

## **Areas of Interface of the C&AG with Chartered Accountants and Expectations.**

**Audit of Central and State PSUs** is the most important interface of the C&AG with Chartered Accountants. The C&AG appoints the Chartered Accountants

U/S 619 of the Companies Act, 1956 as Statutory auditors who certify the Financial Statements, giving their opinion on the True and Fair View of the Financial Statements and the C&AG does supplementary audit and gives a report. During the course of supplementary audit, the C&AG also examines whether the Chartered Accountants have discharged their duties diligently within the framework of the Company Law and prevalent Accounting Practices and Standards.

### **Audit of Revenues**

**Direct Tax Audit** in our Assessment based Audits and Performance Audits we are examining the reporting/certification by Chartered Accountants required under the various provisions of the IT Act, 1961 in terms of Section 44 AB; Chapter VIA deductions/specific deductions permissible to the assesses etc.

Similarly under other Tax statutes like Customs Act in case of Software Technology Parks, Special Economic Zones and VAT Laws, Chartered Accountants have been assigned specific reporting arrangements.

These Reports enable/facilitate the tax authorities to check crucial facts and figures of turnover, income, assets/liabilities or specific deductions/exemptions/claims of assesses before finalising the assessments. These reports are also relied upon by C&AG in its audit of revenues.

Our expectations from the Chartered Accountants are that:

- They faithfully report on the **True and Fair View of the Financial Statements** of Companies/PSUs.

As per Guidance Note of September, 2015 the expectation is that while certifying **Internal financial controls** on financial reporting, they make the reporting comprehensive to include important elements of internal controls such as

“Control environment, Risk assessment, Control activities, information and communication and Monitoring on aspects like segregation

of duties to have systems of check and balances in an organisation and safeguarding of assets.” This broader standing of internal financial controls is

absolutely necessary while reporting on complex transactions in today’s financial world, and existence of large number of not so professionally managed companies.

In an Information Technology driven Financial World, it is necessary to verify the robustness of the I.T. System, and adequacy of I.T. Controls both Systems related and application controls and ensure the security of financial data.

- The C&AG as supplementary auditor of PSUs expects that the general and sector **specific directions given to Chartered Accountants Chartered Accountants U/S 143 (5) of the Companies Act, 2013** as Statutory auditors of the PSUs, are reported upon faithfully with their impact on the Financial Statements of the Companies and they form part of the Statutory Auditor’s Report.

- The C&AG also expect **that negative/adverse comments taken by them as Statutory Auditors are discussed by them with the Management**, so that the seriousness of the adverse comments is understood by the Management.

As auditors we would have discharged our role if we are able to convince the Management to take remedial action on the contents of our reports.

I, Ms. Sangita Choure IA & AS, thank the Western India Regional Council (WIRC) of the Institute (ICAI) for having invited me to be a part of your prestigious annual regional conference and convey my hearty congratulations and best wishes to your Members and the Organisers/Office bearers of WIRC for a successful conference .

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