

Date 18.05.24

Chapter-12

(4-10 marks)

Audit and Auditors

Sec

139

Closure-64)

140

141 ¹⁷² ₃₁₄

Que-1 Relative - 2(77)

142

Ans- refer preliminary page no. 1 - notebook

143

144

Que-2 Signing of audit report - sec 145

145

Ans- (i) The person appointed as the auditor

146

shall sign the audit report.

147

148

(ii) If a firm is appointed, then the CA's who are the partners and holding COP can sign the audit report.

2(77)

143(12)

Que-3 Penalty - sec 147

Ans-

Penalty

Company

sec- 139-146

Auditor

sec. 139, 144, 145

Company

min - 25,000

max - 500,000

officer

min - 10,000

max - 100,000

normally

min - 25,000

max - 500,000

wholly

Imp upto 1 year

AND

min - 50,000

max - 250,000

ESSE

all

4 times

remuneration

all

0 times rem





In case the auditor contumaciously the section 114 willfully, he is liable to defend the remuneration received and pay for the damages to all those people who have suffered loss because of him.

In case of auditor being a firm the civil liability will be of the firm and the criminal liability will be of the partners who have committed the fraud.

Ques 4 Prohibited services - Sec 144 (MAAARDJ3)

- Ans-
- M - Management consultancy services.
 - A - Accounts & Book keeping services.
 - A - Actuarial services.
 - A - Any other services.
 - R - Rendering of outsourced financial services.
 - D - Design and implementation of financial info. system.
 - I - Internal audit.
 - I - Investment advisory services.
 - I - Investment Banking services.

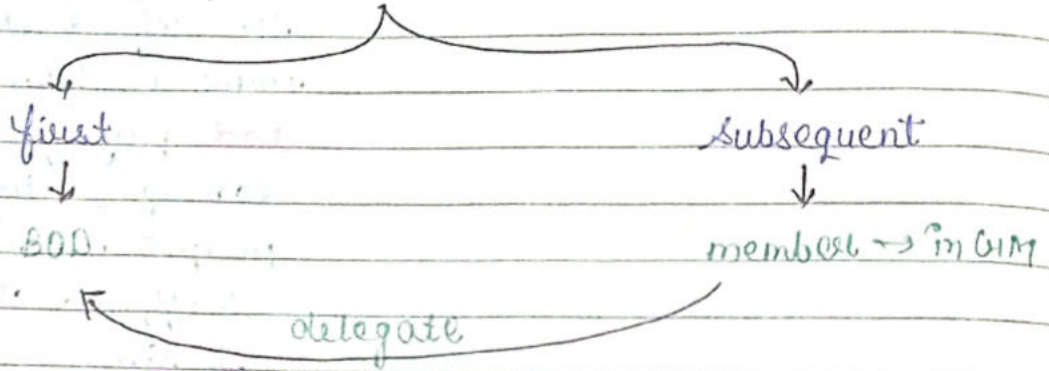
also applicable to CHASS

(Lecture-66)

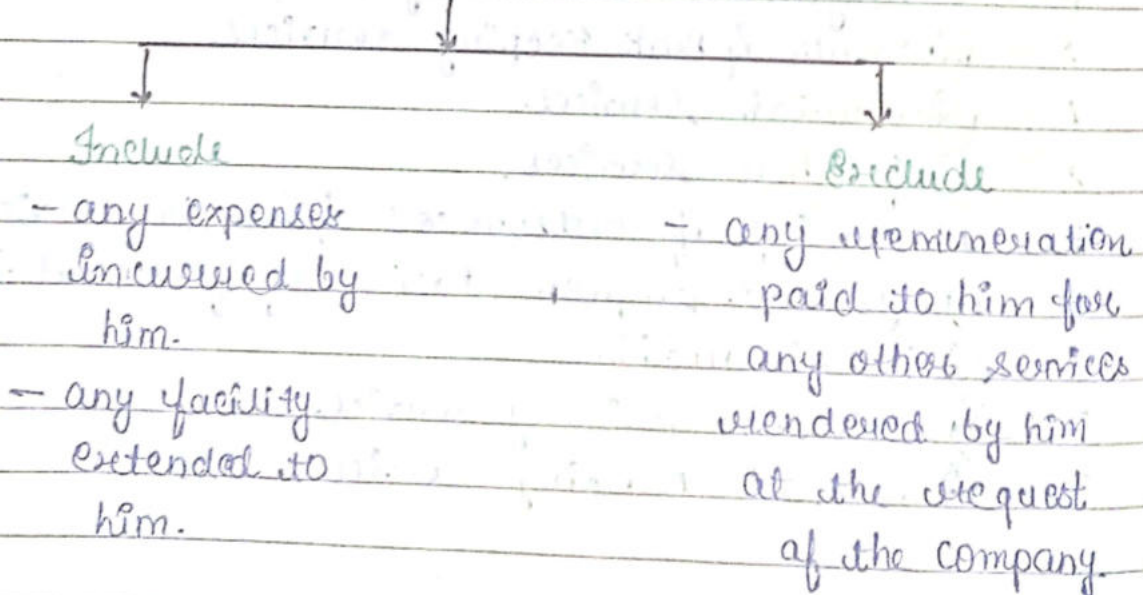
Ques-5 Remuneration - Sec 142

Ans-

Remuneration



- 1) the auditor can reduce his fees, but he cannot reduce his scope.
- 2) If he reduces scope → he will be guilty of professional misconduct.
- 3) Remuneration will

