

# INTERNATIONAL SOCIETY FOR KRISHNA CONSCIOUSNESS

(Founder Acharya: His Divine Grace A.C. Bhaktivedanta Swami Prabhupada)

## SRI JAGANNATH MANDIR

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### MEDIA RELEASE

#### ISKCON Bangalore case:

#### **Auditor hired by Madhu Pandit Das held guilty of falsifying accounts**

Date: 8 July 2011  
Place: Bangalore

On May 23<sup>rd</sup> 2011 The High Court of Karnataka concluded that the ISKCON Society registered in Bangalore in 1978 is a defunct entity having no legal existence and by fabricating documents and **falsifying accounts**, Madhu Pandit Das & his family members are falsely claiming the ISKCON Temple at Bangalore as the Property of the Defunct Society. The ISKCON Temple at Bangalore is the Property of the ISKCON Society registered in Mumbai & Madhu Pandit Das is only the President of the Bangalore branch of ISKCON registered in Mumbai.

In further setbacks to Madhu Pandit Das, the **Institute of Chartered Accountants of India** (ICAI) has independently concluded that VL Varadraj, the person hired by Madhu Pandit Das to prepare Account Statements in the name of the Defunct Bangalore society, "**guilty of professional misconduct**". The ICAI has a set of Code of Conduct, through which it monitors and controls the conduct of its members.

Till the year 2000, like every other branch president of ISKCON in India, Madhu Pandit Das, the branch president of ISKCON Bangalore, submitted annual accounts Statements to the ISKCON Head Office at Juhu, Mumbai for consolidation and submission to the Income Tax authorities.

In 2001, he began to fraudulently claim that the ISKCON temple at Bangalore never belonged to ISKCON registered at Mumbai and that it

always belonged to the defunct society registered at Bangalore. **However, to legally claim the Bangalore ISKCON Temple in the name of the defunct society, Madhu Pandit Das needed Account statements in the name of the Defunct Society. And to accomplish this, Madhu Pandit Das hired the services of auditor V.L. Varadarajan and generated fraudulent accounts statements in the name of the Defunct Society.**

“In 2005, the Mumbai head office of ISKCON had complained to ICAI against Mr. V. L. Varadarajan for deceptively signing back dated Account Statements for a period of 12 years from 1989 to 2001 in one stroke.”

“Madhu Pandit Das used these fabricated Account Statements to fraudulently claim the ISKCON Temple as the property of his defunct society. In para # 69 of its judgment dated 23 May, 2011, the Hon’ble High Court of Karnataka **held that the accounts of ISKCON Bangalore were manipulated by Madhu Pandit Das with the help of V.L. Varadarajan.** & now the ICAI has reconfirmed the same” Said Dayaram Dasa, the Chairman of the Legal committee of ISKCON.

The **disciplinary committee of ICAI** which conducted a thorough investigation after scrutinizingly studying the case has submitted its report and **held V. L. Varadarajan guilty of professional misconduct for signing fraudulent back dated Account Statements of the defunct society.**

*For more information contact:*

Varad Krishna Das (9901060738)  
President, ISKCON Jagannath Temple

End.



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

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**Ref. No. 25-CA(93)/2005/Rep**

Shri Dayaram Das,  
ISKON, Hare Krishna Land,  
Juhu,  
**MUMBAI-400 049**

Dear Sir,

**Ref: In the matter of complaint made by you against CA. V.L. Varadarajan, Bangalroe under Section 21 of the Chartered Accountants Act, 1949**

This has reference to the inquiry held by the Disciplinary Committee in the above matter.

A copy of the Report of the Disciplinary Committee in the above case is enclosed herewith. The above Report would be placed before the Council at one of its forthcoming meetings. The Council will consider the Report along with your written representation and/or oral submissions, if any. The oral submissions can be made by you either in person and/or through a member of the Institute, duly authorised by you. The date, time and venue of the Council meeting at which the Report would be considered, will be intimated to you later on.

In the meanwhile, you may, if you so desire, send your representation in writing on the said Report of the Disciplinary Committee so as to reach us within 14 days from the receipt of this letter.

