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Appointment of auditor to an LLP

Introduction:

An LLP, which has a turnover exceeding forty lakh rupees in any financial year or whose contribution exceeds twenty five lakh rupees shall be required to be gets its accounts audited.

An LLP, which does not have a turnover or contribution as aforesaid, may get its accounts audited, if partners of an LLP desires.

In both the cases it should follow the prescribed procedure.

Qualified Person:

A Chartered Accountant in practice is qualified for appointment as an auditor.

Appointing authority (sub rule-11):

Designated partners have the power to appoint an auditor. If the designated partners fail to appoint an auditor, the other partners may appoint an auditor.

Cut off dates for appointing auditors: (sub rule-11):

a. For the first financial year, at any time before the end of the first financial year.

b. Other than the first financial year, at least 30 days prior to the end of each financial year.

Casual Vacancy:

The designated partners shall fill casual vacancy including removal of an auditor. On failure by the designated partners to fill the casual vacancy, other partners may fill the casual vacancy.

Period of holding office by an auditor:

An auditor shall hold office in accordance with the terms of appointment. An auditor shall hold office till the period the new auditors are appointed or they are re-appointed.

Re-appointment:

Where no auditor has been appointed under sub rule (11), any auditor in office shall be deemed to be re appointed, unless:-

a. the LLP agreement requires actual re-appointment, or

b. the majority of partners have determined that that he should not be re-appointed and have a notice to this effect to the LLP. The notice may be in hard copy or electronic form and must be authenticated by the person or persons giving the same. :- *sub – rule (14)*

Provisions of sub rule (14) shall be applicable, without prejudice to the provisions of the rules relating to removal and resignation of auditors under this chapter.

Remuneration to auditor:

It may be fixed by the designated partner or by following the procedure as laid down in the LLP agreement.

Removal of auditor:

The partners of an LLP may remove an auditor at any time by following the procedure as laid down in the LLP agreement.

Where the LLP agreement does not provide procedure for removal of auditor, consent of all the partners shall be required for removing the auditor.

Resignation by auditor:

a. An auditor of an LLP may resign by depositing a notice in writing to that effect at the LLP's registered office.

b. If an auditor is unwilling to be re appointed, he shall give a notice in writing to that effect at the LLP's registered office not less than the 14 days before the end of the time allowed for appointing the auditor.

c. To make notice effective given under clause (a) or (b), it should be accompanied by a statement of the circumstances connected with his ceasing to hold office. Such notice is effective from the date mentioned on it or any such latter date as specified in the notice.

Disclaimer:

The users are here by advised to cross check the matters discussed as above with LLP Rules,2009