

Accounts, Audit, Dividend & Audit Committee

Table Showing Corresponding Sections of Accounts and Audit in Companies Act 2013

Companies Act 1956		Companies Act 2013	
Section No.	Heading	Section No.	Heading
205	Dividend to be paid only out of profits	123	Declaration of Dividend
205A	Unpaid dividend to be transferred to special dividend account	123, 124	Declaration of Dividend and Unpaid Dividend Account
205B	Payment of unpaid or unclaimed dividend	124	Unpaid Dividend Account
205C	Establishment of Investor Education and Protection Fund	125	Investor Education and Protection Fund
206	Dividend not to be paid except to registered shareholders or to their order to their bankers	123	Declaration of Dividend
206A	Right to Dividend, rights shares and bonus shares to be held in abeyance pending registration of transfer of shares	126	Right to Dividend, rights shares and bonus shares to be held in abeyance pending registration of transfer of shares
207	Penalty for failure to distribute dividends within 30 days	127	Punishment for failure to distribute dividends.
208	Power of company to pay interest out of capital in certain cases	-	-
209	Books of account to be kept by company	2(13)	Books of account
		128	Books of account, etc., to be kept by company
209A	Inspection of books of account, etc., of companies	207	Conduct of inspection and inquiry
		208	Report on inspection made
210	Annual accounts and balance sheet	129	Financial statement
210A	Constitution of National Advisory Committee on Accounting Standards	132	Constitution of National Financial Reporting Authority
211	Form and contents of balance sheet and profit and loss account	2(2)	Accounting Standards
		129	Financial statement
		133	Central Government to prescribe accounting standards
212	Balance sheet of holding company to include certain particulars as to its subsidiaries	--	--
213	Financial year of holding company and subsidiary	--	--
214	Right of holding company's representatives and members	128	Books of account, etc., to be kept by company
215	Authentication of balance sheet and profit and loss account	134	Financial Statement, Board's report, etc.

216	Profit and loss account to be annexed and auditors' report to be attached to balance sheet	134	Financial Statement, Board's report, etc.
217	Board's report	134	Financial Statement, Board's report, etc.
218	Penalty for improper issue, circulation or publication of balance sheet or profit and loss account	--	--
219	Right of member to copies of balance sheet and auditors' report	136	Right of member to copies of audited financial statement
220	Three copies of balance sheet, etc., to be filed with Registrar	137	Copy of financial statement to be filed with Registrar
221	Duty of officer to make disclosure of payments, etc.	--	--
222	Construction of references to documents annexed to accounts	--	--
223	Certain companies to publish statement in the Form in Table F in Schedule I	--	--
224	Appointment and remuneration of auditors	139	Appointment of auditors
		142	Remuneration of auditors
224A	Auditor not to be appointed except with the approval of the company by special resolution in certain cases	--	--
225	Provisions as to resolutions for appointing or removing auditors	140	Removal, resignation of auditor and giving of special notice
226	Qualifications and disqualifications of auditors	141	Eligibility, qualifications and disqualifications of auditors
227	Power and duties of auditors	143	Power and duties of auditors and Auditing Standards
228	Audit of accounts of branch office of company	143	Powers and duties of auditors and Auditing Standards
229	Signature of Audit report, etc.	145	Auditor to sign audit reports, etc.
230	Reading and inspection of auditor's report	145	Auditor to sign audit reports, etc.
231	Right of auditor to attend general meeting	146	Auditors to attend general meeting
232	Penalty for non-compliance by auditor with sections 225 to 231	147	Punishment for contravention
233	Penalty for non-compliance by auditor with sections 227 and 229	147	Punishment for contravention
233A	Power of Central Government to direct special audit in certain cases	--	--
233B	Audit of cost accounts in certain cases	148	Central Government to specify audit of items of cost in respect of certain companies
292A	Audit Committee	177	Audit Committee

