भारतीय कम्पनी सचिव संस्थान
THE INSTITUTE OF
Company Secretaries of India
IN PURSUIT OF PROFESSIONAL EXCELLENCE
Statutory body under an Act of Parliament
(Under the jurisdiction of Ministry of Corporate Affairs)

SUPPLEMENT
PROFESSIONAL PROGRAMME
(Syllabus 2022)

FOR DECEMBER 2026 EXAMINATION

(Containing updates from 1st June, 2025 to 31st May, 2026)

COMPLIANCE MANAGEMENT, AUDIT & DUE DILIGENCE

GROUP 1

PAPER 3

INDEX

Students appearing in Examination shall note the following:

Students appearing in December, 2026 Examination should also update themselves on all the relevant Notifications, Circulars, Clarifications, Orders etc. issued by MCA, SEBI, RBI, other regulatory authorities and Central Government upto May, 2026.

The students are advised to acquaint themselves with the subject specific updates published by the Institute.

This supplement is to be read with "Compliance Management, Audit & Due Diligence (CMADD)" study material (Syllabus 2022) updated up to May, 2025.

LESSON 2
DOCUMENTATION & MAINTENANCE OF RECORDS

Additional contents to be read with page 47 of study material:

EFFICIENT DOCUMENT MANAGEMENT

Effective document management is essential for maintaining accurate records, ensuring operational efficiency, and safeguarding sensitive information. To achieve these goals, organizations should adopt several best practices:

1. Digitalization:

Transitioning to a digital document management system is a fundamental step towards improving accessibility and operational efficiency. Key aspects of digitalization include:

- Cloud-Based Solutions: Leveraging cloud storage platforms provides secure, scalable, and easily accessible storage for documents. Cloud solutions enable remote access, facilitate collaboration, and offer robust backup and disaster recovery options. This shift reduces the need for physical storage and enhances document retrieval efficiency.

- Electronic Document Management Systems (EDMS): Implementing an EDMS can significantly streamline the creation, storage, and retrieval of documents. These systems often feature advanced document indexing, search capabilities, and integration with other business applications, which simplifies managing large volumes of documents.

- Digitization of Existing Records: Converting physical documents into digital formats is crucial for improving accessibility and reducing physical storage needs. Use high-quality scanners or imaging technologies and ensure thorough quality checks to maintain the accuracy and completeness of digitized records.

2. Document Control:

Robust document control protocols are essential for managing documents throughout their lifecycle and ensuring their accuracy and security. Important practices include:

- Version Management: Implement a version control system to keep track of document revisions and updates. This practice ensures that the most current version is always available and provides a detailed history of changes, which is vital for auditing and compliance.

- Access Restrictions: Establish strict access controls to limit document access based on user roles and responsibilities. This minimizes the risk of unauthorized access or modifications and ensures that sensitive information is only accessible to those who need it.

- Audit Trails: Maintain comprehensive audit trails that record document access, modifications, and deletions. Audit trails help monitor document integrity, track changes, and identify any issues related to compliance or unauthorized actions.

3. Confidentiality:

Protecting sensitive information is a critical aspect of document management. Effective measures to ensure confidentiality include:

- Encryption: Utilize encryption to protect data both at rest (stored documents) and in transit (documents being transmitted over networks). Encryption secures sensitive information from unauthorized access and potential breaches.

- Secure Access Controls: Implement strong authentication mechanisms, such as multi-factor authentication (MFA), to control access to digital documents. Regularly review and update access rights based on user roles and organizational changes to ensure that only authorized personnel can access or modify sensitive documents.

- Regular Security Audits: Conduct regular security audits to evaluate the effectiveness of document protection measures. These audits help to identify potential vulnerabilities, ensure compliance with security standards, and update practices to address emerging threats.

By integrating these best practices into their document management processes, organizations can enhance the efficiency of record-keeping, ensure secure and accurate document handling, and support overall operational effectiveness. These practices contribute to improved compliance, better information security, and streamlined access to critical documents.

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Additional contents to be read with page 48 of study material:

Central Government Maintaining Documents Electronically

As per Rule 9 of the Companies (Registration of Offices and Fees) Rules, 2014, the Central Government shall set up and maintain a secure centralised electronic registry in which all the applications, financial statement, prospectus, return, register, memorandum, articles, particulars of charges, or any particulars or returns or any other documents under the Act shall be filed and stored electronically.

