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**PREPARED BY** : DR. S. Kalavathi  
**PHONE NO** : 9842579433  
**UNIT** : 5

**SYLLABUS:**

**COMPANY AUDIT-APPOINTMENT AND REMOVAL OF AUDITORS-RIGHTS AND DUTIES OF COMPANY AUDITOR-LIABILITIES-AUDIT OF SHARE CAPITAL AND SHARE TRANSFER**

**COMPANY AUDIT**

It means “the balance sheet and profit and loss account or income or expenditure account, cashflow statement of a company shall be caused to be audited by the auditor of the company as in the companies act provided.

**Appointment of company auditor**

Every company , whether public or private company, must appoint an auditor to audit its account .

The board of directors are empowered to appoint the first auditors of a company who shall hold office until the conclusion of the first annual general meeting.

If the board fails to exercise this power , the company in general meeting may appoint the first auditor.

An auditor appointed unless he is a retiring auditor , shall within 30 days of the receipt from the company of the intimation of his appointment.

**Re-appointment of an auditor-** at the annual general meeting ,the retiring auditor by whatever authority appointed shall be re-appointed.

## **REMOVAL OF COMPANY**

Removal of first auditor

Removal of other auditor

**Section 225 of the companies act has laid down the following procedures for removal of auditors:**

1. A special notice of intention to move such resolution to remove the existing auditor must be given to the company by the shareholders, not less than 14 days before the annual general meeting.

2. A copy of such resolution shall be forthwith sent to the retiring auditor.

3. The retiring auditor has got a right to make written representation to the company.

4. His representation should not exceed a reasonable length and he can request the company to notify such representation to the members of the company.

5. The auditor has got a right to attend the meeting where his removal is being discussed.

### **Duties of company auditor**

- Duty to give report
- Duty to certify statutory report
- Duty to assist government inspector
- Duty with regard to public deposits
- Duty to certify prospectus
- Duty to conduct an inquiry with regard to matters mention in the section.

### **RIGHTS OF AN COMPANY AUDITOR**

- Right to access the books and records
- Right to get explanations from company staff
- Right to receive notice of general meetings
- Right to visit branches

- Right to seek legal and technical advises
- Right to claim remuneration
- Right to refuse to commence the audit
- Right to question the board
- Right to quality his report
- Right to indemnity

## **LIABILITIES OF AN AUDITOR**

### **1. Civil liability**

- a. Liability for negligence
- b. Liability for misfeasance

### **2. Liabilities under company act**

- a. Liability for misstatements in the prospectus
- b. Criminal liability of auditor under companies act

### **3. Criminal liability under Indian penal code**

### **4. Liability under income tax act**

### **5. Liability for professional misconduct**

### **6. Liability towards third parties**

## **AUDIT OF SHARE CAPITAL**

An auditor can verify the issued capital from balance sheet of the previous year. If there is any increase in the number of shares due to loans or conversion of debentures , the same has to be verified whether all the formalities were as per law.

## **AUDIT OF SHARE TRANSFER**

If a company commits any mistake in recording the share transfer , it may be faced with the liability of paying heavy damages to the affected shareholders.

## **COMPONENTS OF AUDITING IN TRANSFER OF SHARES**

- a. Examination of transfer forms
- b. Share transfer journal
- c. Directors minutes book
- d. Register of members
- e. Counterfoils of shares certificates
- f. Transmission of shares

## **ROLE OF AN AUDITOR**

The auditor should ensure that the company has strictly followed procedures laid down by the article.

In case of transmission by death, the company should examine the grant of probate or succession certificate.

In case of transmission by insolvency, the company before registering the transmission should examine the order of the court.

The auditor should ensure that the company has adhered to all the procedures before recording the transmission.

## **VERIFICATION BY THE AUDITOR**

- Share transfer journal
- Directors minutes book
- Register of members
- Counterfoils of share certificates

## **Books referred:**

1. Practical Auditing by B.N.Tandon
2. Principles and practice of auditing by Saxena