

Chapter - 10 " Audit and Auditors " (Inter - Law + Audit)

Coverage → Law and Audit → Chapter - X of Companies Act, 2013

[Sec. 139 to Sec. 148]

→ Companies (Audit and Auditor's) Rules, 2014

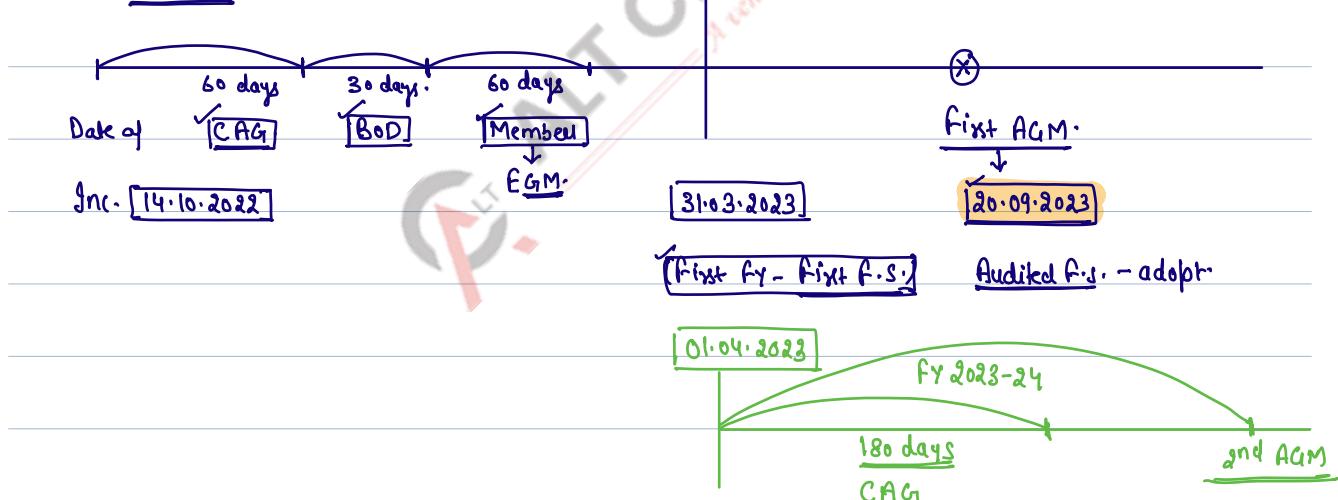
→ Companies (Cost Records and Audit) Rules, 2014

→ Auditing

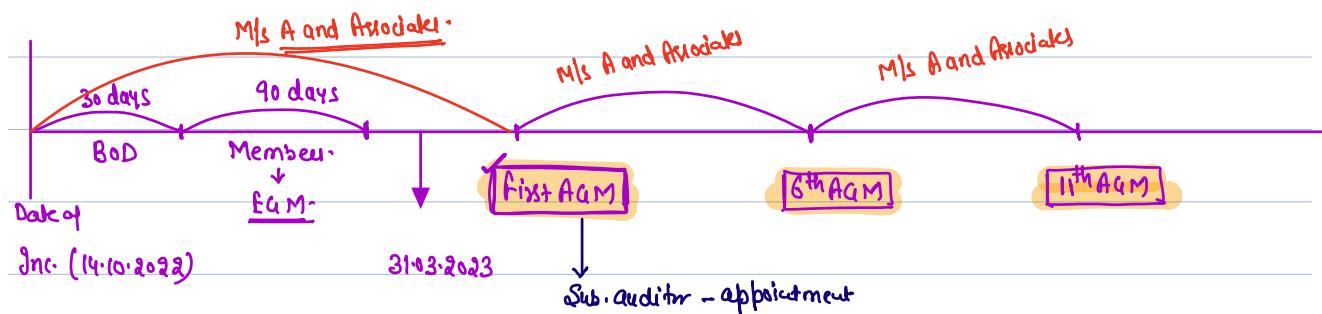
- Companies (Auditor's Report) Order, 2020 - (ARO, 2020)
- SA - 299 " Joint Audit of financial statements "
- SA - 600 " Using work of another auditor "

① Appointment of Auditor (Sec. 139) :

(a) Govt. Co.



(b) Non-Govt. Co.



(A) First Auditor:

(i) Non-Govt. Co. - Sec. 139(6)

(iii) Govt. Co. - Sec. 139(7)

First auditor shall be appointed by
Board of Directors within 30 days
of registration of company.

