

## ⑧ Rights of auditor:

### (i) Right of access: Sec. 143(1)

Every auditor of the company shall have a right of access to the books of account and Vouchers, at all times, whether kept at the head. office or at any other place.

### (ii) Right to obtain information and Explanation: Sec. 143(1)

Auditor has a right to obtain the necessary information and explanation for the purpose of audit, from the officers or employees of the company.

Note: If auditor is denied access to books of account or vouchers or necessary information or explanation has not been provided to him, auditor shall:

(a) Evaluate its effect on audit opinion (i.e. to determine the requirement of issuing modified opinion) - Qualified / Disclaimer and

(b) Report u/s 143(3) that all information and explanation required for the purpose of audit has not been provided.

### (iii) Right of access to records of subsidiaries - Sec. 143(1)

Auditor of holding company has a right of access to records of subsidiaries and associate companies in relation to audit of Consolidated financial statements.

(iv) Right to resign before completion of tenure: Sec. 139(2)

(v) Right of opportunity of being heard: Sec. 140(1)

in relation to his removal before completion of tenure.

(vi) Right of representation - Sec. 140(4):

If special notice is received by the company from its members to pass special resolution w.r.t.

(a) appointing someone else as auditor

or

(b) providing expressly that retiring auditor shall not be re-appointed.

(vii) Rights in relation to general meetings: Sec. 146

(a) Right to receive notice of general meetings; and

(b) Right to be heard in general meetings.

Note: Auditor is required to attend general meetings (unless exempted by the company) either personally or through qualified representative.

(viii) Right to receive remuneration:

It is a contractual right established through letter of appointment and letter of engagement.

### (ix) Right of lien:

It is a contractual right to retain the records, documents, books, etc. of client, in case of non-payment of audit fees.

Right of lien can be exercised subject to following conditions:

(1) Lawful possession of records;

(2) Non payment of fees; and

(3) auditor has worked on these records, documents, etc.

Note: Due to legal requirements of sec. 128 of Companies Act, 2013, to exercise right of lien is practically, not feasible.

Further, Ethical Standard Board of ICAI recently decided that a practicing CA cannot exercise right of lien.



### ⑨ Auditor's duties and other incidental provisions: Sec. 143

v.v. imp.

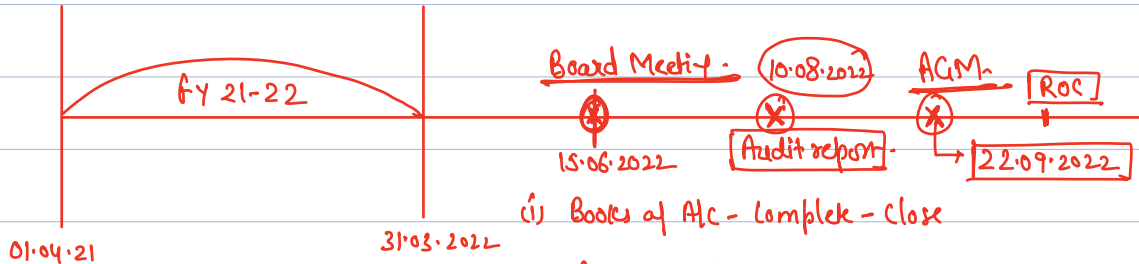
(i) Inquiry into propriety matters: Proviso to sec. 143(1):

- To be learned from book -

(ii) Reporting on Books of account and financial statements: Sec. 143(2)

- Auditor is required to make a report to the members of the company, on the accounts examined by him and financial statements which are laid before the members in general meeting.

- Report shall state the auditor's opinion on true and false view of books of account and financial statements.



(i) Books of A/c - Complete - Close

(ii) F.S. - prep<sup>n</sup>

(iii) F.S. - BoB - Board meeting - approve

(iv) F.S. - given to auditor

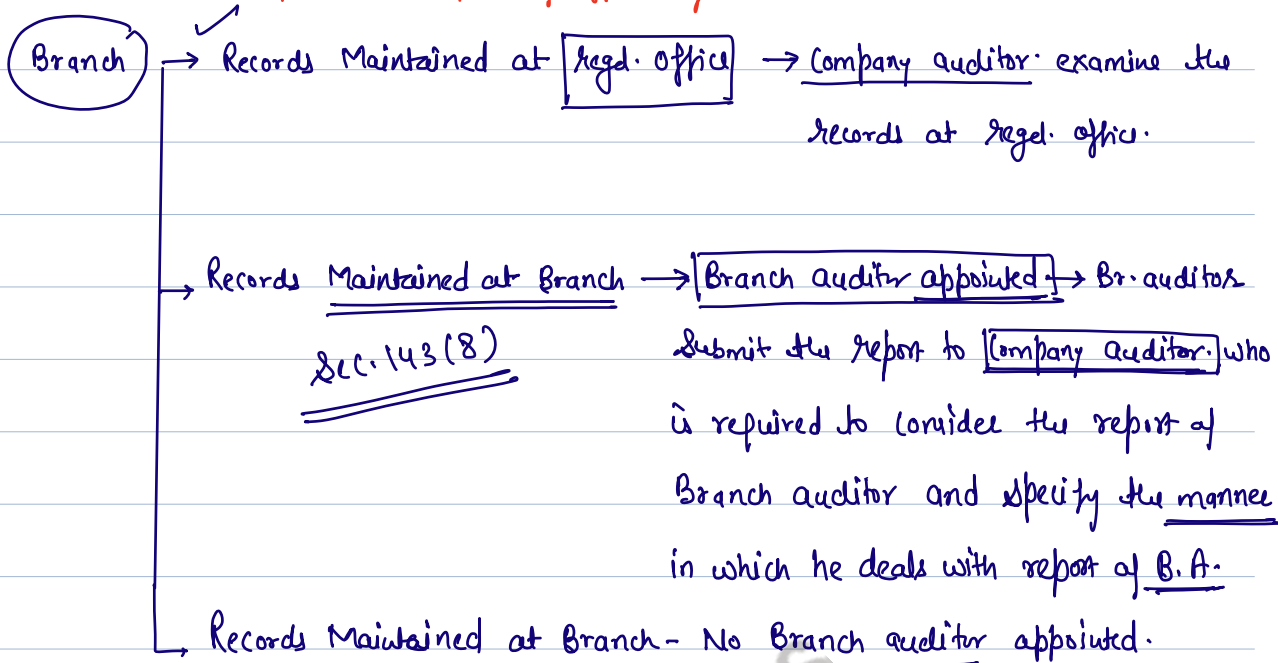
(v) Auditor examine the f.s. and issue audit report.

(vi) AGM - audited f.s. - adopt

(iii) Reporting on other Matters : Sec. 143(3)

- to be learned from book -

- |  |   |
|--|---|
| (a) Info. and Explanation                            | (2) Such other matters <u>as prescribed</u> .           |
| (b) Proper Books of A/c + Proper returns             | ↓ (Rule 11)   |
| (c) Report on accounts of Branch + Manner            | (i) - Disclosure of Impact of pending litigations       |
| (d) B/S + P/L A/c - agreement - books of A/c         | (ii) - Provision for foreseeable losses - LIT contracts |
| (e) F.S. ——— Compliance with AS                      | (iii) - Delay - IEPF                                    |
| (f) O/C → financial docs - adverse affect            | (iv) - Mngt. Representation - <u>funds diversion</u>    |
| (g) Director - Disqualified U/s 164(2)               | (v) - Dividend - U/s 123                                |
| (h) Q/R/A - Maintenance of A/c                       | (vi) - A/c software - <u>Audit Trail facility</u>       |
| (i) IFC - F.S. - in place and operating effectively. |   |

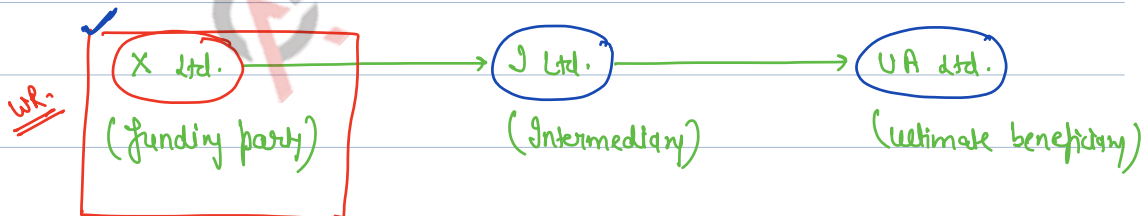


Company auditor may visit the branch to examine the records.

Co. Auditor may ask for the summarised return of the branch transactions, if branch not visited by him.

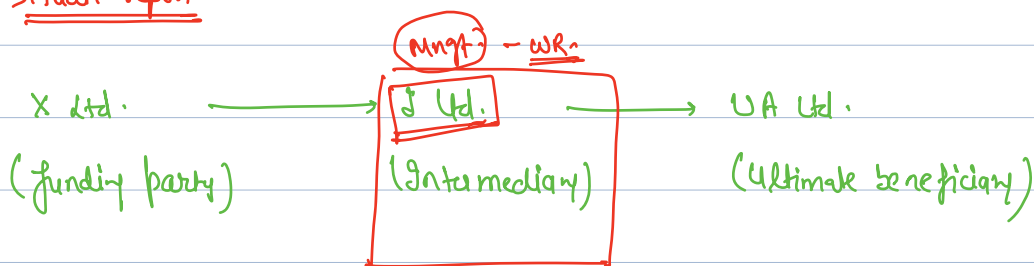
Rule 11

4(1)



Auditor → Audit report.

