



**THE INSTITUTE OF  
COST ACCOUNTANTS OF INDIA**  
(STATUTORY BODY UNDER AN ACT OF PARLIAMENT)  
CMA BHAWAN  
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**DISCIPLINARY DIRECTORATE**

The Institute of Cost Accountants of India

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

In the matter of -Complaint No. Com/21-CA(103)/2021

Shri Sanjog Lonare, Complainant

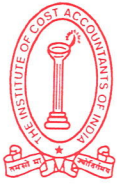
Vs.

CMA Reema Ben Nirenkumar Mehta (M/36529), Respondent

Facts of the case

1. The Disciplinary Directorate was in receipt of a complaint dated 24<sup>th</sup> November 2021 in Form I in triplicate together with the prescribed complaint fee as specified in the Cost and Works Accountants (Procedure of Investigation of Professional and Other Misconduct and Conduct of Cases) Rules, 2007 from one Shri Sanjog Lonare, (hereinafter referred to as the "complainant") against CMA Reema Ben Nirenkumar Mehta (hereinafter referred to as the "respondent") bearing membership number 36529 alleging certain violations by the latter.
2. The allegations of the complainant are briefly stated below:
  - i. The respondent signed audit Report of Baroda Chapter of Cost Accountants for FY 2020-21 in which her Partners in Diwanji & Associates, namely CMA Mihir Vyas holding position of Secretary of Baroda Chapter of Cost Accountants and CMA Amruta Vyas holding Position of Joint Secretary of Baroda Chapter of Cost Accountants, are having substantial Interest in Baroda Chapter.
  - ii. The said firm M/s. Diwanji & Associates is having Lead Partner Mr. S.N. Diwanji whose son CMA Hardik Diwanji was then Chairman of Baroda Chapter of Cost Accountants.
  - iii. The said act has been done intentionally with malafide intention to benefit M/s. Diwanji & Associates by son of CMA S.N. Diwanji who was then Chairman of Baroda Chapter of Cost Accountants and Partners of Diwanji & Associates who are Secretary and Jt. Secretary of Baroda Chapter of Cost Accountants.
  - iv. The entire Management Committee including Chairman, Vice Chairman, Treasurer, Secretary and Joint Secretary of then Baroda Chapter of Cost Accountants has fraudulently adopted Audited Accounts of Baroda Chapter for hiding their frauds and Fake Accounting including forged and fake vouchers.





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- v. The Management Committee Members of Baroda Chapter of Cost Accountants as well as Auditor of Baroda Chapter of Cost Accountants cannot refrain from the fact that fraudulent and related party accounts have been approved by Baroda Chapter of Cost Accountants and cannot give excuse that at the time of appointment that the respondent was not partner of Diwanji & Associates and only at the time of signing of Audit Report she was partner of Diwanji & Associates which is material dates viz. 31.03.2021 and 15.05.2021 of signing of Audit Report.
- vi. It has been further alleged that the entire act of fraudulent accounts is done to favour M/s. Diwanji & Associates by Chairman Hardik Diwanji who is son of Sr. Partner S.N. Diwanji & His partners Mr. Mihir Vyas and Amruta Vyas.
- vii. As the accounts of Baroda Chapter of Cost Accountants are consolidated at WIRC and Central Audited Accounts, the said act of the auditor of Baroda Chapter and Management committee which includes Chairman, Secretary and Jt. Secretary has contravened the provisions of clause (3) of Part II of the Second Schedule to the CWA Act, 1959 which includes in any information, statement, return or form to be submitted to the Institute, Council or any of its Committees, Director (Discipline), Board of Discipline, Disciplinary Committee, Quality Review Board or the Appellate Authority any particulars knowing them to be false.
- viii. The said act of auditor and Management Committee of Baroda Chapter also attracts The Second Schedule [See sections 21(3), 21B (3) and 22] PART I Professional misconduct in relation to Cost Accountant in practice (5) fails to disclose a material fact known to him in a costs or pricing statement, which is not disclosed in a cost or pricing statement but disclosure of which is necessary in making such statement where he is concerned with such statement in a professional capacity; (6) fails to report a material misstatement known to him to appear in a cost or pricing statement with which he is concerned in a professional capacity; (7) does not exercise due diligence, or is grossly negligent in the conduct of his professional duties;
- ix. The respondent had signed stating her independent Auditors Report and given false declaration as she was not independent as on date of signing.
3. The above complaint, found to be in order, 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







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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(103)/2021.