Every document or certificate or notice or other document required to be registered or authenticated by the Registrar or an officer of the Central Government under the Act or rules made there under, shall be registered or authenticated through a valid digital signature of such person or a system generated digital signature.

The Registrar shall issue document, certificate, notice, receipt, approval or communicate endorsement or acknowledgement in the electronic mode. The Registrar may send any document, certificate, notice or any other communication to the company or its authorised representative or directors or both in the electronic manner for which the company shall create and maintain at all times a valid electronic address including e-mail, user identifications capable of receiving and acknowledging the receipt of the document, certificate, notice or other communication, automated or otherwise.

LESSON 3
SIGNING AND CERTIFICATION

Additional contents to be read with page 69 of study material:

(a) As per Rule 8(12) of the Companies (Registration of Offices and Fees) Rules, 2014, following e-forms filed by companies, other than one person companies and small companies, under sub-rule (1) of rule 9, shall be pre-certified by the Chartered Accountant or the Company Secretary or as the case may be the Cost Accountant, in whole-time practice, namely:-

INC-21, INC-22, INC-28, PAS-3, SH-7, CHG-1, CHG-4, CHG-9, MGT- 14, DIR-6, DIR-12, MR-1, MR-2, MSC-1, MSC-3, MSC-4, GNL-3, ADT-1, NDH-1, NDH-2, NDH-3.

(b) The following e-forms filed by companies, other than one person companies and small companies, under sub-rule (1) of rule 9, shall be pre-certified in the following manner, namely:—

(i) GNL-1- optional pre-certification by the Chartered Accountant or the Company Secretary or as the case may be the Cost Accountant, in whole-time practice;
(ii) DPT-3 – certification by Auditors of the company;
(iii) MGT-10-certification by a Company Secretary in whole-time practice
(iv) AOC-4 certification by the Chartered Accountant or the Company Secretary or as the case may be by the Cost Accountant, in whole-time practice."

(c) E-form DIR-3 shall be filed along with attestation of photograph, identity proof and proof of residence of the applicant by the Chartered Accountant or the Company Secretary or as the case may be the Cost Accountant, in whole-time practice.

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Additional contents to be read at page 83 of study material:

……….. 2. The listed entity which has listed its specified securities on the SME Exchange. (2nd Last Para)

Provided that with effect from April 01, 2025, the provisions of regulation 23 shall be applicable in respect of a listed entity which has listed its specified securities on the SME Exchange and which has either paid up equity share capital exceeding Rupees ten crore or net worth exceeding Rupees twenty-five crore, as on the last day of the previous financial year.

Provided further that where the provisions of regulation 23 become applicable at a later date to a listed entity which has listed its specified securities on the SME Exchange, it shall ensure compliance with the same within six months from such date. Provided further that once the provisions of regulation 23 become applicable to a listed entity which has listed its specified securities on the SME Exchange, they shall continue to remain applicable till such time the equity share capital and the net-worth of such entity reduces and remains below the specified threshold for a period of three consecutive financial years.

LESSON 4
LEGAL FRAMEWORK GOVERNING COMPANY SECRETARIES

Following illustrations to be read in place of existing illustration at page 132 of study material

Illustrations

Illustration 1: UDIN is generated on March 01, 2021 for Form MGT-7, effective date of this UDIN is March 01, 2021. This Form MGT-7 can be signed on any day upto March 07, 2021 (both days inclusive).

Illustration 2: UDIN is generated on August 01, 2021 for Form MGT-7, let’s say to be signed on August 01, 2021. In case of un-utilized UDIN, the same may be surrendered/cancelled by the PCS till August 07, 2021.

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Following to be read in place of existing heading “ICSI Guidelines for Advt. by Company Secretaries” given at page 134 of study material

ICSI (Management and Development of Company Secretaries in Practice) Guidelines, 2023

With the changing business environment and regulatory complexities, the functions and responsibilities of a Company Secretary in Practice have increased manifold. As the horizons of Practice continue to evolve, the Profession is expanding its footprints in many emerging areas with multitude of opportunities demanding professional expertise. Significant duties have been cast on the Company Secretary in Practice necessitating high degree of professionalism and meticulous abidance with the Company Secretaries Act, 1980, the Company Secretaries Regulations, 1982 and the Guidelines issued by the Institute thereunder.

