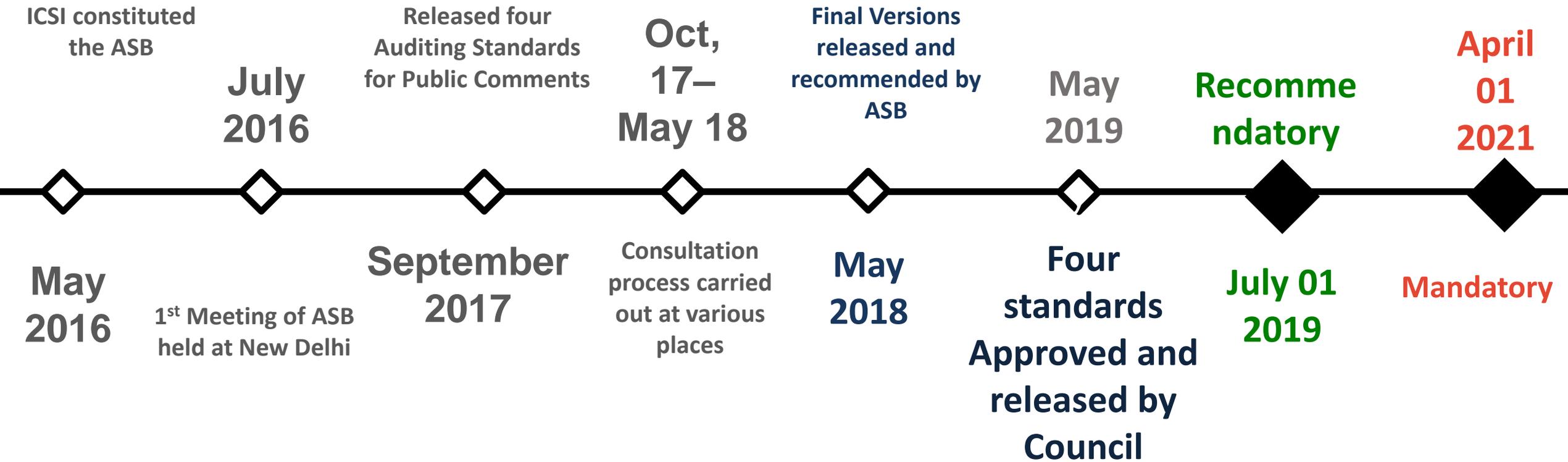




ICSI AUDITING STANDARDS

Journey



Why Auditing Standards?

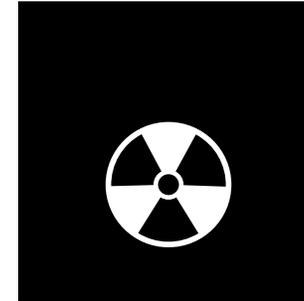
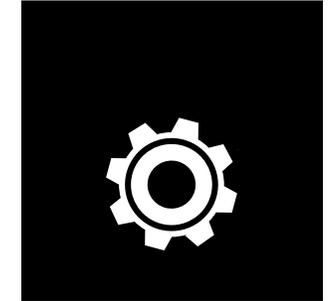
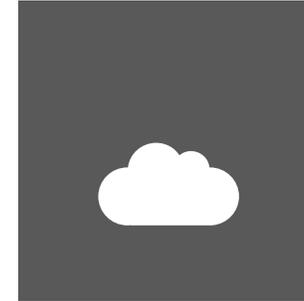
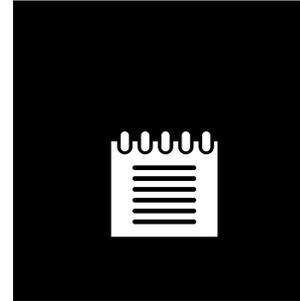


Study made by SEBI/NSE on Secretarial Audit Reports for the year ended at 31.03.2015

Observations of NSE/SEBI on variations in reporting and need expressed for standardizing the audit process & reporting

Increase the confidence of stakeholders on the audit reports

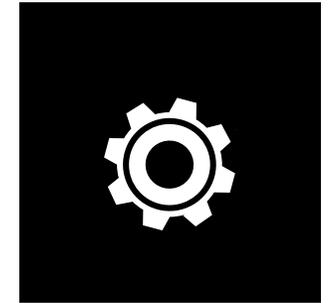
Reduce the possibilities of mistakes by Auditor



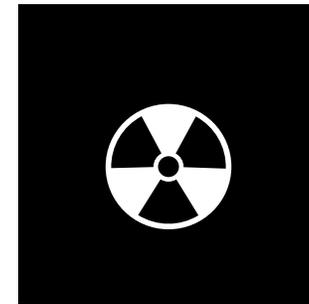
Why Auditing Standards?



Auditing Standards constitute the criteria or the yardstick against which the quality of the Audit Results is evaluated



Auditing Standards provide minimum guidance for the Auditor that helps determine the extent of audit steps and procedures that should be applied to the audit objective



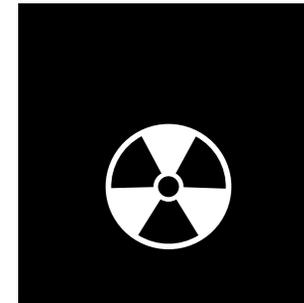
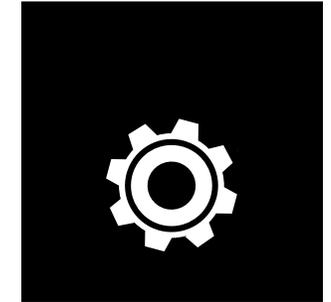
Why Auditing Standards?



Dave Williamson said:

“Any move towards standardization is a move in the right direction”

Keeping this thought in mind, the Institute of Company Secretaries of India has made an attempt to standardize one of the most significant activities undertaken by its members, i.e., ‘Audit’



Why Auditing Standards?



Duties of Auditors as specified in the Companies Act, 2013:

➤ Section 143(12): Duty to report any instance of Fraud

The auditor, if he is of the reasonable opinion that an offence of fraud of amount(s) as may be specified is being or has been committed in the company by its officers or employees, then he is dutybound to report such instance to the Central Government, the audit committee or the Board of the Company as the case may be.

➤ Section 143(13): Applicability of Section 143 of the Companies Act, 2013

*“The provisions of this section shall mutatis mutandis apply to—
(a) the cost accountant conducting cost audit under section 148; or
(b) the company secretary in practice conducting secretarial audit under section 204.”*

Initiative by ICSI



The Institute of Company Secretaries of India recognised the need to provide support to its members for:

- i) developing auditing acumen, audit techniques and tools**
- ii) inculcation of best auditing practices**

Hence it has developed four Auditing Standards under the aegis of 'ICSI Auditing Standards Board'

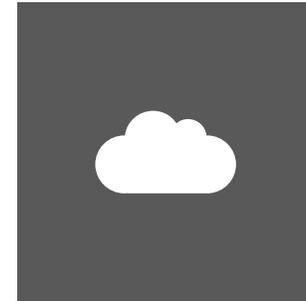
Scope of Auditing Standards Board



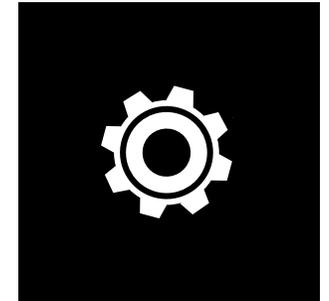
Formulation and Development of Standards and Guidance Notes



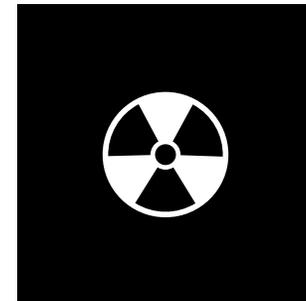
Revision, improvisation and Identification of prospective Auditing Areas



