

*Shabnoor*

IN THE HIGH COURT OF JUDICATURE AT BOMBAY  
CIVIL APPELLATE JURISDICTION

WRIT PETITION No.676 OF 2026

SHABNOOR  
AYUB  
PATHAN

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1. **Shivkrupa Sahakari Patpedhi Limited**

A Credit Co-operative Society,  
registered under the Maharashtra  
Cooperative Societies Act, 1960 and having  
registered office at 219/3111, Tagor Nager,  
Group No.1,  
Dr. Ambedkar Chowk, Vikroli (E),  
Mumbai 400086.  
& having Administrative office at Shivkrupa  
Bhavan, Plot No. R-225, TTC Industrial Area  
MIDC Rabale, Navi Mumbai – 400701.

... Petitioner

V/s.

1. **State of Maharashtra,**  
Through the Secretary,  
Department of Cooperation,  
Marketing and Textiles, Mantralaya,  
Mumbai – 400 032.
2. **The Minister for Cooperation,**  
**Government of Maharashtra,**  
Mantralaya, Mumbai – 400 032.
3. **Additional Registrar,**  
**Cooperative Societies,**  
State of Maharashtra, 2<sup>nd</sup> Floor, New Central  
Administrative Building, Pune – 411001.
4. **R. R. Pingale,**  
**Statutory Auditor,** Shukrawar Peth,  
Office No.1, Shivaji Road, Pune – 411002.
5. **Dr. Avinash, Deputy Registrar,**  
**Cooperative Societies and Inquiry Officer,**  
appointed under Section 88,

Near Gaodevi, Thane,  
Railway Station Thane (W)

6. **Krishna T. Shelar,**  
Godrej Garden Enclave,  
Ashoka Tower No. 1,  
Flat No. 164, Vikroli (E)  
Mumbai-400079
7. **Vasant K. Chavan,**  
C/9, Saubhagya, Mazgaon Dock  
Staff CHS., Road NO.3, Chheda  
Nagar, Chembur, Mumbai 400 089
8. **Bhimrao D. Borade,**  
Nagari Nivara Parishad,  
Plot No.5, 10-B/02,  
Goregaon (East), Mumbai 400 065
9. **Pandhrinath T. Bhosale,**  
Mamatadip Heights,  
Room No.403, Mhaisoor Colony,  
Monorail Station Near,  
Chembur, Mumbai – 400 074
10. **Jaywant G. Khamkar,**  
Flat No.3304, Zircon CHS.,  
Near Nirmal Lifestyle Mall,  
Mulund (West), Mumbai 400 080
11. **Ashok D. Tupe,**  
A.L.-5/18/4, Gulmohar Apartment,  
Sector – 16, Airoli, Navi Mumbai 400 708
12. **Baban A. Kate,**  
Flat No.404, G-Wing, Riddhi-Siddhi  
Apartment, Kolke Road, Tal. Panvel,  
District Raigad 410 221.
13. **Shivaji R. Varude,**  
Sahkar Darshan, D 2/103,  
Annapurna Nagar, Adharwadi,  
Kalyan (West) 421 301
14. **Ashok T. Shinde,**  
B-2/306, Jivan Sakhar Society,

Parsik Bank, Near Luieswadi,  
Thane (West) 400 604.

**15. Dipak S. Sakpal,**

Flat No.203, Deepajyoti Kalash CHS.,  
Rajiv Nagar, Indira Nagar,  
Nashik 422 009.

**16. Pandurang V. Ghadge,**

84, Jaishtha, Tarangan Complex,  
Near Cabdury Company,  
Thane (West) 400 604.

**17. Aparna Ashok Shinde,**

405, Samarth, Raymond Staff Housing  
Society Ltd., Swami Vivekanand Nagar,  
Pokhran No.2, Thane (West) 400 610.

**18. Varsha Dilip Kalambe,**

Room No.14, Rajwanti Mansion, Alankar  
Tokiz Opposite, Khetwadi, 4th Galli,  
Mumbai 400 004

Respondent Nos.6 to 18 above being  
former Directors of Shivkrupa Cooperative  
Credit Society Limited, having address  
of Respondent Nos.5 to 7 as mentioned  
in the Revision Application before  
Respondent No.2, Shivkrupa Bhavan,  
Plot No.R-225, T.T.C. Industrial Area,  
M.I.D.C., Rabale, Navi Mumbai 400 701

... Respondents

Mr. Kirit Hakani with Mr. Rahul Hakani, Ms. Niyati Hakani, Ms. Bhavana Ahire, & | Ms. Priyanka Singh for the petitioner.

