



**THE INSTITUTE OF
Company Secretaries of India**

भारतीय कम्पनी सचिव संस्थान

IN PURSUIT OF PROFESSIONAL EXCELLENCE
Statutory body under an Act of Parliament
(Under the jurisdiction of Ministry of Corporate Affairs)

CL: MCA: 2023

Shri Manoj Govil, IAS
Secretary
Ministry of Corporate Affairs
Government of India
Shastri Bhawan
New Delhi -110001

August 24, 2023

of
Ministry of Corporate Affairs
Dy. No. 1933 /R & IMCA
Date: 25/8/2023

**Subject: Proposed amendments to Section 138 under the Companies Act, 2013
for Internal Audit**

Ref: ICSI Letter dated March 22, 2017 and October 12, 2018

Dear Sir,

The Institute of Company Secretaries of India has been forthcoming of sharing the issues and needs of all its stakeholders including its members with the Regulatory Authorities. The members of the Institute on the other hand have considered promoting good corporate governance as their prime objective and have donned many roles in their capacity of Governance Professionals both in employment and in practice.

Amongst the various activities undertaken by Company Secretaries, audit of non-financial activities takes a prime position. This includes Internal Audit as well. Internal Audit requires an in-depth understanding of the business culture, systems, and processes, understanding and improvement of internal controls for effective risk management, understanding the governance structure of the organisation and ability to provide value additions for improvement in governance processes.

Sub section (1) of Section 138 of Companies Act, 2013 pertaining to Internal Audit provides that *such class or classes of companies as may be prescribed shall be required to appoint an internal auditor, who shall either be a chartered accountant or a cost accountant, or such other professional as may be decided by the Board to conduct internal audit of the functions and activities of the company.*

It is submitted that, being fully capable of undertaking the responsibilities of Internal Auditor, Company Secretaries are pursuing the role as and where decided by the Board. However, the profession has not been mentioned alongside the list of professionals specifically designated for the activity.

Manoj Govil

Vision

"To be a global leader in promoting good corporate governance"

Motto

सत्यं वद। धर्मं चर। इष्टकारं कुरु। तृप्तौः। abide by the law.

Mission

"To develop high calibre professionals facilitating good corporate governance"



Submission

The curriculum of the Company Secretaryship programme is well designed covering corporate and other allied laws, and aspects of governance, ethics, corporate restructuring, strategic management, effective compliance management, Corporate Accounting, Corporate Finance and Financial Management, risk management, etc., which are the essential elements of internal audit.

Furthermore, Company Secretary has been recognised as Key Managerial Personnel under the Companies Act, 2013 and interfaces with multifarious stakeholders across the organisation. Appointing Company Secretary, a professional with multidisciplinary expertise, as an internal auditor would result in multiple advantages for different stakeholders including Board and its Committees, Senior Management, Vendors, Suppliers and Shareholders.

In view of the above, it is submitted that Company Secretaries, amongst other professionals, should also be specifically mentioned under Section 138 and that the words "or a Company Secretary" be inserted after the words "either be a chartered accountant or a cost accountant" and the section should be read as under:

"(1) Such class or classes of companies as may be prescribed shall be required to appoint an internal auditor, who shall either be a chartered accountant or a cost accountant, or a company secretary or such other professional as may be decided by the Board to conduct internal audit of the functions and activities of the company."

We shall be pleased to provide any further information or clarification in this regard on hearing from your goodself.

Thanking You,

Yours faithfully,

(CS Manish Gupta)

President

The Institute of Company Secretaries of India