. And as such, the Respondent is guilty of Clause 7 and Clause 8 of Part 1 of the Second Schedule to the CWA Act 1959.

It is re-iterated that the Auditor to audit the financial statement is appointed to vouch the transactions of the auditee and whether the transactions are duly approved by the approving authority or not.

In the above case, the auditor himself agrees that the transaction is duly approved by the Secretary ICAI who is the approving authority. The auditor in case of financial audit is not appointed to question the procedure of obtaining internal approvals and further questioning the integrity of the elected members and the officials

The Institute of Cost Accountants of India
Board of Discipline

of the Institute and is beyond jurisdiction. Referring the name of only one of the individual elected member of the CPM Chapter further shows that auditor is not in an independent frame of mind rather gives a suspicion of connivance with certain other persons to bring disrepute to the Committee of CPM Chapter and further that the financial statements were approved by the Managing Committee and not an Individual and further that the transactions were approved by the committee and not an individual.

It is further reported by Shri Davinder Singh Bhatia, Membership No. 11897 as auditor the following:
"In our opinion the said premature encashment of the FDR, without requisite actual prior approval of the CHD-PKL-MHL chapter amounts to misrepresentation of facts on the part of the secretary of the chapter and without any actual requirement of funds leading to financial losses to the Institute."

The reporting by the Auditor is contradictory and beyond jurisdiction, on the one hand he has admitted that there is approval of Secretary, ICAI, the approving authority. On the other hand, he has concluded that the said transaction is without requisite actual prior approval.

In view of the above, the Respondent is guilty of professional misconduct, as he has failed to exercise due diligence and is grossly negligent in the conduct of his professional duties and expression of opinion as auditor under Clause 7 and Clause 8 of Part 1 of the Second Schedule to the CWA Act 1959.

(b) Expenditure without approval - Unauthorised expenditure:
"Against the total expenditure of Rs 1,09,097 incurred on behalf of HQ ICAI for hosting the seminar under the banner "Tax Evasion and Reforms in India.'! at The Confederation of Indian Industry (CII) on 26.06.2022 only a sum of Rs 94,611 is received as reimbursement. The remaining amount of Rs 14,486, instead of pursuing with HQ for recovery is treated as Chapter expense and charged to Professional development account. Besides, it includes an expenditure of Rs 12,000 incurred on hiring of Media agency (Rs 6,000) and distribution of Gifts (Rs 6000) to Press, which in our opinion is not a fit charge to the Institute expenses."

"The failure to secure full reimbursement for the incurred expenditure suggests a lack of transparency and effective communication leading to an overstatement of the deficit by Rs. 14,486"

Written Statement by Respondent
In the written statement on Page No.8 and 9, the Respondent has himself stated:
"That **it is the Managing Committee as a whole and not the Chairperson alone** empowered to incur the expenditure subject to administrative and financial approval of

Board of Discipline

the competent authority. In this case the Managing Committee of the Chapter had nowhere approved the event of 26-06-2022 to be held at wholly or partially expense of the Chapter."

Rejoinder to written statement by undersigned:
It is pertinent to mention that Auditor to audit the financial statement is appointed to vouch the transactions of the auditee and whether the transaction is duly approved by the approving authority or not. The auditor in case of financial audit is not appointed to question the decision of the Managing Committee to incur a particular expense or not. The Managing Committee has duly approved and incurred expenditure on organising Media Meet as per powers conferred to them by the bye laws and the practices of such type of organising Media Meets by the auditee as well as its parent Institute. As such, the comment of the auditor on expenditure related to Media is beyond jurisdiction.

Further, attention is drawn to the minutes of the meeting the Managing Committee of Chandigarh- Panchkula-Mohali Chapter, ICMAI, held on 15th Aug, 2023 (Tuesday) at 12:30 PM, which state as under :

The Chairperson shared the observations raised by the Auditor (received through E-mail) in the committee meeting and point-wise point detailed discussion was done in the meeting and appropriate replies to all points are prepared separately.
"Auditor raised few observations related to some approvals which were missing in the statement of previous managing committee meeting. It is unanimously decided to adopt and approval all the observed approvals by the auditor in the present meeting with retrospective date."
"The Program on Tax Evasion and Reforms in India is held at CII on 26.06.2022 with the total expenditure of Rs 109097 out of which a sum of Rs 94611 is received as reimbursement from HQ and balance of Rs 14486 are treated as expense of chapter. The committee approved the difference amount."

Further, attention is drawn to the minutes of the meeting the Managing Committee of Chandigarh- Panchkula-Mohali Chapter, ICMAI, held on 29th Aug, 2023 (Tuesday) at 8:00 PM, which state as under:
Agenda Item 1

To finalise, consider and approve the minutes of meeting of Previous Managing Committee Meeting held on 15.08.2023 though online mode
Approval of Minutes

There were no observations from any of the members of the circulated minutes of meeting held on 15th August, 2023 and all the members present in the meeting gave their assent and the minutes of the said meeting were unanimously approved.

