

COMPANIES ACT 2013

CS SAROJ KUMAR RAY,
FCS

FOCUS AREAS



**AUDIT
&
AUDITORS**



CHAPTER X : AUDITORS

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Appointment of Auditors

At First AGM : To Appoint auditor to hold office upto conclusion of Sixth AGM

To Ratify the appointment at every AGM

Pre-conditions for Appointment

Company to File a notice of appointment with the Registrar within 15 days of the Meeting in the e-form ADT-1.

1. Written Consent of the Auditor and
2. Certificate :
 - Eligible for Appointment and not disqualified
 - Within the term allowed
 - Within the Limit allowed

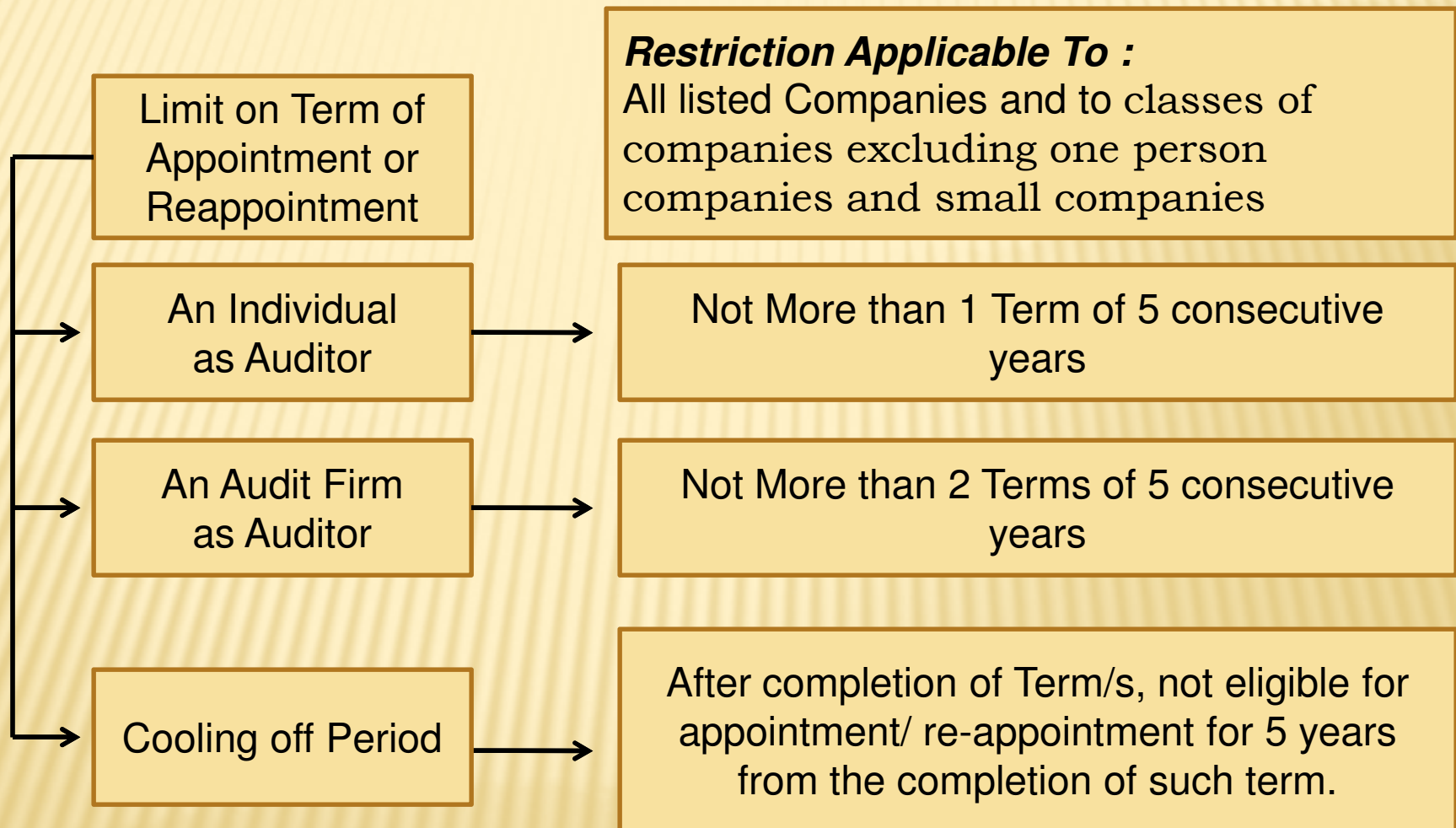
Audit Committee

Board

Members at Annual General Meeting



Rotation of Auditors



Rotation of Auditors Applicable for Class of Companies

For the purposes of S.139, the classes of companies shall mean the following classes of companies excluding one person companies and small companies :-

- a) All **unlisted public companies** having paid up capital of Rs. 10 crores.
- b) All **private limited companies** having paid up share capital of Rs. 20 crores.
- c) All companies having paid up share capital of below threshold limit mentioned in (a) & (b) above, but having public borrowings from financial institutions, banks or public deposits of Rs. 50 crores or more.

APPOINTMENT & ROTATION OF AUDITORS

POTENTIAL ISSUES

Section 139

In accordance with the new Act, a listed company shall not appoint or re-appoint audit firms for more than two terms of five consecutive years. An issue is likely to arise as to how the years of service before enactment of new law should be considered for rotation. The following views are possible.

Not to hold office for more than 10 years. **The companies have been given 3 years time frame to comply with this requirement.** If this view is accepted, an audit firm, which has completed 7 or more years can continue to hold for 3 years.

In accordance with the new Act, an audit firm can have two maximum terms of five consecutive years each. Hence, the same is not considered for deciding rotation of auditors.

In banks, the rotation of auditors is for every 4 years. Since these are requirements under the Banking Regulation Act, the same would prevail over the new Act.

SCHEME OF NOTIFICATION UNDER COMPANIES ACT

Rotation of Auditors - Illustration for **Individual Auditor**

