

Chapter 10
Notes by Jyoti K. Jha
Auditor

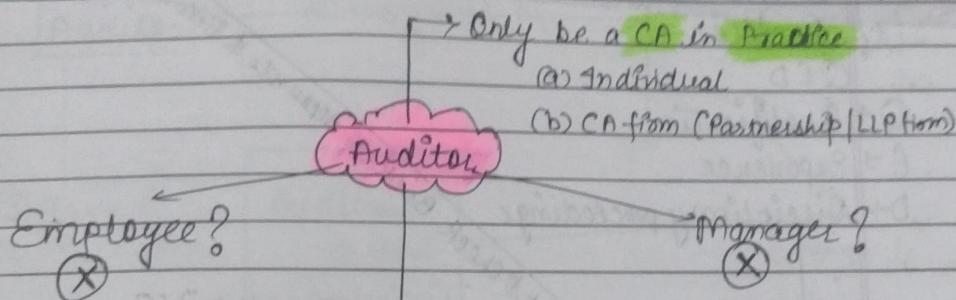
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Statutory → Paylaw

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Chapter → 10 Audit & Auditors.

Notes →



Is a person who holds a 'statutory position' in the company.
appointed u/s 139 of the Companies Act 2013

• Every Co should Appoint an Auditor
1st Actm → Auditor from conclusion of 1st Actm till the conclusion of its 6th Actm
tenure: Individual - one term of 5 consecutive year

• firm - two term of 5 consecutive year

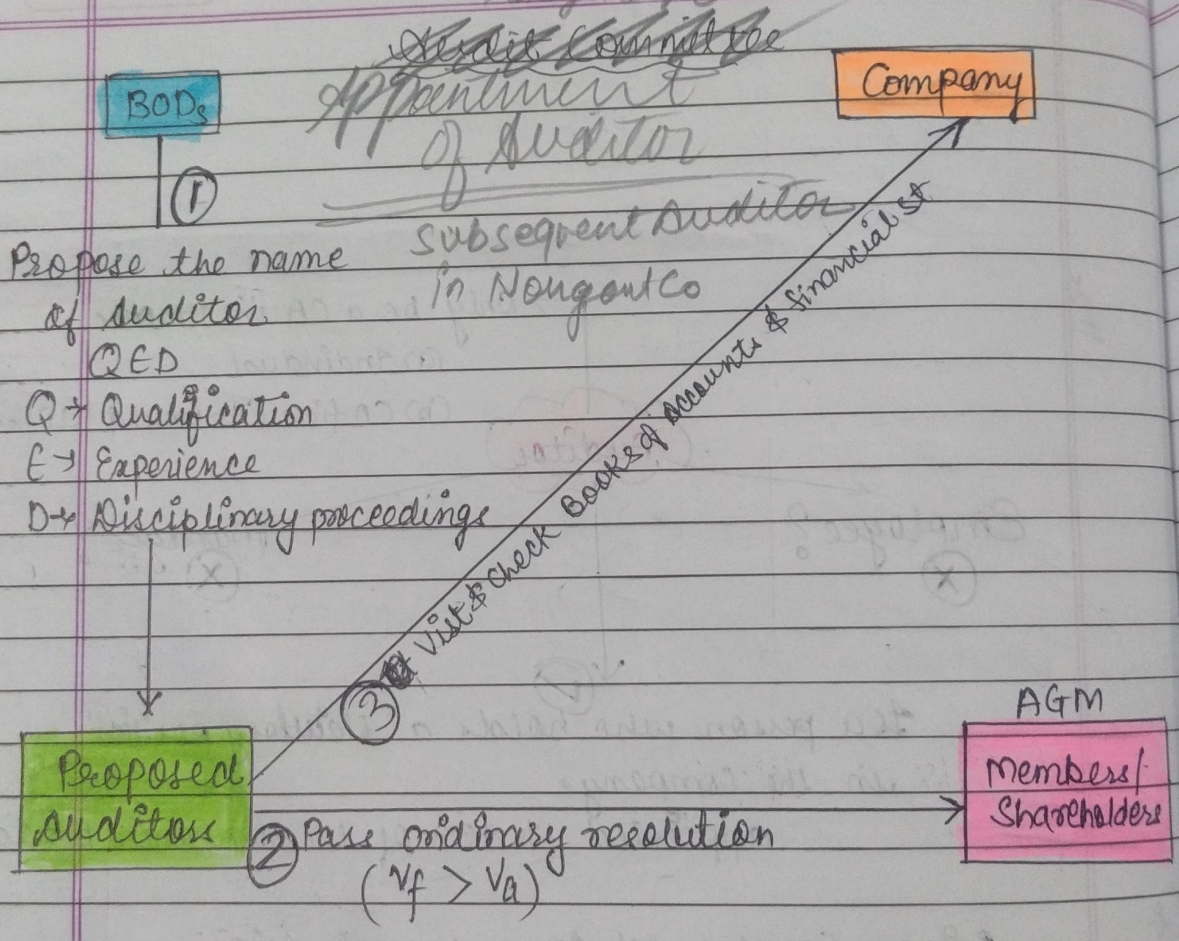
eg 6th Actm → start @ 10 am
End @ 2 pm

New auditor appointed @ 12 noon by pass in DR.

• When will the previous Auditor term Expire?