The Institute of Cost Accountants of India
Board of Discipline

Written Statement by Respondent

In Page No.9 of the written statement by the Respondent, he has now stated that the minutes dated 15.08.2023 appears to be fake as these could not be

Rejoinder to written statement by undersigned:

The statement by the Respondent is false with ulterior motives to defame the undersigned. The copy of minutes is also part as Annexure 2 of the Complaint filed with Disciplinary Directorate. The Director Discipline may launch further enquiries against the Respondent and the officials of the CPM Chapter who are hand and glove with the respondent. The undersigned further reserves the right to launch civil and criminal prosecutions against the present Managing Committee, Respondent and other officials of the Institute involved in acts of civil and criminal violations in damaging the records of the CPM Chapter. **Needless to say, all records are also available in electronic mode with all the members of the managing committee**.

The written statement of the Respondent is contradictory to the approval given by the managing Committee in its meeting held on 15^{\text{th}} August, 2023 to discuss the auditors proposed comments. Despite, having been shared with the management comment, i.e., Managing Committee of CPM Chapter, the Auditor has falsely reported in the Audit Report to malign the image of the office bearers, Managing committee, CPM Chapter and the Institute.

The undersigned reiterates that the Respondent is guilty of professional misconduct, as he has failed to exercise due diligence and is grossly negligent in the conduct of his professional duties and expression of opinion as auditor under Clause 7 and Clause 8 of Part 1 of the Second Schedule to the CWA Act 1959.

The Respondent needs to be further prosecuted for perjury in view of false statement before the Disciplinary Directorate / Board of Discipline.

(c) Overstatement of the Deficit by Rs.35779:

(a) "An expenditure of Rs. 35,779 was incurred to cover traveling and boarding charges for three committee members of the institute authorised by the Managing Committee of the Chandigarh-Panchkula-Mohali Chapter of cost accountants attending the National Cost Convention meet at Lucknow. This expenditure was allocated under the head of Professional Development expenses and consequently charged to the Chapter's profit and loss account."

"This expenditure was eligible for full reimbursement from the Head office being duly approved by the managing committee of CHD-PKL-MHL chapter and within the upper financial limit eligible for reimbursement of these three members. The expenditure was

The Institute of Cost Accountants of India
Board of Discipline

not claimed as reimbursement and treated as Professional development charges, leading to an overstatement of the deficit by Rs. 35,779."

IN THE WRITTEN STATEMENT ON PAGE NO.10 AND 11, THE RESPONDENT HAS TAKEN A U-TURN ON HIS COMMENTS HAS NOW STATED THAT SUCH EXPENDITURE IS CORRECT.
THIS IN ITSELF PROVES THAT THE RESPONDENT (AUDITOR OF CPM CHAPTER) IS NOT OF REASONABLE OR SOUND MIND REQUIRED TO ACT AS AUDITOR.

The amount of Rs.35779 was reimbursed to certain Managing Committee members of CPM Chapter. However, the same has not been reimbursed from HQ and in the opinion of the respondent (auditor) the similar amounts were required reimbursement from HQ. In the opinion of the undersigned, the same amount is not fully reimbursable from HQ and as such requires recovery from concerned Managing Committee Members. Taking a U TURN by the auditor to AVOID RECOVERY FROM CERTAIN MEMBERS OF MANAGING COMMITTEE gives suspicion of illegal acts or illegal gratification by the officials of the Institute, Chapter including elected members, which needs to be investigated.

Further, the reporting by respondent as auditor is contradictory to the approval given by the managing Committee in its meeting held on 15th August, 2023 to discuss the auditors proposed comments. Despite, having been shared with the management comment, i.e., Managing Committee of CPM Chapter, the Auditor has falsely reported in the Audit Report to malign the image of the office bearers, Managing committee, CPM Chapter and the Institute.

The reporting by the Respondent is contradictory and as such the Respondent is guilty of Clause 7 and Clause 8 of Part 1 of the Second Schedule to the CWA Act 1959

(b) Misuse of Position
"Another expenditure of Rs. 16,638 has been charged to the Professional Development expenses under the pretext of the NCC meet in Lucknow, attended by CMA Manasi Arora."
"In this case both the essential financial and administrative approvals from the competent authority are not produced in the course of audit. As per the record available only three persons as authorised by the Head Quarter ICAI vide email communication dated 25-04-2022 to attend the program on institute expense were sponsored to the Head Quarter which did not include the name of Manasi Arora."

The Institute of Cost Accountants of India
Board of Discipline

"In the course of audit it is revealed that a sum of Rs 16,638 is charged to professional Expenses by crediting the amount to Head quarter ICAI without any supporting documents on record. On inquiring the authenticity of expenditure, it is revealed that expenditure pertains to Manasi Arora for her unauthorised attending the NCC Meet at Lucknow and HQ ICAI having met the expenditure at the initial stage is now charged to CHD-PKL-MHL chapter."

"This act on the part of Manasi Arora for attending the NCC meet in her personal capacity and putting the expenditure to the chapter without valid authorisation has led to a consequential overstatement of loss by Rs. 16,638. This expenditure is out of the norms and is recoverable from the person incurring unauthorised expenditure."

Written Statement by Respondent

The Respondent in his written statement on Page No. 11 states that:

"The above referred was my opinion. In case it was not acceptable by the complainant or other members, they were at liberty to raise their observation and recorded in the proceedings of the Annual General Meeting. But nothing so happened. Thus, this part of the complaint being frivolous needs to be set aside."