4. Along with the complaint, the complainant had annexed, among others, a copy of Independent Auditor's Report dated 15<sup>th</sup> May 2021 signed by the respondent, details of M/s Diwanji & Associates, Cost Accountants including the names of partners, their membership numbers, addresses as downloaded from 'Member's Online System' and a copy of the 53<sup>rd</sup> Annual Report of Baroda Chapter of Cost Accountants.
5. On registration of the complaint, the same was acknowledged vide letter No. G/DD/Com-C-103/02/12/2021 dated 7<sup>th</sup> December 2021 and an acknowledgement to this effect was sent to the complainant. The respondent was intimated vide letter No. G/DD/Com-CA(103)/(M-36529)/01/12/2021 dated 10<sup>th</sup> December 2021 informing the respondent under sub-rule (3) of Rule 8 of the Rules to send her response through a written statement in her defence within 21 days.
6. The respondent vide her email/letter dated 30<sup>th</sup> December 2021 submitted her written statement which is reproduced below in verbatim:

**"Sub.:Written statement – Complaint No. Com/21-CA(103)2021**

This has reference to your letter no. G/DD/Com/21-CA(103)M36529/01/12/21 dated 10<sup>th</sup> December, 2021 received by me on 14<sup>th</sup> December, 2021 with the enclosed complaint dated 24<sup>th</sup> November 2021 of Mr. Sanjog Lonare. I submit, herewith, my defense written statement against allegations made in para 5 of the Form I :

1. At the outset, I would like to place on record that the all allegations levelled against me are false and with a motive to malign me, the managing committee of Baroda Chapter and Institute as whole.
2. On perusal of the complaint, I find that the complainant has leveled allegation not only against me but also against the Managing Committee of Baroda Chapter of Cost Accountants. Either the complainant appears to be in a confused state of mind or is unaware of the provisions of the Cost and Works Accountants Act, 1959 and the rules framed there under including the Cost and Works Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules, 2007 as no disciplinary complaint can be filed against any Managing Committee of a Chapter.
3. In any case, I deny all the fourteen allegations levelled against me in Form I as they are not only far from truth but are false and baseless. Having denied the





allegations, I now attempt to make my submission in defense in the following paras.

4. When I was appointed as an auditor, for financial year 2020-21, of the chapter on 30<sup>th</sup> June 2020 at AGM of the Chapter. At that time, I was practicing as 'CMA Reema Mehta & Associates, Cost Accountant, Sole proprietor (FRN003656).
5. I joined M/s. Diwanji & Associates as a partner only on 05<sup>th</sup> February, 2021. By that time more than 10 months of FY 2021-22 were over and I carried out my duty as an Auditor of the Chapter. The matter was known to almost all Managing Committee members and no objection was raised till I completed the audit and submitted the same to the Chapter. In fact, no objection was raised even today by Managing Committee members of Baroda Chapter. There is no reason also for anybody to raise objection as I was never a member of Managing Committee of Baroda Chapter of Cost Accountants at any point of time.

As I understand the managing committee was of the opinion that at the last moment it may not be appropriate to change the Auditors during the Corona epidemic era.

6. It may be noted that the then Chairman CMA Hardik Diwanji of Baroda Chapter had made detailed presentation, at 53<sup>rd</sup> AGM on 31<sup>st</sup> May, 2021, covering various facts of activities and achievements during his tenure as a chairman for 2020-21 before placing the agenda of AGM. In the said presentation he had addressed queries received from members. True copy of the Minutes of the AGM along with presentation is attached herewith wide Annexure- 1.

One of the points covered in the presentation was pertaining to Independence of Auditor appointed by chapter since she is a partner of office bearer of the Committee.

CMA Hardik Diwanji had responded this query on side no. 8, which is reproduced below:

**Key points/queries raised & responses provided .**

Q: Independence of Auditor appointed by Chapter since she is a partner of office bearer of the Committee.

A: Following points may be noted :-







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1. Auditor was not a partner at the time of appointment of Jun'20. She became partner in Feb'21 of a Committee member.
2. As per bye-laws, Auditor should not be existing Committee member as per rule 26(2) and hence in our view the status of Auditor's independence is maintained- find enclosed extract of bye-laws for reference below.

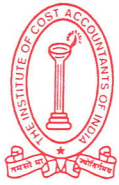
### 2a. Accounts and Audit-

- (1) The Managing Committee shall cause to be prepared an income and expenditure account and a Balance Sheet as at 31<sup>st</sup> March every year in accordance with the Accounting Policy and form prescribed by the Council.
- (2) The accounts of the Chapter shall be audited every year by the auditor who shall be a cost accountants in practice appointed in the Annual General Meeting for the purpose. The auditor should not be a member of the Managing Committee.
- (3) The auditor shall submit his report along with audited Income and Expenditure Account and Balance Sheet as at 31<sup>st</sup> March every year as per format prescribed by the Council.
- (4) Copies of the audited accounts, auditors' report and the report of the Managing Committee of the Chapter shall be sent to the members of the Chapter at least fourteen days before the date of the Annual General Meeting and shall be placed for adoption before Annual General Meeting.
- (5) Members of the Managing Committee shall be jointly and severally responsible to forward copies of the audited accounts, auditor's report and the report of the Managing Committee of the Chapter to the Council and to the Regional Council concerned latest by 16<sup>th</sup> May every year in compliance of the provision of Regulation 93 and Regulation 97(B) of the Regulations.

### Baroda Chapter of Cost Accountants

Thus, it is a fact that my association with M/s. Diwanji & Associates was known to all the members before the voting was done in AGM and it was clearly open for members to accept or reject my audit report. I had also discharged my duty as an auditor in a fair, unbiased and independent manner.