Table Showing Corresponding Sections of Accounts and Audit in Companies Act 1956			
Section of Companies Act, 2013		Corresponding sections of Companies Act, 1956	
123	Declaration of Dividend	205	Dividend to be paid only out of profits
		205A (3)	Unpaid dividend to be transferred to special dividend account
		206	Dividend not to be paid except to registered shareholders or to their order to their bankers
124	Unpaid Dividend Account	205A	Unpaid dividend to be transferred to special dividend account
		205B	Payment of unpaid or unclaimed dividend
125	Investor Education and Protection Fund	205C	Establishment of Investor Education and Protection Fund
126	Right to Dividend, rights shares and bonus shares to be held in abeyance pending registration of transfer of shares	206A	Right to Dividend, rights shares and bonus shares to be held in abeyance pending registration of transfer of shares
127	Punishment for failure to distribute dividends	207	Penalty for failure to distribute dividends within 30 days
128	Books of account, etc., to be kept by company	209	Books of account to be kept by company
		214	Rights of holding company's representatives and members
129	Financial Statement	210	Annual accounts and balance sheet
		211	Form and contents of balance sheet and profit and loss account
130	Re-opening of accounts on Court's or Tribunal's orders	--	--
131	Voluntary revision of financial statements or Board's report	--	--
132	Constitution of National Financial Reporting Authority	210A	Constitution of National Advisory Committee on Accounting Standards
133	Central Government to prescribe accounting standards	211(3)	Form and contents of balance sheet and profit and loss account
134	Financial Statement, Board's report, etc.	215	Authentication of balance sheet and profit and loss account
		216	Profit and loss account to be annexed and auditor's report to be attached to balance sheet
		217	Board's report

135	Corporate Social Responsibility	--	--
136	Right of member to copies of audited financial statement	219	Right of member to copies of balance sheet and auditor's report
137	Copy of financial statement to be filed with Registrar	220	Three copies of balance sheet, etc., to be filed with Registrar
138	Internal Audit	--	--
139	Appointment of auditors	224	Appointment and remuneration of auditors
		619	Application of sections 224 to 233 to Government companies
140	Removal, resignation of auditor and giving of special notice	225	Provisions and disqualifications of auditors
141	Eligibility, Qualifications and disqualifications of auditors	226	Qualification and disqualifications of auditors
142	Remuneration of auditors	224(8)	Appointment and remuneration of auditors
143	Powers and duties of auditors and auditing standards	227	Powers and duties of auditors
		228	Audit of accounts of branch office of company
		619	Application of sections 224 to 233 to Government companies
144	Auditor not to render certain services	--	--
145	Auditor to sign audit reports, etc.	229	Signature of audit report, etc.
		230	Reading and inspection of auditor's report
146	Auditors to attend general meeting	231	Right of auditor to attend general meeting
147	Punishment for contravention	232	Penalty for non-compliance with sections 225 to 231
		233	Penalty for non-compliance by auditor with sections 227 and 229
148	Central Government to specify audit of items of cost in respect of certain companies	233B	Audit of cost accounts in certain cases
177	Audit Committee	292A	Audit Committee

MAJOR POINT OF DIFFERENCE IN PROVISIONS RELATED WITH ACCOUNTS		
Points of comparison	Companies Act, 2013	Companies Act 1956
(1)	(2)	(3)

ACCOUNTS		
Books of account in electronic mode	Company may keep such books of account or other relevant papers in electronic mode in such manner as may be prescribed.	No provision to keep books of account in electronic mode.
Consolidated F.S.	Mandatory if company has one or more subsidiaries or associated or joint ventures.	No provisions
Requirement to attach subsidiary company's accounts etc. to holding company's accounts	Requirement omitted.	If a company was a holding company, it was required to attach to its balance sheet a statement showing holding company's interest in subsidiary. - Section 212(5).
Compulsory placing of accounts on company's website	- A listed company shall also place its F.S. including consolidated F.S. & all other documents required to be attached or annexed thereto, on its website, which is maintained by or on behalf of the company. - Every company having a subsidiary or subsidiaries shall, - (a) Place separate audited accounts in respect of each of its subsidiary on its website, if any; (b) Provide a copy of separate audited F.S. in respect of each of its subsidiary, to any shareholder of the company who asks for it.	Not required
Re-opening accounts on court's or Tribunal's orders	Provisions contained in section 130.	No provisions
Voluntary revision of F.S. or Board's report	Provisions contained in section 131 – Such voluntary reopening allowed with Tribunal's approval.	No provisions.