Ans → 2 pm

Financial st → B/s
 → P&L a/c
 → Cash flow st
 → Notes to Accounts
 → Balance sheet



Propose the name of Auditor

QED

Q → Qualification

E → Experience

D → Disciplinary proceedings

Subsequent Auditor in Nongentco

Visit & check Books of Accounts & Financials

Proposed Auditor

Pass ordinary resolution ($v_f > v_a$)

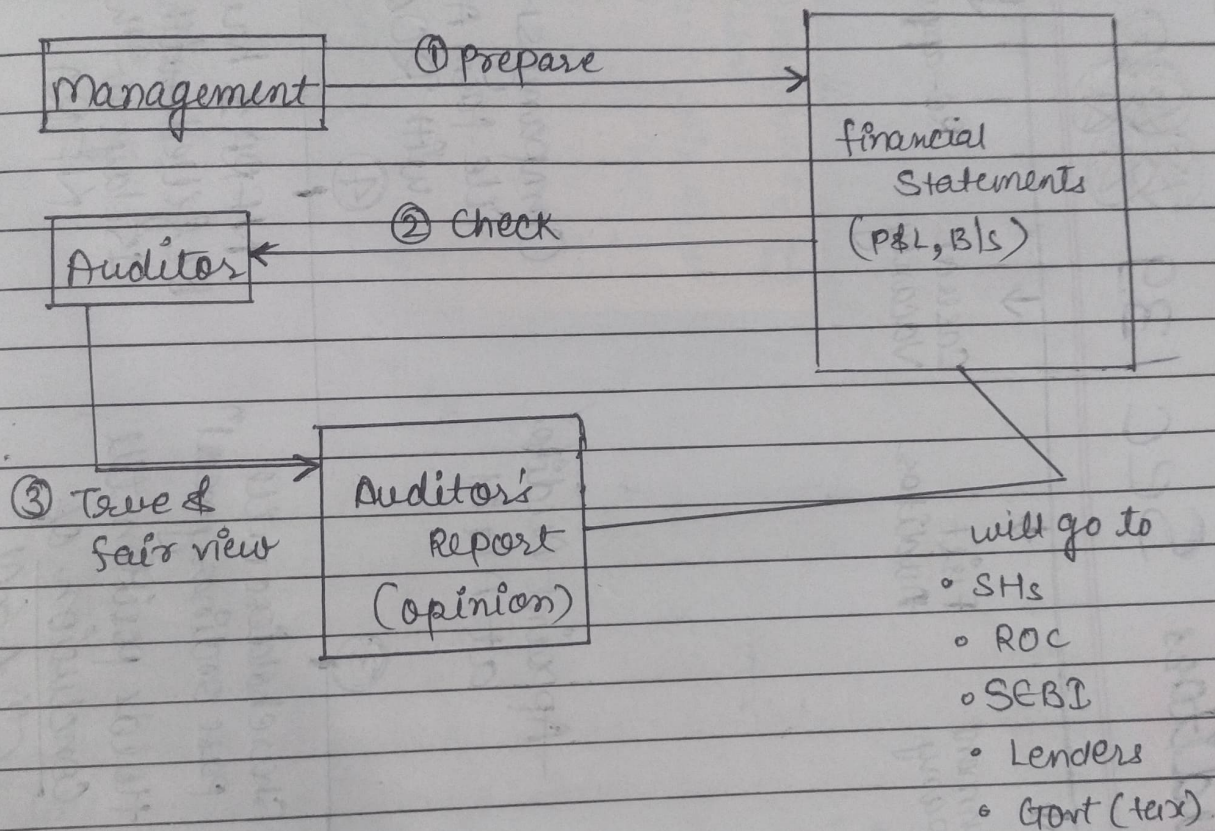
AGM
 Members/Shareholders

Company

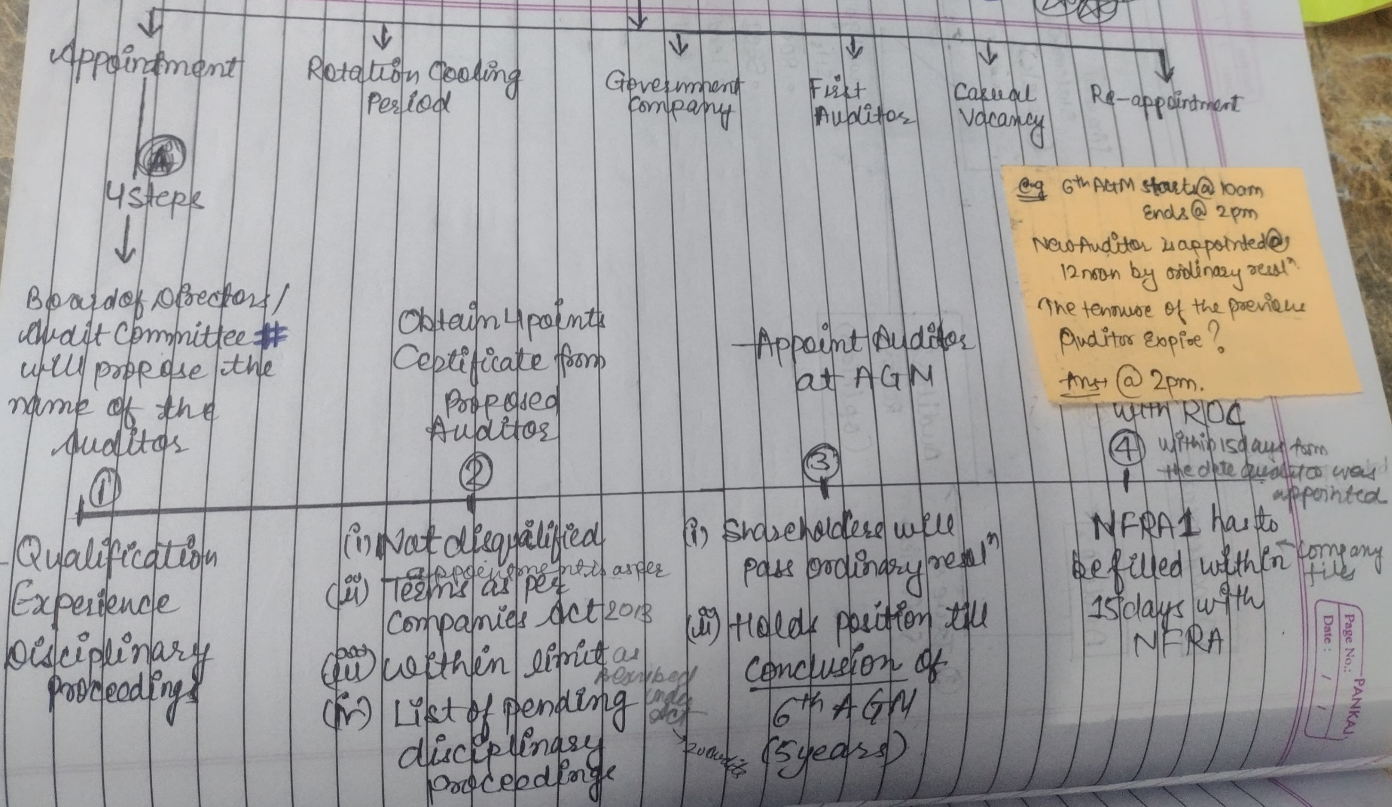
adverse.

