

Audit (Sections 224 – 233B)

Re-appointment of retiring auditor [Section 224(1)]

Question 1

Ram & Company was appointed as auditor of ABC Ltd. at the Annual General Meeting held on 30th September, 2004. Can Ram & Co. continue as auditor of the company in case the next annual general meeting has not been held in time? What would be the position in case the next annual general meeting was held on 30th September, 2005, but adjourned without considering the business of appointment or re-appointment of auditor? (November 2006)

Answer

Tenure of auditor

The tenure of an auditor is laid down in section 224(1) of the Companies Act, 1956. It is from the conclusion of the annual general meeting to the conclusion of the next annual general meeting. Therefore, the tenure of office of the auditor does not expire on the last date on which the annual general meeting was due to be held in terms of Section 166. Hence Ram & Co. can continue as auditor even if the AGM for the year 2005 has not been held in time.

In case AGM for 2005 was held on 30.9.05 that adjourned without considering the business of appointment or reappointment of auditor, the tenure of Ram and Co. will extend till the conclusion of the adjourned meeting.

Ceiling on number of audits [Section 224(1B)]

Question 2

Mr. Independent who is an individual auditor wants to compute the specified number of audits under the Companies Act, 1956 and for this purpose, he has drawn out a list of which identify, the company which shall be/not be taken into account for the purpose of calculating specified number of audits:

- (i) Audit of Private Company
- (ii) Guarantee companies not having share capital
- (iii) Audit of non-profit companies
- (iv) Special Audits
- (v) Audits- of Foreign Companies
- (vi) Branch Audits
- (vii) Company audit where he is appointed as a joint auditor

Further, he wants to know that as a member of the ICAI, whether there are any other restrictions on him as a member in the matter of inclusion/exclusion of audit of private companies for the purpose of calculating specified number of audit assignments. Advice.

Answer

As per Section 224(1B) of the Companies Act, 1956, private companies have been exempted from the provisions with respect to ceiling on number of audits.

Therefore, according to this section, only audit of public companies would be taken into consideration while computing the ceiling limit of number of audits. This, however, is subject to guidelines of the Institute of Chartered Accountants of India (ICAI) which provide restriction in respect of private companies as well. According to notification issued by ICAI, the specified number of audit assignments means-

- (a) in the case of a chartered accountant in practice or a proprietary firm of chartered accountant, thirty audit assignments whether in respect of private companies or other companies.
- (b) in the case of a firm of chartered accountants in practice, thirty audit assignments per partner in the firm, whether in respect of private companies or other companies. Provided that out of such specified number of audit assignments, the number of audit assignments of public companies each of which has a paid-up share capital of rupees twenty-five lakhs or more, shall not exceed ten.

Students may note that while the law excluded private companies from the specified limits but the ICAI has issued the above notification restricting the overall limit to 30 company audits including private limited companies. It may be noted that a member of ICAI who fails to comply with the notification shall be liable for professional misconduct

In computing the specified number of audits for the purpose of Section 224(1B), the following audit shall not be taken into account:

- (a) Audit of private company.
- (b) Audit of Guarantee Companies not having share capital.
- (c) Special Audits.
- (d) Audit of Foreign Companies.
- (e) Branch Audits.

Though the audit of private companies has been excluded for the purpose of calculating the specified number of audits, as a member of ICAI, the Audit of Private Companies will come under the purview of calculating the ceiling limit as a matter of self-regulation.

Question 3

An audit firm, comprising of two partners, holds office as auditor of 41 private companies out of which paid-up capital of 20 companies exceeds ₹ 50 Lakh. Decide whether this is in consonance with the applicable law.

3.3 Corporate and Allied Laws

Answer

As per Section 224(1B) of the Companies Act, 1956, private companies have been exempted from the provisions with respect to ceiling on number of audits. As per the section, an audit firm is entitled to 20 audits per partner (i.e. 40 audits in the given case) out of which not more than 10 companies per partner should be having paid-up capital of ₹ 25 Lakhs or more. The firm can do audit of any number of private companies. Thus, there is no problem in audit firm holding office of 41 private companies.