The aim of these Guidelines is to facilitate the Company Secretary in Practice by consolidating all the relevant Guidelines as applicable along with the processes involved therein in a coherent manner that ensures ease of reference and enhanced comprehension. Certain existing guidelines/procedures have been amended and consolidated with a view to ensure 'ease of doing practice'.

Entering into Practice means both commencing entrepreneurship and practicing the profession of Company Secretaries. These Guidelines lay the framework for compliance of all legal requirements while ensuring highest professional standard. The provisions of these Guidelines shall apply to the following:

a) Company Secretary in Practice;
b) Firm(s) of Company Secretary(ies) in Practice.

The provisions contained therein shall come into force from December 15, 2023. These Guidelines have been divided into below mentioned Chapters viz:

PCS Orientation Programme:
The objective of this Programme is to guide the member in establishing a successful and thriving Practice with special focus on developing skills and building expertise in rendering services to the stakeholders.

Certificate of Practice: A member who intends to be engaged in the profession of Practicing Company Secretary on whole time basis and not in any other profession, business or employment can apply for issue of COP. For this, a member has to apply online in prescribed Form for issuance of a COP alongwith prescribed fee, entitling the member to practice as a Company Secretary anywhere in India.
Firm Management: This chapter facilitates all Company Secretaries in Practice who are desirous to apply for name of a firm or changing the existing name of their Firm. It also facilitates in constitution/conversion of the Firm.
Service Areas: This chapter is divided into three parts viz., Services to be rendered by Company Secretaries in Practice; intimation to previous incumbent and Peer Review.
Branding and Development of Profession: The CS Act read with the Regulations Permit the Company Secretary in Practice (PCS) to solicit and advertise Professional services rendered by him in a limited manner. In order to facilitate the PCS in promoting his professional brand within specified parameters, this Chapter establishes minimum standards for brand building for developing a competitive edge. It is ensuring uniformity in branding and development of the profession of Company Secretaries.
Scale and manner of determination of fees for professional services: Company Secretaries in Practice (PCS) render various value-added services to corporate, individuals and other entities under various statutes or on the basis of specific business/industry requirements. With a view to harmonize the diverse practices followed by PCS while determining and charging professional fees for rendering such services and to provide the guiding principles for fixing the fee, the Council of ICSI has issued these Guiding Principles on scale and manner of determination of fees for various Professional Services rendered by the Company Secretaries in Practice.
Miscellaneous: This chapter consists provisions related to consequences of violation; transition and removal of difficulties.

ICSI (Continuous Professional Education) Guidelines, 2019

The Company Secretaries Act, 1980 was enacted to make provisions for the regulation and development of the profession of Company Secretaries. The ICSI set-up under the said Act has been conducting examinations and prescribing standards for adherence by its members. A profession cannot maintain its cutting-edge competencies unless its members regularly update their knowledge. Attendance and participation in Professional Development Programs, Certificate Programs, and other similar training and professional development programs organized by the ICSI and its offices and other recognized bodies enable members to:

- Constantly upgrade professional competence and skills.
- Sensitize them to new and emerging opportunities for professional services.
- Assure users of professional services that they possess adequate skills commensurate with their professional responsibilities.
- Improve their level of confidence to meet ever-changing demands on the profession.

The objective of these guidelines is to facilitate the members in keeping them abreast of latest developments, widening their knowledge base and improving their skills to maintain the cutting edge by providing training and expertise in critical areas of professional interest and to assist members achieve constant upgrading of competence by acquiring adequate skills commensurate with their professional responsibilities.

Consequences of Non-Compliance

A member who fails to obtain the mandatory CPE Credits during the stipulated period may be liable to disciplinary action for non-compliance under the provisions of the Company Secretaries Act, 1980, Company Secretaries Regulations, 1982 and the Code of Conduct, as amended from time to time.

LESSON 6
NON-COMPLIANCES, PENALTIES AND ADJUDICATIONS

Additional contents to be read with page 168 of study material:

INSPECTION, INQUIRY & INVESTIGATION

Inspection, inquiry and investigation are three connected but different regulatory actions. These regulatory actions start with some information. Inspection and Inquiry are the preliminary stage while investigation is a later stage.