Yours faithfully,

*Vandana*  
(Vandana D. Nagpal)  
Director (Discipline)

**Encl.: As above.**

***P.S.: Please keep us informed about any change in your address.***

**BEFORE THE COUNCIL OF**  
**THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA**  
**REPORT OF THE DISCIPLINARY COMMITTEE**  
**UNDER SECTION 21 OF THE CHARTERED ACCOUNTANTS ACT, 1949**

**Dayaram Das, ISKCON, Mumbai**

**Vs.**

**V.L. Varadarajan**  
**[25 CA (93) / 2005]**

**MEMBERS PRESENT:**

**CA. Amarjit Chopra (President)**  
**CA. G. Ramaswamy (Vice President)**  
**CA. Atul C. Bheda, Member**  
**CA. K. Raghu, Member**

**Shri Dayaram Das,**  
**ISKCON, Hare Krishna Land,**  
**Juhu,**  
**Mumbai – 400 049**

**.... Complainant**

**Shri V.L. Varadarajan (M. No.28047)**  
**Chartered Accountant,**  
**123/1, 2<sup>nd</sup> Cross, 5<sup>th</sup> Main,**  
**1 Block, 1 Stage, HBR Layout,**  
**Bangalore – 560 043.**

**.... Respondent**

1. In his Complaint, duly verified on 6<sup>th</sup> May, 2005, Shri Dayaram Das, ISKCON, Mumbai (hereinafter referred to as the "Complainant") made the following allegations against Shri V.L. Varadarajan, Chartered Accountant, Chennai (hereinafter referred to as the "Respondent"):-

2. The background of the instant case, against the Respondent, as per the Complaint, is as under :



2.1 The Complainant i.e. "International Society for Krishna Consciousness" (ISKCON) is registered under Societies Registration Act, 1860 as well as Bombay Public Trust Act, 1950 in Mumbai. This Society is being referred to as ISKCON Mumbai and/or ISKCON India. After its registration as explained above ISKCON India also got registered under Section 12A of Income Tax Act, 1961. It is also an approved institution under Section 80G of Income Tax Act since its inception. Srila Prabhupada, the founder, before his passing away from this mortal world in November, 1977, established over 8 temples/centers of ISKCON in different States of India i.e, Kolkata, Hyderabad, Delhi, Bhubaneswer, Vrindavan, etc. He established these Temples/centers as Branches of ISKCON India. He did not register separate society(s) for each center and/or each state. At present ISKCON India has over 50 branches. The branches are generally referred to as ISKCON (name of the city) i.e. ISKCON Kolkata, ISKCON Delhi, ISKCON Bangalore etc. thereby meaning Kolkata branch of ISKCON India, Delhi branch of ISKCON India, Bangalore branch of ISKCON India. Each branch is headed by a president. The president of a branch is generally referred to as The President ISKCON (name of the city) i.e. President ISKCON Kolkata, President ISKCON Bangalore etc. thereby meaning the president of Kolkata Branch of ISKCON India & the president of Bangalore branch of ISKCON India respectively. None of the branches are separately registered bodies nor are the branches assessed separately by Income Tax. In law and in fact they are only branch offices of ISKCON India. Since the beginning ISKCON India has established the following procedure to prepare its final accounts for audit, submission to the Income Tax Department, etc.:-

- (a) Every branch prepares its accounts every year and gets it audited locally and sends these audited accounts to the Registered office of ISKCON India presently at Hare Krishna Land, Juhu, Mumbai-49.
- (b) Here all such audited accounts of all the branches are merged and final accounts are prepared on that basis. After preparation of the final accounts the auditors of ISKCON India audit these accounts.
- (c) These final audited accounts are filed with the Income Tax department at Mumbai alongwith Form No.10B claiming the exemption under Section 11, 12, 13 and other particulars as applicable for fulfilling the stipulated

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conditions as prescribed under Section 12A and 80G of the Income Tax Act.

2.2 Sometime in May, 1978 Amiya Vilas Swami and 6 other registered a society with same name as ISKCON India under Karnataka Societies Registration Act, 1960, with registration No.49/78-79 (hereinafter referred to as ISKCON Defunct). Soon after the registration of ISKCON Defunct, some of the founder members met with the secretary of Srila Prabhupada & they realised that the registration of ISKCON Defunct was not in accordance with the wishes & system of Srila Prabhupada as explained above and that they have committed a mistake in registering a separate society in Bangalore. Therefore ISKCON Defunct became defunct and not even a single meeting of its general body and/or Governing Body was ever called. No returns were filed with the Income Tax authorities and/or with the Registrar of Societies. ISKCON Defunct was illegally revived in the year 2001 by Maduu Pandit Das. ISKCON India has a branch at Bangalore for last over 24 years presently functioning from Hare Krishna Hill, Chord Road, Rajaji Nagar, Bangalore-20. Like every branch of ISKCON India this branch is also headed by a president. Madhu Pandit Das is the president of this branch for last 20 years. The said branch had been scrupulously adhering to the accounting and auditing practice, until March 31, 2000. The audited statements and reports submitted by that branch show that M/s. Pradeep and Pradeep, Chartered Accountants had audited the accounts of that branch from April 1, 1988 to March 31, 2000, except for the year ending March 31, 1991. The accounts of the said excepted year (ending on March 31, 1991) had been audited by the Respondent viz. Shri V.L. Varadarajan, partner of M/s. V.L.V. & Co., Chartered Accountants. ISKCON India merged the said accounts with the accounts of the other branches and its statutory auditors scrutinised the same and reported thereon; ISKCON India submitted these final accounts to various statutory authorities including Income Tax Department at Mumbai. However, ISKCON India also found that the accounts of ISKCON Defunct for the entire twelve year period i.e. from 1<sup>st</sup> April, 1988 till 31<sup>st</sup> March, 2000 had been shown to have been audited by M/s. VLV & Co. and signed by the Respondent. Therefore, the Respondent signed two set of accounts for the year ended 31.03.1991.

