

COMPANIES BILL, 2008

(PROVISION RELATING TO COST AUDIT: ANALYSIS)

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Clause:131

Sub- Clause	Provision	Remarks
(1)	Notwithstanding anything contained in this Chapter, the Central Government may, by order, in respect of such class of companies engaged in the production, processing, manufacturing, mining or infrastructural activities, as may be specified therein, direct that particulars relating to the utilisation of material or labour or to such other items of cost as respect of may be prescribed shall also be included in the books of account kept by such class of companies:	The coverage under CARR stands increased with the inclusion of infrastructure activities
	Provided that the Central Government shall, before issuing such order in respect of any class of companies regulated under a special Act, consult the regulatory body constituted or established under such special Act.	This is a new mechanism where the Central Government shall consult the regulating body constituted under any special act before issue of such order
(2)	If the Central Government is of the opinion, in relation to any company covered by an order under sub-section (1), that it is necessary to do so, it may, by order, direct that the audit of cost records of such company shall be conducted in the manner specified therein.	No Change

(3)	<p>Where a company includes the particulars relating to items of cost in the books of account <i>in pursuance of a resolution passed by the company</i>, the audit of cost records as contained in the books of account of the company shall be conducted by a Cost Accountant in practice who shall be <i>appointed by the Board on such remuneration as may be determined by the members in such manner as may be prescribed:</i></p>	<p><i>‘in pursuance of a resolution passed by the company’</i> may mean freedom to the companies to maintain the manner in which the records are to be maintained.</p> <p>Appointment is now by the Board <i>with out the prior approval of the Central Government.</i></p> <p><i>Remuneration may also be in a manner as may be prescribed.</i></p>
	<p><i>Provided that no person appointed under section 123 as an auditor of the company shall be appointed for conducting the audit of cost records.</i></p>	<p>This proviso is to deal with appointment of auditors by CAG in Government controlled companies</p>
(4)	<p>An audit conducted under this section shall be in addition to the audit conducted under section 126.</p>	<p>No Change</p>
(5)	<p>The qualifications, disqualifications, rights, duties and obligations applicable to auditors under this Chapter shall, so far as may be applicable, apply to a cost auditor appointed under this section and it shall be the duty of the company to give all assistance and facilities to the cost auditor appointed under this section for auditing the cost records of the company:</p>	<p>No Change</p>
	<p>Provided that the report on the audit of cost records shall be submitted by the Cost Accountant in practice to the Board of Directors of the company.</p>	<p><i>The Cost Auditor has to submit his report to the Board of Directors and not to the Central Government with copy to the company</i></p>
(6)	<p>A company shall within thirty days from the date of receipt of a copy of the cost audit report prepared in pursuance of a direction under sub-section (2) furnish the Central Government with such report along with</p>	<p><i>The company shall furnish to the central government the</i></p>

	full information and explanation on every reservation or qualification contained therein.	<i>report as well as full information on every reservation and qualification within 30 days from the receipt of the copy of the report</i>
(7)	If, after considering the cost audit report referred to under this section and the information and explanation furnished by the company under subsection (6), the Central Government is of opinion that any further information or explanation is necessary, it may call for such further information and explanation and the company shall furnish the same With in such time as may be specified by that Government.	No Change
(8)	(8) Where any default is made in complying with the provisions of this section,— (a) the company and every officer who is in default shall be punishable with fine which shall not be less than one lakh rupees but which may extend to five lakh rupees; (b) the cost auditor who is in default shall be punishable with fine which shall not be less than one lakh rupees but which may extend to five lakh rupees.	<i>Cost auditor also being subjected to penalty seems not to be in conformity with the scheme</i>