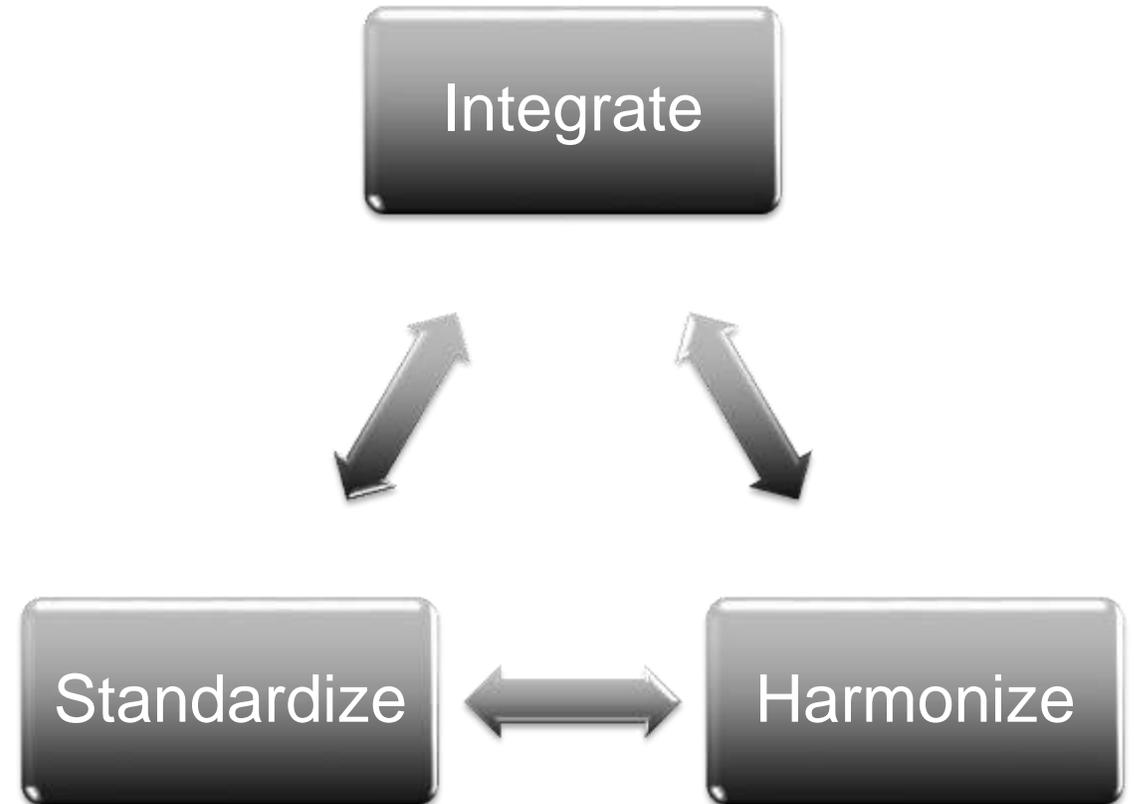
Making recommendations for Capacity Building



Making recommendations for regulation of Audits



Objectives of Auditing Standards



Auditing Standards – CSAS – As Released by ICSI

1

Audit Engagement

2

**Audit Process and
Documentation**

3

Forming of Opinion

4

Secretarial Audit



Illustrative List of Audits undertaken by Practising Company Secretaries

| Type of Audit | Act/Regulation | Section/Regulation No. | Auditee |
|----------------------------------|--|-------------------------------|---|
| Secretarial Audit | Companies Act, 2013 | 204 | Company |
| Secretarial Audit | SEBI (LODR) Regulations 2015 | 24A | Listed Entities |
| Internal Audit | Companies Act, 2013 | 138 | Company |
| Audit of Depository Participants | SEBI (Depositories and Participants) Regulations 2018 read with SEBI circular no. SEBI/HO/MRD/ DOP2-DSA2/ CIR/P/2019/22 dated January 23, 2019 | 76 | Sole Proprietorship, Partnership Firm, LLP, Company |



Illustrative List of Audits undertaken by Practising Company Secretaries

| Type of Audit | Act/Regulation | Section/Regulation No. | Auditee |
|---|--|--|--|
| Internal Audit of Stock Internal Audit of Stock Brokers | SEBI (Stock and sub-broker) SEBI (Stock & Sub-Broker) Regulations 1993 | SEBI circular no. SEBI Circular No.MIRSD/ DPSIII/ Cir-26/ 08 | Sole Proprietorship, Sole Proprietorship, HUF, Partnership Firm, LLP, Company |
| Internal Audit of Investment Advisors | SEBI (Investment Advisors) Regulations 2013 | 19(3) | Sole Proprietorship, Partnership Firm, LLP, Company |
| Internal Audit of Portfolio Managers | SEBI (Portfolio Managers) Regulations 1993 | SEBI circular no. IMD/PMS/ CIR/1/21727/ 03 dated November 18, 2003 | Body Corporate |



Illustrative List of Audits undertaken by Practising Company Secretaries

| Type of Audit | Act/Regulation | Section/Regulation No. | Auditee |
|--|--|---|---|
| Internal Audit of Credit Rating Agencies | SEBI (Credit Rating Agencies) Regulations 1999 | SEBI circular no.MRD/CRA/CIR-01/2010 dated January 06, 2010 | Public Financial Institution, Scheduled Commercial Bank, Foreign Bank operating in India, Foreign Credit Rating Agency operating in India |
| Internal Audit of Research Analysts | SEBI (Research Analysts) Regulation 2014 | 25(3) | Sole Proprietorship, Partnership Firm, LLP, Company |

AUDITS BY PEER REVIEWED UNITS



The following Secretarial Audits / Secretarial Compliance Reports can be undertaken **ONLY** by ***Peer Reviewed units***:

- Top 100 companies as per market capitalization w.e.f. April 01, 2020
- Top 500 companies as per market capitalization w.e.f. April 01, 2021
- All listed companies w.e.f. April 01, 2022
- All companies w.e.f. April 01, 2023

