# Chapter X The Companies (Audit and Auditors) Rules, 2014

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# Chapter X The Companies (Audit and Auditors) Rules, 2014

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## 1. Short Title and Commencement

Metadata: `{"parent": "J112_RC20", "docIdentifier": "D20RC20R335", "level": "3", "docId": "J112_R335", "link": "29697", "sectionDocId": "", "shortDescription": "The Companies Act, 2013", "notificationdate": "03/31/2014", "version": "1", "docGroup": "The Companies Act, 2013", "originalDocId": "9435", "TotalNoOfChild": "", "docName": "1. Short Title and Commencement", "amendmentNumber": "G.S.R. 246(E)", "root": "J112_D", "category": "Rules", "lastAmendmentDate": "", "status": "Current"}`

[Published in the Gazette of India, Extraordinary, Part II, Section 3 , Sub-Section (i)]

Government of India

Ministry of Corporate Affairs

New Delhi, the 31st March, 2014

G.S.R. 246(E).– In exercise of powers conferred by sub-sections (1), (2) and (4) of section 139 , sub-sections (1) and (2) of section 140 , sub-section (3) of section 141 , sub-sections (2), (3), (8) and (12) of section 143 , sub-section (3) of section 148 read with sub-sections (1) and (2) of section 469 of the Companies Act, 2013 (18 of 2013) and in supersession of the Companies (Central Government’s) General Rules and Forms, 1956 in so far as they relate to matters covered under these rules, except as respects things done or omitted to be done before such supersession, the Central Government hereby makes the following rules, namely:–

1 Short Title and Commencement

(1) These rules may be called as the Companies (Audit and Auditors) Rules, 2014.

(2) They shall come into force on the 1st day of April, 2014.

## 2. Definitions

Metadata: `{"parent": "J112_RC20", "docIdentifier": "D20RC20R336", "level": "3", "docId": "J112_R336", "link": "29698", "sectionDocId": "", "shortDescription": "The Companies Act, 2013", "notificationdate": "03/31/2014", "version": "1", "docGroup": "The Companies Act, 2013", "originalDocId": "9435", "TotalNoOfChild": "", "docName": "2. Definitions", "amendmentNumber": "G.S.R. 246(E)", "root": "J112_D", "category": "Rules", "lastAmendmentDate": "", "status": "Current"}`

2 Definitions.

(1) In these rules, unless the context otherwise requires,–

(a) “Act” means the Companies Act, 2013 (18 of 2013);

(b) “Annexure” means the Annexure enclosed to these rules;

(c) “fees” means fees specified in the Companies (Registration Offices and Fees) Rules, 2014.

(d) “Form” or “e-Form” means a form set forth under these rules which shall be used for the matter to which it relates;

(e) “section” means section of the Act .

(2) The words and expressions used in these rules but not defined and defined in the Act or in the Companies (Specification of definitions details) Rules, 2014 shall have the meanings respectively assigned to them in the Act or in the said rules.

## 3. Manner and Procedure of Selection and Appointment of Auditors

Metadata: `{"parent": "J112_RC20", "docIdentifier": "D20RC20R337", "level": "3", "docId": "J112_R337", "link": "31478", "sectionDocId": "", "shortDescription": "The Companies Act, 2013", "notificationdate": "03/31/2014", "version": "1", "docGroup": "The Companies Act, 2013", "originalDocId": "9435", "TotalNoOfChild": "", "docName": "3. Manner and Procedure of Selection and Appointment of Auditors", "amendmentNumber": "G.S.R. 246(E)", "root": "J112_D", "category": "Rules", "lastAmendmentDate": "", "status": "Current"}`

3 Manner and Procedure of Selection and Appointment of Auditors

(1) In case of a company that is required to constitute an Audit Committee under section 177 , the committee, and, in cases where such a committee is not required to be constituted, the Board, shall take into consideration the qualifications and experience of the individual or the firm proposed to be considered for appointment as auditor and whether such qualifications and experience are commensurate with the size and requirements of the company:
Provided that while considering the appointment, the Audit Committee or the Board, as the case may be, shall have regard to any order or pending proceeding relating to professional matters of conduct against the proposed auditor before the Institute of Chartered Accountants of India or any competent authority or any Court.
(2) The Audit Committee or the Board, as the case may be, may call for such other information from the proposed auditor as it may deem fit.