facte → (X)
opinion → (✓) → POV - suggestions.

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Appointment of Auditors Sec 139

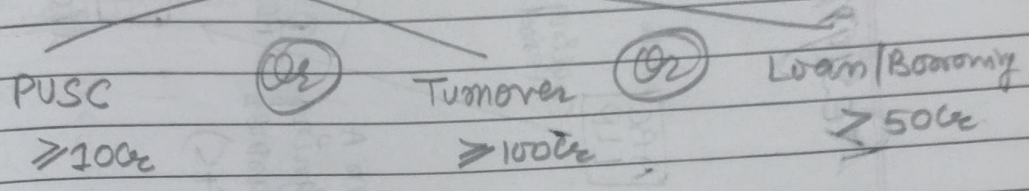


eg 6th ActM starts @ 10am
Ends @ 2pm
New Auditor is appointed @ 12 noon by ordinary resⁿ
The tenure of the previous Auditor Expires?
Ans @ 2pm.

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The following classes of companies shall make an Audit Committee :-

- (i) Every listed Public company
- (ii) Public Company with



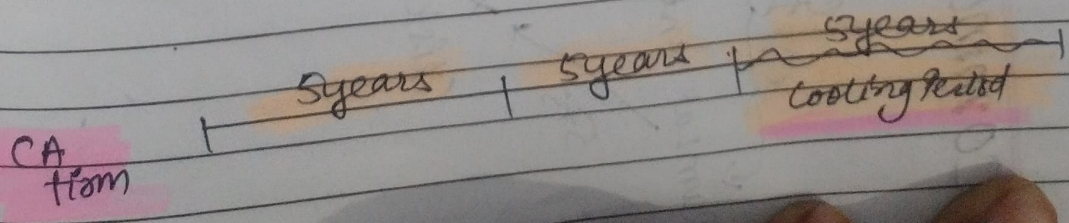
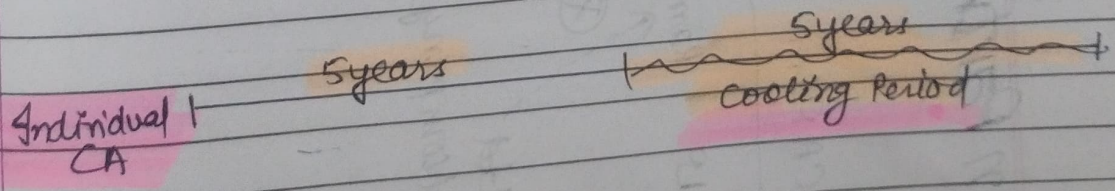
Rotation and Cooling Period :-

- (i) Every listed company.
- (ii) Unlisted public company having PUSC of 10cr or more.
- (iii) All Private Companies having PUSC of 50cr or more.
- (iv) All companies having Borrowing of 50cr or more.

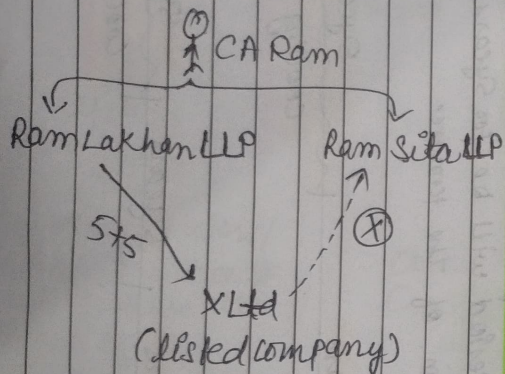
Shall appoint —

- (i) An individual as an auditor for not more than 1 term of 5 consecutive year.
- (ii) A firm for not more than 2 term of 5 consecutive year.

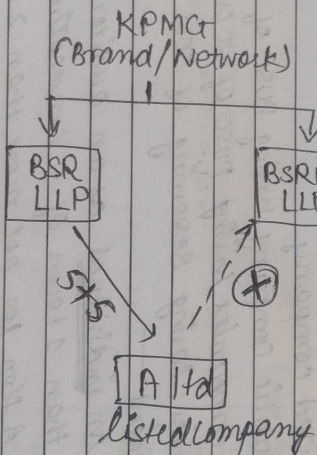
Note :- Cooling period will be for 5 years from the completion of the tenure.



