

PAPER – 10 : CORPORATE ACCOUNTING AND AUDITING

SUGGESTED ANSWERS

SECTION-A

1.

- (i) (A)
- (ii) (A)
- (iii) (C)
- (iv) (B)
- (v) (B)
- (vi) (C)
- (vii) (D)
- (viii) (C/D)
- (ix) (C)
- (x) (C)
- (xi) (D)
- (xii) (C)
- (xiii) (A)
- (xiv) (B)
- (xv) (A)

SECTION B

2. (a):

Determination of maximum buyback permissible as per Companies Act, 2013:

1. Shares outstanding Test:

Maximum permissible limit = 25% of the total outstanding shares

Total number of shares outstanding = ₹ 20,00,000 / ₹ 10 = 2,00,000 shares

Therefore 25% of the shares outstanding = 50,000 shares

2. Resource Test :

Maximum permissible limit = 25% of Paid up Capital plus Free Reserve

Equity share capital	₹ 20,00,000
Free Reserve [General Reserve + DER]	₹ 50,00,000
Paid up Capital plus Free Reserve	₹ 70,00,000
25% of Paid up capital plus Free Reserve	₹ 17,50,000
Buy back price per share	₹ 42/- each

Number of shares that can be bought back $[17,50,000 / 42] = 41,667$ shares

3. Debt Equity Ratio Test: [Refer working note]

Debt after buyback cannot exceed twice the paid-up capital plus free reserves.

Total Debt [35,00,000+10,00,000+15,00,000]	₹ 60,00,000
Minimum Equity to be maintained after buyback [2:1]	₹ 30,00,000
Paid up capital plus free reserve before buyback	₹ 70,00,000
Future paid up capital plus free reserve [70,00,000-7,69,230]	₹ 62,30,770
Maximum permissible buyback [₹ 62,30,770-30,00,000]	₹ 32,30,770
Buyback price per share	₹ 42/- each

Number of shares that can be bought back = 76,923 shares

Summary of three test results for permissible buyback are;

Share outstanding test	50,000 shares
Resource Test	41,667 shares
Debt-equity Ratio Test	76,923 shares
Lowest of the above three is	41,667 shares
Actual buyback plan	40,000 shares

Since, actual buyback proposed is below the permissible limits, and the company also has sufficient cash and bank balances of ₹ 18,50,000 [as against required amount of ₹ 16,80,000 (40,000 shares @ ₹ 42)].

Therefore, the company can buy back 40,000 shares at a price of ₹ 42/- each.

Working note:

$$\text{As, 2: 1} = \frac{\text{Total Debt}}{\text{Paid-up Capital plus Free Reserve before buyback} - 10x - 42x}$$

$$\text{Or, 2: 1} = \frac{₹ 60,00,000}{₹ 70,00,000 - 10x - 42x}$$

$$\text{Or, } ₹ 70,00,000 - 52x = 30,00,000$$

$$\text{Or, } x = 76,923 \text{ shares}$$

Alternatively

Present Equity (70,00,000)- Nominal Value of Buy back to CRR(X)- Minimum Equity to be Maintain (30,00,000) = Maximum Permissible Buy back(y) or $70,00,000 - x - y = 30,00,000$
or $y = 40,00,000 - x$ -----(i)

Offering Price for Buy back-

$$\frac{y}{42} \times 10 = x \text{ or } 4.2x = y \text{ -----(ii)}$$

After putting value of 'y' in Equation (ii): $4.2x = 40,00,000 - x$ or $5.2x = 40,00,000$ or $x = ₹ 7,69,230$, and $y = ₹ 32,30,770$.

