

ACCOUNTS & AUDIT UNDER COMPANIES ACT, 2013

**Advocate Arun Saxena
Saxena & Saxena Law Chambers
Advocates & Attorneys
603-604, New Delhi House,
27, Barakhamba Road,
New Delhi – 110 001.
Ph: 43044999, Mob.: 9810037364
E-mail : advisor@sslclegal.in**

Books of Accounts 128(1)

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Every company shall prepare and keep at its RO.

Books of Accounts,

- Other relevant books and papers and
- Financial Statement
- For every Financial year
- On accrual basis
- on double entry system

Financial Statement (Section 129)

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- Shall give **true and fair view**.
- Shall **comply with accounting standard**
- Shall be in form of **Schedule III**.

Financial Statement (Section 129)

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- **Books of accounts(Section2(13))**
 - ❑ All money received and expended
 - ❑ All sales and purchases of goods and services
 - ❑ All assets and liabilities
 - ❑ Items of costs (Section 148)

FINANCIAL STATEMENTS

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Books & Papers: Section 2(12)

- Books of accounts
- Deeds, Vouchers, writings, Documents, minutes and registers.

FINANCIAL STATEMENTS

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Financial Statements: Section 2(40)

- Balance sheet,
- Profit & Loss account,
- Cash flow statement,(not for OPC, small company & dormant company).
- Statement of **change in equity** (if applicable)

FINANCIAL STATEMENTS

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Financial Year : Section 2(41)

- 31st march every year.
- For 1st year of incorporation
- If incorporated before 1st January– 31st March same year.
- Otherwise -- 31st march of next financial year.
- Transition period – 2 years

Consolidated Financial Statements

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- Consolidated financial statement of all subsidiaries and company shall be placed before the AGM. (Section 129 (3)).
- Subsidiary includes Associates and Joint venture companies.

Books of Account in Electronic Mode

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- May keep in **Electronic Mode** in such manner as may be prescribed.
- **Rule 3 of (Companies Account) Rule, 2014 :-**
 - To remain accessible in India so as to be **usable for subsequent reference**.
 - To be retained in the **same format** in which originally generated.
 - To remain complete and **unaltered**.
 - **Information from branches shall not be altered**.
 - To be capable of being **legible**.
 - To have proper system of **storage, retrieval, display or print out of electronic record**.

Books of Account in Electronic Mode

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- Records shall not be disposed off or rendered unusable unless permitted by law.
- Back up of the books of accounts shall be kept in the servers physically located in India.
- Intimation to ROC(at the time of filing F/S)
 - Name of the service provider
 - Location of the service provider
 - Internet protocol address of the service provider
 - If books of accounts are maintained on cloud, address of the service provider

Financial Statement

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➤ Financial statement shall be laid at every Annual General Meeting.

➤ Punishment:-

Officer in default with imprisonment upto one year or with fine from Rs.50,000/- to Rs.5,00,000/- or both.

Re-opening or re-casting of books of accounts of the company (Section 130)

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A company shall not reopen its books of accounts and not re-cast its financial statement unless

- a) An application in this regard is made by :
- ▣ Central Government
 - ▣ Income tax authorities
 - ▣ Security and Exchange Board
 - ▣ Any other statutory regulatory body or authority

Re-opening or re-casting of books of accounts of the company

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- b) An order in this regard is made by Court or Tribunal to effect that:
 - ▣ The relevant earlier accounts were prepared in **fraudulent manner.**
 - ▣ The affairs of the company were **mis-managed** during relevant period **casting the doubt on reliability of financial statement.**
- c) The accounts so revised or re-cast **shall be final.**

Voluntary Revision of Financial Statement or Board's Report (Section 131)

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If it appears to the Board that financial statement or Board Report **do not comply the provisions of section 129 & 134**, they may prepare revised financial statement /Board report.

Conditions:

- any of the **3 preceeding financial year**
- not more than **once in a financial year.**
- reasons shall be disclosed in Board's Report.
- with the **approval of Tribunal**
- **copy of order of tribunal shall be filed with ROC.**

Draft Rules for Revision

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- **Application** to tribunal within **2 weeks** from the decision of Board.
- Disclosure in application for **change of Auditor or majority of Director**.
- Tribunal shall issue notice and hear auditor on original financial statement.
- Copy of order to ROC (30 days)
- **General Meeting** shall be called
- **Notice** of General Meeting with reason for revision **shall be published**
- Revised F/s and B/R shall be **placed for adoption**.
- Revised statement / BR shall be filed with ROC (30 days)
- Word revised be pre-fixed.
- Consent letter from old auditor if not, reasons.