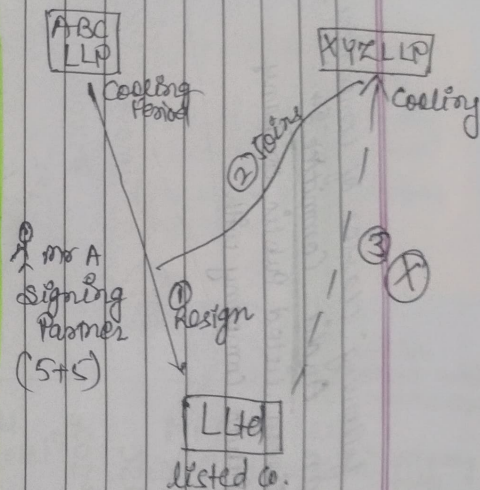
Common Partner



Same Brand



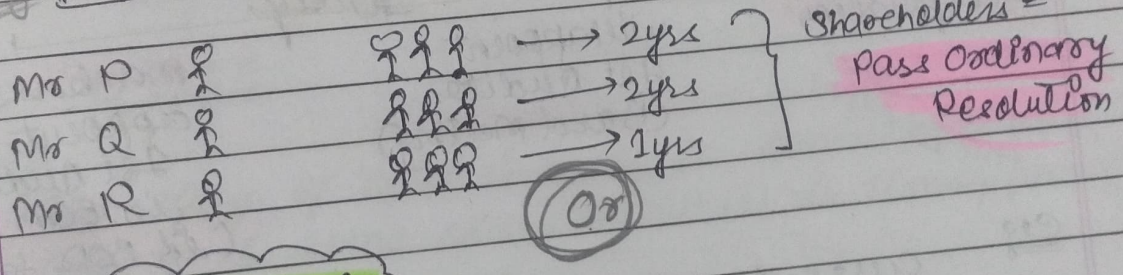
Resign & Joins



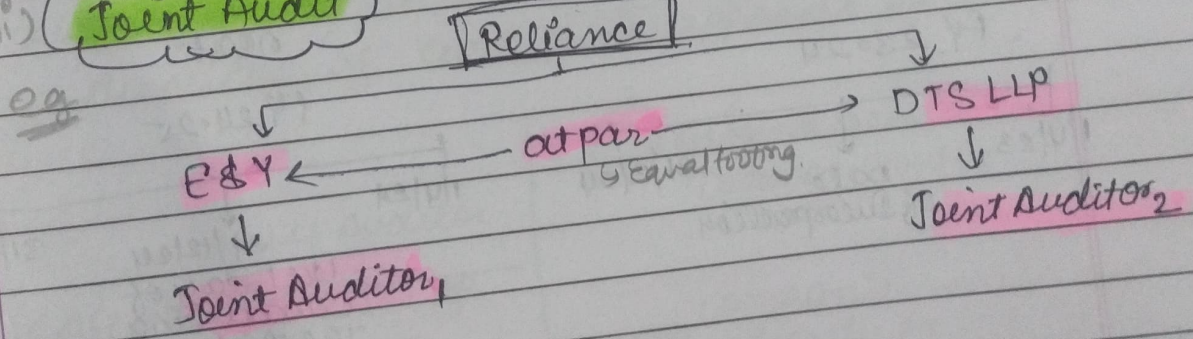
Rotation of Auditor 139 (3)
 Optional - Shareholders May.

(i) Super Rotation

eg Audit firm - PQR & Associates → 5+5



(ii) Joint Audit



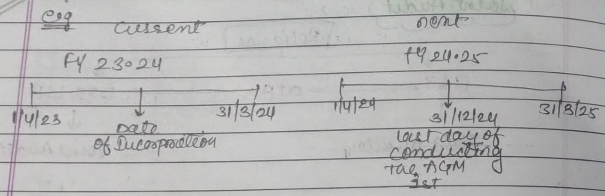
(c) First Auditor

Other than a Govt Co.

First Auditor (non-Govt Co)
 eg → SPC Pvt Ltd, RIL, Tata & Malabar

30 days **BOD** **90 days**
Incorporation will appoint 1st Auditor (Board Meeting) members shall appoint the 1st Auditor in EGM (if BOD fails)

conclusion of the 1st AGM



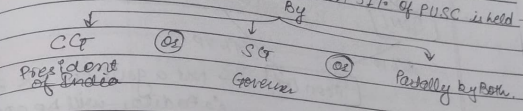
Subsequent Auditor **Chapter 4**
 Appn. mch by passing an AGM.

Casual Vacancy
 eg: death, incapacity, resignation, dissolution of Auditor
 Board may fill casual vacancy within 30 days from the date of casual vacancy.

Resignation → vacancy caused by resignation of Auditor → BR + OR in EGM
 30 days 3 months
 revalidated by 75% members in EGM by passing OR in 3 months

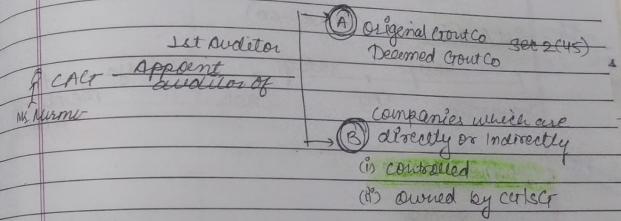
Govt Co. :->

A company whose - more than 51% of PUSC is held

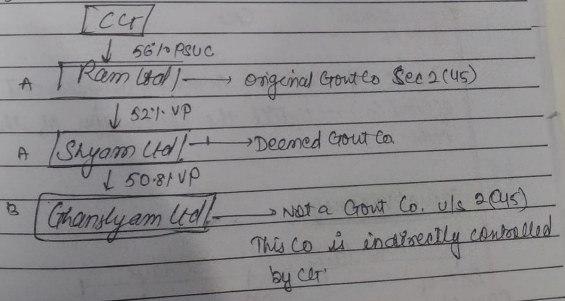


Subsidiary of Govt Co will be deemed as Govt Co & some other Co. which is directly or indirectly controlled by Govt.

