

AUDIT



The Companies Act, 2013
THE COMPANIES ACT, 2013

- **Section 139** **Appointment**
- **Section 140** **Removal, resignation**
- **Section 141** **Eligibility, qualifications and disqualifications**
- **Section 142** **Remuneration**
- **Section 143** **Powers and duties**
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- **Section 146** **Attend general meeting**
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Section 139 Appointment



Section 139 (1) Appointment of Auditor

- Company shall appoint auditor in first AGM
- Auditor shall hold office from 1st AGM to 6th AGM
- Audit Committee or BOD recommend, approve by members in AGM
- file a notice (Form ADT-1) to Registrar within 15 days of the meeting in which the auditor is appointed

Section 139 (2) Term of Auditor

Applicability

- Listed Co.
- unlisted Co. PSC 10 crore
- Private Co. PSC 20 crore
- all companies borrowings 50 crore

Term of Auditor

- Individual for one term of five year
- Audit firm for two terms of five year

Section 139 (5) Auditor of Govt. Company

In case of Govt. Co.,

The C&AG of India, appoint an auditor within a period of one hundred and eighty days from the commencement of the financial year, who shall hold office till the conclusion of the AGM

Section 139 (6) First Auditors

- First auditor appointed by the BOD within 30 days from registration and the auditor so appointed shall hold office until the conclusion of the first AGM.
- If the Board fails, members appoint the first auditor within 90 days

Section 139 (7) First Auditors (Govt.)

- First auditor appointed by the C&AG within 60 days from registration
- If C&AG fails, BOD shall appoint such auditor within the next 30 days
- If BOD fails, members shall appoint such auditor within the 60 days

Section 139(8) Casual vacancy

- Casual vacancy of an auditor be filled by the C&AG within 30 days
- If C&AG fails, the BOD shall fill the vacancy within next 30 days

Sections 139 (9) & (10) Re-appointment of retiring auditor

Re-appointed At AGM if,

- Not disqualified
- Not give Notice of unwillingness
- SR not passed for appointing some other auditor

Section 139 (11) Audit committee's recommendation

If Section 177 applicable, all appointments, including the filling of a casual vacancy shall be made after taking into account the recommendations of such committee.

Section 140 Removal & Resignation



Removal



**Giving opportunity of being heard to Auditor

Section 140 (2) & (3) Resignation



Section 140(4) Special Notice for removing Auditor before the expiry of his term

Retiring auditor shall not be re-appointed in next tenure (after 5/10 year)

Section 141 Eligibility, qualifications and disqualifications



Chartered Accountant



Section 141 (1) & (2) Qualifications

- Eligible to be appointed as auditor of a company → Qualified Chartered Accountant
- Firm where of majority of partners practicing in India
- LLP is appointed as an auditor of a company, only the partners who are CA shall be authorised to act and sign on behalf of the firm

Section 141 (3) Disqualifications

- Body corporate except LLP
- Officer or employee of the company
- Partner or employment, of an officer or employee of the company

- His relative or partner
- Holding any security, face value 1 Lac. (60 days corrective time limit)
- Indebted Rupees 5 Lacs
- Guarantee in excess of 1 Lac.

- Relative is a director or KMP
- Business relationship with the company
- Appointment as auditor of more than 20 companies
Exception: - OPC, Dormant Co., Pvt Co. having PSC below 100 crore
- Convicted by a court (Not allowed for 10 years)
- Provide services mention in Section 144

Section 141(4) Vacation of office by an auditor

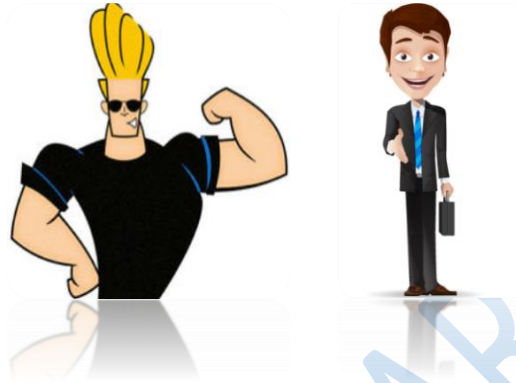
After appointment, incurs any of the disqualification, deemed to have vacated his office.

Section 142 Remuneration



- Fixed by the company in general meeting
- First auditor remuneration may be fixed by the BOD

Section 143 Powers and duties



Section 143(1) Powers

- Access to books of account and vouchers
- Entitled to have necessary information and explanation
- Matters of inquiry
- Access to record of all its subsidiaries

Section 143(2), (3) & (4) Duties

- Make report on A/C & financial statements
- Express his opinion on financial statements examined
- Compliance with auditing standards
- Attend general meeting
- Reporting of frauds etc.

Section 144 Auditor not to render certain services



1. accounting and book keeping services.
2. internal audit.
3. design and implementation of any financial information system.
4. actuarial services.
5. investment advisory services.
6. investment banking services.
7. rendering of outsourced financial services.
8. management services.
9. Other.

Section 145 Auditors to sign audit reports



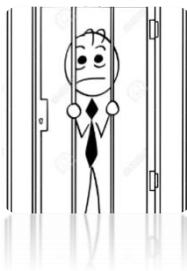
Auditor of the company shall sign the auditor's report or sign or certify any other document

Section 146 Auditors to attend general meeting



Auditor shall, attend either by himself or through his authorised representative, who shall also be qualified to be an auditor, any general meeting

Section 147 Punishment for contravention



- **Auditor or Company** contravenes any of the provisions, punishable with fine which shall not be less than **25,000** but which may extend to **5 lacs** etc.
- Auditor has contravened such provisions knowingly or willfully with the intention
Imprisonment 1 year & Fine 50,000 to 25 lacs

Section 148 Cost Audit

CMA



- The cost audit shall be conducted by a **Cost Accountant in practice** who shall be appointed by the **Board** on such remuneration as may be determined by the members.

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