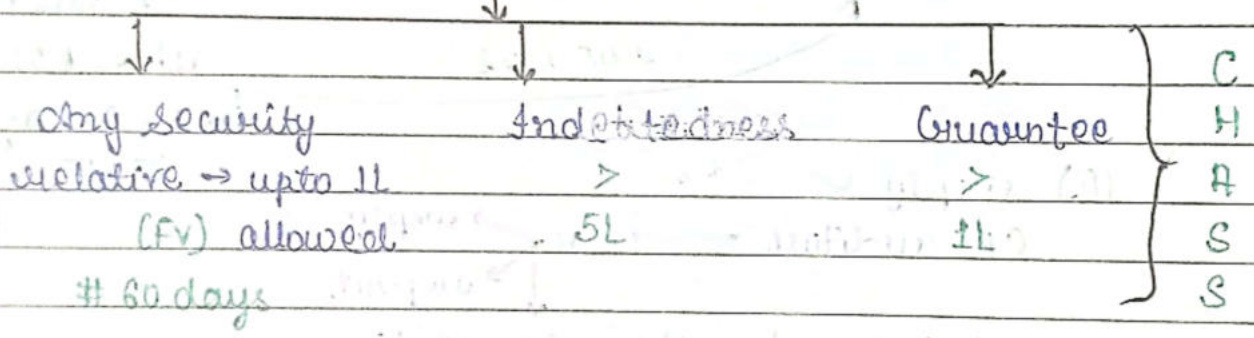


Ques- Qualification - Section 141 (1) (2)
 Ans- (i) For Individual: he should be a CA holding COP issued by the ICAI.

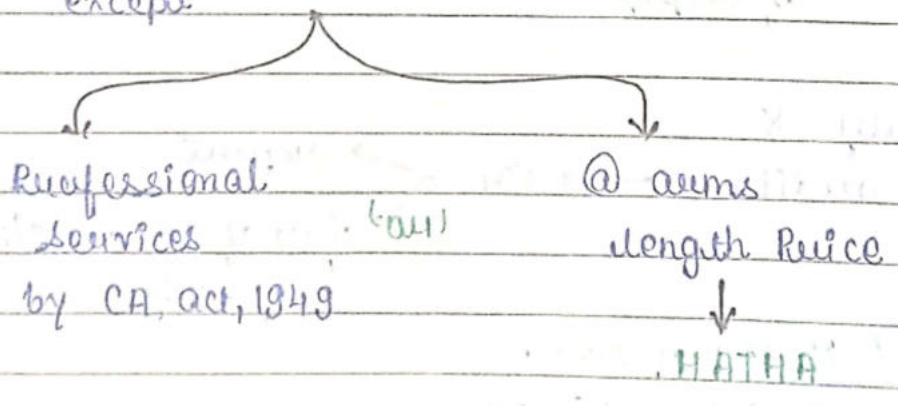
(ii) For firm majority of partners should be CA + COP

Ques- Disqualification - Section 141 (3) (4) [Adoi]

- a) Body corporate other than LLP
- b) officer / employee
- c) Partner / employee of officer / employee of Co.
- d) Person / firm / relative



e) Person / firm → Business relationship → CHASS
 Except



f) Person → relative → DIR / KMP → Company
 g) > 20 Co's

Excluding: OPE, Small Company, Debtor Co, Pvt. Co. having PUSC < Rs 100 cr.

Date

ii Pvt Co. → excluded only, if no default of sec. 137 with ROC. sec. 92

h) Convicted for frauds, 10 years have not elapsed from expiry of convictions.

(ii) sec 144 → CHASS

CHASS has to be seen in d/i/e

Que-8
Ans-

Reporting of frauds - sec 143(12) min & JCA ≤ 2 days
(i) CA auditor → audit → fraud → audit committee
AC not there then BOD
[max 60 days]
45+15
≤ 45 days

(ii) reply ✓

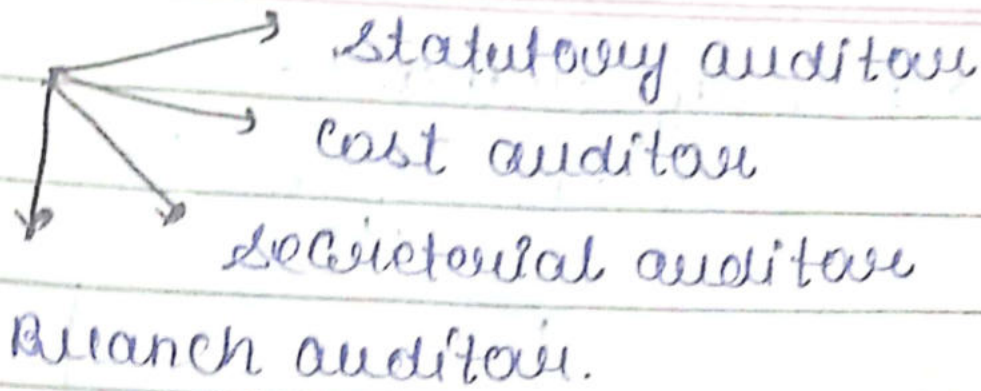
CA auditor → CA → reply
report
≤ 15 days from the comment date of receipt of reply.