To understand this with the purview of Companies Act, 2013, presume that the Registrar got some information about a Company in which fraud is going on. The Registrar issues an order to inspect the books & accounts and other statutory records of the Company. The Registrar may carry out the inquiry if circumstance so warrant. Further, if Registrar is not satisfied with the inspection and inquiry, the Registrar will file its report to Central Government and the Central Government may issue the order to conduct investigation. Here, it is important to note that it doesn't matter from where the Registrar gets information. Anyone can provide such information be it stakeholder, director, shareholder, employee and they may play the role of whistle blower.

Therefore, Inspection is intended to be a routine and not ad hoc or special affair. However, if sufficient evidence suggests that of the company's affairs are being mismanaged and/or managed in fraudulent way, then inspection can lead to orders for investigation into the affairs of the company.

Powers allotted under the Companies Act, 2013

Authorities	Sections	Powers
Registrar of Companies	206, 207, 208 & 209	• Call for Information, Inspect Books and Conduct Inquiries • Conduct of Inspection and enquiry • Report on Inspection Made • Search and Seizure
Inspector	206, 207, 208, 209, 216, 218 and 219	• Call for Information, Inspect Books and Conduct Inquiries • Conduct of Inspection and enquiry • Report on Inspection Made • Search and Seizure • To investigate on matters relating to the company, and its membership for determining ownership of the company • Power of Inspector to Conduct Investigation into Affairs of Related Companies
Central Government	206, 210, 211, 212, 216 and 224	• Authorise any statutory authority to carry out the inspection of books of account of a company or class of companies • Direct any statutory authority appointed by it for the purpose to carry out the inquiry • Investigate into Affairs of Company

		• Establishment of Serious Fraud Investigation Office • Assign the investigation into the affairs of the company to the Serious Fraud Investigation Office • Appointment of inspector, to investigate on matters relating to the company, and its membership for determining ownership of the company • Actions to be Taken in Pursuance of Inspector's Report
Regional Director	206	Central government delegates power to appoint inspector for inspection of books and papers of a company
Tribunal	213, 221, 222	• Freezing of Assets of Company on Inquiry and Investigation • Imposition of Restrictions Upon Securities

PURPOSE OF CONDUCTING INSPECTION

Some of the objectives of conducting such inspections may be thus:

1. To detect concealment of income by falsification of accounts.
2. To secure knowledge about the mismanagement of the business of a company and transactions entered into with an intent to defraud creditors, shareholders or otherwise for fraudulent or unlawful purposes.
3. To ascertain whether the statutory auditors have discharged their functions and duties in certifying the true and fair view of a company's accounts and their proper maintenance.
4. To enable the Government to ascertain the quantum of profits accrued but not adequately accounted for.
5. To detect misapplication of funds leading a company to a state of perpetual financial crisis.
6. To keep a watch on performance of a company.
7. To detect misuse of fiduciary responsibilities by the company's management for personal aggrandizement.

INSPECTION- SECTION 206(3), 206(5) AND 206(6)

There are three authorities which may order inspection under Section 206:

(i) By Registrar under sub-section (3) of section 206.

According to Section 206(3), Inspection may be ordered by the Registrar, where –

- if no information or explanation is furnished to the Registrar within the time specified under sub-section (1); or
- if the Registrar on an examination of the documents furnished is of the opinion that the information or explanation furnished is inadequate; or
- if the Registrar is satisfied on a scrutiny of the documents furnished that an unsatisfactory state of affairs exists in the company and does not disclose a full and fair statement of the information required.

Then the Registrar may by another written notice, call on the company to produce for his inspection such further books of accounts, books, papers and explanations as he may require at such place and at such time as specified in the notice. In this written notice, the Registrar shall record his reason in writing for issuing the notice for inspection.

(ii) By Regional Director under power delegated to it by Central Government under Section 206(5)

The Central Government may, on satisfaction that circumstance so warrant, direct inspection of books and papers of a company by an inspector appointed for the purpose. This power under Section 206(5) has been delegated to jurisdictional Regional Directors.

(iii) By Central Government by a general or special order under section 206(6)

The Central Government may by general or special order authorize any statutory authority to carry out the inspection of books of account of a company or class of companies. While issuing such general or special order, the Central Government will consider the circumstances.

INQUIRY- SECTION 206(4)

If the Registrar is satisfied that the business of the company is being carried on –

- for a fraudulent purpose;
- unlawful purpose; or
- not in compliance with the provision of this Act; or
- investors grievances not being addressed.