Schedule II -- (Depreciation)

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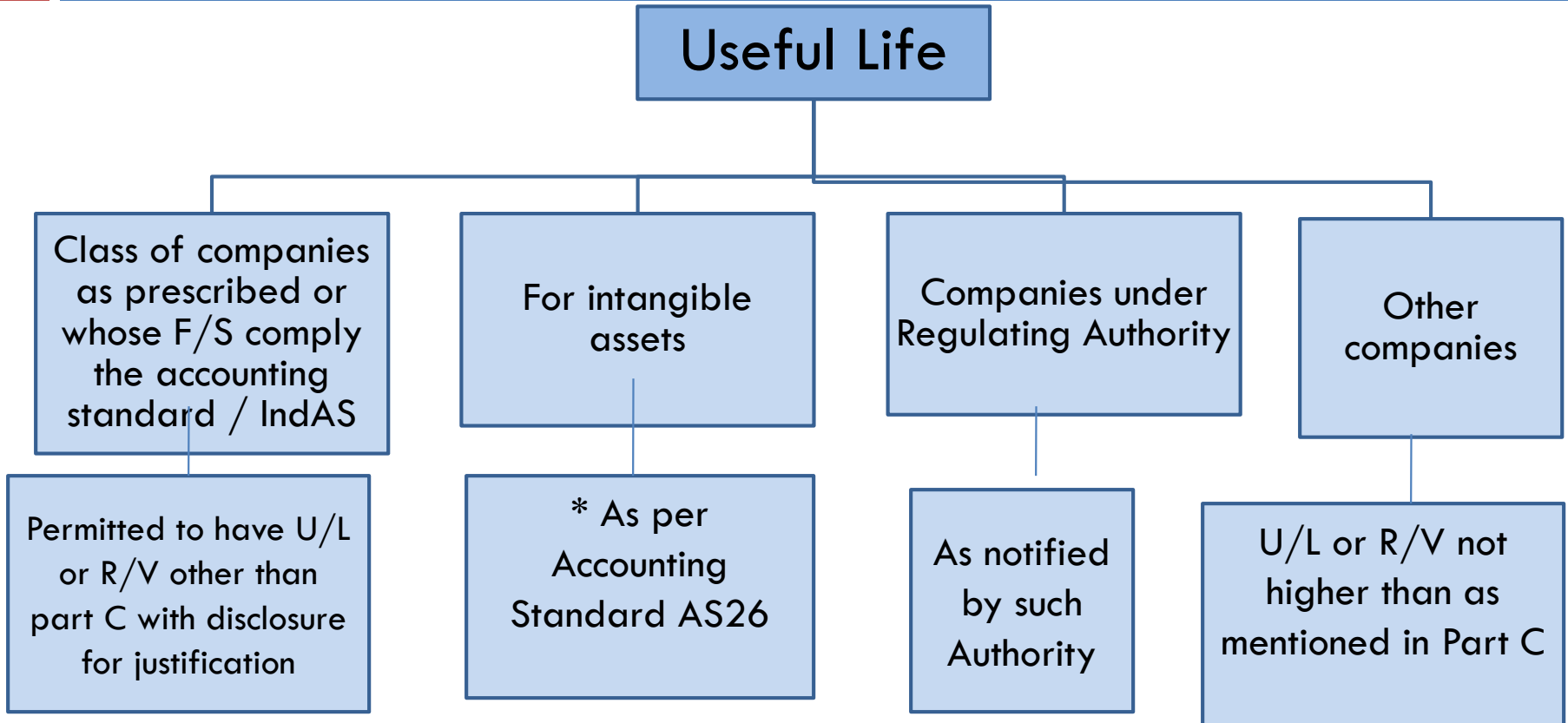
- ❖ Depreciation : Systematic allocation of depreciable amount of an asset over its useful life.

- ❖ Depreciable amount : Cost of an asset less its residual value.
Residual value shall not be >5%

- ❖ Useful life of Asset : Period over which an asset to be available for use.