Mr. Shahaji Shinde 'B' Panel with Mr. S. L. Babar, AGP, for the State – respondent Nos.1 to 3.

Mr. Shantanu Raktate with Mr. Amar Parsekar and Mr. Ajinkya Desai, for respondent Nos.6, 7 and 14.

Mr. Anil Sakhare i/b Mr. Vinayak Wagh & Mr. Vikas Bhosale, for respondent Nos.8 to 13.

CORAM : AMIT BORKAR, J.

RESERVED ON : FEBRUARY 9, 2026

PRONOUNCED ON : FEBRUARY 24, 2026

**JUDGMENT :**

1. By the present writ petition, the petitioner challenges the order dated 17 December 2025 passed by the Hon'ble Minister for Cooperation, Government of Maharashtra, in Revision Application No. 629 of 2024, purportedly in exercise of powers under Section 154 of the Maharashtra Cooperative Societies Act, 1960. By the said order, the revisional authority allowed the revision application and set aside the order dated 12 September 2024 passed by the Additional Registrar, whereby an inquiry under Section 88 of the Act had been directed. The revisional authority further annulled the Special Report dated 14 August 2024 submitted by the Statutory Auditor. The petitioner asserts that the impugned order is illegal and without jurisdiction, inasmuch as it brings to a halt a statutory inquiry concerning serious allegations of financial irregularities and misappropriation attributed to respondent Nos. 6 to 18.

2. The material facts, in brief, are that respondent Nos. 6 to 18, during their tenure as members of the managing committee of the petitioner society, are alleged to have committed several unauthorized and unlawful acts. These transactions were reflected in the balance sheets placed before the General Body and were approved, either expressly or by necessary implication. Subsequently, upon certain irregularities coming to light, the

General Body, in the election conducted in June 2023, voted respondent Nos. 6 to 18 out of the management of the society.

3. It is the case of the petitioner that in the General Body Meeting held on 13 September 2023, a resolution was passed directing initiation of an inquiry into specified transactions undertaken by respondent Nos. 6 to 18. Pursuant thereto, the Board of Directors appointed Shri Bandu Kashid, Advocate, as Inquiry Officer. The Inquiry Officer submitted his report dated 25 July 2024, recording findings that respondent Nos. 6 to 18 had caused financial loss to the society by acts amounting to cheating and misappropriation. The petitioner places reliance upon the said report. The observation in the impugned order that the Inquiry Officer was himself a defaulter of the society is specifically disputed on the ground that it is unsupported by any material on record. It is further contended that the Statutory Auditor, while auditing the accounts of the society for the financial years 2022 to 2023 and 2023 to 2024, made specific remarks regarding irregular and unauthorized transactions. In exercise of powers under Section 81(5B) of the Act, the Statutory Auditor submitted a Special Report dated 14 August 2024 to the competent authority. Though reference was made therein to the findings of Shri Bandu Kashid and Chartered Accountant Mr. Metangle, the report is stated to have been founded upon the auditor's independent scrutiny of the records. The Special Report also placed reliance upon valuation reports prepared by Government registered valuers, namely Katkar Engineers and Valuers dated 15 July 2024 and D.V. Mane and Associates dated 18 June 2024.

4. Upon receipt of the Special Report, the Additional Registrar, in exercise of statutory powers, passed an order dated 12 September 2024 directing that an inquiry be conducted under Section 88 of the Act and appointed respondent No. 5 as the Inquiry Officer. According to the petitioner, the said order is administrative in character and merely sets in motion the statutory mechanism without adjudicating upon any rights or liabilities of the parties. Thereafter, respondent No. 5 issued notice under Rule 72(2) of the Maharashtra Cooperative Societies Rules, 1961, after undertaking a preliminary inquiry under Rule 72(1).

5. Being aggrieved by the initiation of proceedings under Section 88, respondent Nos. 6 to 18 preferred Revision Application No. 629 of 2024 under Section 154 of the Act before respondent No. 2. The petitioner raised a preliminary objection as to the maintainability of the revision, contending that neither the Special Report submitted under Section 81(5B) nor the order dated 12 September 2024 directing inquiry under Section 88 constitutes an order or decision amenable to revisional jurisdiction under Section 154. Detailed written submissions were tendered in support of the said objection.

