

D.K. AGRAWAL

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v.

COUNCIL OF THE INSTITUTE OF CHARTERED
ACCOUNTANTS OF INDIA

(Civil Appeal No. 6337 of 2021)

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SEPTEMBER 23, 2021

[S. ABDUL NAZEER AND KRISHNA MURARI, JJ.]

Chartered Accountants Act, 1949 – ss.9, 17, 21, 22-A – Complaints against appellant-Chartered Accountant received by respondent-Institute – Council of the Institute prima facie opined that the appellant was guilty of professional and/or other misconduct – Case referred to Disciplinary Committee – Disciplinary Committee submitted its report to the Council also opining the appellant to be guilty of other misconduct – Report accepted by Council – Recommendations made to High Court for removal of the appellant’s name from the Register of the Members – Accepted by High Court – On appeal, held: Observations of the Disciplinary Committee cannot by any stretch of imagination be treated as findings – It is only the Council which is empowered to find out whether the member is guilty of misconduct – Power exercised by the Council u/s.21 is quasi-judicial in nature – Recording of reasons is a principle of natural justice and every judicial/quasi-judicial order must be supported by reasons to be recorded in writing – In the present case, recommendations of the Council show that it did not discuss the report of the Disciplinary Committee, written statement and oral submissions of the appellant while coming to the conclusion that he is guilty of misconduct – Recommendations were made mechanically – High Court equally erred in accepting the said recommendations – Recommendations passed by the Council set aside – Orders of the High Court also set aside – Matters remitted back to the Council for fresh consideration – Chartered Accountants Regulations, 1964 – Regulations 13-15 – Principles of Natural Justice.

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Principles of Natural Justice – Recording of reasons – Necessity of – Discussed.

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A **Allowing the appeals, the Court**

- HELD:1.1** The Institute of Chartered Accountants of India is a statutory body created by an Act of Parliament, the Chartered Accountants Act, 1949. In accordance with Section 9, the management of the affairs of the Institute are vested in the Central Council. The Council performs its functions through three different standing committees. The function of the Institute is to regulate the provisions of the Act and it is also empowered to take action against its members for any misconduct as contemplated in the Act and relevant regulations framed thereunder. Section 21 of the Act prescribes the procedure to be followed with regard to an inquiry relating to the misconduct of the members of the Institute. Section 22-A provides for filing of an appeal by a member against imposition of penalty. Regulation 13 of the Chartered Accountants Regulations, 1964 provides for the procedure of an inquiry before the Disciplinary Committee.
- D The report of the Disciplinary Committee will contain a statement of the allegations, the defence entered by the members, the recorded evidence and the conclusions expressed by the Disciplinary Committee. The conclusions of the Disciplinary Committee are tentative and the same are not recorded as findings. It is only the Council which is empowered to find out whether the member is guilty of misconduct. If on receipt of the report, the Council finds that the member is not guilty of misconduct, Section 21(2) requires that it shall record its finding accordingly and direct that the proceedings shall be filed or the complaint shall be dismissed. On the other hand, if the Council
- F finds that the member is guilty of misconduct, Section 21(3) requires it to record a finding accordingly and to proceed in the manner laid down in the succeeding sub--sections. The findings by the Council constitute the determinative decision as to the guilt of the member and because it is determinative in character, the Act requires it to be recorded. Thus, the Council has to
- G determine that a member is guilty of misconduct and the task of recording of the findings has been specifically assigned to the Council. Sub--section (4) of Section 21 mandates that where a member of the Institute has been guilty of professional misconduct specified in the First Schedule of the Act, the Council
- H shall afford to such member an opportunity of being heard before

any orders are passed against him. After recording a finding that a member is guilty of misconduct, the Act moves forward to the final stage of penalisation. [Paras 15-17][1052-D-G; 1055-D-E; 1056-E-H; 1057-A] A

Institute of Chartered Accountants of India v. L.K. Ratna and Ors. (1986) 4 SCC 537 : [1986] 3 SCR 1049; Institute of Chartered Accountants of India v. Price Waterhouse and Ors. (1997) 6 SCC 312 : [1997] 2 Suppl. SCR 267 – relied on. B

1.2 As per sub- section (5) of Section 21, where the Council has found any member of the Institute to be guilty of misconduct other than any such misconduct as is referred to in sub-section (4), it is required to forward the case to the High Court with its recommendations and, under sub-section (6) of Section 21, the High Court has to pass the orders in accordance with sub-section (6)(a) to (d) of Section 21 of the Act. Section 22-A provides for appeal by a member against imposition of penalty. The power exercised by the Council under Section 21 is quasi-judicial in nature. Perusal of the recommendations of the Council shows that it did not discuss the report of the Disciplinary Committee, the written statement and the oral submissions of the appellant while coming to the conclusion that he is guilty of misconduct. However, the concluding portion of the recommendations of the Council made an incorrect statement that the Council had considered all the materials on record and the written and oral submissions of the appellant. The observations of the Disciplinary Committee cannot by any stretch of imagination be treated as findings. At best, they may be termed as the material which falls within the domain of consideration by the Council. The Council has failed to give its own independent findings. The recommendations made by the Council are not supported by independent reasons. The recommendations have been made mechanically by the Council. [Paras 20, 21][1059-C-G] C
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1.3 Recording of reasons is a principle of natural justice and every judicial/quasi-judicial order must be supported by reasons to be recorded in writing. It ensures transparency and fairness in the decision-making process. The person who is

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- A adversely affected wants to know as to why his submissions have not been accepted. Giving of reasons ensures that a hearing is not rendered as a meaningless charade. Unless an adjudicatory body is required to give reasons and make findings of fact indicating the evidence upon which it relied, there is no way of knowing whether the concerned body genuinely applied itself to and evaluated the arguments and the evidence advanced at the hearing. Giving reasons is all the more necessary because it gives satisfaction to the party against whom a decision is taken. Justice should not only be done but should also be seen to be done. An unreasoned decision may be just, but it may not appear to be so to the person affected. A reasoned decision, on the other hand, will have the appearance of fairness and justice. [Para 22][1059-G-H; 1060-A-C]

- D *M/s. Woolcombers of India Ltd. v. Woolcombers Workers Union and Ors.* (1974) 3 SCC 318 : [1974] 1 SCR 504; *State of West Bengal v. Atul Krishna Shaw and Anr.* (1991) 1 Suppl. SCC 414 – relied on.

- E 1.4 Where the Council has found any member of the Institute to be guilty of misconduct, it is required under the Act to forward the matter to the High Court with its recommendations and the High Court has to pass final order either dismissing the complaint or penalizing the member of the Institute. The order of the Council, imposing penalty upon the member, is also appealable by the members aggrieved before the High Court. In the circumstances, it is all the more necessary that the recommendation/order of the Council should contain reasons for the conclusion. The High Court has equally erred in accepting the recommendations of the Council without applying its own logic to this aspect of the matter. The Council has to reconsider the matter afresh after granting the appellant an opportunity of being heard. The recommendations/order(s) passed by the Council of the Institute of Chartered Accountants of India which were the subject matter of the aforesaid two reference cases, are set aside. Consequently, the orders of the High Court impugned are also set aside. These matters are remitted back to the Council for fresh consideration and disposal in accordance with law and in the light of the observations made above. [Paras 25-27][1061-F-H; 1062-A-C]

Case Law Reference

[1986] 3 SCR 1049 relied on Para 18
[1997] 2 Suppl. SCR 267 relied on Para 19
[1974] 1 SCR 504 relied on Para 23

CIVIL APPELLATE JURISDICTION: Civil Appeal No.6337 of 2021. B

From the Judgment and Order dated 25.04.2017 of the High Court of Judicature at Allahabad in Reference Against Misc. Acts No.1 of 1999.

With C

Civil Appeal Nos. 6340, 6339 And 6338 of 2021

Anubhav Kumar, Kanhaiya Priyadarshi, Advs. for the Appellant.

Pankaj Garg, Miling Garg, Ms. Nikita Jain Garg, Yaksh Garg, Suvidutt M. S., Advs. for the Respondent. D

The following Order of the Court was passed

ORDER

S. ABDUL NAZEER, J.

1. Leave granted. E

Civil Appeal No. 6337 of 2021 (Arising out of SLP (Civil) No. 24350 of 2017, and Civil Appeal No. 6338 of 2021 (Arising out of SLP (Civil) No.5652 of 2018)

