



ACCOUNTS OF COMPANIES

128 → Books of Accounts

129 → Financial statements

130 → Reopening of accounts

131 → Voluntary Revision of F&BR

132 → NA&RA

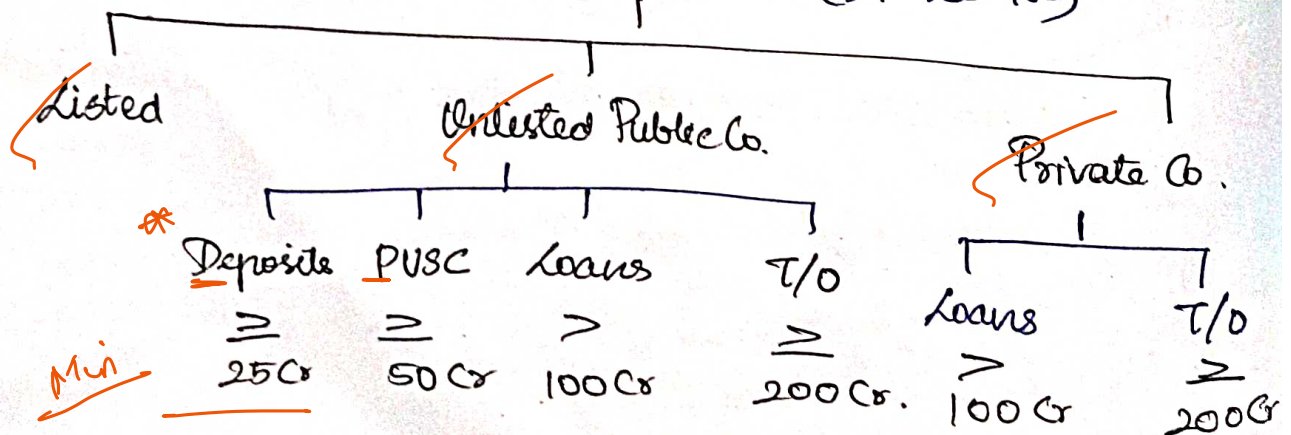
133 → standard CG to prescribe AS

134 → } ONLY
 135 → } FOR
 136 → } LAW
 137 → }

138 → Internal Auditors (DP & Tu)

S.138 - Internal auditors

(DP & Tu)



* at any point of time.



* A body corporate can be an internal auditor for another company.

② § 133 - CG TO PRESCRIBE AS

As per sec 133 of Companies Act 2013, CG has a power to prescribe accounting standards including any addendum, as recommended by JCAI in consultation with NATRA.

③ §-130 ⇒ Reopening of Accounts

1. A company can ^{not} reopen the accounts ~~if~~ the order is passed by Court/Tribunal then it can be reopened ^{are:-}
2. Grounds for reopening of accounts ~~is that~~

- a) The earlier ac were prepared in a fraudulent manner.
- b) The affairs of the Co. were mismanaged during the relevant period, thereby casting doubt on reliability of FS.

3. Persons eligible to apply for reopening/recasting:-



Central Govt Income Tax Authorities SEBI Any other statutory regulatory Body or Authority any person concerned.

A BOA can open for any of the least 8 years. However if the BOA are kept for more than 8 yrs as per the directions of CG then BOA can be open for any of the such longer period.

④ Sec 131 - Voluntary Revision of FS (OR) Board Report.

* If it appears to the directors of companies the FS of the co. or the board report do not comply with the provision of S. 129 or S. 134 then, they can apply to Tribunal for seeking approval to revise its FS efforts / BR.

* The Tribunal ^{shall} give notice to CG and IT authorities and shall consider the representations made ~~by them~~ by them, if any.

* Copy to be submitted and shall be filed with ROC.
 * Revision can be made for any of the 3 preceding financial year.

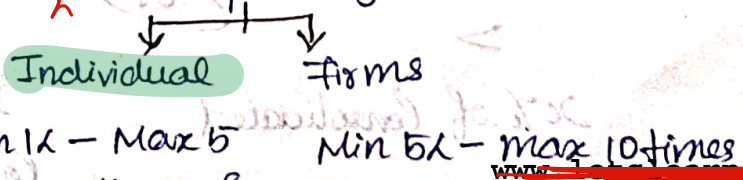
* Revision can be made only once.
 * This ^{Section} ~~section~~ can be use ^{only} if the FS ^{or} BR is sent out to members (or) delivered to ROC.
 * The FS or the BR shall state it is the revised FS/BR as the case may be

§ See 132 - NAFRA ^{Constitute}

→ The Cr will ~~constitute~~ NAFRA. It shall consist of chairperson and 15 other members being part time and full time members as may be prescribed.

→ The chairperson and the member who are in full time employment with NAFRA shall not be associated any of the firm including related consultancy firm. During the course of appointment and 2 years after ceasing to hold such appointment.

→ If the professional or other misconduct is ~~proved~~ ^{proved}, NAFRA will ~~levy~~ ^{levy} penalty as follows:-



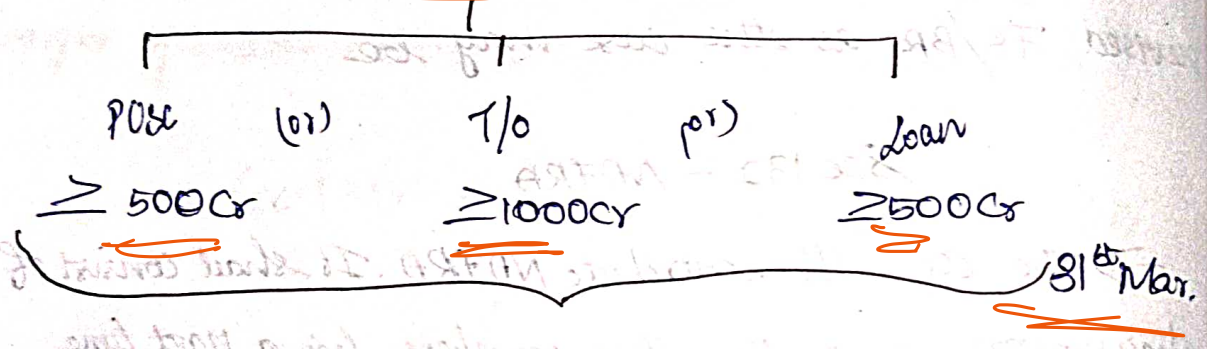


~~the firm to be~~ statutory / internal / tax / any auditor / registered values.