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7. The AGM was held online due to the Covid pandemic 2<sup>nd</sup> wave. It was attended by 53 members. At the time resolution of Audited Accounts was placed before the members present in AGM, few members had left the meeting (may be due to connectivity issues) or did not opt to vote. The resolution was passed by 43 votes and it was not opposed by anyone.
8. It is pertinent to mention here that the complainant has alleged that I have violated Clause (4) of Part I of Second Schedule of the Cost and Works Accountants Act, 1959. The said clause is quoted below:

Quote

A cost accountant in practice shall be deemed to be guilty of professional misconduct, if he expresses his opinion on cost or pricing statements of any business or enterprise in which he, his firm or a partner in his firm has a substantial interest.

Unquote

From a bare reading of the above clause (4) of Part I of the Second Schedule to the Cost and Works Accountants Act, 1959 it is clear that this clause will be attracted only if a cost accountant expresses his opinion on cost or pricing statements of any business or enterprise, Baroda Chapter of Cost Accountants is neither a business enterprise nor is a commercial organization for this clause to be attracted. Further, as mentioned above in Para 5, I was never a member of the Managing Committee of the Chapter, far less to speak of having any substantial interest in the Chapter.

9. As I have done the audit work of the Chapter with due diligence and care and no objection was raised from any member of Baroda Chapter, Clause (7) of Part I of the Second Schedule to the Cost and Works Accountants Act, 1959 is also not applicable to me. Also, Clause (5) of Part I of the Second Schedule to the Cost and Works Accountants Act, 1959 is also not applicable as I have neither examined any cost or pricing statement of the Chapter nor there was any material related to these which I have failed to disclose.
10. Also, the question of applicability of Clause (2) of Part III of First Schedule does not arise as till now I have never been called upon to supply any information or failed to comply with any of the requirements asked for by the Institute, Council or any of its Committees, Director (Discipline), Board of Discipline, Disciplinary Committee, Quality Review Board or the Appellate Authority.







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11. Kindly note that as per rules and regulations of the Institute, even if, I join as a partner with any cost accountants, I am entitled to do my professional activities as an individual or proprietary form. Hence, I signed the Accounts of Baroda Chapter as Reema Mehta & Associates as there is no violation whatsoever on this ground.
12. Kindly note that the complainant is neither a member of the Baroda Chapter nor a member of the Institute and he resides at Nagpur which is far away from Vadodara by at least more than 750 Kms. He was not present at the same AGM. This clearly indicates that he has some mala fide intentions to malign my image and his complaint seems to be politically motivated to defame the current elected members who have come to power after defeating earlier team which was ruling the chapter since many years.
13. As far as relationship of Chairman, Vice Chairman and other office bearer or council member is concerned, I reserve my comment as all these members are elected democratically through election process which is governed by the election rules of the Institute and members at large have elected them by majority.
14. Further, it may be noted that at para 6 of form I, the names of Yashodhar Thaker (M-9688) and Shashikant J Joshi, given as person having knowledge of facts of the case are creditworthy committee members of Baroda Chapter since more than 20 years, are also part of managing committee and were present at AGM but they did not raise any point on such matter.
15. The claim of the complainant Complaint's claim that accounts are bogus and fraudulently made are baseless, unfounded, unsubstantiated, false and absurd ab initio.
16. Thus, all allegations are vague and with mala fide intention only. The complainant is not able to provide any specific wrong transaction. The complainant has not cited even a single case of fraudulent transaction.

Thus, in conclusion, I say that I have not violated any rules of the Institute as alleged by the complainant. I earnestly request you to drop the proceeding and close the matter and take stern actions against a person making false and baseless allegations and wasting the time of the Disciplinary Directorate.

I strongly believe that behind such malicious complaint there may be some a member is involved but he who very well knows that this complaint is baseless and he may have to face counter actions. Hence, he has connived with a non-member from Nagpur





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which situated at 750+ plus kms away from Baroda and got the complaint filed through him as a political vendetta.

Should you require any further information, please do feel free.

In case you decide to proceed further. I reserve my right to get an opportunity to be heard personally and/or through my representative.

Yours faithfully,

CMA Reema Mehta  
Membership No. 36529"

The respondent had enclosed a copy of Minutes of Baroda Chapter's AGM dated 31<sup>st</sup> May, 2021 and a copy of presentation made by the Chapter Chairman at said AGM which apparently appeared to be a part of proceedings of AGM.

7. A copy of the respondent's written statement dated 30<sup>th</sup> September 2021 was sent to the complainant for his rejoinder vide letter No. G/DD/Com-CA(103)/03/01/2022 dated 14<sup>th</sup> January 2022 informing the complainant to submit his rejoinder within 21 days in terms of sub-rule (4) of Rule 8 of the Rules.
8. The complainant submitted his undated rejoinder. The complainant reiterated the allegations leveled by him which are not repeated for the sake of brevity. He *inter alia* stated as follows:
  - i. The respondent has signed the audited Accounts of Baroda Chapter of Cost Accountants vide UDIN No. 2136529ZZBYRF728QN on 15.05.2021 in which her fellow partners of M/s. Diwanji & Associates Mr. Mihir Vyas and Mrs. Amruta Vyas are committee members having substantial Interest in the functioning of Baroda Chapter of Cost Accountants. This fact was confirmed by the respondent herself that she was a partner in M/s. Diwanji & Associates as on date of signing of Audited Accounts of Baroda Chapter of cost Accountants. Also in reply to RTI, the then Chairman of Baroda Chapter of Cost Accountants, CMA Hardik Diwanji had replied that the respondent joined M/s Diwanji & Associates on 5<sup>th</sup> February 2021. The then Chairman of Baroda Chapter of Cost Accountants also replied that the respondent was a partner of M/s Diwanji & Associates wherein CMA Mihir Vyas, the then Secretary & CMA Amruta Vyas (Committee Member) are also partners from 5<sup>th</sup> February 2021 onwards.
  - ii. The complainant had questioned the independence of the respondent in auditing the accounts of Baroda Chapter stating that how can she be independent when the