Since 1999 some disputes arose between Madhu Pandit Das, the president of the Bangalore Branch of ISKCON India and the governing Council of ISKCON India also known as Bureau, the body vested with power to manage ISKCON India. Madhu Pandit Das was under threat of suspension and other disciplinary action by ISKCON India.

2.3 Therefore Madhu Pandit Das, the president of the Bangalore branch of ISKCON India filed various suits in the plaints of which he has unequivocally stated:-

- a) ISKCON is registered in Mumbai in 1970-71 under Society's Registration Act, 1860 and Bombay Public Trust Act, 1950.
- b) Centre of ISKCON functioning at Hare Krishna Hill is a branch of the above society.
- c) In 1984, Madhu Pandit Das was appointed as the president of the said Bangalore Branch & Chanchalapati Das as the Vice President of the said Bangalore Branch.
- d) The corpus of this Bangalore Branch at on 1.3.1998 is rupees 34 crores 27 lakhs, 23 thousand, 5 hundred and 21 & paise 43 only.
- e) The Bangalore branch of ISKCON registered in Mumbai is the owner of Temple complex at Hare Krishna Hill, which was allotted by BDA to the said Bangalore branch.
- f) The said Bangalore Branch sends audited accounts to Bureau in Mumbai where accounts of all branches are consolidated and submitted to Income Tax and the society as a whole is assessed for tax. And the Bangalore branch is reflected in the returns filed and the assessment orders passed by the Income Tax from time to time.

2.4 Sometime in August, 2001 Madhu Pandit Das hatched a conspiracy to misappropriate funds, properties, goodwill etc. of ISKCON India in Bangalore and for that purpose used ISKCON Defunct as a front. On 9<sup>th</sup> August, 2001, Madhu Pandit Das, by falsely claiming to be the President ISKCON Defunct, filed with the Registrar of Society, accounts of the Bangalore branch of ISKCON India by falsely declaring those accounts to be the accounts of ISKCON Defunct for a period of 12 years i.e. from 1989 till 2000, in one stroke. Again, on the very

same day, by falsely claiming to be the President of ISKCON Defunct Madhu Pandit Das filed with the Registrar of Society, names of himself, his wife, Brother-in-law, sister-in-law and three other friends as the members of the governing body of ISKCON Defunct for the said same period of 12 years in one stroke. ISKCON Defunct had not filed even a single return with Income Tax Department since its registration in 1978 i.e for 23 years. And all the funds and temple property i.e. Hare Krishna Hill, Rajaji Nagar, Bangalore, since its acquisition in 1987, was assessed by the Income Tax Department at Mumbai as the property and funds of ISKCON India. Therefore in 2001-02, he filed for the first time accounts of the Bangalore branch of ISKCON India by falsely claiming the same to be the accounts of ISKCON Defunct & applied for the registration under Section 80G in the name of ISKCON Defunct with Income Tax Department at Bangalore.

2.5 After doing these fraudulent manipulations, which ISKCON India was unaware of, in October, 2001, the suit O.S. 7934 of 2001 was filed in the name of ISKCON Defunct against ISKCON India in which Madhu Pandit Das claimed the ownership of all the properties, funds etc. standing in the name of ISKCON at Bangalore through the agency of ISKCON Defunct relying on these fraudulent manipulations. Taking advantage of the fact that the names of ISKCON India and ISKCON Defunct were identical, he referred to ISKCON Defunct as ISKCON Bangalore, the name by which the Bangalore branch of ISKCON India was always known and referred to. He referred to ISKCON India as ISKCON Mumbai (by which Mumbai branch of ISKCON India is generally referred to) and used this terminology to mislead everyone including various authorities. As Madhu Pandit Das and others were not even members of the ISKCON Defunct in the year 1978, and were not ever admitted to its membership by the original members as it stood then, there is no way he could file the O.S.7934/2001.