Debar

NATRA has the power to investigate the auditors of following companies

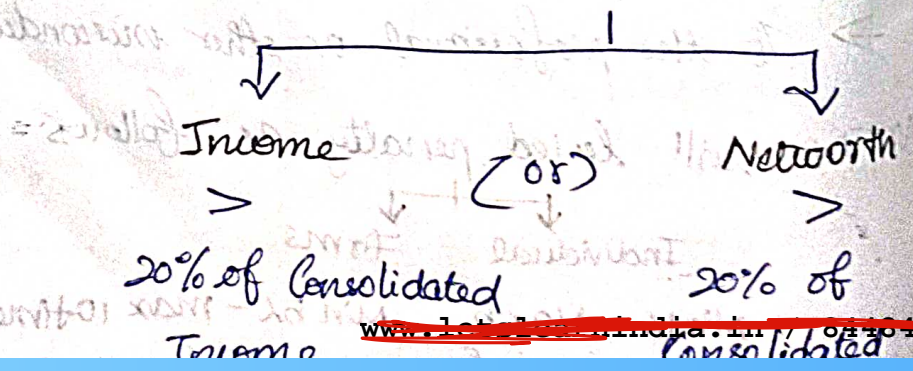
- a) listed Co. in India / Outside India
- b) Unlisted Public Co.



c) Banking, Insurance, electricity, Co. governed by special act

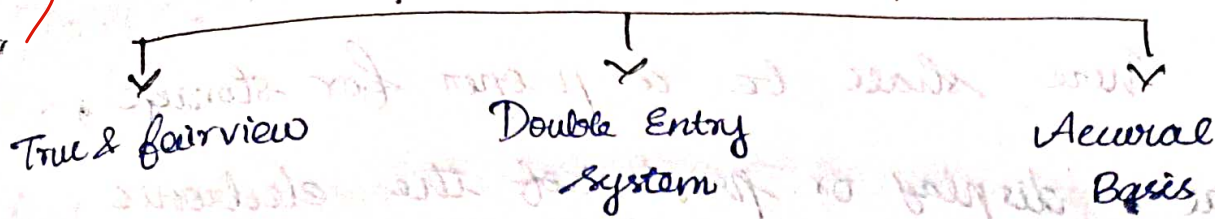
d) any other body corporate or company as prescribed by CG in public interest

e) Foreign Subsidiary / Foreign Assoc. of a to d

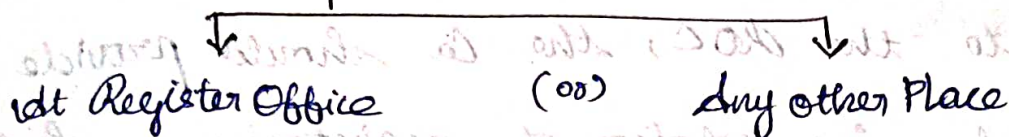




* Proper books of accounts



* Place of keeping



in INDIA

* BOA shall pass Board Resolution

BOA → intimate to ROC [Form 5]

of passing BR in form [Form 5]

* In case of branches, the ~~foreign~~ foreign branches ~~have~~ have to ~~send~~ ^{send} summarized returns to the head office ^{at} ~~of~~ quarter intervals.

* BOA can be kept in electronic form it shall remain ~~accessible~~ ^{accessible} in India so as to be usable for subsequent reference and shall be capable of being displayed in a legible form.

* Information received from branches shall not



the branches

There shall be a proper ^{system} for storage, retrieval, display or printout of the electronic records.

At the time of billing of annual financial statements to the ROC, the Co. should provide the following info. in relation to maintenance of the Electronic Records:

a) Name of the service Provider.

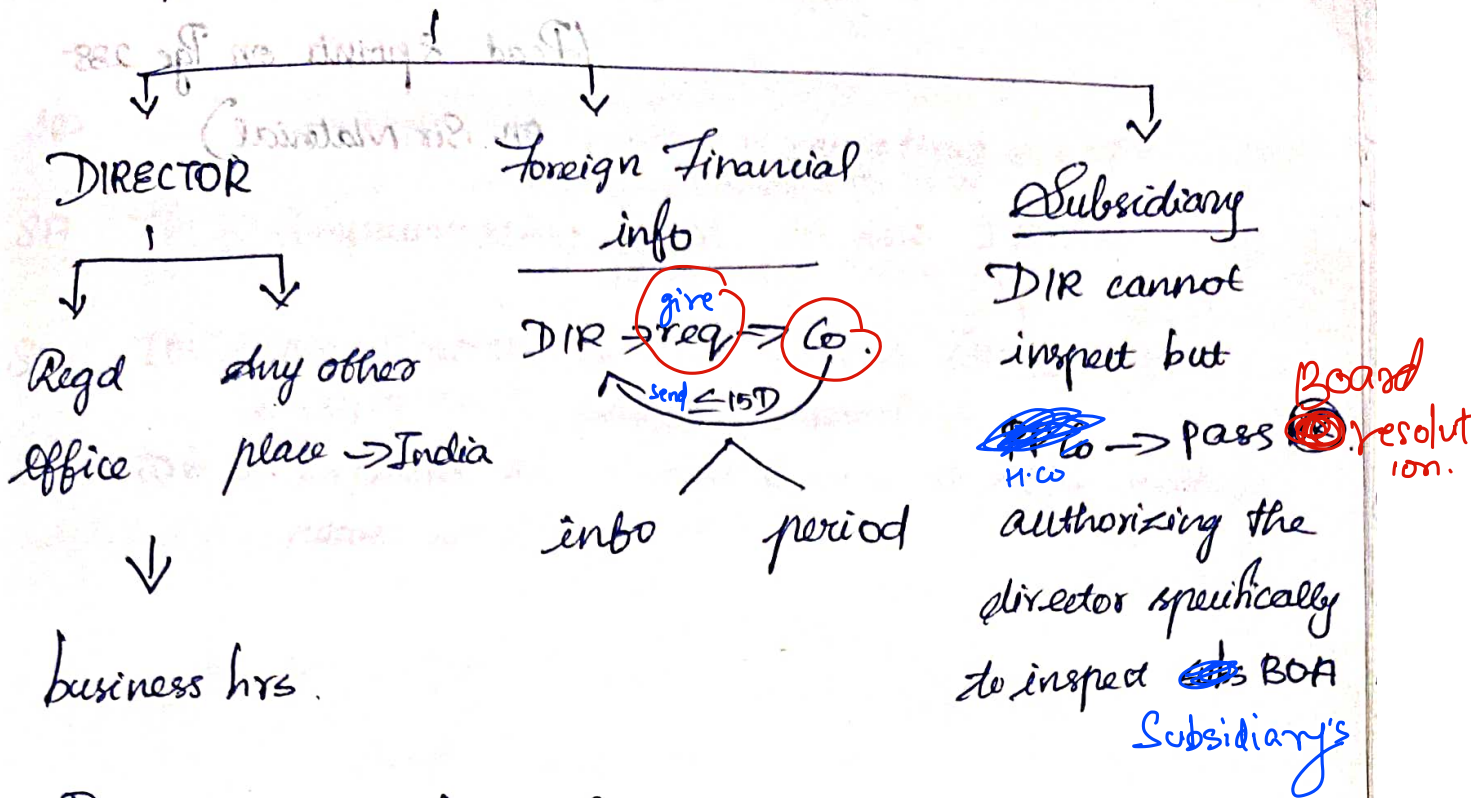
b) Internet Protocol ^{address} of the Ser. Prov.