Hence, No. of Shares of Buy back = $7,69,230 / ₹ 10 = 76,923$ Shares

2. (b):

**In the books of Premier Company Ltd.
Journal**

Date	Particulars	Dr.	Cr.
		₹	₹
01.04.25	Bank A/c Dr. Loss on Sale of Investments A/c..... Dr. To Investments A/c (Being Sale of Investment)	2,16,000 24,000	2,40,000
	Profit & Loss A/c.....Dr. To Loss on Sale of Investment A/c (Being Loss of Sale of Investment)	24,000	24,000
	OR (Instead of above two entries)		
01.04.25	Bank A/c Dr. Profit & Loss A/c..... Dr. To Investments A/c	2,16,000 24,000	2,40,000
01.04.25	Bank A/c..... Dr. To Equity Share Capital A/c (24,000 x ₹ 10) To Securities Premium A/c (24,000 x ₹ 1) (Sale of Equity Shares at Premium)	2,64,000	2,40,000 24,000
01.04.25	10% Red. Pref. Sh. Cap. A/c [5,000 x ₹ 100] Dr. Premium on Red. Pref. Sh. A/c [5,00,000 x 8%]..... Dr. To Preference Shareholders A/c (Preference Shares Redeemed)	5,00,000 40,000	5,40,000
01.04.25	Preference Shareholders A/cDr. To Bank A/c (Payment to Preference Share Holders)	5,40,000	5,40,000
01.04.25	Securities Premium A/c Dr. Profit & Loss A/c Dr. To Premium on Redemption of Pref. Shares A/c (Being Premium on Redemption)	30,000 10,000	40,000
	OR		
01.04.25	Securities Premium A/c Dr. To Premium on Redemption of Pref. Shares A/c (Being Premium on Redemption)	40,000	40,000
	OR		
01.04.25	Profit & Loss A/c Dr. To Premium on Redemption of Pref. Shares A/c (Premium on Redemption transferred to P/L)	40,000	40,000
01.04.25	Profit & Loss A/c Dr. To Capital Redemption Reserve A/c (Capital Redemption reserve transferred to P/L)	2,60,000	2,60,000

Workings:

1. No. of shares to be issued:	₹
Amount payable on redemption	5,40,000
(+) Required Bank balance	19,200
Total funds required	5,59,200
(-) <u>Cash available to the company</u>	
Sale proceeds of investment	(2,16,000)
Present Bank balance	(79,200)
Funds to be raised from fresh issue	2,64,000
No. of equity shares to be issued = $2,64,000 / (10+1) = 24,000$ shares	
2. Transfer to CRR A/c:	₹
Face value of Preference shares redeemed	5,00,000
Less. Proceeds from fresh issue excl. premium	2,40,000
Profits utilized	2,60,000
Source: Statement of Profit and Loss	2,60,000

3.

Balance Sheet of Multiverse Ltd as on 31.03.2025

Particulars	Note No.	Amount (₹)	
		(i) If Dep. On Furniture at Original Cost	(ii) If Dep. On Furniture at Opening WDV
Equity and liabilities			
Shareholders' Funds:			
Share Capital	1	4,00,000	4,00,000
Reserve and Surplus	2	26,550	28,050
Non-Current Liabilities			
Long-term Borrowings (5% Mortgage Debenture)		1,50,000	1,50,000
Current Liabilities:			
Short term Borrowings (Bank overdraft)		1,50,000	1,50,000
Trade Payables – Sundry Creditors		87,850	87,850
Other Current Liabilities (o/s interest on debentures)		3,750	3,750
Total		8,18,150	8,19,650
Assets			
Non-Current Assets:			
Property, Plant and Equipment and Intangible Assets			
PPE	3	3,81,800	3,83,300
Intangible Assets	3	1,35,000	1,35,000
Non- Current Investments (Shares at cost)		50,000	50,000
Current Assets			
Inventories		1,42,500	1,42,500
Trade Receivable	5	90,850	90,850
Cash & Cash equivalent		12,000	12,000
Short Term Loans and Advances	6	6,000	6,000
Total		8,18,150	8,19,650