No of consecutive years for which an individual auditor has been functioning as auditor in the same company	Maximum No. of consecutive years for which he may be appointed in the same company	Aggregate period which the auditor would complete in the same company in view of column I and II
5 years (or more than 5 years)	3 years	8 years or more
4 years	3 years	7 years
3 years	3 years	6 years
2 years	3 years	5 years
1 year	4 years	5 years

SCHEME OF NOTIFICATION UNDER COMPANIES ACT

Rotation of Auditors - Illustration for Audit Firm

No of consecutive years for which an individual auditor has been functioning as auditor in the same company	Maximum No. of consecutive years for which he may be appointed in the same company	Aggregate period which the auditor would complete in the same company in view of column I and II
10 years (or more than 10 years)	3 years	13 years or more
9 years	3 years	12 years
8 years	3 years	11 years
7 years	3 years	10 years
6 years	4 years	10 years
5 years	5 years	10 years
4 years	6 years	10 years
3 years	7 years	10 years
2 years	8 years	10 years
1 year	9 years	10 years

Manner , procedure, selection and appointment of auditors

Where company constitutes an **Audit Committee as required under Sect.177 of the Act**, all appointments, including filling of a casual vacancy of an auditor shall be made after taking into consideration the recommendations of such committees.

A company which **does not have audit committee**, the Board shall take into consideration the qualifications and experience of the individual or the firm proposed to be considered for appointment as auditor and whether experience are commensurate with the size and requirements of the company.

In case audit committee is constituted, and if Board agrees with recommendation of Audit committee, it shall further recommend the appointment of an individual or a firm as auditor to the members in the annual general meeting else the reason for disagreement should be cited.

Appointment of First Auditors

As per section 139(6) the first auditor of the company shall be appointed **by the Board within 30 days of Incorporation**. In case of ***Board's failure***, an ***EGM shall be called*** within 90 days to appoint the first auditor.

The law is silent regarding from when this time limit of 90 days be reckoned, it is better to take a stricter view and interpret that the 90 days limit starts from Incorporation rather than expiry of 30 days(i.e. failure of Board) from it.