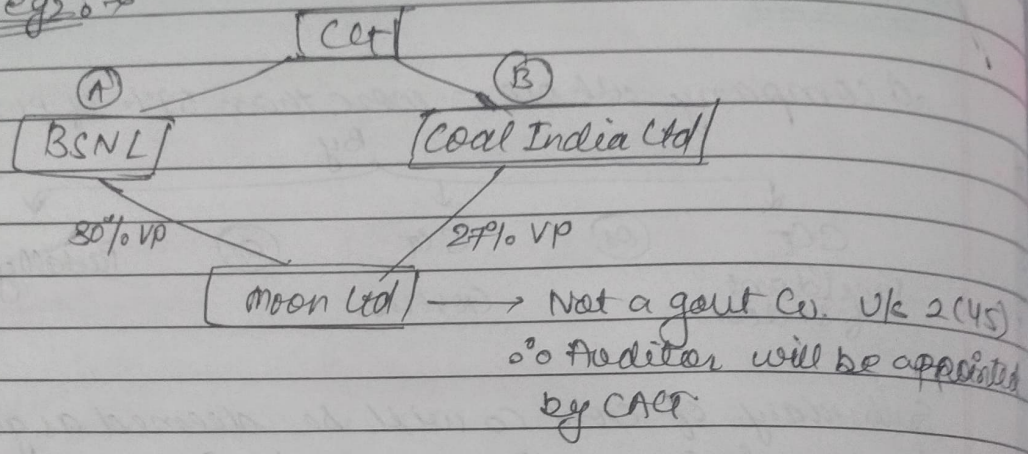
Auditor of Govt Co is appointed by CCF.



eg :->



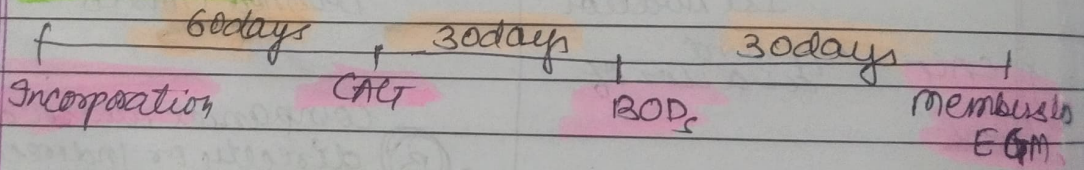
eg: →



Tenure of 1st Auditor & Subsequent Auditor in case of Govt Co.

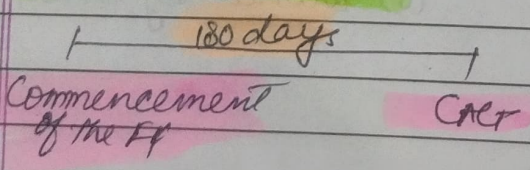
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1st Auditor → (60-30-60)



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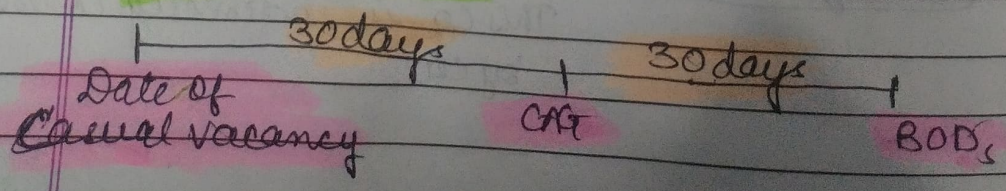
Subsequent Auditor



Tenure of such an auditor (Subsequent Auditor of Govt Co) — Untill the conclusion of the coming AGM.

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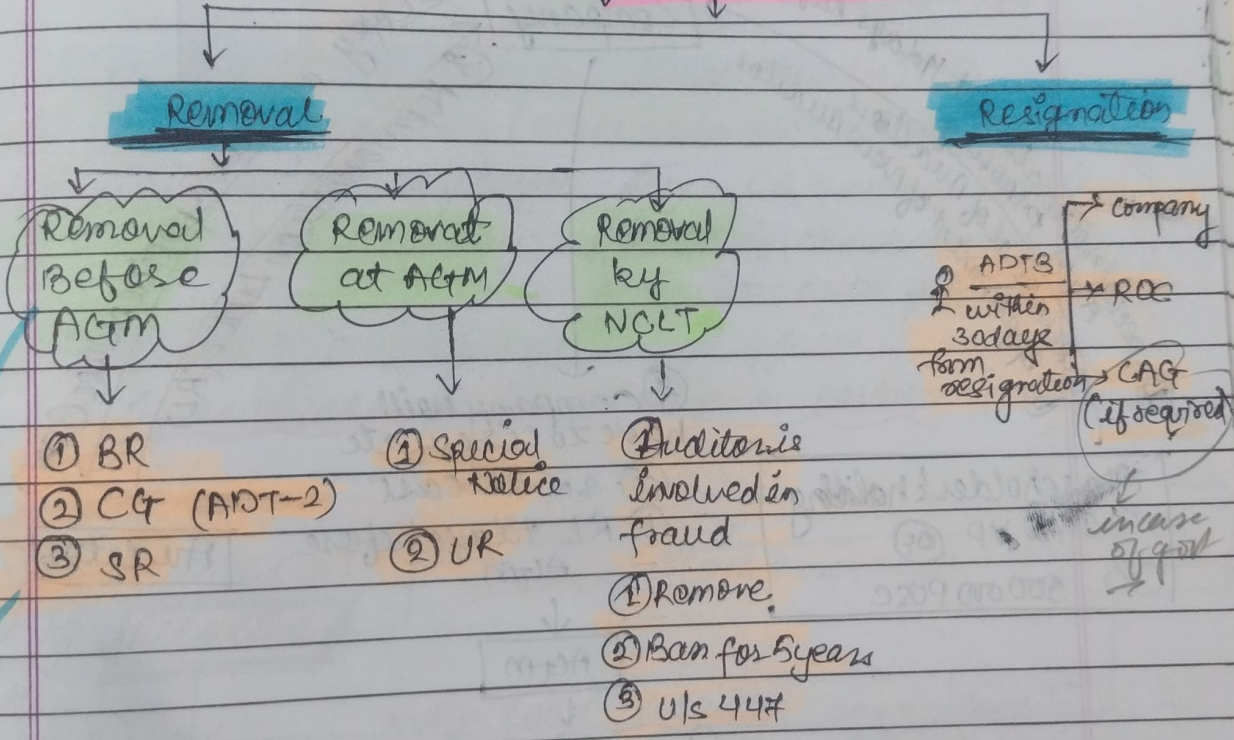
Casual Vacancy