Statement of Profit and Loss for the year ended on 31.03.2025

Particulars	Note No.	Amount (₹)	
		(i) If Dep. On Furniture at Original Cost	(ii) If Dep. On Furniture at Opening WDV
I. Revenue from operation (Net sales)		6,70,350	6,70,350
II. Other income (Dividend Received)		4,250	4,250
III. Total Income		6,74,600	6,74,600
IV. Expenses:			
Purchases of Stock in trade (4,90,500– advertisement exp.5,000)		4,85,500	4,85,500
Changes in inventory (145200-142500)		2,700	2,700
Employee Benefit expenses (52,000 – 2,000 installation)		50,000	50,000
Finance Cost	7	18,300	18,300
Depreciation & Amortization Expenses	4	20,200	18,700
Other expenses	8	89,850	89,850
Total Expenses		6,66,550	6,65,050
V. Profit before exceptional and extraordinary items and tax year (III – IV)		8,050	9,550
VI. Exceptional items		Nil	Nil
VII. Profit before extraordinary items and tax		8,050	9,550
VIII. Extraordinary item		Nil	Nil
IX. Profit before tax		8,050	9,550
X. Tax Expense:			
(a) Current Tax		4,000	4,000
(b) Deferred Tax		Nil	Nil
XI. Profit / (Loss) for the period (IX-X)		4,050	5,550

Notes to Accounts

Note 01: Share Capital:

Particulars	Amount (₹)	Amount (₹)
Issued and Subscribed & Called up:		
20,000 Equity shares of Rs.10 each	2,00,000	
2,000 6% Preference Shares of Rs.100 each	2,00,000	
Total		4,00,000

Note 02: Reserve and Surplus:

Particulars	(i) If Dep. On Furniture at Original Cost	(ii) If Dep. On Furniture at Opening WDV
	Amount (₹)	Amount (₹)
P/L Balance (opening)	28500	28500
Add: Profit during the year	4,050	5,550
Less: Interim Preference Dividend	6,000	6,000
Total	26,550	28,050

Note 03: PPE and Intangible Assets

Particulars	Amount (₹)	
	(i) If Dep. On Furniture at Original Cost	(ii) If Dep. On Furniture at Opening WDV
Freehold Property	3,50,000	3,50,000
Furniture (52,000- Dep. at cost 20,200) *(5,200 +15,000)	31,800	-----
Furniture (52,000 - Dep. at WDV 18,700) * {(35000 x10%) +(2000 x10%) + Accum.15000}	-----	33,300
PPE	3,81,800	3,83,300
Technical Knowhow		
Less: Written off (1/10)		
Intangible Assets	1,35,000	1,35,000

Note 4: Depreciation and Amortization

Particulars	Amount (₹)	
	(i) If Dep. On Furniture at Original Cost	(ii) If Dep. On Furniture at Opening WDV
Furniture at Cost less depreciation of Rs.15,000	35,000	35,000
Add: Accumulated Depreciation	15,000	15,000
Cost of Furniture	50,000	50,000
Add: Installation Charge of Electrical Fittings wrongly included under the heading Salaries and Wages	2,000	2,000
Total Gross Block of Furniture	52,000	52,000
If Depreciation on Original Cost ₹ 52,000 @ 10%	5,200	-----
If Dep. On opening WDV at 10% on 35,000 + On additions during the year,10% on 2,000=(3500 +200)	-----	3,700
Amortization of Technical Knowhow (1,50,000/10)	15,000	15,000
	20,200	18,700

Note 05: Trade Receivables

Particulars	Amount (₹)	Amount (₹)
Sundry Debtors	50,100	
Add: Bills dishonored	1,500	
Less: Bad Debt (1500 x 50%)	(750)	
		50,850
Bills Receivable	41,500	
Less: Bills Dishonored	1,500	
		40,000
Total		90,850

Note 06: Short term Loans and Advances

Particulars	Amount (₹)
Income tax paid in Advance	10,000
Less: Provision	4,000
	6,000

Note 07: Finance Costs:

Particulars	Amount (₹)
Interest on Bank Overdraft	7,800
Interest on Debentures (3750 + 3750 Accrued)	7,500
Discount on Issue of Debentures	3,000
Total	18,300

Note 8: Other Expenses:

Particulars	Amount (₹)
Payment to the Auditors	5,000
Selling Expenses	79,100
Advertisement (Goods and Articles Distributed)	5,000
Bad debts (1500 x 50%)	750
Total	89,850

4. (a):

Provisions in the books of Grow more Bank Limited will be as under:

₹ in Crore

Classification of assets	Amount of Advance (₹)	% of provision	Amount of provision (₹)
Advance to Agriculture & SME	705	0.25%	1.76
Advance to CRE Sector	1,125	1.0%	11.25
Advance to Standard Assets	12,135	0.40%	48.54
Advance to Substandard Assets	1,232	15%	184.80
Advance to Loss Assets	684	100%	684.00
Advance to Doubtful Assets:			
Up to 1 year	342	25%	85.50
1 to 3 year	248	40%	99.20
More than 3 year	134	100%	134.00
TOTAL	16,605		1,249.05

4.(b):

In the books of a Power Supply Company Ltd.

Statement of Return on Equity

₹ in Crore

Sl. No	Particulars	Year 1 st (₹)	Year 2 nd (₹)	Year 3 rd (₹)	Year 4 th (₹)	Year 5 th (₹)
1	Gross Opening Equity	8,000	8,850	9,700	10,550	11,650
2	Adjustment in Opening Equity	-	-	-	-	-
3	Adjustment during the year	-	-	-	-	-
4	Net Opening Equity	8,000	8,850	9,700	10,550	11,650
5	Add: Increase in Equity for addition					
	Less: Decrease for de-capitalisation	1,000	1,000	1,000	1,250	1,250
6	Less: Decrease due to reversal					
	Add: Increase due to discharges	(250)	(250)	(250)	(250)	(250)
7	Net Closing Equity	-	-	-	-	-
8	Average Equity					
	Rate of Return on Equity	100	100	100	100	100
9	Total Return on Equity	8,850	9,700	10,550	11,650	12,750
10		8,425	9,275	10,125	11,100	12,200
11		18%	18%	18%	15%	15%
12		1,516.5	1,669.5	1,822.5	1,665.0	1,830.0

Alternative Solution:**In the books of a Power Supply Company Ltd.****Statement of Return on Equity****₹ in Crore**

Sl. No	Particulars	Year 1 st (₹)	Year 2 nd (₹)	Year 3 rd (₹)	Year 4 th (₹)	Year 5 th (₹)
1	Gross Opening Equity	8,000	8,970	9,940	10,910	12,130
2	Adjustment in Opening Equity	-	-	-	-	-
3	Adjustment during the year	-	-	-	-	-
4	Net Opening Equity	8,000	8,970	9,940	10,910	12,130
5	Add: Increase in Equity for addition					
	Less: Decrease for de-capitalisation	1,000	1,000	1,000	1,250	1,250
6	Less: Decrease due to reversal					
	Add: Increase due to discharges	(50)	(50)	(50)	(50)	(50)
7	Net Closing Equity		-	-	-	-
8	Average Equity					
	Rate of Return on Equity	20	20	20	20	20
9	Total Return on Equity	8,970	9,940	10,910	12,130	13,350
10		8,485	9,455	10,425	11,520	12,740
11		18%	18%	18%	15%	15%
12		1,527.3	1,701.9	1,876.5	1,728	1,911

5. (a):

Basic EPS for 2023-24 = ₹ 20,00,000/10,00,000 = ₹ 2.00

No. of rights shares issued = 10,00,000 x ¼ = 2,50,000

Theoretical Ex-right fair value = (Aggregate Market value of share immediately prior to the exercise of the rights + Proceeds from exercise of the rights)/ Number of shares outstanding immediately after the right issue
= (10,00,000 x 25 + 2,50,000 x 20)/(10,00,000+2,50,000) = ₹ 24.00

Right factor = Fair value per share immediately prior to right issue/Theoretical ex-right fair value per share =
25.00/24.00 = 1.04