(3) Subject to the provisions of sub-rule (1), where a company is required to constitute the Audit Committee, the committee shall recommend the name of an individual or a firm as auditor to the Board for consideration and in other cases, the Board shall consider and recommend an individual or a firm as auditor to the members in the annual general meeting for appointment.

(4) If the Board agrees with the recommendation of the Audit Committee, it shall further recommend the appointment of an individual or a firm as auditor to the members in the annual general meeting.

(5) If the Board disagrees with the recommendation of the Audit Committee, it shall refer back the recommendation to the committee for reconsideration citing reasons for such disagreement.

(6) If the Audit Committee, after considering the reasons given by the Board, decides not to reconsider its original recommendation, the Board shall record reasons for its disagreement with the committee and send its own recommendation for consideration of the members in the annual general meeting; and if the Board agrees with the recommendations of the Audit Committee, it shall place the matter for consideration by members in the annual general meeting.
(7) The auditor appointed in the annual general meeting shall hold office from the conclusion of that meeting till the conclusion of the sixth annual general meeting, with the meeting wherein such appointment has been made being counted as the first meeting:

2 [Omited]

1 [Explanation .– Omited]

Amendment

1. Omited by The Companies (Audit and Auditors) ∗ Second Amendment Rules, 2018 Dated 7th May 2018

Original Omited Content:

Explanation. – For the purposes of this rule, it is hereby clarified that, if the appointment is not ratified by the members of the company, the Board of Directors shall appoint another individual or firm as its auditor or auditors after following the procedure laid down in this behalf under the Act .

2. Omited by The Companies (Audit and Auditors) ∗ Second Amendment Rules, 2018 Dated 7th May 2018

Original Omited Content:

[Provided that such appointment shall be subject to ratification in every annual general meeting till the sixth such meeting by way of passing of an ordinary resolution.]

Notes

* Corrigendum Related to Companies(Audit and Auditors) Second Amendment Rules Dated 17th May 2018

## 4. Conditions for Appointment and Notice to Registrar

Metadata: `{"parent": "J112_RC20", "docIdentifier": "D20RC20R338", "level": "3", "docId": "J112_R338", "link": "31479", "sectionDocId": "", "shortDescription": "The Companies Act, 2013", "notificationdate": "03/31/2014", "version": "1", "docGroup": "The Companies Act, 2013", "originalDocId": "9435", "TotalNoOfChild": "", "docName": "4. Conditions for Appointment and Notice to Registrar", "amendmentNumber": "G.S.R. 246(E)", "root": "J112_D", "category": "Rules", "lastAmendmentDate": "", "status": "Current"}`

4 Conditions for Appointment and Notice to Registrar

(1) The auditor appointed under rule 3 shall submit a certificate that –

(a) the individual or the firm, as the case may be, is eligible for appointment and is not disqualified for appointment under the Act , the Chartered Accountants Act, 1949 and the rules or regulations made thereunder;

(b) the proposed appointment is as per the term provided under the Act ;

(c) the proposed appointment is within the limits laid down by or under the authority of the Act ;

(d) the list of proceedings against the auditor or audit firm or any partner of the audit firm pending with respect to professional matters of conduct, as disclosed in the certificate, is true and correct.

(2) The notice to Registrar about appointment of auditor under fourth proviso to sub-section (1) of section 139 shall be in 1 Form ADT-1 .

Amendment:

1. Substituted by The Companies (Audit and Auditors) Amendment Rules, 2018.

In Rule (4), Form ADT-1 shall be substituted.