Schedule II

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* MCA notification 31.03.2014:- amortization of intangible assets (Toll Roads) under BOT, BOOT, PPP as prescribed.

Schedule II

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- ❖ Disclosure in financial statement.
 - ❖ Method of depreciation
 - ❖ Useful lives of asset if it is different from Part C with technical advise

- ❖ Justification for having residual value more than 5%.

Component Accounting

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- Mandatory from FY 15-16
- Useful life of significant parts of assets be determined separately.
- For example:
 - aircraft/ ship
 - building
- Accounting for entire block of assets as at 01.04.2014 / 2015 not only for new assets.

DEPRECIATION

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Example

- Useful life schedule II 12yrs
- management' view 10yrs
(can be 10 yrs with justification)
- Schedule II 10yrs
- management' view 12 yrs
(option for 10 or 12 yrs option must be consistent with justification)

DEPRECIATION

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Factors to be considered for useful life

- expected usage (capacity/output)
- expected wear & tear (Depends on No. of shifts)
- Technical/commercial obsolesce
- legal or similar limits on use of assets (expiry date)
- Companies policies to dispose of assets

DEPRECIATION

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Double/ triple shifts

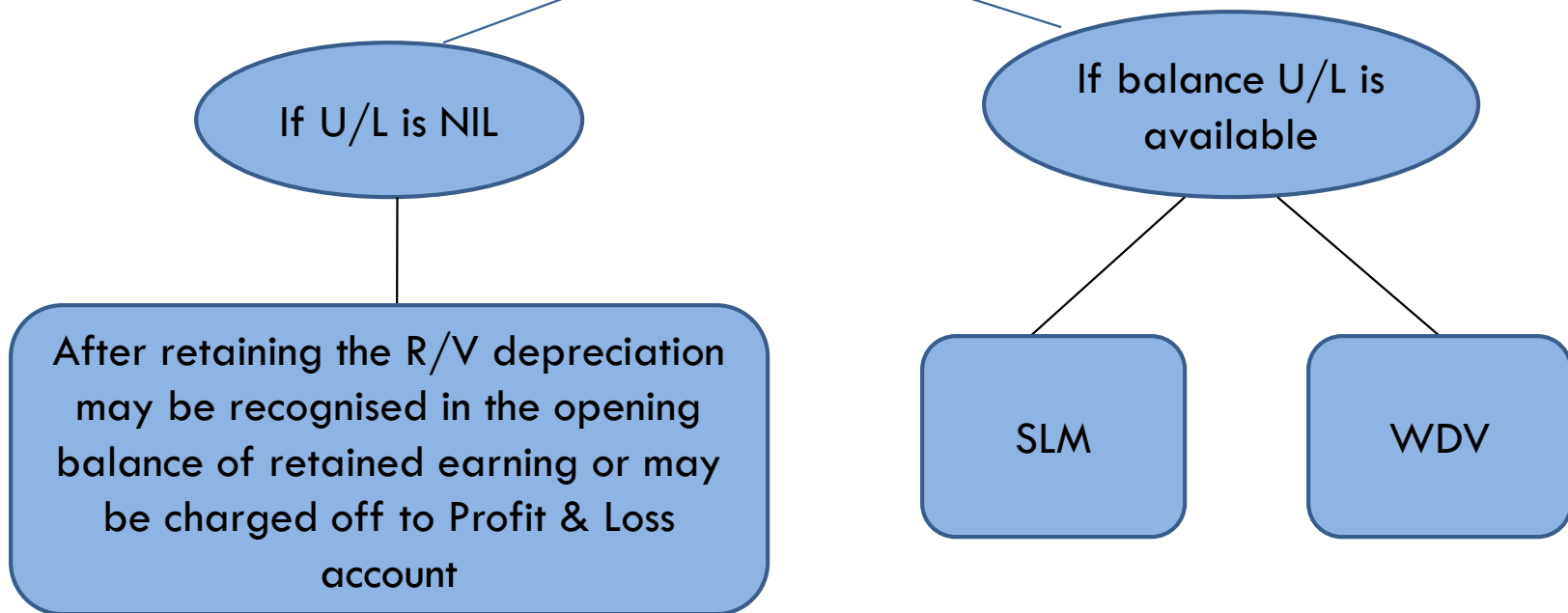
- no separate Useful Life.
- Depreciation shall be increased by 50% & 100% for double/triple shifts respectively.
- **Depreciation of Pro-rata basis:-**
Depreciation on assets purchased or sold during the year shall be calculated on pro-rata basis.