Basic EPS for 2024-25 = 30,00,000/(10,00,000 x 1.04 x 3/12 + 12,50,000 x 9/12)
= 30,00,000/11,97,500 = ₹ 2.51

Restated EPS for 2023-24 = 20,00,000/(10,00,000 x 1.04) = ₹1.92

5. (b):**Calculation of Cost of Inventory as per Ind AS 2:**

Particulars	Amount (₹)	Amount (₹)
Purchase price	3,67,500	
Less: Discount on purchase price (3,67,500 x 2%)	7350	3,60,150
Add: Import duties	12,500	
Forwarding charges for external transport	3,400	
Transport insurance	2,500	
Commission and brokerage paid	7,500	25,900
Cost of Inventory as per Ind AS 2		3,86,050

Note: The Treatment of following items for the purpose of the valuation of Inventories as per Ind AS 2 is:

Sl.	Particulars	Treatment as per Ind AS 2
1	GST @ 5% on purchase price	Excluded (recoverable input tax)
2	Travel expenses of purchase department	Excluded being administrative overhead
3	Internal storage cost of receiving material	Excluded (unless necessary in production process; here post-purchase storage)
4	Cost of letter of reference	Excluded being administrative overhead
5	Internal transport between stock locations	Excluded (after acquisition; not to bring to present location initially)

Alternative Solution:

When GST is not considered recoverable and the cost of Letter of reference is considered a direct or necessary cost.

Calculation of Cost of Inventory as per Ind AS 2:

Particulars	Amount (₹)	Amount (₹)
Purchase price	3,67,500	
Less: Discount on purchase price (3,67,500 x 2%)	7350	3,60,150
Add: GST @ 5% on Rs. 3,67,500	18,375	
Import duties	12,500	
Forwarding charges for external transport	3,400	
Transport insurance	2,500	
Cost of letter of reference	5,350	
Commission and brokerage paid	7,500	49,625
Cost of Inventory as per Ind AS 2		4,09,775

Note: The Treatment of following items for the purpose of the valuation of Inventories as per Ind AS 2 is:

Sl.	Particulars	Treatment as per Ind AS 2
1	Travel expenses of purchase department	Excluded being administrative overhead
2	Internal storage cost of receiving material	Excluded (unless necessary in production process; here post-purchase storage)
3	Internal transport between stock locations	Excluded (after acquisition; not to bring to present location initially)

6. (a):

An effective system of internal control should have the following key elements:

- Financial and Other Organisation Plans:** This may take the form of manual suitably classified by flow charts. It should specify the various duties and responsibilities of both management and staff, stating the powers of authorisation that reside with various members,
- Competent Personnel:** In any internal control system, personnel are the most important element. When the employees are competent and efficient in their assigned work, the internal control system can be operated efficiently and effectively,

- iii) **Division of Work:** In any internal control system, each and every work of the organisation should be divided in different stages and should be allocated to the employees in accordance with quality and skill,
- iv) **Separation of Operational Responsibility from Record Keeping:** In order to ensure reliable records and information, record-keeping function must be separated from the operational responsibility of the concerned department,
- v) **Separation of the Custody of Assets from Accounting:** To protect assets from misuse and misappropriation, it is required that the custody of assets and their accounting should be done by separate persons,
- vi) **Authorization:** In an internal control system, all the activities must be authorized by a proper authority,
- vii) **Managerial Supervision and Review:** The internal control system should be implemented and maintained in conformity with the environmental and elemental changes of the concern. There must be regular supervision and review of the effectiveness of the internal control system of the organisation.

6. (b):

Section 204 [read with Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014] of the Companies Act 2013 has introduced Secretarial Audit for the following class of companies:

- (i) Every listed company;
- (ii) Every public company having a paid-up share capital of fifty crore rupees or more; or-
- (iii) Every public company having a turnover of two hundred fifty crore rupees or more.
- (iv) Every Company having outstanding loans or borrowings from banks or public financial institutions of 100 crore rupees or more.

Accordingly, the following provisions have been suggested in relation to Secretarial Audit in these companies.

