

## Sec. 140 – Removal, Resignation of Auditor and giving of Special Notice

**Sec. 140(1) – Removal before expiry**

Requires  
↓  
Special resolution of Company  
&  
Previous approval of CG in prescribed manner  
(Rule 7).  
↓  
Before taking any action, auditor concerned should be provided an opportunity of being heard.

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**Rule 7**

Application to CG  
↓  
should be made within 30 days  
↓  
of passing of Board Resolution  
↓  
in Form ADT-2.

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Within 60 days of approval by CG,  
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convene a general meeting  
↓  
to Pass Special Resolution.

Opportunity	Board Resolution	Application to CG	General Meeting
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**Sec. 140(2) & (3) – Filing of Statement in case of Resignation**

Auditor who has resigned  
↓  
shall file  
↓  
Within 30 days of resignation  
↓  
Statement in prescribed form  
(Rule 8 : ADT-3)  
↓  
To Company & ROC  
(Also to CAG – in case of Govt. Companies)  
↓  
Indicating the reasons and other facts relating to

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**Sec. 140(3): Fine for non-compliance, Ranging from Rs. 50,000 – Rs. 5,00,000**

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*Compiled by: CA. Pankaj Garg*

**Sec. 140(4) – Special Notice**

Special notice shall be required to pass the **Special resolution** at AGM providing that  
↓  
(a) Retiring Auditor shall not be re-appointed.  
or  
(b) To appoint as auditor any person other than retiring auditor.  
↓  
Copy of notice to be sent immediately to concerned auditor.  
↓  
Auditor has a right of representation (reasonable length)  
↓  
Copy of notice and representation needs to be sent to every person to whom notice of AGM was given.  
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Auditor may demand for reading the representation in meeting.

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**Representation need not be sent or read out at meeting, if on application of company or other person, Tribunal pass such order.**

**Sec. 140(5) – Directions for change of Auditor**

Tribunal may, by order, direct the company to change its auditors  
↓  
either *suo motu* or on an application made to it by the C.G. or by any person concerned,  
↓  
if it is satisfied that the auditor has acted in a fraudulent manner or abetted or colluded in any fraud.

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If the application is made by the C.G.  
and  
Tribunal is satisfied that any change of the auditor is required  
↓  
Tribunal shall within 15 days of receipt of such application, make an order  
↓  
that he shall not function as an auditor  
and  
C.G. may appoint another auditor in his place.

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An auditor against whom final order has been passed by the Tribunal u/s 140(5)  
↓  
shall not be eligible to be appointed as an auditor of any company for a period of 5 years from the date of passing of the order  
and  
the auditor shall also be liable for action u/s 447.