



THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(Statutory Body under an Act of Parliament)
CMA Bhawan, 3 Institutional Area,
Lodhi Road, New Delhi-110003

Phone : +91-11-24622156-57-58
Website : www.icmai.in

The Institute of Cost Accountants of India Disciplinary Committee u/s 21B of The Cost and Works Accountants Act 1959

In the matter of

Complaint No. Com/21-CA(71)/2019

IDBI Bank Ltd.....Complainant

Vs

CMA Mousumi Dutta (M/23142).....Respondent

QUORUM:

- | | |
|--------------------------|---|
| 1. CMA Vijender Sharma | - Presiding Officer (appeared through virtual mode) |
| 2. CMA Biswarup Basu | - Member (appeared through virtual mode) |
| 3. CMA P. Raju Iyer | - Member |
| 4. CA Nalini Padmanabhan | - Nominee of Central Government, Member |
| 5. CA G.V. Krishna | -Nominee of Central Government, Member |

1.0 FACTS

1. IDBI Bank (hereinafter referred to as the "complainant") filed a complaint dated 15th March 2019 in Form I together with the prescribed complaint fee as specified in Regulation 15B(1) of Cost and Works Accountants Regulations, 1959 against CMA Mousumi Dutta (hereinafter referred to as the "respondent") bearing membership number M/23142, alleging professional misconduct against the respondent.
2. The instant complaint was registered by the Disciplinary Directorate after it was found to be in order and the same was proceeded with in the manner as prescribed in Chapter III of the Cost and Works Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules, 2007. A unique complaint number Com/21-CA(71)/2019 was allotted to the complaint.
3. The complaint was made inter alia on the following grounds:
 1. A company, by the name of Manor Floatel Ltd (MFL), had availed financial assistance to the tune of Rs.1558 lakh from IDBI Bank Ltd.



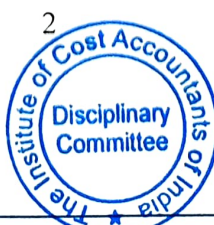


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2. The said company defaulted in its payment obligations and thus came under Corporate Insolvency Resolution Process (CIRP) vide Order dated January 10, 2018 issued by the Hon'ble National Company Law Tribunal (NCLT), Kolkata.
3. As a part of the procedure, the Insolvency Professional appointed a Chartered Accountant Firm, M/s V Singhi & Associates to conduct Transaction Audit of the accounts of Manor Floatel Ltd for the period January 10, 2016 to January 9, 2018.
4. The auditors found that there were various discrepancies in accounting processes of Manor Floatel Ltd and non adherence of "Prudent Accounting Practices" in the course of business of Manor Floatel Ltd in as much as –
 - i. The invoice wise details of revenue of the company did not match with the revenue recognized in the Books of Account. There was a difference of Rs 13664.85 lakh.
 - ii. The books of accounts did not contain detailed list of Debtors and Creditors. The party wise details of creditors and client/customer wise details of debtors did not tally with that maintained in their internal Tally Software. The company was simultaneously maintaining two separate accounts.
 - iii. The company may have made preferential transfer of funds on the pretext of making payments to trade creditors, records of which were not made available to the auditors by the company.
 - iv. The company may have made potential adjustment or accommodation entries while receiving payments in trade payables account in cash since records of the same have not been made available to the auditors.
 - v. The company reported in their Audited Financial Statements of FY 2015-16 and FY 2016-17 that they have not defaulted in repayment of loans to any financial institution including banks and reported dues payable to IDBI Bank as Rs 284 lakh which was a false statement. The company could not forward any explanation to the contradictory reporting.
 - vi. The company was involved in manipulation of records by inserting fake Signature of one Late N K Roychowdhury, the Statutory Auditor of the company, in its Limited Review Report on 15.02.2017 since as per the records of Institute of Chartered Accountants of India (ICAI), he had expired on 04.01.2017.
 - vii. The dates of the meetings of the Audit Committee and Board Meeting filed with the Registrar of Companies on the website of Ministry of Corporate Affairs and the minutes provided to Auditors are different.
 - viii. The draft and Audited Financial Statements (AFS) have not been approved by Board of Directors in their meetings.
 - ix. The Audited Financial Statement did not contain explanatory notes in respect of related party transactions, employee benefits, earnings per share, contingent liabilities etc.
 - x. The company did not maintain particulars such as item wise details, description of assets, quantity, depreciation for the year and up to date additions and declaration in regard to fixed assets. Fixed asset verification report was not provided to the auditors by the management.
 - xi. The financial Statements for FY 2016-17 which were stated to have been prepared in compliance with Indian Accounting Standards were not in compliance with Indian Accounting Standards.
 - xii. The minutes of the board meeting were not maintained by the Company as is required to be maintained under Section 118 of the Companies Act, 2013.
 - xi. The minutes were found in loose leaf form, unapproved, unsigned by Chairman and not properly drafted.





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xiv. Statutory registers as per the Companies Act 2013 may not have been maintained by the company as the same were not provided for verification to the Auditors.
xv. Minutes of meetings with respect to independent director(s) were not provided to the Auditors by MFL for verification and thus Auditors have concluded that the provision of Section 177 of the Companies Act 2013 have not been complied with by the company and the independence of the Audit Committee has been compromised.
xvi. Thus, the business transacted and approvals made have been potentially - suspected by the Auditors.

4. Based on the above circumstances Complaint has already been filed with the Joint Commissioner of Police (Crime), Detective Department, Kolkata against the directors, Shri Manab Pal and Smt Subha Pal.

5. The respondent, Ms. Mousumi Dutta, was the Internal Auditor of Manor Floatel Ltd (MFL) during Financial Year 2016-17 and 2017-18.

6. The complainant in its complaint has referred to the following provisions of Section 143 of the Companies Act 2013 -

1) Clause (1) :- Every auditor of a company shall have-a-right of access at all-times to the books of account and vouchers of the company, whether kept at the registered office of the company or at any other place and shall be entitled to require from the officers of the company such information and explanation as he may consider necessary for the performance of his duties as auditor and amongst other matters inquire into the following matters, namely:-

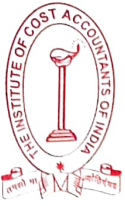
- Section (b) whether transactions of the company which are represented merely by book entries are prejudicial to the interests of the company;
- Section (d) whether loans and advances made by the company have been shown as deposits;
- Section (e) whether personal expenses have been charged to revenue account;

2) Clause (2):- The auditor shall make a report to the members of the company on the accounts examined by him and on every financial statements which are required by or under this Act to be laid before the company in general meeting and the report shall after taking into account the provisions of this Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of this Act or any rules made thereunder or under any order made under sub-section (11) and to the best of his information and knowledge, the said accounts, financial statements give a true and fair view of the state of the company's affairs as at the end of its financial year and profit or loss and cash flow for the year and such other matters as may be prescribed.