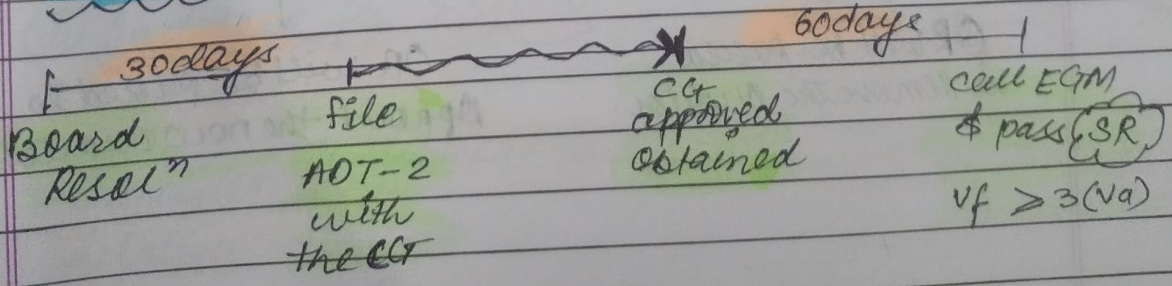
Comparative chart

Questions	Growth Company (A/B)	Regular Company.
Who appoints the auditor?	CAG within 180 days from the commencement of the FY.	Members in the AGM OR.
Tenure	Till the conclusion of the next AGM.	Till the conclusion of the 6 th AGM.
Relation & cooling period	Not applicable.	Listed (10-50-50)
Form ADT1 to be filed or not?	✓	15 days (✓) — ROC.
Casual vacancy	<p style="text-align: center;"> 30 days 30 days </p> <p style="text-align: center;"> Date of vacancy 180 CAG BODs </p>	<p style="text-align: center;"> 30 days BODs </p> <p style="text-align: center;">Date of casual vacancy</p> <p style="text-align: center;">In case of Resignation</p> <p style="text-align: center;">BR + OR (within 3 months in ECM)</p>
1st Auditor	<p style="text-align: center;">Incorporation</p> <p style="text-align: center;"> 60 days 30 days 60 days </p> <p style="text-align: center;"> 60 days CAER BODs Members in ECM </p>	<p style="text-align: center;"> 30 days 90 days Members in ECM </p> <p style="text-align: center;"> Incorporation BODs </p>

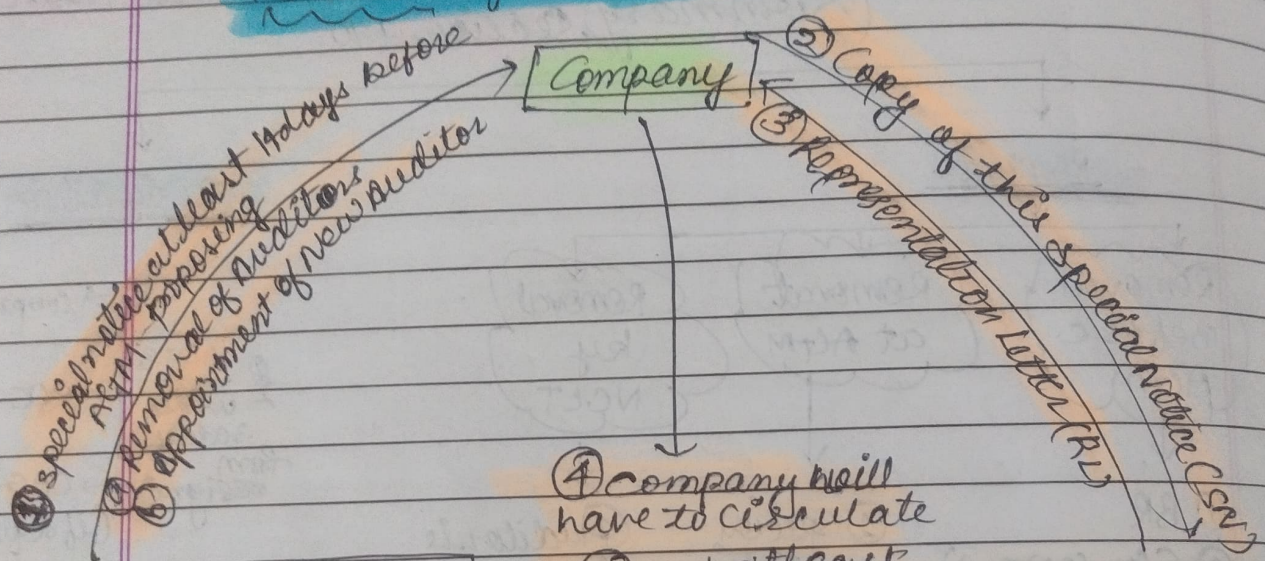
Removal, Resignation of Auditor and Giving Special Notice (Summary) Section 140.



Removal of Auditor before AGM Sec 140(1)