2.6 Some time in March, 2003 the original members of ISKCON Defunct filed a suit O.S. 1758 of 2003 against Madhu Pandit Das, his family members and friends for fraudulently claiming to be office bearers of ISKCON Defunct when they were not even members of ISKCON Defunct. In order to ascertain the facts, ISKCON India obtained certified copies of the statement of accounts from the

Register of Society, but not the report of the auditors since the registrar refused to grant copies thereof.

**3. Against the aforesaid background, the charges alleged against the Respondent, as per the Complaint, are as under :-**

3.1 ISKCON India found that the Accounts of ISKCON Defunct for 10 years period i.e. from 1<sup>st</sup> April, 1988 till 31<sup>st</sup> March, 1998 had been shown to have been audited by M/s. V L V & Co. and signed by the Respondent and for the two years i.e. from 1<sup>st</sup> April, 1998 till 31<sup>st</sup> March, 2000 had been shown to have been audited by M/s. V L V & Associates and signed by the Respondent. A comparison of accounts audited and reported on by M/s. Pradeep and Pradeep from 1<sup>st</sup> April, 1988 to 31<sup>st</sup> March 2000 (excepting the year ending on March 31 1991) with the accounts allegedly audited and reported upon by the Respondent shows that there are some apparently deliberate, difference and that both sets of accounts are for the same fund, properties etc. and are based on the very same books. For the year 1<sup>st</sup> April, 1990 to 31<sup>st</sup> March, 1991 the accounts submitted by the Bangalore Branch of ISKCON India to the head office of ISKCON India was audited and reported on by the Respondent on 4<sup>th</sup> October, 1991. And for the same year i.e. 1<sup>st</sup> April, 1990 to 31<sup>st</sup> March, 1991, the accounts submitted by ISKCON Defunct to the Registrar of Societies, Bangalore is shown to have been audited by the Respondent. Therefore, one of the aforesaid two reports is false and fabricated, but the Report dated 4th October, 1991 can not be said false as it was submitted to ISKCON India by its Bangalore Branch at an undisputed point of time. ISKCON India had acted on that report by merging it and preparing final accounts which were submitted to Income Tax Department in Mumbai. This situation leaves the report dated 29.10.1991 in a suspicious light. This report was not submitted to any statutory authority including Income Tax Department but was submitted to Registrar of Society, Bangalore on 9<sup>th</sup> August, 2001 almost after 10 years after its alleged creation.

3.2 It is probable that the report dated 29<sup>th</sup> October, 1991 has been created along with the accounts for the period of twelve years that were filed with Registrar of Societies in Karnataka in a single lot on August, 9, 2001 a few days before that date to facilitate the launching of the O.S. 7934 of 2001 by ISKCON

Defunct in October, 2001. To wriggle out of the inconvenience that the aforesaid two sets of accounts have caused, ISKCON Defunct has attempted to term the accounts audited and reported upon by Pradeep & Pradeep as Management Reports (including the accounts audited and reported upon by the Respondent on behalf of M/s. V.L.V & Co. for the year ended 31.03.1991. The Respondent can not be a party simultaneously to any alleged 'management information report' and a statutorily required audit report.

3.3 The Respondent in his report dated 04.10.1991 clearly stated, which is required to be filed in accordance with Bombay Public Trust Act, 1950 (under which ISKCON India is registered) that the Institution which he has audited is a branch of ISKCON India. It may be noted that as auditor of ISKCON Defunct (registered under Karnataka Societies Registration Act) there was no need for the auditor to give such a report in accordance with Bombay Public Trust Act, 1950.

3.4 The Respondent has signed the audit reports of ISKCON Defunct for the accounting years after 1992 i.e. till the year 1997-1998 on behalf of V.L.V. & Co. the firm which was closed since 1992 and he has also signed the certificate dated 25<sup>th</sup> January, 2005 on behalf of V.L.V. & Associates, the firm which is closed since 2003.

3.5 ISKCON India is aggrieved by the role played by the Respondent on behalf of M/s. V.L.V. & Co. and M/s. V.L.V & Associates in the creation of the accounts and the audit reports sought to be projected by ISKCON Defunct; apart from the said acts of commission and omission, the said firm, having audited the accounts of Bangalore branch of ISKCON India for the year ended 31<sup>st</sup> March, 1991 and submitted its report that was accepted and acted upon by ISKCON India in performance of its statutory obligations, is now attempting to resile form a fait accompli, thereby exposing ISKCON India to prejudice, which attempt is unethical & unprofessional.