6. Notwithstanding the preliminary objection and the statutory limitations governing the exercise of revisional powers, respondent No. 2 entertained the revision application and, by the impugned order dated 17 December 2025, allowed the revision and set aside both the order dated 12 September 2024 and the Special Report dated 14 August 2024.

7. The petitioner contends that the revisional authority has acted in excess of jurisdiction. An order directing inquiry under Section 88 is neither adjudicatory in nature nor determinative of any civil consequences; it merely initiates a fact-finding process contemplated under the statutory scheme. The revisional power under Section 154 is stated to be exercisable only against an order or decision affecting rights or liabilities. On this premise, the impugned order is alleged to be contrary to the scheme of the Act and liable to be set aside.

8. In the aforesaid circumstances, the petitioner seeks quashing and setting aside of the impugned order dated 17 December 2025 and restoration of the order dated 12 September 2024 directing inquiry under Section 88 of the Act.

9. Mr. Hakani, learned counsel for the petitioner, submits that the Special Report dated 14 August 2024 submitted by the Statutory Auditor is merely a statutory trigger contemplated under Section 81(5B) of the Maharashtra Cooperative Societies Act, 1960. According to him, the said report does not assume the character of an order or decision within the meaning of Section 154 of the Act. It is, therefore, contended that the revisional authority lacked jurisdiction to quash the said report. He further submits that the First Information Report was not initiated on the basis of the Auditor's Special Report dated 14 August 2024, but on the basis of the report dated 29 July 2024 submitted by Chartered Accountant Metangle. On this premise, it is urged that a revision application directed against the Auditor's Special Report was not maintainable in law.

**10.** It is further contended that the finding recorded by respondent No. 2 that the impugned transactions are barred by limitation is legally untenable. Under Section 88 of the Act, the period of limitation commences from the date of discovery of the loss and not from the date on which the transaction took place. The issue as to whether the prescribed period of five years has elapsed is stated to involve a mixed question of law and fact, necessitating inquiry and evidence, and could not have been conclusively determined at a preliminary stage. It is also submitted that approval of balance sheets by the General Body cannot operate as an estoppel in cases involving allegations of fraud, criminal breach of trust, misappropriation or siphoning of funds. The statutory liability contemplated under Section 88 cannot be defeated on the basis of such approval.

**11.** According to the petitioner, the impugned order dated 17 December 2025 has the effect of shielding the alleged defaulters from a statutory inquiry concerning substantial funds belonging to the members of the society, thereby frustrating the object of the Act and adversely affecting public interest. The order is alleged to be arbitrary, without jurisdiction and founded upon extraneous considerations. It is submitted that the revisional authority committed a jurisdictional error in setting aside the Special Report which merely initiates statutory proceedings and is not amenable to revision under Section 154.

**12.** It is further contended that the act of respondent No. 3 in seeking an explanation from respondent No. 4 subsequent to issuance of the order directing inquiry under Section 88 does not

invalidate the order dated 12 September 2024. The said order was never withdrawn, and the subsequent continuation of proceedings lends support to the validity of the Special Auditor's Report. The order dated 12 September 2024, being administrative in nature and confined to initiation of inquiry, is stated to fall outside the scope of revisional jurisdiction under Section 154. On these grounds, it is submitted that the impugned order dated 17 December 2025 is without jurisdiction and liable to be set aside.

**13.** Per contra, Mr. Sakhare, learned Senior Counsel appearing for respondent Nos. 8 to 13, submits that in the statutory audit reports for the financial years 2022 to 2023 and 2023 to 2024, the Statutory Auditor did not record any loss or discrepancy and specifically observed that there was no requirement of a special audit. It is contended that the Special Audit Report dated 14 August 2024 was prepared solely on the basis of the preliminary report of Advocate Bandu Kashid and the report dated 29 July 2024 of Chartered Accountant Metangle, without independent verification of records or formation of an independent opinion by the Statutory Auditor. It is further submitted that no explanation was sought from respondent Nos. 6 to 18 prior to preparation of the Special Audit Report, in violation of principles of natural justice, and hence the report cannot constitute a valid basis for initiation of proceedings under Section 88. Reliance is also placed upon FIR No. 0136 of 2025 dated 12 April 2025 registered by the society itself in relation to the purchase of office premises, which is stated to correspond with the issues raised in the Special Audit Report.

