1956

Sole selling Agent - 294

Chp → Company Audit

Sec 138 - 148

Sec 138 → Internal Audit

Sec 139 → Appointment of auditors

Sec 139(1) → Appt of subsequent auditor

(2) → Term of auditor

(3) → Rotation of auditor

(4) → CG's power regarding Rotation.

Subseq (5) → Auditor of govt Co.

(6) → First auditor

(7) → Auditor of govt Co.

(8) → Casual Vacancy.

(9) → Re-appointment

(10) → Automatic Re-appointment where no other is appointed

(11) → Recommendation of audit committee.

Sec 140 → Removal, Resignation of auditor and giving of special notice.

Sec 140(1) → Removal of auditor

Sec 140 (2) → Resignation of auditor

Sec 140(3) → Penalty if sub-sec (2) contravene

Sec 140(4) → Special Notice.

DATE:

Sec 141 → Eligibility, Qualification and Disqualificat^{n} of auditor.

Sec 141(1) → Qualification for Individual

Sec 141 (2) → Qualif^{n} for Firm

Sec 141 (3) → Disqualificat^{n}

Sec 141 (4) → Automatic vacation of office.

Sec 142 → Remuneration

Sec 143 → Powers and duties of auditor and auditing standards.

Sec 143(12) → Auditors duty to report fraud to CG

Sec 143(8) → Branch audit

Sec 144 → Auditor not to render certain services

Sec 145 → Signing of audit report

Sec 146 → Duty to attend AGM

Sec 147 → Penalty for contravention

Sec 148 → Cost audit

DATE :

Sec 138 → Internal Audit

1) Company

- listed → Always Required
- Unlisted Public Co → 4 conditions.
  - If any 1 satisfied → I.A Required
  - Otherwise → Not Required (agar appoint karna hai to kar sakte hai)
- Private Co → If any 1 satisfied I A Reqd, otherwise → Not Reqd. (2 conditions)
  1) O/s Bor > 100cr (OR)
  2) T/O ≥ 200cr in PFY.

<u>4 conditions</u>

x2 times. 1) O/s deposits ≥ 25cr in P.F.Y (OR)

2) PUSC ≥ 50cr in P.F.Y (OR)

3) O/s Borrowing > 100cr in P.F.Y (OR)

4) T/O ≥ 200cr in P.F.Y

P.F.Y → Preeceding Financial Yr. (immediate) (Pichla saal) PFY

2) Transitional Prov only in case of Pvt Co → 6m.

3) IA ?

- C.A (practicing or not)
- Cost Accountant or

any other professional considered fit by BOD

- May or May not be employee of co.