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then Chairman himself has agreed that she is partner of CMA Mihir Vyas, the then Secretary and CMA Amruta Vyas, a member of the Managing Committee of the Chapter.

- iii. In response to the statement made by the respondent in her written statement that she was appointed as an auditor, for financial year 2020-21, of the chapter on 30<sup>th</sup> June 2020 at AGM of the Chapter during which time she was practicing under the name and style 'CMA Reema Mehta & Associates', Cost Accountant, Sole proprietor (FRN003656), the complainant contends that the date of audit report was 15.05.2021 on which date she was a partner in M/s Diwanji & Associates in which firm CMA Mihir Vyas was the Secretary and also the authorized signatory of Chapter and CMA Amruta Vyas, spouse of CMA Mihir Vyas was the Jt. Secretary, both members having "substantial interest" in the financial matters of Baroda chapter of cost accountants. The complainant has quoted the provisions of Section 141 of the Companies Act, 2013 regarding eligibility, qualifications and disqualifications of Auditors w.e.f. 1/4/2014:.

"where a person appointed as on auditor of a company incurs any of the disqualifications mentioned in sub section (3) after his appointment, he shall vacate his office as such Auditor and such vacation shall be deemed to be deemed to be casual vacancy in the office of the auditor."

- iv. The complainant contends that in the instant case the respondent has not vacated the office of the auditor. This is first breach of Code of Conduct of professional members. The complainant further adds that "Over and above she has submitted audit report under disqualification (Not Eligible as auditor)."
- v. She had not verified any records or under influence of Chairman, Secretary, CMA Ashwin G. Dalwadi, a Council Member. As an auditor she has neither given a qualified audit report nor drew attention any of the observations.
- vi. Website expense and Application created for students were booked as revenue expenditure instead of Capital expenditure. This was done intentionally by the respondent "to hide payment done to company" i.e., Microvista Technologies Pvt. Ltd. owned by CMA Ashwin G. Dalwadi who is a Council Member."
- vii. The complainant questioned the absence of "related party disclosure" in the independent auditor's report by the respondent when she was knowing the fact that CMA Mihir Vyas, the then Secretary of Baroda chapter was the Branch Incharge of M/s A.G. Dalwadi & Co. Cost Accountants and CMA Mihir Vyas is also her partner in the firm M/s Diwanji & Associates. Similarly, the complainant





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also questioned the absence of "related party disclosure" in the independent auditor's report by the respondent as to why there was no "related party disclosure" when Baroda chapter had given work order of Rs. 1.29 lakhs to a company owned by CMA Ashwin G. Dalwadi, a Council member.

- viii. The complainant states that why there was no open tendering process done and misuse of delegation of power by the then Chairman, Baroda chapter of Cost Accountants in the matter of tendering award worth Rs 1.29 lakhs to Microvista Technologies Pvt. Ltd, a company owned by CMA Ashwin G. Dalwadi, Council member. The complainant also questions as to why payment was made without work order to Microvista Technologies Pvt. Ltd. The complainant further adds that why CVC guidelines and GFR rules were not followed in this matter.
- ix. The complainant further states that an amount of Rs. 15000/- was paid by Baroda Chapter of Cost Accountants to M/s. Nirdesh Education & Research Foundation in which the respondent's partner CMA Mihir Vyas and her "lead partner", CMA S.N. Diwanji are directors. Also, CMA Ashwin G. Dalwadi, Council member is also a member of the management team of Nirdesh Education & Research Foundation. This has been termed as 'siphoning of funds' by the complainant.
- x. The complainant, in his rejoinder had given a list of payments which "were made without vouchers / invoices":

Year 2020-21

Sr. No.	Nature of Expense	Amount Rs.	Observation
1.	Caterers Voucher	55000/-	Voucher supported by computer printout without date, invoice No. stamp, signature etc.
2.	Ground Rent	24000/-	Receipt attached with voucher.
3.	Faraskhana	22200/-	Voucher not supported by invoice but duly passed by passing authority and payment made.
4.	T shirt	21750/-	Voucher supported by invoice.
5.	Umpire Payment	8100/-	Voucher not supported by invoice, authorized by office bearers and payment made.
6.	Trophy	6738/-	Voucher supported by Invoice and duly passed and payment made.