3) Clause (3):- The auditor's report shall also state -

- Section (a) whether he has sought and obtained all the information and explanations which to the best of his knowledge and belief were necessary for the purpose of his audit and if not, the details thereof and the effect of such information on the financial statements;
- Section (b) whether, in his opinion, proper books of account as required by law have been kept by the company so far as appears from his examination of those books and proper returns adequate for the purposes of his audit have been - received from branches not visited by him;





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- Section (d) whether the company's balance sheet and profit and loss account dealt with in the report are in agreement with the books of account and returns;
- Section (e) whether, in his opinion, the financial statements comply with the accounting standards;
- Section (f) the observations or comments of the auditors on financial transactions or matters which have any adverse effect on the functioning of the company;
- Section (h) any qualification, reservation or adverse remark relating to the maintenance of accounts and other matters connected therewith;
- Section (i) whether the company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.

7. The complainant in its complaint has also referred to the following clauses of Part I of The Second Schedule of the Cost and Works Accountants Act, 1959. A Cost Accountant in practice shall be deemed to be guilty of professional misconduct as stated hereunder under:

A. Clause (5):- if he fails to disclose a material fact known to him in a cost 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.

B. Clause (6):- if he fails to report a material mis-statement known to him to appear in a cost or pricing statement with which he is concerned in professional capacity.

C. Clause (7):- if he does not exercise due diligence, or is grossly negligent in the conduct of his professional duties.

D. Clause (8):- if he fails to obtain sufficient information which is necessary for expression of an opinion or its exceptions are sufficiently material to negate the expression of an opinion

E. Clause (9):- if he fails to invite attention to any material departure from the generally accepted procedure of costing and pricing applicable to the circumstances.

8. The complainant further states that the respondent in spite of being internal auditor of MFL during two consecutive financial years had deliberately not discharged the functions and duties of Internal Auditor and neglected her duties and responsibilities. She has also questioned the veracity of the Transaction Audit Report based upon the disclaimer in Page no 45 of the report. She has further mentioned that "It was not my duty to make roving inquiry and go on a phishing expedition to detect frauds and errors, if any" which creates doubt in her credentials as a responsible auditor.

9. The respondent was intimated vide letter dated 18th April 2019 to send her response to the complaint through a written statement in her defence within 21 days from the date of service of the letter. The respondent, vide her letter dated 29th April 2019 acknowledging the receipt of the letter dated 18th April 2019 of the Disciplinary Directorate, stated that she was unable to go through the annexure from page number 5 to 44 attached to Form I as it was extremely illegible and hazy and therefore incapable of being read. She requested for a legible set of annexure to enable her to read, understand and furnish proper reply thereto. She also stated in her letter that the period of 21 days for the purpose of Rule 8(3) of the Cost and Works Accountants (Procedure of Investigations of Professional and other Misconduct and Conduct of Cases) Rules, 2007 shall commence from the date of receipt of the annexure in legible form which is capable of being read.





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10. The respondent vide another letter dated 17th June 2019 addressed to Director (Discipline) stated as follows which is reproduced below:

“ Sir,

Kindly refer to your letter no. G/DD (M-23142)/Com-C-71/2/05/2019 dt. 08.05.2019 received on 31.05.2019 at or about 4 p.m., requesting me for sending my response through a written statement in my defense within 21 days from the date of service of this letter.

I have also received a legible copy of the Forensic Audit Report (totaling 46 pages) of Manor Floatel Ltd. along with a copy of Form- 1. On perusal of the Forensic Audit Report, which forms the basis of my response I find that there are several aspects which need to be studied and examined as the matter relates to a period of 2 years preceding the Insolvency Commencement date 10.01.18. Hence the matter is an old one for which I may have to visit the client and seek the relevant records in order to prepare the written statement in my defense.

I therefore, pray before your goodself to grant me such additional time, not exceeding 30 (thirty) days in accordance with Sub-rule (3) of Rule 8 of The Cost and Works Accountants (Procedure of Investigations of Professional and other Misconduct and Conduct of cases) Rules, 2007.

I shall be thankful for your kind co-operation by grant of additional time as prayed above to enable me to study and understand the Forensic Audit Report of V. Singhi & Associates, Chartered Accountants, as well as the visit the office of Manor Floatel Ltd. If required, for preparing my written statement.

Thanking you,

Yours faithfully”

11. The Disciplinary Directorate vide letter Ref. No. G/DD/(M-23142)/Com-C-71/3/06/2019 dated 20th June 2021 was pleased to grant the respondent an additional time of 30 days from that day in terms of Rule 8(3) of the Cost and Works Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules, 2007 for submitting her written statement on or before 20th July 2019.

12. The respondent by a letter dated 10th July 2019 submitted her written statement which is reproduced in verbatim:

“Sir,

Kindly refer to your letter Ref. No. G/DD/(M-23142)/Com-C-71/2/05/2019 dated 8th May 2019 intimating me about a disciplinary complaint filed by IDBI Bank Ltd. which has been registered with your Directorate vide Complaint No. Com/21-CA(71)/2019 and also asking





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me to send my response through a written statement in my defence within 21 days from the date of service of the letter.

However, owing to paucity of adequate time in furnishing my reply, I had vide my letter dated 17th June, 2019 requested you for grant of extension of time, in terms of Rule 8(3) of the Cost and Works Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules, 2007, for furnishing my response through a written statement which was duly granted vide your letter Ref. No. G/DD(M-23142)/Com-C-71/3/06/2019 dated 20th June 2019, for which I am grateful to your good self. My response through written statement is dated 10th July 2019 and is well within the time limit granted by your good self.

My response

I have gone through the particulars of allegation alleged to have been committed by me mentioned in Form I and have also noted the particulars of the clause/part of the relevant Schedule(s) under which the alleged acts of commissions or omissions or both fall. At the outset, I deny each and every allegations levelled against me and deny vehemently the contraventions alleged to have been committed by me in Clauses (5), (6), (7), (8) & (9) of Part I of the Second Schedule of the cost and Works Accountants Act, 1959.

However, before attempting to challenge the merits of the complaint, let me humbly submit that this complaint of IDBI Bank Ltd. should have been rejected by the Disciplinary Directorate on grounds of technical deficiency, i.e. the complaint seriously suffer from technical irregularities and should have not been admitted at all. In fact, I am at a loss to understand how this complaint has been admitted by the Disciplinary Directorate and forwarded to me for my written statement. On a careful perusal of Form I it is observed that three Bank officials namely, Shri Nihar Ranjan Samal, GM, IDBI Bank Ltd., Smt. Minky Praminik, DGM, IDBI Bank Ltd and Smt. Susmita Bora, Manager, IDBI Bank Ltd are the persons who have been stated to have knowledge of the facts of the case. At the end of Form I on page number 3, the following verification appears:

Quote

"I Smt Minky Pramanik, Deputy General Manager, NPA Management Group, the Complainant do hereby declare that what is stated above is true to the best of my information and belief.