Appointment of First auditor [Section 224(5)]

Question 4

State the procedure for the following, explaining the relevant provisions of the Companies Act, 1956:

- (i) *Appointment of First Auditor, when the Board of Directors did not appoint the First Auditor within one month from the date of registration of the company.*
- (ii) *Removal of Statutory Auditor (appointed in last Annual General Meeting) before the expiry of his term.*

What difference it would make, if the Auditor was First Auditor appointed by the Board of Directors?
(November, 2004)

Answer

- (i) Section 224(5) of the Companies Act, 1956 lays down that the first auditor of a company shall be appointed by the Board of Directors within one month of the date of registration of the company.

If the Board of Directors fails to exercise its power, the company in general meeting may appoint the first Auditor or Auditors.

Subsequently Auditor or Auditors of a company are appointed every year by the shareholders in annual general meeting by passing an ordinary resolution.

- (ii) Auditor appointed in an Annual General Meeting may be removed from office before the expiry of his term only by the company in general meeting, after obtaining the previous approval from the Central Government in that behalf [Section 224 (7)].

Further the company has to follow the following procedure prescribed in Section 225 (2) and (3) as explained below:

No special notice under section 225 (1) is required for a resolution in the general meeting to remove the auditor, hold the general meeting etc.

The auditor shall be informed of the Board's decision immediately. [Section 225 (2)].

The auditor can make a representation. The copy of the representation should be sent to all the members to whom notice of meeting is sent. If the copy of the representation is not sent as it was received late or because of the company's fault, the auditor may insist that the representation may be read at the meeting. [Section 225 (3)].

If company does not wish to send the representation to the members or read at the general meeting, the company has to apply to Central Government/Company Law Board. If Central Government/Company Law Board is satisfied that the right of representation is being misused by auditor to secure needless publicity for defamatory matter, the Central Government/Company Law Board may order that the representation need not be sent and the representation need not be read at the meeting. (Proviso to Section 225(3)).

An ordinary resolution is to be passed at the general meeting for the removal of the auditor.

The first auditors appointed by Board can be removed by the company at a general meeting. (Proviso (a) to Section 224 (5)). The provisions in respect of removal as contained in Section 225 (2) & (3) are applicable for removal of first auditors also. (Section 225 (4)). However, in case of removal of first auditor appointed by the Board of Directors, only an ordinary resolution is sufficient to remove the auditor and Central Government's approval is not required.

Question 5

Explain how the auditor will be appointed in the following cases:

- (i) *A Government Company within the meaning of Section 617 of the Companies Act, 1956.*
- (ii) *The Auditor of the company has resigned on 31st December, 2003, while the Financial year of the company ends on 31st March, 2004.*
- (iii) *A company, whose shareholders include the following:*
 - (a) *Bank of Baroda (A Nationalized Bank) holding 12% of the subscribed capital in the company.*
 - (b) *National Insurance Company Limited (carrying on General Insurance Business) holding 10% of the subscribed capital in the company.*
 - (c) *Maharashtra State Financial Corporation (A Public Financial Institution) holding 8% of the subscribed capital in the company.* **(May, 2004)**

Answer

- (i) The appointment and re-appointment of auditor in the case of a Government Company is governed by the provisions of section 619 of the Companies Act, 1956. The said section states that the auditor of a Government Company shall be appointed or re-appointed by the Comptroller and Auditor General of India. Accordingly, the auditor of a Government Company shall be appointed by the Comptroller and Auditor General of India. The provision for appointment of auditor by Central Government on the advice of Comptroller and Auditor General of India has been amended by the Companies (Amendment) Act, 2000 with effect from 13.12.2000.
- (ii) The situation as stated in the question is covered by the provisions of section 224(6) of

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the Companies Act, 1956. Clause (a) of the said section states that the Board of Directors may fill any casual vacancy in the office of an auditor, but proviso thereto states that where such vacancy is caused by the resignation of an auditor, the vacancy shall only be filled by the company in general meeting. Hence, in the case of resignation by the auditor, the company is required to convene and hold a general meeting and appoint the auditor thereat.

(iii) The case of appointment of auditor of a company whose 25% or more of the subscribed capital is held by Government, financial institutions, nationalised banks, General insurance companies is governed by the provisions of section 224A of the Companies Act, 1956. According to the provisions of the said section in the case of a company in which not less than twenty-five per cent of the subscribed share capital is held, whether singly or in any combination, by-

- (a) a public financial institution or a Government company or Central Government or any State Government, or
- (b) any financial or other institution established by any Provincial or State Act in which a State Government holds not less than fifty-one per cent of the subscribed share capital, or
- (c) A nationalised bank or an insurance company carrying on general insurance business, the appointment or re-appointed at each annual general meeting of an auditor or auditors shall be made by a special resolution.