Tenure: – Till conclusion of 1st annual general meeting.

Remuneration: – **As per proviso to section 142(1) remuneration of the first auditor can be decided by the Board.**

Appointment of First Auditors In Government and Other Govt. Controlled Companies

New provisions introduced in Companies Act 2013

As per section 139(7) the first auditor of Government Company and Company owned or controlled directly or indirectly by the Govt. the appointment shall be made by the C & AG of India within 60 days of Incorporation. In case of *C & AG of India 's failure*, the Board of Directors shall appoint such auditor within the next 30 days.

In case of *Board 's failure*, Then an *EGM shall be called* within 60 days to appoint the first auditor.

Tenure: – Till conclusion of 1st Annual General Meeting.

Remuneration: – As per proviso to section 142(1) remuneration of the first auditor can be decided by the Board.

Appointment of Subsequent Auditors In Government and Other Govt. Controlled Companies

New provisions introduced in Companies Act 2013

As per section 139 (5), the appointment of Auditor in a Government Company in every subsequent financial year shall be made by C & AG within period of 180 days from the commencement of the financial year who shall holds office upto the conclusion of the Annual General Meeting.

Where a casual vacancy arise in the office of the Auditor in a Government Company other than by resignation of Auditor, the causal vacancy will be filled by the Comptroller and Auditor General of India within 30 days

Does appointment of 1st auditor require obtaining written consent, certificate and filing of form ADT-1 ?

The appointment of first auditor is governed through section 139(6) & (7) which starts with a non-obstante clause [notwithstanding anything contained in sub-section (1)] and it is sub-section (1) which requires obtaining consent & certificate from auditor and filing of form ADT-1 with ROC.

Interpretation of “notwithstanding anything contained....”:- As per Supreme court, the non-obstante clause is used to avoid the operation and effect of all contrary provisions. In case any departure between non-obstante clause and other provisions, non-obstante clause will prevail.

Since section 139(6) & (7) does not speak anything contrary to section 139(1) as far as obtaining of consent, certificate and filing of form is concerned therefore it can be interpreted that ADT-1 should be filed with ROC for first auditor also.

Removal/Resignation of Auditor

Removal of Auditor

- Special Resolution of the Company and
- Previous approval of Central Government Form ADT-2

Resignation by Auditor

- Auditor to file a prescribed form ADT-3 with the company and Registrar within **30 days indicating reasons and facts**

Appointing as auditor a person other than a retiring auditor

- Special notice is required for resolution
- To send a copy of special notice to Auditor
- Retiring auditor right to make representation
- If representation made, to send a copy along with notice to the members or if received late read out in the meeting. **Change of Auditor under 139(2) i.e. rotation of auditor does not attract the provisions under provision of section 140(4)**

RESIGNATION OF AUDITORS

OVERVIEW

Section 140

The auditor who has resigned from the company shall have to file a statement indicating the reasons and other facts as may be relevant with regard to his resignation as follows:

- (i) In case of other than Government Company, the auditor shall within 30 days from the date of resignation, file such statement to the company and the registrar.
- (ii) In case of Government Company or government controlled company, the auditor appointment under sub-section (5) of section 139, shall within 30 days from the resignation, file such statement to the company and the Registrar and also file the statement with the Comptroller and Auditor General of India (CAG).

The form and content of the statement to be filed by the retiring auditor shall be in e-form ADT-3. **The onus to file such statement containing relevant facts and reasons for resignation is on the resigning auditor and any contravention of sub section (2) is punishable with monetary fine which could be minimum Rs. 50,000 and maximum Rs. 5 lakh.**

REMOVAL OF AUDITOR AND GIVING SPECIAL NOTICE

OVERVIEW

Section 140

The auditor appointed under S.139 may be removed from his office before the expiry of his term only by a special resolution of the company, after obtaining the previous approval of the Central Government in that behalf in the prescribed manner in Form No.ADT-2

The auditor who has resigned from the company shall file within a period of 30 days from the date of resignation, a statement in the prescribed form with the company and the Registrar. In the case of non-compliance, the auditor shall be punishable with fine which shall not be less than Rs.50000 to Rs.500000

Special notice shall be required for a resolution at an annual general meeting appointing as auditor a person other than a retiring auditor or specifically providing that retiring auditor shall not be reappointed.