*[Handwritten signature]*





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Sr. No.	Nature of Expense	Amount Rs.	Observation
7.	Photography	5000/-	Payment made in cash and voucher passed and paid without invoice.
8.	TEA Coffee etc.	1850/-	Paid in cash and voucher not supported by Invoice or rough paper receipt.
9.	Security	400/-	Payment made in cash duly signed by office bearers and no supporting/invoice.

Year 2019-20

Sr. No.	Nature of Expense	Amount Rs.	Observation
1.	Caterers Voucher- Dinner	45000/-	Voucher supported by computer printout without date, invoice No. stamp, signature etc.
2.	Ground Rent	24000/-	Voucher passed and paid without supporting.
3.	Faraskhana	17000/-	Voucher not supported by invoice, duly passed by passing authority and payment made.
4.	Photography	6000/-	Payment made and voucher passed and paid without invoice.
5.	Umpire Payment	9000/-	Voucher not supported by invoice, authorized by office bearers and payment made.
6.	DJ	6000/-	Voucher passed and payment made by office bearers and no supporting, no invoice.
7.	T-shirts	16428/-	Voucher with invoice passed and paid.

- xi. The complainant had alleged in his rejoinder that the above mentioned invoices were missing from the records of the Chapter, which was not disclosed by the respondent in the independent auditor's report. This does not show a true and fair view of the accounts of Baroda Chapter.





- xii. In response to the respondent's defence that she was appointed as an auditor, for financial year 2020-21, of the chapter on 30<sup>th</sup> June 2020 at AGM of the Chapter during which time she was practicing as 'CMA Reema Mehta & Associates', Cost Accountant, Sole proprietor (FRN003656) and she joined M/s. Diwanji & Associates as a partner only on 5<sup>th</sup> February, 2021 when more than 10 months of FY 2021-22 were over, the matter was known to almost all Managing Committee members and no objection was raised till she completed the audit and submitted the same to the chapter, the complainant states that due care should have been taken by the respondent to avoid conflict of interest and she should have left the position of auditor on becoming partner of M/s Diwanji & Associates. Ethics are to be followed personally by a cost accountant should not wait for any objection. The complainant further stated that the respondent's plea that no objection was raised by any member of Baroda Chapter is a "lame excuse".
- xiii. In regard to the rebuttal by the respondent that she did not violate clause (4) of Part I of the Second Schedule to the CWA Act, 1959 as this clause, according to the respondent, gets attracted only if a cost accountant expresses his opinion on cost or pricing statements of any business or enterprise Baroda Chapter of Cost Accountants is neither a business enterprise nor is a commercial organization for this clause to be attracted, the complainant contends that Baroda Chapter has a GST Registration and hence it is a business enterprise. To buttress his argument, the complainant cites few examples stating that -
- Even a charitable trust is a business enterprise.
  - Even a tuition taking class is a business enterprise.
  - Even providing computer class is a business enterprise.
  - Even seminars and CEP hours chapter is charging GST.
- The complainant contends that the respondent here has tried to mislead and misguide Disciplinary Directorate by giving wrong statement that Baroda chapter is not a business enterprise.
- xiv. The complainant contends that the respondent had 'substantial interest' "as out of 8 partners shows 25% which clearly qualifies substantial interest definition of 20% voting rights".

The complainant stated that there was a clear conflict of interest in the respondent's dealings as Baroda chapter auditor for FY 2020-21 in response to the defence taken by the latter in her written statement that even if, she joins as a partner with any cost accountants, she was entitled to do her professional







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activities as an individual or proprietary form and therefore, she had signed the Accounts of Baroda Chapter as Reema Mehta & Associates as there is no violation whatsoever on this ground

- xv. In response to the respondent's statement made in the written statement that the complainant is neither a member of the Baroda Chapter nor a member of the Institute and he resides at Nagpur which is far away from Vadodara by at least more than 750 km clearly indicates that he has some mala fide intentions to malign the former's image and his complaint seems to be politically motivated to defame the current elected members who have come to power after defeating earlier team which was ruling the chapter since many years, the complainant contended that he is a citizen of India who has been paying taxes and is free to ask about use of public money and misuse and frauds done by public agencies as a whistleblower under whistle blower policy issued by the GOI.
- xvi. In response to the statement made by the respondent in her written statement that at para 6 of form I, the names of CMA Yashodhar Thaker and CMA Shashikant J. Joshi were given as persons having knowledge of facts of the case who are creditworthy committee members of Baroda Chapter since more than 20 years and also part of managing committee and were present at AGM but they did not raise any point on such matter, the respondent contended that CMA Yashodhar Thakar has already raised his objections including objections on audit done by the respondent to all the members of Baroda Chapter of Cost Accountants a week before the AGM of Baroda Chapter and CMA Thakar had already submitted his objections and his resignation due to fraudulent activities done by auditors and management committee of Baroda chapter of cost accountants.
- xvii. The complainant has written a brief note on Auditor's responsibility which is reproduced below in verbatim:-

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the





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amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

xviii. Finally, the complainant concludes by requesting the Disciplinary Director to verify other transactions of Baroda chapter of cost accountants and to initiate suitable disciplinary actions against CMA Ashwin G. Dalwadi, Council member and office bearers of Baroda chapter of cost accountants.