In view of the above provisions of the Companies Act, 1956, since the combined holding of the nationalised bank, general insurance company and the financial institution covered by the said provisions is 30% which exceeds the limit of 25% of the subscribed capital of the company, the company has to appoint its auditor in the Annual General Meeting by passing a special resolution.

Question 6

Parkash Carriers Limited appointed Mr. Raman as its auditor in the Annual General Meeting held on 30th September, 2009. Initially, he accepted the appointment.. But he resigned from his office on 31st October, 2009 for personal reasons. The Board of Directors seeks your advice for filling up the vacancy by appointment of Mr. Albert as auditor. Advise.

Also suggest the procedure to be adopted in case Mr. Albert is proposed to be removed from his office before the expiry of his term. **(November 2009)**

Answer

Under section 224(6) of the Companies Act, 1956, the Board may fill any casual vacancy in the office of an auditor. However, where such vacancy is caused by resignation of an auditor, the vacancy shall be filled by the company in general meeting. Thus, in the present case, the company may convene an Extra Ordinary General Meeting to appoint Mr. Albert as its auditor consequent upon the resignation by Mr. Raman.

In term of section 224(7) of the Act, 1956, Mr. Albert may be removed from office before the expiry of his term only by the Company in General Meeting after obtaining previous approval of the Central Government.

Auditors not to be appointed except with the approval of the company by special resolution in certain cases. (Section 224 A)

Question 7

How would you deal with the following situations in the matter of appointment of Auditors?

- (i) *The shareholding of L.I.C. and U.T.I. increased from 23 per cent to 27 per cent of the subscribed share capital of the company after issue of notice of the Annual General Meeting, but before the date of the Annual General Meeting.*
- (ii) *Ordinary resolution is passed at the Annual General Meeting of a company when a special resolution is required to be passed for appointment of Auditor?*

(November, 2003)

Answer

- (i) Section 224A of the Companies Act, 1956 provides that in case of a company in which 25 per cent or more of the subscribed share capital is held whether simply or in any combination by: (i) a public financial institution or a Government Company or Central Government or any State Government; or (ii) Any financial or other institution established by any provincial or State Act in which a State Government holds not less than 51 per cent of the subscribed share capital or (iii) a nationalised bank or an insurance company carrying on general insurance business, the appointment of an auditor shall be made by a special resolution only.

Section 224A does not specify the date on which 25 percent of the subscribed capital must be held by the specified institution(s). The Department of Company Affairs has clarified that the material date is the date of the annual general meeting at which the special resolution is required to be passed. Thus, even though, the shareholding of LIC and UTI increased beyond 25% only after issue of notice, Section 224A shall be required to be complied with. Fresh notice of the meeting shall become necessary.

- (ii) If the company fails to pass a Special Resolution where it is required to be so passed for appointment of auditor, it shall be deemed that no auditor(s) had been appointed by the company at its annual general meeting and the Central Government will be empowered to make the appointment [Section 224A(2)].

Provisions as to resolutions for appointing or removing auditors (Section 225)

Question 8

State the procedure for the following, explaining the relevant provisions of the Companies Act, 1956:

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Removal of Statutory Auditor (appointed in last Annual General Meeting) before the expiry of his term.

What difference it would make, if the Auditor was First Auditor appointed by the Board of Directors?
(November 2004)

Answer

Auditor appointed in an Annual General Meeting may be removed from office before the expiry of his term only by the company in general meeting, after obtaining the previous approval from the Central Government in that behalf [Section 224 (7)]. Further the company has to follow the following procedure prescribed in Section 225 (2) and (3) as explained below:

No special notice under section 225 (1) is required for a resolution in the general meeting to remove the auditor.

The auditor shall be informed of the Board's decision immediately. [Section 225 (2)].

The auditor can make a representation. The copy of the representation should be sent to all the members to whom notice of meeting is sent. If the copy of the representation is not sent as it was received late or because of the company's fault, the auditor may insist that the representation may be read at the meeting. [Section 225(3)].

If company does not wish to send the representation to the members or read at the general meeting, the company has to apply to Central Government/Company Law Board. If Central Government/Company Law Board is satisfied that the right of representation is being misused by auditor to secure needless publicity for defamatory matter, the Central Government/Company Law Board may order that the representation need not be sent and the representation need not be read at the meeting. (Proviso to Section 225(3)).