Principles not the Procedures



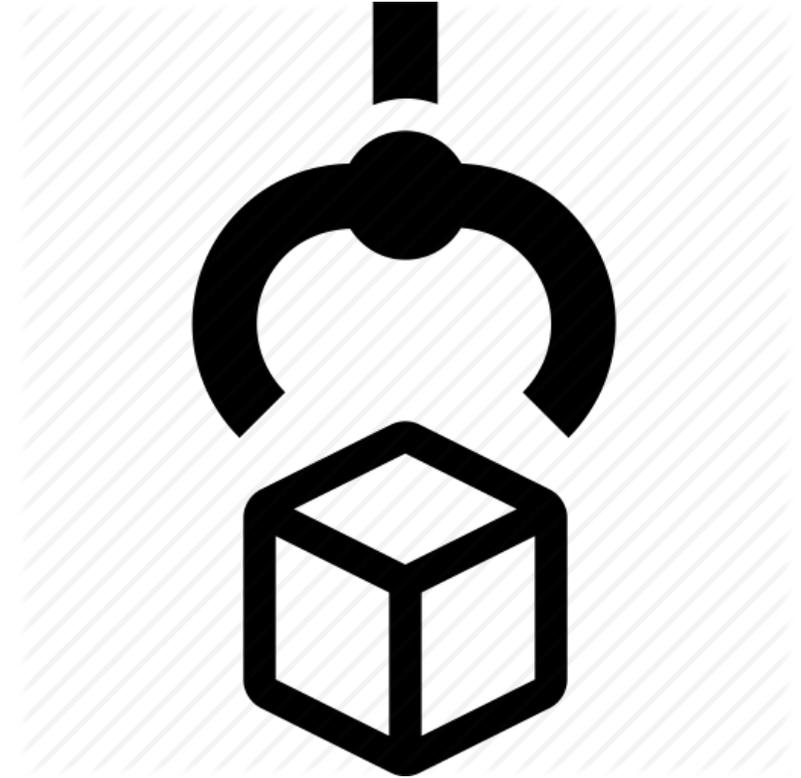
PRINCIPLES

**Procedures are part of
Guidance Note**

No Immunity



No pick and choose



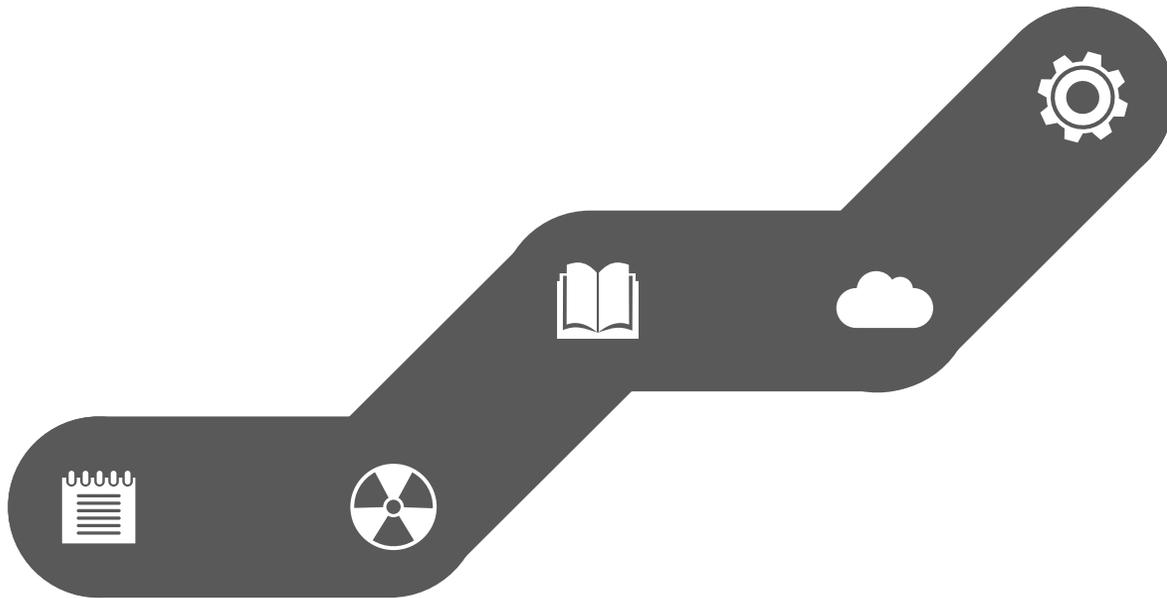
Letter and Sprit



Framework of Standards



All four released standards are having common framework



Scope

Effective Date

Objective

Definition

Text of Standard

Scope of Standards



| Details | CSAS-1 | CSAS-2 | CSAS-3 | CSAS-4 |
|-----------------------------------|--|---|---|---|
| Applicable to Auditor undertaking | Audit Engagement under any statute | Audit under any statute | Audit under any statute | Secretarial Audit under S-204 of the CA, 2013 |
| Deals with | Auditor's role and responsibilities with respect to an Audit Engagement and the process of entering into an understanding/agreement with the Appointing Authority for the purpose of audit | Responsibilities and duties of the Auditor with respect to Audit Process in conducting audit and maintaining proper audit documents | Basis and manner for forming Auditor's opinion on subject matter of the audit | Basis and manner for carrying out the Secretarial Audit |

Effective Date of Standards



Audit Engagement
Accepted on and after
July 1, 2019

Audit Engagement
Accepted on and after
April 01, 2021

Recommendatory

Mandatory

Objectives of Standards



| CSAS-1 | CSAS-2 | CSAS-3 | CSAS-4 |
|--|---|---|--|
| <p>To prescribe for the Auditor, principles and procedures to be followed while accepting or continuing with an Audit Engagement by agreeing to the terms of engagement with the Appointing Authority or any changes therein and matters relating thereto</p> | <p>To prescribe principles for an Auditor: (i) to conduct audit as per the specified audit process; (ii) to maintain documentation that provide: (a) sufficient and appropriate record to form the basis for the Auditor's Report; and (b) evidence that the audit was planned and performed in accordance with the applicable Auditing Standards and statutory requirements.</p> | <p>To enable the Auditor to lay down the basis and manner for evaluation of the conclusions drawn from the Audit Evidence obtained and express the opinion through written report.</p> | <p>To lay down the principles for evaluation of statutory compliances and corporate conduct in relation thereto</p> |



CSAS-1 - Auditing Standard on Audit Engagement



Overview



Audit
engagement
process

Limits on
Audit
engagements

Conflict of
Interest

Confidentiality

Change in
terms of
engagement

Scope



- CSAS-1 is applicable to the auditor undertaking audit engagement under any statute
- Deals with Auditor's Role and Responsibilities with respect to
 - a. an audit engagement and
 - b. the process of entering into an understanding/ agreement with the Appointing Authority for the purpose of audit

Effective Date



- Voluntary - w.e.f. 1st July 2019
- Original Mandatory - w.e.f. 1st April 2020
- Revised Mandatory - w.e.f. 1st October 2020
- Final Mandatory implementation – w.e.f. 1st April 2021
for audit engagements accepted by the Auditor

Objective



- to prescribe principles and procedures to be followed by an Auditor for accepting or continuing an Audit engagement
- Auditor shall agree to the terms of engagement with the Appointing Authority including for any changes or modifications

Definition



For the purpose of CSAs unless specified otherwise, the terms shall have following meaning attributed to them:

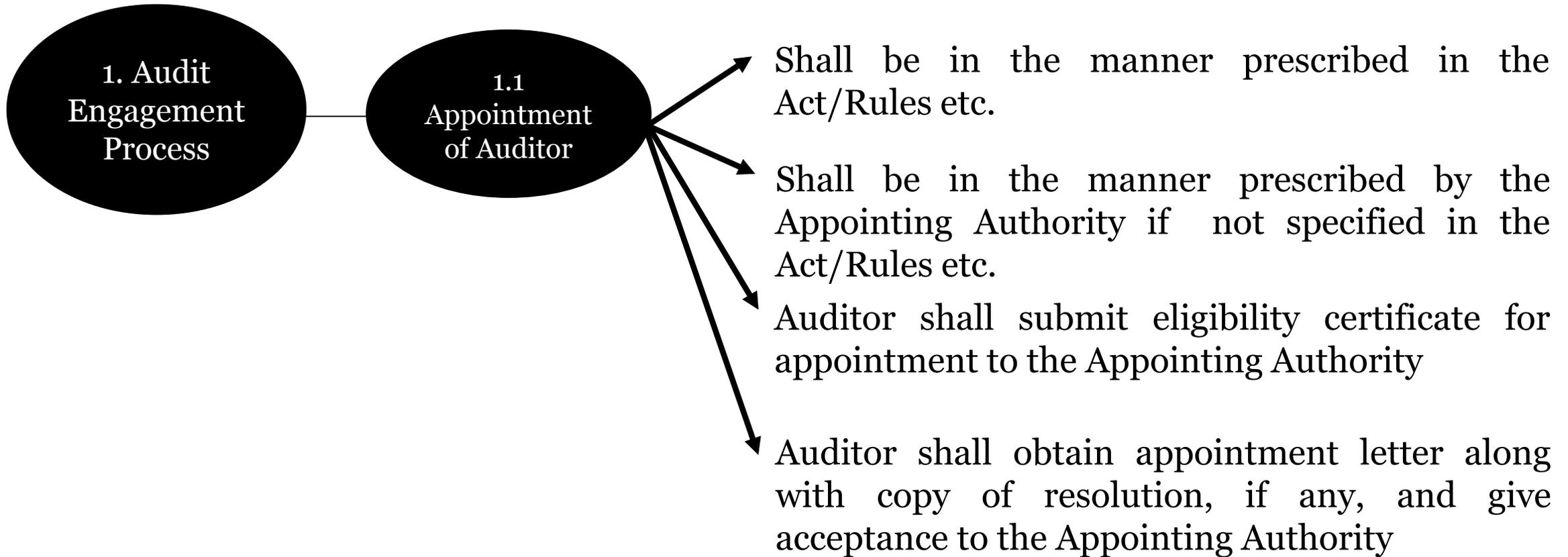
- “Appointing Authority” means any *person having authority to appoint the Auditor.*
- “Audit Engagement” means detailed *terms of reference of appointment including scope of audit, remuneration and limiting conditions, if any.*
- “Auditee” means a *person subject to audit.*

Definition



- *“Auditor” means a Company Secretary who is deemed to be in practice under sub-section (2) of Section 2 of the Company Secretaries Act, 1980 and includes a firm or Limited Liability Partnership (LLP) registered with ICSI, undertaking an Audit.*
- *“Management” includes Board of Directors and persons who are entrusted with the responsibility of governance and compliances of the Auditee*
- *“Predecessor or Previous Auditor” means an Auditor who has conducted the most recent audit assignment of the Auditee and submitted report thereon prior to the incumbent Auditor or was engaged but did not complete the audit assignment due to his resignation, termination or otherwise*

Process



Process



1. Audit
Engagement
Process

1.2 Audit
Engagement
Letter

Shall inter-alia, include the following:

- Objective & Scope of the Audit
- Responsibilities of the Auditor & the Auditee
- Written Representations including particulars of previous Auditor from the Management
- Period within which Audit Report shall be submitted by the Auditor with mile stones, if any
- Commercial Terms including reimbursement of OPE in connection with the audit
- Limitation of the Audit, if any

Process



1. Audit
Engagement
Process

1.2 Audit
Engagement
Letter

Engagement Letter shall contain:

- A. reference to the provisions of law/act/rules etc. if following aspects are contained therein:
- the objective and scope of the audit
 - responsibilities of the Management and
 - responsibilities of the Auditor
- B. a statement that the Management acknowledges and understands its responsibilities for:
- preparation and maintenance of records
 - devising proper systems to ensure compliance with applicable laws/act/rules etc., applicable for the time being in force