9. As part of investigation that the Director (Discipline) is empowered to do u/s 21 of the Cost and Works Accountants Act, 1959, a letter bearing number G/DD/Com-CA(103)/(M-36529)/02/04/2022 dated 25<sup>th</sup> April 2022 was sent to the respondent requesting her to apprise the Disciplinary Directorate as to the followings within a week of the date of service of this letter:

- i. Was she a member of the Managing Committee of Baroda Chapter of Cost Accountants at any time during 2019-20 or 2020-21 or thereafter?
- ii. To specify the names of members of the Managing Committee of Baroda Chapter of Cost Accountants at any time during 2019-20 and 2020-21?
- iii. If her answer to the (i) above is in affirmative, then in what capacity?
- iv. Was she appointed as the auditor of Baroda Chapter of Cost Accountants during the FY 2020-21?
- v. If yes, was any objection raised by any member on her appointment as the auditor of Baroda Chapter of Cost Accountants?
- vi. Was the auditor's report signed by her adopted in the Annual General Meeting of Baroda Chapter of Cost Accountants?







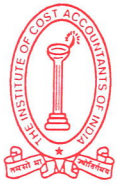
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- vii. Details of your firm together with date of constitution, Firm Registration No. (FRN), details of partners, if any,
10. The respondent vide her letter dated 5<sup>th</sup> May 2022 stated as follows:
- She was never a member of the Managing Committee of Baroda Chapter of Cost Accountants at any point of time.
  - She specified the names of members of the Managing Committee of Baroda Chapter of Cost Accountants at any time during 2019-20 and 2020-21 wherein the names of CMA Hardik Diwanji, CMA Mihir Vyas and CMA Amruta Vyas appear among others.
  - As in para (i) above.
  - She was not appointed as the auditor of Baroda Chapter of Cost Accountants during the FY 2020-21 but was appointed as an auditor in the AGM of 2019-20 on 30<sup>th</sup> June 2020.
  - No objection was raised on her appointment as an auditor. The resolution was passed unanimously.
  - The auditor's report signed by her was adopted in the 53<sup>rd</sup> Annual General Meeting of Baroda Chapter of Cost Accountants held on 31<sup>st</sup> May 2021. The respondent had attached a copy of the resolution.
  - Firm Name:- "Reema Mehta & Associates" Sole Proprietorship (FRN 0003656) Date of Constitution 25<sup>th</sup> September 2019.
11. Also, as part of investigation another letter G/DD/BCCA/01/06/2022 dated 24<sup>th</sup> June 2022, followed by an email dated 29<sup>th</sup> June 2022 was sent to Baroda Chapter of Cost Accountants seeking the following details:
- Who was the auditor of Baroda Chapter of Cost Accountants for the FY 2020-21?
  - On which date was the auditor appointed by the Chapter for auditing the Accounts for FY 2020-21? Please provide details thereof.
  - To also provide a copy of the appointment letter issued by Baroda Chapter





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- (iv) Was the item of appointment of auditor for the FY 2020-21 brought before the members of Baroda Chapter at the AGM?
- (v) If so, to provide details thereof.
- (vi) Was any written query received prior to AGM after issuance of notice of AGM? If yes, please provide details.
- (vii) Was the person appointed as auditor for the FY 2020-21 at any time, a member of the Managing Committee of Baroda Chapter?
- (viii) To provide the names of members of the Managing Committee of Baroda Chapter during 2019-20 & 2020-21?
- (ix) Was any written objection/dissent received from any member of Baroda Chapter on the appointment of auditor for the FY 2020-21?
- (x) Was there any discussion by any of the members during the AGM? (Yes/No) Please provide details thereof.
- (xi) Were the accounts of FY 2020-21 passed unanimously? (Yes/No). To provide details thereof.
12. Baroda Chapter of Cost Accountants, by an email dated 30<sup>th</sup> June 2022 received at or about 1.18 PM, replied as follows:
- (i) M/s. Reema Mehta & Associates. FRN- 003656.
- (ii) At 52<sup>nd</sup> Annual General Meeting dated 30<sup>th</sup> June, 2020.
- (iii) A copy of the appointment letter dated 20<sup>th</sup> July 2022 issued to M/s Reema Mehta & Associates was duly provided.
- (iv) Yes.
- (v) The Minutes of 52<sup>nd</sup> AGM dated 30<sup>th</sup> June, 2020 has been duly provided wherein this matter has been taken up at item No. 3.
- (vi) No objection was raised during the appointment at AGM on 30.06.20 at time of appointment or at time of AGM dated 30.05.2021 at time of approval of audited accounts for FY 2020-21. Chairman had responded and discussed all queries through his presentation at AGM dated 30.05.21.







**DISCIPLINARY DIRECTORATE**

(vii) No.

(viii)

Sr. No.	Management Committee	2020-21
1	Chairman	CMA Hardik Diwanji
2	Vice Chairman	CMA Kartik Vasavada
3	Secretary	CMA Mihir Vyas
4	Joint Secretary	CMA Amruta M. Vyas
5	Treasurer	CMA Priyank Vyas
6	Member	CMA S.J. Joshi
7	Member	CMA Y.S. Thakar
8	Member	CMA Chetan Gandhi
9	Co-opted Member	CMA S.S. Puranik
10	Co-opted Member	CMA Kiran Mishra

(ix) No Objection received from any Member on the appointment of auditor for FY 2020-21

(x) At the time of AGM appointment was made unanimously on 30<sup>th</sup> June, 2020.

