

Total No. of Questions – 7

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Time Allowed – 3 Hours

Maximum Marks – 100

Ans-PEE-AUDIT-1

Question No.1 is compulsory

Attempt any five questions from the remaining six questions.

- | | Marks |
|---|-------|
| 1 | |
| (a) According to SRS 4410, “Engagement to Compile Financial Information” if an accountant becomes aware of material misstatements, the accountant should persuade the management to carry out necessary amendments in the financial statements or other compiled financial information.
If such amendments are not made and the financial statements are still considered to be misleading the accountant should withdraw from the engagement.
Hence, in this case, there is a clear violation of SRS 4410. | 5 |
| (b) According to SA 240, “The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements” when the auditor comes across such circumstances indicating the possible misstatements resulting from the fraud then the auditor needs to consider the impact of fraud on financial statements and its disclosure in the audit report.
In this case, the circumstances indicate that the possible misstatement in financial statements is due to fraud and error and the auditor must investigate further to consider effect on financial statements.
The Guidance Note on Audit of Cash and Bank balances also mentions that if the entity is maintaining an unduly large balance of cash, he should carry out surprise verification of cash more frequently to ascertain whether it agrees. If cash in hand is not in agreement with the book balance, he should seek explanations and if the same are not satisfactory should state the said fact appropriately in his Audit Report. | 5 |
| (c) SA 620 states that while using the work of an expert, auditor should consider the materiality of the item, nature and complexity of the item, the other audit evidence available and professional qualifications, experience and reputation in the field of the concerned expert.
The auditor should ensure that the expert has used appropriate source data, has made consistent assumptions, has applied correct methods and that results of expert’s work are in line with auditor’s overall knowledge of the business and match with results of his audit procedures. The auditor should also ensure that substance of expert’s findings is properly reflected in the financial information. | 5 |
| (d) In this case, it is subjective, but prima-facie a mere expectation of future cash flows from the promoter’s wife without any firm commitment and the possibility of an export order being negotiated, may not that be sufficient appropriate audit evidence of mitigating factors for resolving the going concerns question under SA 570 “Going Concern”. | 5 |

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(a) As per SA 610 (Revised) “Using the Work of Internal Auditor” the statutory auditor has to consider the following before placing reliance on the same”.

8

- (i) **Organizational status** – whether the same is done internally or by an external agency.
- (ii) **Scope of work** – What is the nature and depth of the coverage of the assignment.
- (iii) **Technical competence** – Whether the internal auditor is technically competent to do the work i.e. having adequate technical training and proficiency.
- (iv) **Due professional care** – Whether his work and reports appear to be properly planned, supervised reviewed and documented.
- (v) **Audit Evidence**- Adequate audit evidence has been obtained to enable the internal auditors to draw reasonable conclusions;
- (vi) **Conclusions**- Conclusions reached are appropriate in the circumstances and any reports prepared by the internal auditors are consistent with the results of the work performed; and
- (vii) **Response to unusual matters** - Any exceptions or unusual matters disclosed by the internal auditors are properly resolved. If the above factors are not satisfactory, the statutory auditor will have to modify his audit program and increase the verification to be carried out.

(b) Auditor’s responsibilities in cases where audit report for an earlier year is qualified is given in SA 710 “Comparative Information – Corresponding Figures and Comparative Financial Statements”. As per SA 710, When the auditor’s report on the prior period, as previously issued, included a qualified opinion, a disclaimer of opinion, or an adverse opinion and the matter which gave rise to the modified opinion is resolved and properly accounted for or disclosed in the financial statements in accordance with the applicable financial reporting framework, the auditor’s opinion on the current period need not refer to the previous modification.

8

SA 710 further states that if the auditor’s report on the prior period, as previously issued, included a qualified opinion and the matter which gave rise to the modification is unresolved, the auditor shall modify the auditor’s opinion on the current period’s financial statements. In the Basis for Modification paragraph in the auditor’s report, the auditor shall either:

- (i) Refer to both the current period’s figures and the corresponding figures in the description of the matter giving rise to the modification when the effects or possible effects of the matter on the current period’s figures are material; or
- (ii) In other cases, explain that the audit opinion has been modified because of the effects or possible effects of the unresolved matter on the comparability of the current period’s figures and the corresponding figures.