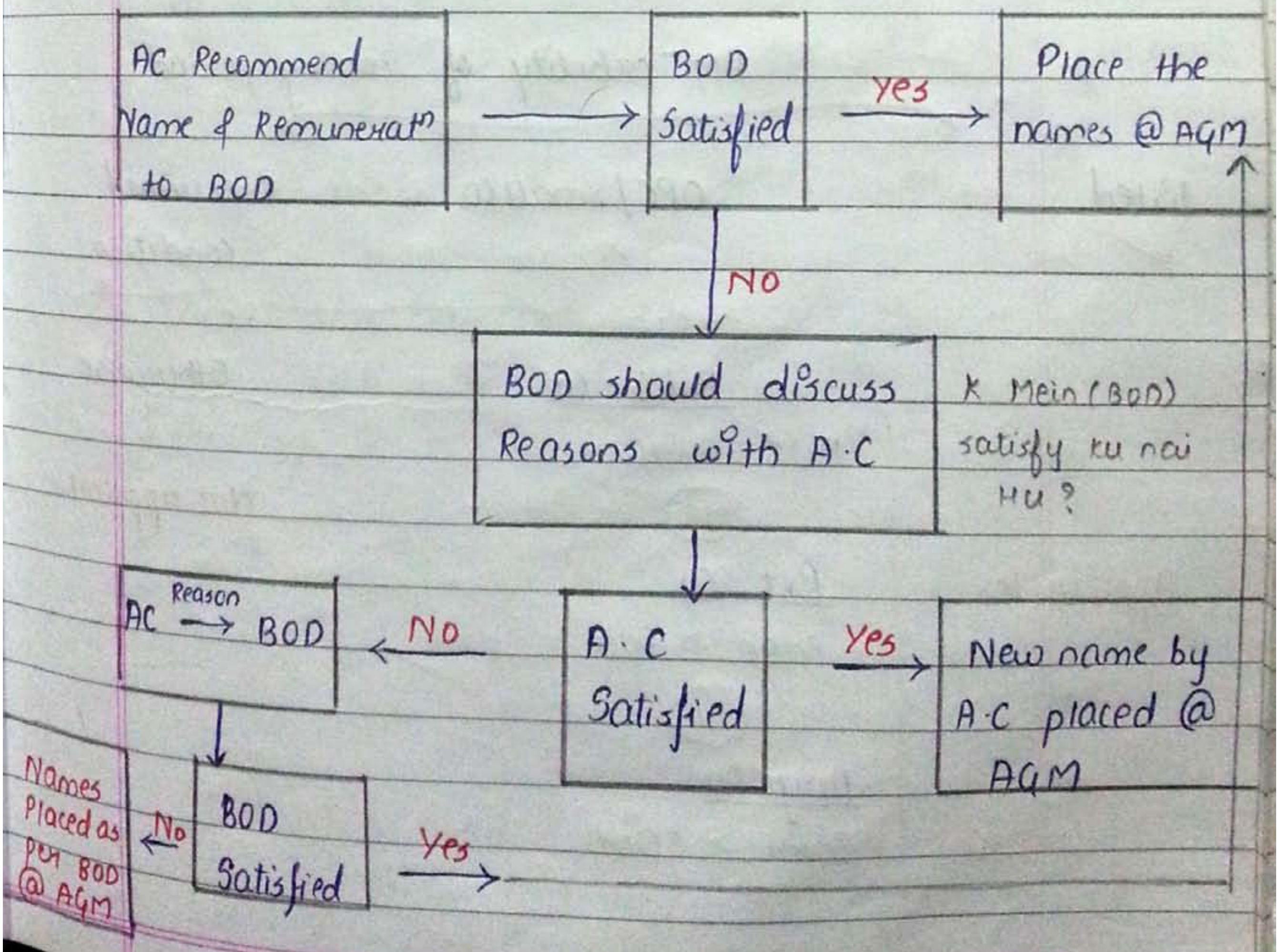
Statutory audit → Normal Audit Jo CA Karta Hai.

Sec 139 (1) → App of Sub Auditor

1) Only Individual or firm.

2) Term → 5 Years
i.e end of First FY till the 6th FY.

3) Procedure of appointmt



A.C → Audit Committee.

DATE :

@ AGM → SH will decide.

→ AC nai toh BOD apni marzi se kar dega.

→ Term 5 Yr Tak Rahega Par Har AGM me Ratify karna Padega & Agar 5 Yr me kuch gadbad ki toh Nikaal dege.

→ Co → Auditor
+
Co → ROC (15 days)

(Dono ko Co hi karege par auditor ko pehle fir ROC ko)

Sec 139(2) → Term of auditor.

i) Applicability of cooling period

listed ✓

OPC / small Co ×

Prescribed condition

Public Co
PUSC ≥ 10 cr.
OR
Pvt Co
PUSC ≥ 20 cr
OR
Any Co
Borr > 50 cr

Applicable.

Otherwise
↓
Not applicable

→ ek partner disq → Pura Firm disq.

2) Term

Auditor

Individual → 5 Yrs

Firm → 5 Yrs + 5 Yrs.

3) Cooling Period → 5 Yrs ki chuti
(5 Yrs in Both cases)
i.e Individual & Firm.

Ind → 0 — 5 — (5) Cooling

Firm → 0 — 5 — 5 - - - Cooling Period
10

4) Common Partner in 2 Firms → Disqualified

eg → ABC ×
CDE × C common wo disqualify toh pura firm disqualify
EFG ×
GHI ×

5) Transitnal Prov → 3 Yrs.

eg → For Individual.

Existing Term	Trans Period	Total Term
10	3	13
7	3	10
3	3	6
2	3	5
1	4.	5

(Individual Ko Min 5 Hona chaiye)
so Ex. Term 1 Hai so Trans Period 4 so that 5 Ho jaye)

For Firm

Ex. Period	Trans Period	Total Term
25	3	28
15	3	18
10	3	13
7	3	10
5	5	10
4	6	10

(For Firm Min 10 Hona chaiye)

6) Resign ✓
Auditor shall still be allowed to resign. (Dno sab upar ka Hone k Baad Bhi)

Sec 139(3) → Rotation of auditor

1) Done only if members pass resol^n at GM requiring Rotation.