DEPRECIATION

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Depreciation during Transitional period

- Assets as on 1st April, 2015 shall be depreciated in remaining useful life of an Assets.



Charging of Depreciation in case of Revaluation of assets

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□ Under Companies Act, 1956

Depreciation is to be provided on original cost.

As per ICAI, Guidance note additional depreciation on account of upward revaluation of fixed assets is to be transferred from the revaluation reserve to the statement of profit and loss account.

□ Under Companies Act, 2013

Depreciation is to be provided on historical cost or amount substituted for historical cost.

Charging of Depreciation in case of Revaluation of assets

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- Now in case of revaluation , a company needs to charge depreciation based on the revalued amount and the depreciation (including additional depreciation) will be charged to the statement of Profit & loss Account.

APPOINTMENT OF AUDITOR (Section 139)

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Government Companies :-

First Auditor : By C&AG within 60 days from the date of incorporation

If not appointed by C&AG : By board within next 30 days

If not appointed By Board : By members within next 90 days

AUDIT & AUDITORS

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Other than Government Companies :-

- First Auditor : By board within 30 days from the date of incorporation
- If not by Board : By members within next 90 days in EOGM.

AUDIT & AUDITORS

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- ❑ First auditor shall hold office till the conclusion of first AGM.
- ❑ In first AGM auditor shall be appointed till the conclusion of 6th Annual General Meeting and
- ❑ Thereafter every 6th AGM.
- ❑ However, appointment shall be ratified in each AGM.
- ❑ If not ratified BOD shall appoint another auditor after following due procedure.
- ❑ The company shall inform to the Auditor and shall also file notice within 15 days to ROC.

AUDIT & AUDITORS

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Before appointment is made:

- Written consent of auditor.
- Obtain a certificate specifying :
 - a) Appointment if made shall be in accordance with the conditions as may be prescribed.
 - b) Appointment shall be in accordance with section 141.

CASUAL VACANCY

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Government company:-

- To be filled by CAG within 30 days
- If not by CAG then Board shall fill within next 30 days

Other than Government companies:-

- By the Board within 30 days,
- if cause is resignation then also approved by shareholders **within three months** from the recommendation of the Board.
- The Auditor appointed to fill casual vacancy shall hold office till conclusion of next AGM.

Important note:-

If in any AGM no auditor is appointed or reappointed, the existing auditor shall continue.(Section 139(10))

Reappointment of Auditor

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Auditor can be re-appointed:-

- If he is not disqualified for re-appointment.
- he has not given notice of his unwillingness.
- Special Resolution is not passed that he shall not be appointed.

Where Audit Committee is in place recommendation of committee shall be taken into account.

MANDATORY ROTATION OF AUDITORS

(Section 139 (2))

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- ❑ No listed company or any other class of company as may be prescribed shall appoint or re-appoint its auditor.
- ❑ In case of individual – for more than one term of 5 consecutive years.
- ❑ In case of firm – for more than 2 terms of 5 consecutive years.

MANDATORY ROTATION OF AUDITORS (Section 139 (2))

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(Rule 5 Companies Audit & Auditors Rule, 2014)

OPC and small companies are not covered.

Applicable to following companies:

- All unlisted public company having paid up capita Rs.10 crores or more.
- All private company having paid up capital Rs.20 crores or more.

MANDATORY ROTATION OF AUDITORS

(Section 139 (2))

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- All companies having < threshold limits but having public borrowings from financial institutions and banks > Rs.50 crores or more.

Rule 6 (3)(i):

- Period for which he or it has been holding office as auditor prior to the commencement of Act shall be taken into account in calculation of 5 consecutive years and 10 consecutive years.

MANDATORY ROTATION OF AUDITORS

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- ❑ Where company has two or more auditors, company shall follow the rotation in such manner that all joint auditors do not complete their tenure in same year.
- ❑ Common partners in incoming firm of auditors, or in same network or operation under same trademark will not be eligible.
- ❑ The auditor can again be appointed after gap of 5 years.