c) Location of the Ser. Prov.

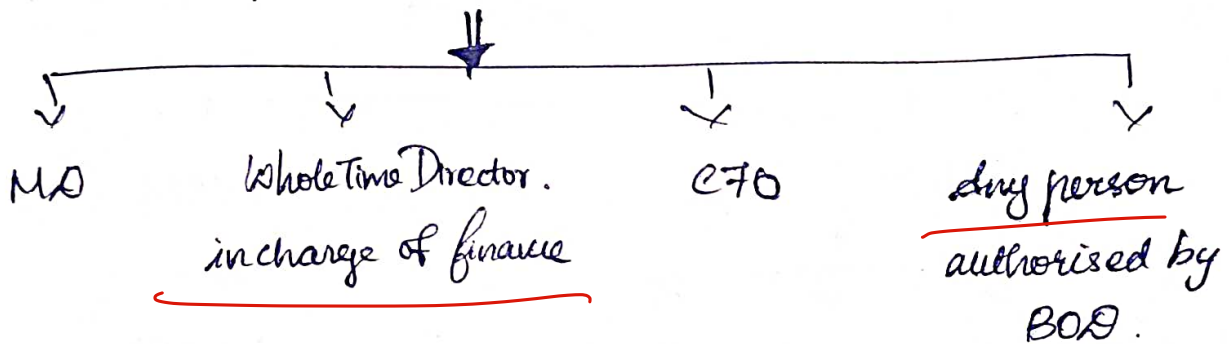
d) Address of cloud.

e) Refer Amendment pg 1 - CB.

BOA shall be kept for 8 yrs. If the co. in existence less than 8 yrs., BOA shall be kept for all such years. If CG has ordered investigation when the BOA can be kept for such longer period as directed by CG



Person responsible for sec-128



If sec 128 is contravened: penalty on every officer in default → 50K - 5L.

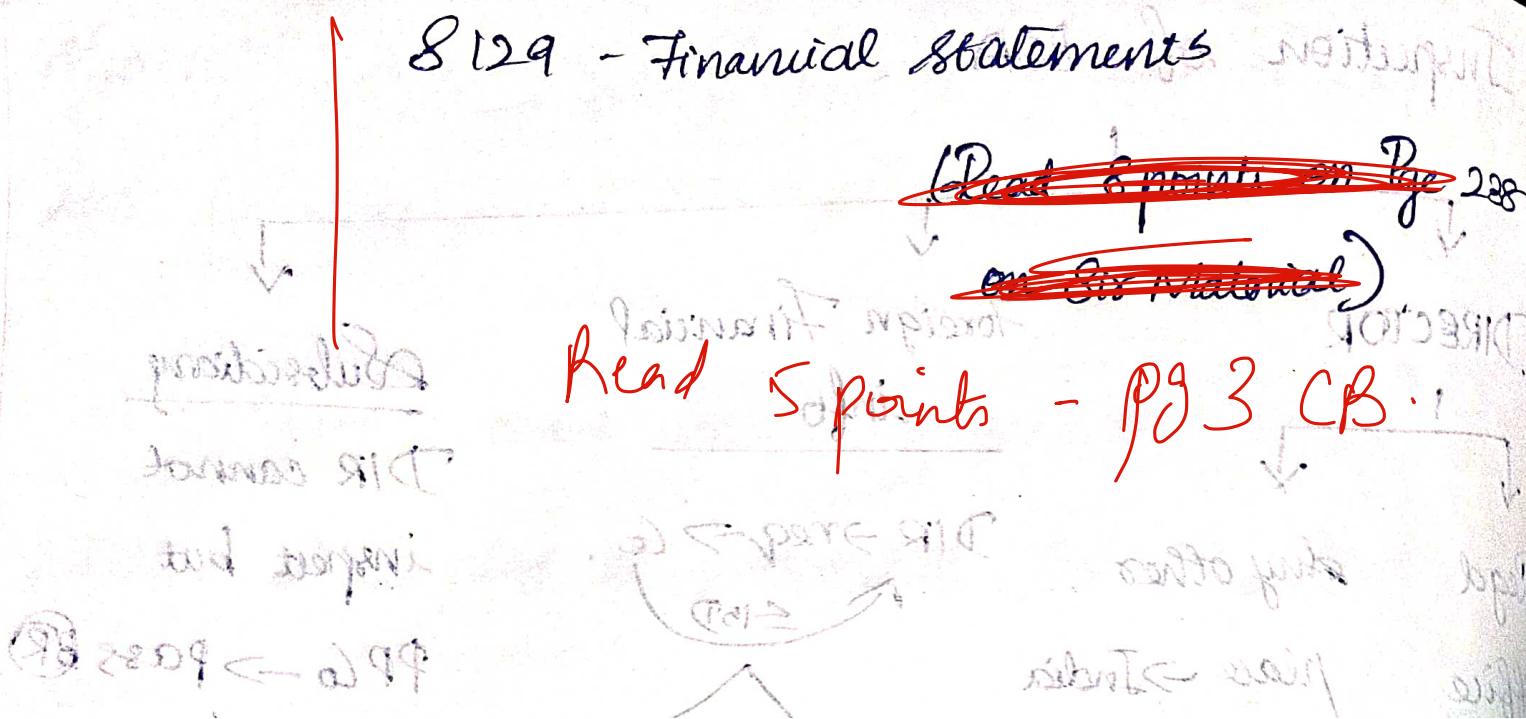
No shareholder/agent of director can ~~inspect~~ ^{inspect} BOD that is only a director can ~~inspect~~ ^{inspect} BOD.