3.6 The aforesaid charges, if proved, would render the Respondent guilty of Professional Misconduct under clause (5), (6), (7) & (8) of Part I and Clause (i) of Part II of the Second Schedule within the meaning of Section 21 read with Section 22 of the Chartered Accountants Act, 1949.

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4. The full particulars of the complaint as filed in Complaint Form '8' which is enclosed (without its enclosure) as **Annexure "A"** to this report.

5. The Respondent submitted his Written Statement, duly verified on 30<sup>th</sup> November, 2005, which is enclosed (without its enclosure) as **Annexure "B"** to this report.

6. The Complainant submitted his Rejoinder, duly verified on 27<sup>th</sup> January, 2006, which is enclosed as **Annexure "C"** (without its enclosure) to this report.

7. The Respondent submitted his Comments, duly verified on 20<sup>th</sup> July, 2006, which is enclosed (without its enclosure) as **Annexure "D"** to this report.

8. Thereafter, in accordance with the provisions of Regulation 12(11) of the Chartered Accountants Regulations, 1988, the above papers containing the Complaint, Written Statement, Rejoinder and Comments were considered by the Council at its meeting held in February, 2008 at New Delhi. The Council being prima facie of the opinion that the Respondent was guilty of professional and/or other misconduct, decided to cause an enquiry to be made in the matter by the Disciplinary Committee.

9. The details of the hearings fixed and held/adjourned in the said matter is provided as follows:-

Sl. No.	Date(s) of Hearing	Remarks
Ist	28 <sup>th</sup> November, 2008	Fixed and Adjourned
IInd/IIIrd/ IVth	30 <sup>th</sup> April, 2009 / 27 <sup>th</sup> May, 2009 / 24 <sup>th</sup> March, 2010	Due to unavoidable circumstances meeting got cancelled.
Vth	10 <sup>th</sup> June, 2010	Heard and concluded. Brief summary of proceedings enclosed as <b>Annexure 'E'</b> to this report.

10. On perusal of the documents on record, the Committee submits its report as under:-

**PROCEEDINGS:**

11. The Complainant alongwith his Counsel, Shri D.R. Ravishankar, Advocate, was present at the time of hearing. The Respondent was not present at the time of hearing. However, the Respondent's Counsel, Shri Raguvaran Gopalan, Advocate was present. The Complainant was put on oath. Thereafter, the Complainant submitted certain documents relating to certified copy of Plaint and Assessment order and List of date of events, which was duly exchanged with the Respondent's Counsel.

12. Thereafter, the Complainant explained the charges. The Respondent's Counsel requested the Committee to adjourn the case as he was given only limited instruction by his client, i.e., the Respondent. The Committee noted that this case was earlier fixed on 28th November, 2008 and 24<sup>th</sup> March, 2010 for hearing and adjourned at the request of the Respondent and the Complainant respectively. Considering that the case was already adjourned two times and the Respondent sought for further adjournment without any valid reason, the Committee directed the Respondent's counsel to contact the Respondent and take necessary instructions from the Respondent to present the case. But the Respondent's counsel showed his inability to present the case by stating that he had limited instruction on behalf of the Respondent.

13. The Committee further noted that power of attorney did not contain any clause / Para mentioning that the Counsel had limited instruction to present the case on behalf of the Respondent. It only mentioned that the Respondent would be bound by whatever the Counsel says and does. Further, The Committee also noted that the Hon'ble High Court vide its order dated 17<sup>th</sup> March, 2008 permitted the Institute to conduct disciplinary enquiry as contemplated under the provisions of the Chartered Accountants Act, 1949 and the Regulation framed there under.

14. The Committee also noted that the Respondent filed a petition before the Hon'ble Council with respect to review of the order passed by the Council. The Respondent submitted in his petition that while pending consideration by the

Hon'ble Council of the Review petition, it would not be appropriate for the Disciplinary Committee to proceed with the enquiry. He further submitted that the disciplinary committee should defer the hearing of the case till the review petition filed by the Respondent before the Hon'ble Council is considered and disposed of.

15. The Respondent in his petition submitted that if the Disciplinary Committee decided to proceed with the hearing to consider the application filed by the Respondent than the Disciplinary Committee should hold the hearing at Bangalore instead of at Chennai.