MANDATORY ROTATION OF AUDITORS

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- ❑ These provisions shall be applicable to all existing companies within 3 years from the date of commencement of this act.
- ❑ The shareholders may resolve that the partner and his team shall rotate every year or audit shall be conducted by more than one auditor.
- ❑ Central Government may prescribe rule for rotation of auditors.

Removal of Auditor

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- By Special Resolution and
- Prior approval of CG application within 30 days from Board Meeting.
- Reasonable opportunity be given

Rule 7

- i) Application to CG within 30 days from the passing of resolution by Board.
- ii) Hold General meeting within 60 days from the receipt of permission from CG for Special Resolution.

Removal of Auditor

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Removal by Tribunal :-

- Auditor acted (directly or indirectly in **fraudulent manner** or
- **Abetted or colluded** in any fraud by or in relation to company or its officer or director.
- Tribunal shall order within 15 days from the date of application by Central Government.
- Such auditor **shall not be eligible** for the appointment as auditor of **5 years** in any company and shall be punishable u/s 447.

Qualification of Auditor

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- A chartered Accountant or firm of chartered Accountants
- LLP can be Auditor
- Only partner who are Chartered Accountant in practice shall be authorised by firm to act and sign on behalf of firm.

Disqualifications (141)

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Following are disqualified to be appointed as Auditor:

- 1) A body corporate other than LLP.
- 2) Officer or employee of the company.
- 3) A person who is a partner or is in employment of an officer or employee of company.

Disqualifications (141)

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- 4) he or his relative or partner:
 - a) has interest by holding securities in company, subsidiary, holding or associate company for exceeding Rs.1,00,000/-.
 - b) Is indebted to the company, subsidiary, holding or associate company or subsidiary of holding company in excess of Rs.5,00,000/-.
 - c) Given guarantee or provided security in connection with indebtedness of third person to the company subsidiary, holding or associate or subsidiary of holding company or Rs.100,000/- or more

Disqualifications (141)

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- 5) A person or firm whose **business relationship** with company, subsidiary or associate company or subsidiary of such holding company or associate company of such nature as may be prescribed.
- 6) Whose relative is director or is in employment of company as director or KMP.
- 7) If as on date of appointment such person is holding audit of more than 20 companies.

Except in case of OPC/dormant company/small company and private limited having capital less than Rs.100 crores (Notification dated 5th June 2015).

Disqualifications (141)

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- 8) Has been Convicted for fraud and 10 years not elapsed from the date of conviction.
- 9) Providing prohibited services (section 144)

If any auditor incurs any disqualification after his appointment, auditor shall vacate office and vacancy shall be casual vacancy.

RESIGNATION OF AUDITOR (Section 140)

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An Auditor who resign from the company shall file within 30 days of resignation, the statement in prescribed form with Registrar of Companies within 30 days indicating reasons of resignation.

In case of Government company resigning, auditor shall file statement with C&AG.

If auditor does not file such statement he shall be punishable with fine not less than Rs.50,000/- which may extend upto Rs.5,00,000/-

AUDITOR NOT TO RENDER CERTAIN SERVICES

(Section 144)

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An Auditor of the company shall provide the services only as are approved by Board of Directors or Audit Committee as the case may be which shall not include any of the following (whether rendered directly or indirectly to the company or its holding company or its subsidiary company) :-

- a) Accounting and book keeping services.
- b) Internal Audit

AUDITOR NOT TO RENDER CERTAIN SERVICES

(Section 144)

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- c) Design and implementation of any informational system
- d) Actuarial services
- e) Investment advisory services
- f) Investment banking services
- g) Rendering of outsourced financial services
- h) Management services
- i) Any other kind of services as may be prescribed.

AUDITOR NOT TO RENDER CERTAIN SERVICES

(Section 144)

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Directly or indirectly includes :-

In case of individual :-

Either himself or through his relatives or any other person connected or associated with such individual or through any other entity whatsoever, in which such individual has significant influence or control or whose name, trade mark, or brand is used by such individual.

In case of firm:-

Either itself or through any of its partners, through its parent, subsidiary or associate entity in which firm or any partner has significant influence and control or whose name, trade mark, or brand is used by such individual.

Internal Audit

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Eligibility:

- Every listed company.
- Every unlisted public company.
 - Paid up share capital Rs.50 crores or more.
 - Turnover Rs.200 crores or more
 - Outstanding loans and borrowings from bank and public institutions Rs.100 crores or more
 - Outstanding deposits : Rs25 crores or more.