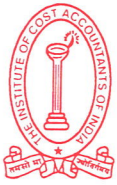
The Chairman had covered about queries received from the members in his presentation to the members, in his report for the year 2020-21 at 53<sup>rd</sup> AGM dated 31<sup>st</sup> May 2021.

(xi) Yes, the accounts for FY 2020-21 were passed unanimously with 43 Member voted in favour and none voted against.

13. Again, as part of investigation process, a letter No. G/DD/D(F)/(M-36529)/9/06/2022 dated 27<sup>th</sup> June 2022 was addressed to the Director (Finance) of the Institute requesting him to apprise the Disciplinary Directorate as to the following:

- Whether it is a practice for the Chapters and Regional Councils of the Institute to send their respective accounts to the Headquarters for the purpose of consolidation for preparation of annual accounts?





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- ii) If yes, whether the annual accounts of Baroda Chapter of Cost Accountant for the FY 2020-21 was sent to the Finance & Accounts Department of the Headquarters for the purpose of consolidation for preparation of annual accounts?
  - iii) Whether the audited accounts of the Chapters and Regional Councils are accepted in the same manner that has been provided to the Institute Headquarters, for the purpose of consolidation?
  - iv) If his answer to (iii) above is in negative, to provide details of the same.
  - v) Whether the audited annual accounts of Baroda Chapter of Cost Accountants of India for the FY 2020-21 have been consolidated with the audited accounts of the Headquarters of the Institute along with the audited accounts of other Chapters and Regional Councils?
  - vi) If yes, whether the Balance Sheet of Baroda Chapter as on 31<sup>st</sup> March 2021 provided a true and fair view of state of affairs of Baroda Chapter of Cost Accountants?
  - vii) If the answer to (v) above is in negative, to provide the details along with the reasons.
14. The Director (Finance) vide letter Ref No. FIN/DISCIPLINE/D(D)/(M-36529)/9/06/2022 dated 29<sup>th</sup> June 2022 stated as follows:

He quoted Regulation 93,94, 136(1) & 136(2) of the Cost and Works Accountants Regulations, 1959, Appendix 7 of Chapter Bye laws along with notification No. G/128/06/2021 dated 1.06.2021. The combined reading of the provisions mean that the statute stipulates that the annual accounts of the respective Chapters and Regional Councils are consolidated with the annual accounts of the Institute.

- (i) Yes, the Baroda Chapter of Cost Accounts had submitted the Annual Accounts for the FY 2020-21 and the same has been considered in consolidation of Headquarters of Annual Accounts.
- (ii) Uniform accounts format along with all necessary annexure are circulated to all Regional Councils and Chapters to submit the audited annual accounts for consolidation.
- (iii) N.A.
- (iv) As in (ii) above







**DISCIPLINARY DIRECTORATE**

- (v) The Independent auditor's report of the Baroda Chapter has been enclosed.
- (vi) N.A.

Findings

15. The Board had given a thoughtful consideration to the instant complaint and after carefully perusing the complaint dated 24<sup>th</sup> November 2022 of the complainant, it is observed that the complaint of the complainant is primarily on two counts:
- The respondent had signed the Independent Auditor's Report of Baroda Chapter of Cost Accountants for FY 2020-21 in which the respondent's Partners in M/s Diwanji & Associates, Cost Accountants named CMA Mihir Vyas and CMA Amruta Vyas were holding positions of Secretary and Joint Secretary of Baroda Chapter of Cost Accountants. It has been alleged that both the Secretary and Jt. Secretary of the Chapter were having substantial Interest in Baroda Chapter of Cost Accountants, as on the date of signing the Report for FY 2020-21. Also, it has been alleged that the said firm M/s. Diwanji & Associates, Cost Accountants was having CMA S.N. Diwanji (M/753) as 'Lead Partner' whose son CMA Hardik Diwanji was the then Chairman of Baroda Chapter of Cost Accountants. The respondent has signed the audit report stating the same to be independent Auditor's Report and has given false declaration as she was not independent as on the date of signing the report.
  - The other allegation of the complainant is that by signing the auditor's report, the accounts have been termed as fake and fabricated and such fraudulent act has been done by the respondent to favour her partners in the firm M/s Diwanji & Associates.
16. On perusal of the complaint dated 24<sup>th</sup> November 2021, the written statement dated 30<sup>th</sup> December 2021 of the respondent and the rejoinder of the complainant as well as the communications made and received from the respondent, the Baroda Chapter of Cost Accountants and the Finance Directorate, it transpires that:
- The respondent was appointed as an auditor in the AGM of 2019-2020 on 30<sup>th</sup> June 2020 on which date she was not a partner of M/s Diwanji & Associates, Cost Accountants.
  - The respondent took up the audit assignment of Baroda Chapter of Cost Accountants for the FY 2020-21 when she was not the partner of M/s Diwanji & Associates, Cost Accountants.