16. The Committee noted that as regard the above-said averments raised by the Respondent, the Respondent was duly replied vide letter dated 08.06.2010 and e-mail dated 8<sup>th</sup> June, 2010 that :-

i. The Council had already formed prima facie opinion in the matter and there is no provision for reviewal of the same.

ii. His request for fixing the meeting at Bangalore can not be acceded to as all the cases pertaining to Southern region had been fixed for hearing at Chennai as the Committee was campaigning at Chennai. It was not feasible as of now to hold a meeting for a particular case at Bangalore.

iii. With the above clarification, the Respondent was requested to appear before the Disciplinary Committee and place his submission before the Disciplinary Committee on 10<sup>th</sup> June, 2010 in Chennai.

17. Therefore, the Committee is of the view of that despite providing sufficient opportunity of being heard, the Respondent had chosen not to present before the Committee without any valid ground. Therefore, considering the above, the Committee decided to proceed ahead with the matter.

18. The Committee noted that the Respondent vide his written statement and comments had submitted the following in his defence:-

a. That there was no legal entity in existence by name ISKCON India. In the circumstances, the question of Shri Dayaram Das representing ISKCON

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India authorizing him to file the complaint did not arise. Since ISKCON India was not in existence at all as an entity, there was not question of the Respondent herein being appointed as its auditor. There was no privity of contract or the relationship of an auditor and a client between ISKCON India and the Respondent.

- b. The Respondent had been appointed by ISKCON Bangalore(i.e., ISKCON Defunct), which was a society registered under Karnataka societies Registration Act, 1960 and which was an independent legal entity. While another Society by name ISKCON, Mumbai (not ISKCON India) had claimed that certain properties at Bangalore belonged to its branch, whereas ISKCON Bangalore had claimed that all the properties belonged to it as a legal, independent entity.
- c. ISKCON Mumbai filed a SLP before the Hon'ble Supreme Court against the order dated 19.04.2002 in MFA 998 of 2002, ISKCON Mumbai, which was disposed on 06.09.2002 without interfering into the matter in view of the interim injunction granted by the Hon'ble High Court during pendency of the suit. ISKCON Bangalore was also not restrained to carry on their religious and other charitable activities and incur expenditures which were essential. The following are significant findings / observation of the Hon'ble High Court in MFA 998 of 2002 disposed on 19.04.2002 as under:-
  - i. In para 32 & 36 of the Judgement, the Hon'ble High Court made a categorical finding that ISKCON Bangalore is a registered society under the Karnataka Societies Registration Act, 1960. It was also held that ISKCON Bangalore has right to possess property having separate existence and governed by the provisions of the law as well as it is no one's right to claim that it is a branch of another society.
  - ii. It was also the finding of the Hon'ble court that the land was allotted by BDA to ISKCON, Bangalore and not any other society registered under the Bombay Public Trust Act, 1950.
  - iii. In para 38, the Hon'ble High Court has held that ISKCON Mumbai can not make property of ISKCON, Bangalore as that of the former.



iv. In para 40, it was held that the admitted evidence on record established that the suit scheduled properties including the temple at Hare Krishna Hills in Bangalore belonged to ISKCON Bangalore. Further in para 45, the court found admitted evidence that the suit scheduled properties was not shown in the records of ISKCON, Mumbai.

v. In para 45, the Court categorically found that from the year of registration i.e., till 1988 for nearly 10 years, ISKCON, Bangalore had made compliance submitting returns under the Karnataka Societies Registration Act, 1960 and also there was intermittent default. The Return was again filed in 2001.

d. That ISKCON Bangalore was not a branch of any concern. It was important to note that the Complainant had attached auditor's report of the ISKCON Bangalore society. The audit report mentioned that "Auditor's Report to the Members of ISKCON (Bangalore). The usage 'to the members of ISKCON Bangalore could arise only for the audit report of an independent society and not to a branch audit report.

e. That there were no two audit reports and the reports issued to ISKCON Bangalore which was a distinct legal entity.

19. During the course of hearing, the Complainant drew the attention to a certificate dated 25<sup>th</sup> January, 2005 issued by the Respondent. The Complainant submitted that the Respondent had issued the said certificate to the Supreme Court of having audited the accounts upto 2004, whereas in fact, the Respondent firm was dissolved on 22.12.2003 and was not in existence since 22.12.2003.

20. The Complainant submitted that although it was not clearly apparent from the Balance sheet that it was given for different entity or not but it was important to note that the accounts from 1989 upto 2001 were filed with Registrar of Societies in one stroke on 9.08.2001. The Complainant also submitted that there was no evidence showing that the said balance sheets had been filed with the Income Tax Department. The Complainant further submitted that all the balance sheets were never filed before the Income tax authorities or any other authorities till the year 2001.