Internal Audit

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Eligibility:

- Every private company having turnover of Rs.200 crores or more
 - Outstanding loans or borrowing of Rs.100 crores or more
 - Transition period : 6 months w.e.f. 1st April 2014
- The internal auditor may or may not be employee of the company.
- Internal auditor shall be chartered accountant or cost accountant for such other professional has to be decided by the Board. The audit committee shall formulate the scope, official periodicity or methodology for conducting internal audit.

AUDIT REPORT

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On or before 31st March, 2014

- Section 227 of CA, 1956

F/Y 2014-15 onward

- Section 143 of CA, 2013 &
- The Companies (Audit & Auditors), Rules, 2014

Auditors Responsibility

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“Auditors Responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with standards of auditing issued by ICAI. This standard required that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether financial statements are free from material mis-statements.”

Framing opinion on financial statement

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In order to form an opinion the auditor shall conclude as to whether he has obtained reasonable assurance about :

- whether the financial statement as a whole are free from the material mis-statement.
- whether due to fraud or error.

Framing opinion on financial statement

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The conclusion shall take into an account :

- whether sufficient, appropriate evidence has been obtained.
- whether uncorrected mis-statement are material individually or in aggregate.

Powers of Auditors (Section 143)

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- Right of access at all times to the books of accounts and vouchers of the company. Whether kept at registered office of the company or any other place.
- Power to require from the officers of the company, such information and explanation as auditor, may consider necessary for the performance of his duty as auditor.
- Auditor has right to access to the records of all the subsidiaries which are required for consolidation of financial statements.

AUDIT REPORT

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- Duties of Auditors:
- Six enquiries to be made
- Make report to members on specified matters.
- CARO,2015.
- Other matters specified in Rule (11).
- Reporting of fraud.

Audit Report

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Auditor shall enquire into following matters:-

- a) Whether loans and advances made by the company on the basis of security have been properly secured and whether the terms on which they have been made are prejudicial to the interests of the company or its members;

- b) Whether transactions of the company which are represented merely by book entries are prejudicial to the interests of the company;

SECTION 143

Auditor shall enquire into following matters:-

- c) Where the company not being an investment company or a banking company, whether so much of the assets of the company as consist of shares, debentures and other securities have been sold at a price less than that at which they were purchased by the company;

- d) Whether loans and advances made by the company have been shown as deposits;

SECTION 143

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Auditor shall enquire into following matters:-

- e) Whether personal expenses have been charged to revenue account;

- f) Where it is stated in the books and documents of the company that any shares have been allotted for cash, whether cash has actually been received in respect of such allotment, and if no cash has actually been so received, whether the position as stated in the account books and the balance sheet is correct, regular and not misleading.

Section 143(2)

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- Report on every financial statement which are required to be led before company in general meeting.
- Compliance of auditing and accounting standard.
- Audit report as required under any order in sub-section 11.

Section 143(3)

Auditor shall also state in his report

- a) Whether he has sought and obtained all the information and explanations which to the best of his knowledge and belief were necessary for the purpose of his audit and if not, the details thereof and the effect of such information on the financial statements;
- b) Whether, in his opinion, proper books of account as required by law have been kept by the company so far as appears from his examination of those books and proper returns adequate for the purposes of his audit have been received from branches not visited by him.

Section 143(3)

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Auditor shall also state in his report

- c) Whether the report on the accounts of any branch office of the company audited under sub-section (8) by a person other than the company's auditor has been sent to him under the proviso to that sub-section and the manner in which he has dealt with it in preparing his report;
- d) Whether the company's balance sheet and profit and loss account dealt with in the report are in agreement with the books of account and returns;

Section 143(3)

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Auditor shall also state in his report

- e) Whether, in his opinion, the financial statements comply with the accounting standards;
- f) The observations or comments of the auditors on financial transactions or matters which have any adverse effect on the functioning of the company;
- g) Whether any director is disqualified from being appointed as a director under sub-section (2) of section 164.

Section 143(3)

63

Auditor shall also state in his report

- h) Any qualification, reservation or adverse remark relating to the maintenance of accounts and other matters connected therewith;
- i) Whether the company has adequate internal financial controls system in place and the operating effectiveness of such controls;
- j) Such other matters as may be prescribed.