NATIONAL FINANCIAL REPORTING AUTHORITY

NACAS v. NFRA	• NACAS renamed as National Financial Reporting Authority (NFRA). • NFRA shall consider the IFRS & other internationally accepted accounting & auditing policies and standards while making recommendations on such matters to the C.G. which will improve the competitiveness of Indian Companies. • NFRA is also empowered with quasi-judicial powers to ensure independent oversight over CAs.	NACAS – A mere advisory body under the 1956 Act.
Statutory Recognition to auditing standards	The 2013 Act provides for notification of both mandatory AS and mandatory auditing standards by the C.G. in consultation with the NFRA.	The 1956 Act provided for notification by the C.G. of mandatory AS in consultation with the NACAS.

REPORT OF BOARD OF DIRECTORS

Disclosures in Board's report	Additional/New disclosures required in report of the Board of Directors: • Extract of annual return, • Number of meetings of the Board. • A statement on declaration given by independent directors [See section 149(6)]. • Company's policy on directors appointment & remuneration including criteria for determining qualifications. Positive attributes, independence of a director and other matters [see section 178(1)/178(3)]. • Explanations or comments by the Board on every qualification, reservation or adverse remark or disclaimer made by the CS in practice in his secretarial audit report. • Particulars of loans, guarantees or investments [See section 186 of the 2013 Act]. • Particulars of contracts or arrangements [See section 188(1) of the 2013 Act]. • A statement indicating development and implementation of a risk management policy for the company including identification therein of elements of risk, if any, which in the opinion of the Board may threaten the existence of the company. • Details about the policy developed and implemented by the company on CSR initiatives taken during the year. • In the case of a listed company and every other public company having such paid-up capital as may be prescribed, a statement in which formal evaluation has been made by the Board of its own performance and that of its committees and individual directors. • Such other matters as may be prescribed.	Disclosures required by the 1956 Act in the board of Directors Report.
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Directors' Responsibility Statement (DRS) in Board's Report	The Director's Responsibility Statement in the report of the Board of directors shall contain the following additional declarations – (a) The directors, in the case of a listed company, had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively. (b) The directors had devised proper systems to ensure compliance with the provisions of this Act and rules made there under and that such systems were adequate and operating effectively.	Declarations regarding internal financial controls and legal compliance system not required in DRS.
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CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility (CSR)	In every financial year, CSR spends of at least 2% of the average net profits the company made during the 3 immediately preceding financial year is mandatory for every company satisfying of the following criteria: • Having net worth of Rs. 500 crores or more, or • Having turnover of Rs. 1,000 crores or more, or • Having net profit of Rs. 5 crores or more	No provisions.
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INTERNAL AUDIT

Compulsory internal audit	Section 138 of the 2013 Act provides as under: • Such class or description of companies as may be prescribed shall be required to appoint an internal auditor to conduct internal audit of books of account of the company. • Internal auditor shall be a CA or Cost Accountant or such other professional as may be decided by the Board. • The C.G. may make rules to prescribe the manner in which internal audit shall be conducted and reported.	No provisions in the 1956 Act as regards mandatory internal audit.
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SCHEDULE III OF THE 2013 ACT : GENERAL INSTRUCTIONS FOR PREPARATION OF BALANCE SHEET & STATEMENT OF PROFIT AND LOSS OF A COMPANY