14. It is submitted that even if the statute does not expressly mandate a hearing at the stage of preparation of an audit report, once such report results in civil consequences or forms the basis of criminal proceedings, an opportunity to explain must be afforded. The Special Audit Report and the order dated 12 September 2024, which allegedly hold respondent Nos. 6 to 18 responsible, are stated to violate Articles 14, 19 and 21 of the Constitution and the principles of natural justice as enunciated in *Maneka Gandhi v. Union of India*, 1978 AIR SC 597.

15. It is further submitted that even where a statutory provision is otherwise valid, action taken thereunder must satisfy the test of reasonableness under Article 19(2) to (6) of the Constitution. The principles of natural justice are stated to apply to administrative actions which entail civil consequences. In support of this contention, reliance is placed upon *Maneka Gandhi* and *Subhash Kashinath Mahajan v. State of Maharashtra* (2018) 6 SCC 454.

16. According to the respondents, serious prejudice has been caused to them as no opportunity was granted to explain or rectify the alleged defects prior to preparation of the Special Audit Report, and yet proceedings under Section 88 as well as criminal proceedings came to be initiated. It is pointed out that respondent No. 2 has recorded a finding that the Statutory Auditor relied entirely upon the reports of Advocate Kashid and Chartered Accountant Metangle. It is further noted that the issues pertain to the period from 2014 to 2015 and 2016 to 2017 up to 2022 to 2023, during which earlier statutory audits had not reported any illegality nor recommended a special audit.

17. Learned Senior Counsel further submits that respondent No. 2 has recorded that the Additional Registrar had issued a show cause notice to the Statutory Auditor regarding inclusion of certain items in the Special Audit Report, particularly the term insurance premium, though such issues were already under consideration in proceedings under Section 89A. It is therefore contended that the Special Audit Report was prepared in breach of principles of natural justice. It is urged that if the impugned order dated 17 December 2025 is set aside on the ground of lack of jurisdiction, it would result in revival of the order dated 12 September 2024 which is itself illegal, in view of the decision in *Maharaja Chintamani Saran Nath Shahdeo v. State of Bihar* 1999 (8) SCC 16. It is further submitted that public policy must subserve public welfare and cannot justify abuse of power, as held in *Secretary, Jaipur Development Authority v. Daulat Mal Jain*. The Special Audit Report dated 14 August 2024 and the consequential order dated 12 September 2024 under Section 88, having culminated in registration of an FIR dated 12 April 2025, are stated to possess quasi judicial character and therefore to be revisable under Section 154. It is contended that the Auditor, by determining alleged loss, fixing responsibility upon respondent Nos. 6 to 18 and recommending further action which led to registration of the FIR, rendered a determination affecting rights and carrying penal consequences, as recognized in *Daulatrao Thakare v. State of Maharashtra* 2024 SCC Online Bom 2517. On this basis, it is submitted that the revisional authority rightly held the revision to be maintainable and that the order dated 17 December 2025 is

legal and consistent with statutory provisions and principles of natural justice. It is further contended that failure to grant an opportunity of hearing by respondent Nos. 3 and 4 would otherwise render the report void.

**18.** Reliance is also placed upon *Nawab Khan Abbaskhan v. State of Gujarat* 1974 (2) SCC 121 to contend that any action taken in contravention of constitutional limitations is void and that statutory powers must be exercised strictly within their prescribed bounds. It is, therefore, submitted that the order dated 17 December 2025 passed in revision is valid in law and does not warrant interference in exercise of writ jurisdiction.

#### **REASONS AND ANALYSIS :**

**19.** Before dealing with the rival contentions in detail, it is necessary to step back and understand how the statute is structured. A case of this nature cannot be decided by isolating one provision and ignoring the rest. The provisions must be read as part of one scheme. Each section has its own purpose. Each stage serves a different function.

#### **Nature and Scope of Audit under Section 81:**

**20.** Section 81 of the Act deals with audit, and it is important to understand the limited purpose for which this provision exists. An audit is meant to examine the correctness of the accounts maintained by a cooperative society. The auditor looks into books of account, vouchers, supporting documents, resolutions passed by the managing committee, and the financial statements placed before the members. The exercise is carried out to verify whether

the records reflect the true financial position of the society and whether the management has acted within the financial framework permitted by law. At this stage, the auditor does not act as a adjudicator. He does not conduct a trial. He does not decide disputes between parties. There is no determination of guilt or liability. The auditor's role is limited to scrutiny and reporting. The process is therefore distinct from adjudication. The purpose is preventive and corrective rather than punitive. If the accounts are found proper and in accordance with law, the matter ends at that point and no further statutory action is required.