SCHEME OF NOTIFICATION UNDER COMPANIES ACT

Removal of the auditor before expiry of his term

- (a) The application to the Central Government for removal of auditor shall be made in Form ADT - 2 and shall be accompanied with fees as provided for this purpose under the Companies (Registration offices and Fees) Rules, 2014.**
- (b) The application shall be made to the Central Govt. within 30 days of the resolution passed by the Board**
- (c) The company shall hold the general meeting within 60 days of receipt of approval of the Central Government for passing special resolution.**

When an auditor has resigned from the company, he shall file a statement in Form ADT - 3

Duties & powers of company's auditor with reference to the audit of the branch and branch auditor

The duties and powers of the company's auditor with reference to the audit of the branch and the branch auditor as per S.143

The branch auditor shall submit his report to the company's auditor

Reporting of fraud by the auditor shall also extend to such branch auditor to the extent it relates to the concerned branch.

AUDIT & AUDITORS

REMOVAL, RESIGNATION OF AUDITOR AND GIVING SPECIAL NOTICE

COMPARISON

Section 140

Companies Act 2013	Companies Act 1956
S. 140 Removal, resignation of auditor and giving special notice	S. 225 Provisions as to resolutions for appointing or removing auditors
Removal of auditors before expiry of his term shall require special resolution and previous approval of Central Govt. for removal to be obtained in the prescribed manner	Requires only ordinary resolution
Auditor sought to be removed before expiry of term should be given reasonable opportunity of being heard	Replaces lengthy and tedious procedure of S.225 of 1956 Act.
Auditor who has resigned shall file within 30 days of resignation a statement in prescribed form with ROC	Did not cast any obligation on auditor who has resigned.
Tribunal may direct the company to change its auditors if auditor acted fraudulently or colluded.	No such provision prescribed.

Eligibility for appointment:

Composition	Companies Act, 1956	Companies Act, 2013
Individual	Only if the person is a Chartered Accountant (CA)	Similar requirement
Firm	All partners practicing in India should be qualified for appointment	Majority partners practicing in India should be qualified for appointment
Limited Liability Partnership (LLP)	Not eligible for appointment	Similar criteria to the firm. Partners who CA are authorize to act & sign on behalf of firm

Disqualifications for appointment:

- **Body corporate other than LLP**
- **Officer or employee of the Company**
- **A person who is a partner, or who is in the employment, of an officer or employee of the company**

COMPARISON**Section 141****Disqualification**

	Companies Act, 1956	Companies Act, 2013
Holding of security	A person holding security in the company	A person or partner holding any security in the Company. His relative holds any security or interest in the company <u>of amount exceeding Rs. 1 lac.</u>
Indebtedness / guarantee / security	A person who is indebted to the company for an amount exceeding ₹ 1000.	A person, his relative or partner is indebted to the company, its <u>subsidiary, holding or associate company or subsidiary of holding company for amount exceeding Rs. 5 lac.</u> Similar disqualification is also provided in case of <u>guarantee given or security provided in connection with indebtedness of any third person to the Company of amount exceeding Rs.1 lac.</u>
Business Relationship	No restrictions	A person, whose relative is a director or is in the employment of the company as a director or KMP
Full-time employment	A person who is in full time employment elsewhere is not eligible for appointment	Similar requirement

OVERVIEW & COMPARISION

Section 141

Disqualification

	Companies Act, 1956	Companies Act, 2013
Limit on maximum number of Companies	No company or its board will appoint / reappoint a person or firm as its statutory auditor, if such person or firm, at the date of appointment, is statutory auditor of as many companies computed 20 per partner. However, private companies are not included in the above threshold of 20 companies	A person or a partner of a firm will not be eligible of appointment / reappointment, if such person or partner at the date of appointment, is statutory auditor of as many companies computed 20 per partner. <u>Private companies are included in the above threshold of 20 Companies .</u>
Fraud	No restriction	A person will not be eligible for appointment, if he has been convicted by a court of an offence involving fraud and a period of 10 years has not elapsed from the date of such conviction.