(iii) Reply X

CA auditor → CA → report
fact of non receipt of reply
≤ 15 day after the expiry of 45 days.

(iv) ADT-4

(v) Applicable to



(vi) If Sec 143(2) = Continued.

↓
listed
₹500,000

↓
Other Co.
₹100,000

Ques
Ans.

Appointment of auditor - Sec 139

first

Subsequent

govt.
Co.

non-govt.
Co.

- CAG ≤ 60 days

from
registration

- CAG fails,

BOD ≤ 30 days

- BOD fails

member ≤ 60 days

at EGM

- till 1st AGM

- BOD ≤ 30 days

from registration

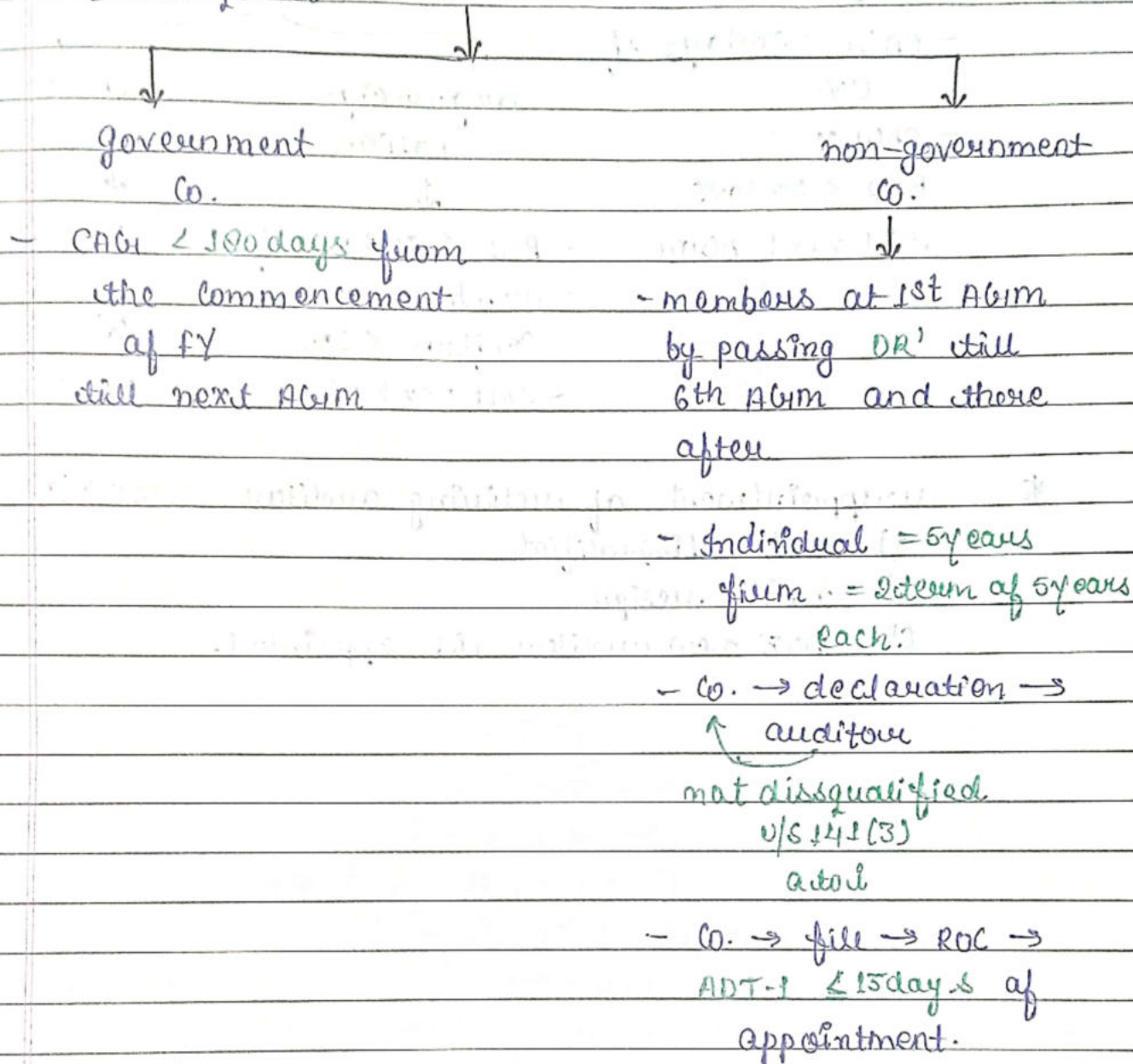
- BOD fails,

member ≤ 90 days at EGM

- till 1st AGM

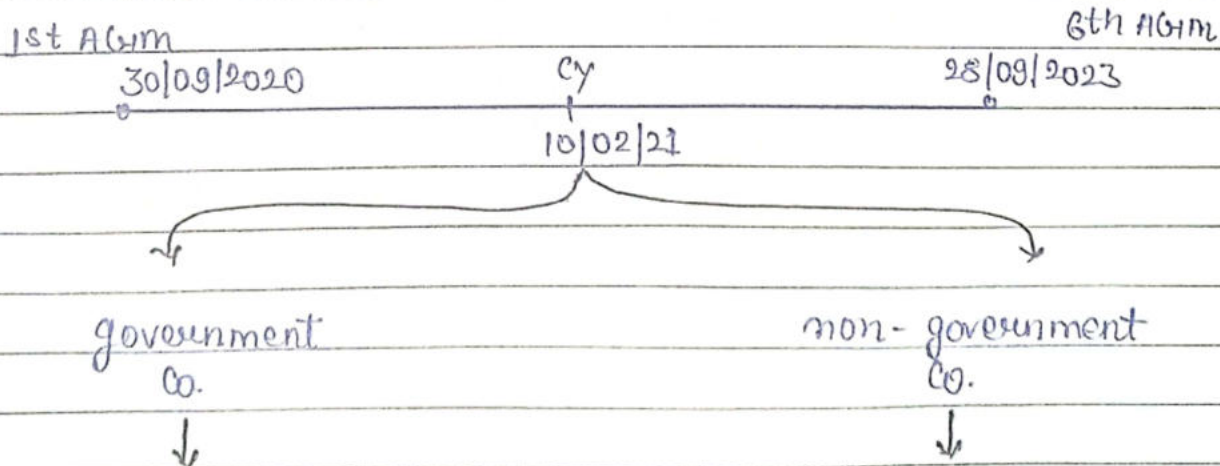
* CAG \rightarrow Comptroller & auditor general:

Subsequent

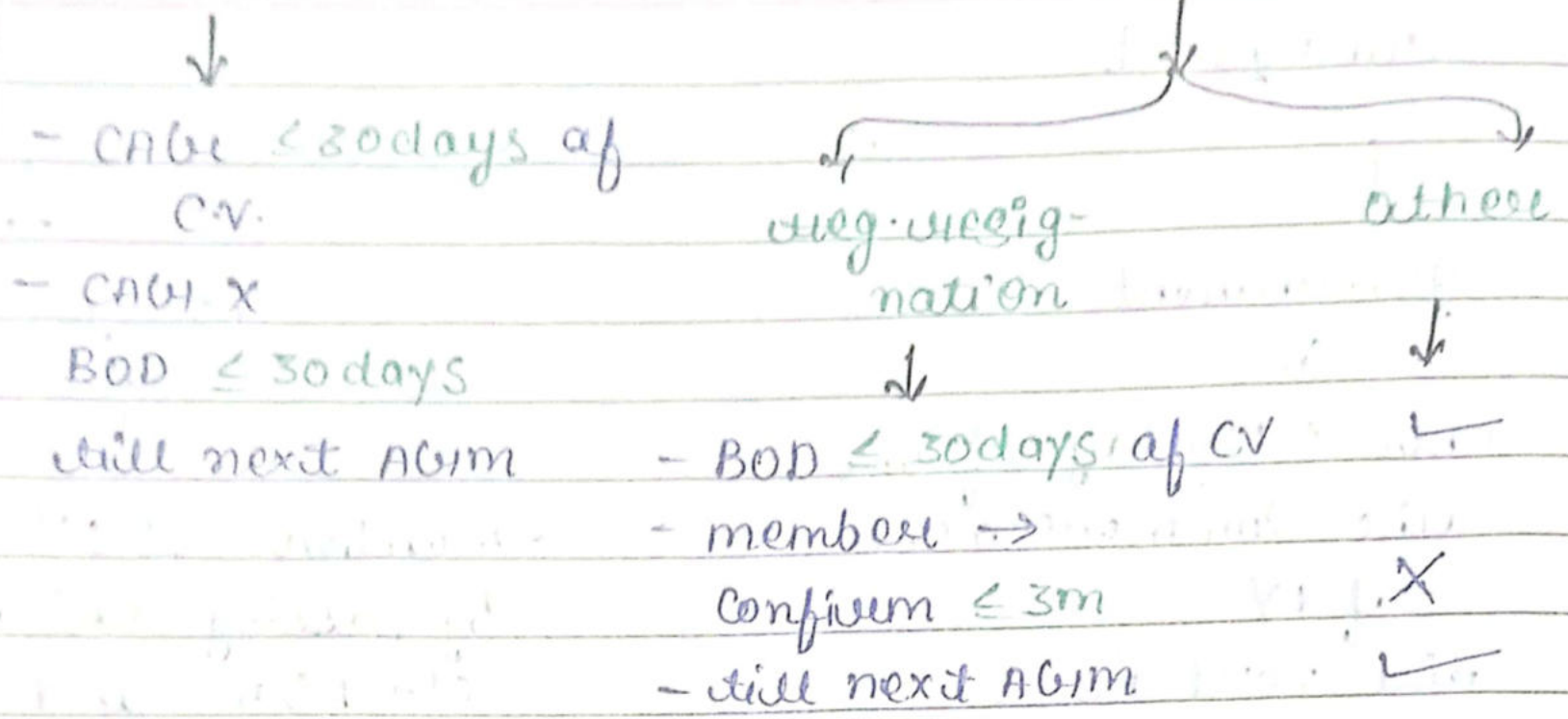


10/25/2021

* CASUAL VACANCY — Sec 139(8)



Date _____

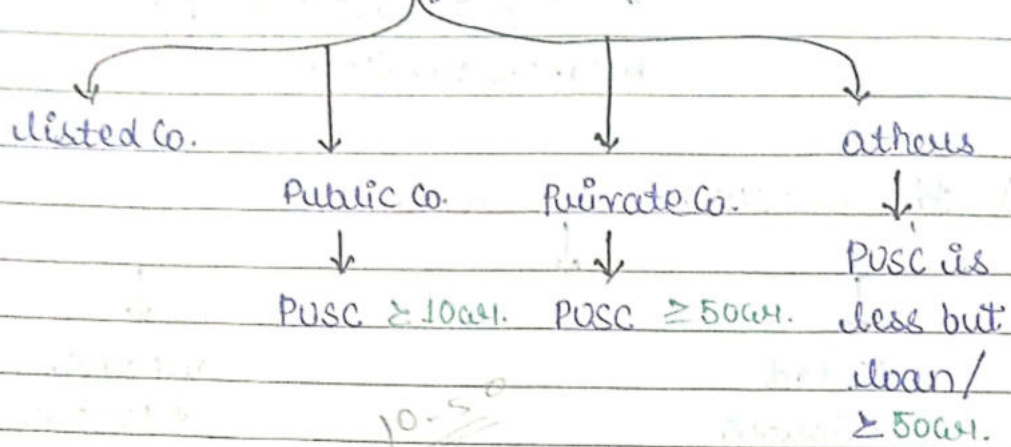


* Reappointment of retiring auditor - SEC 139 (9)

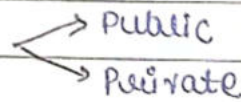
- a) not disqualified
- b) not resign
- c) not new auditor is appointed.

Ques-10
Ans-

Rotation of auditors -
rotation of auditors



NA = OPC, Small Co., IFSC



Individual = 5 years

Firm = 10 years (2 terms of 5 years each)

cooling / Cooling Period

5 years

5 years

* Notes-

(i) If there is a common partner on the date of appointment the new firm will also be disqualified for 5 years.

(ii) If a partner shift from old firm to new firm, then the new firm will also be disqualified for 5 years provided the partner who shifts is a certifying partner.

(iii) If a firm is a part of a network, brand name (EY, PwC) then all the firm of that brand or network will also be disqualified for 5 years.

Ques-
Ans-

Removal of auditor - Section 141D

Removal of auditor

(i) Before expiry of term

(i) BOD → Board resolution
→ Board meeting

(ii) Application → Cbr → ADT-2
≤ 30 days of BR

(iii) Cbr = approval

(iv) general meeting ≤ 60 days

(v) Special resolution

(vi) opportunity of being heard.

at 6th AGM

New auditor is appointed

Resolving Expressly the retiring auditor shall not be reappointed

STEPS for 6th AGM:

(i) Member → special notice → Co.
↓
14 days notice

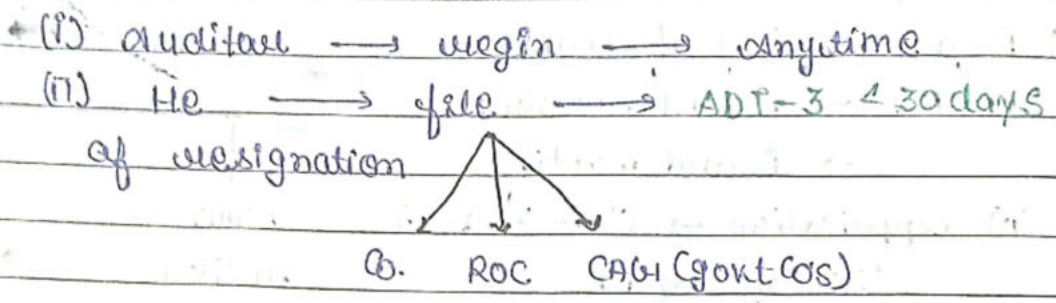
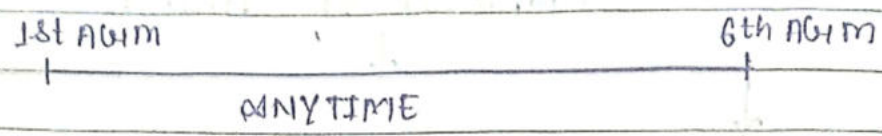
retiring auditor not be reappointed. 'or' new auditor should be appointed

(ii) Co. → Notice → Auditor

(iii) Right of representation to auditor should be given by management.