Process



1. Audit
Engagement
Process

1.3
Intimation
to previous
auditor

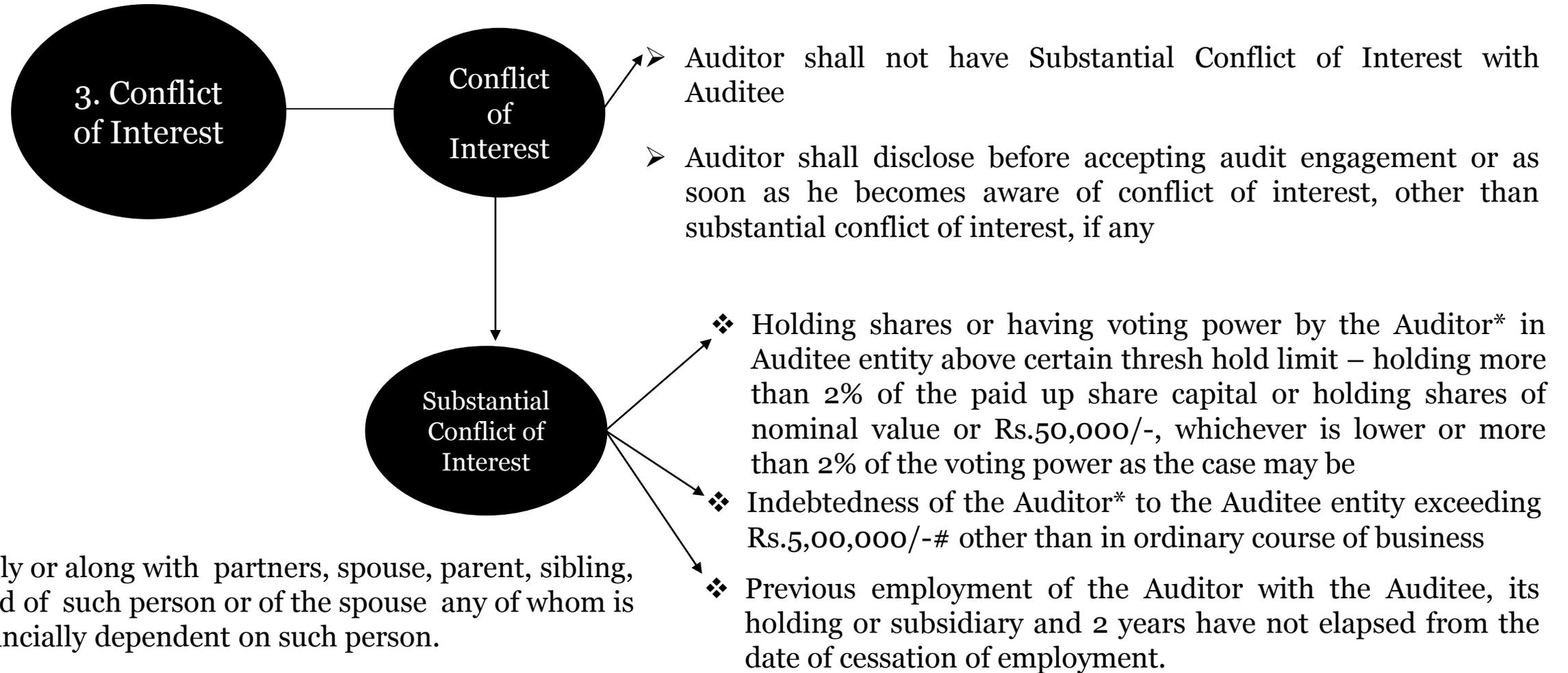
- Before accepting the audit engagement, the Auditor shall communicate in writing to the Predecessor or Previous Auditor, if any

2. Limit on
Audit
Engagements

No. of
Audits

- The Auditor shall ensure that the number of audit engagements are within the limit specified in the law or by the Institute as the case may be

Process



Process



4. Confidentiality

The Auditor

- shall not disclose information obtained during the course of audit except under following circumstances:
 - if permitted by the Auditee or
 - If there is legal obligation or duty to disclose
- shall not use or share information obtained during the course of audit with any body except for the purpose of Audit
- shall ensure that his audit team and other experts engaged by him for the purpose of audit or to provide advice shall also adhere to the confidentiality

Process



5. Changes in Terms of Engagement

- Auditor shall not agree for change in the terms of Audit Engagement unless there is reasonable justification
- If the Auditee wants change in the scope of Audit before completion of assignment resulting in lower level of assurance, the Auditor shall consider appropriateness of carrying out the Audit
- Change in the terms shall be agreed by way of Supplementary or revised Engagement Letter or in any suitable manner in writing

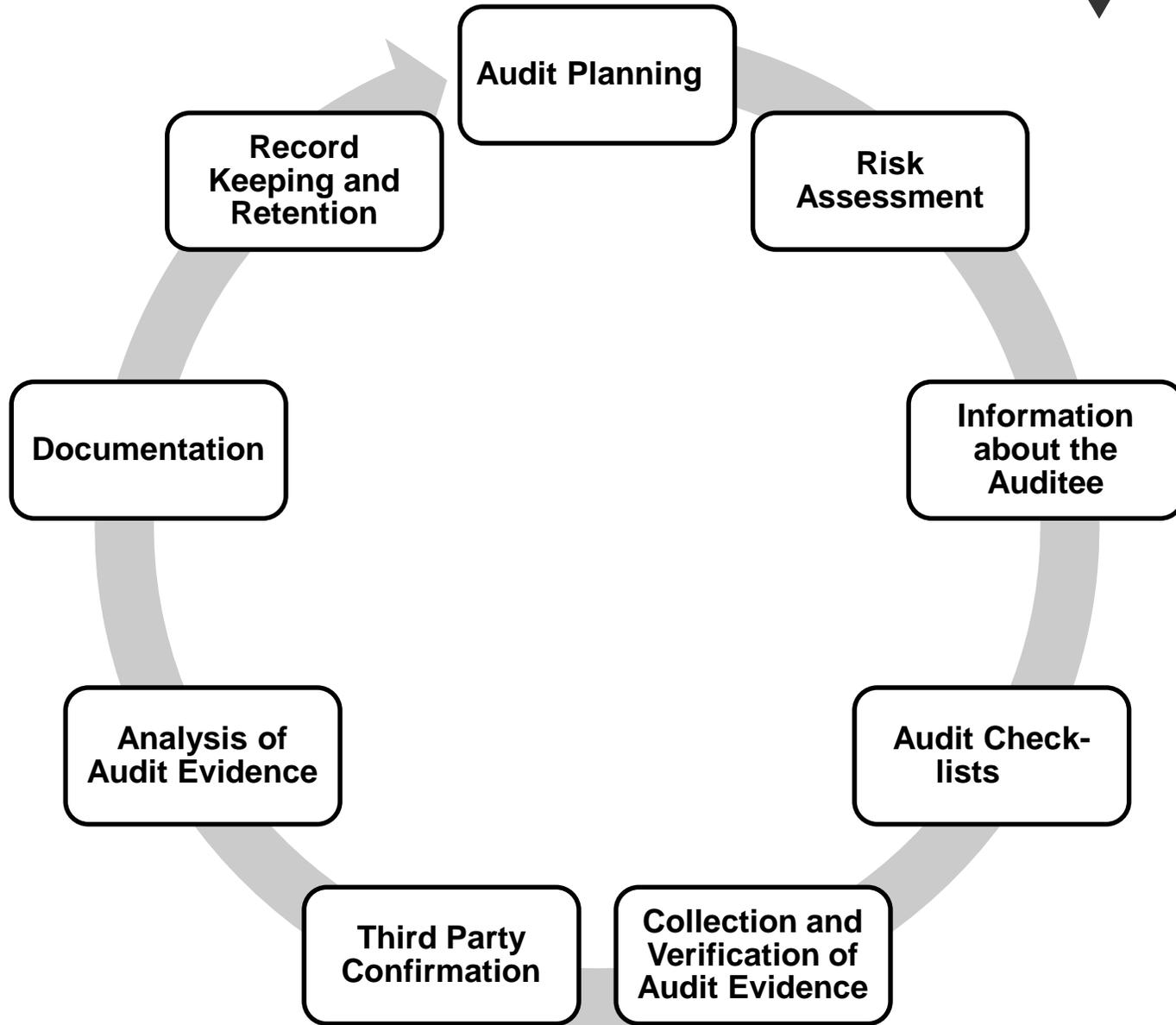


CSAS-2 - Auditing Standard on Audit Process and Documentation





Overview



Scope



- CSAS-2 is applicable to the Auditor undertaking audit under any statute
- The Standard deals with Auditor's responsibilities and duties with respect to:
 - a. audit Process in conducting audit and
 - b. maintaining proper audit documents

Effective Date



- Voluntary - w.e.f. 1st July 2019
- Original Mandatory - w.e.f. 1st April 2020
- Revised Mandatory - w.e.f. 1st October 2020
- Final Mandatory implementation – w.e.f. 1st April 2021
for audit engagements accepted by the Auditor