Exemption with Regard to Disqualification for appointment as statutory auditor in more than 20 Companies.

MCA has vide Notification dated 05/06/2015 has exempted from Statutory Audit ceiling limit of 20 company audit limit the following Companies :-

- a) other than one person companies
- b) dormant companies,
- c) small companies and private companies having paid-up share capital less than one hundred crore rupees.

So now the Limit of 20 Companies includes:-

- a) Public Companies
- b) Private Companies having paid up capital of Rs. 100 crore or more

In the context of disqualification, certain provisions refer to person as well as firm; while other provisions refer to person and his relative

With reference to ***business relationship***, it prohibits an auditor, whether person or firm. However, there is no such restriction in case of relatives. Also there is no restriction on the partners from having business relation with the company.

Clarification required in the following:

- Whether restrictions, with reference to ***person***, only are applicable to individual auditor and not the firm or its partner?
- Whether the restriction on firms also applies to partner?
- With reference to business relation, it means ***normal*** or ***arm's length*** business relation. It does not mean auditor cannot buy soaps or detergents if he is the auditor of the FMGC company.
- Whether consolidated financial statements will be regarded as separate entity for computing limit of 20 companies.

The remuneration of the auditor of a company shall be fixed in its general meeting or in such manner as may be prescribed.

The remuneration prescribed shall in addition to the fee payable to an auditor, include the expenses, if any, incurred by the auditor in connection with audit of the company and any facility extended to him but does not include any remuneration paid to him for any other service rendered by him at the request of the company.

Companies Act 2013	Companies Act 1956
S. 142 Remuneration of auditor	S. 224 (8) Appointment and remuneration of auditors
NO CHANGE IN THE PROVISION	

- a) Every auditor of a company shall have a right of access at all times to the books of accounts and vouchers of the company, whether kept at the registered office of the company or at any other place and shall be entitled to require from the officers of the company such information and explanation as he may consider.
- b) Auditor of a company which is a holding company shall also have the right of access to the records of all its subsidiaries in so far as it relates to the consolidation of its financial statements with that of subsidiaries.
- c) Where any matters required to be included in the audit report under this section is answered in the negative or with a qualification, the report shall state the reasons thereof.
- d) The branch auditor shall prepare a report on the accounts of the branch examined by him and send it to the auditor of the company who shall deal with it in his report in such manner as he considers necessary.
- e) Unless any auditing standards are notified, auditing standards specified by ICAI shall be deemed to be auditing standards.

COMPARISON

Section 143

Companies Act 2013	Companies Act 1956
S. 143 Powers and duties of auditors and auditing standards	S. 227 Powers and duties of auditors S. 228 Audit of accounts of branch office of company S. 619 Application of S. 224 to S.223 to Govt. Companies
No such provision exempting branch from audit	The Central Govt. may make rules providing for exemption of any branch office from audit to the extent specified in the rules.
State the observation or comments on financial transactions or matters which have adverse effect on the functioning of company	The audit report to state in thick type or italics observations or comments of the auditors which have adverse effect

COMPARISON

Section 143

New requirements introduced by 2013 Act

- a) Every auditor shall comply with auditing standards**
- b) The auditor of holding company shall also have the right to access to the records of of all its subsidiaries in so far as they relate to consolidation.**
- c) Whether he has sought the desired information.**
- d) The auditor's report shall state any qualifications, reservation or adverse remark relating to the maintenance of accounts and other matters connected therewith**
- e) The auditor's report to state whether company has adequate internal financial controls systems in place and operating effectiveness of such controls.**
- f) If an auditor of a company, in the course of the performance of his duties as auditor, has reason to believe that an offence involving fraud is being or has been committed against the company by officers or employees of the company, he shall immediately report the matter to the Central Govt. within the time prescribed.**
- g) If the auditor does not report the fraud committed or being committed, he shall be punishable with fine which shall be less than Rs. 1 lakhs but may extend to Rs. 25 lakhs**