Further on Page No.12, the Respondent states that he is not aware whether the event NCC-2022 was attended by the Complainant or not.

Rejoinder to written statement by undersigned:

IN THE WRITTEN STATEMENT ON PAGE NO.11, THE RESPONDENT HAS TAKEN A U-TURN ON HIS COMMENTS. FURTHER THE CURRENT STATEMENT BY RESPONDENT IS ALSO INCORRECT IN VIEW OF THE FACT THAT SUCH EXPENDITURE DOES NOT FALL WITHIN THE PREVIEW OF ANNUAL GENERAL MEETING.

The statement by the Respondent that he is not aware whether the event NCC-2022 was attended by the Complainant or not further strengthens the contention of the undersigned that the Auditor is not competent, as though not being sure of attending or not the event by undersigned, he has offered comments by name against the Chairperson in the Audit Report and asking for recovery, without being aware of the facts.

The Respondent has further failed to audit the records diligently, as THE UNDERSIGNED HAS NOT CLAIMED ANY EXPENSE IN RESPECT OF THE EVENT IN QUESTION NCC-2022. Thus, asking for reimbursement is unjustified.

The Institute of Cost Accountants of India
Board of Discipline

This is further contradictory to Para 3(a) wherein recovery of Rs.35779 was required from the Managing Committee members (namely, CMA Aman Kalra, CMA Geeta Dhingra and CMA Bhawna Sharma) who had claimed that amount in Cash from Chapter funds. And, as auditor taking U TURN in that recovery is suspicious action on the part of respondent (auditor). Moreover, not reflecting their names in the Audit Report strengthens the suspicion of malafide actions and malafide intent.

THIS IN ITSELF PROVES THAT THE RESPONDENT (AUDITOR OF CPM CHAPTER) IS NOT OF REASONABLE OR SOUND MIND REQUIRED TO ACT AS AUDITOR.

The reporting is contradictory to the approval given by the managing Committee in its meeting held on 15th August, 2023 to discuss the auditors proposed comments. Despite, having been shared with the management comment, i.e., Managing Committee of CPM Chapter, the Auditor has falsely reported in the Audit Report to malign the image of the office bearers, Managing committee, CPM Chapter and the Institute.

The reporting by the Respondent is contradictory and as such the Respondent is guilty of Clause 7 and Clause 8 of Part 1 of the Second Schedule to the CWA Act 1959

Attention is drawn to the minutes of the meeting the Managing Committee of Chandigarh- Panchkula-Mohali Chapter, ICMAI, held on 15th Aug, 2023 (Tuesday) at 12:30 PM, which state as under :

The Chairperson shared the observations raised by the Auditor (received through E-mail) in the committee meeting and point-wise point detailed discussion was done in the meeting and appropriate replies to all points are prepared separately.
"The expenditure of Rs 35779 and Rs. 16638 is incurred under the head Professional Development expenses to CMA Aman Kalra, CMA Geeta Dhingra, CMA Bhawna Sharma, CMA Manasi Arora for attending NCC meet at Lucknow. The auditor suggested that same expenses need to transferred to HQ as the reimbursement of the same already send to HQ, so it cannot be considered as expenses of chapter. Thus, the committee decided to transfer the above-mentioned entry to HQ account in current FY 2023-24."

"And also, committee approved that, the difference amount of claims send to HQ and approval amount will be bear by the chapter."

"Auditor raised few observations related to some approvals which were missing in the statement of previous managing committee meeting. It is unanimously decided to adopt and approval all the observed approvals by the auditor in the present meeting with retrospective date."

Further, attention is drawn to the minutes of the meeting the Managing Committee of Chandigarh- Panchkula-Mohali Chapter, ICMAI, held on 29th Aug, 2023 (Tuesday) at 8:00 PM, which state as under :
Agenda Item 1
To finalise, consider and approve the minutes of meeting of Previous Managing Committee Meeting held on 15.08.2023 though online mode
Approval of Minutes

There were no observations from any of the members of the circulated minutes of meeting held on 15th August, 2023 and all the members present in the meeting gave their assent and the minutes of the said meeting were unanimously approved.

<u>Comments of undersigned on Other Matters of the Complaint:</u>
With reference to the reporting of an individual name in auditor opinion, It is pertinent to mention that the affairs of the any Chapter of the Institute of Cost Accountants of India are managed by the Managing Committee of the respective chapters in accordance with Chapter Bye-Laws issued by the Institute. No individual Committee Member has any independent standing in Chapter matters.
The reporting by the Auditor herein is based on personal vendetta against the certain members of the CPM Chapter as well as the officials of the Institute - the Institute which had held him guilty of professional misconduct. Reference to the individual name of the one of the members of CPM Chapter as well as comment is beyond jurisdiction of the auditor.

It is pertinent to mention that Auditor to audit the financial statement is appointed to vouch the transactions of the auditee and whether the transaction is duly approved by the approving authority or not.

That depicting personal name of one of the office bearer in the Audit Report in itself is against accounting principles. Various formats notified under Companies Act, Banking Act, Various other Statues, Formats for Educational Institutions & others approved in the Guidance Notes require reporting depicting **Accounting matters only and not personal names.**

Thus, the above is a clear case of violations of accounting standards, accounting principles and practices, and as established above, the reporting is with malafide intent.

