

Company Audit I Important notes

1. The person shall be disqualified as an auditor if he is indebted to the company for an amount exceeding Rs 500000/-.
2. The person as an auditor would get only 20 company audits on his personal capacity. Even when an auditor is in full time employment elsewhere then he is not counted on above company audit limit. (Refer Que. No. 2 Of P.M)
3. Casual vacancy is to be filled by Board of Directors where the company is other than Government Company. But where casual vacancy is arise from resignation of an auditor then casual vacancy id to be filled by Board of Directors after passing special resolution in general meeting of shareholders within 3 months of board's recommendation then he shall hold office till the conclusion of the next annual general meeting. But when there is Government Company then the auditor is appointed by CAAG within 30 days and if CAAG fails to appoint then BOD has a power to appoint the auditor within next 30 days.
4. The person is a partner or officer or employee of the company then he should not become the auditor for the same company. In short an auditor must be an independent person. (Refer Que. No. 4a)
5. The duties of the company auditor is laid down in law so no any kind of restriction is put against scope of audit work either by director or even by the entire body of shareholders.
6. Every auditor has a right to inspect the minute books and the other necessary documents at all time for conducting the audit. The refusal for not providing Necessary Documents is limitation of scope and then auditor may be issued qualified or disclaimer of opinion.
7. A person shall not be eligible to appoint as an auditor of a company who or his relative hold any security or interest in the company or its subsidiary company, provided that only relative may hold security for an amount not exceeding of rs. 1,00,000.
8. The person appointed as an auditor of the company shall sign the audit report or certify any other documents of the company. In case LLP firm of C.A then only the partners who are chartered accountants have right to sign or certify on behalf of the firm.
9. It is no part of the auditor's duty to dispatch the copy of audit report to the members of the company. The duty of the auditor is conclude when he dispatch the copy of the audit report to the company. The company is responsible for sending the copy of the report to every member.
10. It is the duty of the auditor to reporting about disqualification of any directors during the period of audit. So that auditor can get written representation from every director that they are not coming in any disqualification.
11. A person shall be qualified for appoint as an company auditor only one is chartered accountant within the meaning of Chartered Accountant Act 1949 and he/she have a certificate of practise.
12. Auditor should required to make an enquire under sec 143(1) on the following matters : (As per Que. no. 10 of P.M)
13. It is permissible for the company to shift any or all kind of books of account at any other place from its registered office. But the above decision is taken only by BOD and also the company must file a notice describing full new address to the ROC within 7 days of decision.
14. The statutory auditor should attend every general meeting either through himself or through his authorised representative.
15. If a director is already holding directorship of any company which has not filled the financial statements and annual returns for continuously period of three financial years shall not be appointed as director for five years to that company or for any other company.
16. The independence is required only when chartered accountant is appointed as auditor but if he is appointed for other job then independence is not required.
17. Every company shall appoint an individual or firm as an auditor who shall hold office from the conclusion of its sixth annual general meeting and thereafter till the conclusion of every sixth general meeting. But in this regard it is to be noted that place the matter relating to such appointment of ratification by member at every annual general meeting.
18. The permission of the central government is required when the auditor is removed before expiry of his term and same is not required after expiry of his term.
19. BOD of company may contribute to charitable fund without prior permission of the company in general meeting. But the BOD would contribute only 5% of average net profit for the three immediately preceding financial years. For above limit BOD should take prior permission of the company in general meeting.
20. As per AS 5, When the items of income and expense from ordinary activities are of such size and nature that their disclosure is required to explain the performance of the company should be disclosed separately.
21. Company auditors have a right to check the books and accounts of the branch whether branch audit is done by them or not. This right is not forfeited.
22. In respect of audit work divided among joint auditors, each joint auditor is responsible only for work allocated to him. In respect of other work which is not divided, all the joint auditors are jointly and severally responsible.
23. When the auditor fails to obtain necessary and sufficient audit evidences then he may issue disclaimer of opinion.
24. Joint audit implies pooling together the resources and expertise for more than one firm of auditors to render an expert job in a given time period which may be difficult to accomplish acting individually. SA 299 is also issued for deciding the professional responsibility for joint audit. As per SA 299, " Where joint auditors are appointed they should by mutual discussion divide the audit work. In a case where division of work is not possible then both are responsible for that.

This notes does not cover company audit II and also practical questions related to AS.