REPORTING OF FRAUDS BY AUDITOR

Companies (Audit and auditors) Amendment Rules, 2015

Reporting of frauds by auditor and other matters:

(1) If an auditor of a company, in the course of the performance of his duties as statutory auditor, has reason to believe that an offence of fraud, which involves or is expected to involve individually an amount of **rupees one crore** or above, is being or has been committed against the company by its officers or employees, the auditor shall report the matter to the Central Government **not later than 60 days after complying following procedures.**

(2) The auditor shall report the matter **to the Central Government as under:-**

- (a) The auditor shall report the matter to the Board or the Audit Committee, as the case may be, immediately but not later **than two days** of his knowledge of the fraud, seeking their reply or observations **within forty-five days;**
- (b) On receipt of such reply or observations, the auditor shall forward his report and the reply or observations of the Board or the Audit Committee along with his comments (on such reply or observations of the Board or the Audit Committee) to the Central Government **within fifteen days from the date of receipt of such reply or observations.**

REPORTING OF FRAUDS BY AUDITOR

Companies (Audit and auditors) Amendment Rules ,2015

- (c) In case the auditor fails to get any reply or observations from the Board or the Audit Committee within the stipulated period of forty-five days, he shall forward his report to the Central Government along with a note containing the details of his report that was earlier forwarded to the Board or the Audit Committee for which he has not received any reply or observations**
- (d) The report shall be sent to the Secretary, Ministry of Corporate Affairs in a sealed cover by Registered Post with Acknowledgement Due or by Speed Post followed by an e-mail in confirmation of the same;**
- (e) The report shall be on the letter-head of the auditor containing postal address, e-mail address and contact telephone number or mobile number and be signed by the auditor with his seal and shall indicate his Membership Number; and**
- (f) The report shall be in the form of a statement as specified in Form ADT-4.**

REPORTING OF FRAUDS BY AUDITOR

Companies (Audit and auditors) Amendment Rules, 2015

(3) In case of a fraud involving lesser than One Crore, then:

(1), the auditor shall **report the matter to Audit Committee** constituted under section 177 or to the Board immediately but **not later than two days** of his knowledge of the fraud and he shall report the matter specifying the following:-

- (a) Nature of Fraud with description;
- (b) Approximate amount involved; and
- (c) Parties involved.

(4) The details about fraud shall be disclosed in the Board's Report.

(5) The provision of this rule shall **also apply, mutatis mutandis, to a Cost Auditor and a Secretarial Auditor** during the performance of his duties under section 148 and section 204 respectively.”



OVERVIEW

Section 144

The section provides that an auditor appointed under this Act **shall not directly or indirectly provide** any of the following “**other services**” to auditee-company or its holding company or subsidiary company:

- Accounting and book keeping services
- Internal audit
- Design and implementation of any financial information system
- Actuarial services
- Investment advisory services
- Investment banking services
- Rendering of outsourced financial services
- Management services
- Any other services as may be prescribed



POTENTIAL ISSUES

Section 144

It is not clear whether the restriction will apply to rendering of non-audit services by the auditor to its **network firms** wherever located to the auditee's holding company or subsidiary located outside India.

Further, the Act does not define the terms such as **investment advisory services** and **management services** which are subject to varying interpretation.

Direct / Indirect ?

Individual

Either himself or through his relative 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 or trade mark or brand is used by such individual

Audit Firm

- Audit firm itself or
- Any of its partners or
- Through its parent, Subsidiary or Associate entity or any other entity in which the firm or any of its partner has significant influence or control , or whose name/trade mark/brand is used by the firm or any of its partners

Transitional Provision:

Comply with the above restrictions before the end of the first financial year after the date of such commencement

OVERVIEW

Section 145

The person appointed as an auditor of the company shall sign the auditor's report or sign or certify any other document of the company in accordance with the provisions of S.141 (2) and the qualifications, observations or comments on financial transactions or matters, which have any adverse effect on the functioning of the company mentioned in the auditors report shall be read before the company in the general meeting and shall be open to inspection by any member of the company.