In the instant Case, if P Ltd. does not make provision for doubtful debts the auditor will have to modify his report for both current and previous year’s figures as mentioned above. If however, the provision is made, the auditor need not refer to the earlier year’s modification.

3 (a) **(a) Information to make an assessment of the likely effectiveness and the relevance of the internal audit function:** 12

Information	Reason
The organizational status and reporting responsibilities of the internal auditor and any constraints and restrictions thereon.	The degree of objectivity is increased when internal audit. -Is free to plan and carry out its work and communicate fully with the external auditor. - Has access to the highest level of management.
Areas of responsibility assigned by management to internal audit, such as review of - Accounting systems and internal controls - Implementation of corporate plans	Not all areas in which internal audit may operate will be relevant to the external auditor. Relevant Not relevant
Routine tasks carried out by internal audit staff such as authorization of petty cash reimbursements.	In these respects staff are not functioning as internal audit (simply as an internal control)
Internal auditors formal terms of reference	Internal auditor’s role will be most relevant where it: - Has a bearing on the financial statements. - Involves a specialization
Internal audit documentation such as an audit manual and audit plans	It is more likely that due professional care is being exercised where the work of internal audit is properly planned, controlled, recorded and reviewed.
Professional membership and practical experience (including computer auditing skills) of internal audit staff.	Unless internal audit is technically competent it is inappropriate to place reliance on it.
Internal audit reports generated and feedback thereon.	How the company responds to internal audit findings may be regarded as a measure of the department’s effectiveness.
Number of staff, computer facilities and any other resources available to internal audit.	The effectiveness of internal audit (and hence the reliance placed thereon) will be limited if the department is under-resourced.

(b) Typical procedures (four only) :

(i) Inspection of tangible non-current assets: Assets seen at the warehouses should be noted and subsequently agreed to the fixed asset register maintained at head office (HO). Assets recorded in the register (e.g. shop fixtures and fittings) should be selected for inspection prior to visits to ensure their existences.

(ii) Attendance at inventory counts: Periodic counts (e.g. monthly) should be attended

- On a rotational basis

- At warehouses and larger shops

to ensure adherence to the company's procedures. Test counts should be made to confirm the accuracy and completeness of the inventory counts

(iii) Cash : Cash counts should be carried out on each register takings (and petty cash floats) whenever shops (and warehouses) are visited on a 'surprise' basis.

(iv) Goods dispatch: Internal control procedures should be observed to be in operation, for example to ensure that all dispatches are documented and destined for the company's retail outlets.

(v) Employee verification: Payroll procedures are likely to be carried out at HO, warehouses and shops informing HO on a weekly basis of hours worked by employees, illness and holiday etc. However, new employees, especially in the shops (and probably also in the warehouses) will be recruited locally and their details notified to HO.

Internal audit will be able to select a sample of employees from HO records and ensure on the visits to shops and warehouses that these represent bona fide employees.

(c) Effect on audit

(i) Systems documentation: The accuracy of systems documentation which has been prepared by internal audit need only be confirmed using 'walk-through tests', this saves time (if the systems documentation is correct) since only copies will be required for the audit file.

(ii) Tests of controls: The level of independent testing (i.e. by the external auditor) can be reduced where controls have been satisfactorily tested by internal audit, especially if error rates are found to be similar. In particular, attendance at stocktaking at the year end may be limited to those locations with the highest stockholdings.

(iii) Substantive procedures: Internal audit's evidence (e.g. concerning the existence of tangible non-current assets), will reduce sample sizes for year end verification work. Substantive procedures may also be reduced where the internal audit checks reconciliations' (e.g. of supplier's statements to ledger balances, receivable and payables control accounts and bank reconciliations.)

(b) Reporting under Paragraph 4 (ix) of CARO, 2003:

(I) As per Paragraph 4(ix)(b) CARO, 2003 "In case dues of Income Tax/Sales Tax/Service Tax/ Customs Duty/ Wealth Tax/ Excise Duty/ Cess have not been deposited on account of any dispute, then the amounts involved and the forum where dispute is pending shall be mentioned. However, a mere representation to the Department shall not constitute the dispute."

The auditor should also obtain a management representation about the disputed dues, the amounts involved and the forum where the dispute is pending. The auditor should carry out necessary audit procedures to verify the information provided by the

management.

The information may be reported in the Statement of Disputed Dues as nature of the dues, amounts, period which the amount relates and forum where dispute is pending.

