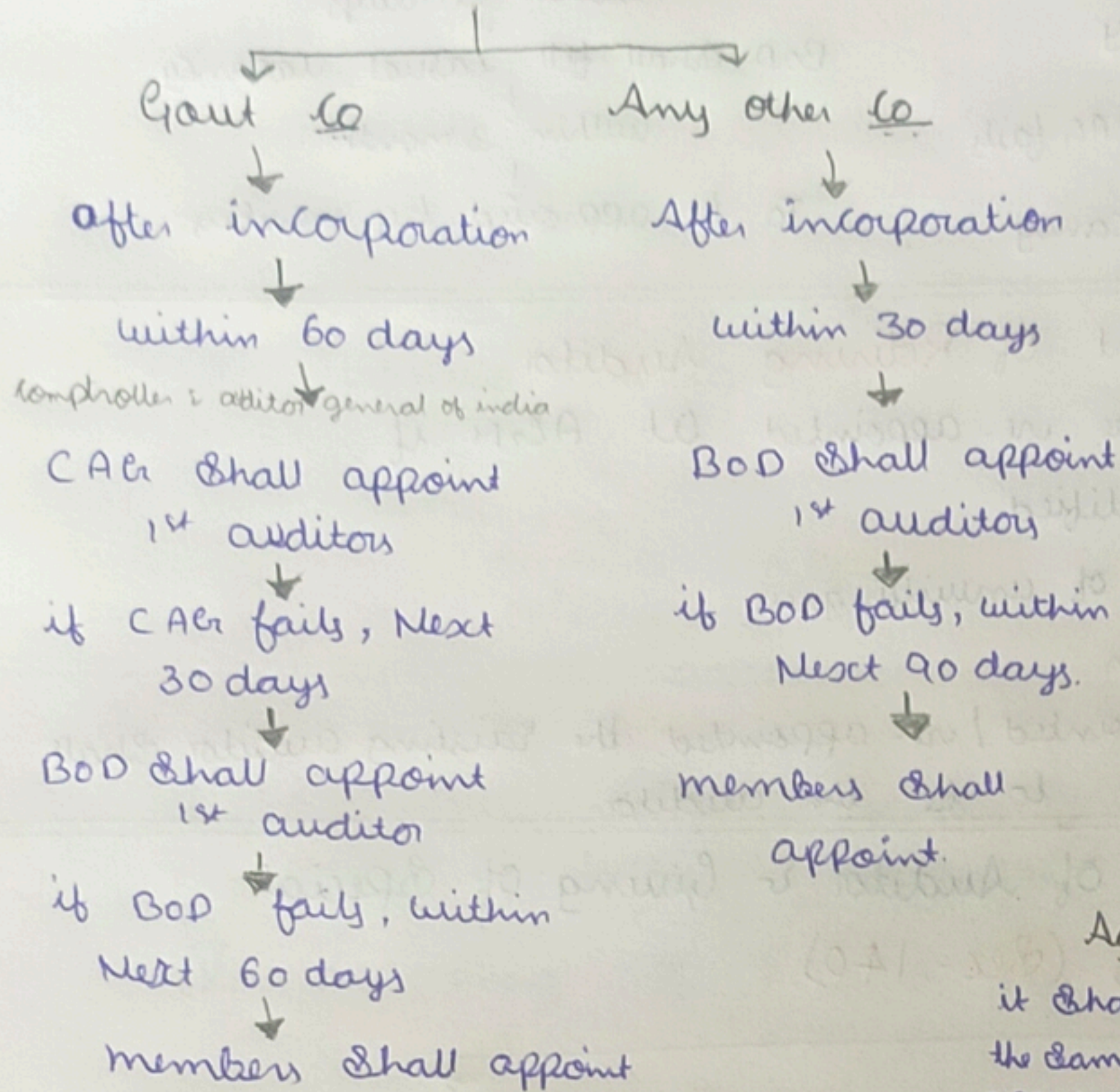


Audit And Auditor

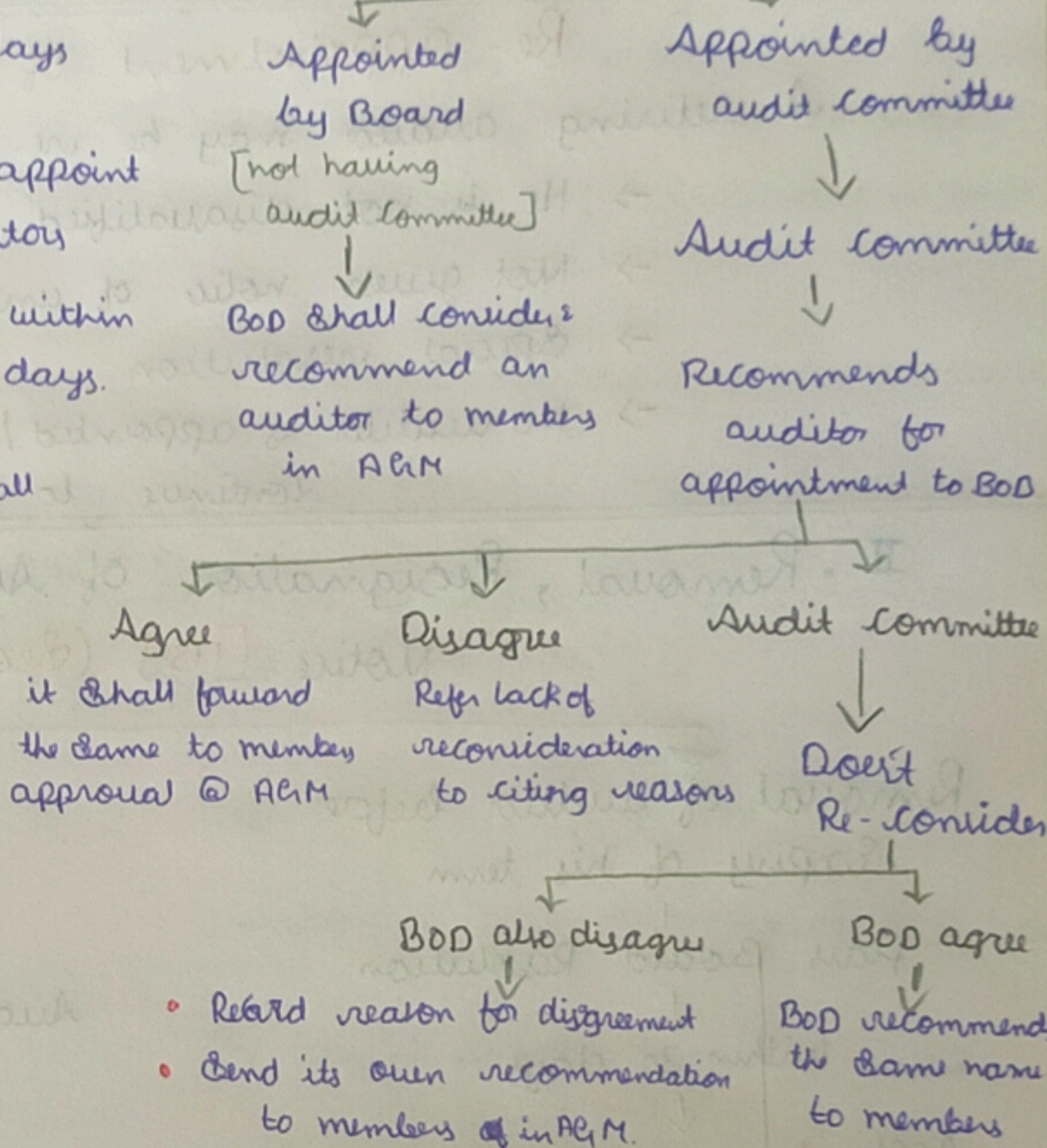
I. Appointment of Auditor [Sec - 139]

First Auditor [Sec - 139(6)]



At first AGM [Sec - 139(1)]
The auditor appointment @ 1st AGM shall hold office till conclusion of 6th AGM

Procedure



NOTE: Proposed auditor shall submit his consent & certificate that,

- He is eligible for appointment & not disqualified
- Proposed appointment is as per the term specified in Act
- The appointment is within the max limit (20)
Such appointment to be filed with ROC in FORM ADT - 1 in 15 days of appointment
For specified Co inform NFRA in form NFRA-1 in 15 days