**21.** However, situations may arise where the auditor, while going through the records, notices serious irregularities. These may include unusual transactions, unexplained expenditure, diversion of funds, financial decisions unsupported by records, or conduct suggesting mismanagement. At times, the documents may reveal patterns that raise concern, even if full facts are not immediately clear. In such circumstances, the auditor is expected to bring these issues to the notice of the competent authority. The auditor does not himself impose consequences. He only records what emerges from the financial scrutiny.

**22.** This distinction is important. The audit stage is meant to identify issues, not to conclude them finally. The auditor's observations serve as an early warning within the statutory scheme. They enable the authorities to examine whether deeper inquiry is required. The law intentionally keeps this stage preliminary because financial scrutiny alone may not reveal the full picture. Questions of intention, responsibility, or liability can

be properly examined only in subsequent proceedings where evidence is tested and explanations are heard. Therefore, when Section 81 speaks of audit, it contemplates a financial examination aimed at maintaining accountability within cooperative societies. The auditor acts as a fact searcher in the financial sense. He indicates concerns when necessary. But the audit itself does not amount to a decision determining rights or liabilities. It only lays the basis for further statutory action, if the circumstances so require.

**Legal Character of Special Report under Section 81(5B):**

**23.** Section 81(5B) must be understood in the setting in which it appears. The provision first places a duty on the auditor to submit the audit report within the prescribed time. The report is to be given both to the society and to the Registrar. The auditor has to state whether, in his opinion, the accounts present a true and fair view of the financial transactions of the society. This part shows that the primary role of the auditor remains financial scrutiny and reporting. The auditor forms an opinion based on records made available to him and explanations furnished by the society.

**24.** The provisos attached to sub-section (5B) deal with situations where the auditor notices something more serious. If, during the audit, the auditor reaches a conclusion that an offence relating to the accounts appears to have been committed, he is required to submit a specific report to the Registrar within a limited period. The Act further requires that before filing an FIR, the auditor must obtain written permission from the Registrar. This

requirement shows that the auditor's conclusion by itself does not trigger criminal action automatically. The Registrar must independently examine the material and decide whether permission should be granted. Thus, the statute creates a clear separation between reporting and decision-making.

**25.** The provision also speaks of preparation of a Special Report when the auditor finds apparent instances of financial irregularities resulting in loss to the society. The auditor records what appears from the accounts. He identifies irregularities which seem to have caused loss. He is not expected to conduct a full inquiry or decide responsibility conclusively. The Special Report is submitted along with the audit report so that the competent authority may consider whether further statutory action is required.

**26.** The consequences provided in the section also help in understanding the legal character of the report. The Act says that failure of the auditor to submit such report may amount to negligence and may expose him to disqualification. This indicates that the report is a statutory duty cast upon the auditor. It is an obligation, not an adjudicatory function. The auditor is required to place relevant facts before the Registrar. The power to act upon those facts lies elsewhere.

**27.** Viewed in this manner, a Special Report under Section 81(5B) cannot be equated with a judicial or quasi judicial determination. It does not impose liability. It does not declare a person guilty in the legal sense. It does not direct recovery or

punishment. The report merely communicates the auditor's assessment based on financial records and alerts the statutory authority that further examination may be necessary.

28. Sub-section (5B), therefore, enables the auditor to prepare a specific or special report and forward it to the Registrar when serious issues are noticed during audit. The report functions as an alert within the statutory framework. It brings to the notice of the Registrar that certain transactions or financial conduct require closer scrutiny. The purpose is to trigger further examination under the appropriate provisions of the Act. The report itself does not conclude the matter. It only opens the door for the competent authority to decide whether inquiry, investigation, or any other action is warranted in accordance with law.

**Distinction between Audit Findings and Adjudicatory Determination:**

29. At this stage, it becomes necessary to clearly separate two concepts which are often mixed up in practice. One is an audit finding. The other is an adjudicatory determination. Though both may arise from the same set of facts, they operate in completely different legal spaces. Failure to recognise this distinction leads to confusion about the nature of powers exercised under the Act.

30. An audit finding is essentially an observation. It is the result of financial examination carried out by the auditor on the basis of books of account and available records. The auditor checks entries, compares documents, and points out discrepancies or irregularities that appear from the material. The process is documentary and

financial. It is based on what is visible from the accounts. The auditor may record that certain transactions look irregular, that losses appear to have occurred, or that certain decisions seem unsupported by records. These findings are informative in nature. They are meant to bring facts to light.