Objective



- to prescribe principles for an Auditor:
- to conduct audit as per the specified audit process
- to maintain documentation that provide:
- sufficient and appropriate record to form the basis for the Auditor's Report and
- evidence that the audit was planned and performed in accordance with the applicable Auditing Standards and statutory requirements

Definition



For the purpose of CSASs unless specified otherwise, the terms shall have following meaning attributed to them:

- “Audit Documentation” means *the working papers prepared or records obtained by the Auditor in connection with the audit*
- “Audit Evidence” refers to *relevant information and documents gathered in the course of the audit for arriving at the conclusion on which the Auditor’s opinion is based.*
- “Management” as defined in *CSAS-1*

Definition



- *“Auditor” means a Company Secretary who is deemed to be in practice under sub-section (2) of Section 2 of the Company Secretaries Act, 1980 and includes a firm or Limited Liability Partnership (LLP) registered with ICSI, undertaking an Audit.*
- *“Management” includes Board of Directors and persons who are entrusted with the responsibility of governance and compliances of the Auditee*
- *“Predecessor or Previous Auditor” means an Auditor who has conducted the most recent audit assignment of the Auditee and submitted report thereon prior to the incumbent Auditor or was engaged but did not complete the audit assignment due to his resignation, termination or otherwise*

Process



Audit Planning

1.1

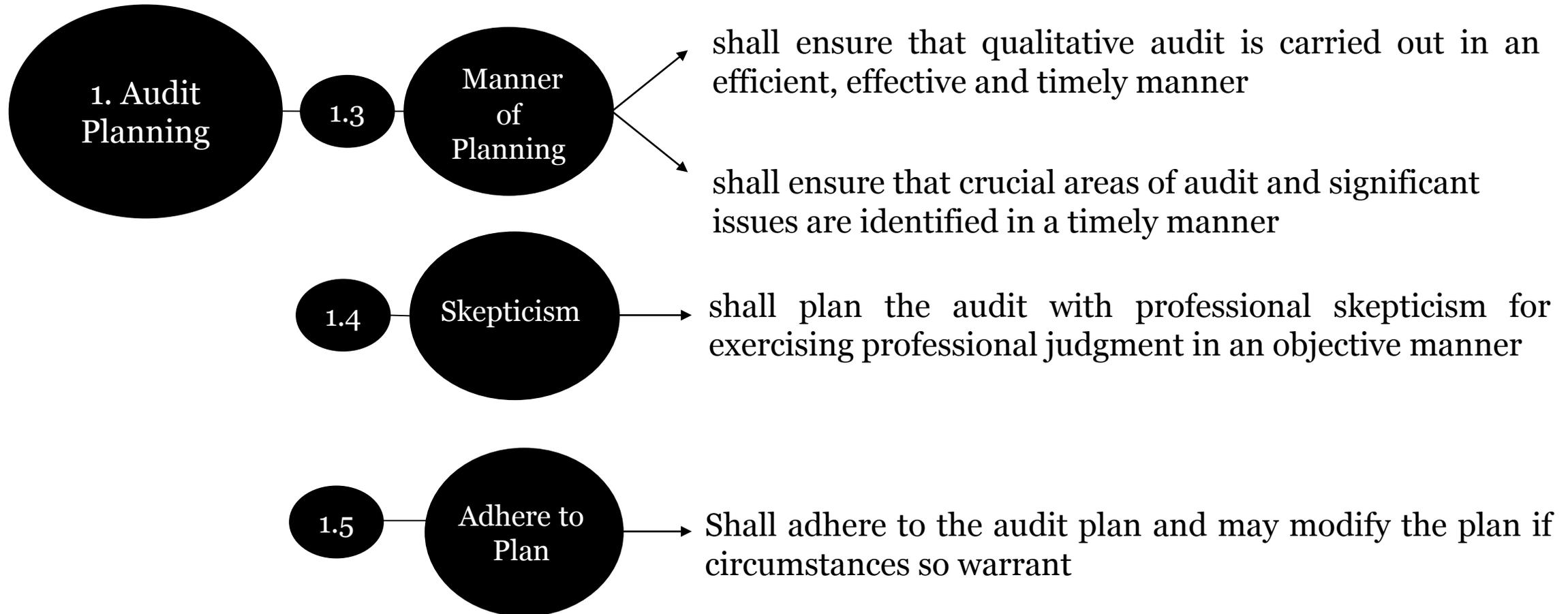
→ The Auditor shall make audit plan to conduct audit as per the terms of Audit Engagement

1.2

→ Audit Planning is to establish and develop an overall audit process, including:

- identification of broad audit areas
- seeking previous audit findings and observations from the Management and the Previous Auditor
- determination of subject matters and audit areas requiring special attention
- risk assessment and materiality
- audit technique
- allocation of audit resources for the audit

Process



Process



2. Risk Assessment

The Auditor

2.1

➤ shall look into risk assessment with respect to the Auditee connected to Audit Engagement, considering industrial & business environment, organisational structure and compliance requirements

2.2

➤ shall evaluate high risk areas and activities of the Auditee relating to:

a. i) internal control systems

ii) processes of the Auditee for adherence to:

- the constitutional documents
- applicable laws, acts/rules/regulations and standards

b. transparency, prudence and probity and

c. changes or attrition in the compliance team and frequency of such changes and attrition.

Process



3. Information

About the Auditee

- The Auditor should obtain sufficient information about the Auditee that is relevant for:
 - a) conduct of audit and
 - b) for forming opinion and its expression

Process



4. Audit
Checklist

Use of
Checklist

- Auditor shall use systematic and comprehensive audit checklists for:
 - a) carrying out the audit and
 - b) to verify the compliance requirements

Process



5. Collection & Verification of Audit Evidence

5.1

➤ Auditor shall:

- a) verify compliance with applicable laws/act rules/ regulations and standards
- b) deviation, if any, shall be recorded.

5.2

→ obtain complete, relevant and necessary evidence to support the opinion

5.3

→ continue the process of gathering and evaluating evidence until satisfied that sufficient and appropriate evidence exists to provide a basis for formation of the Audit Opinion.

Process



6. Third
Party
Confirmation

Responsibility

- Auditor shall obtain confirmations from third party(ies), wherever required with respect to information:
 - a. which is related to such party(ies) and
 - b. which is relied upon

Process



7. Analysis of Evidence

7.1

Evaluation

- Auditor shall evaluate the Audit Evidence to arrive at the conclusion

7.2

Evaluation

- if Audit Evidence is conflicting, assess the extent and credibility of conflicting evidence in order to reach a conclusion or collect more evidence to resolve the conflict

Process



Documentation

8.1

Adequacy

Auditor shall adequately document the Audit Evidence in working papers, including the basis and extent of planning, work performed and the findings of audit

8.2

Evaluation

a) Audit documents shall contain sufficient information

b) should enable an Auditor having no previous connection with the audit to ascertain from such documentation the significant findings and conclusions of the Auditor

8.3

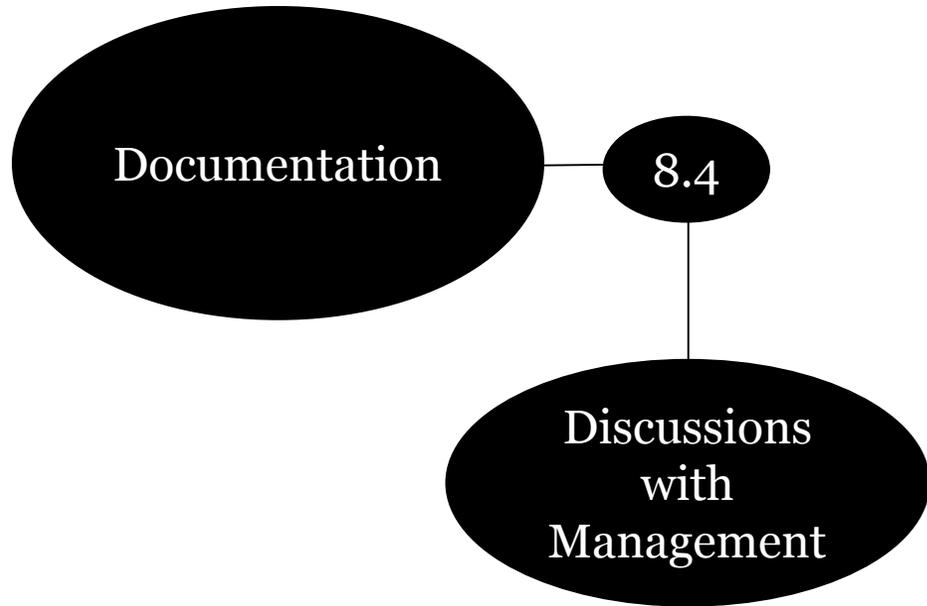
Collection & Indexation

a) Audit Documents shall take place throughout the audit process.

b) Working papers shall be complete and appropriately detailed to provide a clear trail of the audit.

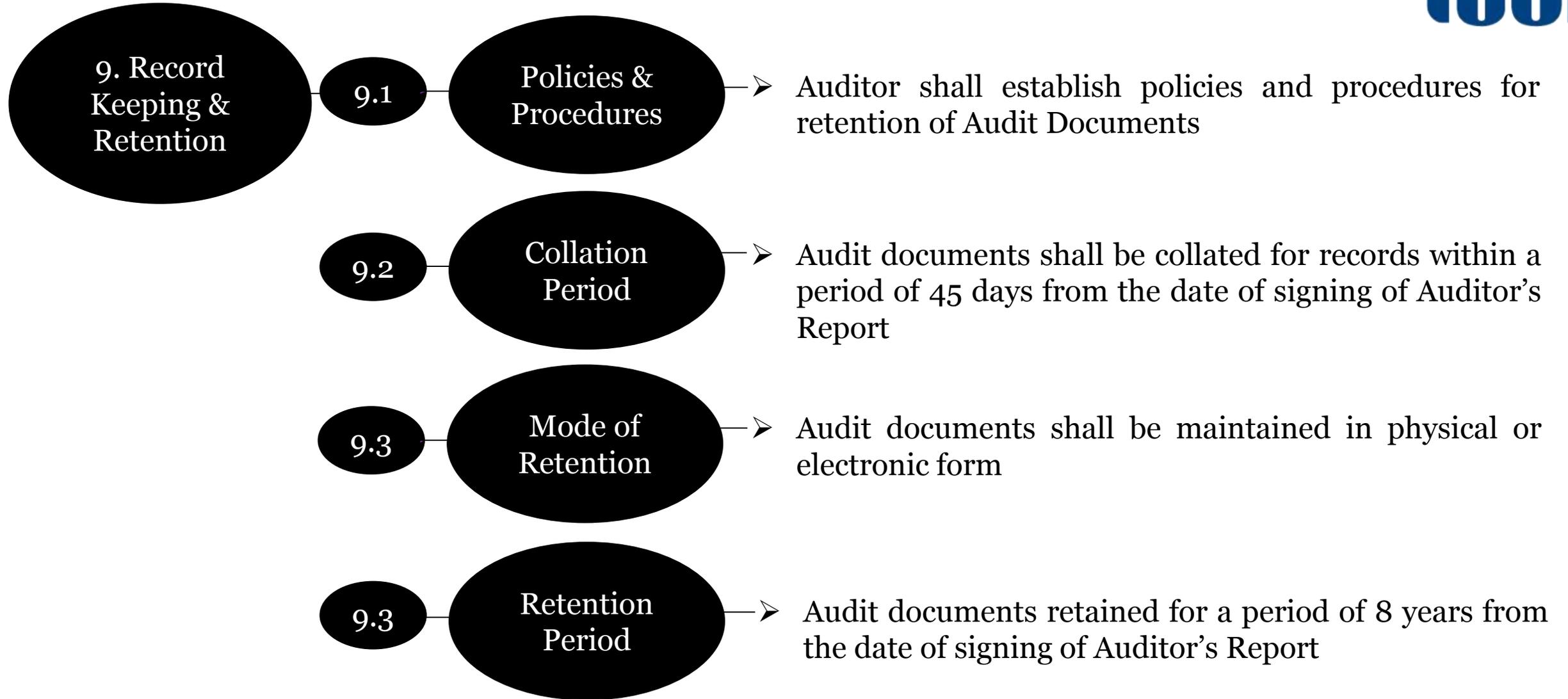
c) Audit Documentation shall be properly indexed, referenced with and supplemented by the set of working papers

Process



- Auditor shall document:
the discussions with the Management with respect to significant matters in respect of which written record is not available.

Process





CSAS-3 - Auditing Standard on Forming of Opinion



Overview



Process for forming of opinion

Precedence and Practices

Third Party Report or Opinion

Form of an Opinion

Auditor's Responsibility

Format of Report

Scope



- CSAS-3 is applicable to auditor undertaking engagements under any statute
- The Standard deals with basis and manner for forming Auditor's opinion on subject matter of the audit

Effective Date



- Voluntary - w.e.f. 1st July 2019
- Original Mandatory - w.e.f. 1st April 2020
- Revised Mandatory - w.e.f. 1st October 2020
- Final Mandatory implementation – w.e.f. 1st April 2021
for audit engagements accepted by the Auditor

Objective



- to enable the Auditor to lay down the basis and manner for evaluation of the conclusions drawn from the Audit Evidence and
- to express the opinion through written report

Definition



For the purpose of CSASs unless specified otherwise, the terms shall have following meaning attributed to them:

- “Audit Evidence” as defined in CSAS-2
- “Misstatement” means *any information or statement which is false, incorrect, incomplete, misleading or misrepresents, omits or suppresses a material fact.*
- “Materiality” is the *threshold above which missing or incorrect information is considered to have an impact on the decision making of the Auditor. Information is considered as material if its omission or misstatement could influence the opinion of the Auditor. Materiality can also be construed in terms of net impact.*

Definition



- “Records” include:
 - (i) *Memorandum and Articles of Association, byelaws or any other constitutional documents*
 - (ii) *Minutes, returns, forms, index and Registers*
 - (iii) *Books and papers including books of accounts, deeds, vouchers*
 - (iv) *Agreements, Memorandum of Understanding*
 - (v) *Other documents maintained by the Auditee either in physical or electronic form and*
 - (vi) *Correspondence*

- “Third Party” means *any person who does not have a direct connection with the audit but whose inputs or opinion might influence the audit conclusion* and includes an expert



Process

1. Process
for
forming
of
Opinion

1.1

Principles

➤ Auditor shall consider **Materiality** while forming his opinion and adhere to:

- a. The *principle of completeness* - Auditor should consider all relevant Audit Evidence before issuing a report
- b. The *principle of objectivity* - Auditor should apply professional judgment and skepticism to ensure that all reports are factually correct and that findings or conclusions are presented in a relevant and appropriate manner
- c. *The principle of timeliness* - implies preparing the report within due time and
- d. *The principle of a contradictory process* - implies checking the accuracy of facts and incorporating responses from concerned persons

1.2

Judgements
etc.

➤ Auditor may consider various judgments, clarifications, opinion, conflicting interpretations while framing the opinion

Process



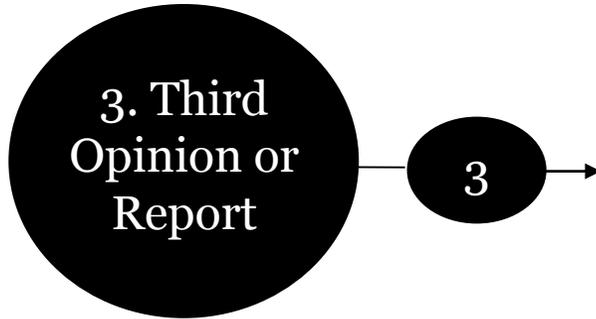
2.
Precedence
and
Practices

Precedents

- Auditor shall adhere to generally accepted precedence and practices in relation to forming of an opinion



Process



- Auditor shall adhere to the following while forming an opinion based on third party reports or opinions:
 - a) indicate the fact of use of third party report or opinion and record the circumstances necessitating the use of third party report or opinion
 - b) indicate the fact if third party report or opinion is provided by the Auditee
 - c) shall consider the important findings/observation of third party
 - d) if necessary and feasible, carry out a supplemental test to check veracity of the third party report or opinion

Principle of “Contradictory Process”



Meaning: checking the accuracy of facts and incorporating responses from concerned persons

When two contradictory facts emerge on same subject matter of audit, Auditor must strive to find additional evidence/material which supports or negates one of the facts.

This process must continue until one of the facts is eliminated

In case of inability to find further evidence/material and contradiction continues to persist, Auditor should bring out that fact clearly in his report and if circumstances warrants, disclaim opinion on that particular subject matter

Principle of “Contradictory Process” (Part 2)



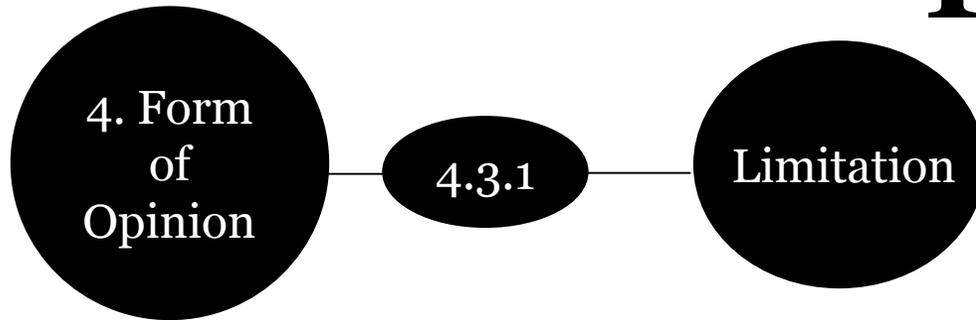
It also implies checking the accuracy of facts with the Auditee and incorporating responses from responsible officials as appropriate

Auditor should consider relevant evidential matter regardless of whether it appears to corroborate or to contradict the assertions

Auditor should consider all relevant evidential matter even though it might contradict or be inconsistent with other conclusions

Audit documentation must contain information or data relating to significant findings or issues that are inconsistent with the Auditor’s final conclusions on the relevant matter

Process



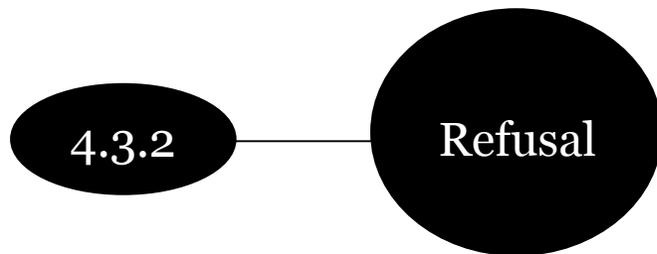
If limitation on scope of audit is imposed by the Appointing Authority after accepting the Audit and



If the opinion of the Auditor limitation is likely to result in expressing a modified opinion or a disclaimer in the opinion then



He shall request the Appointing Authority to remove the limitation



If the Appointing Authority refuses to remove the limitation, the Auditor shall take up the matter with the Management and determine whether it is possible to perform alternative procedure to obtain sufficient and appropriate Audit Evidence

Process



4. Form
of
Opinion

4.3.3

Limitation

If the Auditor is unable to obtain sufficient and appropriate Audit Evidence, the Auditor shall determine the implications and:

- a. If the Auditor concludes that the possible effects of unavailable Audit Evidence could be non-material, the Auditor shall modify the opinion or
- b. If the Auditor concludes that the possible effects of unavailable Audit Evidence could be material, the Auditor shall express disclaimer of opinion

Process



5. Auditor's Responsibility

5.1

Section in the Audit Report

- Auditor's Report shall include a section with the heading "Auditor's Responsibility". Auditor shall in his report state that:
 - his responsibility is to express opinion on the compliance with the applicable laws is based on the records maintained audited by him.
 - the audit was conducted in accordance with applicable Standards.

- The Auditor's Report shall also explain that the Standards require that the Auditor comply with statutory and regulatory requirements and plan and perform the audit to obtain reasonable assurance about compliance with applicable laws and maintenance of Records

Process



5. Auditor's
Responsibility

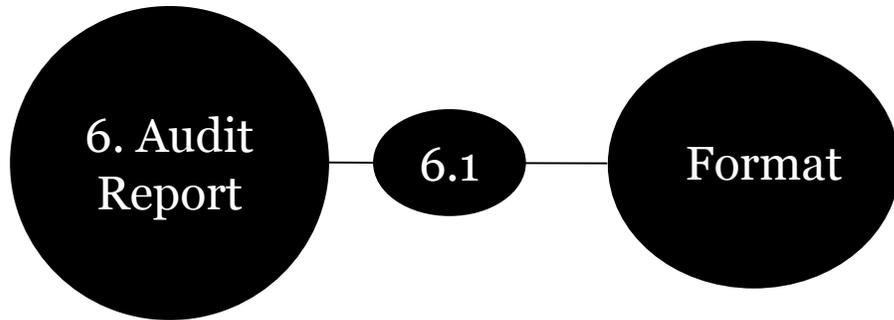
5.2

Unavoidable
Risks

- Auditor's Report shall state that even though the audit is properly planned and performed in accordance with the Standards
 - there are inherent limitations of an audit (including internal, financial and operating controls) and
 - there is an unavoidable risk that some misstatements or material non-compliances may not be detected

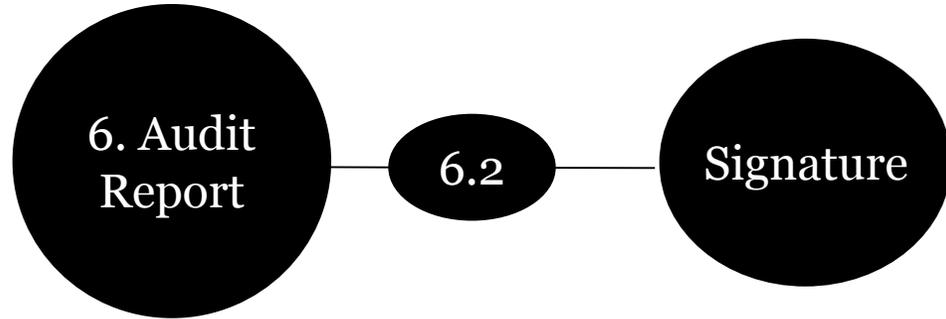


Process



- The report shall be addressed to the Appointing Authority unless otherwise specified in the Audit Engagement Letter or provided in the applicable law
- Report shall be detailed enough to serve its intended purpose
- If specific formats are prescribed the formats shall be followed for reporting
- If information cannot be appropriately placed within the report, it shall be given in form of annexure(s).

Process



- In the signature block mention the:
 - name of the audit firm
 - registration number of the firm, if any
 - name of the Auditor
 - COP number
 - the membership number of the Auditor [specify whether associate or fellow member]
 - place of signing the report
 - date of signing the report



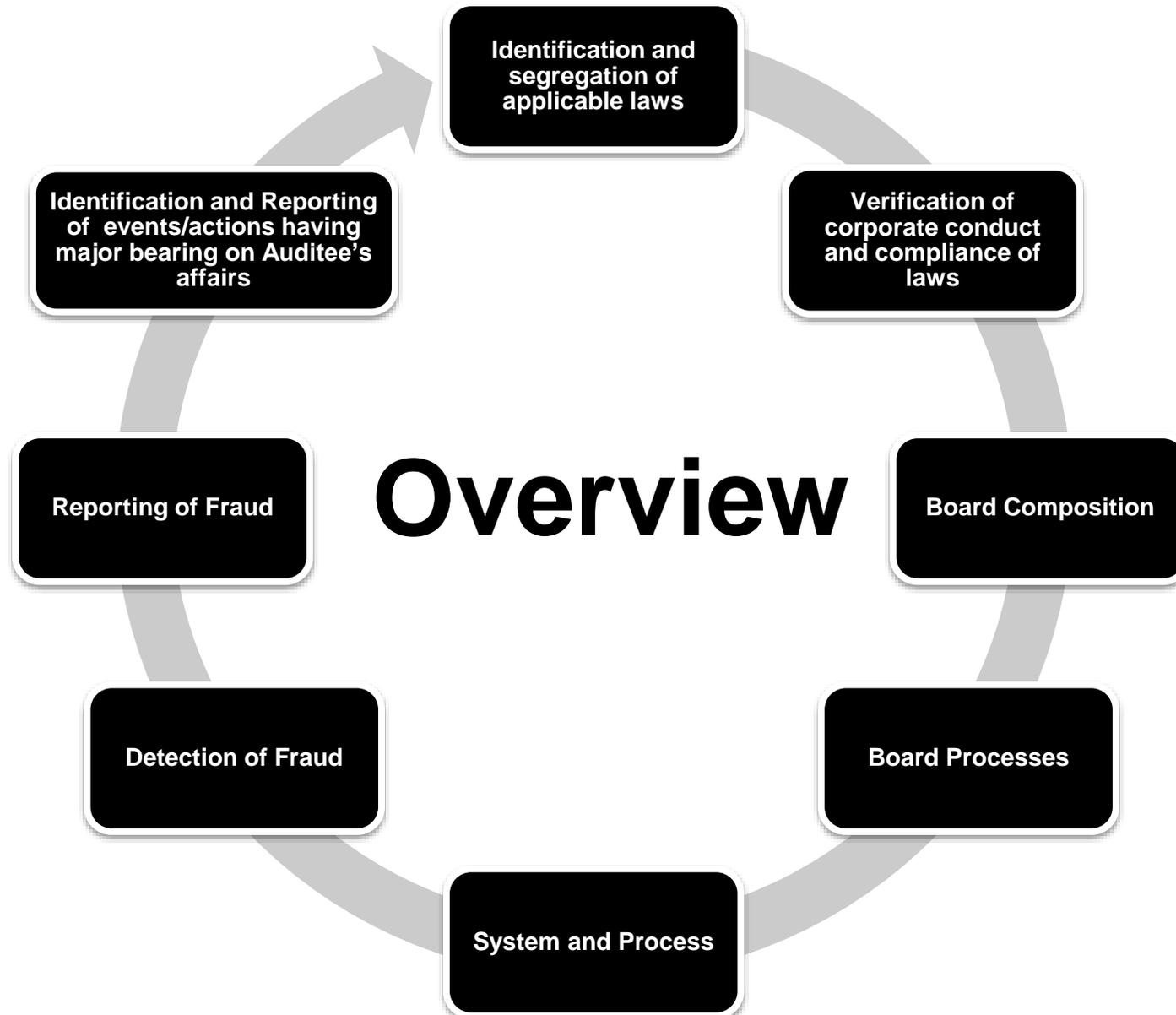
CSAS-4 - Auditing Standard on Secretarial Audit



Adherence to other standards



The Auditor shall adhere to the Auditing Standards on – (a) Audit Engagement (CSAS-1); (b) Audit Process and Documentation (CSAS-2); and (c) Forming of Opinion (CSAS-3).



