



CIRCULAR

CIR/CFD/CMD1/114/2019

October 18, 2019

To

**All Listed Entities / Material Subsidiaries**  
**All the Recognized Stock Exchanges**

Madam / Sir,

**Sub: Resignation of statutory auditors from listed entities and their material subsidiaries**

1. Listed companies are required to make timely disclosures to investors in the securities market for enabling them to take informed investment decisions.
2. Under Sub-clause (2) of Clause A in Part C of Schedule II under Regulation 18(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**SEBI LODR Regulations**”), the Audit Committee of a listed entity, *inter alia*, has to make recommendations for the appointment, remuneration and terms of appointment of auditors of a listed entity. Under Sub-clause (7), the Audit Committee is also responsible for reviewing and monitoring the independence and performance of auditors and the effectiveness of the audit process.
3. Further, Sub-clause (7A) inserted under Clause A in Part A of Schedule III under Regulation 30(2) of SEBI LODR Regulations requires detailed reasons to be disclosed by the listed entities to the stock exchanges in case of resignation of the auditor of a listed entity as soon as possible but not later than twenty-four hours of receipt of such reasons from the auditor.
4. Regulation 36(5) of the SEBI LODR Regulations lays down certain disclosures to be made part of the notice to the shareholders for an AGM, where the statutory auditors are proposed to be appointed/re-appointed, including their terms of appointment.
5. Resignation of an auditor of a listed entity / its material subsidiary before completion of the audit of the financial results for the year due to reasons such as pre-occupation may seriously hamper investor confidence and deny them access to reliable information for taking timely investment decisions.



6. In light of the above, the conditions to be complied with upon resignation of the statutory auditor of a listed entity/material subsidiary w.r.t. limited review / audit report as per SEBI LODR Regulations, are as under:

**A. All listed entities/material subsidiaries shall ensure compliance with the following conditions while appointing/re-appointing an auditor:**

- (i) If the auditor resigns within 45 days from the end of a quarter of a financial year, then the auditor shall, before such resignation, issue the limited review/ audit report for such quarter.
- (ii) If the auditor resigns after 45 days from the end of a quarter of a financial year, then the auditor shall, before such resignation, issue the limited review/ audit report for such quarter as well as the next quarter.
- (iii) Notwithstanding the above, if the auditor has signed the limited review/ audit report for the first three quarters of a financial year, then the auditor shall, before such resignation, issue the limited review/ audit report for the last quarter of such financial year as well as the audit report for such financial year.

**B. Other conditions relating to resignation shall include:**

**(i) Reporting of concerns with respect to the listed entity/its material subsidiary to the Audit Committee:**

- a. In case of any concern with the management of the listed entity/material subsidiary such as non-availability of information / non-cooperation by the management which may hamper the audit process, the auditor shall approach the Chairman of the Audit Committee of the listed entity and the Audit Committee shall receive such concern directly and immediately without specifically waiting for the quarterly Audit Committee meetings.
- b. In case the auditor proposes to resign, all concerns with respect to the proposed resignation, along with relevant documents shall be brought to the notice of the Audit Committee. In cases where the proposed resignation is due to non-receipt of information / explanation from the company, the auditor shall inform the Audit Committee of the details of information / explanation sought and not provided by the management, as applicable.



- c. On receipt of such information from the auditor relating to the proposal to resign as mentioned above, the Audit Committee / board of directors, as the case may be, shall deliberate on the matter and communicate its views to the management and the auditor.

**(ii) Disclaimer in case of non-receipt of information:**

In case the listed entity/ its material subsidiary does not provide information required by the auditor, to that extent, the auditor shall provide an appropriate disclaimer in the audit report, which may be in accordance with the Standards of Auditing as specified by ICAI / NFRA.

The listed entity/ material subsidiary shall ensure that the conditions as mentioned in 6(A) and 6(B) above are included in the terms of appointment of the statutory auditor at the time of appointing/re-appointing the auditor. In case the auditor has already been appointed, the terms of appointment shall be suitably modified to give effect to 6(A) and 6(B) above.