2. The appellant-D.K. Agrawal is a chartered accountant having his Office as M/s, Dinesh K. Agrawal & Co., Chartered Accountants, 46-A, Madhav Kunj, Pratap Nagar, Agra. Information was received by the Institute of Chartered Accountants of India (for short, "the Institute") from the Office of the Inspecting Assistant Commissioner of the Income Tax alleging that the appellant had deposited in local treasury unit of Income-tax Department at Agra a total sum of Rs.2514/- being the last digit of amount, outstanding against the assesseees. The Office of the Inspecting Assistant Commissioner of the Income Tax further alleged that the appellant had interpolated assesseees' copies of challans to show higher figures and claimed the higher amount from them. The said information was conveyed to the appellant vide Institute's letter dated F
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- A 14.02.1980 and he was requested to send his written statement in response. The appellant submitted his duly verified written statement dated 18.10.1980. At its 96th meeting held on 20/21.07.1981, the Council of the Institute (for short, “the Council”) was of the prima facie opinion that the appellant was guilty of professional and/or other misconduct and accordingly referred the case to the Disciplinary Committee constituted under the Chartered Accountants Act, 1949 (for short, “the Act”).

3. The Disciplinary Committee held various meetings between 05.10.1981 and 21/22.02.1989 for the purpose of enquiry. After hearing the parties, recording the evidence of the witnesses and on perusal of the documents which were produced before the Disciplinary Committee, the Disciplinary Committee submitted its report on 12.09.1989 to the Council. The Disciplinary Committee was of the view that the appellant had involved himself in respect of two parties, namely, M/s. United Pulverisers and M/s. Bharat Gas Agencies, for depositing money only to the extent of last digit and claiming from them full amount as indicated in the information and that the appellant was guilty of other misconduct under Section 22 read with Section 21 of the Act. A copy of the report of the Disciplinary Committee was forwarded to the appellant vide Institute’s letter dated 20.08.1990 and he was requested to send his written representation, if any, and also if he so desired, to appear before the Council on 14.09.1990 either in person and/or through a member of the Institute duly authorized him and to make his oral submissions. The appellant submitted his representation dated 05.09.1990. However, at the request of the appellant, that his counsel has expressed his difficulties to appear before the Council, the consideration of the report was postponed by the Council. Thereafter, the appellant was informed vide Institute’s letter dated 12.11.1990 that the report of the Disciplinary Committee would be considered by the Council at its meeting to be held from 6th to 8th December, 1990 and if he so wished, he might appeal before the Council either in person and/or through a member of the Institute duly authorized by him on 07.12.1990. The consideration of the report by the Council was adjourned at an oral request of the appellant and his authorized representative made at the time of meeting on the ground of preoccupation of the appellant’s authorized representative. By his letter dated 19.01.1991, the appellant requested that the report of Disciplinary Committee might not be placed before the Council in March 1991 which was scheduled to be held at Bangalore. His request was

acceded to. The appellant was further informed vide Institute's letter dated 8th July, 1993 that the report of the Disciplinary Committee would be considered by the Council at its meeting scheduled to be held from 5th to 7th August, 1993. The appellant appeared before the Council on 06.08.1993 and made his oral submissions that his counsel was out of Delhi and in his absence, it was not possible for him to proceed with the case. He again requested for postponement of the hearing. This process went on till the month of September 1994. On 02.09.1994 the appellant appeared before the Council and made his oral submissions. The Council passed the following orders:

“On consideration of the report of the Disciplinary Committee, written representations and the oral submissions made by the respondent-D.K. Agrawal before the Council on 2nd September, 1994, the Council accepted the Report of the Disciplinary Committee and found that the respondent was guilty of “other misconduct” under Section 22 read with Section 21 of the Chartered Accountants Act, 1949.

The Council also decided to recommend to the High Court that the name of the respondent be removed from the Register of Members for a period of two years.”

4. The respondent-Institute, after the lapse of about five years of the report of the Disciplinary Committee, made a reference bearing Reference No.1 of 1999 before the High Court of Judicature at Allahabad for removal of the name of the appellant from the register of the membership for two years. The High Court, on consideration of the reference, confirmed the Resolution of the Council that the appellant was guilty of “other misconduct” warranting appropriate punishment and, therefore, ordered the removal of the name of the appellant from the membership of the respondent-Institute for a period of five years.

5. The appellant filed a review petition before the High Court for review of the aforesaid order. The said review petition was also dismissed by the High Court. The appellant has challenged the aforesaid two orders in these appeals.

Civil Appeal No. 6340 of 2021 (Arising out of SLP (Civil) No.8118 of 2018) and Civil Appeal No. 6339 of 2021 (Arising out of SLP (Civil) No.5733 of 2018)

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- A 6. These two appeals have also been filed by the aforesaid D.K. Agrawal. In these cases, the respondent-Institute received a complaint dated 07.02.1986 from Shri A.K. Swahney, the then Inspecting Assistant Commissioner of Income-tax, (Assessment), Agra, alleging that: (i) the appellant had been found to be indulging in acts which were unbecoming of a professional holding the position of Chartered Accountant and was guilty of professional misconduct; (ii) by his unethical practice, the appellant had duped the exchequer and deprived it of a large chunk of money by way of evading taxes; (iii) by his corrupt practices, the appellant had also lured the personnel of Income-tax Department by giving them illegal gratification.
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- C 7. A copy of the complaint was forwarded by the Institute to the appellant on 30.05.1986 asking him to submit his written statement by 20.06.1986. In these cases as well, several rounds of correspondence took place between the respondent-Institute and the appellant. The matter was referred to the Disciplinary Committee for the purpose of an inquiry to be held on 07.03.1988. The appellant submitted several paper books before the Disciplinary Committee. Again, in these cases as well, the appellant went on taking time on one pretext or another before the Disciplinary Committee. The Disciplinary Committee on perusal of the documents produced before it, upon recording the evidence of the witnesses and after hearing the submission made by the complainant and the appellant, submitted its report to the Council on 12.09.1989. The Disciplinary Committee was of the opinion that the appellant was guilty of “other misconduct” under Section 21 read with Section 22 of the Act. A copy of the report of the Disciplinary Committee was forwarded to the appellant as also to the complainant vide Institute’s letter dated 08.08.1991 and they were informed that the report would be considered by the Council at one of its forthcoming meeting and that they were required to send their written representations, if any, and also if they so desired, to appear before the Council either in person and/or through a member of the Institute duly authorized by them at the time of the consideration of the report.
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- G 8. The report of the Disciplinary Committee was fixed for consideration by the Council at its meeting scheduled to be held from 5th to 7th August, 1993. At the request of the appellant, the matter was adjourned. The appellant went on taking time for hearing. Finally, on consideration of the report of the Disciplinary Committee and the written
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representations of the appellant, the Council accepted the report of the Disciplinary Committee and found that the appellant guilty of “other misconduct” under Section 21 read with Section 22 of the Act insofar as the first two charges were concerned and he was also found guilty of professional misconduct under Clause 10 of Part I of first schedule to the Act in respect of the third charge. The council decided to recommend to the High Court that the name of the appellant be removed from the Register of the Members for a period of five years. Accordingly, in terms of Section 21(5) of the Act, the disciplinary case was forwarded to the High Court to pass necessary orders in accordance with Section 21(6) of the Act.

9. The High Court, by its order dated 28.09.2016 in Reference No. 2 of 1999 accepted the Resolution of the Council and directed removal of the appellant’s name from the Register of the Membership permanently.

10. Feeling aggrieved by the aforesaid order of the High Court, the appellant filed a review application which was dismissed by the High Court. The appellant has challenged the validity and correctness of the aforesaid Judgments and orders of the High Court in these appeals.

11. The learned counsel appearing for the appellant has mainly contended that the conclusion reached by the Council was on the basis of conjectures and surmises. In fact, the appellant has filed his written submissions objecting to the report of the Disciplinary Committee. The appellant has presented his case before the Council. However, without independently considering any of the materials placed before it, including the written and the oral submissions made by the appellant, the Council unilaterally accepted the report of the Disciplinary Committee and found that that appellant was guilty of “other misconduct”. The Council had failed to appreciate the materials produced by the appellant, the appellant’s written submissions and his oral submissions made before it. In this connection, he has drawn our attention to the report of the Council and also Section 21 of the Act.

12. Apart from the above, it was also argued that the opinion formed by the Council was not guided by the doctrine of benefit of doubt. The Council was under an obligation to record a finding that the guilt of the appellant was beyond reasonable doubt which, it was argued, is not so in the instant case. It was further argued that the High Court ought to have accepted the submissions of the appellant and set aside

A the recommendations, considering the fact that the recommendation of the Council was violative of the principles of natural justice. He has also attacked the report of the Disciplinary Committee which, according to him, was made with a pre-determined mind and that it is perverse and contrary to the materials placed on record.

B 13. On the other hand, learned counsel appearing for the respondent-Institute has submitted that taking into consideration the materials on record and also the written statements and submissions of the appellant, the Council had come to the conclusion that the appellant was guilty of misconduct. The High Court has very rightly confirmed the recommendations of the Council and has allowed the references accordingly. There is no error in the report of the Disciplinary Committee or in the order of the Council. Therefore, the appellant cannot find fault with the judgment of the High Court. He prays for dismissal of the appeals.