In the present case, there is Income Tax demand of ₹ 125 Lacs and the company has gone for an appeal, it needs considerations as to whether the entire demand is disputed, because it is difficult to presume that the demand by Income Tax authority is without any basis. Therefore, As per AS 29 partly to the extent the company considered that the demand is based on some logical basis, that amount may be provided for and the remaining may be disclosed as the contingent liability.

Further, it should be brought to notice of members by reporting under Paragraph 4(ix) (b) of CARO, 2003 as per the requirement mentioned therein;

(II) As per Paragraph 4 (ix) (a), the auditor has to report upon the regularity of the company in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, custom duty, excise duty, cess and any other statutory dues to appropriate authorities. If the company is not regular in depositing the above mentioned undisputed statutory dues, the auditor is required to state the extent of arrears of statutory dues which have remained outstanding as at the last day of the financial year concerned for a period of more than six months from the date they became payable.

With reference to the regularity, in case of custom duty on import of goods or demands arising on account of assessment orders etc., which a company is required to pay as and when an event giving rise to the liability of the company occurs. Such dues should be construed to have been paid regularly if the company deposits them as and when they become due. However, the auditor would be required to comment upon the regularity of the company in depositing the installments, if any, granted by an authority in respect of a demand against the company.

In the instant case, the demand notice has been received for Custom Duty of ₹ 85 Lacs on 15.09.2010 and is outstanding for more than 6 months, for which no action has been taken by the management, leads to the irregularity which should be brought to notice of members by reporting under Paragraph 4(ix)(a) of CARO, 2003.

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(a) The contention of the client of Mr. Modi that he has charged an excessive fee for a professional assignment does not constitute professional misconduct in the context of the provisions of the Chartered Accountants Act, 1949 and regulation made there under since the matter of fixation of actual fee charged in individual cases depends upon the mutual agreement and understanding between them.

Moreover, scales of fee recommended by the Council of the Institute are recommendatory only.

Therefore Mr. Modi is not liable for any professional misconduct under the Chartered Accountants Act, 1949.

(b) **Advising on Portfolio Management Services:** The Council of the Institute of Chartered Accountants of India (ICAI) pursuant to **Section 2(2)(iv)** of the Chartered Accountants

Act, 1949 has passed a resolution permitting “Management Consultancy and other Services” by a Chartered Accountant in practice. A clause of the aforesaid resolution allows Chartered Accountants in practice to act as advisor or consultant to an issue of securities including such matters as drafting of prospectus, filing of documents with SEBI, preparation of publicity budgets, advice regarding selection of brokers, etc. It is, however, specifically stated that Chartered Accountants in practice are not permitted to undertake the activities of broking, underwriting and portfolio management Services. Thus, a chartered accountant in practice is not permitted to manage portfolios of his clients.

In view of this, Pratiq would be guilty of misconduct under the Chartered Accountants Act, 1949.

- (c) **Developing Website:** As per the guidelines laid down under **Clause (6) of Part I of the First Schedule** to the Chartered Accountants Act, 1949 in respect of websites by chartered accountants in practice, it is permitted that website may provide a link to the website of ICAI, its Regional Councils, Branches and Government Departments and other professional Bodies like AICPA, ICAEW, CICA. In this case, M/s XYZ Associates provided a link to “All India Chartered Accountants Association” which is not permitted. Hence the firm would be liable for misconduct under Clause (6) of Part I of the First Schedule to the Chartered Accountants Act, 1949. 4

- (d) **Responding to Tenders: Clause (6) of Part I of the First Schedule** to the Chartered Accountants Act, 1949 lays down guidelines for responding to tenders, etc. As per the guidelines if a matter relates to any services other than audit, members can respond to any tender. Further, in respect of a non-exclusive area, members are permitted to pay reasonable amount towards earnest money/security deposits. In the instance case, since computerization of land revenue records does not fall within exclusive areas for chartered accountants, M/s Lions can respond to tender as well as deposit ₹ 50,000 as earnest deposit and shall not have committed any professional misconduct. 4

5 (a) **Tax Audit Report:-**

(i) Borrowal of ₹ 50 Lakhs : As per Clause 24 of Form 3CD the particulars of each loan or deposit taken or accepted during the previous year have to be stated in the Tax Audit Report. 3

Further, Clause 24 (a) requires reporting in case if the loan or deposit was taken or accepted otherwise than by an account payee cheque or an account payee bank draft”. In addition, as per Clause 24(c) the tax auditor has to state whether a certificate has been obtained from the assessee regarding taking or accepting loan or deposit , through an account payee cheque or an account payee bank draft. The mere obtaining of such certificate does not reduce the responsibility of the tax auditor to verify the compliance with the provisions of section 269SS and 269T of the Income Tax Act.