Unquote

From the above complaint in Form I filed by IDBI Bank Ltd it is observed that the matter mentioned in serial nos. (1) to (7) have been verified by the above mentioned Smt. Minky Pramanik, Deputy General Manager, NPA Management Group, IDBI Ltd.





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It is therefore clear that the instant complaint has been filed by IDBI Ltd, which is a bank under Section 5(c) of the Banking Regulation Act, 1949. Now I would like to bring to your kind notice the provisions of sub-rule (4) of Rule 3 of the Cost and Works Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules, 2007 which is stated below:

Quote

A complaint filed by or on behalf of a company or a firm, shall be accompanied by a resolution, duly passed by the Board of Directors of the company or the partners of the firm, as the case may be specifically authorizing an officer or a person to make the complaint on behalf of the company or the firm.

Explanation – In the case of a bank or financial institution, the general resolution or power of attorney authorising an officer holding a particular position to file complaints on behalf of the bank or financial institution, shall be deemed to be the specific resolution passed by the bank or financial institution concerned, for the purposes of these rules.

The instant complaint should have been accompanied by a general resolution or power of attorney by the IDBI Bank Ltd. authorising Smt. Minky Pramanik, DGM, NPA Group to file the complaint on behalf of the bank against me. From perusal of Form I and other documents annexed with Form I, it is abundantly clear that no such resolution or power of attorney which is required in case of a complaint filed by bank or financial institution, as envisaged in the Explanation to sub-rule (4) of Rule 3 of the Cost and Work Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules, 2007 has been provided. This is a serious technical glitch in as much as the complaint filed by IDBI Bank Ltd. has got no legal standing and cannot be treated as a valid complaint in the eyes of law and in terms of the provisions of these rules as mentioned herein above.

It also shows that the Learned Director (Discipline) has erred in admitting the complaint without satisfying himself fully whether or not the provisions of the Cost and Works Accountants Act read with provisions of Rule 3 (4) of the Cost and Works Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules, 2007 have been complied with. On the contrary, the learned Director (Discipline) has acted with undue haste without following the due procedure of law for reasons best known to him.

I, therefore pray before your good self to reject the complaint forthwith and place the same before the Board of Discipline constituted under Section 21A of the Cost and Works Accountants Act, 1959 for closure of the case in terms of Section 21A (4) of the CWA Act, 1959. It is to be mentioned that my response is well within the time limit granted to me in

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terms of Rule 8(3) of the Cost and Works Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules, 2007.

Thanking you,

Yours sincerely''

13. The respondent by another letter dated 29th July 2019 submitted another reply in her defence which is reproduced below in verbatim:

'Sir,

Kindly refer to your letter Ref. No. G/DD(M-23142)/Com-C-71/2/05/2019 dated 8th May 2019 intimating me about a disciplinary complaint filed by IDBI Bank Ltd. which has been registered with your Directorate vide Complaint No. Com/21-CA(71)/2019 and also asking me to send my response through a written statement in my defence within 21 days from the date of service of the letter. Also, kindly refer to my earlier letter dated 10th July, 2019 wherein I had requested the learned Director (Discipline) to comply with the provisions of Explanation to sub-rule (4) of Rule 3 of the Cost and Works Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules, 2007 regarding the general resolution or power of attorney authorising an officer of a bank or financial institution to file complaint on behalf of the bank or financial institution, which shall be deemed to be the specific resolution passed by the bank or financial institution for the purpose of these rules.

I am now in receipt of a letter Ref. No. G/DD(M-23142)/Com-C-71/4/07/2019 dated 18th July 2019 enclosing therewith, a letter of authority dated 13th March 2019 understood to be given by the General Manager, NPA management Group, IDBI Bank Ltd. I am unable to understand when the authority letter dated 13th March 2019 was already available with the Disciplinary Directorate, why the same was not enclosed with Form I and also the letter dated 8th May 2019 of the Learned Director (Discipline) requesting for my response through a written statement in my defence.

My submissions

At the outset, I completely deny the allegations levelled against me by the complainant in regard to violation of Clauses (5), (6), (7), (8) & (9) of the Second Schedule of Part- 1 of the Cost and Works Accountants Act, 1959. Further, I would like to submit as follows:

- i. It is evident and a matter of record that I was appointed by Manor Floatel Ltd. as their Internal Auditor. Thus, Manor Floatel Ltd was my client. It has been alleged by





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IDBI Ltd. (who is not my client and therefore, there is no accountability to the said bank) that "various discrepancies in accounting processes of Manor Floatel Ltd and non adherence of prudent accounting practices in the course of business of Manor Floatel Ltd. has been observed". The complainant has submitted a Forensic Audit Report of one V. Singhi & Associates, Chartered Accountants. It is pertinent to mention here that nowhere in the report totalling to 47 pages which have been enclosed as an annexure by the complainant, it has been stated that there was any dereliction of duty or negligence on the part of Ms. Mousumi Dutta. In fact, nowhere in the said report which has been relied upon by IDBI Ltd., I have been charged with any negligence or discrepancies in accounting processes of Manor Floatel Ltd.

- ii. In point number (6) of Form I, it is stated that IDBI Ltd. complainant has relied upon the "Transaction Audit Report conducted by CA Firm M/s. V. Singhi & Associates" Nowhere in the said Report even a remote reference has been made regarding the involvement of Ms. Mousumi Dutta in a few discrepancies that have been highlighted in the report of the CA firm M/s. V. Singhi & Associates.
- iii. Manor Floatel Ltd. had a dedicated team of accounting staff headed by the Accounts Manager and I was the internal auditor of the company. I had discharged my duties and functions in the capacity of an "Internal Auditor" based on the scope of work and the terms of reference handed over to me by the management of Manor Floatel Ltd. The company has also had a qualified Company Secretary to take care of compliances and other legal obligations. It was not my duty to make a roving inquiry and go on a phishing expedition to detect frauds and errors, if any.
- iv. In fact, the very report of M/s. V. Singhi & Associates on which the complainant has relied upon suffers from accuracy and the genuineness of the content of the report is put to strict proof thereof. This is evident from the last para of page number 46 which reads as follows:

Quote

Although we have endeavoured to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate thereafter. No person should act on such information without appropriate professional advice based on the circumstances of a particular situation.

Unquote

From the above, it is absolutely clear that even the forensic auditor has doubts on his own report as he declares and proclaims overtly that there is no guarantee that such information is accurate. Any conclusion, therefore, drawn on such report is also amenable to suspect and conjectures.





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This corroborated by the observation of the forensic auditor in point (iv) of Annexure A where it is stated that there are possibilities that the business of the corporate debtor have been carried on with intent to defraud creditors of the corporate debtor or for other fraudulent purpose, cannot be ignored.

Again, the forensic auditor speaks of possibilities and have doubts in his mind. Based on doubts, surmises and conjectures it is extremely unfair to allege me of having committed professional misconduct by violation of Clause (5), (6), (7), (8) & (9) of the Second Schedule of Part- I of the Cost and Works Accountants Act, 1959 which I vehemently deny. In any case, as stated in the foregoing paras, IDBI Bank Ltd. is not my client and has no locus standi to lodge a complaint against me.

The complaint by IDBI Bank Ltd. is therefore, false purported and utterly baseless and is liable to be quashed.

I therefore pray before your good self to reject the complaint forthwith a place the same before the Board of Discipline constituted under Section 21A of the Cost and Works Accountants Act, 1959 for closure of the case in terms of Section 21A(4) of the CWA Act, 1959. It is to be mentioned that my response is well within the time limit granted to me in terms of Rule 8(3) of the Cost and Works Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases).

Thanking you,

Yours sincerely''

14. The above written statement of the respondent was forwarded to Ms. Minky Pramanik, Deputy General Manager of the complainant organization on 5th August 2019 vide letter No. G/DD/Com-C-71/2/08/2019 requesting for rejoinder of the complainant within 21 days from the date of service of the letter. The complainant vide letter Ref. No. IDBI Bank/KOL/NMG-/MFL/639/2019-20 dated 23rd August 2019 submitted its rejoinder which is reproduced below in verbatim:

''To

The Director (Discipline),
The Institute of Cost Accountants of India,
CMA Bhawan, 3, Institutional Area,
Lodhi Road, New Delhi- 110003

Re : Your Letter no G/DD/Com-C-71/2/08/2019 dated August 8, 2019 wrt to our Complaint No. Com/21-CA(71)/2019 AGAINST CMA Ms Mousumi Dutta (M/23142)





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Dear Sir,

With reference to your above mentioned letter dated August 8, 2019 received by us on August 13, 2019 forwarding letter dated July 29, 2019 written by CMA Ms. Mousumi Dutta under the subject 'In the matter of Com/21-CA(71)/2019-IDBI Bank Ltd. Vs. Mousumi Dutta, we would like to submit the following facts for your kind reference and record.

1. M/s. Manor Floatel Ltd. (MFL) had availed financial assistance to the tune of Rs. 1558 lakh from IDBI Bank Ltd.
2. The company defaulted in its payment obligations and thus came under Corporate Insolvency Resolution Process (CIRP) vide Order dated January 10, 2018 issued by Hon'ble National Company Law Tribunal (NCLT), Kolkata.
3. As a part of the procedure, the Insolvency Professional appointed Chartered Accountant Firm, M/s. V. Singhi & Associates to conduct Transaction Audit of the accounts of Manor Floatel Ltd for the period January 10, 2016 to January 9, 2018.
4. The auditors found that there are various discrepancies in accounting processes of Manor Floatel Ltd. and non adherence of "Prudent Accounting Practices" in the course of business of Manor Floatel Ltd. viz.,
 - i. The invoice wise details of revenue of the company did not match with the revenue recognised in the Book of Account. There is a difference of Rs. 664.85 lakh.
 - ii. The books of account did not contain detailed list of Debtors and Creditors. The party wise details of creditors and client/customer wise details of debtors did not tally with that maintained in their internal Tally Software. The company was simultaneously maintaining two separate accounts.
 - iii. The company may have made preferential transfer of funds in the pretext of making payments to trade creditors, records of which were not made available to the auditors by the company.
 - iv. The company may have made potential adjustment or accommodation entries while receiving payments in trade payables account in cash since records of the same have not been made available to the auditors.
 - v. The company reported in their Audited Financial Statements of 2015-16 and FY 2016-17 that they have not defaulted in repayment of loans to any financial institution

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including banks and reported dues payable to IDBI Bank as Rs. 284 lakh which was a false statement. The company could not forward any explanation to the contradictory reporting.

- vi. The company involved in manipulation of records by inserting Fake Signature of Late N.K. Roychowdhury, the Statutory Auditor of the company, in its Limited Review Report on 15.02.2017 since as per the record of Institute of Chartered Accountants of India (ICAI) he had expired on 04.01.2017.
- vii. The dates of Meetings of the Audit Committee and Board Meeting filed with RoC at the website of Ministry of Corporate Affairs and the minutes provided to Auditors are different.
- viii. The draft and Audited Financial Statements (AFS) have not been approved by Board of Directors in their meetings.
- ix. The Audited Financial Statement did not contain explanatory notes in respect of related party transactions, employee benefits, earnings per share, contingent liabilities etc.
- x. The company did not maintain particulars such as item wise details, description of assets, quantity, depreciation for the year and upto date additions and declaration wrt fixed assets. Fixed asset verification report was not provided to the auditors by the management.
- xi. The Financial Statements for FY 2016-17 which was stated to have been prepared in compliance to Indian Accounting Standards were not in compliance with Indian Accounting Standards.
- xii. The minutes of the board meeting were not maintained by the Company as is required to be maintained under Section 118 of the Companies Act, 2013.
- xiii. The minutes were found in loos leaf form, unapproved, unsigned by Chairman and not properly drafted.
- xiv. Statutory registers as per the Companies Act 2013 may not have been maintained by the company as the same were not provided for verification to the Auditors.
- xv. Minutes of meetings with respect to independent director(s) were not provided to the Auditors by MFL for verification and thus Auditors have concluded that the provision of Section 177 of the Companies Act, 2013 have not been complied with by the company and the independence of the Audit Committee has been compromised.

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- xvi. Thus, the business transacted and approvals made have been potentially suspected by the Auditors.
5. Based on the above circumstances complaint has already been filed with the Joint Commissioner of Police (Crime), Detective Department, Kolkata against the directors, Shri Manab Pal and Smt. Subha Pal.
6. Ms. Mousumi Dutta, Membership no. 23142 was the Internal Auditor of M/s. Manor Floatel Ltd. during Financial Year 2016-17 and 2017-18.
7. However CMA Mousumi Dutta, Membership no. 23142 in spite of being internal auditor during two consecutive financial years has deliberately not discharged the functions and duties of Internal Auditor and neglected her duties and responsibilities. And surprisingly Ms. Mousumi Dutta has questioned the Veracity of the Transaction Audit Report based upon the disclaimer in Page no. 45 on the report. She has further mentioned that "It was not my duty to make roving inquiry and go on a phishing expedition to detect frauds and errors, if any" which creates doubt in her credentials as a responsible auditor.

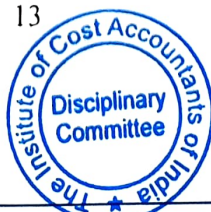
We, therefore, request you to initiate necessary legal action to take necessary actions against Ms. Mousumi Dutta, Membership no. M/23142.