2) Auditing Partners and his team shall be rotated at specified intervals

Sec 139(4) → CG's power regarding Rot^n.

1) Name of New auditor (new partner) shall be recommended to Board By Audit Com.

2) where AC X than BOD shall on its own decide

→ Casual vacancy always fill by ~~SHS~~ BOD not by ~~BOD~~ SH

→ agar CV Resignatn se create hui toh approval leneka SH ka.

139(5) → Auditor of Govt Co.

1) Auditor of Govt Co & Co's controlled by govt shall be appointed by Comptroller and Auditor-General of India.

2) Appointmt of auditor.

Govt Co
$\underbrace{\text{Auditor.}}$

Sec 139(7)	Sec 139(5)
1st Auditor ↓ CAG/BOD/SHS ↓	Subsequent auditor ↓ CAG ↓
CAG → within 60 days BOD → " 30 " SHS → within 60 days	180 days from Commencement of F.Y.

Incorporatn — 60 (CAG) — 60 — 30 (BOD) — 90 — 60 (SHS) — 150

3) Sec 139(8) : Casual Vac

CV in the office of auditor of govt co shall be filled only by CAG. (Both FA & SA)

4) → Sec 139(1) → X

5) → 1Yr Till Next AGM (Govt Co ka Term)

(CAG direct appoint karta Hai.
usko koi approval ki need nai Hai)
Approval only → SHS

PAGE NO :
DATE :

Defn.
Govt Co.

51% of Sh. cap is held by CG/SG.

Subs of Govt Co.

eg → A Ltd
Me CG ka 29% aur SG ka 42%.
(Ye Govt Co Hua coz 51% cross and CG/SG ka stake)

B Ltd
Me CG ka 30% & A Ltd ka 21%.
so 51% to Hora Hai But CG & SG dono ka nai Hai ek CG & ek Govt Co (A Ltd)
so it is co's controlled by govt.

Sec 139(6) → FA.

1) First auditor appointed by BOD within 30 days of registratn.

2) Term → uptill conclusion of First AGM.

3) If BOD fails then -
They will inform SHS and
SHS may appoint First Auditor at EOGM within 90 days
Term → Till 1st AGM.

Inc — 30 days BOD — 90 days SHS EOGM — 1st AGM agar BOD fail Hue within 30 days toh wo SHS ko inform karega that i failed and SHS EGM Bulakar appoint karega.

Sec 139(8) → CV.

1) CV means vacancy in office of directors auditors is vacated before end of term due to reasons like Disqualificatⁿ, death, Removal, Resignatⁿ etc.

CV.

In govt Co
↓
CAG

In Normal Co's
By

Resignation
↓
(appointed) Appointed by : BOD
Approved by : SHS
↓ (3m)
(coz SHS ko bhi pata chalna chaiye)

Other reason
↓
(always BOD) BOD
–

Q MD to appoint X in CV?

Ans: Not allowed coz this power is with BOD not a single director (MD). It is a collective Right to BOD.

PAGE NO:
DATE:

Sec 139 (9): Re-appointment

1) Unless foll cases takes place, auditor shall be re-appointed.

Cases-:

ye sab Hua toh Re-app Hoga koi warna yeh automatic re-opp Hoga

i) Auditor is disqualified

ii) He has expressed his unwillingness to continue as a auditor in writing.

iii) He has crossed ceiling limit of 20 ~~crores~~ companies. 20 upar nai Janeka

iv) SR has been passed to appoint somebody else as auditor.

Sec 139(10):

1) If sec 139(9) does not happen (i.e 4 cases X) then auditor shall be considered to be automatic re-appointed.

Sec 139 (11)

1) where constituting AC is required u/s 177 then appointmt of every auditor (1st auditor, Subsequent, CV) shall be made only after considering recommendation of AC.