Therefore, in the present case, where the assessee has borrowed ₹ 50 Lakhs by way of cash and some of them by way of Account payee cheque/ draft, needs to be verified and to be reported in compliance with Clause 24 of Form 3CD.

(ii) Payment of Rent and Interest: A tax auditor has to report under Clause 18 of Form 3CD which deals with the particulars of payments made to persons specified under Section 40A (2) (b). The specified persons include Husband, Wife, Brother, Sister or any other Lineal Ascendant or Descendant.

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In the present case, an assessee has paid rent to his brother ₹ 2, 50,000 and interest to his sister of ₹ 4,00,000 may be disallowed if, in the opinion of the Assessing Officer, such expenditure is excessive or unreasonable having regard to:

- (1) the fair market value of the goods, services or facilities for which the payment is made; or
- (2) for the legitimate needs of business or profession of the assessee; or
- (3) the benefit derived by or accruing to the assessee from such expenditure. Hence this fact needs to be reported in the Tax Audit Report accordingly.

(iii) Payment to Club: As per Clause 17(d) of Form 3CD the amount of payments made to clubs by the assessee during the year should be indicated.

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The payments may be for entrance fees as well as membership subscription and for catering and other services by the club, both in respect of directors and other employees in case of companies and for partners or proprietors in other cases. The fact whether such expenses are incurred in the course of business or whether they are of personal nature should be ascertained. If they are personal in nature, they are to be shown separately under Clause 17(b).

Hence, the tax auditor has to report the payments to clubs under Clause 17 (d) of Form 3CD.

- (b) **Verification of advances in the Long Form Audit Report (LFAR):** The auditor has to comment on various specific issues as mentioned in the Long Form Audit Report of the bank. While evaluating the efficacy of internal controls over advances, the auditor should particularly examine those aspects on which he is required to comment in his long form audit report.

5

Thus, he should examine:

- (i) Whether the loan applications are complete and in prescribed form;
- (ii) Procedural instructions regarding grant/ renewal/ enhancement of facilities have been complied with;
- (iii) Sanctions are within delegated authority and disbursements are as per terms of the sanction;
- (iv) Documentation is complete; and supervision is timely, effective and as per prescribed guidelines.

The auditor can gather the requisite evidence by examining relevant documents (such as loan application forms, supporting documentation, sanctions, security documents, etc.) and by obtaining information and explanations from the branch management in appropriate cases.

The auditors must familiarise themselves with those issues and guidance relating to the same and should cover the same during the regular course of audit of advances.

- (c) **Reporting of loan under CARO, 2003:** As per Paragraph 4(iii) (a) of CARO, 2003 the auditor has to report whether the company has granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. If so, give the number of parties and amount involved in the transactions; and further as per Paragraph 4(v)(a) "Whether the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956, have been entered in the register required to be maintained under that section". Hence, in the instant case ABC Private Ltd. has granted loan of ₹ 20 crores to XYZ Ltd., a sister concern needs to be reported as per Paragraph 4 (iii) (a) and 4 (v) (a) of CARO, 2003. 4
- 6 (a) Reporting stage in Peer Review: This includes the following steps: 8

1. Preliminary Report of Reviewer - After completing the on-site Review, if in the opinion of Reviewer, the systems and procedures are deficient or non-compliant with reference to any matter that has been noticed by him or if there are other matters where he wants to seek clarification. Then the Reviewer shall communicate his findings in the Preliminary Report to the Practice Unit, before **making his Report to the Board**. The reviewer has to take care that the report does not contain name of any individual of the practice unit. However, no preliminary report is required in case no deficiencies or non-compliance are noticed by the reviewer. **In such case the reviewer can directly submit the Final Clean Report.**

The reviewer while preparing the preliminary report should review and assess the conclusions drawn from the review that indicates the deficiencies to be reported upon. The preliminary report is addressed to the practice unit. The report, apart from mentioning the areas where systems and procedures of the practice unit have been found to be deficient, should also contain a paragraph that discusses the scope of the review performed by the reviewer. If the reviewer draws a conclusion that there existed a limitation on scope of review, the fact, along with such limitation on the scope of the review, should also be communicated to the practice unit through the preliminary report. The reviewer should prepare the report on his letterhead. The report should be dated and also contain the reviewer's signature and membership number and reviewer's code number allotted by the Board.

