

Preface to second edition

The focus on governance has been widened to include business sustainability encompassing corporate governance, business ethics and CSR. While corporate governance is a system by which power is exercised over the corporate entities, corporations should be run ethically for creating long-term value to all of the stakeholders. This is how corporate governance, business ethics and CSR may be synthesized. Auditing is one of the tools which empower the stakeholders especially the shareholders of a company by ensuring that financial statements prepared by the managers exhibit a true and fair view of financial position and financial results of the company. Besides enabling informed decisions, it gives assurance as to the efficacy of internal control system within the company to prevent and detect errors and frauds. Thus, auditing and corporate governance are conjunctionally inter-connected. The Sarbanes-Oxley Act, 2002 in the USA and the Indian Companies Act, 2013 contain provisions to ensure independence of auditors and responsibility of management on the truth and fairness of the financial statements. National Financial Reporting Authority (NFRA) is constituted in India the lines of PCAOB to enhance audit quality.

It is our pleasure to present second revised edition of text book on Auditing and Corporate Governance for the under-graduate students of B.Com (Hons), B.Com (Programme), BBA, BMS of Delhi University and other universities. We would like to thank the traders-teachers and students for their overwhelming response and support to the first edition. The recent changes in the Indian Companies Act, 2013 and SEBI (LODR) Regulations have been incorporated of relevant places in this revised edition.

This book contains fourteen chapters. The first six chapters contain conceptual aspect of auditing-objects, principles, techniques including vouching and verification, audit reports, company audit and special areas of audit. Chapter seven lays down the theoretical aspects of corporate governance including the models of corporate governance prevalent in most countries of the world. Board committee is the important mechanism of corporate governance which is discussed in chapter eight. Chapter nine is devoted exclusively to corporate governance in India - the reforms undertaken, the initiatives of the SEBI, Government of India and CII in the direction of better governance of companies. The issues of insider trading, whistle blowing, class-action, shareholders' activism and credit rating are discussed in the next chapter.

Corporate scams leading to the collapse of big corporations is an area of concern worldwide. Chapter eleven of the book presents major scams taken place in different parts of the world including Enron, WorldCom, Vivendi, BCCI, Andersen worldwide, Maxwell Communications, Satyam and downfall of Kingfisher Airlines. Chapter twelve contains the standards and codes of corporate governance as developed in the UK, USA and also the international codes like OECD Principles on corporate governance. The basic concept of ethics is laid down in

chapter thirteen which also contains discussions on corporate code of ethics. This chapter extends the concept of ethics to include principles and theories of business ethics.

The last chapter of the book is most contemporary. It addresses the buzz word “Corporate Social Responsibility”. This chapter discusses various views on CSR and also highlights the internal processes besides external standards relating to CSR.

We are thankful to our teachers, colleagues, friends and the students who have been the driving force for writing this book. The publisher Taxmann and its executives deserve appreciation for their efforts in bringing out this volume in time.

We would welcome suggestions from our colleagues and the students to make improvements in the subsequent edition of this book.

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