

Insolvency and Bankruptcy Board of India

Sub: Composition and Functions of Audit Committee

Section 197 of the Insolvency and Bankruptcy Code, 2016 reads as under:

“197. The Board may, for the efficient discharge of its functions, constitute advisory and executive committees or such other committees, as it may deem fit, consisting of a Chairperson and such other members as may be specified by regulations.”

2. The Governing Board had, in its 5th Board meeting held on 29th May, 2017, constituted the Audit Committee with a majority of non-whole time members under the chairmanship of a non-whole time member as under:

- a) Mr. Amardeep S. Bhatia as Chairman
- b) Mr. Unnikrishnan A. as Member and
- c) Dr. Mukulita Vijayawargiya as Member.

3. However, no meeting of the Audit Committee could take place, though it was scheduled a few times. In the meantime, vide notification dated 22nd February, 2018, the Central Government has appointed Mr. Gyaneshwar Kumar Singh, Joint Secretary, Ministry of Corporate Affairs as ex-officio member in the Insolvency and Bankruptcy Board of India vice Mr. Amardeep S. Bhatia, Joint Secretary. Consequently, Mr. Bhatia ceased to be a Member of the Insolvency and Bankruptcy Board of India and also the Chairman of the Audit Committee. Internally, the work relating to Finance and Accounts has been shifted from Dr. (Ms.) Mukulita Vijayawargiya, WTM to Ms. Suman Saxena, WTM. In view of these developments, the Governing Board may like to reconstitute the Audit Committee.

4. Section 223 of the Insolvency and Bankruptcy Code, 2016 (Code) reads as under:

“(1) The Board shall maintain proper accounts and other relevant records and prepare an annual statement of accounts in such form as may be prescribed by the Central Government in consultation with the Comptroller and Auditor General of India.”

“(2) The accounts of the Board shall be audited by the Comptroller and Auditor-General of India at such intervals as may be specified by him and any expenditure incurred in connection with such audit shall be payable by the Board to the Comptroller and Auditor General of India.

(3) The Comptroller and Auditor-General of India and any other person appointed by him in connection with the audit of the accounts of the Board shall have the same rights and privileges and authority in connection with such audit as the Comptroller and Auditor-General generally has in connection with the audit of the Government accounts and, in particular, shall have the right to demand the production of books, accounts, connected vouchers and other documents and papers and to inspect any of the offices of the Board.

(4) The accounts of the Board as certified by the Comptroller and Auditor General of India. or any other person appointed by him in this behalf together with the audit report thereon shall be forwarded annually to the Central Government and that Government shall cause the same to be laid before each House of Parliament.”

5. The Governing Board, in its meeting held on 21st September, 2017 considered and approved a draft format for annual statement of accounts to be prescribed by the Central Government under section 223(1). IBBI has sent the same to MCA vide its letter dated 27th September, 2017 for further necessary action.

6. The Governing Board has made regulations in respect of advisory committees under section 197. It may like to have guidelines for composition and functions of the Audit Committee as proposed hereunder:

“Audit Committee Guidelines

Composition

- (1) The Audit Committee shall consist of three members, as may be nominated by the Governing Board.
- (2) The majority of the members of the Audit Committee shall be non-Whole Time Member.
- (3) The Chairperson of the Audit Committee shall be a non-Whole Time Member.
- (4) The term of a Member of the Audit Committee shall ordinarily be two years.

Meetings

- (1) The Audit Committee shall meet at least twice a year.
- (2) The quorum of the meetings of the Audit Committee shall be two members.
- (3) Secretary to the Governing Board shall act as the Secretary to the Audit Committee.

Duties

(1) The duties of the Audit Committee shall include:

- a. Finalisation of principles, policies and standards for financial reporting and modification thereof;
- b. Oversight of the financial reporting process;
- c. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the internal auditors and the fixation of audit fees.
- d. Reviewing, with the management, the annual financial statements before submission to the Governing Board for approval, with particular reference to:
 - (i) Changes, if any, in accounting policies and practices and reasons for the same.
 - (ii) Major accounting entries involving estimates based on judgment by management.
 - (iii) Significant adjustments made in the financial statements arising out of audit findings.
 - (iv) Review of internal audit reports and statutory audit reports.
 - (v) Review of the performance of internal auditors and adequacy of the internal control systems.
 - (vi) Discussion with internal auditors on any significant findings and follow up there on.
 - (vii) Reviewing the findings of any internal investigations by the auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
 - (viii) Any other consequential to the above.

(2) In discharge of its duties, the Audit Committee may:

- (a) invite internal auditors and any official of the Board, as it considers appropriate to be present at its meetings,
- (b) seek information from any official of the Board.
- (c) obtain outside legal or other professional advice as it may deem fit on the matters relating to financial reporting

Assistance to Audit Committee

The Finance and Accounts Division of the Board shall assist the Audit Committee in discharge of its duties.”