CORRESPONDING TO SCHEDULE VI OF THE 1956 ACT	• Schedule III of the 2013 Act is same as Revised Schedule VI of the 1956 Act except that Schedule III contains general instructions for the preparation of consolidated F.S. of company and its subsidiaries as preparation of consolidated accounts has been made mandatory by the 2013 Act. • The GI (CFS) No. 1 provides that the consolidated F.S. shall disclose information as per the applicable AS including (i) Profit and Loss attributable to "minority interest" and to owners of the parent in the statement of P & L (this shall be presented as allocation for the period) (ii) Minority Interests in the balance sheet within equity (This shall be presented separately from the equity of owners of the parent). - GI (CFS) No. 2 provides for disclosure of additional information regarding share of various entities (parent, subsidiaries, minority interests in subsidiaries, investment in associates, JVs) in consolidated net assets and consolidated profit or loss. - GI (CFS) No. 3 provides that all subsidiaries, associates and JVs (whether Indian or foreign) will be covered under the CFS. - GI (CFS) No. 4 provides that an entity shall disclose the list of subsidiaries or associates or JVs which have not been consolidated and the reasons for not consolidating.
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APPOINTMENT AND ROTATION OF AUDITORS		
Appointment of auditor of Government Company	- Time bound annual appointment or reappointment of auditors by CAG for Govt. companies (Auditor to be appointed within 180 days from the commencement of the FY. - If CAG does not appoint first auditors of Govt. Company within 60 days from the date of registration of the company, the BOD of the company shall appoint such auditor within next 30 days. In the case of failure of the Board to appoint such auditor within next 30 days, it shall inform members of the company who shall appoint such auditor within 60 days at an EGM. - Casual vacancies in the office of auditor of Govt. Company to be filled up by the CAG within 30 days, failing which the BOD shall fill it up within next 30 days. - Concept of "deemed Govt. companies" [Section 619B of the 1956 Act] omitted by the 2013 Act and replaced with concept of 'companies owned or controlled, directly or indirectly by the C.G.	- Appointment of auditors of Government companies and deemed Govt. companies by CAG. - Appointment not time bound process.
Appointment of Auditors of Companies other than Govt. Companies at AGM for 5 years tenure	- Appointment of auditors for 5 years tenure subject to ratification at every AGM. - Where at any annual general meeting, no auditor is appointed or reappointed or reappointed, the existing auditor shall continue to be the auditor of the company.	- No provisions in the 1956 Act for 5 years tenure for auditors. - No provisions in the 1956 Act for existing auditor to continue in default of reappointment at AGM.
Special resolution for appointment of auditors	Requirement of special resolution for appointment of auditor dropped	Section 224A requires that auditor not to be appointed except with the approval of the company by special resolution in certain cases.
Power of C.G. to appoint auditor	The 2013 Act omits power of Central Government to appoint auditors where auditors where auditor not appointed or reappointed at AGM.	Section 224(3) provides the appointment by C.G. where auditor not appointed or reappointed at AGM.
Compulsory rotation of auditors	Applicable to listed companies & classes of companies as may be prescribed. Individual auditor to be rotated after 1 term of 5 year Audit Firm to be rotated after 2 terms of 5 years.	No requirement for this in the 1956 Act.

REMOVAL OF AUDITORS		
Removal of auditors before expiry of term in case of non-Govt. Companies	Removal of auditors shall require special resolution & previous approval of Central Govt.	Ordinary resolution and prior approval of C.G. required for removal of auditors.
Removal of auditors before expiry of term in case of Government Companies	Removal of auditors of Govt. company before expiry of tenure shall also require special resolution and previous approval of Central Govt. (instead of removal by CAG).	Removal by CAG under the 1956 Act.
Procedure for removal of auditor before expiry of term	The auditor sought to be removed should be given a reasonable opportunity of being heard. This simple rule of natural justice replaces the lengthy and tedious procedure of section 225 of the 1956 Act.	Tedious and lengthy procedure under section 225 of the 1956 Act.

RESIGNATION OF AUDITORS		
Resignation of auditors	- The auditor who has resigned from the company shall file within 30 days of resignation a statement in the prescribed form with the company as well as with the ROC indicating reasons and other facts as may be relevant with regard to his resignation. - In case of companies referred to section 139(5) of the 2013 Act, the auditor shall also file such statement with the CAG, indicating the reasons and other facts as may be relevant with regard to his resignation. - If auditor does not file such statement as above, he shall be punishable with a fine not less than Rs. 50,000 but which may extend to Rs. 5,00,000.	No statutory obligations on auditor who resigns.

DIRECTION BY TRIBUNAL TO CHANGE AUDITORS		
Direction by Tribunal to company to change its auditors	- Tribunal may direct the company to change its auditors if it is satisfied that auditor of a company has either directly or indirectly acted in a fraudulent manner or abetted or colluded in any fraud by or in relation to the company or its officers or directors. - If application is made by C.G. and the Tribunal is satisfied that any change of auditor is required, it shall within 15 days of the receipt of the application make an order that he shall not function as auditor and the C.G. may appoint another auditor in his place. - Auditor against whom order passed not eligible to be auditor of any company for 5 years.	No such provisions.