Then, the Registrar may initiate inquiry under section 206(4). The Registrar shall satisfy itself before order of such inquiry on the basis of information available with him or information furnished to him or on representation made to him by any person.

The order shall be made by the Registrar to carry out such inquiry as he deemed fit after giving the company a reasonable opportunity of being heard. The Registrar shall order inquiry after informing the company of the allegation made against it by a written order. In this order, the Registrar will call on the company in writing any information or explanation within specified time. Further, the Central Government may, on satisfaction that circumstance so warrant, direct the Registrar or Inspector for the purpose to carry out the inquiry under this sub-section (4) of section 206.

INVESTIGATION (SECTION 210 - 229)

Central Government is empowered to investigate the affairs of the company in appropriate cases particularly where there was reason to believe that the business of the company was being conducted with the intent to defraud its creditors or members or for a fraudulent or unlawful purpose, or in any manner oppressive of any of its members. Sections 210 to 229 of the Companies Act, 2013, contain provisions relating to investigation of the affairs of company.

The Companies Act, 2013 provides for carrying out the following kinds of investigation:

- Investigation of the affairs of the company if it is necessary to investigate into the affairs of the company in public interest (Section 210);
- Investigation by Serious Fraud Investigation Office directed by Central government under (Section 212);
- Investigation on the order of Tribunal (Section 213).
- Investigation about the ownership of a Company (Section 216);
- Investigation of the affairs of related companies (Section 219);
- Investigation of foreign companies (Section 228)

LESSON 8
CONCEPTS OF VARIOUS AUDIT

Following contents to be read in place of existing heading "Industrial and Labour Law Audit" at page 331 to 338 of study material:

INDUSTRIAL AND LABOUR LAW AUDIT

Industrial and Labour law Audit is an effective tool for compliance management of labour, employment and Industrial laws. Audit helps to detect non-compliances of labour and employment laws applicable to a business and take corrective measures to avoid any unwarranted legal actions by the regulators against the business and its management. Labour Law audit is useful in promoting cordial relations between employees and employers and also lead to better governance and value creation for the business.

Labour Law Audit envisages a systematic scrutiny of records prescribed under labour legislations by a professional like Company Secretary, who shall report on the compliance and non-compliance in any commercial establishments.

Scope of Industrial and Labour Audit

The Labour Law auditor cover all labour legislations applicable to an Industry/Business or any other commercial establishment, wherein audit is being conducted. Scope of labour law audit will differ from business to business based on the nature of business, size of business, location of business and number of manpower etc.

Labour laws audit is a unique concept and differs from other compliance/audits in the country. While all other audits are based on financial implications on company/business entity, whereas the labour laws audit consideration includes human values and rights of the workman.

The Government has implemented four Labour Codes Namely, the Code on Wages, 2019, the Industrial Relations (IR) Code, 2020, the Code on Social Security, 2020 and the Occupational Safety, Health and Working Conditions (OSH & WC) Code, 2020, w.e.f. 21.11.2025.

Though, the Industrial and Labour audit include the various State and Local Laws along with the central laws, few illustrative questions may be kept in mind while conducting labour audit under new labour codes:

Question	Particulars
Whether Four Labour Codes applicable only to Central Government Establishment?	No. "Labour" is a concurrent subject under the Constitution of India and its jurisdiction is clearly defined in the codes. The State governments are appropriate government under all the four Labour Codes and they have to exercise their power as appropriate government.
Whether the definition of "Wages" applicable to all Labour Codes?	There is single definition of wages applies across all four Labour Codes. The same definition applies uniformly for statutory