Yours faithfully,

(MinkyPramanik)
Deputy General Manager''

15. Although, the respondent concluded by praying before the Disciplinary Directorate to reject the complaint forthwith and place the same before the Board of Discipline constituted under Section 21A of the Cost and Works Accountants Act, 1959 for closure of the case on the grounds of technical deficiency and that the complainant has no locus standi to file a complaint as IDBI Bank Ltd is not a client of the respondent, the following facts deserve mention:

- a. That Manor Floatel Ltd (MFL) had availed financial assistance to the tune of Rs. 1558 lakh from IDBI Bank Ltd.
- b. That the auditors M/s V. Singhi & Associates conducting transaction audit had found that there were various discrepancies in accounting processes of Manor Floatel Ltd. and non adherence of "Prudent Accounting Practices" in the course of business of Manor Floatel Ltd.
- c. That a police complaint with the Joint Commissioner of Police (Crime) Detective Department, Kolkata had been filed by the complainant against the two directors of Manor





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Floatel Ltd (MFL).

d. That the respondent was the internal auditor of Manor Floatel Ltd and certain obligations were cast on her by virtue of Section 143 of the Companies Act, 2013.

e. That the respondent had entered into the shoes of an employee of Manor Floatel Ltd by preparing accounts which have been specifically forbidden under Section 144 of the Companies Act, 2013.

16. The prima facie opinion formed by Director (Discipline) against the respondent was placed in the 59th meeting of the Disciplinary Committee held on 8th February 2022 in terms of Rule 9(2)(a)(ii) of the Cost and Works Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules, 2007 but the same was not agreed to by the Committee and the Committee advised Director (Discipline) to further investigate the matter. The Director (Discipline) was directed to obtain the engagement/ appointment letter issued to the respondent by Manor Floatel Ltd, of which she was the Internal Auditor and to place the same before the Committee at its next meeting.
17. In compliance with such directives of the Disciplinary Committee, a letter No. G/DD/Com-CA(71)/(M-23142)/5/02/2022 dated 14th February 2022 was sent to the respondent stating that she was the Internal Auditor of MFL during the Financial years 2016-17 and 2017-18 and was requested to provide a copy of her engagement/ appointment letter issued to her by MFL within 07 (seven) days of service of the letter under reference. The said letter, however, was returned undelivered as "incomplete address". Another letter dated 18th February 2022 was sent to the respondent which reached the destination. The respondent, by an email dated 21st February 2022, submitted at or about 4.05 PM her letter of engagement which is reproduced below in verbatim:

"To

M/s. Mousumi Dutta,
Cost Accountant,
KM Roy Chowdhury Road,
P.O. DakshinJagaddal,
Rajpur, Kolkata- 700151

Ref. Internal Audit

With reference to your letter dated 03.04.2017, it was mutually agreed that your company will take over the internal audit for the Financial Year 2017-2018 and prepare the following :-

1. Maintenance of books of accounts and preparation of bills/cash memo as required.
2. Maintenance of VAT & GST registered (input & output).
3. Submission of VAT & GST return in due time.
4. CENVAT register to be maintained.

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5. Maintenance of Service Tax register.
6. Submission of Service Tax Return in due time.
7. TDS calculation and submission of TDS return in due time.
8. Handling of Luxury Tax/Entertainment Tax/Amusement Tax.
9. Bank Reconciliation Statement.
10. Preparation of Profit & Loss A/c., Balance Sheet and related documents for statutory audit.
11. VAT & GST Audit.
12. Submission of Income Tax Return.
13. Preparation of Tax Audit Report.
14. Handling and appear before tax department relating to VAT, Sales Tax, Income Tax, Service Tax and GST and other taxes, if required.
15. Internal checking of account and submission of quarterly audit report.
16. Any type of online payment (VAT, GST, Service Tax, TDS, P. Tax, PF & ESIC).

For the above assignment you will paid a monthly remuneration of Rs. 75,000/- (Rupees seventy-five thousand only).

Hope you will accept the above terms and condition by signing the duplicate copy.

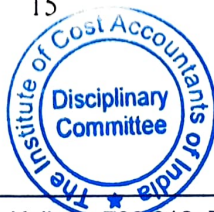
Thanking you and assure you our best services and co-operation at all time.

Yours faithfully,

(Manab Pal)''

18. The said letter of engagement was placed before the Disciplinary Committee at its 60th meeting held on 23rd March 2022. On perusal of the letter of engagement issued by MFL to the respondent, it was quite clear that the nature of assignment related to day to day compliances on Income Tax, GST matters and VAT. The assignment also included jobs like preparation of Bank Reconciliation Statement, preparation of Profit & Loss A/c., Balance Sheet and related documents for statutory audit and other day to day accounting work. It is quite clear that the respondent was involved in the day to day accounting as maintenance of

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books of accounts of the company was her bounden duty. The prima facie opinion formed by Director (Discipline) was considered and agreed to in this meeting in terms of Rule 9(2)(a)(ii) of the Rules and Director (Discipline) was directed to ensure compliance of Rule 18(2)(a) and 18(2) (b) of the Cost and Works Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules, 2007.

19. The respondent was found guilty of violation of the following provisions of CWA Act, 1959:-

- a. Clause (2) of Part IV of The First Schedule to the CWA Act, 1959
- b. Clause (7) of Part I of Second schedule to the CWA Act, 1959
- c. Clause (8) of Part I of Second schedule to the CWA Act, 1959

20. In compliance with such directives of the Disciplinary Committee, the PFO was sent both to the complainant and the respondent requesting the latter to send her response through written statement within 21 days from the date of the service of the letter. The respondent, by an email dated 22nd April 2022 sent at or about 6.20 PM, replied that she was "suffering from physical problems" and is hospitalized. Hence, she was not able to furnish her reply within due date. She had attached a certificate of "Atlas Health Point" where she was admitted. At the 61st meeting of the Disciplinary Committee held on 2nd May 2022, the Committee granted additional time of 21 days to the respondent for submitting her second written statement in terms of Rule 18(4) of the Cost and Works Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules, 2007. The same was duly intimated to the respondent vide letter Ref. No. G/DD/Com-CA(71)/PFO/(M-23142)/8/04/2022 dated 4th May 2022.

21. The respondent, by an email dated 24th May 2022 submitted her second written statement in terms of Rule 18(4) which is reproduced below in verbatim:

'Sub. : Written statement under Rule 18 (4) of the Cost and Works Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules, 2007.

Sir,

Kindly refer to your letter No. G/DD/Com-CA(71)/PFO/(M-23142)/7/03/2022 dated 31st March 2022 along with the prima facie opinion together with the documents relied upon you during the course of formulation of the prima facie opinion was forwarded under Rules 18(2) of the Cost and Works Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules 2007 with a request to file a written statement within 21 (Twenty one) days. However, as I was not well and admitted in a hospital, I requested for time for submitting reply to the prima facie opinion. I thank the Disciplinary Committee for providing me additional 21 days time which was communicated to me by the Disciplinary Directorate through letter No. G/DD/Com-CA(71)/PFO/(M-23142)/8/04/2022 dated 4th May, 2022.