An ordinary resolution is to be passed at the general meeting for the removal of the auditor.

The first auditors appointed by Board can be removed by the company at a general meeting. (Proviso (a) to Section 224 (5)). The provisions in respect of removal as contained in Section 225 (2) & (3) are applicable for removal of first auditors also (Section 225 (4)). However, in case of removal of first auditor appointed by the Board of Directors, only an ordinary resolution is sufficient to remove the auditor and Central Government's approval is not required.

Question 9

A is the Auditor of B and Co. Ltd. Board of Directors decided to remove A on certain grounds. Please indicate what procedure is to be followed to remove A? Advise the Board.

(CA Final, New Course, November, 2010)

Answer

Section 225 of the Companies Act, 1956 prescribes certain procedure for removal of auditors. The Board shall be advised as follows:

- (i) Special Notice shall be required for a Resolution at an annual general meeting appointing as auditor a person other than a retiring auditor or providing expressly that a retiring auditor shall not be reappointed.
- (ii) On receipt of notice of such a resolution the company shall forthwith send a copy thereof to the retiring auditor.
- (iii) Where notice is given of such a resolution and the retiring auditor makes with respect thereto representations in writing to the company (not exceeding a reasonable length) and request their notification to members of the company, the company shall, unless the representations are received by it too late for it to do so:
 - (a) in any notice of the resolution given to members of the company, state the fact of the representations having been made; and
 - (b) send a copy of the representations to every member of the company to whom notice of the meeting is sent, whether before or after the receipt of the representations by the company;

If a copy of the representations is not sent as aforesaid because they were received too late or because of the company's default the auditor may (without prejudice to his right to be heard orally) require that the representations shall be read out at the meeting unless Central Government directs otherwise.

However, a resolution for removal of an auditor can be passed in the general meeting only after obtaining the prior approval of the Central Government in this behalf. (Section 224(7)).

Disqualifications of auditors (Section 226)

Question 10

- (i) *What is the liability of an auditor for failure to point out in his report that dividend is paid out of capital?*
- (ii) *Can an auditor be disqualified for indebtedness in the following cases?*
 - (a) *Where he is recovering his fees on a progressive basis even though the job is not complete.*
 - (b) *Where the auditor's firm has purchased goods from the auditee company and not paid for them for over six months.* **(May, 2003)**

Answer

- (i) An auditor who is party to such payment of improper dividend is liable to proceedings by action or in case of winding up, to misfeasance summons and that the improperly paid dividend may be recovered from him with interest.
- (ii) (a) The Auditor cannot be said to be indebted within the meaning of section 226 (3)(d) of the Companies Act, 1956.

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- (b) In this case the auditor of the company is said to be indebted if the amount outstanding from him regarding goods and services purchase from the company audited by him exceeds Rs.1000/- irrespective of the nature of purchase or period of credit allowed to other customer. The provisions regarding disqualification of auditor as contained in section 225 (3) (d) will be attracted. (Guidance Note on Independence of Auditors). Also when the firm is indebted to the company each and every partner of the firm also is deemed to have been indebted.

Question 11

Examine the validity of the following with reference to the provisions of the Companies Act, 1956:-

- (i) *EF Limited re-appointed Naresh & Company, Chartered Accountants, as Auditors of the company at the Annual General Meeting held on 30th September, 2010. Mrs. Kamala, wife of one of the partners of Naresh & Company, invested ₹ 1 lakh in the equity shares of EF Limited on 15th October, 2010. But Naresh & Company continues to function as statutory auditors of the company.*
- (ii) *Mr. Suresh, a Chartered Accountant, was appointed by the Board of Directors of AB Limited as the First Auditor. The company in General Meeting removed Mr. Suresh without seeking the approval of the Central Government and appointed Mr. Gupta as Auditor in his place.* **(November 2010)**

