

RIGHTS OF THE COMPANY AUDITOR

Anybody who is given a task to perform must get the rights which may be essential for the proper performance of the task. To enable the auditor of a company to discharge his duties properly, the Companies Act, give him the following rights:



1. Rights of access to books of accounts.

According to section 227(1) every auditor of a company has a right to free and complete access at all times to the books, accounts and vouchers of the company. The term 'vouchers' includes all documents, correspondence, agreements etc., which support any of the transactions or data disclosed in the

financial statements directly or indirectly. The term 'books' includes financial, accounting, statutory and statistical books. The term 'all times' means only during the normal business hours. The documents are available to the auditor, wherever they may be kept by the company.

2. Right to obtain information and explanation.

According to section 227 (1) of the Companies Act an auditor is authorized "to require from the officers of the company such information and explanation as the auditor may think necessary for the performance of his duties as auditor." To strengthen the position of auditor section 221 requires every officer of the company to furnish without delay information to the auditor, whether or not such information is available from the accounts of the company.

3. Right to inspect branch accounts.

According to section 228(2), where the accounts of any branch office are audited by a person other than the company's auditor, the company's auditor shall be entitled to visit the branch Office, if he deems it necessary to do so for the performance of his duties as an auditor. He shall also have access at all times to the books, accounts and vouchers of the company maintained at the branch office.

4. Right to receive notices.

According to section 231 all notices of the company and other communications relating to, any general meeting of a company, which any member of the company is entitled to have sent to him, shall also be forwarded to the auditor of the company. He is also authorized to attend the meetings and make any statement or explanation with regard to the accounts audited by him. However, he is under no duty to answer to any questions.

5. Right to sign the audit report.

According to section 2M), 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 auditor's report or authenticate any other document of the company required by law to be signed or authenticated by the auditor the auditor is to make report to the members of the company and not the Board of Directors. Auditor has the right to recommend to the board the changes in the accounting system which may be necessary. If his recommendations are not acted upon he has the right to report the fact to the members of the company through his report.

6. Right to seek legal and technical advice.

The auditor of a company is entitled to seek legal and technical advice which may be needed in the performance of conduct of audit or discharge of his duties.

7. Right to be indemnified.

For many purposes, an auditor is considered to be an officer of the company. As an officer he has a right to be indemnified out of assets of the company against any liability incurred by him in defending himself against any civil or criminal proceedings by the company, if he is held not guilty by the law.

8. Right to remuneration.

On completion of his work an auditor is entitled to his remuneration. The rights of the auditor cannot be limited or abridged either by the articles or resolution of the members. Any provision or resolution of this nature is ultra-vine and therefore void.