- (1) The above Companies shall Annex with its Board's Report made in Terms of Sub-Section (3) of section 134, a secretarial audit report, given by a company secretary in practice, in the format prescribed in Form MR-3 as per Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.
- (2) It shall be the duty of the company to give all assistance and facilities to the company secretary in practice, for auditing the secretarial and related records of the company.
- (3) The Board of Directors, in their report made in terms of sub-section (3) of section 134, shall explain in full any qualification or observation or other remarks made by the company secretary in practice in his report under sub-section (1).
- (4) If a company or any officer of the company or the company secretary in practice, contravenes the provisions of this section, the company, every officer of the company or the company secretary in practice, who is in default, shall be liable to a penalty of two lakh rupees

7. (a):

Audit Procedure to be Followed to Audit Employee Benefit Expenses:

While conducting an audit of employee benefit expenses, an auditor must, at the beginning, obtain a detail understanding of the company's recruitment, promotion and retirement policies, remuneration schemes, various post-employment benefits. He should evaluate the internal control associated with these expenses. He should also apply substantive procedure to determine the reasonability of monthly cash outflow, consistency with the previous year's figures etc. so as to determine an expectation of monthly expenses and whether the same is consistent with peers.

In addition, the auditor shall resort to the following audit procedure:

(1) Occurrence

- (i) The auditor should ensure that all expenses included in the employee benefit expenses are genuine.
- (ii) He should obtain a complete list of employees with data on new hires, their appointment dates and remuneration terms and conditions.
- (iii) For a sample of newly appointed employees, he may conduct a complete examination of their appointment and remuneration paid as per terms.
- (iv) Similarly, he may collect a list of employees resigned or terminated during the year and see that their payments have been appropriately decided and settled.
- (v) He should obtain the pay roll register and conduct an examination of reasonability of remuneration and investigate irregularities, if any.
- (vi) He should also see that all adjustments such as outstanding salary, PF contribution, deposit of TDS, PF and ESI premium have been appropriately recorded.

(2) Cut-off

The auditor must ensure that only employee benefit expenses relating to current year have been recognised.

(3) Completeness

- (i) The auditor shall see that all the employee benefit expenses have been appropriately recorded in the books of accounts.
- (ii) He should also check whether all the amount of money deducted from salary have been duly deposited and if not, the same have been shown as a current liability.

(4) Measurement

- (i) The auditor must see that the total amount of remuneration is correctly determined. He may conduct a test on a sample to check the same.
- (ii) He should check whether statutory deductions have been accurate and post-employment benefits have been determined as per the policy adopted.

(5) Presentation and Disclosure

The auditor must see that the following disclosure requirements as per Schedule III (Part 1) have been duly complied with:

Employee Benefits Expense shall be shown separately as (i) salaries and wages, (ii) contribution to provident and other funds, (iii) expense on Employee Stock Option Scheme (ESOP) and Employee Stock Purchase Plan (ESPP), (iv) staff welfare expenses.

7. (b):

NFRA's role in monitoring and enforcing compliance with Auditing Standards:

- (1) For the purpose of monitoring and enforcing compliance with auditing standards under the Act by a company or a body corporate governed under Rule 3, the Authority may:
 - (a) review working papers (including audit plan and other audit documents) and communications related to the audit;
 - (b) evaluate the sufficiency of the quality control system of the auditor and the manner of documentation of the system by the auditor; and
 - (c) perform such other testing of the audit, supervisory, and quality control procedures of the auditor as may be considered necessary or appropriate.
- (2) The Authority may require an auditor to report on its governance practices and internal processes designed to promote audit quality, protect its reputation and reduce risks including risk of failure of the auditor and may take such action on the report as may be necessary.
- (3) The Authority may seek additional information or may require the personal presence of the auditor for seeking additional information or explanation in connection with the conduct of an audit.
- (4) The Authority shall perform its monitoring and enforcement activities through its officers or experts with sufficient experience in audit of the relevant industry.
- (5) The Authority shall publish its findings relating to non-compliances on its website and in such other manner as it considers fit, unless it has reasons not to do so in the public interest and it records the reasons in writing.
- (6) The Authority shall not publish proprietary or confidential information, unless it has reasons to do so in the public interest and it records the reasons in writing.
- (7) The Authority may send a separate report containing proprietary or confidential information to the Central Government for its information.
- (8) Where the Authority finds or has reason to believe that any law or professional or other standard has or may have been violated by an auditor, it may decide on the further course of investigation or enforcement action through its concerned Division.