Answer

- (i) **Disqualification of auditor:** According to section 226(3)(e) of the Companies Act, 1956, a person who holds any security of the company, which carries voting rights, cannot be appointed as auditor of the company. In the case of a firm of chartered accountants, all the partners should not hold any such security. Further Section 226(5) provides that if an auditor becomes subject, after his appointment, to any of the disqualifications specified in sub-section 3 of section 226, he shall be deemed to have vacated his office of auditor. However section 226 (3)(e) is not applicable if the security is held in the name of wife or other relative. Hence Naresh and Company can continue to function as auditors of the Company even after 15th October 2010 is after the investment made by wife of a partner in the equity shares of EF Limited.
- (ii) **Removal of first auditor:** Section 224(7) stipulates that any auditor appointed under section 224 may be removed from office before the expiry of his term only by the Company in general meeting, after obtaining the previous approval of the Central Government in that behalf. But no such approval of the Central Government is required in the case of first auditor. The first auditors appointed by Board of Directors can be removed in first general meeting and any other person may be appointed in his place if notice for his nomination is given by any member at least 14 days before the general meeting (Section 224(5)). Hence the removal of the first auditor appointed by the Board without seeking approval of the Central Government is valid.

Powers and Duties of auditors (Section 227)**Question 12**

The auditors of PQR Ltd. accepted the Certificate of the Manager, a person of acknowledge competence and high reputation, as to the value of the stock in trade. The stock was grossly overstated for several years in the balance sheets of the company. As a result of this over valuation dividends were paid out of capital. The Auditors did not examine the books of account very minutely. If they had done so and compared the amount of stock at the beginning of the year. With the purchases and sales during the year, they would have noticed the over valuation. The company subsequently went into liquidation and the auditors were sued to make good the loss caused by the wrongful payment of dividends relying on the balance sheets figures. Based on the above facts, you are required to decide. With reference to the provisions of the Companies Act, 1956 and the decided case laws, the following issues:

- (i) *Whether auditors of the company will be liable for the loss caused to the company by the wrongful payment of dividends based on the Balance Sheets duly audited by the Auditors.*
- (ii) *What are statutory duties of the Auditors in this regard?* **(November 2007)**

Answer

The answer of the problem given in question is mainly relates to the duties of the auditors. Section 227 of the Companies Act, 1956 provides that the main duty of the auditor is to make a report to the members of the company on the accounts examined by him and the balance sheet and the profit and loss account of the company and on every document which is annexed to the balance sheet or profit and loss account laid before the company in general meeting. The auditor owes a duty to the members to state whether the accounts give a true and fair view of the affairs of the company at the end of the financial year and of the profit and loss account of the year.

The duty of an auditor is to give information in direct and express terms (Crichton's Oil Co. Re (1902) 2 Ch 86) and not merely to arouse inquiry. If he discovers that any illegal or improper payment papers to have been made, his duty will be to state it public by reporting. The auditor occupies a fiduciary position in relation to the shareholders and in auditing the accounts maintained by the directors, he must act in the best interest of the shareholders who are in the position of beneficiaries.

But there is a limitation relating to perform the duties by the auditors. An auditor is not bound to be a detective, as he is not to approach his work with suspicion or with a foregone conclusion that there is something wrong. He is a watchdog but not a bloodhound. He is justified in believing the servants of the company in whom confidence is placed by the company. He is entitled to assume that they are honest and to rely upon their representations, provided he takes reasonable care. If there is anything calculated to excite suspicion, he should probe it to the bottom, but in the absence of any thing of that kind he is only bound to be reasonable cautious and careful.

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The above problem is related to case of Kingston Mill Co. Re (No 2) (1896) 2 ch 279. In this case it was held that, the auditors were not liable. It is not auditor's duty to take stock. There are many matters in which he may rely on the honesty and accuracy of others. Further they (auditors) do not guarantee the discovery of all frauds.

Signature of audit report, etc. (Section 229)

Question 13

The auditors of a company refuse to make their report on the annual accounts of a company before it is signed on behalf of the board of directors. Advise the company.

Answer

The auditor is right. Theoretically, accounts are presented to auditors only after they are approved by the Board and signed by authorized persons. The auditor is only expected to submit his report on the accounts presented to him for audit. In practice, the checking of accounts is already completed before accounts are approved by the Board. Auditor informally approves the draft account with notes etc., before the accounts are approved by the Board. However, auditor signs the accounts only after these are approved by Board and signed by persons authorized by Board of the company.

Power of Central Government to direct special audit in certain cases (Section 233A)

Question 14

A group of shareholders approaches you for advice regarding the affairs of Fashion Apparels Ltd. According to the shareholders, the management of the company is not exercising its powers properly and that the statutory audit is being carried out in a routine manner. They want that a special audit should be conducted so that the real nature of transactions carried out by the management will come to light. Advise, with reference to the provisions of the Companies Act, 1956, as to when a special audit can be directed and by whom.