8129 - Financial statements

~~Read 8 points on Page 288~~
~~on Sir Arational~~

Read 5 points - pg 3 CB.





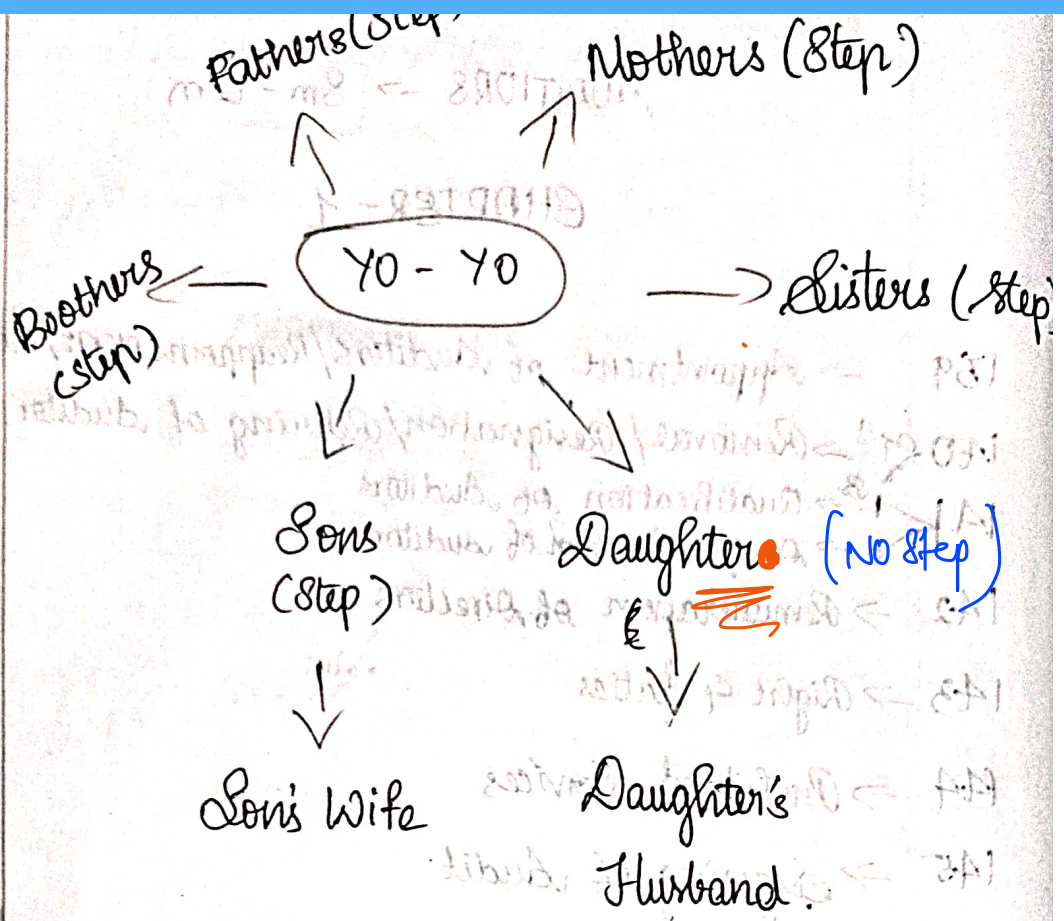
AUDITORS → 8m - 12m

CHAPTER - 1

- 139 → Appointment of Auditors / Reappointment / Rotation
- 140 → Removal / Resignation / ~~Retiring~~ of Auditor.
- 141 → Qualification of Auditors Change
- 141 → Disqualification of Auditors
- 142 → Remuneration of Directors
- 143 → Right & duties
- 144 → Prohibited Services
- 145 → Signing of Audit
- 146 → Right to attend GM
- 147 → Punishment of contravention
- 148 → Cost Audit
- 2(77) → Relative
- 143(12) → Reporting of frauds to CB

1 Relative 2(77)

- Husband & Wife
- Members of HUF 7 F
- Others



2. Section 141(1) & 141(a)

Qualification of Auditors

1) * An individual can be an auditor provided ^{he is a} CA holding certificate of practice issued by the Institutes of Chartered Accountant in India.

2) * For a firm majority of partners shall be CA holding Certificate of practice



3. Disqualification of Auditors
 Section 141 (3) & 141 (4).

- a) Body Corporate other than LLP
- b) officer / EE of body corporate (employee of the company)
- c) Partner / EE of officer / EE of body corporate
- d) Person / firm / Relative

Any security INDEBTED GUARANTEE } CHASS
 Relative > Rs 5L > Rs 1L }
 # 60 days for corrective action

e) Person/firm → Business → CHASS → Professional service, CA Act, 1949
 Relationship

f) Person → Relative → DIR / KMP → Company
 @ ALP → HATHA

g) > 20 Co's
 except → OPC, Small Co., Dormant Co.,
 Pvt Co. → PVSC < ₹100 Cr.

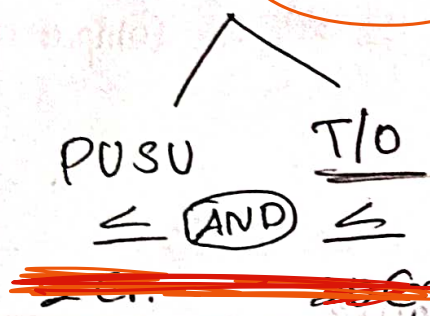


h) Convicted for fraud \Rightarrow 10 yrs ~~not~~ not

i) Sec 144 = prohibited services \Rightarrow CHASS

CHASS has to be ~~seen~~ ^{seen only in} D/I/E

Small Co. = Pvt. Co.



LCR LCR

Q4) 4. Sec 144 - Prohibited Services

Following are the Prohibited Services - MAAARDI3

- M - Management Services.
- A - ~~Actuarial~~ Actuarial Services
- A - Accounts and Book keeping Services
- A - Any other kind of Services
- R - Rendering of ~~other services~~ Outsourced Financial Services.
- D - Design and Implementation of any Financial Information System

I Internal Audit



I. Investment banking services.

Q5) 5. Remuneration of Auditors - Sec 142.