NOTE: BoD / Audit committee shall consider following details while appointing auditor

- Qualification & Experience
- Any proceedings of pending professional misconduct

Tenure / Rotation of Auditor [Sec - 139(2) & (4)]

Applicability

- Listed Company
- unlisted public Co [having PUSC & 10C or more]
- private company [having PUSC & 50C or more]
- All companies [having public borrowings from financial institutions, Banks, public deposits of ₹ 50C or more]

Manner of Rotation

Individual

- max tenure shall be 1 term of 5 consecutive years.
- Not eligible for re-appointment for a period of 5y from completion

Firm

- max tenure shall be 2 terms of 5 consecutive years [5y + 2T_{er} = 10y]
- on completion of 2 terms cooling period of 5y.

NOTE:

- A firm with common partners shall not be appointed for 5 years
- The existing Co shall comply with the provision within 3 years of commencement of Act

Casual Vacancy of Auditor [Sec-139(8)]

In case of Co whose audit is done by Comptroller & auditor general of India
 ↓
 within 30 days of casual vacancy
 ↓
 CAE shall fill such vacancy
 ↓
 within 30 days after failure if CAE fails
 ↓
 BOD shall fill casual vacancy

other company
 ↓
 within 30 days
 ↓
 BOD shall fill casual vacancy
 Note: if vacancy is due to resignation then
 ↓
 within 30 days
 ↓
 BOD shall fill casual vacancy
 ↓
 within 3 month
 ↓
 To be approved by members

Re-appointment of Retiring Auditor

A retiring auditor may be re-appointed at AEM if

- > He is not disqualified
- > Not given notice of unwillingness
- > Special resolution
- > No auditor is appointed / re-appointed the existing auditor shall continue to be the auditor

II. Removal, Resignation of Auditor & Giving of Special Notice [115] (Sec-140)

Removal of auditor before expiry of his term
 ↓
 Pass Board Resolution
 ↓
 within 30 days
 ↓
 Apply to CA approval in FORM ADT-2
 ↓
 within 60 days of approval
 ↓
 Pass Special resolution

Resignation by auditor
 ↓
 within 30 days
 ↓
 Auditor to file Statement indicating reasons of such resignation in FORM ADT-3
 with
 ↓
 Company ROC CAE [if govt Co]

Special Notice → Co → forward notice to Retiring auditor → Representation → To Co → Forward the Representation → To members

For Removal For not to Re-appoint

any Co/person may apply for tribunal to stop such forward of representation
 ↓
 if not possible, auditor may request it to be read out at meeting

III. Eligibility, Qualification & Disqualification of Auditor [Sec-141]

1. Qualification

- > CA
- > Firm (majority of partners to be CA)
 (Only CA's are authorised to act & sign)

2. Disqualification [Sec-141(3)]

I. Firm

- * Body Corporate (except LLP)
- * Officer / Employee of Co
- * Partner / Employment of officer / Employee of Co
- * Person who renders services u/s 144
- * Person / firm has direct or indirect business relationship with cash

Doesn't include

Professional Services Rendered
ordinary course of his
at arms length price

II. A person / his relation / partner

- * Security in cash [He can't, but Relatives upto 14]
- * Indebted to cash [Excess ₹ 50000]
- * Guarantor to cash [Excess ₹ 100000]
- * Person whose relative is director / KMP
- * Person / partner holding more than 20% as auditor
[Dormant, OPC, Small Co, Private Co PUSC less than ₹ 100C] not included in limit

3. Vacation of office

If an auditor incurs any disqualification after his appointment as per Sec-141(3), then he shall vacate the office

IV. Reporting of Fraud by Auditors [Sec-143(12)]

If fraud involved is ₹ 1000000 or more
within 2 days of knowledge of fraud

The auditor should report the matter to
audit Co / BoD

Need to reply within 45 days

To auditor

within 15 days

Forward to CA

- his report
- Reply of audit committee
- if no reply received, then to be informed

To The Secretary, MCA

[in sealed cover by

POST & e-mail in

FORM ADT-4]