Que-12 Resignation of auditor - Sec 140

Ans-



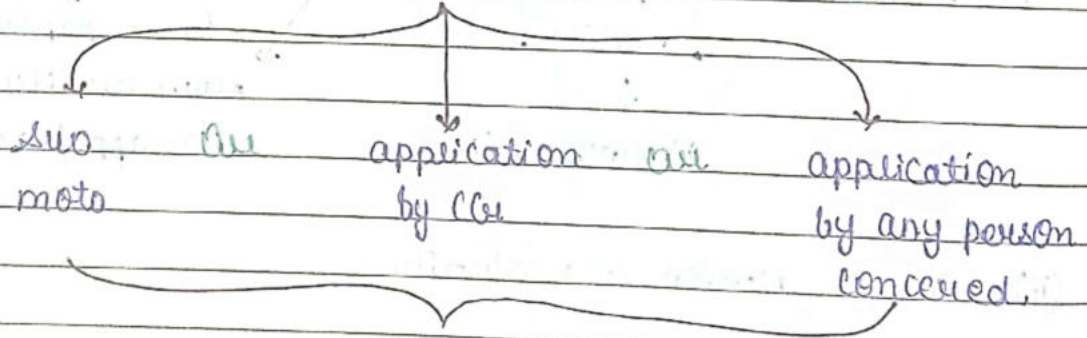
(iii) ADT 3 = Not filed

L E S S ↓	min	+	Continuing	Max
	50,000		default	₹ 2L
	Rem. of auditor		500/day	

Que-13 Change of auditor based on tribunal's direction - Section 140 (sub-section 5)

Ans-

(i) The tribunal either



shall pass an order for changing the auditor if the auditor has acted or abetted or colluded in a fraudulent manner.

(ii) If the application is made by Co the tribunal shall pass an order within 15 days of receipt of application.

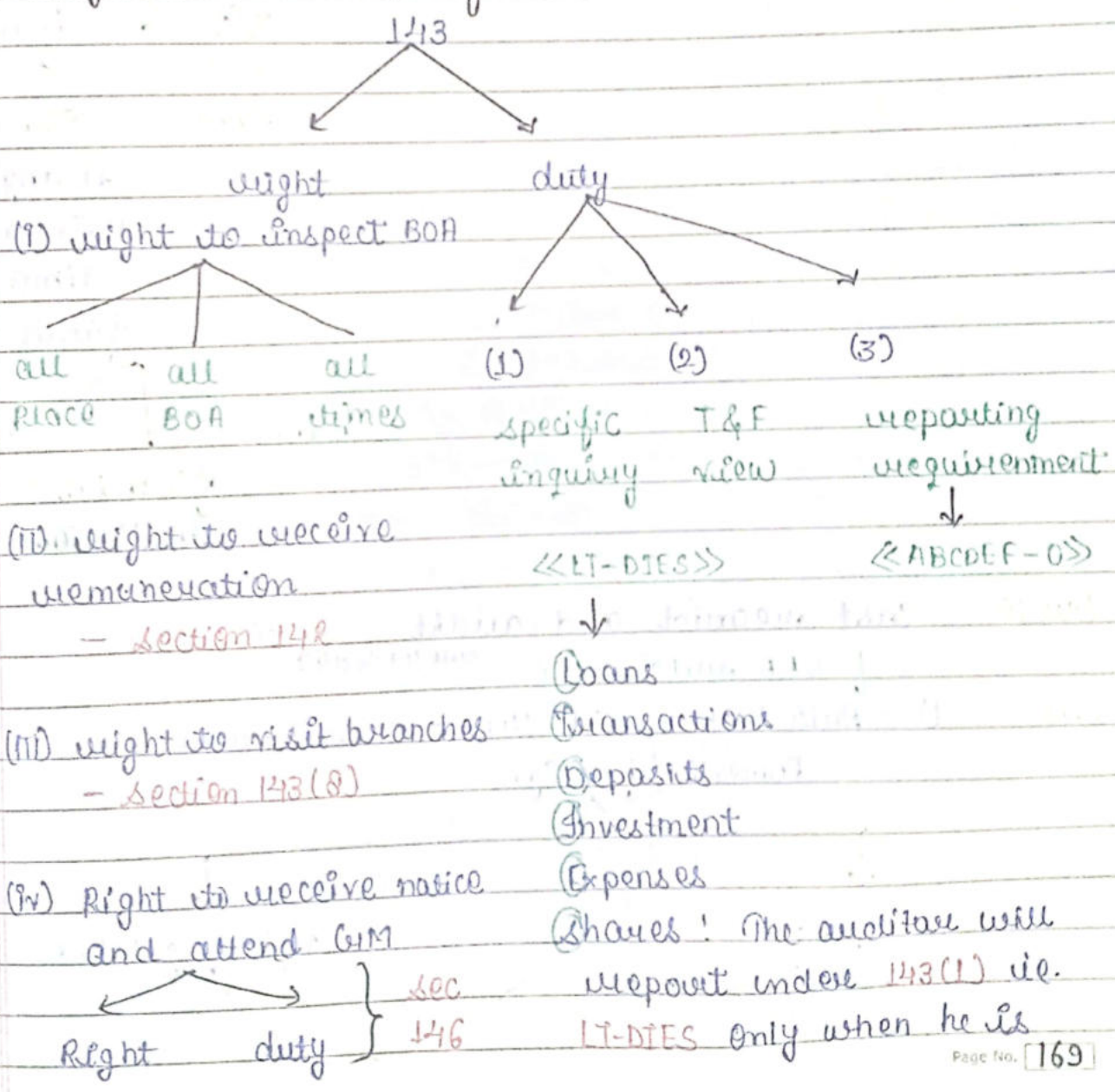
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(iii) The tribunal will pass an order that the person/firm shall be disqualified for 5 years to be an auditor in any company.

