

भारतीय जनता पार्टी - मुंबई

प्रोफेशनल सेल

अध्यक्ष : CA शैलेश रा. घेडीया



Date: 12/11/021

To,

Shri Narendra Modiji,

Hon'ble Prime Minister of India,

To,

Smt Nirmala Sitharaman Madam

Hon'ble Finance Minister of India,

Ministry of Finance and Ministry of Corporate Affairs

RE: SUGGESTIONS ON STATUTORY AUDIT AND AUDITING STANDARDS FOR MICRO, SMALL AND MEDIUM COMPANIES (MSMCS)

Respected Sir/Ma'am,

We write this representation with your good self, to convey feeling of professionals and suggestion on the consultation paper issued on Statutory Audit and Auditing Standards for Micro, Small and Medium Companies (MSMCs) for implementation of the threshold limit for the purpose of Audit of the Company and doing away with the burden of Audit requirement for the MSMCs.

It is known fact that role of Auditor is of a 'watchdog' and certainly not a 'blood hound' and a Chartered Accountant play a pre-dominant role in nation building and their suggestions, advice, and role helps the Business entrepreneurs and its stakeholders to comply with the statutory requirement under various laws for the time being in force vigilantly and courteously.

We hereby appeal before your good self to understand the role and importance of an Audit and Auditors and immediately instruct NFRA to modify its alleged consultation paper on Statutory Audit and Auditing Standard on MSMCs keeping in view the following points:

1. It may be noted that audit is required for the purpose of giving true and fair view of the financials of a Company by an auditor who is an external party and independent of the transactions being done in the company, giving an unbiased opinion on the affairs of the Company. Such true and fair position of the financials is reported before various Government authorities such as Ministry of Corporate Affairs, Income Tax Authorities, GST Departments, Labor Law authorities etc.

Audit is a vigilance mechanism which develops a fear psychosis in the mind of promoters for not doing anything wrong in the eye of laws. In case the Audited requirement for MSMCs gets exempted there is a lot more probability for false and bogus financials being portray before the Government of India by the promoters of such Companies.

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2. Further, many promoters are unaware of many compliances which have to be followed under various laws viz. Companies Act, GST, Income Tax, PF, ESI, etc. They do not even have adequate knowledge of Accounting Standards. Companies do appoint personnel's under their finance department for taking care of such things, however, neither such resources have that much of adequate and professional expertise like an auditor has nor they can make any unbiased decisions being under the payroll of the company stakeholders. Auditor takes care of all such compliances watchfully and vigilantly without any biased opinion.

3. If we talk about March 2021, out of total 1299710 companies 94.93% of them are Private Limited. Out of these 94.93% private limited companies, almost 90% of the companies will be MSMCs and out of these MSMCs more than 90% of the companies being family owned companies having same shareholders and directors formed for the sake of limited liability or to get bank loans, bus route permits, mining licenses, and the like. However, there are more probabilities of siphoning of funds and mismanagement in such companies. Also since, there are so many statutory compliances which need to be followed under various laws for the time being in force, in the absence of any audit check, the violation of such compliances also cannot be ruled out.
4. Further it may be noted that since the Chartered Accountants and other professionals' major source of income is through audit and assurance services, exemption from such requirement may hamper the lives of such professionals who are only engaged in providing these services only and it will also limit the role of a Chartered Accountant and audit. Also, it cannot be ruled out that the revenue being generated from business entrepreneurs in the form of Income Tax, GST, Govt. Fees, etc., are because of the efforts of these professionals only who guide the businessmen and assist them in taking care of their compliance part. Without the requirement of Audit there may be a huge possibility that such revenue may not get generated adequately with the revenue departments as no promoter will then be under any pressure and fear to give a fair view of the transactions being done in the company leading to huge loss to the Indian economy.
5. Also, in the absence of audit of such companies, it will be difficult for Tax Authorities as well to assess the actual tax liability and actual income of such companies. This may hamper the Indian economy like anything.
6. Auditor is an external body to any business enterprise giving an unbiased true and fair view of the business operations and its financials. Without the check of an auditor, there may be a huge probability of imbalance in the Indian economy. This may leave the promoters at their own freedom to handle the finances on their own without any fear of being got caught under any law leading to misappropriation of funds.
7. Also, it is worth noting in the wake of exempting audit requirements, the relevance of AS and Ind-AS introduced for such companies will get over and there are many International Units which are with such Domestic Units which rely upon the financials of such Indian units, the reliability and confidence of financials of MSMEs at international level will go down. Most importantly, there are many financial benefits which are being provided to such MSMCs by bank and various financial institutions. Such bank and FIs also rely upon the audit reports of the auditors. If such audits are not conducted, it will be a difficult task for the banks and FIs to provide loans to such class of companies and there will be high chances for getting the accounts NPA of such companies.

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8. Further, if we talk about the quality of audit for micro and small companies due to very low audit fees being provided to the auditors, we hereby suggest that there should be a minimum audit fees criteria prescribed according to the turnover/Paid-up capital of the Companies so that the quality of the audit can be maintained for all types of Companies. This will not only improve the quality of the audit but will also be support the professionals giving such services to increase their standards of living. Such minimum requirement should be made compulsory for all the companies and should be followed strictly.
9. Further, we suggest that to improve the quality and standard of audit reports of MSMCs, a separate set of audit report and financials formats should be prescribed for such companies with minimum information to be disclosed as per the requirement of such companies.

Keeping in view the above contentions we request the Government of India, not to impose such exemption requirement on statutory audit and auditing standards for such MSMCs and instruct NFRA to modify such consultation paper.

We hope the same you will find upto your satisfaction

Kindly acknowledge the same and oblige.

Thanking you

Yours faithfully

Regards,

CA Shailesh R. Ghedia

President

BJP Professional Cell

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cc to: 1. CA Shri Arun singh ji, MP.
National Gen Secry., New Delhi

2. Shri Devendra Fadnavis ji
Leader of Opposition,
Maharashtra Legislative Assembly.

3. Adv Shri Mangal Prabhat Lodhaji, MLA
President: BJP, Mumbai

4. Shri Gopal Shetty ji , MP, Mumbai

5. Smt Poonam Mahajan Rao Madam, Mumbai

6. Shri Manoj Kotakji, MP, Mumbai

7. Shri Atul Bhatalkar ji, MLA
Prabhari : Mumbai BJP