<u>The Respondent has failed to offer any comment in the written statement in respect of matters referred in above paragraphs.</u>

The Institute of Cost Accountants of India
Board of Discipline

In view of the above, the Respondent is guilty of professional misconduct, as he has failed to exercise due diligence and is grossly negligent in the conduct of his professional duties and expression of opinion as auditor under Clause 7 and Clause 8 of Part 1 of the Second Schedule to the CWA Act 1959.

Unquote

7. **<u>Investigation and Analysis</u>**

(a) A notice dated 1st July, 2024 issued under Rule 8(5) to CMA Manasi Arora, raising six queries by the Disciplinary Directorate and requiring submission of a response within a period of seven days. In compliance thereof, CMA Manasi Arora, vide letter dated 11th July, 2024 submitted her reply to the said notice. The queries raised and the responses thereto are reproduced hereunder:

S. No.	Query	Response
1	As per the Cost Accountant's Chapters Bye-laws, 2013, as amended form time to time, who can audit the accounts of the Chapters?	As per Clause 26(2) (Accounts and Audit) of Cost Accountants Chapters Bye-Laws 2019- 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.
2	How is such an auditor to audit the accounts of the Chapters elected?	As per Clause 18 (General Meetings) of Cost Accountants Chapters Bye-Laws 2019, an auditor is to be appointed in the Annual General Meeting.
3	What are the disqualifications, if any for being appointed as an auditor of Chapters?	
	- As per Clause 26(2) (Accounts and Audit) of Cost Accountants Chapter Bye-Laws 2019- The auditor should not be a member of the Managing Committee. **<u>For additional disqualifications, references have to be drawn to the ICWA Act &</u>**	

The Institute of Cost Accountants of India Board of Discipline

S. No.	Query	Response

Regulations, Notifications of the Institute, Auditor appointments for Cost Audit, Companies Act and other relevant provisions

- Reference is drawn to the Section 9(4) of the ICWA Act, 1959 which provides that - No person who has been auditor of the Institute shall be eligible for election to the Council under clause (a) of sub-section (2) for a period of three years after he ceases to be an auditor..

The intent of the legislature is clear that there has to be independence between Management Auditee and the Auditor. In the Instant case. CMA Davinder Singh who was the Chairman of the Auditee (CPM Chapter) during the year 2019-20 and Elected (subsequently removed) Managing Committee Member (2019-23) and was in litigation with the Institute a- Auditee in Civil Writ Petition No. 4895-2020 in Punjab & Haryana High Court was not independent as Auditor for FY 2022-23.

- Reference is also drawn to the Clause 19(2), Proviso (b) of Cost Accountants Chapters Bye-Laws 2019 which provides that - He has been auditor of the Institute in what so ever capacity during the last three years.

The intent of the legislature is clear that there **has to be independence between Management/Auditee** and **the Auditor.** In **the Instant case, CMA Davinder Singh who was the Chairman of the Auditee (CPM Chapter) during the year 2019-20** and **Elected (subsequently removed) Managing Committee Member (2019-23)** and was in **litigation with the Institute a- Auditee in Civil Writ Petition No. 4895-2020** in Punjab and **Harvana High Court was not independent as Auditor for FY 2022-23.**

- Reference is also drawn to the Notification No. GI 180(1)112169 dated 10.12.1969. issued by the Institute of Cost Accountants of India stating as under

  In exercise of the powers conferred by clause (2) of Part II of the Second Schedule to the Cost and Works Accountants Act, 1959, the Council of the Institute of Cost

The Institute of Cost Accountants of India Board of Discipline

S. No.	Query	Response

and Works Accountants of India specifies that a member of the Institute shall be deemed to be guilty of professional misconduct if he accepts appointment as cost auditor of a company, while he:-

(a) is an officer or employee of the company; or

(b) is a partner, or is in the employment, of an officer, or employee of the company or of the company's auditor appointed under Section 224 of the Companies Act, 1956 ; or

(c) is indebted to the company for an amount exceeding one thousand rupees, or has given any guarantee or provided any security in connection with the indebtedness of any third person to the company for an amount exceeding one thousand rupees ; or

(d) is a director or member of a private company, or is a partner of a firm, which is the managing agent or the secretaries and treasurers of the company; or

(e) is a director, or the holder of shares exceeding five per cent in nominal value of the subscribed capital, of any body corporate which is the managing agent or the secretaries and treasurers of the company.

(f) is an employee of any of the partners of a firm of Chartered Accountants who is are auditor(s) of the company appointed under Section 224 of the Companies Act, 1956.

The intent of the legislature is clear that there has to be independence between Management Auditee and the Auditor. In the Instant case, CMA Davinder Singh who was the Chairman of the Auditee (CPM Chapter) during the year 2019-20 and Elected (subsequently removed) Managing Committee Member (2019-23) and was in litigation with the Institute ft Auditee in Civil Writ Petition No. 4895-2020 in Punjab & Haryana High Court was not independent as Auditor for FY 2022-23.

The Institute of Cost Accountants of India Board of Discip

S. No.	Query	Response

-Reference is also drawn to the Companies Act. 2013. appointment of auditors. Section 141(3) and Rule 10 of Companies (Audit and Auditors) Rules. 2014]: The following persons shall not be eligible for appointment as an auditor of a company, namely:

(a) "a body corporate other than a limited liability partnership (LLP) registered under the Limited Liability Partnership Act. 2008";

(b) an officer or employee of the company:

Explanation

As per Section 2(59). 'Officer' includes

- Any director;
- Manager;
- Key managerial personnel (KMP); or
- Any person in accordance with whose directions or instructions the BOD or any one or more of the directors is or are accustomed to act.

As per Section 2(51). 'Key Managerial Personnel'. in relation to a company, means:

- the chief executive officer (CEO) or the managing director or the manager;
- the company secretary;
- the whole-time director;
- the chief financial officer (CFO); and
- such other officer as may be prescribed. Like Chief Operating Officer (COO), etc.

(c) a person who is a partner, or who is in the employment (employee), of an officer or employee of the company;

(d) a person who, or his relative or partner

(i) is holding any security of or interest in the company or its subsidiary, or of its holding or associate company or a subsidiary of such holding

The Institute of Cost Accountants of India Board of Discipline

S. No.	Query	Response

company; Provided that the relative may hold security or interest in the company of face value not exceeding one thousand rupees or such sum as may be prescribed;

(ii) is indebted to the company, or its subsidiary, or its holding or associate company or a subsidiary of such holding company, in excess of such amount as may be prescribed; or

(iii) has given a guarantee or provided any security in connection with the indebtedness of any third person to the company, or its subsidiary, or its holding or associate company or a subsidiary of such holding company, for such amount as may be prescribed;

(e) a person or a firm who, whether directly or indirectly, has business relationship with the company, or its subsidiary, or its holding or associate company or subsidiary of such holding company or associate company of such nature as may be prescribed;

(f) a person whose relative is a director or is in the employment of the company as a director or key managerial personnel;

(g) a person who is in full time employment elsewhere or a person or a partner of a firm holding appointment as its auditor, if such persons or partner is at the date of such appointment or reappointment holding appointment as auditor of more than twenty companies;

(h) A person who has been convicted by a court of an offence involving fraud and a period of ten years has not elapsed from the date of such conviction.

(i) any person whose subsidiary or associate company or any other form of entity, is engaged as on the date of appointment in consulting and specialised services as provided in section 144.

The intent of the legislature is clear that there has to be independence between

The Institute of Cost Accountants of India
Board of Discipline

S. No.	Query	Response

Management/Auditee and the Auditor. In the Instant case, CMA Davinder Singh who was the Chairman of the Auditee (CPM Chapter) during the year 2019-20 and Elected (subsequently removed) Managing Committee Member (2019-23) and was in litigation with the Institute & Auditee in Civil Writ Petition No. 4895-2020 in Punjab li: Haryana High Court was not independent as Auditor for FY 2022-23.

Facts related to Respondent with regard to his clash of interest in view of above legal references:

Clause 10 of the Chapter Bye-Laws provides as under :

"Provided further that no Member after becoming the Chairman of 'A' category Chapter, Council Member or Regional Council Member (past or present what so ever the case may be) shall be entitled to contest the Managing Committee election."

However, Shri. Davinder Singh Bhatia, Membership No.11897, against the rules, in connivance with CMA Lok Nath Aggarwal, the Outgoing Chairman (2018-19) and Election officer of the CPM Chapter, contested the elections to the Managing Committee for the period 2019-23 in an illegal manner, and the said Managing Committee elections were set aside by the Institute of Cost Accountants of India, the parent body of the auditee. Further, the said auditor Shri. Davinder Singh Bhatia, Membership No.11897 and CMA Lok Nath Aggarwal, the Outgoing Chairman (2018-19) were held guilty, in addition to the Election officer in the proceedings initiated by the Disciplinary Directorate of the Institute.

The Board of Discipline in its Order Ref. No. Inf /21-CA(72)/2020 dated 12.06.2021 decided as under:

"After considering the facts and circumstances of the information and the responses received from the respondent and the supporting documents, **we are of the considered view that the act of respondent was unbecoming of the**

The Institute of Cost Accountants of India Board of Discipline

S. No.	Query	Response

member and thereby tarnished the image of the profession thereby bringing disrepute to the profession as a result of his actions notwithstanding that it was not related to his professional work and therefore Shri Davinder Singh Bhatia, respondent is guilty of contravention of Clause 2 of Part IV of the First Schedule of the CWA Act, 1959 and pass the following Order under Sub Section 3 of Section 21A of the CWA Act, 1959: (a) Reprimand the member, (b) Impose a fine of Rs.1000 (Rupees one Thousand) only which is to be paid to the Institute within 30 days from the date of service of this order"

It is further submitted that:

(i) Shri Davinder Singh Bhatia, Membership No.11897, got himself elected as the Chairman of the CPM Chapter for the year 2019-20 also in an illegal manner and was **removed** from the said position by the Institute of Cost Accountants of India, the parent body of the auditee. As such, he was not having an independent frame of mind as he was having personal vendetta against the auditee and the parent body of the auditee.

(ii) Shri Davinder Singh Bhatia, Membership No.11897 was held **guilty** of professional misconduct by the Board of Discipline of the parent body of the auditee in its Order Ref. No. Inf/21-CA(72)/2020 dated 12.06.2021 and was held guilty of contravention of Clause 2 of Part IV of the First Schedule of the CWA Act, 1959 and was Reprimanded and fine was imposed on him". As such, he was not having an independent frame of mind as he was having personal vendatta against the parent body of the auditee.