The auditor of holding company has the right to access to the records of all its subsidiaries so far as it relates to consolidation requirements.

The auditor has to comment on whether the company has adequate internal financial control system and operating effectiveness of such control.

COMPARISION

Section 145

Companies Act, 2013	Companies Act, 1956
S.145 Auditor to sign audit reports etc	S.229 Signature of audit report etc S.230 Reading and inspection of auditor's report
Only qualifications, observations or comments on financial transactions or matters which have any adverse effect on functioning of the company to be read before general meeting	Requires entire auditor report to be read at general meeting
Reason to believe that fraud is being or has been committed, immediately report the matter to the Central Govt.	Fraud to be reported in the CARO report

POTENTIAL ISSUES

Section 145

- ✓ The requirement pertaining to reporting on “**Financial transactions or matters**” is not clear. Is the auditor required to report on the propriety of the transaction i.e whether the transaction has adverse impact on the functioning of the company.
- ✓ In case of **fraud**, the Act does not state that auditor’s reporting responsibility will arise only in the case of material frauds. This means the auditor may need to report all frauds to the Central Govt. irrespective of its size.
- ✓ Right to **access of records** not provided in the context of associates or Joint Ventures which also needed for Consolidated Financial statements.
- ✓ Not clear whether CARO reporting will be under the new legislation.

OVERVIEW

Section 146

All notices of, and other communications relating to, any general meeting shall be forwarded to the auditor of the company , and the auditor shall unless otherwise exempted by the company, attend either by himself or through his authorized representative, who shall also be qualified to be an auditor, any general meeting and shall have right to be heard at such meeting on any part of the business which concerns him as the auditor.

Companies Act, 2013	Companies Act, 1956
S.146 Auditor to attend general meetings	S. 231 Right of auditor to attend general meeting
The auditor shall unless otherwise exempted by the company attend any general meeting by: a) Himself or b) Through his authorized representative who is qualified to be an auditor	It was entirely up to the auditor whether to attend any general meeting of the company or not and whether or whom to depute as his representative at such meeting

If any of the provisions of S.139 to S.146 is contravened, the company shall be punishable with fine which shall not be less than Rs.25000 but which may extend to Rs.5 lakhs and every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than Rs.10000 but which may extend to Rs.1lakhs or with both.

If the contravention by the auditor is wilful or with intention to deceive the company or its shareholders or creditors or tax authorities, he shall be punishable with imprisonment for a terms which may extend to 1 year and with fine not less than Rs. 1 lakhs to Rs. 25 lakhs

The auditor who has been convicted shall refund the remuneration and pay for damages to company or the statutory bodies.

COMPARISON

Section 147

Companies Act, 2013	Companies Act, 1956
S.147 Punishment for Contravention	S. 232 Penalty for non-compliance with sections 225 to 231 S. 233 Penalty for non-compliance by auditor with S.227 to S.229
Provides minimum fine of Rs.25000 and maximum of Rs. 500000 Wilful contravention is wilful or knowingly with intent to deceive imprisonment of auditor up to one year and with increased fine of Rs. 100000 to Rs. 2500000 Refund of remuneration and to pay for the damages to the company or the statutory bodies.	Imposed on the auditor only a paltry penalty of fine up to Rs.10,000

COMPARISION

Section 147

New provisions introduced

Central Govt. shall by notification, specify any statutory body or authority or an officer for ensuring prompt payment of damages to the company or the persons specified above. Such body, authority or officer shall after payment of damages file report to the Central Govt.

If the partners of the firm has acted in fraudulent manner or colluded in any fraud the liability whether civil or criminal as stated in the act would be of audit partner or partners concerned as well as of the firm jointly and severally.

CENTRAL GOVT. TO SPECIFY AUDIT OF ITEMS OF COST IN RESPECT OF CERTAIN COMPANIES

OVERVIEW

Section 148

The Central Govt may, by order in respect of such class of companies engaged in the production of such goods or providing such services as may be prescribed, direct that particulars relating to the utilization of material or labour or to other items of cost as may be prescribed shall also be included in the books of accounts kept by that class of companies:

If the Central Govt is of the opinion that it is necessary to do so, it may, by order, direct that the audit of cost records of class of companies which are covered shall be conducted in the manner specified.

