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The proposed changes in the companies act might tighten the regulations for auditors and independent directors. The auditors will not be able to hand in their resignations in the midst of an assignment when things get harsh. The government plans to prepare a report that will list the circumstances for resignation.

Apart from this, the rules are strengthened for independent directors, who must step down after a specified period. In such cases, an individual's term as an additional director will be added to the tenure of the independent director so that board members don't get entrenched in the company.

This step is taken to curb the menace involving the auditors and board members that arose in the past years in the scandals such as IL&FS and DHFL.

Officials have stated that the consultation papers will float after discussions with the expert. Firstly, the two key agendas are to make the auditor accountable for which certain restrictions are being placed on non-audit businesses. Secondly, the government is planning to standardize the qualification that the auditors make in a company's accounts.

The government wants to ensure that the company and the auditors are held accountable instead of adversely noting and evading responsibility.

Many times in such situations, the company and the auditors have been found blaming each other.

The sources say that the ministry is planning to incorporate the UK companies' law which requires the companies to provide a detailed report stating the reasons for their resignation. As of now, the firms have exited without stating reasons. However, they have accused company management of withholding information and non-compliance with norms.



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