(iii) Shri Davinder Singh Bhatia, Membership No.11897 filed a **legal suit** in the Punjab ft Haryana High Court at Chandigarh against the parent body of the auditee, the Institute of Cost Accountants of India, Civil Writ Petition No. 4895-2020 in respect of his removal as Chairman of the auditee. As such, he was not having an independent frame of mind as he was having personal vendetta against

S. No.	Query	Response
		the parent body of the auditee. Further, As per Standards on Auditing: SA200: Overall objectives of the independent auditor, the auditor has to comply with relevant ethical requirements, relating to financial statement audit engagements including those pertaining to independence. The auditor should be independent not only in his mind but also in his appearance. The relationship between the auditor and his client should be such that, he should himself satisfied about his independence and, no unbiased person would be forced to the conclusion that, on an objective assessment of the circumstances, there is likely to be an abridgement of his independence.
4	How was CMA Davinder Singh, respondent in the instant case, appointed as the auditor of Chandigarh-Panchkula-Mohali (CPM) Chapter?	
		- As per Clause 18 (General Meetings) of Cost Accountants Chapters Bye-Laws 2019, an auditor is to be appointed in the Annual General Meeting. - The Annual General Meeting for the year ended 31st March, 2022 was held on 19.06.2022 (Copy of AGM notice attached as Annexure "A", Ref.No.CPCCA/2022-23/01 dated 05-06-2022). - As per the Statement of the Officiating Chairman - CMA Aman Kalra in the Managing Committee Report annexed to the notice of Annual General Meeting for the year ended 31st March, 2023, M/s Davinder Singh Bhatia & Co. was appointed as the auditor in the last AGM. (copy attached as **Annexure "B"**) - As the last AGM was held on 19.06.2022, the respondent is supposed to have been appointed in the same AGM. No formal documents of appointment are available with the undersigned.
5	Please provide documents of the respondent's appointed as the auditor of CPM?	- Refer response in S.No. 4 above - Copy of documents annexed as Annexure "A" and Annexure "B"

S. No.	Query	Response
6	For which period did the respondent conducted audit of CPM Chapter?	The Respondent has conducted the audit of CPM Chapter for the financial year 2022-23.

(b) A notice dated 1st July, 2024 issued under Rule 8(5) to CMA Davinder Singh Bhatia, raising nine queries by the Disciplinary Directorate and requiring submission of a response within a period of seven days. In compliance thereof, CMA Davinder Singh Bhatia, vide letter dated 11th July, 2024 submitted her reply to the said notice. The queries raised and the responses thereto are reproduced hereunder:

S. No.	Query	Response
1	How were you appointed as the auditor of Chandigarh-Panchkula-Mohali (CPM) Chapter?	I was appointed auditor of the CPM chapter in its Annual General Meeting held on 19-06-2022 by the members in the presence of complainant herself along with two Central Council members and one NIRC member CMA Rakesh Bhalla, CMA Balwinder Singh, Vice President and President respectively of the institute and CMA Anil Sharma nominee of NIRC.
2	Please provide the relevant documents in connection with your appointment as an auditor of Chandigarh-Panchkula-Mohali (CPM) Chapter?	a) Copy of the minutes of the AGM held on 19-06-2022 along with attendance sheet wherein my appointment as auditor is approved by the General house is enclosed at Annexure-1 (Page 1-4).

Com/21-CA(126)/2024

The Institute of Cost Accountants of India Board of Discipline

S. No.	Query	Response
		b) Annual accounts of the year 2022-23 along with relevant record were forwarded for audit to the undersigned by the Chairperson, CPM Chapter vide email dated 08-08-2023. Copy enclosed at Ann-2 (Page5).
3	Please mention the Financial Year in which you were appointed as the statutory auditor of the Chapter?	I was appointed as the statutory auditor of the chapter for and in the Financial Year 2022-23.
4	Is there any disqualification(s) as per the Cost Accountants' Chapters Bye-laws, 2013, as amended from time to time, for appointment of an auditor of a Chapter?	The appointment of an auditor of the chapter is governed by Chapter bye law no 26(2) of the Chapter byelaws 2019 in force at the time of my appointment. The only disqualification laid down in the said bye-laws for appointment of auditor is that the auditor should not be a member of the Managing Committee. I was not a member of the Managing Committee. The said bye-laws are reproduced here below for ready reference: "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

S. No.	Query	Response
		for the purpose. The auditor should not be a member of the Managing Committee".
5	If yes, please state those disqualifications.	The only disqualification laid down in the said bye-laws for appointment of auditor is that the auditor should not be a member of the Managing Committee. I was not a member of the Managing Committee.
6	Were you subjected to any of such disqualifications, if any, as mentioned in (4) above?	I fully complied with the required laid down qualification as mentioned at para (4) above. Following the above the undersigned duly fulfils the laid down criteria and was not subjected to any disqualifications as explained below in detail: Requirements and fulfillments - The accounts of the Chapter shall be audited every year by the auditor a) who shall be a cost accountant in practice: The undersigned is a full time COP holder since 06-02-2017 in the name and style Davinder Singh Bhatia and co., Registration no 001218 b) Appointed in the Annual General