AUDIOTR – QUALIFICATIONS & DISQUALIFICATIONS		
Restricted State auditors	No longer qualified under section 141 of the 2013 Act to be auditors of a company.	Qualified to be auditors of companies under Section 226(2) of the 1956 Act.
Firm/ LLP of chartered Accountants.	- The Chartered Accountants Act, 1949 as amended in 2006 now allows CAs to enter into partnerships with other professionals. - In view of this, section 141(2) of the 2013 Act provides that if a firm including LLP is appointed as an auditor of a company, only the partners who are CA in practice shall be authorized by the firm to act and sign on behalf of the firm.	The 1956 Act provided that a firm could be appointed as auditors of a company only if all its partners are CAs practicing in India.
Auditor's disqualifications	The list of disqualifications for appointment as auditors under section 141 of the 2013 Act is longer than under section 226(3) of the 1956 Act. The following are the new disqualifications that were not there in the 1956 Act: - A person or a firm who has business relationship with the company, or its subsidiary, or its holding or associate company or subsidiary of such holding company or associate company of such nature as may be prescribed. - A person whose relative is a director or is in the company as a director or key managerial personnel; - A person convicted for fraud and 10 years not elapsed from date of conviction; - A person whose subsidiary or associate company or any other form of entity is engaged in consulting and specialized services as provided in section 144 of the 2013 Act.	Much narrower list of disqualifications under the 1956 Act compared to the 2013 Act.
Indebtedness of relative of auditor	Even if relative or partner of a person is indebted to the company, or its subsidiary, or its holding company, the said person shall be disqualified from being appointed as auditor of a company.	Indebtedness of a relative was not a disqualification under the 1956 Act.
Indebtedness to an associate company	Disqualification for auditor	Not a disqualification for auditor

RIGHTS & DUTIES OF AUDITORS		
Compliance with auditing standards	Every auditor shall comply with auditing standards.	Auditing standards not recognized nor made mandatory.
Rights of auditor of holding company	The auditor of a holding company shall also have the right of access to the records of all its subsidiaries insofar as it relates to the consolidation of its F.S. with that of its subsidiaries.	No Provision
Auditors Duty to comment regarding internal financial controls	The auditor's report to state whether company has adequate internal financial controls system in place and operating effectiveness of such controls.	No Provision
Auditor's report in case of a Govt. company	In the case of a Government company, the auditor's report shall, among other things, include: (a) the directions, if any, issued by the CAG. (b) the action taken on such directions and the impact thereof on the company's F.S.	No Provision
Duty of auditor to report fraud to C.G.	- If an auditor of a company, in the course of the performance of his duties as auditor, has reason to believe that an offence involving fraud is being or has been committed against the company by officers or employees of the company, he shall immediately report the matter to the C.G. within such time and in such manner as may be prescribed. - No duty to which an auditor of a company may be subject to shall be regarded as having been contravened by reason of his reporting the matter as above if it is done in good faith. - These provisions shall <i>mutatis apply to a</i> ----- (a) the Cost Accountant in practice conducting cost audit under section 148 of the 2013 Act; or (b) the Company Secretary in practice conducting Secretarial Audit under section 204 of the 2013 Act; - If any auditor, cost accountant or CS in practice do not report fraud committed or being committed as above, he shall be punishable with fine which shall not be less than Rs. 1 Lac but which may extend to Rs. 25 Lacs	No such duty/ provisions
Auditor not to render certain services	Section 144 of the 2013 Act specifies certain services not to be rendered by auditor to company or to its holding company or subsidiary.	No provision
Auditor's attendance at general meetings	Auditor shall, unless otherwise exempted by the company, attend any general meeting: (i) by himself or (ii) through his authorized representative who is qualified to be an auditor.	Auditors attendance at general meetings – optional,