**31.** However, an adjudicatory determination stands on an entirely different footing. Adjudication involves deciding rights and liabilities after following a procedure provided under the Law. It requires notice to affected parties, opportunity to explain, consideration of evidence from both sides, and application of legal standards. The authority undertaking adjudication weighs rival versions, assesses credibility, and then reaches a final conclusion that has legal consequences. Such a decision may impose liability, direct recovery, or otherwise affect rights.

**32.** The difference, therefore, lies not merely in language but in function. An audit finding raises questions. An adjudicatory determination answers them. An audit report indicates that something may be wrong. Adjudication decides whether it is legally wrong and who is responsible for it.

**33.** This distinction becomes important while examining whether a particular document can be treated as an order or decision. Audit findings are preliminary in nature. They form the starting point of further proceedings. They are not final conclusions binding on parties. A person against whom an audit observation is made still gets a full opportunity to explain during subsequent inquiry proceedings. The law keeps the audit stage flexible because

financial records alone may not tell the complete story. On the other hand, once an authority conducts inquiry under the relevant provisions, examines evidence, hears the concerned persons, and records findings fixing responsibility, the matter crosses into adjudicatory territory. At that stage, rights and liabilities begin to crystallise. The consequences flowing from such determination are real and enforceable. That is why the law provides remedies like appeal or revision against such decisions. If audit findings are treated as adjudicatory decisions, the statutory process becomes distorted. Every preliminary observation would be challenged as if it were a final verdict. The inquiry stage, which is meant to test the correctness of those observations, would lose its significance. The legislative scheme clearly avoids such an outcome by maintaining a step-by-step procedure. Therefore, while an audit report may contain strong language or serious observations, it still remains a report. It does not finally decide guilt, liability, or responsibility. Only after a proper inquiry and adjudicatory process can such conclusions be reached. This distinction must be kept firmly in mind while examining the maintainability of proceedings arising out of audit findings.

### **Scope and Object of Inquiry under Section 88:**

**34.** Section 88 operates at a different level. It empowers the Registrar to hold an inquiry for the purpose of fixing responsibility for loss caused to the society. This is the stage where evidence is examined, explanations are sought, and responsibility is determined. If loss is proved and attributable to particular persons, recovery can be directed. Thus, Section 88 is concerned with

adjudication of liability. It is not merely investigative. It has civil consequences.

**Meaning of “Order” or “Decision” under Section 154:**

35. Section 154 confers revisional powers upon the State Government and the Registrar. A careful reading of the provision shows that the power is supervisory in nature. The authority may call for and examine the record of any inquiry or proceedings where a decision or order has been passed by a subordinate officer and where no appeal lies against such decision or order. The purpose of this examination is limited. It is to satisfy itself about the legality, propriety, and regularity of the decision or order already made. If the revisional authority finds that such decision or order suffers from illegality or impropriety, it may modify, annul or reverse it after granting an opportunity of hearing to the affected person.

36. The language of Section 154 itself indicates that the revisional power arises only when there is first a decision or an order passed by a subordinate authority. The revision is not meant to supervise every administrative step or every procedural move in a matter. It is intended to control errors in decisions that carry legal consequences. Sub-section (2) further clarifies the forum by specifying whether revision lies to the State Government or to the Registrar depending on the rank of the officer who has passed the decision or order. This again shows that the focus of the provision is on scrutiny of completed decisions and not on ongoing administrative processes.

**37.** The words “order” and “decision” signify a conclusion reached after application of mind to a matter, resulting in some form of determination. Such determination must affect rights, liabilities or legal positions of parties. An order generally indicates a formal direction. A decision indicates a conclusion that settles or decides an issue. Both carry a sense of finality, even if limited, within the stage at which they are passed. A mere step taken to move proceedings forward does not automatically become an order or decision in this sense. Administrative actions often involve several intermediate steps. Notices may be issued. Reports may be prepared. Material may be collected. Authorities may call for explanations. These are part of the process. They help in reaching a final conclusion later. But they do not themselves determine rights. Treating every such step as revisable would expand Section 154 beyond its limits and would result in repeated breaks of statutory proceedings.

**38.** Section 154, therefore, must be understood as conferring a supervisory jurisdiction over decisions that have legal effect. The revisional authority examines whether such decisions are legal and proper. It does not substitute itself for authorities at preliminary stages or interfere with proceedings that are still unfolding. When the provision speaks of an order or decision, it contemplates something more than an internal report. There must be an element of determination. There must be some adjudicatory content. The action should at least decide an issue affecting parties, or alter their legal position in some manner. Without this element, the jurisdiction under Section 154 does not arise.