(May 2001, November 2005, November 2006, May 2008)

Answer

According to Section 233A of the Companies Act, 1956 the Central Government has the power to direct special audit in certain circumstances. They are:

- (i) if the Government is of the opinion that the affairs of the company are not being managed in accordance with sound business principles or prudent commercial practices; or
- (ii) that the company is being managed in a manner likely to cause serious injury or damage to the interests of the trade, industry or business to which it pertains or
- (iii) that the financial position of the company is such as to endanger its solvency.

Thus the group of shareholders can make a complaint about the affairs of Fashion Apparels Ltd., to the Central Government. If the Government is satisfied, it may order a special audit to be carried out either by the statutory auditors of the company or by any Chartered Accountant. The special auditor appointed under this section will have the same powers as an auditor of the company has under Section 227 of the Act.

Question 15

A group of shareholders has approached you for advice regarding the affairs of LPM Paper Mills Ltd. According to them, the management of the company is not carrying out its functions in accordance with the prudent commercial practice and if the affairs of the company are allowed to run in future in the same manner, the company's solvency would be in danger. They want that a Special Audit be conducted to find out the actual nature of the transactions.

- (i) *You are required to state with reference to the provisions of the Companies Act, 1956, as to when a special audit can be directed and by whom ?*
- (ii) *Draft an application to be submitted to the appropriate authority in this respect.*

(May 2008, November 2010)

Answer

- (i) *Provision regarding Special Audit: Section 233A of the Companies Act, 1956 deals with the matter relating to Special Audit. The Special Audit can be ordered by Central government if it is of the opinion:*

- (i) *that the affairs of the company are not being managed in accordance with sound business principles or prudent commercial practices, or*
- (ii) *that the company is being managed in a manner likely to cause serious injury or damage to the interests of the trade, industry or business to which it pertains, or*
- (iii) *that the financial position of the company is such as to endanger its solvency.*

Thus, the dissatisfied group of shareholders may make a complaint to the Central Government requesting for conducting the special audit. If the Central Government is satisfied that there exist sufficient reasons, it may order a special audit to be carried out by a Chartered Accountant who may or may not be company's statutory auditor or who may or may not be in practice.

- (ii) **Draft Application**

Dated

To

The Secretary,
Ministry of Corporate Affairs,
Government of India,
New Delhi.

Sir,

We, the undersigned, the shareholders of LPM Paper Mills Ltd. would like to bring to your kind notice that for a long time the affairs of the said company are not being managed in accordance with sound business principles and prudent commercial practices.

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We are of the view that certain expenditures which are being incurred by the company are not related to the business of the company and the company is not getting any benefit out of such expenses. Moreover, we have the apprehension that there are certain business transactions which are being entered into by the directors with the concerns which are owned by the relatives of the Directors and the prices charged for such transactions are not comparable with the prices charged by the other parties for similar transactions.

If such state of affairs is allowed to be carried on for long, the financial position of the company will reach a stage where it will endanger its solvency.

We feel that the modus operandi of the transaction is such that it may be difficult for the regular statutory auditor to detect them in course of normal audit.

It is, therefore, prayed that the Central Government be pleased to appoint, pursuant to Section 233A of the Companies Act, 1956, a Special Auditor to properly audit the accounts of the Company and find the real nature of the transactions and determine the losses so far sustained and being sustained by the company on this account.

Yours faithfully

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(Shareholders)

Exercise

Question 1

How is the first auditor of a company appointed?

Answer

The first auditor or auditors of a company shall be appointed by the Board of directors within one month of the date of registration of the company; and the auditor or auditors so appointed shall hold office until the conclusion of the first annual general meeting. However the company may, at a general meeting, remove any such auditor or all or any of such auditors and appoint in his or their places any other person or persons who have been nominated for appointment by any member of the company and of whose nomination notice has been given to the members of the company not less than fourteen days before the date of the meeting and if the Board fails to exercise its powers, the company in general meeting may appoint the first auditor or auditors.

Question 2

Who is empowered to sign auditor's report?

Answer

Only the person appointed as auditor of the company, or where a firm is so appointed in pursuance of the proviso to sub-section (1) of section 226, only a partner in the firm practicing in India, may sign the auditor's report, or sign or authenticate any other document of the company required by law to be signed or authenticated by the auditor.