

COMPANY AUDIT

Auditor - Qualification [Sec.141(1)(2)]	<p>1. Chartered Accountants holding Certificate of Practice.</p> <p>2. Firm where Majority of Partners qualified and practicing in India.</p> <p>3. Only Partners who are CAs are authorized to sign in case of Firm (including LLP).</p>	
Auditor - Disqualification [Sec.141(3)(4)]	<p>(a) Body Corporate.</p> <p>(b) Officer / Employee of the Company.</p> <p>(c) Partner / Employee of an Officer or Employee of the Company.</p> <p>(d) Person / Relative / Partner -</p> <p>(i) Holding any Security / Interest in a Company / Holding / Associate / Subsidiary. (Relative may hold Security / Interest in the Company of Face value not exceeding RS. 1,00,000).</p> <p>(ii) Indebted to a Company / Holding / Associate / Subsidiary in excess of Rs. 5,00,000.</p> <p>(iii) Given Guarantee / provided any Security to a Company / Holding / Associate / Subsidiary in excess of RS. 1,00,000.</p> <p>(e) Person / Firm having Business Relationship with Company / Holding / Associate / Subsidiary</p> <p>(f) Person whose Relative is a Director / in employment of the Company as KMP.</p> <p>(g) (i) Person in full time Employment elsewhere or (ii) Partner / Firm holding more than 20 Company Audits.</p> <p>(h) Person convicted by Court for offence involving fraud, (for 10 years from the date of conviction),</p> <p>(i) Any Person whose Subsidiary / Associate / or any other form of Entity, is engaged as on the date of appointment, in consulting and specialised services as provided in Sec. 144.</p>	
Business Relationship	<p>Any transaction entered for a commercial purpose. Exceptions are -</p> <p>(a) Commercial Transactions in the nature of Professional Services permitted to be rendered by an Auditor or Firm under the Companies Act or CA Act</p> <p>(b) Commercial Transactions in the ordinary course of business at Arm's Length Price.</p>	
Auditor not to render certain Services	<p>1. Auditor can provide only those Other Services approved by BOD or Audit Committee.</p> <p>2. Prohibited Services:</p> <p>(i) Accounting and Book Keeping Services,</p> <p>(ii) Internal Audit, Design & Implementation of any Fin. Info. System,</p>	<p>(iii) Actuarial Services,</p> <p>(iv) Investment Advisory Services,</p> <p>(v) Investment Banking Services,</p> <p>(vi) Rendering of Outsourced Financial Services,</p> <p>(vii) Management Services, (viii) Other prescribed Services.</p>
Remuneration of Auditors	<p>First Auditors & Casual vacancy other than resignation: Remuneration fixed by BOD Others: Remuneration fixed by Members in GM in manner</p>	

	as determined at the GM. Auditor's Remuneration to be disclosed in P & L as- (a) Auditor, (b) Tax Matters, (c) Company Law Matters, (d) Other Services, (e) Reimbursement of Expenses.
Branch Auditors - Appointment	1. Local Branches: Company's Auditor appointed u/s 139 , or person qualified for appointment as an Auditor u/s 139. 2. Foreign Branches: Company's Auditor appointed u/s 139 , or an Accountant duly qualified to act as an Auditor in accordance with the laws of that foreign country.
Ceiling Limit	1. 20 Company Audits per person / Partner (in case of Partnership Firm). 2. 30 Company Audits including Private Companies - ICAI Notification.
Appointment of First Auditors	Refer Class chart
Appointment of Auditors of Govt Companies	1. Appointee: Auditor duly qualified to be appointed as Auditor under the Act. 2. Appointment by: Comptroller and Auditor General (C&AG) of India. 3. Time Limit: Within 180 days from the commencement of the financial year. 4. Tenure: To hold office till the conclusion of the AGM.
Appointment of Auditors at AGM	1. Appointment includes re-appointment. 2. Every Company shall appoint an Individual or a Firm as Auditor of the Company, at its 1st AGM. 3. Tenure: From the conclusion of 1st AGM to till the conclusion of its 6th AGM and thereafter till the conclusion of every 6th AGM. 4. Appointment to be ratified by members at every AGM. 5. Duties of Company: (a) Written Consent of Auditor, (b) Form ADT1 to ROC within 15 days of GM. 6. Effect of no appointment at AGM: If at any AGM, the Auditor is not appointed or re-appointed, the Existing Auditor shall continue to be the Auditor of the Company. [Sec.139(10)]
Audit Committee u/s 177 required for	(a) All Listed Companies, (b) All Public Companies having - (i) Paid Up Capital > Rs. 10 Crores, (ii) Turnover > Rs. 100 Crores, (iii) Aggregate O/s Loans/ Borrowings/Debentures/ Deposits > Rs. 50 Crores
Casual Vacancy	1. Auditor ceasing to act after he was validly appointed and the appointment was accepted. 2. Appointment: (a) For Companies whose accounts are subject C&AG Audit: (i) C&AG shall fill the Casual Vacancy, within 30 days. (ii) If C&AG fails to do, BOD shall fill within next 30 days. (b) For Others: (i) BOD shall fill Vacancy within 30 days, (ii) If vacancy is due to resignation, appointment to be approved by the Company at a GM within 3 months of BOD recommendation. 3. Refusal of new Auditor to accept appointment: Casual vacancy continues.
Re-appointment of Retiring	Subject to Sec. 139(1), the Retiring Auditor may be re-appointed at an AGM, if -