Removal of Auditor At AGM



Shareholder's holding	
(i) 2% VP	(ii)
(iii) 500,000 PASC	

- ④ Company will have to circulate
- Ⓐ SN atleast
 - Ⓑ RL 7 days before AGM

Auditor

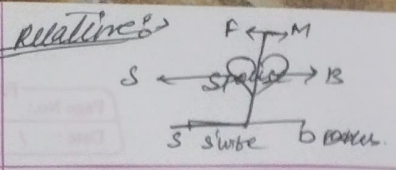
AGM

to all the SHs

OR will be passed to Remove the Auditor

OR will be passed to Appoint the new Auditor

Chapter 2
Practical



C → Company
A → Associate
S → Subsidiary
H → Holding

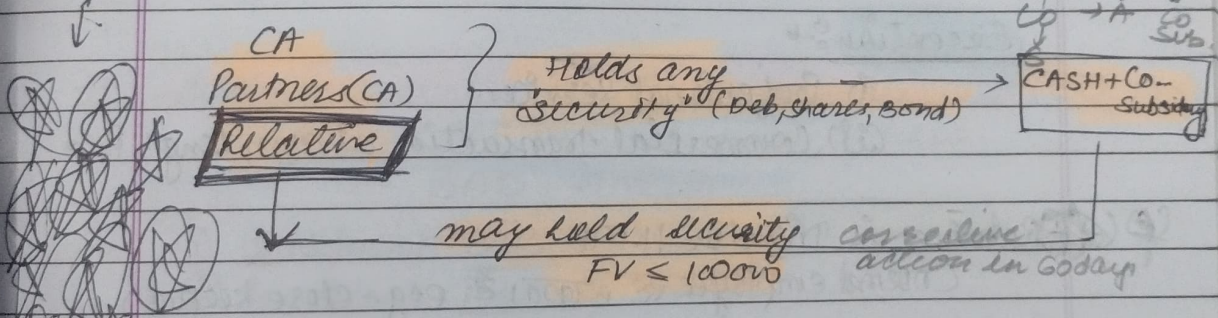
Co-Subsidiary → Sister Concern

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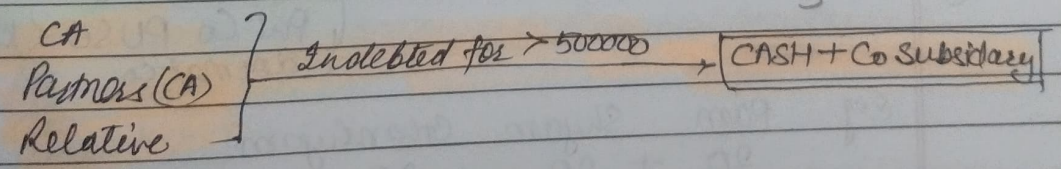
Eligibility, Qualification and Disqualification of auditor → (Sec 141)

Disqualification of an auditor → 141(3)

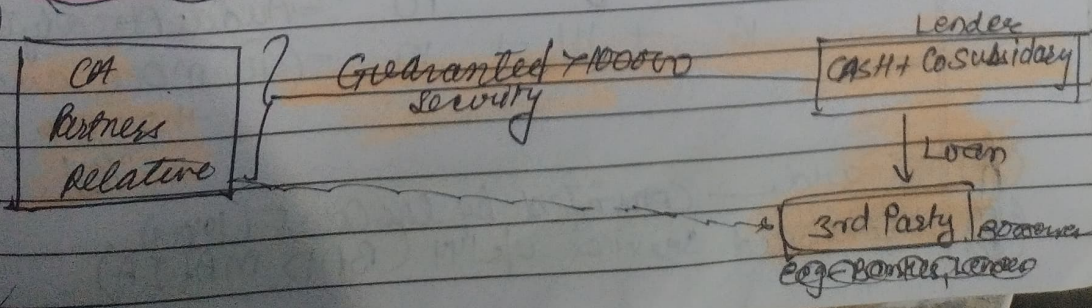
- (a) Body Corporate (Other than LLP - Qualified)
- (b) Officer or employee of the company (e.g. - CA Kumar Manglam) (Bila is the chairman of Aditya Bila group)
- (c) Partner or employee of (b) such officer
- (d) A person who, or his relative or partner



(ii) Indebted for > 500000

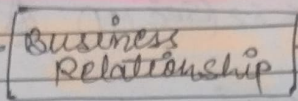


(iii) Given guaranteees > 100000

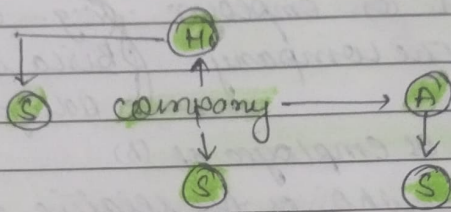


(e) Has a Business Relationship

Person (CA)
Firm



CASH +
Co Subsidiary
+ Subsidiary
of all



Exception :-

- (i) Professional Services.
- (ii) Commercial transaction at arm length Price

Relative is Director / KMP

Normal employee के उत्तर में e.g - store keeper

ceiling limit (≤ 20)

↳ Excluded [OPC, Small Company, Pvt Co PUSC < 100cr, dormant co]

e.g	Ram	Shyam	Gyanlyam	
	20	+ 20	+ 20	= 60 overall limit of the firm
	↓	↓	↓	
	4	6	10	= Audite Already taken
	16	+ 14	+ 10	= (40) more audite than can be taken

Yes!

- (1) fraud - convicted by the Court (10yrs)
- (2) Prohibited Services u/s 144 (BAD MAFIA)

ASH+
Subsidiary
Sub of Assoc
all

ngth Price

res)

mpany,
0002,

limit
m

taken
side
re-taken?

Eligibility:-

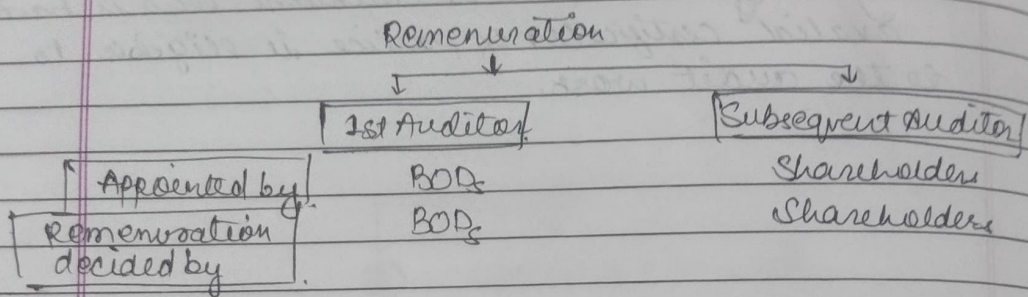
Only ~~any~~ a chartered accountant who is having a valid certificate of practice is eligible to do the audit work.