	calculations.
Meaning of the term "Wages" and What are the components it would covers under Code on Wages, 2019	"Wages" covers: • All remuneration whether by way of salary, allowances or otherwise. These include Basic pay, Dearness allowance and Retaining allowance, if any. • If the allowances (except gratuity and retrenchment compensation) exceed 50% of all remuneration, the excess amount shall be added back to wages. • Performance based incentives, Employee Stock Option Plans (ESOPs), variable part of the component or reimbursement-based payments to the employee shall not be part of the wages.
When gratuity is payable to an employee?	Gratuity shall be payable on following events: • On termination • On superannuation (retirement due to age) • On resignation • On death or disablement due to accident or disease • On expiration of a fixed-term employment contract • On any other event notified by the Central Government.
Whether Gratuity calculation will be applicable prospectively or retrospectively?	Gratuity will be applicable w.e.f. 21st November, 2025 i.e. date of enforcement of the Code.
How is gratuity calculated?	• For every completed year of service or part thereof in excess of six months: • 15 days' wages per year (or such number as notified by Central Government) based on the rate of wages last drawn.
How is gratuity calculated in Special cases?	• Piece-rated employees: Daily wages calculated as average of total wages for the three months preceding termination (excluding overtime) • Seasonal employees: 7 days' wages per season • Fixed-term employment or deceased employees: Gratuity paid on pro-rata basis
Who will be covered under the definition of worker as per OSH & WC Code 2020?	Any person, who is employed in a supervisory capacity drawing wages exceeding ₹18,000/- (or an amount as may be notified by the Central Government from time to time) is not included in the definition of worker.
What are Core and Non-core activities under OSH & WC Code 2020?	• Core and non-core activities are clearly defined under Section 57 the OSH & WC Code, 2020. • Principal employer may engage contract labour for core activities which are ordinarily carried out through contractor, or of intermittent nature or involve sudden increase in volume of work requiring time-bound completion.
Whether provisions related to registration of trade union covered	Provisions related to registration of trade union have been retained under Chapter-III of IR Code 2020.

under Chapter-III of IR Code 2020.	
What are the provisions for retrenchment workers under IR Code?	• The provisions for mandatory one month notice and retrenchment compensation continue to exist. • Prior permission will be required for retrenchment by establishments having 300 or more workers.
Whether Fixed-Term Employment (FTE) is eligible for all benefit like regular employee?	• Fixed Term Employees will be eligible for all benefits (EPF, ESI, flexible working hours, timely and minimum wages) equal to permanent employees. • They will also be eligible for Gratuity on completion of one year of service. • Fixed Term Employee will get appointment letter directly from the employer enhancing their pride. This will also increase their employability as freshers can gain experience in a short span of time and enhance specialized skills.
Compounding of Offences under IR Code, 2020	• Under the Chapter XII of IR Code, 2020, several minor offences that previously attracted imprisonment or criminal liability have been decriminalized, and certain contraventions can now be compounded by paying a specified penalty (in case of first-time convictions). • Once an offence is compounded, no prosecution will be instituted against the offender for that offence.
How IR Code protect the interest of worker?	The IR Code protects the interest of workers through the provisions of negotiating unions/councils, works committee, Grievance redressal committee, requisite safeguards before retrenchment/lay-off and closure and effective dispute resolution mechanism.
Whether "sales promotion employees" & "Working Journalist" are not treated as "employees" and therefore not entitled to labour protections?	The Sales Promotion Employees & Working Journalist are legally recognized under the definition of 'worker' under the IR code.
What is the duration of working hours under OSH & WC Code?	OSH&WC Code prescribes 8 hours per day and 48 hours per week as standard, with some flexibility to extend daily hours with the consent of workers on payment of overtime, at twice the rate wages.
What is the threshold for definition of "factory" under OSH&WC Code?	The threshold for definition of "factory" (from 10 workers with power / 20 without power to 20 workers with power / 40 without power)
What is the licensing threshold for employment of "contract labour" under OSH&WC Code?	The licensing threshold for employment of "contract labour" under OSHWC Code is 50.
What is the minimum criterion in terms of number of days for a worker to be eligible for annual leave with wages as per the provisions of OSH&WC Code, 2020?	A worker should have worked for 180 or more days in a calendar year to be eligible for annual leave with wages.

What are the benefits providing under IR Code	Strengthens women-centric provisions: • 26 weeks of maternity leave • work from- home option and • crèche facilities.
Applicability of Employees' Provident Fund (EPF) under Code on Social Security, 2020	Code on Social Security, 2020 extends the coverage of the Employees' Provident Fund (EPF) with the provisions applying to all establishments that have 20 or more employees, regardless of the type of industry.
Whether "family" to include the mother-in-law and father-in-law under Code on Social Security, 2020?	The Code expands the definition of "family" to include the mother-in-law and father-in-law of a woman employee (subject to an income cap). It also includes a minor unmarried brother or sister who is wholly dependent on the insured person, if the parents are not alive.
ESI Coverage	ESI coverage has extended across India.
Applicability of ESI under Code on Social Security, 2020	• Applying to all establishments that have 10 or more employees, regardless of the type of industry. • Voluntary ESIC membership is also allowed for establishments with fewer than 10 employees, if both the employer and employees agree to join.
Maternity Benefit Entitlement	• Every woman employee who has worked for at least 80 days in the 12 months before the expected delivery is eligible for maternity benefit equal to her average daily wages during the leave period. • The maximum duration of maternity leave is 26 weeks, of which up to 8 weeks can be taken before delivery.
Crèche Facility	Every establishment with 50 or more employees must provide a crèche facility within a prescribed distance. This requirement is now gender-neutral and applies to all types of establishments.
Maintenance of Records & Registers	The SS Code provides for maintaining all records, registers, and returns in electronic form.
Gig and Platform Workers	Gig and Platform Workers have been formally recognised. The Code mandates the framing of social security schemes for them, covering life insurance, disability insurance, health, maternity, and pension benefits. This will help gig and platform workers live with dignity and security.