Notes

* Clarification for form ADT-I filed through GNL-2 under the Companies Act, 2013- reg dated 13/05/2019

## 5. Class of Companies

Metadata: `{"parent": "J112_RC20", "docIdentifier": "D20RC20R339", "level": "3", "docId": "J112_R339", "link": "31480", "sectionDocId": "", "shortDescription": "The Companies Act, 2013", "notificationdate": "03/31/2014", "version": "1", "docGroup": "The Companies Act, 2013", "originalDocId": "9435", "TotalNoOfChild": "", "docName": "5. Class of Companies", "amendmentNumber": "G.S.R. 246(E)", "root": "J112_D", "category": "Rules", "lastAmendmentDate": "", "status": "Current"}`

5 Class of Companies.

For the purposes of sub-section (2) of section 139 , the class of companies shall mean the following classes of companies excluding one person companies and small companies:-

(a) all unlisted public companies having paid up share capital of rupees ten crore or more;

(b) all private limited companies having paid up share capital of rupees 1 [fifty] crore or more;

(c) all companies having paid up share capital of below threshold limit mentioned in (a) and (b) above, but having public borrowings from financial institutions, banks or public deposits of rupees fifty crores or more.

Amendment

1. Substituted by the Companies (Audit and Auditors) Second Amendment Rules, 2017 Dated 22nd June, 2017.

In Rule – 5, in Clause (b) for the word " twenty" the word "fifty" shall be substituted

## 6. Manner of Rotation of Auditors by the Companies on Expiry of Their Term

Metadata: `{"parent": "J112_RC20", "docIdentifier": "D20RC20R340", "level": "3", "docId": "J112_R340", "link": "29702", "sectionDocId": "", "shortDescription": "The Companies Act, 2013", "notificationdate": "03/31/2014", "version": "1", "docGroup": "The Companies Act, 2013", "originalDocId": "9435", "TotalNoOfChild": "", "docName": "6. Manner of Rotation of Auditors by the Companies on Expiry of Their Term", "amendmentNumber": "G.S.R. 246(E)", "root": "J112_D", "category": "Rules", "lastAmendmentDate": "", "status": "Current"}`

6 Manner of Rotation of Auditors by the Companies on Expiry of Their Term

(1) The Audit Committee shall recommend to the Board, the name of an individual auditor or of an audit firm who may replace the incumbent auditor on expiry of the term of such incumbent.

(2) Where a company is required to constitute an Audit Committee, the Board shall consider the recommendation of such committee, and in other cases, the Board shall itself consider the matter of rotation of auditors and make its recommendation for appointment of the next auditor by the members in annual general meeting.

(3) For the purpose of the rotation of auditors–

(i) in case of an auditor (whether an individual or audit firm), the period for which the individual or the firm has held office as auditor prior to the commencement of the Act shall be taken into account for calculating the period of five consecutive years or ten consecutive years, as the case may be;

(ii) the incoming auditor or audit firm shall not be eligible if such auditor or audit firm is associated with the outgoing auditor or audit firm under the same network of audit firms.

Explanation. I – For the purposes of these rules the term "same network" includes the firms operating or functioning, hitherto or in future, under the same brand name, trade name or common control.

Explanation. II – For the purpose of rotation of auditors,–

(a) a break in the term for a continuous period of five years shall be considered as fulfilling the requirement of rotation;

(b) if a partner, who is in charge of an audit firm and also certifies the financial statements of the company, retires from the said firm and joins another firm of chartered accountants, such other firm shall also be ineligible to be appointed for a period of five years.

Illustration explaining rotation in case of individual auditor

Illustration 1:–

Number of consecutive years for which an individual auditor has been functioning as auditor in the same company [in the first AGM held after the commencement of provisions of section 139 (2)]

Maximum number of consecutive years for which he may be appointed in the same company (including transitional period)

Aggregate period which the auditor would complete in the same company in view of column I and II

I

II

III

5 years (or more than 5 years)

3 years

8 years or more

4 years

3 years

7 years

3 years

3 years

6 years

2 years

3 years

5 years

1 year

4 years

5 years

Note: 1. Individual auditor shall include other individuals or firms whose name or trade mark or brand is used by such individual, if any.