D 14. We have carefully considered the submission of the learned counsel for the parties and also perused the materials placed on record.

E 15. The Institute of Chartered Accountants of India is a statutory body created by an Act of Parliament that is the Chartered Accountants Act, 1949. In accordance with Section 9 of the Act, the management of the affairs of the Institute are vested in the Central Council. The Council performs its function through three different standing committees constituted under Section 17 of the Act and various other committees. One of the standing committees of the Institute is the Disciplinary Committee. The function of the Institute is to regulate the provisions of the Act and it is also empowered to take action against its members for any misconduct as contemplated in the Act and relevant regulations framed thereunder. Section 21 of the Act prescribes the procedure to be followed with regard to an inquiry relating to the misconduct of the members of the Institute. Section 22-A provides for filing of an appeal by a member against imposition of penalty. The Act was amended on 08.08.2006 by Act 9 of 2006. However, since the alleged misconduct relates to the year 1978, we are concerned with the unamended Sections 21 and 22-A which are as under:

“21. Procedure in inquiries relating to misconduct of members of Institute:

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“(1) Where on receipt of information by, or of a complaint made to it, the Council is prima facie of opinion that an member of the Institute has been guilty of any professional or other misconduct, the Council shall refer the case to the Disciplinary Committee, and the Disciplinary Committee shall thereupon hold such inquiry and in such manner as may be prescribed, and shall report the result of its inquiry to the Council.

(2) If on receipt of such report the Council finds that the member of the Institute is not guilty of any professional or other misconduct, it shall record its finding accordingly and direct that the proceedings shall be filed or the complaint shall be dismissed, as the case may be.

(3) If on receipt of such report the Council finds that the member of the Institute is guilty of any professional or other misconduct, it shall record a finding accordingly and shall proceed in the manner laid down in the succeeding sub-sections.

(4) Where the finding is that a member of the Institute has been guilty of a professional misconduct specified in the First Schedule, the Council shall afford to the member an opportunity of being heard before orders are passed against him on the case, and may thereafter make any of the following orders, namely :

(a) reprimand the member;

(b) remove the name of the member from the Register for such period, not exceeding five years, as the Council thinks fit:

Provided that where it appears to the Council that the case is one in which the name of the member ought to be removed from the Register for a period exceeding five years or permanently, it shall not make any order referred to in Clause (a) or Clause (b), but shall forward the case to the High Court with its recommendations thereon.

(5) Where the misconduct in respect of which the Council has found any member of the Institute guilty is misconduct other than any such misconduct as is referred to in Sub-section (4), it shall forward the case to the High Court with its recommendations thereon

- A (6) On receipt of any case under sub-section (4) or sub-section (5), the High Court shall fix a date for the hearing of the case and shall cause notice of the date so fixed to be given to the member of the Institute concerned, the Council and to the Central Government, and shall afford such member, the Council and the Central Government an opportunity of being heard, and may thereafter make any of the following orders, namely:
- B (a) direct that the proceedings be filed, or dismiss the complaint, as the case may be;
- C (b) reprimand the member;
- (c) remove him from membership of the Institute either permanently or for such period as the High Court thinks fit;
- (d) refer the case to the Council for further inquiry and report.
- D (7) xxx xxx xxx
- (8) For the purposes of any inquiry under this section, the Council and the Disciplinary Committee shall have the same powers as are vested in a civil Court under the Code of Civil Procedure, 1908, in respect of the following matters, namely:
- E (a) summoning and enforcing the attendance of any person and examining him on oath;
- (b) the discovery and production of any document; and
- (c) receiving evidence on affidavit.”
- F “**22-A. Appeals :-** (1) Any member of the Institute aggrieved by any order of the Council imposing on him any of the penalties referred to in sub-section (4) of section 21, may, within thirty days of the date on which the order is communicated to him, prefer an appeal to the High Court:
- G PROVIDED that the High Court may entertain any such appeal after the expiry of the said period of thirty days, if it is satisfied that the member was prevented by sufficient cause from filing the appeal in time.
- H (2) The High Court may, on its own motion or otherwise, after calling for the records of any case, revise any order made by the

Council under sub-section (2) or sub-section (4) of section 21 and may- A

(a) confirm, modify or set aside the order;

(b) impose any penalty or set aside, reduce, confirm, or enhance the penalty imposed by the order; B

