

AUDITING OF ACCOUNTS OF LIQUIDATORS*

Audit Report under Section 551 of the Companies Act, 1956

Members of the profession are called upon to conduct the audit of the accounts submitted by a Liquidator in a voluntary winding-up under Section 551. There are no statutory provisions in regard to the manner of conducting such audit, nor is there any statutory provision regarding the form in which the auditors' report is to be submitted after such an audit under Section 551. The Research Committee has considered this question in all its aspects and its recommendations in this connection are outlined below:

First, the professional skill and audit procedures to be applied in case of an audit under Section 531 would be similar to those applied in the case of the normal audit of a company.

Secondly, there should be a fair measure of uniformity in the reports submitted by auditors conducting an audit under Section 551 of the Companies Act, 1956. The Research Committee recommends that the report of the auditor may be on the following lines:

- (a) Whether he has obtained all the information and explanations, which to the best of his knowledge and belief, were necessary for the purposes of his audit,
- (b) Whether in his opinion, proper books of account as required by the Companies Act, 1956 and Companies (Court) Rules, 1959 have been

* This is an integrated note of the notes published in "The Chartered Accountant", Feb. 1962, p. 289, and Aug. 1963, p.98.

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kept by the Liquidator, so far as appears from his examination of these books,

- (c) Whether the Liquidator's Account relating to realisations and disbursements is in agreement with the books and records produced before him,
- (d) Whether in his opinion, and to the best of his information and according to the explanations given to him, the Liquidator's Account including Annexure I (excepting items included in I (a) in so far as they relate to estimates of the Liquidator and items 4, 5, 6 and 7), Annexure II, III, IV and V, give the information required by the Companies Act, 1956, and the Companies (Court) Rules, 1959 in the manner so required and give a true and correct view of the realisations and disbursements of the Liquidator.

Thirdly, "in order to establish a healthy convention, the Council recommends that, where a chartered accountant acts as a liquidator, the statements of accounts to be filed under Section 551(1) of the Companies Act, 1956, should be audited by a qualified chartered accountant other than the chartered accountant who is the liquidator of the company".