39. Viewed in this light, the distinction between a preparatory step and a decision becomes crucial. A report submitted by an auditor, or an administrative act initiating inquiry, may set the process in motion. However, unless it determines rights or liabilities, it remains part of the procedural chain. Revisional jurisdiction cannot be invoked merely because a party feels aggrieved by such preliminary action. The law requires something more concrete. It requires a decision that has reached a stage where legal consequences flow from it. Thus, Section 154 is a supervisory remedy against adjudicatory outcomes and not against every administrative movement within the statutory framework.

**Harmonious Reading of Sections 81, 88 and 154:**

40. While interpreting any statute, the Court cannot read one provision in isolation and ignore the others. Every section has to be understood in a manner that fits into the overall scheme of the Act. Sections 81, 88 and 154 operate in different fields, yet they are connected. If they are read separately without appreciating their relationship, the statutory scheme becomes distorted. Therefore, a harmonious reading becomes necessary. When these provisions are read together, a clear pattern emerges. Section 81 identifies possible irregularities. Section 88 examines and determines responsibility. Section 154 supervises decisions arising from such adjudicatory processes. Each section supports the other. None overlaps completely with the other. If Section 154 is interpreted to include audit reports under Section 81, the distinction created by the legislature would be rendered nugatory. The audit stage would become litigative. Parties would challenge reports before inquiry

even begins. The inquiry contemplated under Section 88 would become redundant because proceedings would be stalled at the threshold. Such an interpretation would defeat the purpose of the Act, which intends a gradual process.

**41.** Similarly, if audit findings are treated as final decisions, the safeguards built into Section 88 would lose meaning. The inquiry stage exists precisely to test whether the observations in audit are correct. It gives an opportunity to explain transactions and place additional material. A harmonious reading requires recognising that the audit is preliminary, and the inquiry is determinative. The language used in these provisions also supports this interpretation. Section 81 uses terms such as report and special report. Section 88 speaks of inquiry and fixing responsibility. Section 154 refers to order or decision. These words are different because the legislature intended different legal consequences at each stage. The Court must respect that distinction instead of merging the stages into one.

**42.** A harmonious reading therefore leads to a simple conclusion. Audit under Section 81 triggers attention. Inquiry under Section 88 examines the matter in detail. Revision under Section 154 lies only after a decision affecting rights is passed. This interpretation ensures that each provision operates in its intended sphere. Viewed in this manner, the statutory scheme remains rational. Preliminary observations are not treated as final decisions. Inquiry is allowed to proceed without premature interference. Revisional jurisdiction is crystallised for situations where an actual determination has been made. Such an approach aligns with legislative intent under

the Act.

**Application of the Statutory Scheme to the Present Controversy:**

43. Having examined the statutory framework and the object behind the different provisions, it now becomes necessary to apply that scheme to the facts of the present case. The controversy before the Court is not about whether the allegations are true or false. The Court is not required at this stage to decide whether any loss was actually caused to the society or whether any individual is responsible. The limited question is whether the revisional authority could have entertained a revision against the Auditor's Special Report and the order directing inquiry.

44. In the present matter, the process began with audit under Section 81. During audit, certain irregularities were noticed, and a Special Report came to be submitted. As already discussed, such a report serves as an alert to the Registrar. It places material before the statutory authority so that further action may be considered. By itself, the report does not determine rights. It does not impose liability. It does not conclude that any person is legally guilty. It merely records what appears from the accounts examined by the auditor. On receipt of the Special Report, the Registrar passed an order directing inquiry under Section 88. The respondents, however, approached the revisional authority under Section 154 and challenged both the Special Report and the order initiating inquiry. The revisional authority entertained the revision and set aside these actions. The legality of this exercise must be examined in the light of the statutory sequence already discussed.

45. When the provisions are applied to the present facts, the position becomes clear. The Special Report is a product of the detection stage. The order under Section 88 belongs to the inquiry stage. Neither represents the final stage where liability is determined. No rights had yet been finally affected. No recovery was ordered. No adjudicatory finding fixing responsibility had been recorded. In such circumstances, the essential requirement of Section 154, namely existence of an order or decision affecting rights, was absent.

46. The argument advanced on behalf of the respondents that the Special Report led to registration of an FIR does not alter this conclusion. The decision to register an FIR is a separate statutory act requiring independent application of mind by the competent authority. Even if the Special Report formed part of the material considered, it does not transform the report into an adjudicatory decision. The legal character of a document must be judged at the stage at which it is issued, not by subsequent events that may follow.