S. No.	Query	Response
		Meeting for the purpose: The appointment was done by the General house in the AGM of the CPM chapter held on 19-06-2022 wherein the complainant was also present. c) The auditor should not be a member of the Managing Committee. The undersigned was not a member of the Managing committee of CPM Chapter.
7	Please mention the name of your firm which took up the assignment of audit of CPM Chapter.	The assignment was awarded to my firm in the name of: Davinder Singh Bhatia and co.
8	When did you submit your audit report and to whom was the report submitted?	The audit report dated 25-08-2023 was submitted by the undersigned to the managing committee of the CPM chapter through Sh Surendra Prasad, Assistant Coordinator, CPM Chapter. In this connection Email of 26-08-2023 at ann-3 (Page-6) addressed to the CPM Chapter chandigarh@icmai.in with copy to Secretary@icmai.in and finance.director@icmai.in refers.
9	Did you receive any written objection/remarks from any of the members of the Managing	NO written objection/remarks from any of the members of the Managing Committee of CPM Chapter or any other

The Institute of Cost Accountants of India
Board of Discipline

S. No.	Query	Response
	Committee of CPM Chapter on your submission of your audit report?	member of the CPM chapter on submission/circulation of my audit report. The notice of Chapter's Annual General Meeting, including the agenda item to consider and adopt audited annual accounts of the chapter for the year 2022-23 to be held on 15-10-2023 was duly circulated by the CPM Chapter vide their No. CPCCA/2023-24/0L Dated: 02-09-2023. The annual accounts including the audit report, without any comments/remarks, was unanimously approved by the General house of CPM Chapter vide agenda item no 2 of said Annual General meeting held on 15-10-2023. Copy of the proceedings of AGM dated 15-10-2023 placed as Ann-4 (Page 7-9) for ready reference. Thus, no objection/remarks on the Audit Report from any of the members of the Managing Committee/CPM chapter.

(c) Upon consideration of the replies submitted by the Complainant and the Respondent in response to the notices issued under Rule 8(5) of the Cost and Works Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of

The Institute of Cost Accountants of India Board of Discipline

Cases) Rules, 2007, read with the documents furnished by both the parties, the following facts emerge as undisputed:

a) It is not in dispute that the Respondent was appointed as the auditor of the Chandigarh-Panchkula-Mohali (CPM) Chapter in the Annual General Meeting held on 19.06.2022 for conducting the audit of the accounts of the Chapter for the financial year 2022-23.

b) It is also not in dispute that, at the relevant time, the Respondent was a Cost Accountant in Practice holding a valid Certificate of Practice and was not a member of the Managing Committee of the CPM Chapter.

c) Both parties have relied upon Clause 26(2) of the Cost Accountants Chapters Bye-Laws, 2019, which provides that the accounts of a Chapter shall be audited by a Cost Accountant in Practice appointed in the Annual General Meeting and that such auditor should not be a member of the Managing Committee. Further, no provision of the said Bye-Laws prescribing any additional disqualification for appointment of an auditor has been brought on record by either party.

d) It is an admitted position that the annual accounts and relevant records of the Chapter for the financial year 2022-23 were forwarded to the Respondent by the Chapter for the purpose of conducting the audit.

e) It is further undisputed that the Respondent completed the audit and submitted his Audit Report dated 25.08.2023 to the Managing Committee of the CPM Chapter.

f) It is also not disputed that the audited annual accounts along with the Audit Report were placed before the Annual General Meeting held on 15th October 2023 and were adopted by the General House of the Chapter.

g) It is further borne out from the material placed on record that no written objection or remarks against the Audit Report were submitted by any member of the Managing Committee or by the Chapter prior to the adoption of the audited accounts in the Annual General Meeting.

8. Comments of the Discipline Directorate

a) The Disciplinary Directorate has carefully examined the complaint, the written statement filed by the Respondent, the rejoinder submitted by the Complainant, the replies furnished by both the parties pursuant to the notices issued under Rule 8(5) of the Cost and Works Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules, 2007, along with the documents and other material available on record.

b) The principal allegations levelled by the Complainant are that the Respondent was ineligible to undertake the audit assignment, lacked independence on account of pending litigation involving the Chapter, and issued a false and misleading audit report.

c) Insofar as the allegation regarding the Respondent's appointment is concerned, the material available on record reveals that the Respondent was appointed as the auditor of the Chandigarh-Panchkula-Mohali (CPM) Chapter in the Annual General Meeting held on 19th June, 2022, in which the Complainant herself admittedly participated. It is also an undisputed fact that, on the date of his appointment, the Respondent was holding a valid Certificate of Practice and was not a member of the Managing Committee of the Chapter. Clause 26(2) of the Cost Accountants Chapters Bye-Laws, 2019 stipulates only two essential eligibility conditions for appointment as the auditor of a Chapter, namely, that the auditor shall be a Cost Accountant in Practice and shall not be a member of the Managing Committee. No provision of the Cost Accountants Act, 1959, the Rules framed there under or the Cost Accountants Chapters Bye-Laws, 2019 has been brought on record to demonstrate that pendency of litigation with the Chapter or an earlier disciplinary order constitutes a statutory disqualification for appointment as the auditor of a Chapter.