BRANCH AUDIT		
Exemption from Branch Audit	Sec. 143 contains no such provision empowering C.G. to exempt branch offices from audit.	Sec. 228 empowers the C.G. to frame rules providing for the exemption of any branch office from audit to the extent specified in the rules.
COST AUDIT		
Companies required to maintain cost records	- Section 148 empowers the C.G. to prescribe cost records for any class or classes of companies engaged in prescribed services. - It also provides that before prescribing cost records in respect of any class of companies regulated under a special Act, the C. G. shall consult the regulatory body constituted or established under such special Act.	Sec. 209(1)(d) empowers the C.G. to prescribe cost records for any class or classes of companies engaged in the production, processing manufacturing or mining activities.
Previous approval of C.G. for the Appointment of cost auditor	The previous approval of Central Government is no longer required for appointment of cost auditor as section 148 of the 2013 Act dispenses with this requirement.	Previous approval of Central Govt. required for appointment of cost auditor.
Remuneration of cost auditor	Remuneration of cost auditor to be determined by members of the company in such manner as may be prescribed.	Determined by the BOD.
Provisions if sufficient number of cost accountants not available	This provision has been omitted from the 2013 Act presumably as there are sufficient numbers of practicing cost accountants now.	Section 233B provides that if the C.G. is of opinion that sufficient number of cost accountants are not available, it may, by notification in the Official Gazette, direct that, CAs who possess the prescribed qualifications, may also conduct the audit of the cost accounts of companies.
Power of C.G. to direct the company whose cost accounts have been audited to circulate to its members portions of cost audit report	This provision has been omitted from the 2013 Act.	Sec. 233B provided that C.G. may direct the company whose cost accounts have been audited to circulate to its members, along with the notice of the AGM to be held for the first time after the submission of such report, the whole or such portion of the said report as it may specify in this behalf.

Cost Auditing Standards made mandatory	The 2013 Act recognizes 'cost auditing standards' issued by Institute of Cost Accountants of India with Central Govt. approval. 2013 Act makes it mandatory for cost auditor to comply with CAS while conducting cost audit.	No provisions regarding Cost Auditing Standards.
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DECLARATION AND PAYMENT OF DIVIDEND

Whether dividend declaration/ payment bared if company is in default of repayment of deposits?	Yes. A company which fails to comply with sections 73 and 74 of the 2013 Act (repayment of deposits accepted before commencement of the Act) shall not, so long as such failure continues, declare any dividend on its equity shares.	No such bar in the 1956 Act.
Dividend only from free reserves	Third proviso to section 123(1) of the 2013 Act provides that no dividend shall be declared or paid by a company from its reserves other than free reserves.	No express provisions in this regards in the 1956 Act.
Whether past losses required to be set off before declaring dividend	Not required. No express provisions in Companies Act 2013.	Required under first proviso to clause (b) to section 205(1) of the 1956 Act.
Power of C.G. to permit in public interest declaration of dividend without providing dep.	No such power conferred on the C.G. by the 2013 Act.	The C.G. may, in the public interest allow any company to declare or pay dividend for any FY out of the profits for that year out of the profits for the year without providing for dep.
Whether transfer to reserves compulsory?	No. A company may, before the declaration of any dividend in any FY, transfer such percentage of its profits for that FY as it may consider appropriate to the reserves of the company.	Where the company proposes to declare dividend for any financial year (at a rate exceeding 10% of the paid-up capital) out of the profits for that year, the company has to transfer to reserve such percentage of profits (not exceeding 10 per cent) as prescribed in the Companies (Transfer of Profit to Reserves) Rules, 1975.

Payment of dividend through electronic mode to registered shareholder	Expressly allowed.	No express provisions allowing this.
Unpaid Dividend Account	- Section 124(6) of the 2013 Act provides that all shares in respect of which unpaid or unclaimed dividend has been transferred to the Investor Education and Protection Fund shall also be transferred by the company in the name of Investor Education and Protection Fund along with a statement containing such details as may be prescribed. - Any claimant of shares transferred above shall be entitled to claim the transfer of shares from Investor Education and Protection Fund in accordance with such procedure and on submission of such documents as may be prescribed.	Sec. 205 provides that amounts in the unpaid dividend account of companies which have remained unpaid for a period of 7 Years from the date they become due for payment shall be transferred by a company to Investor Education and Protection Fund.
Right of Investor to make a claim to Investor Education and Protection Fund.	- Sec. 125 provides that claim of an investor over a dividend or benefit from a security not claimed for more than 7 years would not be extinguished. - In other words, any person claiming to be entitled to such dividend or money may apply to the authority administering the fund for payment.	Investor/Depositor/Shareholder/Debenture holder cannot claim the amount from the fund / the company after the expiry of 7 years period as above.

