

Q.1. Explain the powers of auditor of company?

Here are some powers of an auditor:

1) Access to books and accounts

An auditor can access a company's books of accounts and vouchers at any time, regardless of where they are kept.

2) Request information and explanations

An auditor can request information and explanations from company directors and officers as needed to perform their duties.

3) Attend general meetings

An auditor can receive notices for general meetings and attend them in person or through an authorized representative.

4) Be heard

An auditor can be heard on any part of the business that concerns them.

5) Make a report

An auditor is required to make a report to the company's members after examining the accounts and financial statements. The report should include the auditor's opinion on the company's records and the extent of information they received to complete the audit.

6) Comment on transactions

An auditor can comment on transactions such as:

- a) Loans and advances made by the company
- b) Whether the company's transactions are in the company's best interest
- c) Whether the company sells shares or debentures at a price lower than what they were purchased for
- d) Whether the company's accounting books are in line with the balance sheet

Q.2. What is Audit report? What are the types of Audit report?

An audit report summarizes an organization's financial statements, internal controls, and accounting practices to determine if the financials are accurate, complete, and in accordance with generally accepted accounting principles (GAAP) or other relevant accounting standards.

Types of Audit Reports

The findings of an audit report can lead to different resolutions depending on what the auditor sees in the financial information.

The 4 categories of audit reports include:

1) Clean Report or Unqualified Opinion:

A clean report means the auditor found nothing wrong with the organization's financial reports and the company is fully compliant with GAAP rules. It's also known as an unqualified audit opinion because the company in question doesn't have to make any adjustments to improve its financial state.

2) Qualified Report or Qualified Opinion

An auditor gives a qualified opinion if an organization's financial reporting doesn't comply with GAAP guidelines. This opinion can hamper attempts to bring in additional investors. The auditor will also explain where the company must improve in order to raise its financial status.

3) Disclaimer Report or Disclaimer of Opinion

A fundamental requirement of the auditing process is that organizations must provide auditors with full access to their financial records without impediment or restraint. If the auditor feels their access was limited or the company failed to answer questions during the audit, the auditor may write a disclaimer report. Also known as a disclaimer of opinion, it means the auditor cannot issue a definitive opinion due to issues encountered during the process. This can help preserve the reputation of an auditor in the event of legal troubles.

4) Adverse Audit Report or Adverse Opinion

In an adverse opinion or audit report, the organization is found to be noncompliant with GAAP reporting guidelines or their financial statements clearly misrepresent their assets and liabilities. These reports are written when auditors find examples of financial misappropriation or irregularities.

Adverse audit reports make investors and other stakeholders aware of potential fraud. While no organization wants to be in this position, the report does offer the opportunity to address certain issues before they cause more serious problems.