



Auditors

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Section 154(1) provides that a company shall at each annual general meeting, appoint an auditor to hold office from the conclusion of that meeting until the conclusion of the next annual general meeting and to audit the financial statements of the company and if the company is required to complete group financial statements, those group financial statements.

Appointment of Auditors

Appointment of First Auditor Sec. 159

The first auditor of a company may be appointed by the board of the company before the first annual general meeting, and if so appointed, will hold office until the conclusion of that meeting.

Subsequent Auditors Sec. 158

Except the first auditors appointed before the first AGM, all the other Auditors shall be deemed to be re-appointed at each annual general meeting of the company, unless—

- a) he is not qualified for appointment;
- b) the company passes a resolution at the meeting appointing another person to replace him as auditor; or
- c) the auditor has given notice to the company that he does not wish to be re-appointed.

However an auditor is not automatically re-appointed if the person who it is proposed to replace him, dies or is or becomes incapable of or disqualified from being so appointed.

Appointing a new Auditor in Place of the Existing Auditor Sec. 160 (removal of auditor)

A company shall not appoint a new auditor in place of an auditor who is qualified for re-appointment, unless—

- a) at least twenty working days' written notice of a proposal to do so has been given to the auditor; and
- b) the auditor has been given a reasonable opportunity to make representations to the shareholders on the appointment of another person, either in writing or by the auditor or his representative speaking at a shareholders' meeting (whichever the auditor may choose).

Casual Vacancy Sec. 154 (2)

That is vacancies occurring during the year by death, resignation etc. these vacancies may be filled by the board of directors. A casual vacancy must be filled within one month of the occurring of such vacancy. Till the casual vacancy is filled, the surviving or continuing auditors, if any, may continue to act as auditor.

If no Appointment is made Sec. 154 (3) Where,

- a) at an annual general meeting of a company no auditor is appointed or re-appointed; or
- b) a casual vacancy in the office of auditor is not filled within one month of the occurring of such vacancy

Within five working days from either (a) or (b), the company should give written notice to the Registrar, and then the Registrar may appoint an auditor to fill the vacancy.

Failure to give notice to the Registrar is an offence and the company and every officer who is in default shall be liable to a fine.

Qualifications of Auditors Sec. 157

A person shall not be appointed or act as auditor of a company, unless that person

- a) is a member of the Institute of Chartered Accountants of Sri Lanka; or
- b) is a registered auditor.

A person shall not be appointed or act as auditor of a company other than in a private company or a company limited by guarantee, unless that person is a member of the Institute of Chartered Accountants of Sri Lanka.

Appointing a Partnership as an Auditor Sec. 156

A partnership may be appointed by the firm's name to be the auditor of a company, if the partners are persons who are qualified to be appointed as auditors of the company. If a partnership is appointed by the firm's name, such appointment is valid notwithstanding a change in the partners of the firm.

Disqualifications of an Auditor

None of the following persons may be appointed or act as an auditor of a company :-

- a) a director or employee of the company;
- b) a person who is a partner or in the employment of a director or employee of the company;
- c) a liquidator or an administrator or a person who is a receiver in respect of the property of the company;
- d) a body corporate ;

Duties of An Auditor

He Should Avoid Conflict Of Interest

An auditor in carrying out the duties shall ensure that his judgment is not impaired by reason of any relationship with or interest in the company or any of its subsidiaries.

He should make a Report

The auditor of a company shall make a report to the shareholders on the financial statements audited by him.

Skill and care

An auditor shall exercise reasonable skill and care of a degree and standard expected of a reasonable professionally qualified accountant.

Rights of an Auditor

- 1) He has the right to access to the books, accounts, vouchers and all other documents and records of the company. And he may require any explanation from the officers if necessary.
- 2) He is entitled to attend any general meeting of the company at which any accounts are examined, and he may make any explanation if necessary.



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