(c) remit the case to the council for such further inquiry as the High Court considers proper in the circumstances of the case; or

(d) pass such other order as the High Court thinks fit: C

PROVIDED that no order of the Council shall be modified or set aside unless the Council has been given an opportunity of being heard and no order imposing or enhancing a penalty shall be passed unless the person concerned has also been given an opportunity of being heard.” D

16. Regulation 13 of the Chartered Accountants Regulations, 1964 (for short “Regulation”) provides for the procedure of an inquiry before the Disciplinary Committee. Regulations 14 and 15 which are relevant for the purpose of this case are as under: D

“14. Report of the Disciplinary Committee

(1) The Disciplinary committee shall submit its report to the Council. E

(2) The Council shall consider the report of the Disciplinary Committee and if, in its opinion, a further enquiry is necessary, shall cause such further enquiry to be made whereupon a further report shall be submitted by the Disciplinary Committee. F

(3) The Council shall, on the consideration of the report and the further report, if any, record its findings.

(4) If the finding is that there is no case for passing one of the orders specified in clauses (a) or (b) of sub-section (4) of section, the complainant and the respondent shall be informed accordingly. G

15. Procedure in a hearing before the Council.

(1) If the Council, in view of its findings, is of opinion that there is a case for passing one of the orders specified in clauses (a) or (b) of sub-section (4) of Section 21, is shall— H

A (a) furnish to the respondent a copy of the report of the Disciplinary Committee and a copy of its findings: and

(b) give him a notice indicating the order proposed to be passed against him and calling upon him to appear before it on a specified date or if he does not wish to be heard in person, to send within a specified time, such representation in writing as he may wish to make against the proposed order.

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(2) The scope of the hearing or of the representation in writing, as the case may be, shall be restricted to the order proposed to be passed.

C (3) The Council shall, after hearing the respondent, if he appears in person, or after considering the representation, if any, made by him, pass such orders as it may think fit.

(4) The orders passed by the Council shall be communicated to the complainant and the respondent.”

D 17. It is clear from the above provisions that the report of the Disciplinary Committee will contain a statement of the allegations, the defence entered by the members, the recorded evidence and the conclusions expressed by the Disciplinary Committee. The conclusions of the Disciplinary Committee are tentative and the same are not recorded as findings. It is only the Council which is empowered to find out whether the member is guilty of misconduct. If on receipt of the report, the Council finds that the member is not guilty of misconduct, Section 21(2) requires that it shall record its finding accordingly and direct that the proceedings shall be filed or the complaint shall be dismissed. On the other hand, if the Council finds that the member is guilty of misconduct, Section 21(3) requires it to record a finding accordingly and to proceed in the manner laid down in the succeeding sub-sections. The findings by the Council constitute the determinative decision as to the guilt of the member and because it is determinative in character, the Act requires it to be recorded. Thus, the Council has to determine that a member is guilty of misconduct and the task of recording of the findings has been specifically assigned to the Council. Sub-section (4) of Section 21 mandates that where a member of the Institute has been guilty of professional misconduct specified in the First Schedule of the Act, the Council shall afford to such member an opportunity of being heard before any orders are passed against him. After recording a finding that a member is guilty of

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misconduct, the Act moves forward to the final stage of penalisation. A
The recording of the finding by the Council is the jurisdictional springboard
for the penalty proceedings which follow.

18. In *Institute of Chartered Accountants of India v. L.K. Ratna and Ors.*¹ this Court considered the duties of the Council as under :

“12. Now when it enters upon the task of finding whether the member is guilty of misconduct, the Council considers the report submitted by the Disciplinary Committee. The report constitutes the material to be considered by the Council. The Council will take into regard the allegations against the member, his case in defence, the recorded evidence and the conclusions expressed by the Disciplinary Committee. Although the member has participated in the inquiry, he has had no opportunity to demonstrate the fallibility of the conclusions of the Disciplinary Committee. It is material which falls within the domain of consideration by the Council. It should also be open to the member, we think, to point out to the Council any error in the procedure adopted by the Disciplinary Committee which could have resulted in vitiating the inquiry. Section 21(8) arms the Council with power to record oral and documentary evidence, and it is precisely to take account of that eventuality and to repair the error that this power seems to have been conferred. It cannot, therefore, be denied that even though the member has participated in the inquiry before the Disciplinary Committee, there is a range of consideration by the Council on which he has not been heard. He is clearly entitled to an opportunity of hearing before the Council finds him guilty of misconduct.”

13. At this point it is necessary to advert to the fundamental character of the power conferred on the Council. The Council is empowered to find a member guilty of misconduct. The penalty which follows is so harsh that it may result in his removal from the Register of Members for a substantial number of years. The removal of his name from the Register deprives him of the right to a certificate of practice. As is clear from Section 6(1) of the Act, he cannot practice without such certificate. In the circumstances there is every reason to presume in favour of an opportunity to the member of being heard by the Council before it

¹1986 4 SCC 537

A proceeds to pronounce upon his guilt. As we have seen, the finding
by the Council operates with finality in the proceeding, and it
constitutes the foundation for the penalty imposed by the Council
on him. We consider it significant that the power to find and record
whether a member is guilty of misconduct has been specifically
entrusted by the Act to the entire Council itself and not to a few
of its members who constitute the Disciplinary Committee. It is
the character and complexion of the proceeding considered in
conjunction with the structure of power constituted by the Act
which leads us to the conclusion that the member is entitled to a
hearing by the Council before it can find him guilty. Upon the
approach which has found favour with us, we find no relevance
in *James Edward Jeffs v. New Zealand Dairy Production and
Marketing Board* – (1967) 1 AC 551 cited on behalf of the
appellant. The Court made observations there of a general nature
and indicated the circumstances when evidence could be recorded
and submissions of the parties heard by a person other than the
decision-making authority. Those observations can have no play
in a power structure such as the one before us.”

19. Similarly, in *Institute of Chartered Accountants of India v.
Price Waterhouse and Ors.*² it was held by this Court that the
Disciplinary Committee is a fact-finding body which is subordinate to
the Council as a fact-finding Authority. After analysing Section 21 and
Regulation 15, this Court held that the Council is required to independently
consider the explanation submitted by the member and the evidence
adduced in the inquiry before the Disciplinary Committee and the report
of the Committee. It was held thus:

F “14....A combined reading of relevant provisions in Section
21 and Regulation 16 does indicate that the recording of a
finding of guilt or non-guilt by the Council is mandatory to
take further action or to dismiss the complaint or for further
process. The Council is required to consider independently
the explanation submitted by the member and the evidence
adduced in the enquiry before the Disciplinary Committee and
the report of the Disciplinary Committee. It provides an in-
built mechanism under which the Council itself is required to
examine the case of professional or other misconduct of a

H ² (1997) 6 SCC 312

member of the Institute or associate member, taking the aid of the report submitted by the Disciplinary Committee, the evidence adduced before the Committee and the explanation offered by the delinquent member. Entire material constitutes the record of the proceeding before the Council to reach a finding whether or not the delinquent member committed professional or other misconduct. Otherwise, the primacy accorded to the report of the Disciplinary Committee attains finality, denuding the Council of the power of discipline over the members of the Institute; that would render deleterious effect on the maintenance of discipline among the members or associate members of the Institute.”

20. It is also necessary to notice yet another aspect. As per sub-section (5) of Section 21, where the Council has found any member of the Institute to be guilty of misconduct other than any such misconduct as is referred to in sub-section (4), it is required to forward the case to the High Court with its recommendations and, under sub-section (6) of Section 21, the High Court has to pass the orders in accordance with sub-section (6)(a) to (d) of Section 21 of the Act. Section 22-A provides for appeal by a member against imposition of penalty.

21. Needless to say that, the power exercised by the Council under Section 21 is quasi-judicial in nature. Perusal of the recommendations of the Council shows that it did not discuss the report of the Disciplinary Committee, the written statement and the oral submissions of the appellant while coming to the conclusion that he is guilty of misconduct. However, the concluding portion of the recommendations of the Council made an incorrect statement that the Council had considered all the materials on record and the written and oral submissions of the appellant. The observations of the Disciplinary Committee cannot by any stretch of imagination be treated as findings. At best, they may be termed as the material which falls within the domain of consideration by the Council. The Council has failed to give its own independent findings. The recommendations made by the Council are not supported by independent reasons. The recommendations, in our opinion, have been made mechanically by the Council.

22. Recording of reasons is a principle of natural justice and every judicial/quasi-judicial order must be supported by reasons to be recorded in writing. It ensures transparency and fairness in the decision-making

- A process. The person who is adversely affected wants to know as to why his submissions have not been accepted. Giving of reasons ensures that a hearing is not rendered as a meaningless charade. Unless an adjudicatory body is required to give reasons and make findings of fact indicating the evidence upon which it relied, there is no way of knowing whether the concerned body genuinely applied itself to and evaluated the arguments and the evidence advanced at the hearing. Giving reasons is all the more necessary because it gives satisfaction to the party against whom a decision is taken. It is a well-known principle that justice should not only be done but should also be seen to be done. An unreasoned decision may be just, but it may not appear to be so to the person affected.
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- C A reasoned decision, on the other hand, will have the appearance of fairness and justice.