Internal Financial Control System

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The auditor is required to report u/s 143(3)(i)

- Whether company has adequate internal financial control system in place and the operating effectiveness of such controls?

Internal Financial Control System

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The disclosure in connection with internal financial control system is also realizability of directors whose responsibility for the listed company is to include directors responsibility statement in their board report u/s 134 (5e) of the Act.

- Directors have led down the internal financial control to be followed by the company.
- Such controls are adequate and were operative effectively.

Internal Financial Control System

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Internal financial control means :-

- a) Policies and procedure adopted by the company for ensuring the orderly and efficient conduct of the business.
- b) Adherence to the company's policy
- c) The safeguarding of its assets.
- d) Prevention and detection of fraud and errors.
- e) Accuracy and completeness of the records.
- f) Timely preparation and realizable financial information.

CARO 2015

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Effective	On the date of publication in Official Gazette
Applicability	w.e.f. financial year commencing on or after 1 st April 2014

CARO 2015

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Exceptions:

- i. Banking company
- ii. Insurance company
- iii. Section 8 companies
- iv. OPC
- v. Small companies
- vi. Private companies
 - a) Capital and reserves not > Rs.50.00 lacs and
 - b) Outstanding loans not > Rs.25.00 lacs and from financial institutions and banks
 - c) Turnover not > Rs.5.00 crores

Matters to be included in Auditors Report

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Matters

- (i) Fixed assets:-
 - Maintenance of records
 - Physical verification
 - Whether on reasonable intervals.
 - Discrepancies found
 - Detail within books of accounts

- (ii) Inventories:-
 - Physical verification
 - Procedure (adequate/ reasonableness)
 - Maintenance of records
 - Material Discrepancies
 - Detail within books of accounts

Changes in new CARO

Requirement to report disposing off of substantial part of fixed assets during the year has been done away.

Same provision

Matters to be included in Auditors Report

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Matters

- (iii) Loans given:-
- Unsecured or secured loans
 - Companies/firms, other parties covered in ledger maintained in section 189
 - Whether repayment and interest is regular?
 - Overdue more than Rs.1.00 lac to be reported.
 - Steps taken by the company for recovery.

Changes in new CARO

Reporting on loans taken by company not required. Reporting on rates charged on loan given not required as company shall charge as per Section 186(7)

Matters to be included in Auditors Report

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Matters

- (iv) Internal control system:-
- For purchase of inventory and fixed assets
 - Sales of goods and services
 - adequacy
 - Commensurate with size and nature of business
 - Whether there is continuing failure to correct major weakness in internal control system

Changes in new CARO

Reporting on adequate internal control procedure for sales of services is also included.

Matters to be included in Auditors Report

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Matters

- (v) Deposits:-
- Compliance of provision of section 73 to 76
 - Compliance of directions of RBI
 - Compliance of order passed by CLB and CLT, RBI
 - Nature of contravention to be reported.

Changes in new CARO

Same provision

Matters to be included in Auditors Report

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Matters

- (vi) Cost records:-
- Maintenance of cost records u/s 148
 - Whether company has maintained such records or not?

Changes in new CARO

Same provision

Matters to be included in Auditors Report

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Matters

- (vii) Statutory Dues:-
- Has the company is regular in depositing **undisputed** statutory dues relating to PF, ESI, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, VAT and Cess etc.
 - Extend of arrears at the last date of financial year (outstanding for more than six months).
 - If dispute relates to income tax, sales tax, wealth tax, service tax, custom duty, excise duty, VAT and Cess. The amount involved and forum where dispute is pending be reported.
 - Whether amount required to invest education fund has been transferred or not?

Changes

Whether amount required to be transferred to investor education fund has been transferred within time.

Matters to be included in Auditors Report

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Matters

Changes in new CARO

- (viii) Accumulated losses:
- Not less than 50% of networth
 - Cash losses in financial year or in preceding financial year **(for companies registered for not less than 5 years)**
- (ix) Dues of financial institutions, banks/ debenture holder:-
- Default in repayment of dues
 - Means of default be mentioned

Same provision

Same provision

Matters to be included in Auditors Report

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Matters

- (x) Guarantee given:
- For guarantee given, for loan taken by others from banks and financial institutions.
 - Whether terms and conditions are prejudicial in the interest of the company?
- (xi) Term loans:
- Whether utilised for the purpose for which loans were obtained.