Sec 140:

Sec 140(1): Removal of auditor

1) Auditor may be removed from his office before expiry of his term only by a Special Resoln and after

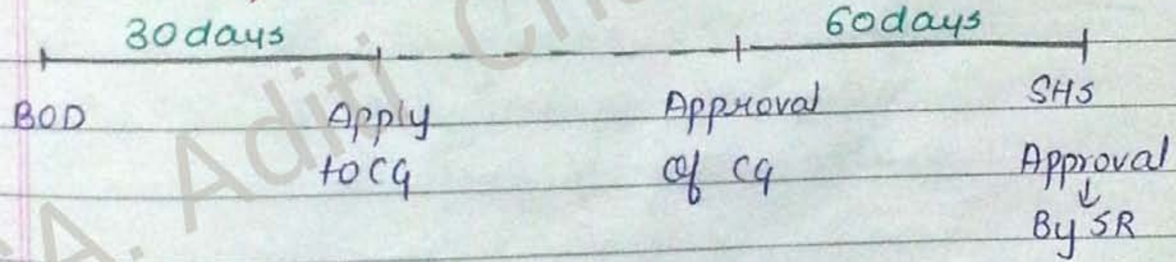
obtaining previous approval of CG.

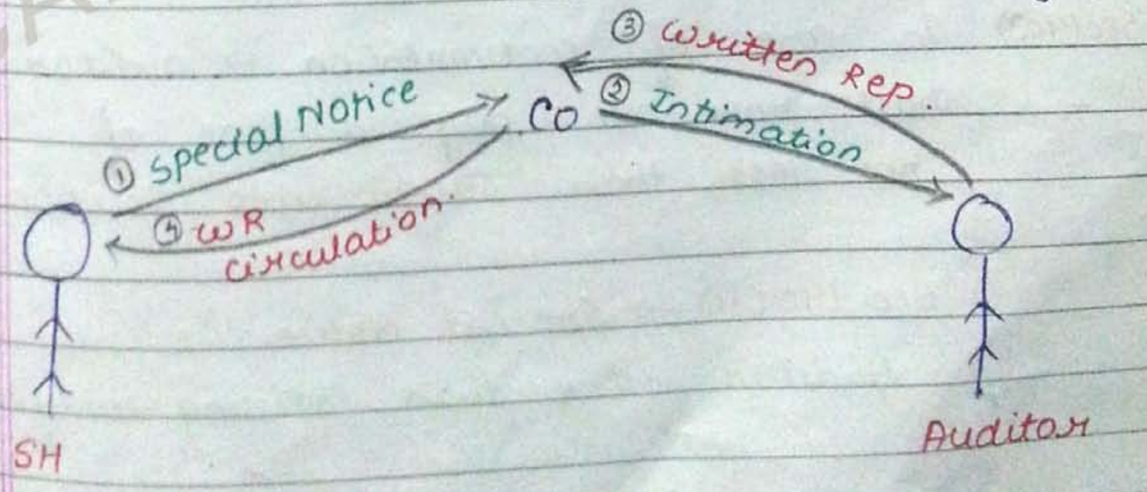
2) Appⁿ to CG for approval shall be made within 30 days of Board Resolution.

3) SR shall be passed by holding GM within 60 days of receipt of approval from CG.

4) Opportunity of Being heard shall be given.

SR + CG → Prior.





PAGE NO :
DATE :

140(2) : Resignation

1) Resignⁿ by an auditor has to be filed with ROC by auditor within 30 days in form ADT-3

2) In case of govt co, or cos controlled by govt, auditor shall also filed such statement with CAG along with Company and ROC.

CO ROC CAG

ROC ↓ 30 days

CAG: ROC k sath CAG ko B dega

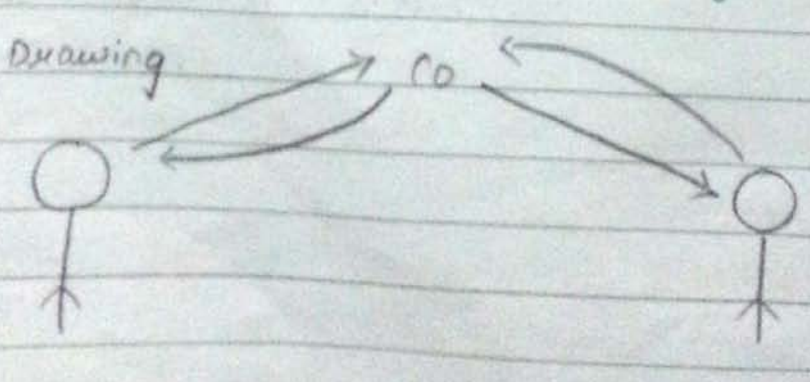
Auditor 3no ko dega. Pehle co than 30 days k andar ROC fir CAG ko b uske sath if govt co

Sec140(3) In case of contravention → auditor shall have to pay a fine of not less than 50,000 upto 500,000.