AUDIT COMMITTEE

For which companies it is mandatory to constitute audit committee	Every listed company and such other class or classes of companies, as may be prescribed.	Every public company having paid-up capital of not less than five crores of rupees.
Composition of the audit committee	- Minimum of three directors. - Independent directors forming a majority. - Majority of members including chairperson shall be persons with ability to read and understand the financial statements.	The Audit Committee shall consist of not less than 3 directors & such number of other directors as the Board may determine of which 2/3 of the total number of members shall be directors, other than managing or whole-time directors.

Role and functions of the audit committee	• Every Audit Committee shall act in accordance with the terms of reference specified in writing by the Board which shall include, among other things- (a) the recommendation for appointment, remuneration and terms of engagement of auditors of the company, (b) review and monitor the auditor's independence and performance, and effectiveness of audit process, (c) Examination of the financial statements and the auditor's report thereon. (d) Approval or any subsequent modification of transactions of the company with related parties. (e) Scrutiny of inter-corporate loans and investments. (f) Valuation of undertaking or assets of the company wherever it is necessary. (g) Evaluation of internal financial controls and risk management systems. (h) Monitoring the end use of funds raised through public offers and related matters. • The Audit Committee shall have authority to investigate into any matter in relation to the items (i) to (viii) above or referred to it by the Board and for this purpose shall have power to obtain professional advice from external sources and have full access to information contained in the records of the company, • The Audit Committee may call for the comments of the auditors about internal control systems, the scope of audit, including the observations of the auditors and review financial statements before their submission to the Board	• The audit committee should- 1. have discussions with the auditors periodically about: • Internal control systems, • the scope of audit including the observations of the auditors and 2. Review the half yearly and annual F.S. before submission to the Board and 3. Also ensure compliance of internal control systems. The Audit Committee shall have authority to investigate into any matter in relation to the items specified or referred to it by the Board and for this purpose, shall have full access to information contained in the records of the company and external professional advice, if necessary.
Who shall have right to attend meetings of audit committee besides its members?	Auditors of a company and the key managerial personnel shall have a right to attend the meetings of the Audit committee when it considers the auditor's report but shall not have the right to vote	Auditors, the internal auditor, if any, and the director - incharge of finance shall attend and participate at meetings of the Audit Committee but shall not have the right to vote

Attendance at annual general meetings by Chairman of Audit Committee	Not obligatory under the 2013 Act	The chairman of the Audit Committee shall attend the annual general meetings of the company to provide any clarification on matters relating to audit
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AUDITOR'S LIABILITIES		
Punishment of auditors for contraventions	• Section 147 of the 2013 Act brings about a sea change in auditor's criminal liability for contravention of the contents of audit report (section 143 of the 2013 Act), rendering of prohibited non-audit services to auditee – company (section 144 of the 2013 Act) and signing of audit report (section 145 of the 2013 Act). • Section 147 provides for minimum fine of Rs. 25,000 and maximum fine of Rs. 5,00,000. If contravention is willful or knowingly with intent to deceive the company or its shareholders or creditors or tax authorities, section 147 provides for imprisonment of the auditor up to one year and minimum fine of Rs. 1,00,000 and maximum fine of Rs. 25,00,000. • Further, Sec. 147 requires the convicted auditor to refund remuneration to the company and pay damages to the company, statutory bodies or authorities or misleading statements of particulars made in his audit report. Such provisions were not there in 1956 Act. • The Central Government shall, by notification, specify any statutory body or authority or an officer for ensuring prompt payment of damages to the company or the persons specified above. Such body, authority or officer shall after payment of damages to such company or persons file a report with Central Government in respect of making such damages in such manner as may be specified in the said notification. • Where the auditor of a company is an audit firm and it is proved that the audit partner or partners has or have:- • Acted in a fraudulent manner or • Abetted or colluded in any fraud by or in relation to or by the company or its directors or officers, the liability whether civil or criminal as provided in the Act or any other law for such an act would be of the audit partner or partners concerned as well as of the firm jointly and severally.	Paltry fine up to Rs. 10,000 in the event of willful noncompliance by auditor with section 227 (Powers and duties of auditors) or section 229 (signature of audit report etc.