2. Reply to Preliminary Report - The practice unit has to send its submissions or representations, in writing, to the reviewer, on the areas mentioned in the preliminary report. The reply to the preliminary report should be sent by the practice unit within a period of 21 days from the receipt of the preliminary report from the reviewer.

3. Final Report

• **Final Qualified Report of the Reviewer (Modified Report)** - If the reviewer is not satisfied with the reply of the practice unit, the reviewer has to submit a qualified report to the Board. The report so submitted should clearly indicate that it is a "qualified report". The Board may then order after twelve months for **follow on** review by appointing a new reviewer. The new reviewer is then required to submit

the follow up report to the Board for consideration.

• **Final Clean Report of the Reviewer** - If the reviewer is satisfied with the reply of the practice unit, the reviewer shall submit his final report to the Board. The final report should incorporate the findings as discussed with the practice unit.

(b) **Differences between Financial and Operational Auditing** - The major differences between financial and operational auditing can be described as follows: 8

- (i) **Purpose** - The financial auditing is basically concerned with the opinion that whether the historical information recorded is correct or not, whereas the operational auditing emphasizes on effectiveness and efficiency of operations for future performance.
- (ii) **Area** - Financial audits are restricted to the matters directly affecting the appropriateness of the presented financial statements but the operational auditing covers all the activities that are related to efficiency and effectiveness of operations directed towards accomplishment of objectives of organization.
- (iii) **Reporting** - The financial audit report is sent to all stock holders, bankers and other persons having stake in the Organisation. However the operational audit report is primarily for the management.
- (iv) **End Task** - The financial audit has reporting the findings to the persons getting the report as its end objective, however, the operational auditing is not limited to reporting only but includes suggestions for improvement also

The main objective of operational auditing is to verify the fulfillment of plans, and sound business requirements. Operational auditing is considered as specialized management information tool. Operational auditing is essentially a function of internal auditing staff. Operational auditing is a systematic process of evaluating an organisation's effectiveness, efficiency and economy of operations under management control and reporting to appropriate persons, the result of the evaluation along with recommendations for improvements. Operational audit concentrates on effectiveness, efficiency and economy of operations and therefore it is future oriented. It does not end with the reporting of the findings but also recommends the steps for improvements in future. Operational auditing is not different from internal auditing; it is merely an extension of internal auditing into operational areas.

While in financial auditing, the concentration is more in the financial and accounting areas to ensure that possibilities of loss, wastage and fraud are minimized or removed. In financial auditing, an auditor is called upon to review the financial statements of an enterprise to ascertain whether they reflect true and fair view of its state of affairs and of its working results. He may analyse the operations of an enterprise to appraise their cost effectiveness and also he may seek evidence to review the managerial performances.

7

(a) The responsibility for the preparation and presentation of consolidated financial statements, among other things, is that of the management of the parent. This includes: 4

- (a) identifying components, and including the financial information of the components to be included in the consolidated financial statements;
- (b) where appropriate, identifying reportable segments for segmental reporting;
- (c) identifying related parties and related party transactions for reporting;
- (d) obtaining accurate and complete financial information from components; and
- (e) making appropriate consolidation adjustments.

Apart from the above, the parent ordinarily issues instructions to the management of the component specifying the parent's requirements relating to financial information of the components to be included in the consolidated financial statements. The instructions ordinarily cover the accounting policies to be applied, statutory and other disclosure requirements applicable to the parent, including the identification of and reporting on reportable segments, and related parties and related party transactions, and a reporting timetable.

- (b) Areas of propriety audit under the provisions of Section 227(1A) may be following:

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(a) Whether the terms on which secured loans and secured advances have been made are not prejudicial to the interests of the company or its members. It may be appreciated that the terms of loans include such matters as security, interest, repayment period and other business considerations. The auditor has to inquire whether the terms are such that they can be adjudged as prejudicial to the legitimate interest of the company or of its shareholders. This is a process of judging a situation by reference to certain objective standards or reasonableness whether the terms entered into are prejudicial or not, not only to the company but also to the shareholders.

