

2. Explain the necessity of company Audit?

An audit is more than a formality, it is a necessity to protect your business and encourage it to thrive. Early Warnings, Open communication and pragmatic resolution of issues are the essential features. Statutory Audits.

It is a legally required review of the accuracy of a company's or government's financial records.

### 1. Statutory Audit:

It is a legally required review of the accuracy of a company's or government's financial records.

### 2. Internal Audit:

Focus is to ensure strong internal control systems to minimize



the risk of accidental or deliberate errors and omissions

### 3. Tax Audit:

To prepare report in form 3CA/3CB including annexure in form 3CD as per div 44AB of the income-tax act. We'll help with your ITR tax audit.

### 4. Process / Transaction Audit:

A process audit is an examination of result to determine whether the activities, resources and behaviours that cause them are being managed efficiently and effectively.

### 5. Management Audit:

To assess the systems, Method and policies followed by an entity's Management in the administration and the use of resources, tactical and strategic planning, and employee and Organizational improvement.

2. Who is Auditor ? Rights and Responsibilities ?

Auditor :

\* An auditor is a person



Who makes an independent report to a company's stakeholders, as to whether its financial statements have been properly prepared in accordance with the law's of land.

\* The report must also say if a company's accounts give a true and fair view of its state of affairs.

Rights :

Rights to access books of accounts :

\* The Auditor has got a right to access books, accounts and vouchers of the client Organisation kept at its head office or elsewhere.

\* The Term Voucher includes agreements, correspondence, documentary evidence, etc., which ensure the accuracy and authenticity of transactions recorded.

2. Right to Obtain information :

\* The auditor is entitled to obtain from the directors and officers of the company any information and Explanations which he thinks are necessary for the due discharge of his duties.

\* If he does not get any information, he can make a mention

in the report.

### 3. Right to attend Meeting:

\* The auditor is entitled to receive any communication or notice to attend any meeting of the meeting of the company. He is within his right to attend and to speak on the matters concerning him.

### 4. Right to correct wrong statement if any:

\* The Auditor has right to correct the wrong statement, if any made at annual general meeting by anybody.

\* He is not bound to answer questions unless asked by the Chairman to do so.

### 5. Right to visit branches:

\* The Act gives power to the auditor to visit the branches of client Organisation and access the books, accounts and vouchers kept therein for the performance of the duties.

### 6. Right to seek technical advice:



\* The auditor can take the advice of experts on any technical or legal matters to form a firm opinion.

\* But while reporting to the shareholders, he has to give his own opinion and not the opinion of experts [London and General Bank case].

### Responsibility :

#### 1. Certifying Report as to Vital Matters:

\* The Auditor should certify the statutory report to be correct, fair and accurate with respect to allotment of shares, receipts of cash from shares and debenture issued, cash from other sources and payment made.

#### 2. Reporting to Members [Section 143(2)]

\* Whether obtained all the information and explanations which were necessary for the purpose of audit.

\* Whether proper books of account as required by law have been kept by the company so far as it appears from examination of those books.

\* Where the aforesaid standalone financial statements comply with the Accounting Standards under Section 133

of the Act, read with Rule 7 of the Companies [Accounts] Rules, 2014 (as amended)

### 3. Enquiring into Specific Matters: [Section 143 (1)]

\* Whether loans and advances secured by the company are properly secured and the terms and conditions are not prejudicial to company.

\* Whether the transactions of company which are represented by mere entries and not supported by evidence are not harmful to the company.

\* Whether investments non-banking and non-investment company were been sold below the purchase price i.e. at a loss.

### 4. Assisting investigation:

\* U/S 245 (1) it is auditor's duty to help the investigators appointed U/S 245 (6) by the Central Government to investigate the affairs of the company.

### 5. Assisting the public Prosecutor U/S 242 (1)



\* At times Managing Director, Directors or any other Officers may be prosecuted for their misconduct, fraud or mismanagement etc.

\* Public Prosecutor may be appointed by the Central Government  
US 242(1) of the Act.

\* The auditor would be required to extend all the reasonable assistance to him in connection with the Prosecution.



## 5 Disqualification of Auditor?

### \* Disqualification of Auditor

141 (3) (g) - A person who is in full time employment elsewhere or a person or a partner of a firm holding employment as its auditor, if such person or partner is at the date of such appointment, holding appointment as auditor of more than 20 companies.

- PAGE No. \_\_\_\_\_  
DATE / /
- \* A body corporate
  - \* An Officer employee of the company under audit.
  - \* A person who is a partner, or who is in the employment of an officer or employee of the company.
  - \* A person who is indebted to the company for an amount Exceeding Rs 1,00,000
  - \* A Person holding security of that company.
  - \* A Person who has been disqualified for appointment as an auditor of a company on above mentioned grounds, shall also not be eligible for appointment with any other body corporate which may be that company's subsidiary or that company's holding company.

### Qualification of Auditor :

\* Companies Act 2013 section 141(1) & (2) of talk about eligibility of company auditor.