2. Consecutive years shall mean all the preceding financial years for which the individual auditor has been the auditor until there has been a break by five years or more.

Illustration explaining rotation in case of audit firm

Illustration 2:–

Number of consecutive years for which an audit firm has been functioning as auditor in the same company [in the first AGM held after the commencement of provisions of section 139 (2)]

Maximum number of consecutive years for which the firm may be appointed in the same company (including transitional period)

Aggregate period which the firm would complete in the same company in view of column I and II

I

II

III

10 years (or more than 10 years)

3 years

13 years or more

9 years

3 years

12 years

8 years

3 years

11 years

7 years

3 years

10 years

6 years

4 years

10 years

5 years

5 years

10 years

4 years

6 years

10 years

3 years

7 years

10 years

2 years

8 years

10 years

1 year

9 years

10 years

Note:1. Audit Firm shall include other firms whose name or trade mark or brand is used by the firm or any of its partners.

2. Consecutive years shall mean all the preceding financial years for which the firm has been the auditor until there has been a break by five years or more.

(4) Where a company has appointed two or more individuals or firms or a combination thereof as joint auditors, the company may follow the rotation of auditors in such a manner that both or all of the joint auditors, as the case may be, do not complete their term in the same year.

## 7. Removal of the Auditor Before Expiry of his Term

Metadata: `{"parent": "J112_RC20", "docIdentifier": "D20RC20R341", "level": "3", "docId": "J112_R341", "link": "31481", "sectionDocId": "", "shortDescription": "The Companies Act, 2013", "notificationdate": "03/31/2014", "version": "1", "docGroup": "The Companies Act, 2013", "originalDocId": "9435", "TotalNoOfChild": "", "docName": "7. Removal of the Auditor Before Expiry of his Term", "amendmentNumber": "G.S.R. 246(E)", "root": "J112_D", "category": "Rules", "lastAmendmentDate": "", "status": "Current"}`

7 Removal of the Auditor Before Expiry of his Term

(1) The application to the Central Government for removal of auditor shall be made in 1 Form ADT-2 and shall be accompanied with fees as provided for this purpose under the Companies (Registration Offices and Fees) Rules, 2014.

(2) The application shall be made to the Central Government within thirty days of the resolution passed by the Board.

(3) The company shall hold the general meeting within sixty days of receipt of approval of the Central Government for passing the special resolution.

Amendment

1. Substituted by The Companies (Audit and Auditors) Amendment Rules, 2018.

In Rule (4), Form ADT-2 shall be substituted.

## 8. Resignation of Auditor

Metadata: `{"parent": "J112_RC20", "docIdentifier": "D20RC20R342", "level": "3", "docId": "J112_R342",

"link": "29704", "sectionDocId": "", "shortDescription": "The Companies Act, 2013", "notificationdate": "03/31/2014", "version": "1", "docGroup": "The Companies Act, 2013", "originalDocId": "9435", "TotalNoOfChild": "", "docName": "8. Resignation of Auditor", "amendmentNumber": "G.S.R. 246(E)", "root": "J112_D", "category": "Rules", "lastAmendmentDate": "", "status": "Current"}`

8 Resignation of Auditor

For the purposes of sub-section (2) of section 140 , when an auditor has resigned from the company, he shall file a statement in Form ADT-3 .

## 9. Liability to Devolve on Concerned Partners Only

Metadata: `{"parent": "J112_RC20", "docIdentifier": "D20RC20R343", "level": "3", "docId": "J112_R343", "link": "31482", "sectionDocId": "", "shortDescription": "The Companies Act, 2013", "notificationdate": "03/31/2014", "version": "1", "docGroup": "The Companies Act, 2013", "originalDocId": "9435", "TotalNoOfChild": "", "docName": "9. Liability to Devolve on Concerned Partners Only", "amendmentNumber": "G.S.R. 246(E)", "root": "J112_D", "category": "Rules", "lastAmendmentDate": "", "status": "Current"}`

9 Liability to Devolve on Concerned Partners Only

1 [Omitted]

Amendment

1. Omited by The Companies (Audit and Auditors) *Second Amendment Rules, 2018 Dated 7th May 2018

Original Omited Content:

In case of criminal liability of any audit firm, the liability other than fine, shall devolve only on the concerned partner or partners, who acted in a fraudulent manner or abetted or, as the case may be, colluded in any fraud.

