

# NEW PROCEDURE OF APPOINTMENT OF COST AUDITOR

Presented by :

**Ketki D. Visariya**

B. Com, F.I.C.W.A.

**Visariya & Associates**

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**MCA vide General Circular No.  
15/2011 dated 11<sup>th</sup> April 2011**

**effective from Financial year commencing on or after 1<sup>st</sup> day  
of April, 2011**

Presented by :  
**Ketki D. Visariya**  
B. Com, F.I.C.W.A.  
**Visariya & Associates**

## **Revised Procedure to be followed for the appointment of Cost Auditor :**

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**Step 1.** The Company should issue a formal letter for proposing the Cost Auditor for Appointment / Re-Appointment.

**Step 2.** Cost Auditor should issue of Certificate regarding compliance of section 224 (1-B) of the Companies Act, 1956 & issue of Certificate to the Audit Committee in respect of Independence and Arm's Length relationship with the Company.

**Step 3.** Board Resolution to be passed by Company for the appointment of the Cost Auditor.

# Revised Procedure to be followed for the appointment of Cost Auditor :

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Step 4. The Company is required to e-file its application with the Central Government on [www.mca.gov.in](http://www.mca.gov.in) portal. In the prescribed Form 23C within ninety (90) days from the date of commencement of each financial year, along with the prescribed fee as per the Companies (Fees on Application) Rules, 1999 as amended from time to time and other documents as per existing practice i.e.

- Certified copy of the Board Resolution proposing appointment of Cost Auditor; and
- Copy of the certificate obtained from the Cost Auditor regarding compliance of section 224(1)(B) of the Companies Act, 1956

# Revised Procedure to be followed for the appointment of Cost Auditor :

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Step 5. After filing the online application by the Company, the same shall be deemed to be approved by the Central Government, unless contrary is heard within 30 days from the date of filing such application.

However, if within 30 days from the date of filing such application, the Central Government directs the Company to re-submit the said application with such additional information or explanation, as may be specified in that direction, the period of 30 days for deemed approval of the Central Government will be counted from the date of re-submission of the form 23C by the Company.

After obtaining approval of the Central Government (deemed or otherwise), the company will be required to issue a formal letter of appointment to the Cost Auditor.

## **Revised Procedure to be followed for the appointment of Cost Auditor :**

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Step 6. Within 30 days of the receipt of formal letter of appointment from the company, intimation is required to be e-filled in prescribed e-form 23D along with the copy of appointment letter by the Cost Auditor.

## **Procedure to be followed by the Cost Auditor before filing Form 23C by the Company :**

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- Issue of Certificate regarding compliance of section 224 (1-B) of the Companies Act, 1956.
- Issue of Certificate to the Audit Committee in respect of Independence and Arm's Length relationship with the Company

## Procedure to be followed by the Company :

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The Company is required to e-file its application with the Central Government on [www.mca.gov.in](http://www.mca.gov.in) portal. In the prescribed Form 23C within ninety (90) days from the date of commencement of each financial year, along with the prescribed fee as per the Companies (Fees on Application) Rules, 1999 as amended from time to time and other documents as per existing practice i.e.

- Certified copy of the Board Resolution proposing appointment of Cost Auditor; and
- Copy of the certificate obtained from the Cost Auditor regarding compliance of section 224(1)(B) of the Companies Act, 1956.

## **Procedure to be followed by the Company :**

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- After filing the online application by the Company, the same shall be deemed to be approved by the Central Government, unless contrary is heard within 30 days from the date of filing such application.
- However, if within 30 days from the date of filing such application, the Central Government directs the Company to re-submit the said application with such additional information or explanation, as may be specified in that direction, the period of 30 days for deemed approval of the Central Government will be counted from the date of re-submission of the form 23C by the Company.
- After obtaining approval of the Central Government (deemed or otherwise), the company will be required to issue a formal letter of appointment to the Cost Auditor.

## **Procedure to be followed by the Cost Auditor after filing Form 23C by the Company :**

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- Within 30 days of the receipt of formal letter of appointment from the company, intimation is required to be e-filled in prescribed e-form 23D along with the copy of appointment letter.

## **Disclosure by the Company in its Annual Report:**

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- The Company is required to disclose full particulars of the Cost Auditor along with the due date and actual date of filing of the Cost Audit Report by the Cost Auditor, in its Annual Report for each relevant Financial Year.

## **Disclosure by the Company in its Annual Report:**

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- The Company is required to disclose full particulars of the Cost Auditor along with the due date and actual date of filing of the Cost Audit Report by the Cost Auditor, in its Annual Report for each relevant Financial Year.

# PENALTIES

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## **Cost Accountant :**

Fine upto Rs. 5,000/- (Rupees Five Thousand Only).

## **Company and Officer in Default including persons referred u/s 209(6) :**

shall be punishable as provided u/s. 642 (2) read with section 209 (5) & (7) and section 233 B (11) of the Companies Act, 1956.