FIRST AUDITOR

SUBSEQUENT
AUDITOR

↓
Fixed by BOD

↓
Fixed by Mem. in ^{general} meeting

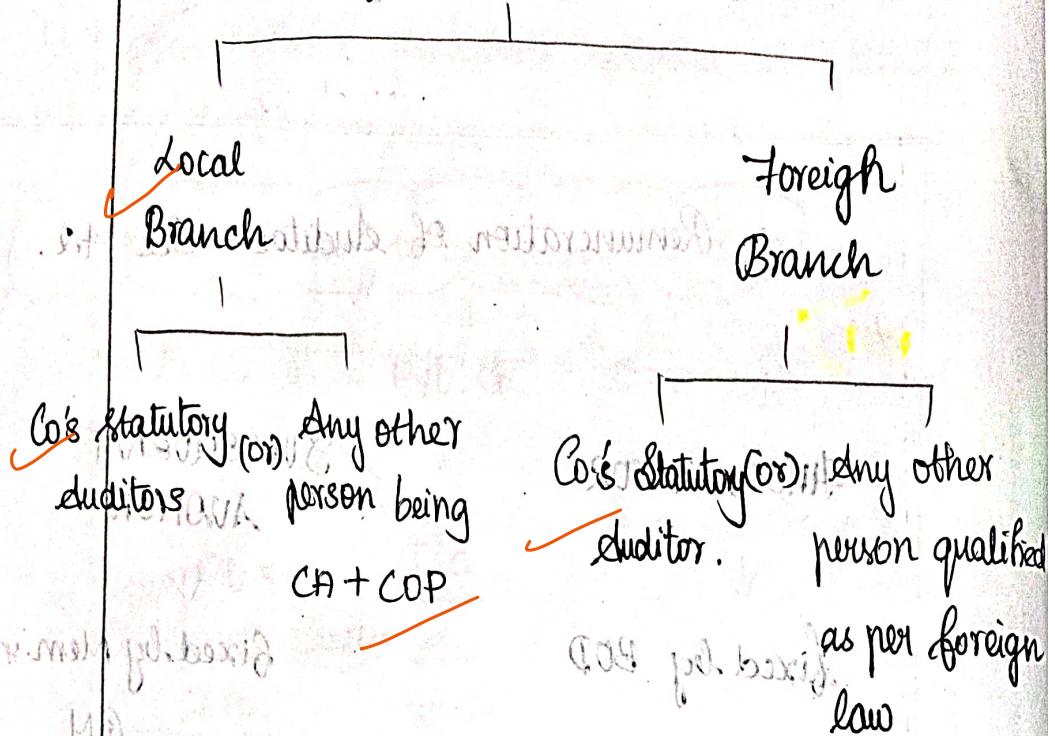
~~However members~~
However members
can delegate to
BOD.

* Remuneration will include fees payable to auditor and expenses incurred by auditor if any.

* Remuneration will not include any amount paid for any other services rendered by auditor at the request of Company.



1) Following can be branch auditors

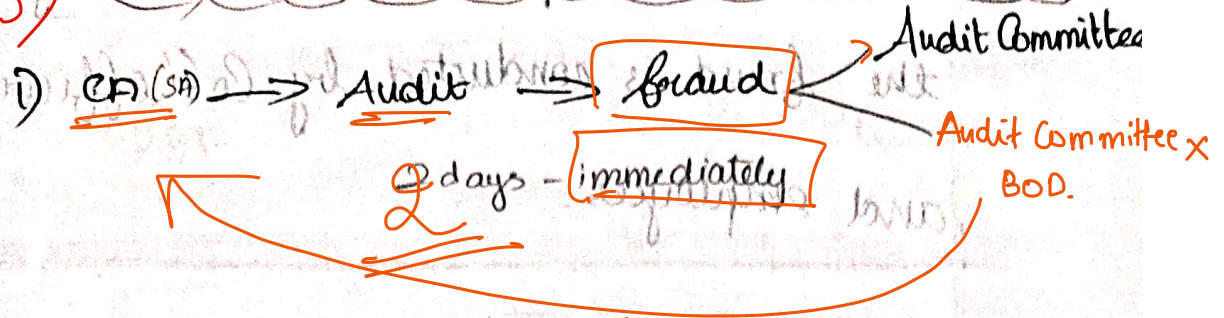


2) The branch auditor will prepare branch

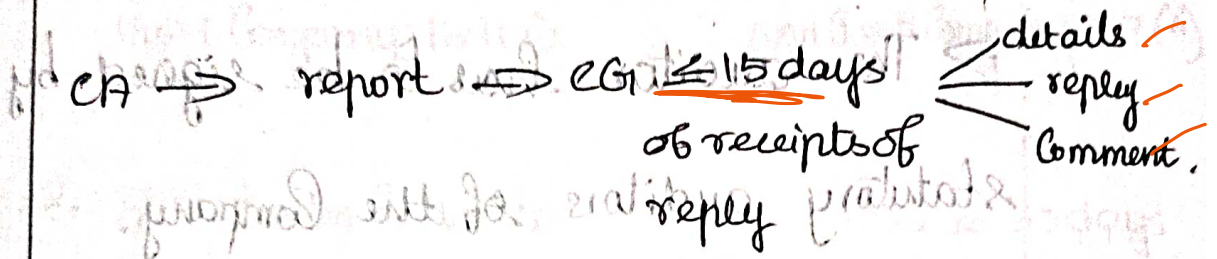
audit report and submit it to the statutory auditor.

3) The powers & duties of branch auditor will be same as statutory auditor.

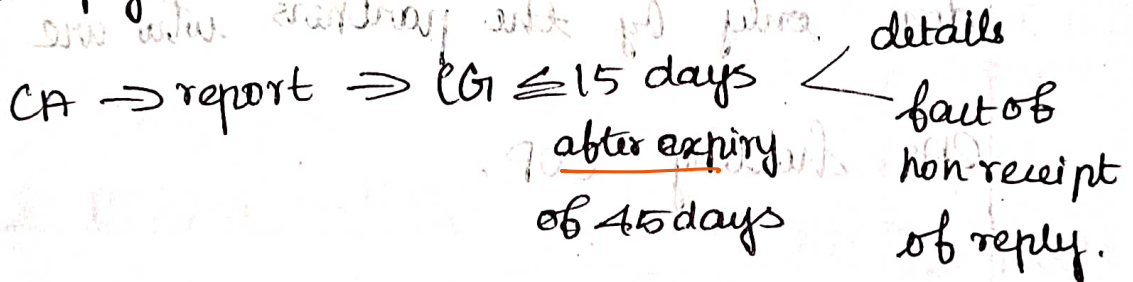
4) As per Sec 143(12), the branch auditor will report the fraud to the extent it relates to the concerned branch.