Notes

* Corrigendum Related to Companies(Audit and Auditors) Second Amendment Rules Dated 17th May 2018

## 10. Disqualifications of Auditor

Metadata: `{"parent": "J112_RC20", "docIdentifier": "D20RC20R344", "level": "3", "docId": "J112_R344", "link": "29706", "sectionDocId": "", "shortDescription": "The Companies Act, 2013", "notificationdate": "03/31/2014", "version": "1", "docGroup": "The Companies Act, 2013", "originalDocId": "9435", "TotalNoOfChild": "", "docName": "10. Disqualifications of Auditor", "amendmentNumber": "G.S.R. 246(E)", "root": "J112_D", "category": "Rules", "lastAmendmentDate": "", "status": "Current"}`

10 Disqualifications of Auditor

(1) For the purpose of proviso to sub-clause (i) of clause (d) of sub-section (3) of section 141 , a relative of an auditor may hold securities in the company of face value not exceeding rupees one lakh:

Provided that the condition under this sub-rule shall, wherever relevant, be also applicable in the case of a company not having share capital or other securities:

Provided further that in the event of acquiring any security or interest by a relative, above the threshold prescribed, the corrective action to maintain the limits as specified above shall be taken by the auditor within sixty days of such acquisition or interest.

(2) For the purpose of sub-clause (ii) of clause (d) of sub-section (3) of section 141 , a person who or whose relative or partner is indebted to the company or its subsidiary or its holding or associate company or a subsidiary of such holding company, in excess of rupees five lakh shall not be eligible for appointment.

(3) For the purpose of sub-clause (iii) of clause (d) of sub-section (3) of section 141 , a person who or whose relative or partner has given a guarantee or provided any security in connection with the indebtedness of any third person to the company, or its subsidiary, or its holding or associate company or a subsidiary of such holding company, in excess of one lakh rupees shall not be eligible for appointment.

(4) For the purpose of clause (e) of sub-section (3) of section 141 , the term "business relationship" shall be construed as any transaction entered into for a commercial purpose, except –

(i) commercial transactions which are in the nature of professional services permitted to be rendered by an auditor or audit firm under the Act and the Chartered Accountants Act, 1949 and the rules or the

regulations made under those Acts ;

(ii) commercial transactions which are in the ordinary course of business of the company at arm's length price – like sale of products or services to the auditor, as customer, in the ordinary course of business, by companies engaged in the business of telecommunications, airlines, hospitals, hotels and such other similar businesses.

## 10A. Rule

Metadata: `{"parent": "J112_RC20", "docIdentifier": "D20RC20R345", "level": "3", "docId": "J112_R345", "link": "31483", "sectionDocId": "", "shortDescription": "The Companies Act, 2013", "notificationdate": "03/31/2014", "version": "1", "docGroup": "The Companies Act, 2013", "originalDocId": "9435", "TotalNoOfChild": "", "docName": "10A. Rule", "amendmentNumber": "G.S.R. 246(E)", "root": "J112_D", "category": "Rules", "lastAmendmentDate": "", "status": "Current"}`

1 ["10A. For the purposes of clause (i) of sub-section (3) of section 143 , for the financial years commencing on or after 1st April, 2015, the report of the auditor shall state about existence of 2 [internal financial controls with reference to financial statements] and its operating effectiveness:

Provided that auditor of a company may voluntarily include the statement referred to in this rule for the financial year commencing on or after 1st April, 2014 and ending on or before 31st March, 2015."]

Amendment

1. Inserted by the Companies (Audit and Auditors) Amendment Rules,2014 Dated 14th October 2014.

2. Omited by The Companies (Audit and Auditors)*Second Amendment Rules, 2018 Dated 7th May 2018

in rule 10A , for the words,

"adequate internal financial controls system"

the following words shall be substituted namely :-

"internal financial controls with reference to financiai statements"

Notes

* Corrigendum Related to Companies(Audit and Auditors) Second Amendment Rules Dated 17th May 2018

## 11. Other Matters to be Included in Auditors Report

Metadata: `{"parent": "J112_RC20", "docIdentifier": "D20RC20R346", "level": "3", "docId": "J112_R346", "link": "31484", "sectionDocId": "", "shortDescription": "The Companies Act, 2013", "notificationdate": "03/31/2014", "version": "1", "docGroup": "The Companies Act, 2013", "originalDocId": "9435", "TotalNoOfChild": "", "docName": "11. Other Matters to be Included in Auditors Report", "amendmentNumber": "G.S.R. 246(E)", "root": "J112_D", "category": "Rules", "lastAmendmentDate": "", "status": "Current"}`

11 Other Matters to be Included in Auditors Report

The auditor's report shall also include their views and comments on the following matters, namely:-

(a) whether the company has disclosed the impact, if any, of pending litigations on its financial position in its financial statement;

(b) whether the company has made provision, as required under any law or accounting standards, for material foreseeable losses, if any, on long term contracts including derivative contracts;

(c) whether there has been any delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the company.

(d) 2 [Omitted]

3 [(e) (i) Whether the management has represented that, to the best of it's knowledge and belief, other than as disclosed in the notes to the accounts, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the company to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the company ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;

(ii) Whether the management has represented, that, to the best of it’s knowledge and belief, other than as disclosed in the notes to the accounts, no funds have been received by the company from any person(s) or entity(ies), including foreign entities (“Funding Parties”), with the understanding, whether recorded in writing or otherwise, that the company shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party (“Ultimate Beneficiaries”) or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries; and

(iii) Based on such audit procedures that the auditor has considered reasonable and appropriate in the circumstances, nothing has come to their notice that has caused them to believe that the representations under sub-clause (i) and (ii) contain any material mis-statement.

(f) Whether the dividend declared or paid during the year by the company is in compliance with section 123 of the Companies Act, 2013 .

(g) 4 [Whether the company, in respect of financial years commencing on or after the 1st April, 2022,] has used such accounting software for maintaining its books of account which has a feature of recording audit trail (edit log) facility and the same has been operated throughout the year for all transactions recorded in the software and the audit trail feature has not been tampered with and the audit trail has been preserved by the company as per the statutory requirements for record retention.]

Amendment

1. Inserted by the Companies (Audit and Auditors) Amendment Rules, 2017.

2. Omitted by the Companies (Audit and Auditors) Amendment Rules, 2021. Effective from 01st April, 2021

Original Content :-

1 [(d) whether the company had provided requisite disclosures in its financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016 and if so, whether these are in accordance with the books of accounts maintained by the company.]

3. Inserted by the Companies (Audit and Auditors) Amendment Rules, 2021. Effective from 01st April, 2021

4. Substituted by Companies (Audit and Auditors) Second Amendment Rules, 2021. Effective from 01st April, 2021

in clause (g), for the words

Whether the company

the following shall be substituted namely;

Whether the company, in respect of financial years commencing on or after the 1st April, 2022,

## 12. Duties and Powers of the Company's Auditor with Reference to the Audit of the Branch and the Branch Auditor

Metadata: `{"parent": "J112_RC20", "docIdentifier": "D20RC20R347", "level": "3", "docId": "J112_R347", "link": "29709", "sectionDocId": "", "shortDescription": "The Companies Act, 2013", "notificationdate": "03/31/2014", "version": "1", "docGroup": "The Companies Act, 2013", "originalDocId": "9435", "TotalNoOfChild": "", "docName": "12. Duties and Powers of the Company's Auditor with Reference to the Audit of the Branch and the Branch Auditor", "amendmentNumber": "G.S.R. 246(E)", "root": "J112_D", "category": "Rules", "lastAmendmentDate": "", "status": "Current"}`

12 Duties and Powers of the Company’s Auditor with Reference to the Audit of the Branch and the Branch Auditor

(1) For the purposes of sub-section (8) of section 143 , the duties and powers of the company’s auditor with reference to the audit of the branch and the branch auditor, if any, shall be as contained in sub-sections (1) to (4) of section 143 .