Scope



- CSAS-4 is applicable to the Auditor undertaking Secretarial Audit under Section 204 of the Companies Act, 2013 and rules made thereunder
- The Standard deals with the basis and manner for carrying out the Secretarial Audit

Effective Date



- Voluntary - w.e.f. 1st July 2019
- Original Mandatory - w.e.f. 1st April 2020
- Revised Mandatory - w.e.f. 1st October 2020
- Final Mandatory implementation – w.e.f. 1st April 2021
for audit engagements accepted by the Auditor

Definition



For the purpose of CSASs unless specified otherwise, the terms shall have following meaning attributed to them:

- “Management” as defined in CSAS-1
- “Records” as defined in CSAS-3

Process



1. Identification and Segregation of Applicable Laws

1

- Auditor shall make a note of the industry specific laws and other laws applicable to the Auditee based on:
 - a. the identification/segregation by the Management and
 - b. his own verification

Verification of Corporate Conduct and Compliance of Laws



FORM NO. MR-3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED

*[Pursuant to section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies
(Appointment and Remuneration of Managerial Personnel) Rules, 2014]*

To,
The Members,
..... Limited

I/We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by..... (name of the company).(hereinafter called the company). Secretarial Audit was conducted in a manner that provided me/us a reasonable basis for **evaluating the corporate conducts/statutory compliances** and expressing my opinion thereon.

Based on my/our verification of the (name of the company's) books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I/We hereby report that in my/our opinion, the company has, during the audit period covering the financial year ended on, complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

.....

Process



2.
Verification
of Corporate
Conduct and
Compliance
of Laws

2.1

Identification
of Events &
Corporate
Actions

- identify events/corporate actions that took place during the audit period by reviewing:
 - a. the website of the regulators
 - b. website of the Auditee
 - c. statutory records
 - d. by interaction with the Management and in any other appropriate manner.

2.2

Verification
of
Compliance

- verify all events and calendar based compliances for the audit period from:
 - a. records of the Auditee
 - b. database or website of the regulators and
 - c. other sources



Board Composition

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above subject to the following observations:

Note: Please report specific non compliances / observations / audit qualification, reservation or adverse remarks in respect of the above para wise.

I/we further report that

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Majority decision is carried through while the dissenting members' views are captured and recorded as part of the minutes.

I/we further report that there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

Note: Please report specific observations / qualification, reservation or adverse remarks in respect of the Board Structures/system and processes relating to the Audit period.

Process



3. Board
Composition

Compliances

- Check compliance of the:
 - a. Companies Act, 2013
 - b. SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, if applicable
 - c. Agreement with Lenders/Investors
 - d. Articles of Association
 - e. Provisions of other Acts /rules/regulations
 - f. Guidelines and policies
 - g. Board decisions
 - h. Shareholders decisions

Process



3. Board Composition

3.1

Overall composition

- Check overall composition including the minimum and maximum strength of the Board.

3.2

Optimum Combination

- Check optimum combination as may be applicable with respect to:
 - a. executive directors
 - b. non-executive directors
 - c. independent directors
 - d. non-independent directors
 - e. retiring directors
 - f. non-retiring directors
 - g. woman directors
 - h. nominee directors

Process



3. Board Composition

3.3

Eligibility

- Check the eligibility criteria including disqualifications

3.4

Committees

- Check the constitution and composition of Committees of the Board

Board Process



FORM NO. MR-3

SECRETARIAL AUDIT REPORT

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Based on my/our verification of the (name of the company's) books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I/We hereby report that in my/our opinion, the company has, during the audit period covering the financial year ended on, complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

Process



4. Board Process

4

Check whether the decisions of the Board and its Committees are taken and recorded in compliance with applicable laws, rules, regulations, guidelines, standards and defined internal processes, if any.

Systems and Process



I/we further report that

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Majority decision is carried through while the dissenting members' views are captured and recorded as part of the minutes.

I/we further report that there are **adequate systems and processes** in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

Note: Please report specific observations / qualification, reservation or adverse remarks in respect of the Board Structures/system and processes relating to the Audit period.

Process



5. Assessing efficacy & adequacy of Systems & Processes

5.1

- By reviewing records maintained by the Auditee

5.2

- By understanding:
 - a. compliance responsibility centers
 - b. control points matrix
 - c. flow of information
 - d. mechanism for escalation of non-compliances to different levels
 - e. reporting of any noncompliance.

5.3

- Assess compliance mechanism, its extent, coverage and severity mapping
- Assess compliance manual/standard operating procedures, if any, available with the Auditee.

Process



5. Assessing efficacy & adequacy of Systems & Processes

5.4

- Analyze instances of:
 - a. show cause notices received
 - b. prosecution initiated
 - c. fine or penalties levied
 - d. imprisonment ordered
 - e. qualification, adverse remark or observations in the statutory, internal or industry specific audit
 - f. orders passed by regulatory bodies or judicial/quasi-judicial authorities

Process



6. Detection of Fraud

6.1

- Exercise professional judgment with professional skepticism throughout the audit to detect and report the fraud envisaged under the provisions of Section 143(12) of the Companies Act, 2013 read with Companies (Audit and Auditors) Rules, 2014.

6.2

- If commission of fraud suspected, collect further evidence for the same.
- The suspicion may arise:
 - a. on perusal of internal control systems
 - b. complaint under whistle blower mechanism and
 - c. reports of the other auditors etc.

Process



Detection
of Fraud

6.3

- ensure to collect sufficient evidence which substantiates the suspicion of the commission of the fraud against the Auditee by its employees and officers

Process



Reporting of Fraud

7.1

- Report to Audit Committee/Board/Central Government as per the process laid down under the Companies Act, 2013 any commission of fraud after carrying out thorough checks

7.2

- Include the fact of fraud committed in the Secretarial Audit Report
- Verify whether the Audit Committee/ Board has given any comments on the fraud reported by the auditor in their report as required under the Companies Act, 2013

7.3

- verify if the fraud detected by other Auditor has been reported to the Audit Committee/Central Government and report the same in the Secretarial Audit Report.

Process



Identification &
Reporting of
events/actions
having major
bearing on
Auditee's affairs

8.1

- Auditor should identify and report in the Secretarial Audit Report:
 - all events/actions having major bearing on the Auditee's affairs in pursuance of the applicable laws, act, rules, regulations, guidelines, standards, etc.

8.2

- Following events/actions shall be considered as having major bearing on the Auditee's affairs if :
 - a. it affects going concern or
 - b. alters the charter or
 - c. capital structure or
 - d. management or
 - e. Business operations or
 - f. Control etc.

Guidance Notes on CSAS 1 to CSAS 4



The Institute of Company Secretaries of India (ICSI), recognising the need to provide support to its members in developing auditing acumen, techniques and tools and for inculcation of best auditing practices among its members, has released the guidance notes on CSAS 1 to CSAS 4 in the month of November, 2020 at the National Convention.

The Guidance Notes on Auditing Standard on Audit Engagement (CSAS 1), Audit Process and Documentation (CSAS 2), Forming an Opinion (CSAS 3) and Secretarial Audit (CSAS 4) are available on the website of the institute and can be accessible at [https://www.icsi.edu/media/webmodules/Guidance Notes on ICSI AS.pdf](https://www.icsi.edu/media/webmodules/Guidance%20Notes%20on%20ICSI%20AS.pdf)

UNREGULATED



REGULATED





ROLE OF COMPANY SECRETARIES

**Just as religion and spirituality make a nation great, Good governance in the sense of ethical, moral and character will make a company great. The society without values, ethics and character is like a multistory building without a sound base which may
CRUMBLE & CRUMBLE.**



THANK YOU!

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Company Secretaries, Pune
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