If fraud involved less than ₹ 1000000

within 2 days of knowledge of fraud

The auditor should report to audit
Company / BoD

Nature of fraud

Amount involved

Parties involved

Co shall disclose details in
Board's Report

(a) to (c) & (d) Remedial Action Taken

This process is same for Cost & Secretarial auditor

V. Central Govt to Specify Audit of items of Cost in Certain Companies [Sec-148]

1. Who shall be Cost auditor

a. It shall be done by Cost accountant

b. Auditor u/s-139 shall not be appointed as Cost auditor

c. Comply with Cost audit Standard (By ICAI)

d. Qualification, disqualification, Rights shall apply to Cost auditor
[Sec 141 & 143]

2. Cost audit

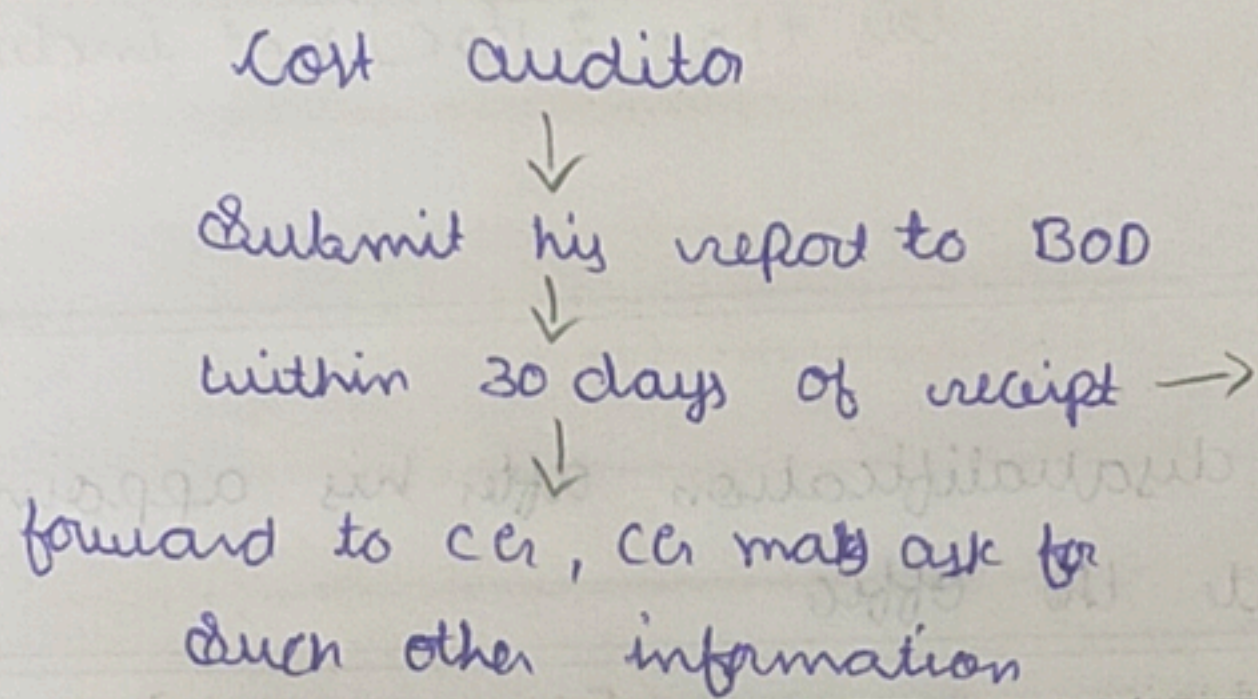
Mandatory only if Cr makes an order for Co with such turnover (or) Net worth as prescribed.

3. Appointment of cost auditor

* if Co has audit committee, they shall recommend to Board & Remuneration shall be approved by members

* if Co does not have audit committee, BOD shall appoint & remuneration shall be fixed by Board & approval of members is required

4. Cost Audit Report [CAR]



Copy of CAR in XBRL form i.e. Form CRA-4

↓
applicable to Co for financial year commencing from 1-4-2014.

5. Cost Record.

mandatory for Co engaged in production / supply of G/S as prescribed
eg: Telecom, Electricity, etc...

↓
Maintenance

mandatory only if Cr makes order

(Co under special act, Cr to consult regulatory authority)

↓
what is to be maintained

Particulars relating to

- utilisation of materials
- utilisation of labour
- other items of cost.