

(v) Provisions w.r.t. Government Companies:

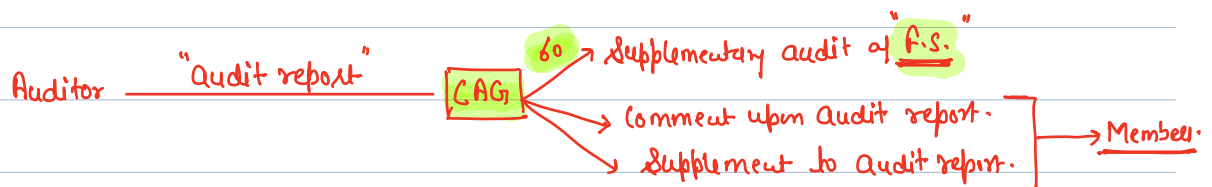
(a) Sec. 143(5): Rights of CAG to give directions:

- In case of Govt. Companies, CAGs appoint the auditor and may issue directions to such auditor as to the manner in which audit is to be carried out.
- Auditor of Govt. Co. in his report shall include the followings:
 - (a) Directions, if any, given by CAG.
 - (b) Actions taken thereon.
 - (c) Impact of such directions on financial statements.

(b) Sec. 143(6): Supplementary Audit:

- CAG shall within 60 days of receipt of audit report, have a right to order the supplementary audit of financial statements of a government company, by a person authorised by him; and
- to comment upon or supplement audit report.

Note: Any comment or supplement so made by CAG shall be sent by the company to every person to whom financial statements are being sent U/s 136.



(C) Sec. 143(7) : Test Audit

In case of government companies, CAG may, if considered necessary, pass an order, causing the entity to get the accounts audited.

	<u>Supplementary Audit</u>	<u>Test Audit</u>
① Related sections	Sec. 143(6)	143(7)
② Authority by whom order is passed	CAG	CAG
③ Companies on which provisions are applicable	Govt. Companies	Govt. Companies
④ Subject Matter	financial statements	Books of Account
⑤ Pre-condition	Audit of A.S. has already been done	- N/A. -
⑥ Time-limit within which order is to be passed	within 60 days of receipt of audit report.	as and when considered necessary by CAG.

(vi) Branch Audit : Sec. 143(8) and Rule 12 : will be covered separately.

(vii) Compliance with Auditing Standards : Sec. 143(9) and 143(10)

- Every auditor shall comply with auditing standards.
- C.G. shall prescribe the auditing standards (as recommended by ICAI) in consultation with and after considering the recommendations of NFRA.

(viii) Reporting on matters prescribed under CARO: Sec. 143(11)

CARO 2020 - will be covered separately -

(ix) Reporting on Fraud: Secs. 143(12) to 143(15) and Rule 13

(a) Sec. 143(12): If auditor has reason to believe that an offence involving

✓ D₁ - [70 lakh] - Car -

✓ D₂ - [50 lakh] - Inv -

fraud of such amount as prescribed is being or has been committed, over the company, by the officer/employee of company

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Auditor shall report that fraud to C.G. in prescribed manner. (Rule 13).

Note: If the amount of fraud is below threshold limit, auditor shall report the fraud to audit committee or BoD in prescribed manner.

(b) Sec. 143(13): It shall be deemed that auditor has not contravened^{*} any duty by reporting to C.G., if reporting is done in good faith. (* Breach of confidentiality).

(c) Sec. 143(14): Reporting requirement u/s 143(12) related to fraud also applicable, mutatis mutandis, over the:

(i) Cost Accountant; and (ii) Company Secretary.

(d) Sec. 143(15): In case of non-compliance of sec. 143(12), a fine shall be imposed over the auditor, cost accountant or company secretary - ₹ 5 lakh (in case of a listed company);
- ₹ 1 lakh (in case of other companies).

Rule 13 - Manner of Reporting

Auditor has reason to believe that fraud is being or has been committed over the company by the Officer/Employees of the company.

Amount of fraud \geq 1 Cr. (Individually)

Amount of fraud $<$ 1 Cr.

Auditor shall within 2 days of his knowledge, report the fraud to the Audit Committee / Board seeking their reply with 45 days

Auditor shall within 2 days of his knowledge, report the fraud to Audit Committee / Board

Reply received

Reply not received

mentioning the following:

Within 15 days of reply

On Expiry of 45 days,

(a) Nature of fraud

(b) Approx. amt. involved

(c) Parties involved

forward a report in

forward a report in

Form No. ADT-04

Form No. ADT-04

Board's Report shall

along with:

along with:

include the following:

(a) Original report

(a) Original report

(a) Nature of fraud

(b) Reply of Audit Committee /

(b) a statement that

(b) Approx. amount

BoD

reply not received

(c) Parties involved (if

(c) Comments over reply

action not taken)

(d) Remedial action taken.

to C.G. (Secretary, MCA)

through speed post / regd. post, in a

sealed envelope, followed by a e-mail

for confirmation, on letterhead having contact details.

⑩ Signing of Audit report: (Sec. 145)

✓ Signing of Audit report shall be in accordance with the provisions as stated in s. 141(2).

✓ Qualification/Reservation/Comments w.r.t. financial transactions or matters that may have any adverse effect on the functioning of Company, shall be read out in the meeting.

⑪ Auditor to attend general meetings (Sec. 146): - Already covered -

⑫ Penalties for Contravention: ^(Sec. 147) - to be covered from book -

(a) Over the Company: for contravention of - fine ranging from
Sec. 139 to Sec. 146 ₹ 25,000 to ₹ 5,00,000

✓ (b) Over the officers: " - fine ranging from
in default: ₹ 10,000 to ₹ 1,00,000

(c) Over the Auditor: for contravention of - Min fine: ₹ 25,000
Sec. 139, 144 and 145 Max. fine: ₹ 5,00,000 or
4 times of remuneration, whichever
is lower.

for wilful default: - Min. fine: ₹ 50,000
Max. fine: ₹ 25,00,000 or 8 times of remuneration,
whichever is lower
AND → Imprisonment up to 1 year.

Note: If auditor is convicted U/s 147

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he shall be liable to

(a) refund the remuneration

and

(b) pay the damages.

Sec. 147(5): - For civil liabilities and criminal liabilities - in relation to ^{fraud}
= Partner(s) + firm → jointly and severally
- For criminal liabilities other than fine → concerned Partner(s)
(i.e. imprisonment)

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