

SEBI SEEKS TO STEM TIDE OF AUDITOR EXITS

SAMIE MODAK

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The Securities and Exchange Board of India (Sebi) on Thursday issued a consultation paper to address the issue of abrupt resignations of auditors from listed companies.

The markets regulator has proposed that auditors should be made to review — limited or complete report — for the quarter during which it resigns. For instance, if the auditor tenders its resignation in August 2019, it has to issue the review for the September 2019 quarter. Similarly, if an auditor signs the audit report for three quarters of a financial year but not the last, it would still have to finalise the audit report for the entire financial year.

The development follows a sharp spike in auditor resignations from listed firms, in recent times. According to NSE Infobase data, 2018 saw mid-term cessations of 48 auditors, while there have been 16 so far this year. Sebi has fumed over the growing instances of abrupt resignations, particularly when the auditor cites “pre-occupation”.

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“Resignation of an auditor — due to reasons such as pre-occupation — before completion of the audit of financial results for the year hampers investor confidence and leaves them with lack of reliable information for taking financial decisions,” the regulator said in a discussion paper, which is open for public comments till August 8.

The regulator added that proposals made in the discussion paper are aimed at strengthening disclosures to investors and clarifying the role of the audit committee. It

also said auditors should provide detailed reasons for resignations.

“If the reason for the auditor’s resignation is the entity not providing information, the auditor shall provide an appropriate disclaimer in the audit report to that extent,” Sebi has said. The regulator said the proposed changes should also apply to “material unlisted subsidiaries” of a listed company.

In case of resignation by an auditor of a material unlisted subsidiary, the subsidiary shall, said Sebi, disclose the resignation letter to the listed entity. The entity shall, in turn, disclose the same to the bourses.