COMPARISION

Section 147

Companies Act, 2013	Companies Act, 1956
S.148 Central Govt to specify audit of items of cost in respect of certain companies.	S. 233B Audit of cost accounts in certain cases.
Also for the companies engaged in the prescribed services	Only for the companies engaged in the production, processing, manufacturing, mining activities.
Central Govt to consult regulatory body prescribed under Special Act.	Central Govt to consult regulatory body constituted or established under the special Act.
The remuneration to be determined by members of company in such manner as may be prescribed.	The remuneration to be decided by the Board of Directors.

Auditor's Report

Auditor's report to include :

- (f) the observations or comments of the auditors on **financial transactions or matters** which have any adverse effect on the functioning of the company;
- (i) Whether the company has adequate **internal financial controls system** in place and the operating effectiveness of such control

• Auditor to sign audit reports

The qualifications, observations or comments on financial transactions or matters, which have any adverse effect on the functioning of the company mentioned in the auditor's report shall be read before the company in general meeting and shall be open to inspection by any member of the Company

Basis of Difference	Companies Act, 2013	Companies Act, 1956
Appointment of First Auditors (Other than Govt. Co.)	By the Board within 30 days of its incorporation and on failure to do so, the members shall appoint the same within 90 days from incorporation	By the Board of directors within one month of the incorporation of the Company
Appointment of First Auditor - Government Company	Appointed by CAG within 60 days from the date of incorporation and on failure to do so, the Board within next 30 days and on failure to do, the members within 60 days.	No special provision for appointment of auditors in case of Govt. companies
Appointment of Auditors on Casual Vacancy	By the Board of Directors within 30 days but if such casual vacancy is due to resignation of an auditor, such appointment shall also be approved by the company at a general meeting within 3 months of the recommendation of the Board	By the Board : In case where vacancy is caused by the resignation of an auditor, the vacancy shall only be filled by the company in general meeting.

Basis of Difference	Companies Act, 2013	Companies Act, 1956
<i>Rotation</i> of Auditors	Compulsory for all Companies except OPC, Small companies An individual - Not for more than one term of 5 consecutive years; An audit firm – Not more than two terms of five consecutive years.	No provision for rotation of auditors has been provided under the Companies Act 1956.
<i>Rotation</i> of Auditor within firm	A company may resolve that the auditing partner and his team in the audit firm shall be rotated every year, or the audit shall be conducted by more than one auditor	No provision for rotation of auditor within firm has been provided under the Companies Act 1956.
<i>Intimation to ROC</i> on Appointment of Auditor	In case of appointment of auditor, the Company has to intimate both auditor and the registrar within 15 days of the appointment.	Auditor to inform Registrar within 30 days of the receipt of intimation from the Company

Basis of Difference	Companies Act, 2013	Companies Act, 1956
Auditing Standards	Compliance with auditing standards to be prescribed by the Central Government or recommended by ICAI as the case may be	No provision for compliance with the auditing standards the provision states for the compliance of accounting standards.
Reporting Duties	To also report on the cash flow for the year and such other matters as prescribed in his report, apart from BS, PL.	Auditor shall report for the balance sheet and profit loss account in its report.
Report Fraud	Report to CG if Material otherwise to Board	No provision for reporting to central Government of any fraud committed against the company
Provi. Applicable to Cost Auditor and CS	Duties, u/s. 143, apply mutatis mutandis to both cost accountants for cost audit and company secretary in practice for secretarial audit.	None of the duties of the auditor were applicable on accountants for cost audit and company secretary in practice for secretarial audit.

Basis of Difference	Companies Act, 2013	Companies Act, 1956
Auditor not to Provide certain services	Auditor not to render certain services whether directly or indirectly to company, its holding company , subsidiary and associate Company	No specified exception has been provided for the performance of duties of auditor.
Liability of Auditor	In case of contravention the penal provisions are made more stringent	Less Stringent penal provisions

THANK YOU