

General Circular No.1/1983

No. F. 1/1/1982-C.L.V

23/44/1979-C.L.-II

Government of India

Ministry of Law, Justice and Company Affairs

Department of Company Affairs,

Shastri Bhawan, V Floor, A-Wing

Dr. Rajender Prasad Road, New Delhi-110 001

Dated the 20th of January, 1983

Subject: Appointment of Cost Auditor as an Internal Auditor of a Company.

As you are aware, the Department of Company Affairs issued a Circular No. 1/1/1976/CL-V dated 27.8.1976 clarifying therein that a Statutory Auditor of a company cannot be its Internal Auditor. A copy of the said circular is enclosed for ready reference.

2. Similarly, a question has now been raised whether a Cost Auditor of a Company can also be its internal auditor which has been carefully examined in this Department. Since the Cost Auditor is required to comment on the scope and performance of internal audit as per the provisions of the Cost Audit (Report) Rules, 1968, it would tend to mitigate against proper and dispassionate discharge of the duties of the Cost Auditor if he was also the internal auditor of the Company for the same period for which he is conducting the cost audit. The Department is therefore, of the view that the Cost Auditor should not also be the internal auditor of a company for the period for which he is conducting the cost audit.

3. I am to request that the contents of the circular may be brought to the notice of your constituents for their information and guidance.