(b) Whether transactions of the company which are represented merely by book entries are not prejudicial to the interests of the company. This proposition has got to be inquired into by reference to the effects of the book entries, unsupported by transactions, on the legitimate interests of the company. The auditor has to exercise his judgment based on certain objective standards. It is also possible that some transactions may not adversely affect the interests of the company. The auditor has to judiciously consider what does and does not constitute the interest of the company.

(c) Whether investment of companies, other than a banking or an investment company, in the form of shares, debentures and other securities have been sold at a price lower than the cost. Apparently, this is a matter of verification by the auditor. The intention, however, is not know whether loss has occurred due to the sale. The auditor is required to inquire into circumstances of sale of investments that resulted in loss. Obviously, the duty cast on him is propriety based, i.e., reasonableness of the decision to sell at a loss. It involves exercise of judgment having regard to the circumstances in which the company was placed at the time of making the sale.

(d) Whether loans and advances made by the company have been shown as deposits.

Again, considering the propriety element, rationalizing the proper disclosure of loans and

advance given by company is made.

(e) Whether personal expenses have been charged to revenue. It is an accepted principle that expenses which are not business expenses should not be charged to revenue. The effect of charging personal expenses to the business is to distort the profitability of the company and to secure a personal gain at the cost of the company. Obviously, propriety is involved in this; charging personal expenses to business account is highly improper and abusive hence this provision.

(f) In case it is stated in the books and papers of the company that shares have been allotted for cash, whether cash has actually been received in respect of such allotment, and if no cash actually received, whether the position in books of account and balance sheet so stated is correct, regular and not misleading. A control has been set up to verify the receipt of cash in case of allotment of shares for cash. Further, if cash is not received, the books of accounts and statement of affairs shows the true picture. Cost records and the provisions of cost audit are designed to inculcate cost consciousness in the management and to know whether productivity is of acceptable order and whether undue wastage or loss etc. has occurred. It would be useful to go into some of the specific requirement of cost audit report in this context. The cost audit report requires the cost auditors to report, *inter alia* on:

- (a) matters which appear to him to be clearly wrong in principle or apparently unjustifiable;
- (b) cases where the company's funds have been used in a negligent or inefficient manner;
- (c) factors which could have been controlled, but have not been, resulting in increase in the cost of production.

(c) **Circuit Filters/Circuit Breakers:**

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- (i) This is the price band that set the upper and lower limit within which a stock can fluctuate on any particular day.
- (ii) A price band for a day is a function of the previous days closing price.
- (iii) According to SEBI directions circuit filter is applied on scrips traded in rolling settlement, if their price fluctuate more than 10% of the closing price of scrip on the previous day.
- (iv) Thus circuit filters restrict extreme price movement and resist price manipulation.
- (v) This also protects investor from extreme fluctuations.

- (d) **Environmental Audit:** Environmental reporting deals with the disclosure by an entity of environmentally related data, regarding environmental risks, environmental impacts, policies, strategies, targets, costs, liabilities or environmental performance to those who have an interest in such information as an aid to enabling/enriching their relationship with the reporting entity via either the annual report; a stand-alone corporate environmental performance report; or some other medium (e.g. staff newsletter, video, CD ROM, internet site). The reports that are generated after such audits can be either compliancebased reporting or impact-based performance reporting.

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Environmental audit deals with verification of information contained in such reports with a view to expressing an opinion thereon. Environmental audit can be performed by external agencies or internal experts (including internal auditors). In practice, environmental audit is not done by a single agency but by various agencies who are experts in the field.

Since the subject matter of environmental audit involves multi-disciplinary knowledge and skill, it is preferable to form a team of persons drawn from different disciplines who may assist the chartered accountant in performing the task in an effective manner, generally environmental audits are not required by any statute but are sometimes done at the request of the management to address issues like compliance with environmental laws and regulations, etc.

- (e) **Supplementary Audit u/s 619(4) of the Companies Act, 1956:** The auditor of a Government company shall be appointed or re-appointed by the Comptroller and Auditor-General of India. The auditor aforesaid shall submit a copy of his audit report to the Comptroller and Auditor- General of India who shall have the right to comment upon, or supplement, the audit report in such manner as he may think fit. Any such comments upon, or supplement to, the audit report shall be placed before the annual general meeting of the company at the same time and in the same manner as the audit report.

4