In regard to the present complaint, this is to state that I completely deny the allegations that have been

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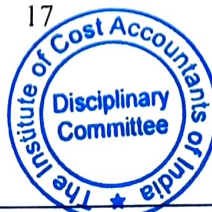
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complained of by the complainant. My submissions are as follows:

1. The Director (Discipline) has failed to understand the basic principle involving this complaint which is that I was the internal auditor of Manor Floatel Ltd and not IDBI Bank Ltd. If any complaint is to be filed against me of professional misconduct the same has to be filed by my client only which is Manor Floatel Ltd and not by IDBI Bank Ltd. Thus, the prima facie opinion formed by Director (Discipline) is perverse and bad in law.
2. Secondly, the complaint by the complainant is based on Transaction Audit Report of one V. Singhi & Associates, Chartered Accountants. It is pertinent to mention here that nowhere in the report totaling to 47 pages which have been enclosed as an annexure by the complainant, it has been stated that there was only dereliction of duty or negligence on my part. In fact, nowhere in the said Transaction Audit Report which has been relied upon by IDBI Ltd. I have been charged with any negligence or discrepancies in accounting processes of Manor Floatel Ltd.
3. Manor Floatel Ltd. had a dedicated team of accounting staff headed by the Accounts Manager and I was the internal auditor of the company. I had discharged my duties and functions in the capacity of an "Internal Auditor" based on the scope of work and the terms of reference handed over to me by the management of Manor Floatel Ltd. I had provided a letter in response to the letter NO. G/DD/Com-CA(71)/(M-23142)/6/02/2022 dated 18th February, 2022 issued by the Director (Discipline) where I had provided my scope of works (Ref email dated 21st February 2022) The terms of reference and scope of works as stated in the said engagement letter is given below:
 - (a) Maintenance of books of accounts and preparation of bills/cash memo as required.
 - (b) Maintenance of VAT & GST registered (input & output).
 - (c) Submission of VAT & GST return in due time.
 - (d) CENVAT register to be maintained.
 - (e) Maintenance of Service Tax registers.
 - (f) Submission of Service Tax Return in due time.
 - (g) TDS calculation and submission of TDS return in due time.
 - (h) Handling of Luxury Tax / Entertainment Tax/ Amusement Tax.
 - (i) Bank Reconciliation Statement.
 - (j) Preparation of Profit & Loss A/c. Balance Sheet and related documents for statutory audit.

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- (k) VAT & GST Audit.
- (l) Submission of Income Tax Return.
- (m) Preparation of Tax Audit Report.
- (n) Handling and appear before tax department relation to VAT, Sales Tax, Income Tax, Service Tax and GST and other Taxes, if required.
- (o) Internal checking of account and submission of quarterly audit report.
- (p) Any type of online payment (VAT, GST, Service Tax, TDS, P. Tax, PF & ESIC).

From the above, it is seen that I was engaged in day to day jobs of Manor Floatel Ltd and did not have power to take decision.

4. It may kindly be noted that the company had a qualified Company Secretary to take care of compliances and other legal obligations. I therefore, cannot be held responsible for the allegation against me that I am responsible for various discrepancies in accounting processes of Manor Floatel Ltd. and non adherence of prudent accounting practices in the course of business of Manor Floatel Ltd. I have merely performed the job of an internal auditor with diligence and prudence as is expected of a man of ordinary prudence.
5. For non-repayment of Rs. 1558 lakhs to IDBI Bank Ltd., I cannot be held responsible as neither I was in the helm of affairs of Manor Floatel Ltd nor was I a signatory of the company. If Manor Floatel Ltd. was unable to repay the loan of Rs. 1558/ Lakhs it was due to some other problem of the company which need to investigate.
6. In view of the above, I should be absolved of the charges framed against me by Director (Discipline) and request the Disciplinary Committee to close the matter against me.

Yours faithfully,

(Mousumi Dutta)
M/N. 23142''

22. In the 63rd meeting of the Committee held on 22nd June 2022, Director (Discipline) placed before the Committee the second written statement dated 24th May 2022 received from the respondent in terms of Rule 18(4) of the Rules. A copy of the respondent's appointment letter issued to her by M FL was also placed before the Committee. The Committee members noted that as an internal auditor of her client company, she had been involved in some of the day to day accounting and book keeping functions which as an internal auditor, she was not permitted under Section 144 of the Companies Act, 2013. The learned members of the

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Committee advised Director (Discipline) to seek information from the respondent as to whether she had submitted her internal audit report to her client company and if so, to provide copies thereof to the Disciplinary Directorate. In accordance with such directives of the Committee, a letter No. G/DD/Com-CA(71)/(M-23142)/9/07/2022 dated 12th July 2022 was sent to the respondent seeking all copies of Internal Audit Reports submitted by her to her client company, i.e., Manor Floatel Ltd (MFL) for perusal and information of the esteemed members of the Disciplinary Committee. The respondent vide letter 19th July 2022 submitted copies of the following Internal Audit Reports to the Disciplinary Directorate:

1. Internal Audit Report for 1st quarter of 2016-17.
 2. Internal Audit Report for 2nd quarter of 2016-17.
 3. Internal Audit Report for 3rd quarter of 2016-17.
 4. Internal Audit Report for 4th quarter of 2016-17.
 5. Internal Audit Report for 1st quarter of 2017-18.
 6. Internal Audit Report for 2nd quarter of 2017-18.
 7. Internal Audit Report for 3rd quarter of 2017-18.
23. In the 64th meeting of the Disciplinary Committee held on 4th August 2022, the learned members perused the above mentioned 07 (seven) internal audit reports which were submitted on quarterly basis to her client company during the period 2016-17 & 2017-18. The Committee noted that the respondent had in almost all the reports mentioned that the stock register had not been maintained by Manor Floatel Ltd. Certain discrepancies have also been reported by the internal auditor, i.e., the respondent in the 'Purchase' which subsequently, have been rectified. The members, however, also observed that the report of the respondent submitted to the client company leaves much to be desired and certain important aspects have not been highlighted which should have been done. The Committee members directed Director (Discipline) to call both the complainant and the respondent in terms of Rule 18(6) of the Cost and Works Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules, 2007 in the next meeting of the Committee.
24. In accordance with such directives of the Disciplinary Committee, letter Nos. G/DD/Com-CA(71)/IDBI/PFO/5/08/2022 and DD/Com-CA(71)/(M-23142)/10/08/2022 both dated 25th August 2022 were sent both to the complainant and the respondent (followed by email communication) informing the parties to appear before the Disciplinary Committee on 2nd September 2022 for making oral submissions, if any, under Rule 18(6) of the Rules.
25. The complainant did not appear for making oral submissions. The respondent appeared through the online mode at the appointed date and time. The charges against the respondent along with the summary of the prima facie opinion arrived at by Director (Discipline) were read out as required by Rule 18(7) of the Rules. The respondent did not plead guilty and denied all the allegations levelled by the complainant against her. She made the following oral submissions:-





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- i. The complaint by the complainant was based on Transaction Audit Report of V. Singhi & Associates, Chartered Accountants. Nowhere in the report totaling to 47 pages, which have been enclosed as an annexure to the complaint, it has been stated that there was dereliction of duty or negligence on her part.
 - ii. In almost all the internal audit reports that have been submitted to the management of Manor Floatel Ltd, it has been mentioned that the stock register had not been maintained by Manor Floatel Ltd. Certain discrepancies have also been reported in the 'Purchase' which subsequently, have been rectified.
 - iii. Her report also mentioned about fixed asset register not being properly maintained.
 - iv. She had duly acted within the scope of the work given to her by the client company i.e., Manor Floatel Ltd which had engaged her for internal audit work.
 - v. There was a separate accounts department in the company headed by an Accountant who used to prepare the day to day accounts. At times she too prepared the accounts using tally software. She admitted that she was aware of all the transactions of the company, all payments and receipts and stated that from the very beginning, the opening balance of debtors and creditors were not matching and there were a few other discrepancies as well.
 - vi. The annual accounts of MFL were signed by Shri Manab Pal and Smt. Subha Pal, both directors of the company and the Company Secretary.
26. During the proceedings, on certain queries being raised by the Government Nominees regarding her involvement and her role, if any, in the non-payment of loan of Rs 1558 lakh to IDBI Bank Ltd by Manor Floatel Ltd, she replied as under:
- a) She submitted the internal audit report to the Company Secretary of Manor Floatel Ltd.
 - b) She was aware that Manor Floatel Ltd had availed of a loan of Rs 1558 lakh from IDBI Bank Ltd. However, she has never visited IDBI Bank and did not submit her internal audit report to IDBI Bank.
 - c) She did not have any role in the non-payment of the loan availed of from IDBI Bank by Manor Floatel Ltd and she was not a party to the fraudulent activities, if any, of the management of Manor Floatel Ltd.

The Committee directed Director (Discipline) to give an opportunity to the respondent in the next meeting of the Committee in terms of Rule 18(9) of the Rules for examination of witness and production of documents. The Committee also directed Director (Discipline) to give one final opportunity to the complainant in the next meeting of the Committee in terms of Rule 18(6) of the Rules for making oral submissions.

27. In accordance with such directives of the Disciplinary Committee, notice calling upon the complainant to appear before the Disciplinary Committee in terms of Rule 18(6) of the Rules was served vide letter No. G/DD/Com-CA(71)/IDBI/PFO/6/09/2022 dated 21st September 2022 (followed by email communication on the same date) and a letter providing for an opportunity for examination of witness and production of documents was sent to the respondent in terms of Rule 18(9) of the Rules vide letter No. G/DD/Com-CA(71)/(M-23142)/11/09/2022 dated 21st September 2022 (followed by email

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communication on the same date) for making themselves convenient to be present before the Disciplinary Committee on 27th September 2022.

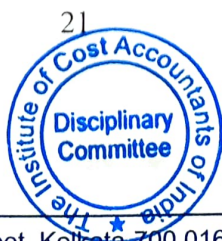
28. In the 66th meeting of the Disciplinary Committee held on 27th September 2022, Shri Gautam Sarkar, DGM, NPA Management Group appeared on behalf of IDBI Ltd at the appointed date and time for making oral submissions under Rule 18(6) of the Rules. He made the following oral submissions:

- (i) The respondent was appointed as the Internal Auditor of Manor Floatel Ltd and during her tenure as an Internal Auditor various discrepancies in accounting processes and non-adherence to prudent accounting practices were observed in the course of business of Manor Floatel Ltd.
- (ii) The allegations made against the respondent by the bank were based on the findings of the Forensic Audit Report conducted during CIRP by M/s V. Singhi & Associates, Chartered Accountants.
- (iii) The internal audit report is the first point of control. IDBI Bank Ltd did not, however, receive any Internal Audit Report of the respondent during the period internal audit was done.
- (iv) Term loan and cash credit loan amounting to Rs 1558 lakhs was disbursed during the FY 2008-2009.
- (v) The correct financial position of the company was not shown in the financial statements of the company. There were manipulations in the books of accounts maintained by Manor Floatel Ltd.

29. Shri Gautam Sarkar, representing the complainant organization i.e., IDBI Bank Ltd was asked to apprise the learned members of the Committee as to why the complainant is of the view that the respondent neglected the duties and functions of an Internal Auditor. He replied that:-

- The invoice wise details of the company i.e., Manor Floatel Ltd did not match with the revenue recognised in the books of accounts. There was a difference of Rs 664.85 lakhs.
- The party wise details of creditors and customer wise details of debtors did not tally with that maintained in the internal Tally software.
- The trade receivables did not tally with the balance of trade receivables shown in the financial statement of FY 2016-17 & 2017-18.
- Monthly revenue entries were passed instead of invoice wise entries.

30. On a query raised by a learned member of the Committee as to whether the Forensic Audit Report of M/s V. Singhi & Associates, Chartered Accountants had made any adverse comments against the respondent who was the internal auditor of Manor Floatel Ltd, Shri Sarkar replied in negative. Shri Sarkar was also asked if the respondent was a decision maker of Manor Floatel Ltd who was responsible for manipulating the accounts of the company. Shri Sarkar replied that IDBI Bank does not have any such information in this regard.





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31. In the same 66th meeting of the Disciplinary Committee held on 27th September 2022, the respondent appeared at the appointed date and time in terms of Rule 18(9) of the Rules but neither could she produce any document in her support nor any witness in her favour. She stated that though she had prepared the accounts of Manor Floatel Ltd, she was not a party to any of the manipulative designs carried on by the company. However, the respondent admitted that:

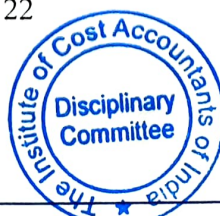
- The company maintained two sets of books of accounts – one for the purpose of banks and the other for the purpose of legal compliances.
- She herself prepared the accounts of Manor Floatel Ltd including the Balance Sheet of the company.
- She had operated tally software and was aware of all debits, credits, receipts, payments and banking transactions.
- She was aware that Manor Floatel Ltd had availed of a loan of Rs 1558 lakh from IDBI Bank Ltd. However, she had never visited IDBI Bank nor did she submit her internal audit report to IDBI Bank.
- She did not attend any meeting of the Audit Committee.

On a query raised by a learned member of the committee as to how long she was in practice, she stated that she had obtained the Certificate of Practice in 2005 and was in practice since then.

The submissions of both the complainant and the respondent were taken on record by the Committee.

32. Thereafter Director (Discipline) proceeded to produce evidence against the respondent in terms of Rule 18(11) of the Rules. The Director (Discipline) placed on record the following facts before the Committee against the respondent:

- (i) That the respondent had admitted to maintaining two sets of books of by Manor Floatel Ltd in utter violation of prudent accounting practices.
- (ii) That the respondent had operated tally software and was aware of all debits, credits, receipts, payments and banking transactions. Admittedly, she herself prepared the accounts of Manor Floatel Ltd including the Balance Sheet of the company.
- (iii) That the respondent had failed to discharge her duties as an internal auditor due to conflict of interest as she herself was preparing the accounts of Manor Floatel Ltd.
- (iv) That on perusal of various internal audit reports submitted by the respondent to the Disciplinary Directorate which were submitted on quarterly basis to her client company during the period 2016-17 & 2017-18, it is abundantly clear that these reports leave much to be desired. Apart from some minor observations that the stock register had not been maintained by Manor Floatel Ltd several important aspects have not been highlighted which should have been done.
- (v) That as an internal auditor of her client company, she had been involved in some of the day to day accounting and book keeping functions which as an internal auditor, she was not permitted under Section 144 of the Companies Act, 2013.





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- (vi) That the respondent has been in practice for more than 15 years and she ought to have shown reasonable prudence and maturity in carrying out the audit assignment.
- (vii) That the respondent has been grossly negligent in the conduct of her duties and it appears that she is guilty of violation of :-
 - a. Clause (2) of Part IV of The First Schedule to the CWA Act, 1959
 - b. Clause (7) of Part I of Second schedule to the CWA Act, 1959
 - c. Clause (8) of Part I of Second schedule to the CWA Act, 1959

The Committee took the above submissions made by Director (Discipline) on record and directed Director (Discipline) to call the respondent in the next meeting of the Disciplinary Committee to enter upon her defence and produce her evidence in terms of Rule 18(13) of the Rules.

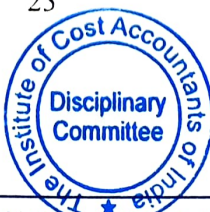
33. The respondent was called to appear before the Disciplinary Committee for entering upon defence and production of documents under Rule 18(13) of the Rules on 18th October 2022 at 2.30 P.M. The respondent appeared on the scheduled date and time and reiterated whatever she had submitted on earlier occasions i.e., on 2nd September 2022 and on 27th September 2022.

Briefly, her submissions were as follows:

- (i) The Forensic Audit Report of M/s Singhi & Associates, Chartered Accountants, which formed the basis of complaint against her, did not specifically contain any adverse remarks against the internal auditor or any statement to the effect that she was involved in fraudulent activities.
- (ii) She was not aware of any fraudulent conduct by Manor Floatel Ltd, her client organization during her tenure as an Internal Auditor of Manor Floatel Ltd.
- (iii) The management of Manor Floatel Ltd never asked her to attend any of its meetings including meetings of audit committees.
- (iv) She may have prepared the accounts of Manor Floatel Ltd but she was not a party to any of the manipulative designs carried on by the company.
- (v) She was in no way responsible for non payment of Rs 15.58 crore by Manor Floatel Ltd to IDBI Bank.

2.0 FINDINGS BY THE COMMITTEE u/r 18(17)

34. From the complaint, of the complainant, the written statements made by the respondents and various submissions made by the respondent on various dates, the evidence submitted by Director (Discipline) and the facts and circumstances of the case, the Committee gave a thoughtful consideration to all the arguments and the evidence placed before the Committee by the complainant, Director (Discipline) and other material facts on record. The Committee arrived at a finding under sub-rule (17) of Rule 18 of the Rules that there are clear circumstances suggesting that the respondent is guilty of 'professional' misconduct. arrived at the following findings:





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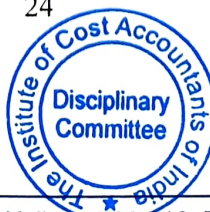
Phone : +91-11-24622156-57-58
Website : www.icmai.in

- (i) That the internal audit reports have been prepared in a sloppy manner and have not highlighted several aspects which ought to have been highlighted having a bearing on the working of MFL.
 - (ii) The respondent was the internal auditor of MFL and certain obligations were cast on her by virtue of Section 143 of the Companies Act, 2013.
 - (iii) That the respondent had prepared accounts and maintained the books of accounts while she was the internal auditor of MFL which is a clear case of 'conflict of interest'.
 - (iv) That the respondent was definitely aware of manipulative designs of MFL in regard to manipulation of accounts.
 - (v) That the respondent admittedly was completely aware of the fact that maintaining two sets of books of by MFL in utter violation of prudent accounting practices.
 - (vi) That the respondent had operated tally software and was aware of all debits, credits, receipts, payments and banking transactions. Admittedly, she herself prepared the accounts of Manor Floatel Ltd including the Balance Sheet of the company.
 - (vii) That as an internal auditor of her client company, she had been involved in some of the day to day accounting and book keeping functions which as an internal auditor, she was not permitted under Section 144 of the Companies Act, 2013.
35. In the 67th meeting of the Disciplinary committee held on 18th October 2022, the Committee directed Director (Discipline) to issue notice to the respondent under sub-rule (1) of Rule 19 of the Rules to afford her an opportunity of being heard in the next meeting of the Committee before passing any order under sub-section (3) of Section 21B of the Cost and Works Accountants Act, 1959. In accordance with such directives of the Committee, letter No. G/DD/Com-CA(71)/(M-23142)/13/11/2022 dated 9th November 2022 (followed by email communication on the same day) was issued to the respondent calling upon her to appear before the Disciplinary Committee to afford her an opportunity of being heard on 16th November 2022 at 11.45 A.M.
36. The respondent duly appeared at the appointed date and time and made her submissions. She stated that:-
- i. That she was made to act like a puppet at the hands of Manor Floatel Ltd.
 - ii. That the management of Manor Floatel Ltd had mis-utilized her services to serve their vested interest.
 - iii. That the manipulation in accounts made by Manor Floatel Ltd was without her knowledge.

Finally she appealed before the Committee members to give her one final opportunity to enable her to carry on the profession.

3.0 ORDER

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THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(Statutory Body under an Act of Parliament)
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37. The Committee noted that the respondent ought to have been careful and should have exercised due diligence and prudence in discharging the internal audit functions of her client company. Also, she herself had admitted of being a 'puppet' in their hands. This shows that the respondent did not have the required amount of maturity and competence which is expected of a professional. The Committee members were of the view that the respondent has been grossly negligent in the conduct of her duties and that she is guilty of violation of the following provisions of the Cost and Works Accountants Act:-
- Clause (2) of Part IV of The First Schedule to the CWA Act, 1959
 - Clause (7) of Part I of Second schedule to the CWA Act, 1959
 - Clause (8) of Part I of Second schedule to the CWA Act, 1959
38. The Committee unanimously decided that the following action be taken under sub-section (3) of Section 21B of the CWA Act, 1959 against the respondent:
- Reprimand
 - Removal of name from the Register of members for a period of three months
 - Impose a fine of Rs 50,000/- (Rupees Fifty thousand) only to be paid within 60 days of the date of service of the order, failing which the name of the member will be removed for another period of six months.
39. As per Section 22E (1) of the Cost and Works Accountants Act, 1959, "any member of the Institute aggrieved by any order of the Board of Discipline or the Disciplinary committee imposing on him any of the penalties referred to in sub-section (3) of Section 21A and sub-section (3) of Section 21B, may within ninety days from the date on which the order is communicated to him, prefer an appeal to the Authority."



CMA Vijender Sharma
PRESIDING OFFICER