

Eligibility, qualifications and disqualifications of auditors

(1) A person shall be eligible for appointment as an auditor of a company only if

he is a chartered accountant:

Provided that a firm whereof majority of partners practising in India are qualified for

appointment as aforesaid may be appointed by its firm name to be auditor of a company.

(2) Where a firm including a limited liability partnership is appointed as an auditor of a

company, only the partners who are chartered accountants shall be authorised to act and

sign on behalf of the firm.

(3) The following persons shall not be eligible for appointment as an auditor of a

company, namely:—

(a) a body corporate other than a limited liability partnership registered under

the Limited Liability Partnership Act, 2008;

(b) an officer or employee of the company;

(c) a person who is a partner, or who is in the employment, of an officer or

employee of the company;

(d) a person who, or his relative or partner—

(i) is holding any security of or interest in the company or its subsidiary, or

of its holding or associate company or a subsidiary of such holding company:

Provided that the relative may hold security or interest in the company of

face value not exceeding one thousand rupees or such sum as may be prescribed;

(ii) is indebted to the company, or its subsidiary, or its holding or associate

company or a subsidiary of such holding company, in excess of such amount as

may be prescribed; or

(iii) 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, for such amount as may be prescribed;

(e) a person or a firm who, whether directly or indirectly, has business relationship

with the company, or its subsidiary, or its holding or associate company or subsidiary

of such holding company or associate company of such nature as may be prescribed;

(f) a person whose relative is a director or is in the employment of the company

as a director or key managerial personnel;

(g) a person who is in full time employment elsewhere or a person or a partner of

a firm holding appointment as its auditor, if such persons or partner is at the date of

such appointment or reappointment holding appointment as auditor of more than

twenty companies;

(h) a person who has been convicted by a court of an offence involving fraud

and a period of ten years has not elapsed from the date of such conviction;

(i) any person whose subsidiary or associate company or any other form of

entity, is engaged as on the date of appointment in consulting and specialised services

as provided in section 144.

(4) Where a person appointed as an auditor of a company incurs any of the

disqualifications mentioned in sub-section (3) after his appointment, he shall vacate his

office as such auditor and such vacation shall be deemed to be a casual vacancy in the office

of the auditor.