

COMPANY AUDIT

QUALIFICATION OF AN AUDITOR

The provision regarding qualification of auditor is governed by Section 226 of the Companies Act.

1. A person will be qualified for appointment as an auditor of a company (public or private) only if he is a Chartered Accountant within the meaning of the Chartered Accountants Act.
2. The same section also provides that a firm of Chartered Accountants will be qualified for appointment as the auditor of a company in its firm name provided all the partners practicing in India are qualified for appointment
3. In case of the firm being appointed as auditor, any practicing partner may act in the name of the firm.

DISQUALIFICATION OF AUDITORS

The following persons are not qualified for appointment as auditors of a company:

- a) A body corporate an officer or employee of the company
- b) A partner or employee of an officer or employee of the company
- c) A partner or employee of an officer or employee of the company
- d) A person who is indebted to the company for more than Rs. 1000

OR A person who has given any guarantees or provided any security in connection with the Indebtedness of any third person to the company for more than Rs. 1000.

- e) A person holding any security (a security would mean an instrument carrying voting rights) of that company after a period of one year from the date of commencement of the Companies

Meaning and definition of Audit Opinion

An **audit opinion** refers to a certification accompanying financial statements and is provided by the independent accountants involved in auditing of a company's books and records in addition to being helpful in creating the financial statements. The audit opinion is helpful in setting out the scope of the audit, the accountant's opinion about the procedures and records used for creating statements, and the accountant's opinion about whether or not the financial statements present an accurate reflection of the organization's financial condition.

Types of Audit Opinions

As stated by Investopedia, there are usually four types of audit opinions. Each of these audit opinion types represents an official opinion that is used by internal and external business stakeholders to make significant business decisions. The different types of audit opinions are explained below:

- *Unqualified opinion*

An unqualified audit opinion signifies that auditors could find no noteworthy violations or misstatement in a company & its financial info. This opinion is also referred as 'clean opinion'. Normally, this report is written by the auditors with reference to the company & ability for recording financial info as per GAAP. Besides, the report might also include a brief summary about the process of conducting audit and the info that was reviewed.

- *Qualified opinion*

A qualified audit opinion implies that auditors discovered issues in a company & its financial info. These issues are involved in preventing the auditors from issuing a clean opinion on the company & its operations.

- *Adverse opinion*

An adverse opinion is one of the two radically negative audit reports. An adverse opinion signifies that the auditor discovered significant material misstatements associated with financial information. These misstatements generally refer to the financial statements not conforming to GAAP and that the info is inaccurate and unreliable.

- *Disclaimer opinion*

A disclaimer audit opinion is the most awful audit report that can be received by a company. The disclaimer letter is issued by the auditor to specify that they are not able to form an opinion on the company's financial statements. This disclaimer opinion might occur as a result when an auditor lacks independence from the client thus leading to the inability of the auditor in forming a clear, third-party opinion on the company & its financial info.