21. The Complainant also submitted that in suo moto proceeding, which were initiated by the Directorate of Income Tax Exemption, it was found that whatever accounts that were filed as the accounts of the ISKCON Defunct were nothing but the replica of the accounts which were filed for the previous years that of ISKCON India's Bangalore branch.

22. The Committee also noted from the Assessment Order passed by the Asstt. Director of Income-Tax (Exem.)-II (1), Mumbai for the Assessment year 2001-02 that no authority or power was given to the registered Bangalore Society to submit the accounts of ISKCON India's Bangalore branch for any years from A.Y. 2000-2001 & onwards in the name of registered Bangalore Society with the assessing officer at Bangalore. Further, according to para 6 of the said order, it is clear that upto A.Y. 2000-01, the Bangalore Branch of the ISKCON India, functioning from Hare Krishna Hill, Bangalore continued to be assessed as part of the ISKCON India. But from A.Y. 2001-02 onwards although the Bangalore branch of assessee trust was fully in operation, its receipts / assets remained to be assessed in the hands of ISKCON India.

23. In addition to above, the Committee noted that the Complainant also submitted the following facts in his Rejoinder to substantiate the charges: -

23.1 That It was evident fact that Respondent audited the accounts of the Bangalore branch of ISKCON India for the year ending March, 31, 1991 (vide his audit report dated 4<sup>th</sup> October, 1991). Therefore, it was not open to the Respondent to say that there was no relationship of auditor and client between him and ISKCON India.

23.2 In para h,i,m,n,o,p and r of the Respondent's report dated 4<sup>th</sup> October, 1991, it was mentioned that that the Institution, which he has audited, was branch of ISKCON India.

23.3 That the final audited accounts of ISKCON India for the said year ending on 31<sup>st</sup> March, 1991, were filed with the Income Tax Dept., at Mumbai, along with form no.10 B to claim the exemption u/s 11,12, 13 and other particulars as

applicable for fulfilling the stipulated conditions as prescribed u/s 12A and 80G(5) of Income Tax Act. The accounts of Bangalore branch of ISKCON India had been incorporated in the said final accounts of ISKCON India. Thus, the Respondent, being auditor of the Bangalore Branch of ISKCON India for the year ending on 31<sup>st</sup> March, 1991, cannot now disown his responsibility.

23.4 That the Respondent was not a party to the civil suits and no relief(s) were claimed against him.

23.5 That a comparison of two sets of accounts would reveal that the basis for the said statements ought to be the same set of books of accounts and documents in support thereof. This would mean that one of the two sets of accounts is bogus and fraudulent.

#### **FINDINGS:**

24. In view of the aforesaid charges alleged against the Respondent and on perusal of the documents on records, the Committee gives its findings as under:-

24.1 It has been noted that whether ISKCON, Bangalore is a different entity or not is disputed matter and to be decided by the Civil Court. As the case relating to ownership of Bangalore Branch was pending before the Civil Court, yet, the Committee, though not looking into this aspect while giving its finding and restricting itself to the conduct of the member in his profession capacity. Accordingly, the committee decided to consider only the misconduct done by the Respondent in his professional capacity as Auditor while signing the financial statement of ISKON India / or ISKON Defunct as auditor.

24.2 As far as the Financial Statement for the accounting year 1990-1991 is concerned, the Committee noted that the Respondent had signed two set of financial statements for the year ending 1990-91, which appears to have been prepared from one set of Books of accounts as both the financial statements contains almost similar items and similar figures, for e.g. unsecured loan, investments, advertisement expenses, festival expenses, electricity expenses, devotee maintenance etc.

24.3. In order to find that both the financial statement was prepared from one set of books of accounts, the Committee noted the following facts from order passed under Section 263 of the Income Tax Act, 1961 for the Assessment year 2001-02

