**FAQ on New Companies Act, 2013- Auditor's Restricted Services**

**1. Our firm also renders accounting services for a client for the year 2014-15. Can we be the auditor for the year 2014-15.**

According to Sec. 144 an auditor appointed under this Act is bound by the Board of directors or the Audit committee to provide only those services as approved by them. Accordingly, a Statutory auditor cannot render directly or indirectly to the company or the holding or the subsidiary company, the following services

a. Accounting and book keeping services

b. Internal audit

c. Design and implementation of any financial system

d. Actuarial services

e. Investment advisory services

f. Investment banking services

g. Rendering of outsourced financial services

h. Management services and

i. Any other kind of services as may be prescribed.

This section was notified on April 1, 2014 and provides for that if the auditor is providing any such service, he shall comply within one year from the date of commencement of this Act. One can take the view that the Act provides for a one year transition for this section, an auditor may not be restricted for the year 2014-15. The transitionary provision may have been introduced to enable auditors to complete their existing commitments and engagements in other capacities. Further Clarification may needed on this aspect. However certain services, which directly impair independence ( such as accounting services )are restricted under the code of ethics and they should not be performed

**2. Is it permissible to do VAT audits, Certifications etc for the Company for which we are auditors. Is it restricted under Section 144 of the Act**

No, there are no restrictions on rendering attest services such as Tax audits, VAT audits, Transfer Pricing Audits and various certifications that may be required such as Royalty, Transfer pricing etc

**3. As a Statutory Auditor of a Company, can I also provide an opinion on a certain tax matter where I advise a client that a financial provision is not necessary. Is there a conflict of interest**

In this case, the client decides to carry out / not carry out a financial entry based on your opinion. Hence the “work” is performed by the auditor. It may, then, not be appropriate for the auditor to express an opinion on the subject matter which is a part of the financial statements. This could be construed as impacting independence especially if the value is material vis a vis the financial statements

**4. Can we as auditors prepare the Schedule III Financial Statements for our client**

It is not to be done as Audit also includes coverage of aspects relating to Presentation and Disclosure and we cannot audit our own work

**5. Has Management Services been defined**

No there is no definition of the term management services under this Act

**6. What is the relevance of the term indirectly**

There is no definition of the term indirect but needs to be understood keeping in mind the spirit of the law. The independence and objectivity should not be impaired

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