23. In *M/s. Woolcombers of India Ltd. v. Woolcombers Workers Union and Ors.*³, while dealing with an award of an Industrial Tribunal, this Court found that the award stated only the conclusions and did not providing the supporting reasons. The matter was remitted back to the Tribunal to record fresh findings and it was observed that providing reasons in support of the conclusion is essential. The reasoning has been enumerated below:
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- E “5. ...The giving of reasons in support of their conclusions by judicial and quasi-judicial authorities when exercising initial jurisdiction is essential for various reasons. First, it is calculated to prevent unconscious unfairness or arbitrariness in reaching the conclusions. The very search for reasons will put the authority on the alert and minimise the chances of unconscious infiltration of personal bias or unfairness in the conclusion. The authority will adduce reasons which will be regarded as fair and legitimate by a reasonable man and will discard irrelevant or extraneous considerations. Second, it is a well-known principle that justice should not only be done but should also appear to be done. Unreasoned conclusions may be just but they may not appear to be just to those who read them. Reasons conclusions, on the other hand, will have also the appearance of justice. Third, it should be remembered that an appeal generally lies from the decisions of judicial and quasi-judicial authorities to this Court by special leave granted under Article 136. A judgment which does not disclose
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H ³(1974) 3 SCC 318

the reasons, will be of little assistance to the Court. The Court will have to wade through the entire record and find for itself whether the decision in appeal is right or wrong. In many cases this investment of time and industry will be saved if reasons are given in support of the conclusions. So it is necessary to emphasise that judicial and quasi-judicial authorities should always give reasons in support of their conclusions.”

24. Further, this Court in **State of West Bengal v. Atul Krishna Shaw and Anr.**⁴ has held that failure to give reasons does not instill public confidence in the correctness of the decisions rendered by the adjudicatory bodies. It was held thus:

“7.it is indisputably true that it is a quasi-judicial proceeding. If the appellate authority had appreciated the evidence on record and recorded the findings of fact, those findings are binding on this Court or the High Court. By process of judicial review, we cannot appreciate the evidence and record our own findings of fact. If the findings are based on no evidence or based on conjectures or surmises and no reasonable man would, on given facts and circumstances, come to the conclusion reached by the appellate authority on the basis of the evidence on record, certainly this Court would oversee whether the findings recorded by the appellate authority is based on no evidence or beset with surmises or conjectures. Giving of reasons is an essential element of administration of justice. A right to reason is, therefore, an indispensable part of sound system of judicial review. Reasoned decision is not only for the purpose of showing that the citizen is receiving justice, but also a valid discipline for the Tribunal itself. Therefore, statement of reasons is one of the essentials of justice.”

25. As noticed above, where the Council has found any member of the Institute to be guilty of misconduct, it is required under the Act to forward the matter to the High Court with its recommendations and the High Court has to pass final order either dismissing the complaint or penalizing the member of the Institute. The order of the Council, imposing penalty upon the member, is also appealable by the members aggrieved before the High Court. In the circumstances, it is all the more necessary that the recommendation/order of the Council should contain reasons for the conclusion.

⁴(1991) Supp (1) SCC 414

A 26. We are of the view that the High Court has equally erred in accepting the recommendations of the Council without applying its own logic to this aspect of the matter. We are also of the view that the Council has to reconsider the matter afresh after granting the appellant an opportunity of being heard. Having regard to the above, we do not propose to consider the other contentions of the parties.

B 27. Resultantly, the recommendations/order(s) passed by the Council of the Institute of Chartered Accountants of India which were the subject matter of the aforesaid two reference cases, are set aside. Consequently, the orders of the High Court impugned herein are also set aside. The appeals are accordingly allowed. These matters are remitted back to the Council for fresh consideration and disposal in accordance with law and in the light of the observations made above. The Council is directed to consider and dispose of the matter(s) as expeditiously as possible but not later than three months from the date of receipt of a copy of this order. All the contentions of the parties are left open. Having regard to the facts and circumstances of the cases, both the parties are directed to bear their respective costs.

28. Pending applications, if any, shall also stand disposed of.