8. (a):

The major objective of audit of Municipalities and Panchayats are enumerated below;

- (i) To ensure on the fairness and correctness of contents in the Financial Statement
- (ii) To report on adequacy of internal control
- (iii) To ensure value of money is fully received on amount spent.
- (iv) To detect the frauds and errors.

The following points are to be considered necessary for carrying on audit of Municipalities and Panchayats (Local Bodies);

1. To ensure that the expediters incurred conform to the relevant provision of the law and is in accordance with the financial Rules and regulation formed by the compliant authority.
2. To ensure that sanction is accorded by the competent authority either special or general.
3. To ensure that there is provision of funds for expenditure and is authorized by competent Authority.
4. To ensure that where huge financial expenditure is made is run economically and is expected to contribute growth.

Alternative answer on audit of Panchayats:

Accordingly, the auditor is supposed to consider the following general points in conducting the audit of local bodies:

1. Ensure that his appointment is in line with the respective regulation of the local body and approved by the appropriate authority.

2. Obtain a detail understanding of the rules and regulations that governs the operations, especially the financial control and accounting of the organisation.
3. Consult the relevant documents, minutes and resolutions of various meetings of different committees.
4. With regards to various government schemes which are implemented through local bodies, check the utilization of grant, appropriate authorization being maintained throughout and adequacy of accounting.
5. Apply in depth investigation in areas with potential fraud such as revenue collection, various waiver schemes, use of casual labour etc.
6. 6. Whenever there is a provision of funds, ensure that the expenditure is incurred from the provision and the same has been authorized by the competent authority.
7. Ensure that where huge financial expenditure is involved, the schemes are running economically and is expected to generate the targeted outcome.

8.(b):

According to Companies Act, 2013, a company auditor can be removed from his office in two ways as follows:

(A) Removal of the Auditor before Expiry of his Term

The auditor appointed under Section 139 may be removed from his office before the expiry of his term, subject to the fulfilment of the following conditions under Section 140 (1) read with Rule 7 of CAAR 2014:

- (i) An application to the Central Government for removal of the auditor shall be made in Form ADT-2. The application shall be accompanied with fees as provided for this purpose under the Companies (Registration Offices and Fees) Rules, 2014.
- (ii) The application shall be made to the Central Government within thirty days of the resolution passed by the Board.
- (iii) The company shall hold the general meeting within sixty days of receipt of approval of the Central Government for passing the special resolution for removal of the said auditor.
- (iv) The auditor concerned shall be given a reasonable opportunity of being heard.

(B) Removal of the Auditor by the Tribunal:

As per Section 140(5), an auditor can be removed from his office by the Tribunal in the following manner:

- (i) The Tribunal either suo-motu or on an application made to it by the Central Government or by any person concerned, may, by order, direct the company to change its auditor, if it is satisfied that the auditor has, whether directly or indirectly, acted in a fraudulent manner or abetted or colluded in any fraud by, or in relation to, the company or its directors or officers.
- (ii) If the application is made by the Central Government and the Tribunal is satisfied that any change of the auditor is required, it shall within fifteen days of receipt of such application, make an order to the removal of the auditor from his office.
- (iii) The Central Government may appoint another auditor in his place.
- (iv) An auditor, whether individual or firm, against whom final order has been passed by the Tribunal under this Section shall not be eligible to be appointed as an auditor of any company for a period of five years from the date of passing of the order and the auditor shall also be liable for action under Section 447.