(2) The branch auditor shall submit his report to the company’s auditor.

(3) The provisions of sub-section (12) of section 143 read with rule 12 hereunder regarding reporting of fraud by the auditor shall also extend to such branch auditor to the extent it relates to the concerned branch.

## 13. Reporting of Frauds by Auditor and Other Matters

Metadata: `{"parent": "J112_RC20", "docIdentifier": "D20RC20R348", "level": "3", "docId": "J112_R348", "link": "543275181", "sectionDocId": "", "shortDescription": "The Companies Act, 2013", "notificationdate": "03/31/2014", "version": "1", "docGroup": "The Companies Act, 2013", "originalDocId": "9435", "TotalNoOfChild": "", "docName": "13. Reporting of Frauds by Auditor and Other Matters", "amendmentNumber": "G.S.R. 246(E)", "root": "J112_D", "category": "Rules", "lastAmendmentDate": "", "status": "Current"}`

1 [13 Reporting of Frauds by Auditor and Other Matters:

(1) If an auditor of a company, in the course of the performance of his duties as statutory auditor, has reason to believe that an offence of fraud, which involves or is expected to involve individually an amount of rupees one crore or above, is being or has been committed against the company by its officers or employees, the auditor shall report the matter to the Central Government.

(2) The auditor shall report the matter to the Central Government as under:-

(a) the auditor shall report the matter to the Board or the Audit Committee, as the case may be, immediately but not later than two days of his knowledge of the fraud, seeking their reply or observations within forty-five days;

(b) on receipt of such reply or observations, the auditor shall forward his report and the reply or observations of the Board or the Audit Committee along with his comments (on such reply or observations of the Board or the Audit Committee) to the Central Government within fifteen days from the date of receipt of such reply or observations;

(c) in case the auditor fails to get any reply or observations from the Board or the Audit Committee within the stipulated period of forty-five days, he shall forward his report to the Central Government along with a note containing the details of his report that was earlier forwarded to the Board or the Audit Committee for which he has not received any reply or observations;

(d) 2 [The report shall be filed electronically in form ADT-4 .]

3 [Omited]

4 [Omited]

(3) In case of a fraud involving lesser than the amount specified in sub-rule (1), the auditor shall report the matter to Audit Committee constituted under section 177

or to the Board immediately but not later than two days of his knowledge of the fraud and he shall report the matter specifying the following:-

(a) Nature of Fraud with description;

(b) Approximate amount involved; and

(c) Parties involved.

(4) The following details of each of the fraud reported to the Audit Committee or the Board under sub-rule (3) during the year shall be disclosed in the Board's Report:-

(a) Nature of Fraud with description;

(b) Approximate Amount involved;

(c) Parties involved, if remedial action not taken; and

(d) Remedial actions taken.

(5) The provision of this rule shall also apply, mutatis mutandis, to a Cost Auditor and a Secretarial Auditor during the performance of his duties under section 148 and section 204 respectively."]

Amendment

1 Substituted by Companies (Audit and Auditors) Amendment Rules,2015 Dated 14th December, 2015. - Original Content

Original Omitted Content :- 10.13 Reporting of frauds by auditor.