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Following contents to be read in place of existing heading "Environment Management System Audit" at page 343 of study material:

Environmental Management System Audit

ISO 14001 is a voluntary international standard for environmental management system (EMS). ISO 14001: 2026 provides a framework for organizations to design and implement an EMS, and continually improve their environmental performance. By adhering to this standard, organizations can ensure they are taking proactive measures to minimize their environmental footprint, comply with relevant legal requirements, and achieve their environmental objectives. The framework encompasses various aspects, from resource usage and waste management to monitoring environmental performance and involving stakeholders in environmental commitments.

The ISO 14001:2026 reinforces what matters most: environmental protection and business outcomes. The updated standard builds on the trusted ISO 14001 framework, with clearer structure, easier navigation, and stronger alignment with today's environmental priorities. By implementing ISO 14001, organizations can:

- Improve environmental performance in a consistent and measurable way;
- Reduce waste and optimize the use of energy and resources;
- Comply more easily with environmental regulations;
- Strengthen credibility and trust with stakeholders;
- Support participation in global markets and supply chains.

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LESSON 14
INTERNAL AUDIT & PERFORMANCE AUDIT

Additional contents to be read with page 553 of study material:

PERFORMANCE AUDIT

Performance auditing is a technique used by internal auditors to evaluate the economy, efficiency and effectiveness of the organisations' operations so as to assure management that its strategic objectives are being carried out and whether or not they can be improved on.

The scope of the audit is expanded beyond the verification of financial controls or compliance with policies as it looks for the existence of management measures such as leadership, employee empowerment, teamwork, risk assessment, management information, communication, resource allocation, productivity measurement, etc.

-KPMG

According to Controller & Auditor General of India, Performance audit is an independent, objective and reliable examination of whether organisations, systems, operations, programmes or activities are operating in accordance with the principles of economy, efficiency and effectiveness and whether there is room for improvement.

The main objective of performance audit is to constructively promote economical, effective and efficient governance. It thereby contributes in a direct way to providing useful information to the stakeholders, while also serving as a basis for learning and improvements. Performance audit promotes transparency by affording all stakeholders an insight into the management. It focuses on activity and results rather than reports or accounts. That is how it is promoting economy, efficiency and effectiveness rather than report on compliance.

Assurance and confidence in performance auditing

Performance audits are essentially direct reporting engagements where the auditor measures or evaluates the subject matter. The degree of economy, efficiency and effectiveness achieved may be conveyed in the performance audit report in different ways:

a) either through an overall view on aspects of economy, efficiency and effectiveness, where the audit objective, the subject matter, the evidence obtained and the findings reached allow for such a conclusion; or

b) by providing specific information on a range of points including the audit objective, the questions asked, the evidence obtained, the criteria used, the findings reached and the specific conclusions.

Performance audits are designed to provide a reasonable assurance with a set of conclusions and, if applicable, a single overall conclusion and to present a balanced report by taking into account all relevant viewpoints.

Points to be kept in mind while executing performance audit:

Audit Risk: Auditors shall actively manage audit risk, which is the risk of obtaining incorrect or incomplete conclusions, providing unbalanced information or failing to add value for stakeholders. Many topics in performance auditing are complex and sensitive.

Selection of topics: Auditors shall select audit topics through the strategic planning process by analysing potential topics and conducting research to identify risks and problems. The topic selection process shall aim to maximise the expected impact of the audit while taking account of audit capacities (e.g., human resources and professional skills). Performance auditing generally requires that audit-specific, substantive and methodological knowledge be acquired before the audit is launched ("pre-study/ pilot study").

