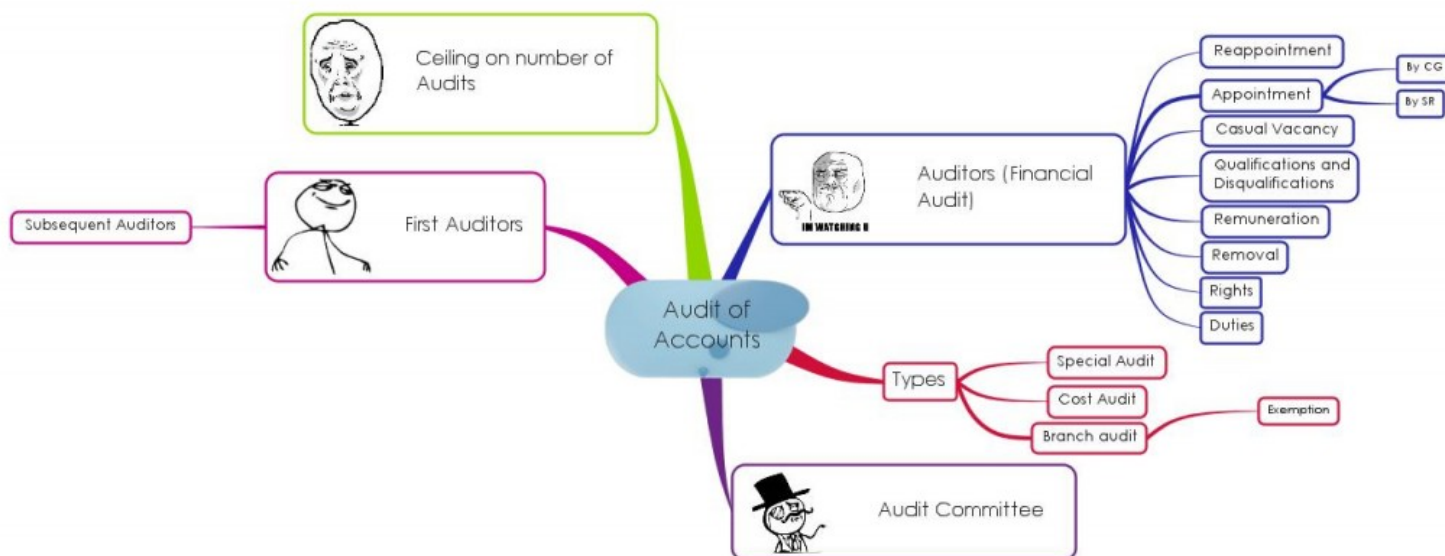


Audit of the Company

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What if auditor is taking audit to fetch personal gain in a company?

That's why there is a limitation imposed by CG prohibiting the appointment of auditor:

Who is indebted to the company for more than Rs. 1000.

Even If he becomes indebted after his appointment he must vacate the office, and

Who is holding any security of the company.

What is the limit on audits?

Max 20 companies (out of which limit of 10 companies having share capital of Rs. 25 Lakhs or more.

Limit doesn't include

- Private Company.
- Guarantee Company without share capital.
- Foreign Company, Society or Trust.
- Tax Audits.
- Branch Audit.
- Special Audit.

Limit includes

- Joint Audit.
- Audit u/s 25.

Total No. of Audits = 30.

How first auditor and subsequent auditors are appointed?

First Auditor	Subsequent Auditor
Appointed by board within 1 month of registration of the company, if failed, then appointed by members in GM.	Company to give notice within 7 days of (re)appointment to the auditor.
No intimation required.	Auditor should intimate the registrar within 30 days of receipt of (re)appointment.

What if no auditor is appointed?

CG will appoint the auditor.

What is casual vacancy? Can you expand?

Casual vacancy i.e. Vacancy of office by auditor before expiry of his term.

Okay. Who will casual vacancy then?

1. If reason is resignation by auditor – By shareholders.
2. Otherwise – By Board.

I know that appointment of auditors requires Ordinary resolution. Any exception?

Yes, appointment will require Special resolution when, 25% or more share capital is held by any of the stated companies, AS ON THE DATE OF AGM:

- CG.
- SG.
- Government Company.

- Public Financial Institution.
- Nationalized bank.
- General Insurance Company.

I want to remove my company's auditor, tell me how to proceed?

First make sure to comply with following provisions.

First auditor to be removed before AGM	Subsequent auditor to be removed before AGM	Any auditor at AGM
No notice to be given.	No notice to be given.	Special Notice is required.
Pass Ordinary Resolution.	Pass Ordinary Resolution.	Pass Ordinary Resolution.
No CG approval.	Previous CG approval required.	No CG approval.

Then notice is to be sent to auditor as a part of his right of being heard:

Send notice to the auditor of his removal,

Auditor will then have the right:

- To be heard at the meeting.
- To make written representation.
- To make it circulate among members of the company.

It may prove harmful if auditor use his right to erode the company's reputation?

That's why CLB may take back auditor's rights if he uses them to secure needless publicity for defamatory matter.

List in short all the rights of auditor?

Auditor has right to:

1. Access Books.
2. Obtain explanation.
3. Attend any GM and receive notice.

4. Be heard at GM.
5. Access branch office's books.
6. Receive remuneration.
7. Make representation on removal (as discussed in above question).
8. Right to lien on conditions:

Books must be of company and work has been done on such books by the auditor on which fees is due and it has come into possession of auditor by his authority.

Okay, what about duties of the auditor?

1. Making audit report to members.
2. Reasons of qualification of audit report, if qualified.
3. Signing of audit report.
4. Disclosure in audit report on true and fair view, CARO and principal assertions.

Is it fine to blame auditor for incorrectness in Board Report?

No, because the BR is attached not annexed to financial statements.

It would be difficult to do branch audit of every company. Are there any exemptions?

Yes,

When any manufacturing, processing or trading activity is not done at any branch office and scrutiny is made by a responsible person.

When Average of "Quantum of Activity" of preceding 3 FY < either Rs. 2 Lakhs or 2% or turnover, where quantum of activity is the higher of aggregate value of

- Goods manufactured.
- Goods sold.
- Expenditure.

Other cases:

- Sufficient arrangement is made for scrutiny of accounts of branch office.
- Auditor is not available at a reasonable cost.
- Any other reason.

Who can do Special audit and what if remuneration is not paid to him?

A Chartered Accountant, doesn't matter if he is in practice or not.

If remuneration is not paid to him, he can recover it from the company as if the arrears of land revenue.

Any other concept?

Yes, audit committee, it should be made by PUBLIC COMPANY having paid up capital of Rs. 5 Crores or more. Minimum 3 members (all directors) must be there in committee and 66.67% shall be directors other than MD/WTd.