\* Section 141(1) of companies act 2013, a person shall be eligible to be appointed as an auditor of a company only if he is chartered. Account it may be noted that firm where of majority of Partners practicing in



India are qualified for appointment as aforesaid may be appointed by its firm name to be auditor of a subsidiary company.

\* [Section 141 (2)] of Companies Act 2013  
Where a firm including limited liability partnership appointed as an auditor of a company only the partners who are chartered Accountants shall be authorised to and sign on behalf of the firm.

5. Appointment of Auditor ? Explain?

Appointment of Auditor  
it can be classified Four types  
Company act 2013

1. Appointment of first auditor
2. Auditor at AGM [Annual General meeting]
3. Subsequent Auditor.
4. Appointment of Auditor by Central Government.

Others :

1. Reappointment of auditor
2. Appointment of auditor by casual vacancy.

1. Appointment of first Auditor :

\* Should be appointed by board of directors.

\* The appointment should be done within 30 - days of registration

\* It should be appointed by member at AGM within 90 - days of information of non - appointment of directors.



PAGE NO. \_\_\_\_\_  
DATE \_\_\_\_\_

## 2. Auditor at AGM [Annual General Meeting] :

\* If the board of directors failed to appoint the first auditor the company can appoint him at its General Meeting.

\* Subsequent auditor should be appointed annual General Meeting [AGM]

\* If the company sent to the details of appointment auditor within 7 days.

\* The Auditor should be send to the receipt within 30 - days to the register of the company.

\* The accepted should be carry on return formate. It mentions, His Willingness, see decline of the appointment.

## 3. Subsequent Auditor :

### 3. Appointment of Auditor by Central Government :

\* The Central Government May appointed and auditor in the followings

\* If no auditor is appointed at an annual general Meeting the company shall have notice to the Central Government within in 7 - days if a failed to pass a

PAGE NO. \_\_\_\_\_  
DATE \_\_\_\_\_

Special resolution for a appointment of auditor in certain specified cases.

\* If an auditor is appointed in contravention of the provision of companies Act.

\* If the appointment of auditor is *Void ab initio*

#### 4. Reappointment of Auditor:

\* The Auditor appointed by what ever authority shall be reappointed at an annual General Meeting unless

\* He is not qualified per reappointed

\* He has given written notice of His Unwillingness, to be appointed

\* A resolution has been passed at that meeting appointed somebody else instead of him.

\* The reappointment may be death, incapacity, disqualification of the proposed auditor.

#### 5. Appointment of Auditor by casual vacancy:

\* It is implied in vacancy passed by death, retirement, incapacity and disqualification of the existing auditor

\* It should be filled up to hold of directors.



\* He will hold office till the next annual General Meeting.

\* If appointment done by Members and the recommendation of board within 30 - days.

3. What is Mean by Audit Report and Explain their contents?

An audit report can be defined as opinion about the financial statements of the company. The audit report is supposed to be published with the Annual Report of the company. The Main parties interested in audit reports and the overall opinion presented are investors, Analysts, Company's Management and lenders.

Contents of Audit Report:

1. Title



2. Addressee
3. The Responsibility of the Auditor and the Management of the Company
4. The scope of the Audit
5. The Opinion of the Auditor
6. Basis of opinion
7. Signature of Auditor
8. Place of signature
9. Date of the Audit report
10. Date of signature

#### 4. Explain the Auditor's Removal and Remuneration's ?

##### Removal of Auditor:

1. The Companies Act, 2013 lays the Provision for the Removal or charge of auditor before the completion of his tenure. The happens in those where the Organization is not satisfied with the service of the auditor. The Procedure if not satisfied with the removal of auditor has been given in the Act sub-section (1) of sec 140 of the Act

2. Before being removed by the Firm, the auditor, if ayes a fair and reasonable chance of laying down Reasons for his inappropriate conduct.

3. If the Auditor is being removed before the completion of this term, an approval from the certain Government is necessary before passing



a special resolution by the company.

4. The Application to the central Government has to be Done in the form ADT-2 as prescribed in Rule 7 of the Companies (Audit of Auditors) Rules, 2014. A prescribed Fee provided Under section 12 of the Companies (Registration officers and fee) Rules, 2014 Needs to be submitted along with this form.

5. The application has to be Made Within thirty days of the resolution Passed by the board.

6. The company can hold a General Meeting Within sixty days of receipt of the approval of the Central Government for passing the auditor appointment Resolution.

### Remuneration of Auditor:

As per section 226 (3A) of the Act. The Remuneration to an auditor from a company cannot exceed 25% of his total income in any financial year. As an advisor in the matters of Taxation Management and company Law, other amount as specified.

The Remuneration of the Auditors of company shall be fixed.



(a) by the directors, in the case of the Auditor appointed by the directors or,

(b) By the Secy in the case of the Auditor appointed by the SFEP or,

(c) By the company in General Meeting in all other cases, in the manner as the general meeting may determine.