

Q.1 BT Ltd, a company wholly owned by C.G. was disinvested during the previous year, resulting in 40% of the shares being held by public. The shares were also listed on the BSE. Since the shares were listed, all the listing requirements were applicable, including publication of quarterly results, submission of information to the BSE etc.

Sam, the FM of the company is of the opinion that now the company is subject to stringent control by BSE and the markets, therefore the auditing requirements of a limited company in private sector under the Companies Act 2013 would be applicable to the company and the C&AG will not have any role to play. Comment. [Study Material – ICAI, MTP-April 21]

Ans.: Role of C& AG in case of Govt. company:

- Sec. 2(45) of the Companies Act, 2013, defines a “Government Company” as a company in which not less than 51% of the paid-up share capital is held by the Central Government or by any State Government or Governments or partly by the Central Government and partly by one or more State Governments, and includes a company which is a subsidiary company of such a Government company.
- The auditors of these government companies are firms of Chartered Accountants, appointed by the Comptroller & Auditor General, who gives the auditor directions on the manner in which the audit should be conducted by them.
- In the given case, 60% shares of the company is still with the C.G. and hence it is classified as a government company.

Conclusion: Sam opinion is not correct as BT Ltd. is a government company, listing of company’s shares on a stock exchange is irrelevant for this purpose.

Q.2 You have been appointed as auditor of a AKY Ltd. After having determined the audit objectives, now you have been requested to draft audit criteria. What are the sources that you will use while doing the task? [Study Material – ICAI]

Ans.: Sources for obtaining Audit Criteria:

Audit criteria are the standards used to determine whether a program meets or exceeds expectations. It provides a context for understanding the results of the audit. Audit criteria are reasonable and attainable standards of performance against which economy, efficiency and effectiveness of programmes and activities can be assessed.

The audit criteria may be sought to be obtained from the following sources:

- (i) procedure manuals of the entity.

- (ii) policies, standards, directives and guidelines.
- (iii) criteria used by the same entity or other entities in similar activities or programmes.
- (iv) independent expert opinion and know how.
- (v) new or established scientific knowledge and other reliable information.
- (vi) general management and subject matter literature and research papers.

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