Sec 143

Section 143: Power and Duties of Auditor

Power of Auditors

- Right to access BOA at all times
- Require Info. & explⁿ (ZEE) from officers
- Access record — subsy / Associate
  - ↓
  - In so far as it relates to consolidation.

Inquiry

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* Make inquiry into following matters:

(a) Loans & adv. — Prop secured / Term predicted

(b) Merely book entries (Revaluation) — Prejudicial.

(c) Assets — shares / debenture / others — sold at price < purchase price (Except — investment co. / Banking co.)

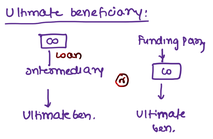
(d) Loan & advances — Deposit

(e) Personal expense — Revenue A/c

(f) Shares allotted for cash — Actually received / No cash, whether BOA/BS — correct / Regular / Not mis-leading

Auditor's report

- Report on — BOA examined / FS
- Express Opinion → True view
- Auditor's report to state:
  - (a) Info. & explanation — sought & obtained / Effect
  - (b) Books of Account — properly kept / Proper summarized returns received from branch
  - (c) Branch auditor's report for branches audited by person other than co. Auditor & manner dealt with.
  - (d) Whether — BS / PL — Agreement with BOA.
  - (e) FS comply with AS
  - (f) Financial transaction → observation ↳ Adverse effect.
  - (g) Director disqualified u/s 164(2)
  - (h) Qualifi. / Reservation / Adverse — maintainence of BOA
  - (i) IFC — Adequate / Operating effective. — N.A. to: Private co. — OPC / Small co. / T/O < 50Cr (AND) Borrowing < 25Cr.
  - (j) Other matters: L₂ QIDA
    - Impact of pending litigations on its financial positions
    - Provision for material foreseeable losses
    - I — Delay in trf. amt to IEPF
    - B — Ultimate beneficiary:



  - (D) Dividend comply with 123
  - (A) Features of accounting software — Audit trail

Dmitran — BOA: JE, TB, Ledger } P/L, BS

Government co.

- C&AG to appoint auditor
- C&AG —direct manner of audit→ Auditor
  - Audit report — C&AG's directions / Action taken / Impact on — BOA, FS
  - 60 days
- Supplementary audit: (of FS) within 60 days of receipt of audit report:
  - ↓
  - conduct supplementary audit ↳ By person auth.
  - (+)
  - comment upon such audit report → Sent to every person entitled to FS + Place in AGM
- Test Audit: (of BOA)
  - ↓
  - C&AG may → order test audit.

C&AG comm. / Supp. audit report / Audit report

Branch office

- India
  - Co. Auditor
  - Any other person qualified to be appt. as auditor in India [CA in P]
- Outside India
  - Co. Auditor
  - Any person duly qualified to act as auditor as per law of that country

Branch auditor —Report→ Company auditor

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Deal with branch auditor's report.

Sec 143(12) — Fraud [Applicable to Cost auditor & Secretarial auditor also]

(imp)

- If an AUDITOR — In the course of performance of duties as stat. auditor

⇓

has reason to believe that fraud is committed

⇓

Against the co. — By officer / employee

- Amount ≥ 1 crore
  - ⇓
  - Auditor —Report Immediately (not > 2 days)→ AC/BOD
    - ↓
    - Reply in 45 days
      - Reply received — Auditor — 15 days — CG
        - Fraud report
        - AC/BOD reply
        - His comments
      - No reply received — Auditor — within 15 days after end of 45 days — CG
        - His report
        - Note that details were sent to AC/BOD but no reply received.
  - Mode: Send to — Secretary, MCA / RPAD or speed post / AND Email / ADT-4 — signed by auditor (indicate membership no.) / Letter head
- Amount < 1 crore
  - Auditor —Immediately (Not > 2 days)→ AC/BOD
    - Nature
    - Amount
    - Parties (NAP)
  - ↓
  - BOD to disclose in BOD report:
    - Nature
    - Amount
    - Parties involved, if remedial action not taken
    - Remedial action.

No breach of duty if reporting to CG done in good faith

(imp) Penalty — Auditor / Cost A/c / CS — contravention of 143(12)
- Listed co → ₹5 lakh
- Other co. → ₹1 lakh

Fraud — AC/BOD — X, used → Isd.

01.01.2025

15.02.2025 — wait 15d — CG — Report + No reply.

Fraud — PIL → officer — >1cr (2 crore) — X & Report CG X

Report — CG — Score / letter sign (ADT4) — Report + Reply + C.n

IFC — Firstav (Nirav modi) — Deloitte — CG Report — modi — Good faith

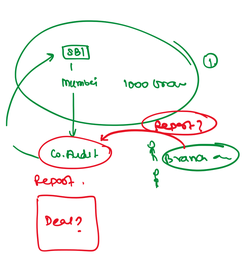
Details? — information

confidentiality — Trust. — Breach

143(12)

148

+ Chap 10



(a) Info. Jary.

(b) BOA.

(c) Co. Auditor — Branch

(d) BOA — FS.

(e) AS — FS?

(f) Financial tr — Adver — Comm.

(g) Director 164(2)

(h) Hadd → BOA. — Qu. / Adv.

(i) IFC — A / DE

15.05.2024

Engagement letter

Auditor — Company

EL: Scope, Fees, Auditor Appt, Auditor Resign

X — mutually decide

Sec 143 (12) to (15)

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Fraud Reporting

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If Auditor during course of audit → Stat Auditor (Including Br. Auditor) / Cost Auditor / Secretarial Auditor

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Has Reason to believe that fraud is committed by Officer or Employee → Low info not sufficient

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Then Reporting should be done → Supplier not covered / Other Third Parties not covered

- Individually — Fraud Amount 1 Crore or Above
  - ↓
  - Auditor —Immediately Within 2 Days→ AC/BOD
  - ↓
  - Time of 45 Days to Reply
    - Reply Received — Auditor —With 15 Days of Receiving Reply→ CG
      - ↓
      - His Report
      - Reply Received
      - His Comments
    - Not Received — Auditor —With 15 Days from the end of 45 Days→ CG
      - ↓
      - His Report
      - Note → AC/BOD informed. No Reply Received
- Fraud Amount below 1 Crore
  - ↓
  - Auditor —Immediately Within 2 Days→ AC/BOD
  - ↓
  - Content (NAP)
    - Nature of Fraud
    - Amount of Fraud
    - Parties Involved
  - ↓
  - Include it in BOD Report
    - Nature of Fraud
    - Amount of Fraud
    - Parties Involved
    - (+)
    - Remedial Action

Other Important Points

- Receiving Person → Secretary, MCA
- Mode of Communication → RPAD / Speed Post AND EMAIL
- If this communication is in good faith then it is not breach of Confidentiality
- Penalty →
  - Listed Co → 5,00,000
  - Other Co → 1,00,000
- As per NFRA reporting should be done even if reported by other auditors
- Audited Reporting → Format → Form ADT-4
  - ↓
  - Signed by Auditor
  - Membership No
  - → Letter Head