Changes in new CARO

Same provision

Same provision

Matters to be included in Auditors Report

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Matters

- (xii) Fraud:
- Committed or not by company
 - Notice by the auditor
 - Nature and amount to be reported. However, rule 13 of companies audit and auditors rule 2014 prescribed. The responsibility and duty of the auditor to report the fraud to the Central Govt. also. If he has reason to believe during the course of audit that the offence of the fraud has been committed/ being committed on the company by the officer or the employee of the company.

* Reasons for all unfavourable or qualified answers be given.

Changes

Same provision

Rule 11

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- Impact (if any) of pending litigations on its financial position in the financial statements.
- Provision for material foreseeable losses (if any) on long term contract including derivative contracts.
- Any delay in transferring amount to investor education and protection fund by company.

Rule 11

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Comments / views on :

- a) Whether the company has disclosed the impact, if any, of pending litigations on its financial position in its financial statement;
- b) Whether the company has made provision, as required under any law or accounting standards, for material foreseeable losses, if any, on long term contracts including derivative contracts;
- c) Whether there has been any delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the company.

FRAUD

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Explanation to Section 447 defines fraud which means:

- ❖ Any act or omission,
- ❖ Concealment of fact or
- ❖ Abuse of position of any person (by him or herself or by any other person in connivance in any manner).
- ❖ With the **intent to deceive**
- ❖ to gain undue advantage to injure the interest of company, or its shareholders or creditors or any other person (whether or not there is any wrongful gain or loss).

FRAUD

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- ❖ Report to Board seeking reply within 45 days.
- ❖ Auditor has to report above fraud to the C.G. (within 15 days from the receipt of report)
- ❖ If reply not received, Audit shall forward his report to CG within time prescribed (60 days).
- ❖ Report by speed post and e-mail to Ministry of Corporate Affairs.

Punishment for not reporting fraud:

- ❖ **Fine Rs. 1lakh to Rs 25 lakh.**

Reporting on Fraud

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If the auditor of company

- In the performance of his duties as Auditor has reason to believe that an offence involving fraud is being or has been committed against company by officer / employee.

Officer

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- ❑ Officer includes any director, manager or key managerial person (KMP) or any other person in accordance with whose directions or instruction board of directors / any one or more directors is or are accustomed to act
- ❑ KMP means CEO or MD or manager,
- ❑ Company Secretary,
- ❑ Whole time director,
- ❑ Chief financial officer.

Officer

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In officer third parties are not covered
whether advisors are covered?

FRAUD

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- However, auditor may not be able to detect acts which are not reflected in the books of accounts /Financial Statements.
- Receiving pay off
- Theft of password of KMP
- carrying on parallel business

Reporting on fraud

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- | | |
|-----------------------|-------------|
| ➤ Branch Auditor | Covered |
| ➤ Joint Auditor | Covered |
| ➤ Internal Auditor | Not covered |
| ➤ Tax Auditor | Not covered |
| ➤ Cost Auditor | Covered |
| ➤ Secretarial Auditor | Covered |

Reporting on Fraud

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Attested or not attested services

carried on after 01.04.2015 in the capacity of auditor of the company:-

- Auditor of interim financial statement.
- Limited review, quarterly financial audit.
- Tax audit
- Issue of certificates

May not be pursuant to any requirement of CA 2013 but shall be construed as being in performing his duty as auditor.

Reporting on Fraud

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Fraud already detected / reported by Company secretaries or Cost accountants

- Not to be reported under 143(12)
- however if not satisfied with the steps taken by the management auditor need to evaluate case by case.

Reporting on Fraud

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Fraud prior to the notification of Act

- Yes, if it is not identified in prior F/Y, A/R or D/R under old Act.

Non-compliance of law:

- Fraudulent ITR to evade tax

Reporting on Fraud

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Amendment Act 2015 (not yet notified):

- Office of fraud involving such amount or amounts as may be prescribed. The fraud lesser than the specified amount shall be reported to audit committee or board within such time as may be prescribed.
- Whether frauds are reported to the board by auditor but not reported to Central Government the board shall disclose such details in board report.



THANK YOU