Audit design: Auditors shall plan the audit in a manner that contributes to a high-quality audit that will be carried out in an economical, efficient, effective and timely manner and in accordance with the principles of good project management.

Audit approach: Auditors shall choose a result, problem or system-oriented approach, or a combination thereof, to facilitate the soundness of audit design. Performance auditing generally follows one of three approaches:

a) a system-oriented approach, which examines the proper functioning of management systems, e.g., financial management systems;
b) a result-oriented approach, which assesses whether outcome or output objectives have been achieved as intended or programmes and services are operating as intended;
c) a problem-oriented approach, which examines, verifies and analyses the causes of particular problems or deviations from criteria.

Audit procedures: When planning the audit, the auditor shall design the audit procedures to be used for gathering sufficient and appropriate audit evidence. This can be approached in several stages:

a) deciding on the overall audit design (which questions to ask, e.g., explanatory/descriptive/evaluative);
b) determining the level of observation (e.g., looking at a process or individual files) and methodology (e.g., full analysis or sample);
c) specific data-collection techniques (e.g., analysis of records, questionnaire, interview or focus group).

Quality Control: Auditors shall apply procedures to safeguard quality, ensuring that the applicable requirements are met and placing emphasis on appropriate, balanced and fair reports that add value and answer the audit questions.

Reporting: Auditors shall strive to provide audit reports which are comprehensive, convincing, timely, reader-friendly and balanced. The report shall explain why and how problems observed in the findings hamper performance in order to encourage the audited entity or the user to initiate corrective action. It shall, where appropriate, include recommendations for improvements to performance.

Recommendations: Auditors shall seek to provide constructive recommendations that are likely to contribute significantly to addressing the weaknesses or problems identified by the audit.

Follow-up: Auditors shall follow up previous audit findings and recommendations wherever appropriate. Follow-up shall be reported appropriately with the conclusions and impacts of all relevant corrective action.

Key examples of performance audit focus areas:

- Operational Efficiency: Evaluating if a manufacturing plant's machinery is utilized efficiently to minimize downtime and maximize output.

- Marketing and Sales Effectiveness: Reviewing if marketing expenditure aligns with lead generation and revenue targets.

International Organization of Supreme Audit Institutions

The International Organization of Supreme Audit Institutions (INTOSAI) is an autonomous, independent and non-political organization. It operates as an umbrella organization for the external government audit community. It is a non-governmental organization with special consultative status with the Economic and Social Council (ECOSOC) of the United Nations.

According to INTOSAI, Performance audit focuses on whether interventions, programmes and institutions are performing in accordance with the principles of economy, efficiency and effectiveness and whether there is room for improvement. Performance is examined against suitable criteria, and the causes of deviations from those criteria or other problems are analysed. The aim is to answer key audit questions and to provide recommendations for improvement.

LESSON 16
DUE DILIGENCE

Following contents to be read in place of existing heading "Labour Laws" at page 613 of study material:

LABOUR LAWS

The purpose of a labour law due diligence is to conduct a comprehensive review including the compliances from a labour law perspective in order to identify gaps before an authority audit, any non-compliances relating to the inappropriate application of labour laws and to allow company to correct errors and deficiencies.

The labour law due diligence is important in the case of merger and acquisitions, takeovers, IPOs, joint ventures and winding up / liquidation of companies. The scope of labour law due diligence extends to all the labour & employment related laws, rules and regulations applicable to the company.

During the payroll and labour law due diligence the auditor should examine and review applicable Labour laws and agreements; employment contracts, legal declarations/agreements regarding termination of employment; maintenance of records, employment standing order etc**.**

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Following contents to be read in place of existing text of RBI Circular reference given at page 618 of study material:

Bank Due Diligence

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The Practising Company Secretary (PCS) is required to certify compliance in respect of matters specified in the RBI Master Direction No. RBI/DOR/2025-26/159 DOR.STR.REC.No.78/21.04.048/2025-26 dated November 25, 2025. Part C of the RBI Master Direction specifies that the Diligence Report shall be in the format given in Annex III thereto. Banks shall strengthen its information back-up about the borrowers enjoying credit facilities from multiple lenders by obtaining regular certification by a professional (PCS).

The format of Annex III to be referred from the below weblink:

https://rbidocs.rbi.org.in/rdocs/content/pdfs/159MD28112025_A3.pdf

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