(iv) The guilty auditors shall also be liable u/s 147.

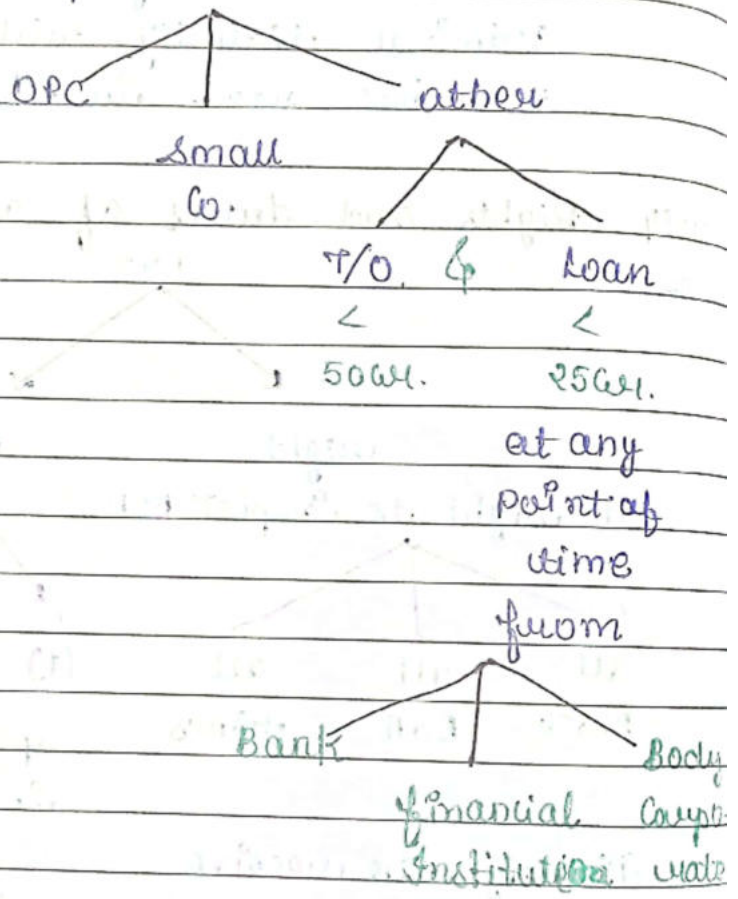
(v) The civil liability will be of the firm & the criminal liability will be only of the partner who has acted in the fraudulent manner.

Ques- Rights and duties of auditor - Section 143
Ans-



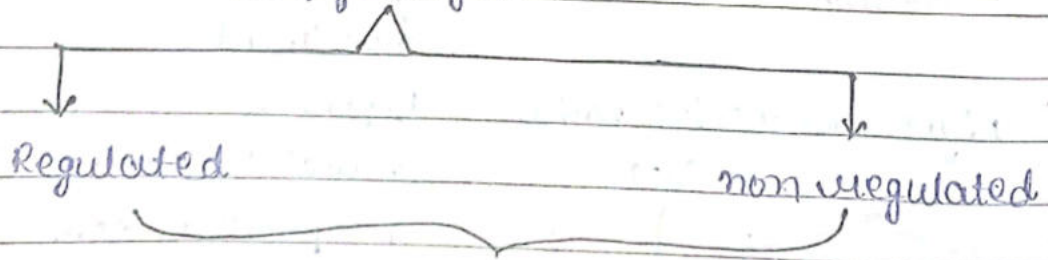
not satisfied. If he has not reported it is assumed that he is satisfied.

Reporting on IFC u/s 143(3) not applicable to a private Co. which is



Cost records and audit - Section 148 of CRA rules, 2014 Rule 4 + Sec 148

1) Rule 3 + Section 148 -> Cost records Domestic / foreign



Rev'd'n of goods

Rev'd'n of services

Overall T/O from all products & services ≥ 35 cr. (last year)
then, cost records

Exemption - Micro/ small enterprise \rightarrow MSMED, 2006.

2) Rule 4 + section 149 \Rightarrow cost audit

Regulated (Table A)
Individual T/O = 25 cr.
AND
Overall T/O = 50 cr.