2) Reply = received



3) Reply ≠ received



4) ADT - 4

5) If sec 43(12) = contravened Listed Co. = 5L
~~other Co. = 1L.~~

5) CA/CS/CMA

statutory / Secretarial / Cost / Branch Auditor

1) The auditor will report to CG only if the amount of fraud is minimum one crore

2) The auditor will report the fraud to CG within 60 days



9) If an audit and fraud may be
 the fraud is conducted by Co.'s officers
and employees.

7) Sec 145 - Signing of Audit Report

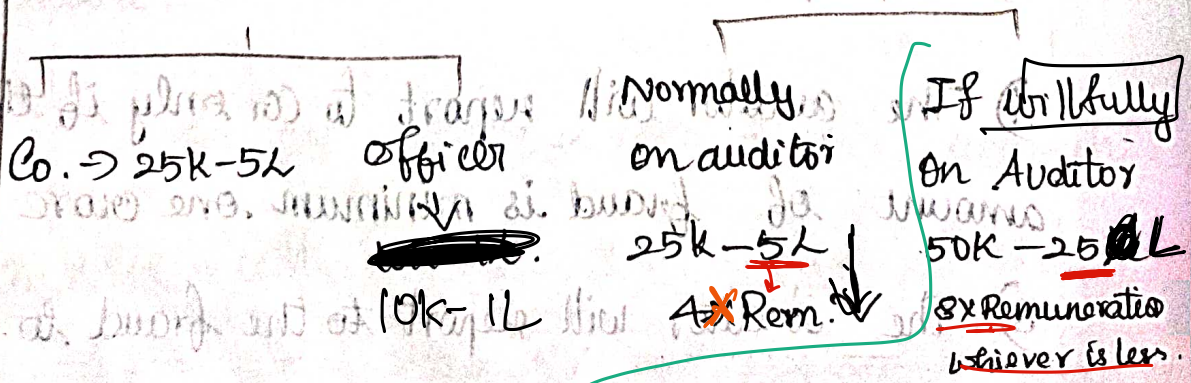
⇒ The ~~auditor~~ ^{audit report} has to be signed by statutory auditors of the Company.

⇒ In case of firm, signing has to be done only by the partners who are CAs holding EOP.

8) Penalty → Sec 147.

If sec 139-146 contravened

If sec 139, 144, 145 contravened.





FIRST AUDITOR

Govt Company ~~139(7)~~
139(7)

Non Govt Company ~~139(6)~~
139(6)

→ Comptroller & Auditor
General of India (CAG)

→ BOA ≤ 30 days
of Inorp.

≤ 60 days of Incorporation

→ BOA X

→ CAG X

Mem ≤ 90 days
at EGM

→ BOA ≤ 30 days

→ till next AGM

→ BOA X

Mem ≤ 60 days
at EGM

~~Annual General Meeting~~

→ till next AGM

~~Annual General Meeting~~



SUBSEQUENT AUDITOR

Govt Co.

Non Govt Co.

⇒ eAGI ≤ 180 days of AGM → Mem at 1st AGM
Commencement of FY by ordinary Resolution
till 6th AGM & thereafter

⇒ till next AGM

⇒ Co. → AOT-1 → ROC

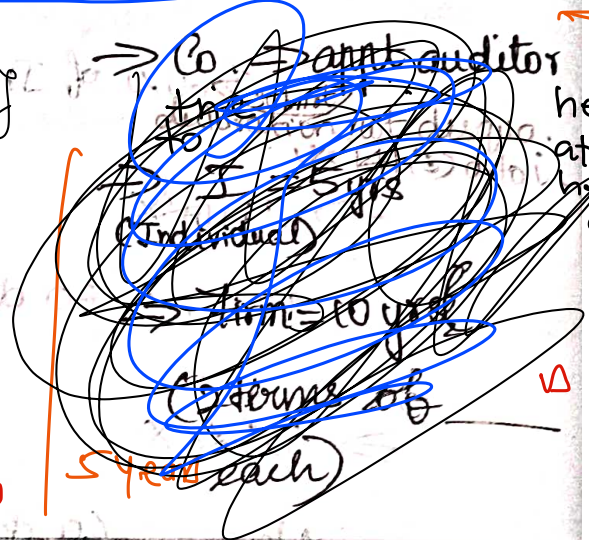
≤ 15 days

of appointment.

Co → while appointing

Auditor will take a declaration from Auditor that he is not disqualified u/s 141(3) a to i.

I = 5 yrs | Firm = 10 years



he has a... he is disq 41(3) to i.

(2 terms of 5 years each).



2015 2020 10/9/20

27/8/18 Old Auditor = died
New Auditor = CV Auditor.



Govt Co.

- (within)
- CAG \leq 30 Days of vacancy.
- CAG X
- BOO \leq 30 days
- till next AGM

NonGovt Co.

Resignation

Others.

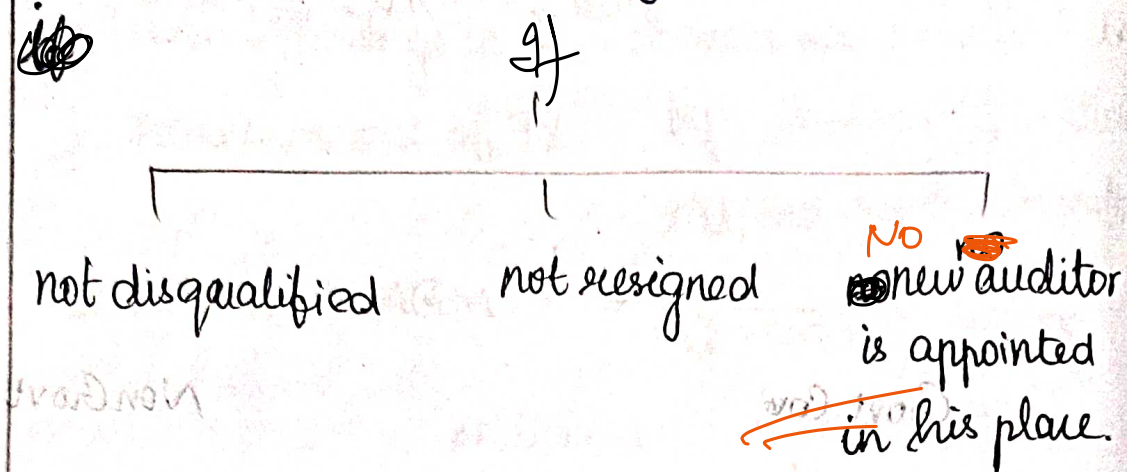
- BOO \leq 300
- BOO \leq 300
- Mem = Confirm
- the appt \leq 3m
- of appt at (GM)
- till next AGM
- till next AGM