4(2)



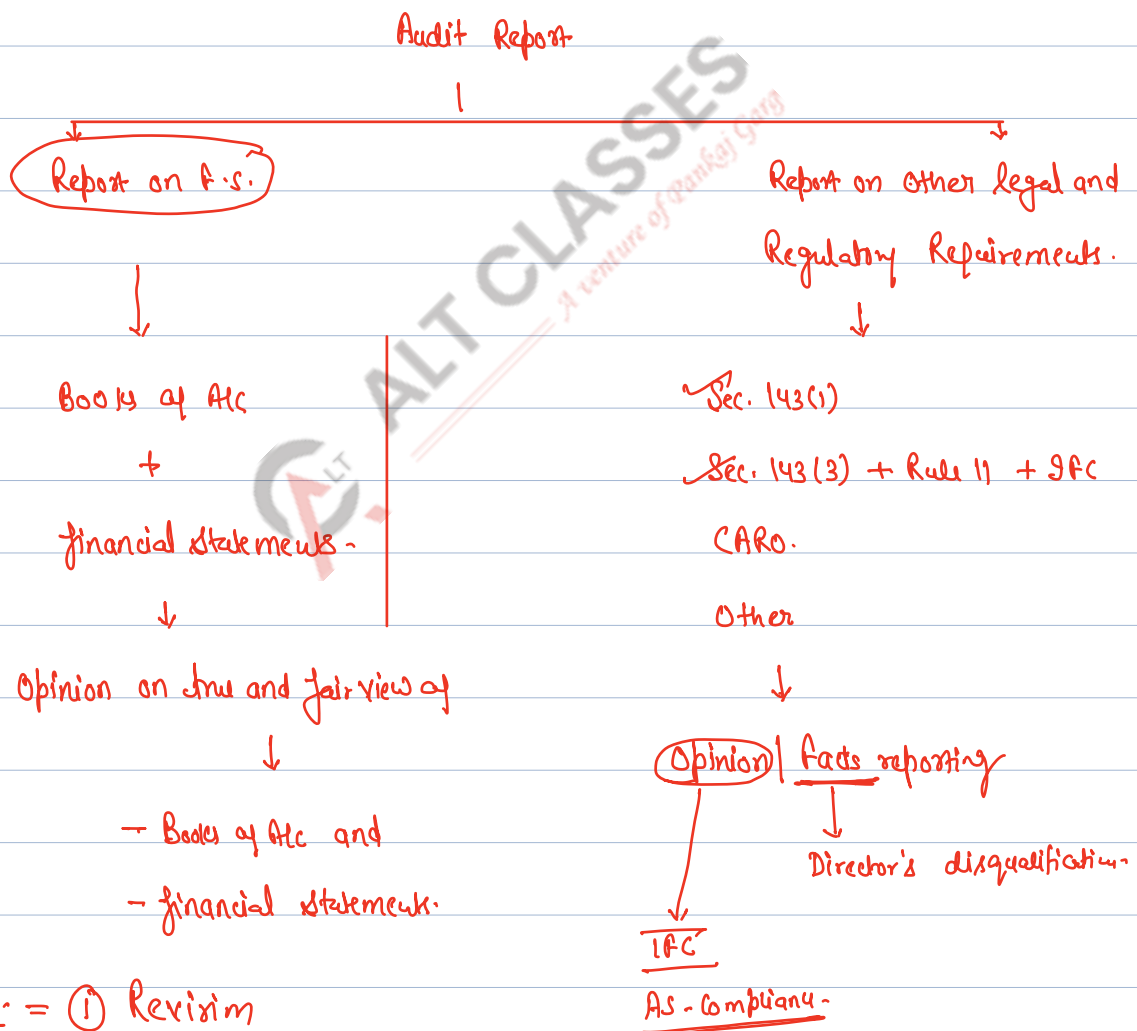
Auditor - Audit report.

(iv) Reasons for adverse remarks: Sec. 143(4)

Where any of the matters covered U/s 143(3) is answered with negative or qualification remarks,

↓

auditor is required to state the reasons.



HW. = ① Revision

② Learning.

③ Written Practice - few Questions.