(Table B) Non-regulated
Individual T/O = 35 cr.
AND
Overall T/O = 100 cr.

Exemption -

if revenue = 75% then no exemption

1) Co. = Revenue from exports $> 75\%$ of total revenue

2) Unit in SEZ

3) Generating electricity \rightarrow captive consumption

CRA1 - cost records
CRA2 - cost audit \rightarrow removal, appointment, casual vacancy

CRA3 - cost auditors \rightarrow BOD report

CRA4 - BOD \rightarrow CG report
XBRI

Date / /

Illustration-1 Cost records

	A Ltd.	B Ltd.	C Ltd.
- regulated			
X	20	-	-
Y	5	-	-
- non regulated			
P	-	80	-
Q	-	12	-
- others	12	10	40 Cr.
Overall T/O	37 Cr.	52 Cr.	40 Cr.
Cost records	✓	✓	X

7/35

Illustration-2 cost audit.

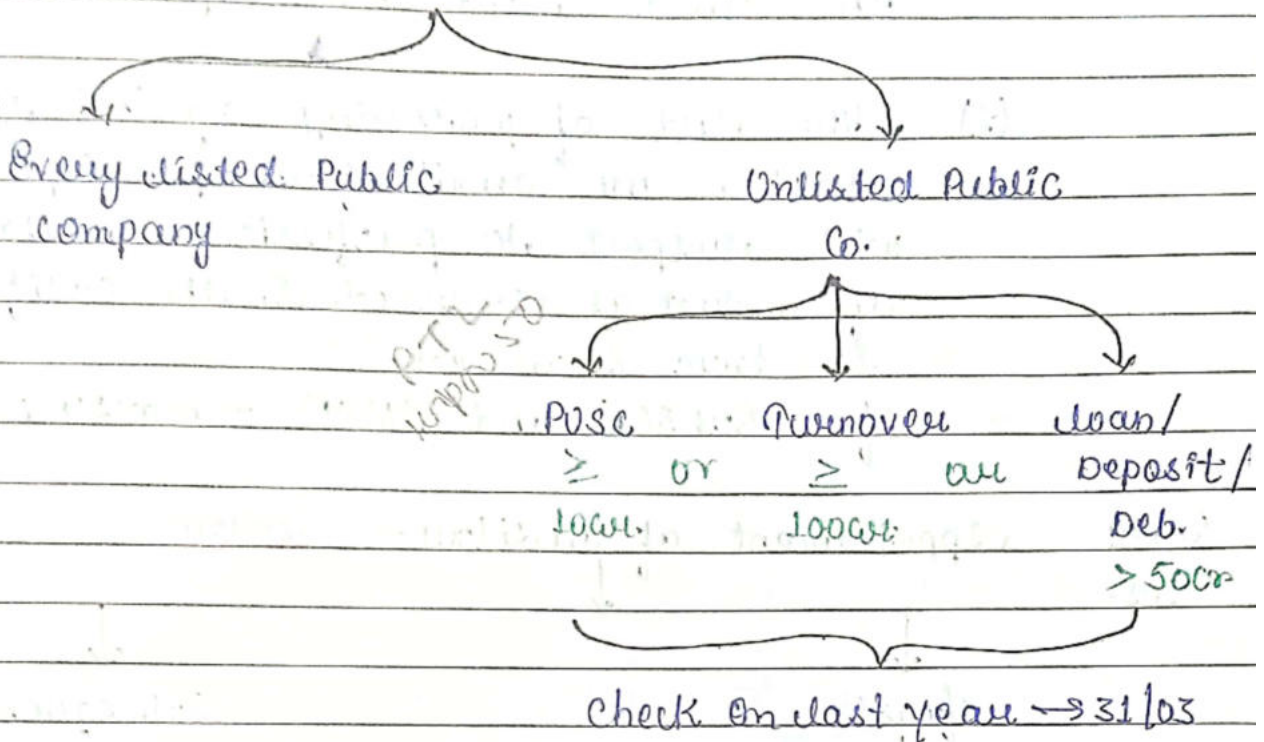
	A	B	C	D
- regulated				
X	15	-	10	15
Y	10	-	5	20
- non regulated				
P	-	20	-	80
Q	-	20	-	10
others	40	70	40	100
Overall:	65	110	55	175
cost audit	✓	✓	X	✓

25/50

350/100

Ques-16 Applicability of audit committee - sec 177

Ans-



Ques-17 What are the contents of Certificate to be given by stat auditor/ cost auditor?

Ans-

1) Before appointment a written consent of the auditor and a certificate containing the following shall be obtained from him-

(a) The individual or the firm as the case be is eligible for appointment and is not disqualified as per Chartered Accountants Act, 1949 / cost and works accountants act, 1959.

(b) The individual or the firm satisfy the criteria as per section 141 of company's act, 2013.

Saathi

Date _____

(c) the purpose of appointment is within the limits laid down by the act

(d) The list of proceeding against the auditor or audit firm pending with respect to professional matters of conduct as disclosed in the certificate is true & correct.

refer Que 5(a) and 6(b)(1) - may 24 suggested