

# Yogoda Satsanga Mahavidyalaya

B. Com Semester - VI

**Subject: Auditing & Corporate Governance (C-13) CBCS**

Topic: **Remuneration, Rights & Duties of Company Auditors**

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## Remuneration of Company Auditors:

The remuneration of company auditors is an important aspect of their engagement and is typically determined based on the scope and complexity of the audit, the size of the company, and industry standards.

### 1. Determination of Remuneration:

- Board of Directors: Often proposes the remuneration, which may be based on a fixed fee, an hourly rate, or a combination of both.
- Shareholders' Approval: In many jurisdictions, the proposed remuneration must be approved by the shareholders at the Annual General Meeting (AGM).

### 2. Factors Influencing Remuneration:

- Scope of Work: Complexity and extent of audit work.
- Company Size: Larger companies often require more extensive auditing.
- Industry Standards: Prevailing rates for audit services in the industry.
- Regulatory Requirements: Compliance with any statutory limits or guidelines.

## Rights of Company Auditors:

Company auditors have specific rights to enable them to perform their duties effectively and independently.

### 1. Access to Books and Records:

- Auditors have the right to access all financial records, documents, and relevant information required to conduct the audit.

### 2. Information and Explanations:

- Auditors can demand necessary information and explanations from the company's officers, employees, and directors.

### 3. Attendance at General Meetings:

- Auditors have the right to receive notices of and attend any general meetings of the company, particularly the AGM, where their appointment, remuneration, and audit report are discussed.

#### **4. Right to Report:**

- Auditors have the right to report their findings to shareholders. They present their audit report during the AGM.

#### **5. Communication with Audit Committee:**

- Auditors can communicate directly with the company's audit committee regarding issues found during the audit.

### **Duties of Company Auditors:**

The duties of company auditors encompass various responsibilities to ensure the accuracy and integrity of the financial statements.

#### **1. Examination of Financial Statements:**

- Auditors must examine the company's financial statements to ensure they provide a true and fair view of the company's financial position.

#### **2. Compliance with Standards:**

- Conduct the audit in accordance with generally accepted auditing standards (GAAS) or international standards on auditing (ISA).

#### **3. Verification of Transactions:**

- Verify that transactions are accurately recorded and comply with accounting principles.

#### **4. Internal Control Evaluation:**

- Assess the effectiveness of the company's internal control systems and identify any weaknesses.

#### **5. Detection of Fraud and Errors:**

- Use reasonable skill and care to detect material misstatements, whether due to fraud or error.

#### **6. Reporting:**

- Prepare an audit report addressing the shareholders, stating whether the financial statements present a true and fair view.

- Highlight any significant issues, including material weaknesses in internal controls or instances of fraud.

#### **7. Confidentiality:**

- Maintain the confidentiality of all information obtained during the audit, except where disclosure is required by law or regulation.

#### **8. Independence and Objectivity:**

- Ensure independence from the company to avoid conflicts of interest.
- Maintain objectivity and impartiality throughout the audit process.

#### **9. Professional Judgment and Scepticism:**

- Exercise professional judgment and scepticism, especially when evaluating evidence and making audit decisions.

#### **10. Regulatory Compliance:**

- Ensure compliance with relevant laws, regulations, and professional standards.

### **Regulatory Framework:**

#### **1. International Standards on Auditing (ISA):**

- Set by the International Auditing and Assurance Standards Board (IAASB), providing guidelines for auditors globally.

#### **2. Companies Act in Various Jurisdictions:**

- Outlines specific duties, rights, and remuneration guidelines for auditors within that jurisdiction. For example, the Companies Act 2006 in the UK, the Companies Act 2013 in India, etc.

By adhering to these principles, auditors help ensure the reliability and transparency of a company's financial reporting, thereby enhancing stakeholder confidence and maintaining market integrity.

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