2020



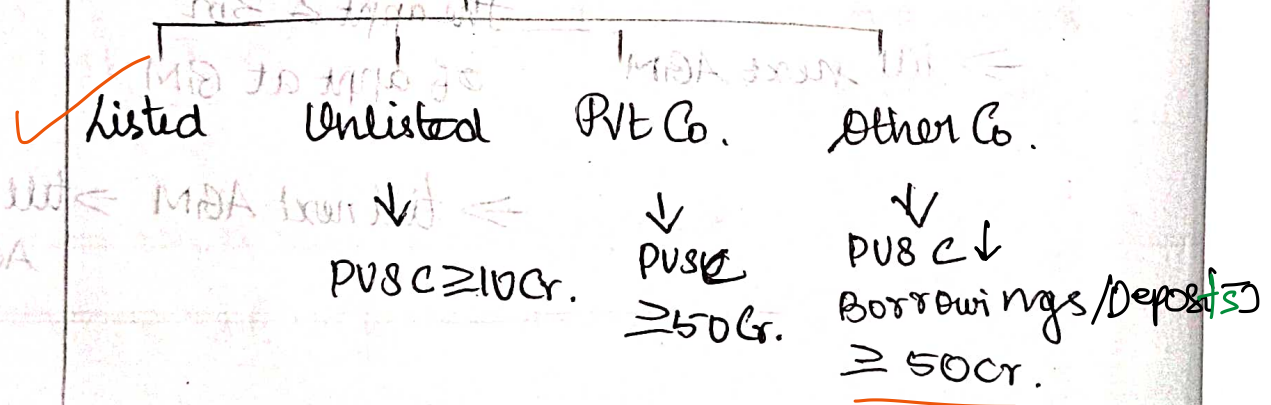
Q12 Reappointment of retiring auditor
 - See 139(9)

Retiring auditor may be reappointed



Q13 13. Rotation of Auditor - Sec 139(2), (3), (4)

Rotation



I = 5yrs ~~cooling period~~ | Cooling period = 5yrs.

~~I = 10yrs~~ | Cooling period = 5yrs



Public.

Rules ^{with} ~~which~~ respect to violation: -

* If there is a common partner on the date of appointment in the new firm, then that new firm shall also be disqualified for 5 years.

* If a partner who is certifying the financial statements of the company joins another firm and such another firm is also disqualified for 5 years.

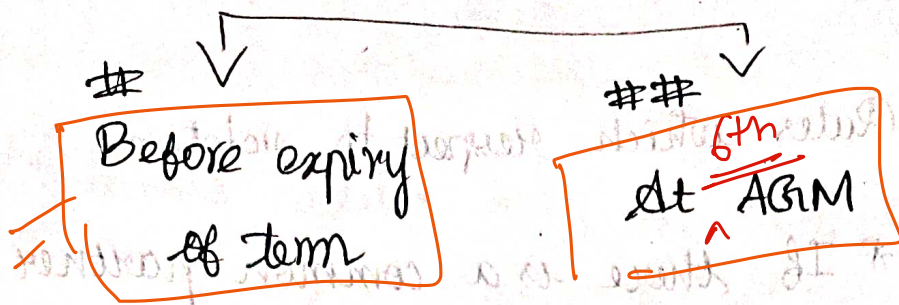
* The new audit firm will also be disqualified if it is a part of same network as that of old ~~CA~~ CA Firm.

Note for reference:-

for entry (139) }
for exit (140) } for auditors



4. Removal of Auditor - see

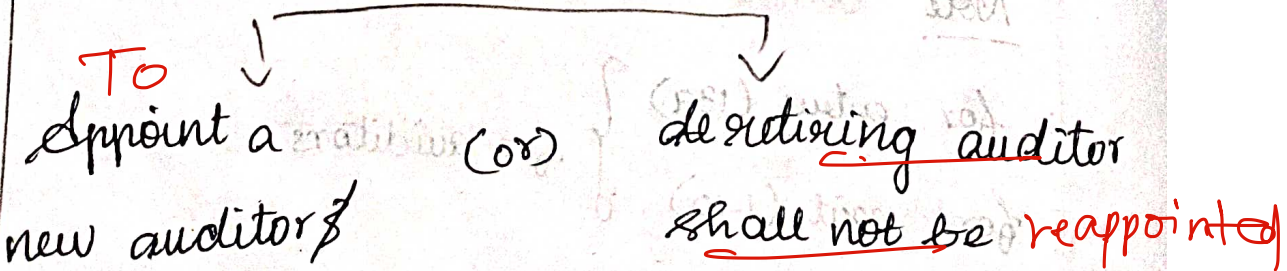


- #
- BOD → BR - BM → Board meeting
- Board Resolution Board of members
- Applⁿ to CG → ADT 2
- ≤ 30 days of BR
- after CG approval → GM
- ≤ 60 days of CG approval
- At GM → ~~mem~~ mem will pass special resolution
- Opportunity of being heard.

At 6th AGM:-

* Members will give special notice to the Co. stating that ~~members will give~~

* stating that





notice is not required.

~~At AGM~~

⇒ Rights of retiring auditor

To make representation of reasonable length.

To request such representation to be circulated among members

To require that representation shall be read at the AGM

⇒ It will be the duty of the Company to send the representation to every member of the company.

⇒ The representation need not be circulated

Right of representation

It is revived

~~www.flexcil.com~~



IB representation is
members, a copy should be filed
with ROC

Q.15) 15. Change of Auditor by Tribunal
(Sec 140(5))

1. If the auditor of the company has
acted in the fraudulent manner or
~~is~~ involve in any fraud, then
the Tribunal

either ~~is~~ ^{Suo}
motu (or) Applⁿ
by Cr (or) Applⁿ by
any other person concerned

will order to change the auditor.

If application is made by Cr →

Tribunal pass the order within 15 days.



the auditor shall be disqualified to be appointed as an auditor for 5 years in any company.

3. The auditor ~~is~~ also will liable under section 447.

4. The civil liability will ~~devolve~~ devolve on the entire firm but the criminal liability will devolve on the concerned person who was actually involved in the fraud.

Q16) Resignation of Auditors

Sec 140(2) & Sec 140(3)

→ The auditor can resign from the Co. before expiring of his term.