47. Similarly, the submission that the respondents were not heard before preparation of the Special Report cannot justify invoking revisional jurisdiction at this stage. The statutory scheme itself provides for an inquiry under Section 88 where such persons are entitled to place their explanation and defend themselves. The law does not contemplate a full hearing at the audit stage. To hold otherwise would collapse the distinction between audit and inquiry.

48. Once the statutory sequence is kept in view, the error in the approach of the revisional authority becomes apparent. The revision was entertained at a stage where the process had not been converted into an adjudicatory determination. By setting aside the Special Report and the order directing inquiry, the revisional authority effectively prevented the statutory inquiry from taking place. This amounts to interrupting the process before the truth could be examined through the procedure prescribed by law.

49. The Court must also bear in mind the practical consequence of accepting such an approach. If revisions are held maintainable against audit reports or orders initiating inquiry, every preliminary step under the Act would become open to challenge. The inquiry stage would rarely proceed to completion. The purpose of Sections 81 and 88 would be defeated. The legislature could not have intended such a result.

50. Therefore, applying the statutory scheme to the present controversy, it becomes evident that the Special Report dated 14 August 2024 and the order dated 12 September 2024 directing inquiry under Section 88 were merely preparatory steps within the statutory process. They did not determine rights or liabilities. Consequently, they were not amenable to revisional jurisdiction under Section 154. The inevitable conclusion is that the revisional authority exceeded its jurisdiction in entertaining and allowing the revision. The statutory process ought to have been permitted to continue so that the inquiry could reach its logical conclusion in accordance with law.

51. Much reliance was placed by the respondents on the judgment in *Daulatrao Shankarrao Thakare*. According to them, the said decision supports the proposition that findings recorded by an auditor in a specific or special report can themselves be treated as a decision and therefore become open to revision. At first reading, certain observations in that judgment may appear to support such an argument. However, judicial precedents cannot be read in parts. A decision must always be understood in the factual background in which it was delivered.

52. The later decision in *Sayajirao Narayan Takwane* has carefully examined this aspect and clarified the true ratio of *Daulatrao*. The Court in *Sayajirao Narayan Takwane* observed that *Daulatrao* arose in a very different factual situation. In that case, the process had already advanced far beyond the stage of audit findings. The Registrar had considered the material placed before him, applied his mind, granted written permission for lodging of an FIR, and thereafter the FIR had actually been registered. Thus, the statutory chain had moved from audit observations to an independent decision by the Registrar carrying clear legal consequences. Therefore, the emphasis in that judgment was not on the auditor's conclusions alone. The clarification given in *Sayajirao Narayan Takwane* makes this position clear. The Court explained that *Daulatrao* cannot be read as laying down a universal rule that every conclusion recorded in an auditor's report automatically becomes a decision. Such an interpretation would stretch the ratio beyond its context and create confusion in the statutory scheme. The judgment must be confined to the peculiar

facts where the audit report had already culminated in a statutory decision by the Registrar and consequential criminal proceedings. This distinction is important for the present case. Here, the issue concerns maintainability of revision against the Auditor's Special Report itself and against an order initiating inquiry. Therefore, reliance on *Daulatrao* without appreciating its factual background would be misplaced.

**53.** Having considered the material and the rival submissions, this Court is of the view that the revisional authority exceeded its jurisdiction in entertaining Revision Application No. 629 of 2024. The Special Report dated 14 August 2024 is not an order or decision within the meaning of Section 154. The order dated 12 September 2024 directing inquiry under Section 88 is administrative in nature and does not determine rights or liabilities. Neither was amenable to revision.

**54.** The impugned order dated 17 December 2025, therefore, cannot be sustained. The writ petition accordingly deserves to be allowed.

**55.** The impugned order dated 17 December 2025 is quashed and set aside. The order dated 12 September 2024 directing inquiry under Section 88 stands restored.

**56.** The inquiry shall proceed in accordance with law, uninfluenced by any observations made in the revisional order.

**57.** All contentions on merits are kept open to be urged before the competent authority at the appropriate stage.

58. Pending interlocutory application(s), if any, stands disposed of.

59. At this stage, learned Advocate for respondent Nos.6, 7, and 14 seeks for stay of the judgment and order. However, for the reasons stated in this judgment, request for stay stands rejected.

(AMIT BORKAR, J.)