as per
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Auditor	<ol style="list-style-type: none"> 1. If the Retiring Auditor is not disqualified for re-appointment, 2. If the Retiring Auditor has not given the Company a notice in writing of his unwillingness to be re-appointed, 3. If a Special Resolution has not been passed at that AGM, appointing another Auditor instead of the Retiring Auditor or providing expressly that the Retiring Auditor shall not be re-appointed.
Rotation of Auditors	<p>A, Applicable to:</p> <ol style="list-style-type: none"> 1. Listed Companies, 2. All Unlisted Public Companies having Paid Up Share Capital > Rs. 10 Crores, 3. All Private Limited Companies having Paid Up Share Capital > Rs.20 Crores, 4. All Companies having Paid Up Share Capital below above specified limits, but having Public Borrowings from Financial Institutions, Banks or Public Deposits > Rs.50 Crores. <p>Note: Excluded Companies - (a) One Person Company, and (b) Small Company.</p> <p>B. Tenure: The above Companies shall not appoint / re-appoint -</p> <ol style="list-style-type: none"> 1. An Individual as Auditor, for more than 1 term of 5 consecutive years, and 2. An Audit Firm as Auditor, for more than 2 terms of 5 consecutive years.
Removal of Auditors before the Expiry of term	<ol style="list-style-type: none"> 1. BOD to pass Resolution for removal of Auditors. 2. Application to CG in Form ADT 2, within 30 days of BOD Resolution. 3. Previous Approval of CG in response to ADT 2 4. GM within 60 days of receipt of CG Approval. 5. Special Resolution to be passed in above GM for removal. 6. Auditor shall be given reasonable opportunity of being heard.
Removal of Auditors at the AGM	<ol style="list-style-type: none"> 1. Special Notice for resolution at AGM providing expressly Retiring Auditor shall not be reappointed. 2. Copy of above shall be sent to Retiring Auditor. 3. Retiring Auditor has the right to represent, such representation shall be circulated and read out at AGM and he be heard orally at AGM.
Change of Auditors based on Tribunal's Direction	<ol style="list-style-type: none"> 1. Situation: Tribunal is satisfied that the Auditor of a Company has acted in fraudulent manner or abetted or colluded in any fraud. 2. Basis for Findings: suo motu, Application made to Tribunal by CG or any person concerned. 3. Order of Tribunal: Tribunal can order Company to change its Auditors, on above grounds. 4. Effect of Tribunal's Final Order: Firm / Individual against whom final order passes u/s 140 -not eligible to be appointed as Auditor of any Company for 5 years from the date of Order.
Resignation of Auditors	<ol style="list-style-type: none"> 1. Auditor has the right to resign before expiry of his term. 2. Resigning Auditor to file Form ADT 3 within 30 days of resignation.
Powers of Company Auditors	<ol style="list-style-type: none"> 1. To access books and vouchers. 2. To obtain information and explanations. 3. To visit Branch Offices & access Branch A/cs 4. Right to receive Remuneration. 5. Right to have Qualification, etc. read out at GM. 6. To receive notices and to attend General Meetings.

Duties of the Auditors	1. Inquiry u/s 143(1) 2. Reporting as to True and Fair. 3. Reporting Requirements: (i) Obtaining info. & explanations (ii) Proper Books of Accounts. (iii) Dealing with Branch Auditor Report. (iv) Financial Statements agreeing with books of accounts. (v) Financial Statements to comply with AS	(vi) Director's Disqualification u/s 164(2) (vii) Qualification, Reservation or Adverse Remark. (viii) Adequacy of Internal Financial Controls (ix) Other Matters (Pending Litigations, etc.) 4. Reasons for Negative / Qualification. 5. Compliance with Auditing Standards. 6. Additional Reporting matters as per NAFRA. 7. Reporting of Frauds.
Punishment for Contravention	1. Contravention of Sec.139 to 146: Company - Fine: Min Rs.25,000, Max Rs. 5,00,000, Every officer in default - Imprisonment - Max 1 year, or Fine Min Rs. 10,000, Max Rs. 1,00,000, or both. 2. Contravention of Sec.139, 143, 144, 145: Auditor- (a) Normal: Fine Min Rs. 25,000, Max Rs. 5,00,000, (b) with intention to deceive: Imprisonment of Max 1 year, or Fine Min Rs. 1,00,000, Max .Rs 25,00,000, or both, (c) If Auditor is convicted under (b) above he shall refund the remuneration and pay for damages, (d) Joint and Several Liability in case of Audit Firm.	