→ He has to file ADT-3 with the Co., ROC and CAG (in case of ~~Co.~~ G.Co) within 30 days of resignation.

→ If ADT-3 is not filed ~~then~~ ^{then} ~~the auditor~~ ~~is~~ ~~not~~ ~~liable~~ ~~in~~ ~~the~~ ~~case~~ ~~of~~ ~~fraud~~.



Min ₹50000

Remuneration of Auditor

+500/day

Subjct to max. 200000

17. Sec-143 Rights & Duties

Rights

Duties

1) Remuneration - 8.142

2) Access to all BOA

all times
all places

3) ask for info/expl'n

4) attend GM/revive notice

↳ 8.146

Refer pg - 11

main book

① ② ③

Specific Inquiries

Opinion on T&F

Reporting Requirement

Areas view

T&F

ABCDEF

"KT-DIES"

↳ Refer Pg 12 (Main book)



18. Rules w.r.t Audit of Govt. Co.

Sec 143(5), (6), (7)

① ⇒ The CAG has a power to ~~conduct~~ ^{Conduct} supplementary audit or test audit.

② The ~~stat~~ ^{statutory} auditor of the Govt. Co. will submit audit report to ~~CAG~~ CAG along with ~~directions~~ ^{directions} issued by CAG, actions taken thereon and ~~impacts~~ ^{impact} on accounts ~~of~~ of the Co.

④ ⇒ With in 60 days of above, ^{Original} Report ~~is to be~~ by the CAG will ^{pass order to conduct} ~~conduct~~ ^{supplement} audit either ~~side~~ ^{by Company's statutory} auditor or through ^{CA} any other holding COP. CAGs also has a right to comment upon or supplement the Audit Report.

⑤ ⇒ ~~Supp.~~ audit report shall be forwarded to every person entitled to copies. of FS u/s 136 (1).



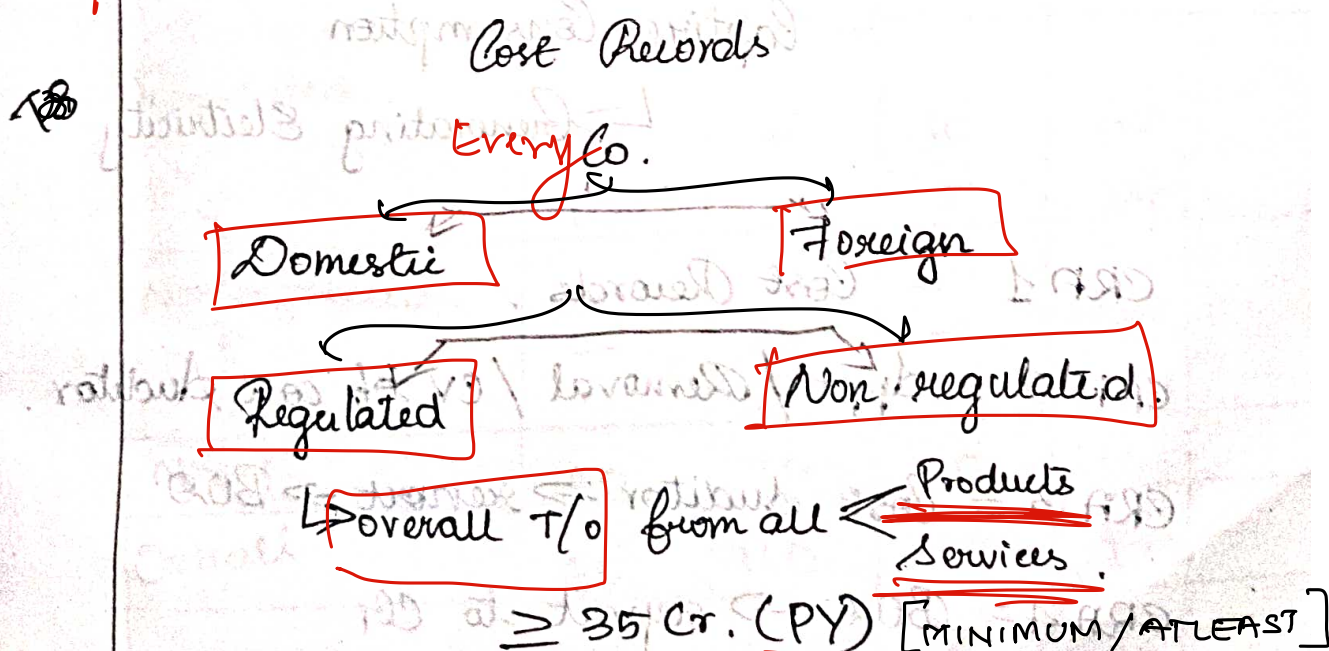
audit. The provisions of ~~1971~~ ^{CAG} Act, 1971 shall apply to report of such cost audit.

Q19) 19. COST AUDIT Sec 148.

⇒ Cost audit will be conducted by a cost accountant either Individual or Firm.

→ It will be in addition to the statutory audit of the company. The stat. auditor of the ~~co.~~ ^{company} can't become cost auditor of the company.

Rules 3 of Cost Record Audit Rules, 2014:





Exemption: MICRO/SMALL en...

MSME Act, 2006.

...distrib...

Rule 4 → Cost Audit

~~10/10/18~~

Regulated

Non Regulated

Overall T/O = 50 Cr.

Overall T/O = 100 Cr.

AND

AND

Individual T/O = 25 Cr.

Individual T/O = 35 Cr.

Exemption from Cost Audit
- Unit in SEZ
- Co. ⇒ Revenue from export > 75% Total Revenue
- Captive Consumption

↳ Generating Electricity

CRA 1 = Cost Records

CRA 2 = Appt / Removal / cv of cost Auditor

CRA 3 = Cost Auditor ⇒ report ⇒ BOB

CRA 4 = BOB ⇒ report to CG



	A Ltd	B Ltd	C Ltd.
- Regulated			
x	20	—	—
y	5	—	—
- Non Regulated			
P	—	30	—
Q	—	12	—
2 - Other	12	10	40 Cr.
Overall T/O	31 Cr.	52 Cr.	40 Cr.
Cost Records.	✓	✓	✗

2) Rule 4: Cost audit

	A	B	C	D
Regulated				
x	15	—	10	15
y	10	—	5	20
Non Regulated				
P	—	20	—	80
Q	—	20	—	10
Others	40	70	40	100
Overall	65	110	55	175