d) The responsibility to verify the eligibility of the proposed auditor to be appointed primarily rested upon the appointing authority, before placing the appointment before the General Body for approval. No material has been placed on record to establish that the Respondent furnished any false declaration, suppressed any material information, or misrepresented his eligibility for the audit assignment. Moreover, the disciplinary order relied upon by the Complainant was admittedly available on the official website of the Institute and was in the public domain. In the absence of any statutory obligation requiring separate disclosure, non-disclosure of the information already available in the public domain cannot be construed as suppression of a material fact by the Respondent.

e) With regard to the allegations relating to the correctness of the audit observations, it is observed that the dispute substantially arises from differing interpretations of the financial records, approvals and supporting documents maintained by the Chapter. The duty of an auditor is to examine the records made available to him and to express an independent professional opinion based upon such examination. Unless it is demonstrated by cogent evidence that the opinion was rendered without examining the relevant records, or that the auditor knowingly recorded false findings or acted with deliberate disregard of material facts, a mere difference of professional opinion cannot, by itself, constitute professional misconduct.

f) In the present case, the Complainant has disputed several observations made by the Respondent in his audit report. However, the Respondent has furnished detailed and reasoned explanations in support of each of his audit observations. It is further borne out from the record that the audit report, after its submission, was placed before the competent authority of the Chapter and the audited financial statements, along with the audit report, were subsequently placed before the Annual General Meeting, where they were duly adopted by the General House. Significantly, no contemporaneous written objection, dissent note or adverse comments from the Managing Committee or any member of the Chapter against the audit report prior to its adoption have been placed on record. If the Management had considered the audit report to be factually incorrect or professionally deficient, it was open to the Management to seek clarifications from the auditor, record its objections or withhold adoption of the audited accounts until such issues were resolved. No such course of action appears to have been adopted.

g) The mere fact that certain audit observations were adverse to the Complainant or other office-bearers of the Chapter, or that the Complainant disagrees with the conclusions

The Institute of Cost Accountants of India Board of Discipline

recorded by the Respondent, cannot by itself constitute professional misconduct. An auditor is expected to express an independent opinion based upon his examination of the records, and such opinion cannot be subjected to disciplinary scrutiny merely because it is unfavourable to a particular individual or is subsequently disputed by persons affected by the audit observations.

h) In view of the above comments, the Directorate is of the considered opinion that the materials submitted in support of the allegations made by the Complainant do not, at this stage, establish any prima facie case of professional or other misconduct against the Respondent under the provisions of the Cost Accountants Act, 1959. The dispute essentially relates to the correctness of the audit observations and the professional opinion expressed by the Respondent. In the absence of cogent evidence establishing gross negligence, lack of due diligence, deliberate falsification of records, or any other conduct amounting to professional misconduct, initiation of disciplinary proceedings against the Respondent is not warranted.

9. **Findings and Order of the Board of Discipline**

a) The Board has carefully considered the complaint, the written statements filed by the Respondent, the rejoinders submitted by the Complainant, the documents placed on record, the investigation conducted by the Director (Discipline), and the Prima Facie Opinion of the Director (Discipline).

b) The Board notes that the principal allegations against the Respondent are that he was allegedly ineligible to be appointed as the auditor of the Chandigarh-Panchkula-Mohali (CPM) Chapter, lacked independence on account of pending litigation involving the Chapter, and issued a false and misleading audit report.

c) Upon a careful examination of the material available on record, the Board is of the considered view that the Respondent was appointed as the auditor by the General Body in accordance with the provisions of the Cost Accountants Chapters Bye-Laws, 2019, and no provision of the Cost Accountants Act, 1959, the Rules framed there under or the Chapter Bye-Laws has been brought to the notice of the Board to establish that the

Respondent suffered from any statutory disqualification for such appointment. Likewise, the allegations relating to the audit report are primarily directed against the professional conclusions reached by the Respondent on the basis of the records produced before him during the course of audit.

d) Having regard to the pleadings of the parties, the documentary evidence on record and the material collected during the investigation, the Board finds that the allegations made by the Complainant have not been substantiated by reliable and cogent evidence. No material has been placed before the Board to establish that the Respondent committed any act or omission constituting professional or other misconduct under the provisions of the Cost Accountants Act, 1959.

e) Accordingly, the Board upheld with the Prima Facie Opinion of the Director (Discipline) and holds that the Respondent is Not Guilty of professional or other misconduct under the provisions of the Cost Accountants Act, 1959.

f) Accordingly, in exercise of the powers conferred under section Section 21A of the Cost Accountants Act, 1959 read with under Rule 9(3) 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 CMA Davinder Singh Bhatia (M/11897) be dropped and case stand closed.

g) The complaint stands dismissed and disposed of accordingly.

A. Goswami

CMA Avijit Goswami
(Member)

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

Place: New Delhi
Date: 19th August, 2026

The Institute of Cost Accountants of India
Board of Discipline

Distribution under Rule 15(3) of the Rule

1) Director(Discipline), The Institute of Cost Accountants of India
2) Complainant, CMA Manasi Arora (M/32367)
3) Respondent, CMA Davinder Singh Bhatia (M/11897)

The Institute of Cost Accountants of India * Board of Discipline