The practicing company secretary shall certify compliance by a listed entity with 6(A) and 6(B) above in the annual secretarial compliance report issued in terms of SEBI Circular no. CIR/CFD/CMD1/27/2019 dated February 08, 2019.

**C. Obligations of the listed entity and its material subsidiary:**

**(i) Format of information to be obtained from the statutory auditor upon resignation:**

Upon resignation, the listed entity / its material subsidiary shall obtain information from the Auditor in the format as specified in **Annexure A** to this Circular. The listed entity shall ensure disclosure of the same under Sub-clause (7A) of Clause A in Part A of Schedule III under Regulation 30(2) of SEBI LODR Regulations.

**(ii) Co-operation by listed entity and its material subsidiary:**

During the period from when the auditor proposes to resign till the auditor submits the report for such quarter / financial year as specified above, the listed entity and its material subsidiaries shall continue to provide all such documents/information as may be necessary for the audit / limited review.



**(iii) Disclosure of Audit Committee's views to the Stock Exchanges:**

Upon resignation of the auditor, the Audit Committee shall deliberate upon all the concerns raised by the auditor with respect to its resignation as soon as possible, but not later than the date of the next Audit Committee meeting and communicate its views to the management. The listed entity shall ensure the disclosure of the Audit Committee's views to the stock exchanges as soon as possible but not later than twenty-four hours after the date of such Audit Committee meeting.

7. In case an entity is not mandated to have an Audit Committee, then the board of directors of the entity shall ensure compliance of this circular.
8. The Stock Exchanges are advised to bring the provisions of this circular to the notice of all listed entities and their material subsidiaries and also disseminate it on their websites.
9. This Circular shall come into force with immediate effect.
10. In case the auditor is rendered disqualified due to operation of any condition mentioned in Section 141 of the Companies Act, 2013, then the provisions of this Circular shall not apply.
11. The Circular is issued in exercise of the powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992 read with regulations 18(3), 30(2) and 36(5) of the SEBI LODR Regulations and shall be in addition to the provisions of Companies Act, 2013.
12. The circular is available on SEBI website at [www.sebi.gov.in](http://www.sebi.gov.in) under the category - 'Legal→Circulars'.

**Pradeep Ramakrishnan**  
**General Manager**  
**Compliance and Monitoring Division-1**  
**Corporation Finance Department**  
**+91-22-26449246**  
**pradeepr@sebi.gov.in**



Annexure A

Format of information to be obtained from  
the statutory auditor upon resignation

1. Name of the listed entity/ material subsidiary:
2. Details of the statutory auditor:
  - a. Name:
  - b. Address:
  - c. Phone number:
  - d. Email:
3. Details of association with the listed entity/ material subsidiary:
  - a. Date on which the statutory auditor was appointed:
  - b. Date on which the term of the statutory auditor was scheduled to expire:
  - c. Prior to resignation, the latest audit report/limited review report submitted by the auditor and date of its submission.
4. Detailed reasons for resignation:
5. In case of any concerns, efforts made by the auditor prior to resignation (including approaching the Audit Committee/Board of Directors along with the date of communication made to the Audit Committee/Board of Directors)
6. In case the information requested by the auditor was not provided, then following shall be disclosed:
  - a. *Whether the inability to obtain sufficient appropriate audit evidence was due to a management-imposed limitation or circumstances beyond the control of the management.*
  - b. *Whether the lack of information would have significant impact on the financial statements/results.*
  - c. *Whether the auditor has performed alternative procedures to obtain appropriate evidence for the purposes of audit/limited review as laid down in SA 705 (Revised)*
  - d. *Whether the lack of information was prevalent in the previous reported financial statements/results. If yes, on what basis the previous audit/limited review reports were issued.*
7. Any other facts relevant to the resignation:

**Declaration**

1. *I/ We hereby confirm that the information given in this letter and its attachments is correct and complete.*
2. *I/ We hereby confirm that there is no other material reason other than those provided above for my resignation/ resignation of my firm.*

Signature of the authorized signatory

Date:

Place:

Encl: