

## **GUIDANCE NOTE ON AUDITOR'S REPORT ON REVISED ACCOUNTS OF COMPANIES BEFORE CIRCULATION TO SHAREHOLDERS\***

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1. The attention of the Council has been drawn to the fact that in some cases, the Balance Sheet and the Profit and Loss Account of companies, approved by the Board of Directors and authenticated on its behalf in terms of Section 215 of the Companies Act and audited and reported upon by the statutory auditors are amended by the Companies for various reasons, before circulation to the shareholders. In such cases, the amended accounts are re-approved by the Boards of the Companies and statutory auditors are requested to make a report once again on the amended accounts.

2. The question which arises for consideration is the manner in which the statutory auditor should report upon such amended accounts. The statutory auditor owes a duty to the members of the company and this duty is completed when he addresses a report to the members. It is for the company to circulate the report to the members. The Companies Act does not normally contemplate the revision of the accounts and a further report by the statutory auditor on the amended accounts. At the same time, it is entirely within the competence of a Board of Directors to amend the accounts and resubmit them to the statutory auditors for report before the accounts are placed before the annual general meeting. The report issued by the statutory auditor on such amended accounts will be in substitution of the report issued on the accounts before amendment and unless all copies of the original accounts and reports are returned to the auditor, such substitution is not possible.

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\* Published in "The Chartered Accountant" December, 1979, pp.554.

### ***Auditor's Report on Revised Accounts Before Circulation***

3. Having considered the issue involved and to safeguard the position of the statutory auditor, the Council recommends that members of the Institute, when called upon to issue a report on the amended accounts for the same period consequent upon the revision of the Balance Sheet and/or the Profit and Loss Account should ensure that unless all copies of the original accounts and report are returned to the auditor, and adequate disclosure of the fact of the revision on the accounts already approved by the Board and reported upon by the statutory auditors appears as a specific Note on the amended accounts. In case the statutory auditor is satisfied that the disclosure so made by the company in the Note on the accounts is adequate, there may not be any further need for the auditor to refer to the revision of the Balance Sheet and/or the Profit and Loss Account in his report. However, if the Notes to accounts do not contain any note on the revision or if such a note is contained therein but not considered by the statutory auditor as adequately comprehensive, it will be the duty of the statutory auditor to refer to the fact of revision of the accounts in his report.

4. In the opinion of the Council, the general principles enunciated above are as well applicable to the audit of the accounts of Government Companies as defined in Section 617 of the Companies Act. In respect of such Companies, since it may not be possible for all copies of the original accounts and report to be returned to the auditors, it would be necessary to ensure that adequate disclosure is made as discussed above either by way of a Note in the accounts or by a reference in auditor's report.