Sec 140(4) → Special Notice.

Auditor other than Retiring auditor.

Drawing



PAGE NO.:
DATE:

Disqualif^n.

A → A Co

B → Bikau : • officer

Dir   KMP

• employee of co.

C → Connected to Bikau : Partner/Employee of officer or employee.

D → Debtor (5lacs)

E → Eq.Sh. Holder

me X , Partner X , Relative X

upto FV of ₹1Lac

MV X

F → Full time e^e else where

G → Guarantee → more than 1Lac

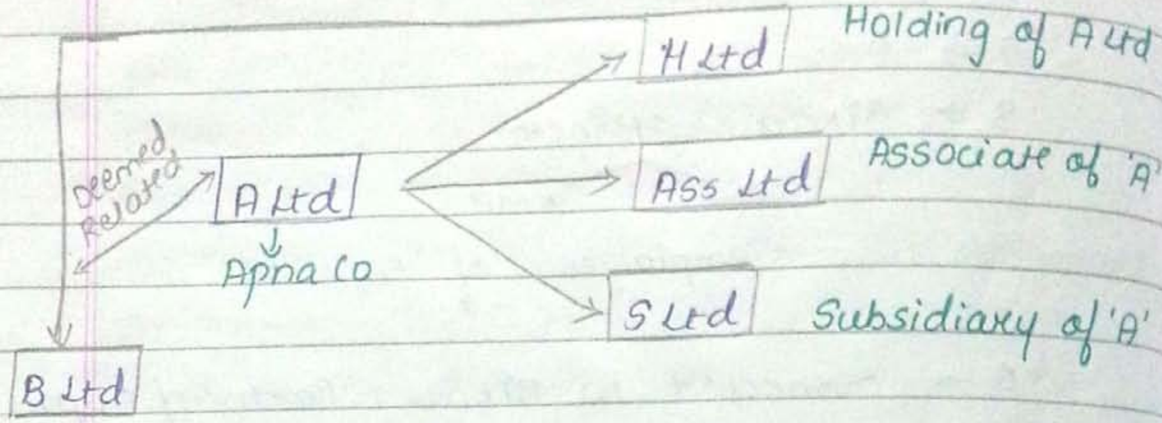
B → Business Relat^{n}ship

F → Fraud of fraud in any co. court ko kabhi b proof milega toh cant b auditor

S → Specified Service Provider.

PAGE NO.:
DATE:

D → Debtor



Another subsidiary of H Ltd.

E → Equity shareholder

If the person himself or his partner or his relative** holds security of interest in the company/subsidiary co, associate co, sub co of such holding co.

If the relative holds security or interest of face value not exceeding ₹1 Lac, then allowed.

** If the relative acquires security or interest of more than ₹1 Lac, corrective actions to maintain the limits has to be taken within 60 days from the date of acquisation.

F → Person who is on fulltym employmt else where or a partner of firm who has already crossed the ceiling limit (each partner has their own limit of 20 co)

G → Person who has given guarantee for some 3rd person to the Co or subsidiary.

B → Business Relationship
Person or firm having direct or Indirect Business relationship with Co, holding Co, Subsidiary Co, Associate Co or Subsidiary of such holding Co.

* Business Relatnshp → Any Transactn entered into for commercial purpose but foll are not Bus. Relnshp)
1) Professional services which are permitted by chartered Accountant Act, 1949 (OR)
2) ordinary course of Bus + ALP

F → Fraud
who has been convicted by court for an offence involving fraud and 10 years has not elapsed from date of conviction.

S → Specialized services Provider
(services u/s 144)

PAGE NO:
DATE:

Sec 141(4) : Vacation of office.

(If after appointment disqualificatn u/s 141(3) is attracted auditor shall be deemed to have vacated his office. such vacancy = casual vacancy)

eg → First auditor ko within 30 days me BOD ko appoint karna tha but BOD ne 35 days ko appoint kiya & woh auditor chala gaya is this casual vacancy?

