

ANNOUNCEMENT¹

Manner of Reporting on Section 227(3)(bb) of the Companies Act, 1956

I. Section 227(3)(bb) of the Companies Act, 1956 requires the statutory auditor to report on the following aspect:

“bb. whether the report on the accounts of any branch office audited under section 228 by a person other than the company’s auditor has been forwarded to him as required by clause (c) of sub-section (3) of that section and how he has dealt with the same in preparing the auditor’s report;”

(A similar reporting requirement appears in section 143(3)(c) of the Companies Act, 2013 though the section has not yet been notified by the Central Government.)

II. The Council of the Institute, at its 329th (Adjourned) meeting held on 03rd and 04th January 2014 at New Delhi noted that reporting by the statutory auditors of the Company on clause (3)(bb) of section 227 of the Companies Act, 1956 is a legal requirement in cases where the company had appointed separate branch auditor/s. However, the same was inadvertently not appearing under the “Report on Other Legal and Regulatory Requirements” paragraph in the illustrative format of the independent auditor’s report for a Company as given in the Appendix to SA 700. The Council accordingly, decided to add the following reporting in the illustrative independent auditor’s report formats for a Company (to be reported upon as and where applicable):

“bb. the report on the accounts of the branch offices audited under section 228 by a person other than the company’s auditor has been forwarded to us as required by clause (c) of sub-section (3) of section 228 and have been dealt with in preparing our report in the manner considered necessary by us;”

¹ This announcement has been issued by Auditing and Assurance Standards Board under the authority of the Council of ICAI. (aasb@icai.in)