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- iii. Subsequently, the firm M/s. Diwanji & Associates (FRN 100227) was reconstituted on 05.02.2021 on which date the respondent was inducted as a partner of the firm.
- iv. The respondent had signed the audit report of the Chapter on 15<sup>th</sup> May 2021 and the same was **unanimously** adopted at the 53<sup>rd</sup> AGM of Baroda Chapter of Cost Accountants on 31<sup>st</sup> May 2021.
- v. The then Chairman of Baroda Chapter of Cost Accountants had given a presentation at the 53<sup>rd</sup> AGM held on 31<sup>st</sup> May 2021 covering various facets of activities and achievements during his tenure wherein the subject of independence of auditor was duly covered in the said presentation. It was stated in the AGM by the Chairman that as on the date of appointment on 30<sup>th</sup> June 2020, the respondent was not a partner in the firm M/s. Diwanji & Associates, Cost Accountants.
- vi. Clause 26(2) of "The Cost Accountants Chapters Bye-laws, 2013" states that "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".
- vii. The respondent at no point of time was a member of the Managing committee of Baroda Chapter of Cost Accountants. This has been confirmed by email dated 30<sup>th</sup> June 2022 of Baroda Chapter. The fact that she was a partner in the firm M/s Diwanji & Associates, Cost Accountants was also disclosed in the AGM of the Chapter held on 31<sup>st</sup> May 2021.
- viii. There is also nothing on record to show that any dissent or objections(s) has/have been received from members of the Baroda Chapter at the AGM of Baroda Chapter of Cost Accountants on her professional association with M/s Diwanji & Associates, Cost Accountants. In fact that no objections or dissents were received on the appointment of M/s Reema Mehta & Associates as the auditor of Baroda Chapter for FY 2020-21 has been clearly mentioned in para 10(vi) above as evident from the email dated 30<sup>th</sup> June 2022 of the Baroda Chapter.
- ix. In fact, the accounts for FY 2020-21 were passed unanimously with 43 Member voted in favour and none voted against as confirmed by Baroda Chapter in its email of 30<sup>th</sup> June 2022.







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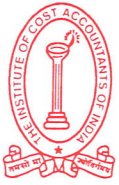
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17. There cannot also be any objection or question on the authenticity of annual accounts of the Baroda Chapter as the letter Ref. No. FIN/DISCIPLINE/D(D)/(M-36529)/9/06/2022 dated 29<sup>th</sup> June 2022 of Director (Finance) of this Institute clearly states that the annual accounts for the FY 2020-21 of Baroda Chapter of Cost Accountants has been considered in consolidation of Headquarters of Annual Accounts. There has been no objection from the statutory auditors of the Institute as evident from the records and as confirmed by Finance Directorate of the Institute vide their letter No. FIN/DISCIPLINE/D(D)/(M-36529)/9/06/2022 dated 29<sup>th</sup> June 2022.

18. An important aspect which deserves mention is that CMA Hardik Diwanji, Chairman of Baroda Chapter of Cost Accountants is not associated with the firm M/s Diwanji & Associates, Cost Accountants, either as a partner or as an employee. In fact he was not associated with M/s Diwanji & Associates at any point of time. Investigation (email dated 24<sup>th</sup> June 2022 of membership Directorate received at or about 6.03 P.M.) has intimated that CMA Hardik Diwanji (M/22166) is not a practitioner after 30.06.2009. *Thus, the allegation leveled by the complainant in para 4 of Form I that "The said act is intentionally done with Malafide intention to benefit M/s. Diwanji & Associates by son of Mr. S.V. Diwanji who was then Chairman of Baroda Chapter of Cost Accountants and Partners of Diwanji & Associates who are Secretary and Jt. Secretary of Baroda Chapter of Cost Accountants" does not hold good. The complainant has not been able to adduce any evidence, whether pecuniary or non-pecuniary as to how the Chairman, Secretary and Jt. Secretary have benefitted from the appointment of M/s Reema Mehta & Associates as auditor of Baroda Chapter.* The functions of Secretary are laid down in Regulation 124 of the CWA Regulations, 1959 which states that Secretary shall be responsible for the performance of general duties of the office of the Regional Council under the guidance of the Chairman, or in his absence, the Vice-Chairman. The Secretary may act as a Treasurer also where there is no treasurer. There was a Treasurer of Baroda Chapter as evident from the 53<sup>rd</sup> Annual Report of the Chapter. *Thus, the complainant's allegation that the Secretary and the Jt. Secretary has benefitted from the appointment of the respondent as an auditor is a figment of imagination as the complainant has not been able to adduce any plausible evidence in support of his allegation. Neither the sweeping allegation made against CMA Ashwin G. Dalwadi of influencing the members of the Managing Committee holds good in the absence of any specific evidence being provided by the complainant against CMA Ashwin G. Dalwadi.*





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Order

19. We are therefore of the view that the complainant has not been able to make out a case in his favour and the proceedings against the respondent are dropped and the matter is closed in accordance with Rule 9(3) of the Cost and Works Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules, 2007.

20. The complaint stands disposed of.

 10/02/2023

CMA Kunal Banerjee

PRESIDING OFFICER

