Audit Committee and Appointment of Auditors

Section 177 of The Companies Act, 2013

Rule 3 of The Companies (Audit and Auditors) Rules, 2014

Constitution of Audit Committee

Where a company is required to constitute an audit committee, all appointments, including the filing of a casual vacancy of an auditor shall be made after taking into account the recommendations of such committee.

Following classes of companies shall constitute an audit committee:

(1) Listed Companies

(2) All public companies with a paid up capital of Rupee Ten Crore or more

(3) All public companies having turnover of Rupee One Hundred Crore or more

(4) All public companies having in aggregate, outstanding loans or borrowings or debentures or deposits exceeding Rupee Fifty Crore or more.

The paid up share capital, turnover, loans, borrowings, debentures and deposits, as the case may be, shall be taken into account as existing on the date of last audited financial statements.

Procedure of Selection and Appointment of Auditors

(1) The Audit Committee or the BoD (where audit committee is not required to be constituted), shall consider the qualifications and experience of the individual or the firm proposed for appointment as auditor.

(2) The Audit Committee or the BoD, as the case may be, should have regard to any order or pending proceeding relating to professional matters of conduct against the proposed auditor before the ICAI or any competent authority or court.

(3) The Audit Committee or the BoD, as the case may be, may call for such other information from the proposed auditor as it may deem fit.

Exhibit: Appointment of Auditor

Appointment of Auditor

Audit Committee is Required

Committee to recommend the auditor to BoD for consideration

BoD agrees with recommendation

BoD shall recommend the appointment of auditor to the members in the AGM

BoD does not agree with recommendation

- BoD shall refer back the recommendation to the audit committee for reconsideration citing reasons for such disagreement.

↓

- The audit committee, after considering the reasons given by BoD, decides not to reconsider the original recommendation, BoD shall record the reasons for disagreement with committee and send its own recommendation to the members in the AGM

↓

- If the BoD agrees with recommendation, it shall place the matter for consideration by members in AGM

Audit Committee Not Required

BoD shall consider and recommend the auditor to the members in the AGM for appointment

The auditor appointed in the AGM shall hold office from the conclusion of that meeting till the conclusion of sixth AGM.