(1) For the purpose of sub-section (12) of section 143, in case the auditor has sufficient reason to believe that an offence involving fraud, is being or has been committed against the company by officers or employees of the company, he shall report the matter to the Central Government immediately but not later

than sixty days of his knowledge and after following the procedure indicated herein below:

(i) auditor shall forward his report to the Board or the Audit Committee, as the case may be, immediately after he comes to knowledge of the fraud, seeking their reply or observations within forty-five days;

(ii) on receipt of such reply or observations the auditor shall forward his report and the reply or observations of the Board or the Audit Committee alongwith his comments (on such reply or observations of the Board or the Audit Committee) to the Central Government within fifteen days of receipt of such reply or observations;

(iii) in case the auditor fails to get any reply or observations from the Board or the Audit Committee within the stipulated period of forty-five days, he shall forward his report to the Central Government alongwith a note containing the details of his report that was earlier forwarded to the Board or the Audit Committee for which he failed to receive any reply or observations within the stipulated time.

(2) The report shall be sent to the Secretary, Ministry of Corporate Affairs in a sealed cover by Registered Post with Acknowledgement Due or by Speed post followed by an e-mail in confirmation of the same.

(3) The report shall be on the letter-head of the auditor containing postal address, e-mail address and contact number and be signed by the auditor with his seal and shall indicate his Membership Number.

(4) The report shall be in the form of a statement as specified in Form ADT-4.

(5) The provision of this rule shall also apply, mutatis mutandis, to a cost auditor and a secretarial auditor during the performance of his duties under section 148 and section 204 respectively.

2 Substituted by The Companies (Audit and Auditors) Amendment Rules, 2025. Effective w.e.f 14th July 2025

For the words “the report shall be sent to the Secretary, Ministry of Corporate Affairs in a sealed cover by Registered Post with Acknowledgement Due or by Speed Post followed by an e-mail in confirmation of the same;”, the words “the report shall be filed electronically in form ADT-4” shall be substituted.

3 Omitted by The Companies (Audit and Auditors) Amendment Rules, 2025.

Original Omited Content:

(e) the report shall be on the letter-head of the auditor containing postal address, e-mail address and contact telephone number or mobile number and be signed by the auditor with his seal and shall indicate his Membership Number; and

4 Omitted by The Companies (Audit and Auditors) Amendment Rules, 2025.

Original Omited Content:

(f) The report shall be in the form of a statement as specified in Form ADT-4.

## 14. Remuneration of the Cost Auditor

Metadata: `{"parent": "J112_RC20", "docIdentifier": "D20RC20R349", "level": "3", "docId": "J112_R349", "link": "31486", "sectionDocId": "", "shortDescription": "The Companies Act, 2013", "notificationdate": "03/31/2014", "version": "1", "docGroup": "The Companies Act, 2013", "originalDocId": "9435", "TotalNoOfChild": "", "docName": "14. Remuneration of the Cost Auditor", "amendmentNumber": "G.S.R. 246(E)", "root": "J112_D", "category": "Rules", "lastAmendmentDate": "", "status": "Current"}`

14 Remuneration of the Cost Auditor.

For the purpose of sub-section (3) of section 148 ,-

(a) in the case of companies which are required to constitute an audit committee-

(i) the Board shall appoint an individual, 1 [who is a cost accountant] , or a firm of cost accountants in practice, as cost auditor on the recommendations of the Audit committee, which shall also recommend remuneration for such cost auditor;

(ii) the remuneration recommended by the Audit Committee under (i) shall be considered and approved by the Board of Directors and ratified subsequently by the shareholders;

(b) in the case of other companies which are not required to constitute an audit committee, the Board shall appoint an individual 1 [who is a cost accountant] or a firm of cost accountants in practice as cost auditor and the remuneration of such cost auditor shall be ratified by shareholders subsequently.

Amendment

1. Substituted by The Companies (Audit and Auditors) * Second Amendment Rules, 2018 Dated 7th May 2018

in clause (a), in sub-clause (i), for the words:-

“who is a cost accountant in practice”

the following words shall be substituted, namely :-

“who is a cost accountant”

Notes

* Corrigendum Related to Companies(Audit and Auditors) Second Amendment Rules Dated 17th May 2018