- :-
- i) That the Director of Income Tax (Exem) – II (1), Mumbai had considered the audited accounts received by Income Tax Department from DDIT(E), Cir. 17(1), Bangalore, as accounts of the assessee, ISKCON India's Bangalore branch and proceeded further for making its proper assessment in the hands of the ISKCON India.
  - ii) That the assessee trust (ISKCON India) was regularly assessed to tax under this Directorate. The assessee trust was also known as ISKCON India as per its audited final accounts. One of the branches / centres of the assessee trust, commonly know as or referred to as ISKCON Bangalore since its inception in about 1979-80 till the A.Y. 2000-01 was being assessed as part of the assessee trust.
  - iii) The DDIT(E) Cir 17 (1), Bangalore stated the following facts to then DDIT (E)-II(1), Mumbai :-
    - a) ISKCON Bangalore had been filing its return of income in this charge since A.Y. 2000-01 onwards. ISKCON Bangalore did not file the returns of income prior to A.Y. 2000-2001.
    - b) Assessee ISKCON Bangalore is registered u/s 12 A vide registration 7/01/88. At the time of assessment proceedings, the assessee, i.e., ISKCON Bangalore had stated that they have been submitting their accounts to ISKCON Mumbai for consolidation with their accounts.
  - iv) It has been noted from the Assessment Order passed in case of assessee i.e., ISKCON India for the Assessment year 2001-02, that:-
    - v.) The registered ISKCON Bangalore had simply attempted to take advantage of regulations under Karnataka Societies Registration Act and the Income Tax Act because the same accounts of assessee Bangalore branch was suddenly filed with the DDIT(E), Cir 17(1), Bangalore without having the consent of the assessee trust and prior approval of the A.O. which was untenable. It was found that no authority or power had been given to the registered Bangalore Society



to submit the accounts of assessee trust's Bangalore branch for and from the A.Y. 2000-01 onwards in the name of registered Bangalore Society with the assessing officer at Bangalore.

24.4 From the above, it is apparent that Financial Statement of ISKCON Defunct were prepared from the Books of Accounts of ISKCON India Bangalore's Branch. However, the Committee did not give much importance to the above-said finding as the ownership of Bangalore branch was disputed.

24.5 However, the Committee noted that the Respondent had denied that he was auditor of ISKCON India for the financial year 1990-91. In this context, it has been noted that even in case where the Respondent was not auditor of ISKCON India, than in that case also, the question arise as to how he had signed two set of Balance Sheet as on 31<sup>st</sup> March, 1991 of ISKCON Defunct, Bangalore on different dates showing the different financial position of ISKCON Defunct. Therefore, the Respondent is guilty of professional Misconduct falling under clause (7) of Part I of Second Schedule to the Chartered Accountants Act, 1949.

24.6 With regard to the charge that all the Financial Statements from the year 1988-89 to 2000-2001 were signed by the Respondent, which were filed in one stroke in 2001, the Committee observed that Respondent carried out audit and signed the Financial Statement for the aforesaid years, which appears to have been prepared from Books of Accounts of ISKCON India Bangalore's Branch. All the Balance Sheets from 1998-89 to 1999-2000 were filed in one stroke, and there was an order of the Income Tax Directorate Exemption, which stated that whatever had been filed was the replica of the branch account of ISKCON India. Further, the Respondent did not submit any specific submission denying that the same were not prepared from one set of books. Therefore, he is guilty of "Other Misconduct" falling within the meaning of Section 22 read with Section 21 of the Chartered Accountants Act, 1949.

24.7 The Committee noted that that the Respondent had signed the audit report and financial statements of ISKCON Defunct for the accounting years 1991-92 to 1997-1998 on behalf of the firm, V.L.V. & Co despite the fact that that the said firm was closed on 01<sup>st</sup> June, 1992. Further, the Respondent also signed a

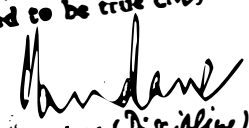


certificate dated 25.01.2005 verifying the books of accounts and other records of M/s. ISKCON, Bangalore on behalf of the firm, M/s. V.L.V. & Associates. The said firm, M/s. V.L.V. & Associates, was closed on 22.12.2003. Therefore, it is amply clear that the Respondent deliberately signed the Audit Reports, Financial Statements and Certificate on behalf of the firm, which was not in existence at the time of signing of the Audit Reports, Financial Statement and certificate. Therefore, the Respondent is guilty of 'Other Misconduct' falling within the meaning of Section 22 read with Section 21 of the Chartered Accountants Act, 1949.

**CONCLUSION:-**

25. In conclusion, in the considered opinion of the Committee, the Respondent is guilty of professional misconduct falling under clause (7) of Part I of Second Schedule and 'Other Misconduct' within the meaning of Section 22 read with Section 21 of Chartered Accountants Act, 1949.

Sd/-  
(AMARJIT CHOPRA)  
PRESIDENT

Certified to be true copy  
  
Director (Discipline)  
The Council of the Institute of  
Chartered Accountants of India  
New Delhi

Sd/-  
(G. RAMASWAMY)  
VICE-PRESIDENT

Sd/-  
(ATUL C. BHEDA)  
MEMBER

Sd/-  
(K. RAGHU)  
MEMBER

DATE: 10.02.2011  
PLACE: New Delhi