Ans Appointmt hi invalid Hai so CV not arises. For CV, appointmt should be valid.

Sec 142 → Remuneration of Auditor

Any service other than audit (Any other services provided on the request of the client) is not an Remuneration.

Reimbursement → For limit Expenses (Jitna Exp Hua utna Hi pay karna)

Allowance → irrespective of exps diya jata Hai.

Anything which is given as audit fees is audit Remn.

(Any payment to the auditor by whatever name called (Audit fees, Reimbursmt, Allowance etc) shall be deemed to be auditor's Remn Except

PAGE NO.:
DATE:

paymt for service rendered on request from client.
eg → Tax consultancy, A/c's maintenance etc)

Sec 143: Audit of Govt Co's.
Sec 143(5), 143(6), and 143(7)

1) As per sec 139(5) and 139(7) auditor of govt co = appointed by CAG.

2) CAG shall direct auditor, manner in which audit is to be done.

3) Audit shall submit a copy of report to CAG.

4) Report shall include directions given by CAG, actions taken thereon and impact on financial statement.

CAG

Normal Audit	Test Audit (Audit of Audit) (upar upar se checking)	Supplementary audit (Pura checking wapas Hoga kuki CAG ko lagega k kuch ghapla Hai isliye)

5) Supplementary audit
a) CAG has a right to conduct supplementary audit within 60 days

PAGE NO:
DATE:

from date of receipt of audit report.

b) Report of supplementary audit shall be submitted to CAG and CAG shall have a right to comment on it.
(Audit comittee ke recomendatⁿ nai le sakte hai quki appointed by CAG)

c) Comments given by CAG shall be sent by Co to every member and placed at AGM.
In this report directions do not have right to speak i.e No opportunity of being heard.

6. Test Audit
a) CAG shall have a right to order Test Audit of Accounts of the Company.
(upar upar se checking)

Sec 143(8): Branch Audit

1) Qualification for Branch Audit

Branch in

India	Foreign Country
→ Co's auditor	→ Co's auditor
or	or
→ Any other person qualified to be an Auditor as per.	→ Accountant
	or

Sec 141(1) and 141(2). Auditor appointed by BOD & he should be CA, COP.

→ Any person qualified to act as auditor as per laws of that country.

2) Duties and powers same as company auditor.

3) Branch audit report shall be sent to Auditor of the company who shall deal with the report.
(Branch audit report head office me bhejenge and then main auditor wapas check karega and it is attach with main audit report)

Sec 148 : Cost audit

1) P²M² companies (Prodⁿ, Processing, Mining, M/g) are ordered by central Govt to maintain cost records.

2) CG can also order audit of such companies (cost audit) where, have Net worth of prescribed amt or T/O of prescribed amt. not describe till now the amt so prescribed

3) Cost audit shall be conducted in the manner prescribed by CG.

PAGE NO:
DATE:

4) Cost auditor = Cost Accountant in Practice.

5) Appointed by BOD on recommendation of audit committee, remn determined by AC

6) This remn should be rectify by SHS.

7) Company auditor cannot act as Cost Audit

8) Cost audit according to cost accounting standard.

9) Audit u/s 148 is in addition to and not substitution of audit u/s 139, 143 etc.

Cost audit report alag se dege, aisa nai Hai ki Branch audit report diya toh cost audit report nai dege. Yeh Bhi dena Hai as a addition

10) Qualificatn, Disqualificatn, rights, duties shall be same as company auditor until not contradictory.

11) Report submitted to BOD.

12) within 30 days of receipt of report, Co shall send a copy to CG. (Along with explanatn of every Qualificatn by auditor).

13) CG can order further informatn & explanation.

14) Penalty for contravention

a) company and every officer in default

Co	Officer in Default
Fine 25000 to 5 lacs.	1) Imprisonmt upto 1Yr or 2) Fine 10,000 to 1lac or Both

b) Cost auditor in default

→ Fine 25000 to 5 lac.

→ Imprisonment ✗

- But if he has willfully contravened then,

Imprisonment 1Year & fine 1 lac to 25 lac

- In addition to all this, auditor shall be liable to
  - Refund remuneratn
  - Pay for damages to persons for loss arising out of incorrect audit report.