

Class: B.Com (Hons) Semester III

Subject : BCH 3.1 AUDITING AND CORPORATE GOVERNANCE

9.Topic: RIGHTS AND DUTIES OF A COMPANY AUDITOR.

9.1:Rights and Powers of Company Auditors

According to Section 227(7) of the Companies Act, a company auditor has the following rights:

1. Right of Access Books of Accounts: As per Section 227(1) of the Companies Act every auditor of the company has the right to access at all times to the books of accounts and vouchers of the company, whether kept at the head office of the company or elsewhere. Under section 209(1) (d), a company auditor has the right to examine the cost records also which are required to be maintained by certain companies relating to production sales, stores etc.

2. Right to Obtain Information and Explanations: An auditor can call for any information or explanation from different officers of the company which he may think necessary for the performance of his duties.

Apart from the auditor's right to obtain information and explanation it is the duty of every officer of the company to furnish without delay the information to the company auditor. If the directors or officers of the company refuse to supply some information on the ground that in their opinion it is not necessary to furnish it, then the auditor has the right to mention that in his audit report.

3. Right to Receive Notices and Other Communication Relating to General Meetings and to attend them: According to section 231, of the companies act an auditor of a company has the right to receive notices and other communications relating to the general meetings in the same way as that of the members of the company.

Similarly an auditor also has the right to attend any annual general meeting and also to be heard at those meetings which he attends and which concerns him as an auditor.

The auditor also has the right to make a statement or explanation with regard to the accounts he has audited. But he auditor is not expected to answer questions in the general meeting.

4. Right to Visit Branches: According to section 228 of the companies act the auditor of the company has the right to visit the branch office or offices of the company.

He can also audit such accounts of eh offices of the company provided that there is not qualified auditor to audit the accounts of the branch office or offices of the company, in such cases, the auditor has the right to access at all times to the books of accounts and vouchers that the company maintains at branch office or offices.

Moreover section 226 of the companies act provides that in case of the company gets the branch accounts audited by some of the local auditors, even the auditor has access at all times, to the books, accounts an vouchers of the company and he can also visit the branches, if he feels necessary.

5. Right to Correct Any Wrong Statement: The company auditor is required to make a report to the members of the company on the accounts examined by him of the final accounts and the related documents which are laid down before the company in the general meeting.

6. Right to sign the Audit Report: As per section 229 of the companies act only the person appointed as auditor of the company or where a firm is so appointed, only a partner in the firm practicing in India, may sign the audit report or authenticate any other document of the company required by law to be signed.

7. Right to Being Indemnified: Under Section 633 of the Companies Act, an auditor is considered to be an officer of the company and he has the right to be indemnified out of the assets of the company against any liability incurred by him in defending himself against any civil and criminal proceedings by the company if it is proved that the auditor has acted honestly or the judgment is delivered in his favour.

8. Right to seek Legal and Technical Advice: The company auditor has the full right to seek the opinion of the experts and to take their legal and technical advice so as to discharge his duties efficiently.

9. Right to Receive Remuneration: As per Section 224(8) of the Companies Act, the company auditor has the right to receive remuneration provided he has completed the work which he has undertaken to do so.

9.2: Duties and Liabilities of a Company Auditor (Section 227):

9.2.1: Duties towards the shareholders:

1. Report shareholders about true and fair state of affairs of the company
2. State that balance sheet and profit and loss a/c give all information required by law
3. State that balance sheet and profit and loss a/c agree with the books of account
4. State that balance sheet and profit and loss a/c agree with accounting standards
5. State that he has obtained all the necessary information
6. State whether the company has maintained all books as required by law;
7. State the reasons of qualification in his report
8. State that he has received the audit report on the branch accounts audited by other auditor and how he has dealt with the same in preparing his report
9. Auditor shall state in his report whether:
 - a) The loans taken are properly secured and the terms of loans are not against the interests of the company
 - b) Loans given are shown as fixed deposits and the terms of loans are not against the interests of the company
10. Transactions recorded as book entry are not against the interests of the company
11. Personal expenses of directors have not been charged to revenue a/c of company;
12. The company fulfills the requirements of CARO 2003.

9.2.2: Duties towards Company:

1. **Prospectus:** According to Sec 56, the auditor is required to certify profits or losses, assets & Liabilities and dividend paid etc in the prospectus.
2. **Statutory Report:** Section 165 requires that the auditor has to certify the statutory report.

3. Public Deposits: Section 58AA requires the auditor to report about whether the company has followed all rules and guideline of RBI in regard to public deposits or not.

4. Signature on Audit Report: Section 229: It is duty of auditor to sign on his report.

5. Insolvency (Section 488): If the company wants itself to be declared insolvent, it is duty of auditor to prepare profit and loss a/c for the current period.

Duties towards Government:

1. CARO-2003: The auditor has to report para-wise that the company has fulfilled all the requirements of CARO-2003.

2. Assist the Investigation u/s 237: It is duty of auditor to assist the investigation ordered by the CG u/s 237.

9.2.3: Duties towards General Public:

1. His office is of confidence and faith. He must be reliable in all respects.

2. He should reveal all material information regarding the state of affairs of the company to the company as well as to the general public.

3. While issuing prospectus u/s 56, he should see that the prospectus does not include any misleading information or material.
