

PROCEDURE FOR COST AUDIT (FOR FINANCIAL YEAR 2011-2012 ONWARDS)

1. Applicability of cost audit is based on turnover of the total company or meeting the other conditions laid down in the respective Cost Audit Orders issued by the Cost Audit Branch, Ministry of Corporate Affairs. Subject to meeting total turnover criterion or other criteria laid down in the respective Cost Audit Orders, if any activity of a company is covered under cost audit order Nos. 52/26/CAB-2010 dated 2nd May 2011 or 30th June 2011 or 24th January 2012, the cost audit will be applicable to that company irrespective of the turnover of that particular activity.
2. It may please be noted that according to revised system of cost audit as above, individual Cost Audit Orders for the companies or products are now not issued by the Cost Audit Branch, Ministry of Corporate Affairs.
3. The procedure for appointment of Cost Auditor has been modified by the Cost Audit Branch, Ministry of Corporate Affairs vide General Circular No. 15/2011 dated 11th April 2011. The revised procedure is effected from the financial year commencing on or after the 1st day of April, 2011.
4. As per provisions of section 233B (2), the Board of Directors of a Company can appoint a cost auditor after obtaining prior approval of the Central Government.

As per the revised procedure, the first point of reference will be the Audit Committee to ensure that the cost auditor is free from any disqualification as specified under section 233B (5) read with section 224 and sub-section (3) or sub-section (4) of section 226 of the Companies Act, 1956. The Audit Committee should also ensure that the cost auditor is independent and is at arm's length relationship with the company. After ascertaining the eligibility, the Audit Committee will recommend to the Board of Directors for appointment of the Cost Auditor

5. Cost Auditor to provide a certificate under Section 224 (IB) of The Companies Act, 1956. **(Refer Model Format)**
6. Board Resolution to be passed by the Company for appointment of Cost Auditor. **(Refer Model Format)**
7. Form 23-C to be filed by the Company, with Cost Audit Branch, Ministry of Corporate Affairs seeking approval for appointment of Cost Auditor. **(Refer Form 23C)**

Enclosure with Form 23-C

- a) Certified Copy of Board Resolution passed by the Company sanctioning the proposal for which the Central Government approval has been sought.

b) Copy of Certificate obtained from cost auditor regarding compliance of Section 224 (1B).

Any other information can be provided as an optional attachment. For example:

c) In case of change in cost auditor, letter to the previous auditor informing him about the change.

d) In case there is extension of financial year, approval letter for such extension.

e) Payment of Application fee is through ON LINE Mode: Credit Card/Debit Card. The amount fee payable as on date is as follows:

| Amount of fees to be paid | Rupees |
|---|---------------|
| <i>By a company having an authorised share capital of :-</i> | |
| (a) Less than Rs. 25,00,000 | 500 |
| (b) Rs. 25,00,000 or more but less than Rs. 5 crores | 1,000 |
| (c) Rs. 5 crores or more | 2,000 |

(REFER INSTRUCTIONS FOR FILLING OF EFORM 23C)

8. 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 thirty (30) days from the date of filing such application.

However, if within thirty (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 thirty days for deemed approval of the Central Government will be counted from the date of re-submission of Form 23C by the Company.

9. 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.

10. The Cost Auditor is required to inform the Central Government within thirty days of receipt of formal letter of appointment from the Company. Such intimation is required to be done in prescribed e-Form 23 D alongwith a copy of such appointment.

11. Conduct of Cost Audit.

12. Approval of the Cost Audit Report and Annexure to the Cost Audit Report by the Audit Committee.

13. Submission of the Cost Audit Report and Annexure to the Cost Audit Report to the Government with a copy to the Company, by the company. **(Refer Cost Audit Report Rules)**

14. Address and Important Phone Number of **Cost Audit Branch:**

"B-1" Wing, 2nd Floor, Paryavaran Bhawan,
CGO Complex, Lodhi Road, New Delhi- 110003
Tel: 2436-6284, 6384, 6686 , 6005

Cost Audit Branch Directory

| Name | Designation | Telephone (Off.) | E-Mail Address |
|---------------------|-----------------|-----------------------------|---------------------------|
| Shri B.B. Goyal | Adviser | 23386003/ 23386284 (Fax) | bharat.goyal@mca.gov.in |
| Shri V.K. Aggarwal | Director | 23386685 | vijay.aggarwal@mca.gov.in |
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