Auditor not to render certain services (Sec 144)
not all CA. Only Auditor of the co.
BAD MAFIA.

- ① Investment Banking Services
- ② Investment Advisory Services
- ③ Design & Implementation of any financial info system
- ④ Mgmt Services
- ⑤ Accounting & Book Keeping Services
- ⑥ Rendering of outsourced financial services.
- ⑦ Internal Audit
- ⑧ Actuarial Service.

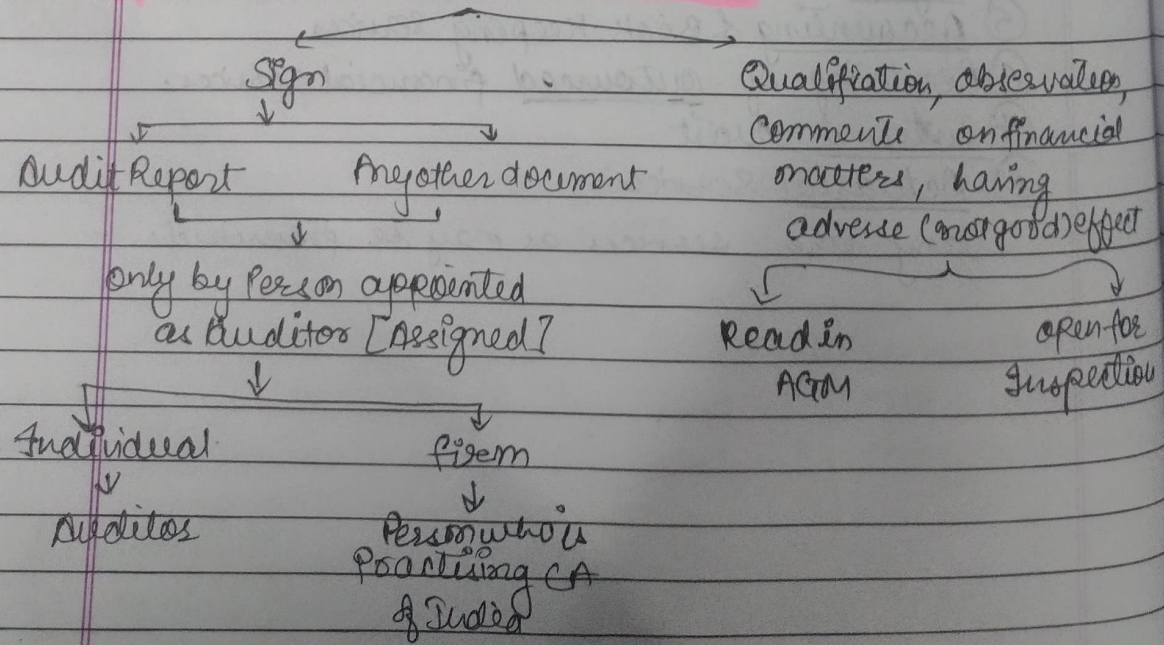
any other services as may be prescribed.

Remuneration of Auditor (Sec-142)



Total Remuneration = Basic remuneration +
 Expenses incurred in connection
 to Audit (out of pocket exp) +
 Any facility extended to Auditor.
 (separate fees will be demanded
 for any other service e.g.
 Tax consultancy fees)

Auditors to Sign out Reports (Sec 145)



Auditors To Attend General Meeting (Sec 146)

- Serving notices of any General meeting to auditor.
- Attended meeting either by himself or through his authorized representative
- Right to be heard on business concerning him as auditor

Cost Audit (Sec 148)

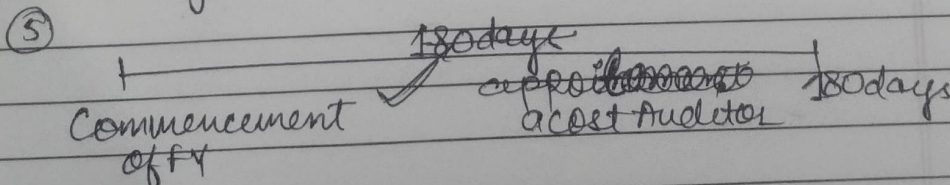
① Cost Audit is the Audit of "Cost Accounts"

② "Cost accounts" is different from "financial accounts"

- (i) separate purchase etc for every raw material.
- (ii) Cost per unit
- (iii) valuation of stock

③ Cost Audit is conducted by "CMA in practice" only.

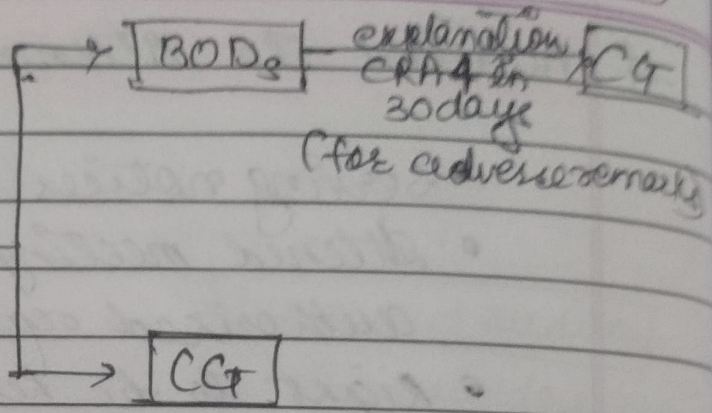
④ Appointment of cost Auditor — BR in BM
(Remuneration shall be satisfied subsequently by the shareholders).



⑥ Every company shall inform about the appointment of the cost auditor with central Govt within a period of 30 days in form CRA-2.

7

End of FY — 180 days
CRA-3



8 Casual vacancy shall be filled by the BODs within 30 days. ~~by CRA~~