If BoD fails, BoD shall inform the
members and members shall appoint
the first auditor in General Meeting
(G.M.) within 90 days.

First auditor shall be appointed by
CAGI within 60 days of registration
of company.

If appointment not made by CAGI within
60 days, BoD shall appoint the first
auditor within next 30 days.

Tenure: till conclusion of first AGM

If BoD fails, BoD shall inform the
members and members shall appoint
the first auditor in General Meeting
within 60 days.

Tenure: till conclusion of first AGM.

(B) Appointment of Subsequent Auditor:

(i) Govt. Co. : Sec. 139(5)

- Subsequent auditor of a government company shall be appointed by CAGI
- for each financial year;
 - within 180 days of commencement of each financial year.

Tenure: till conclusion of AGM held immediately after the end of relevant
financial year.

(ii) Non-Govt. Co [Sec. 139(1)]

Subsequent auditor of a non-govt. company shall be appointed at first AGM and thereafter at every 6th AGM.

Tenure: Till conclusion of 6th AGM.

Appointment of subsequent auditor in Non-Govt. Co. shall be made in prescribed manner [Rule 3 of Companies (Audit and Auditor's) Rules, 2014] and shall be subject to following conditions:

(a) Written Consent

(b) Certificate

(c) Intimation

Before appointment, a
written consent of the
auditor and a Certificate

that appointment, if
made, shall be in
accordance with the
provisions of this Act,
shall be obtained.

Certificate shall indicate
that criteria as specified
u/s 141 has been fulfilled.

Sec. 141 → Eligibility,

Qualifications and

Disqualification of
Auditor.

Company shall inform the
auditor of his appointment

and

file a notice of appointment
in form ADT-1

↓

with ROC within 15 days
of appointment.

Note: Contents of the Certificate to be given by the Auditor to the Company are prescribed in Rule 4.

Rule 3 of CAAR, 2014 : Manner of selection and appointment of auditors:

Company is required to constitute audit committee u/s 177

↓

YES

↓

Audit Committee - shall consider the qualification

BOD shall consider the

and experience of the person proposed

qualification and experience of

to be appointed as auditor.

the person proposed to be

appointed as auditor.

↓

shall forward the

↓

recommendations

BOD shall recommend the

to the Board of Directors → BOD Agree → name of proposed auditor to

↓

the Members

BOD Disagree

↓

BOD will request the audit committee to reconsider

Members will appoint the
auditors in AGM.*

↓

Audit Committee

Audit Committee disagree

* Note: As per Sec. 139(10), if
no auditor is appointed/re-
appointed at AGM, existing

Agree

↓

BOD will record the reason

auditor shall continue.

Audit committee shall
propose another name

for disagreement with audit committee
and make its own recommendation to members

as auditor.

↓

Members will appoint the auditor in AGM.*

(C) Companies required to have audit committee (Sec. 177):

- Every listed public company and
- Other unlisted public company which satisfied any of the following conditions : (a) Paid up Capital \geq 10 Cr.

Or

(b) Turnover \geq 100 Cr

Or

(c) Outstanding loan, borrowings, debentures and public deposits \geq 50 Cr

as on last day of latest audited financial statements,
shall constitute an Audit Committee of directors.

<u>Example -</u>	<u>Name</u>	<u>Puc</u>	<u>Ilo</u>	<u>Borrowings etc.</u>	<u>Requirement of Audit Committee</u>
A Ltd.	listed	7 Cr.	90 Cr.	40 Cr.	
B Ltd.	unlisted	7 Cr.	105 Cr.	40 Cr.	(a) A Ltd. and F (P) Ltd.
C Ltd.	"	110 Cr.	90 Cr.	42 Cr.	(b) A Ltd., B Ltd., C Ltd., D Ltd., E Ltd.
D Ltd.	"	5 Cr.	85 Cr.	51 Cr.	(c) F (P) Ltd. and G (P) Ltd.
E Ltd.	"	9 Cr.	99 Cr.	49 Cr. X	(d) A Ltd., B Ltd., C Ltd. and D Ltd.
F (P) Ltd.	listed	7 Cr.	90 Cr.	40 Cr. X	
G (P) Ltd.	unlisted	110 Cr.	110 Cr.	60 Cr. X	

(D) Contents of Certificate to be furnished by auditor to company : Rule 4 of CAAR, 2014

- Discussed from book -