



*CS IP Amit Gupta
Practising Company Secretary
Lucknow*

Secretarial Audit

*Hyderabad
Chapter of SIRC
of ICSI*

May 08, 2021

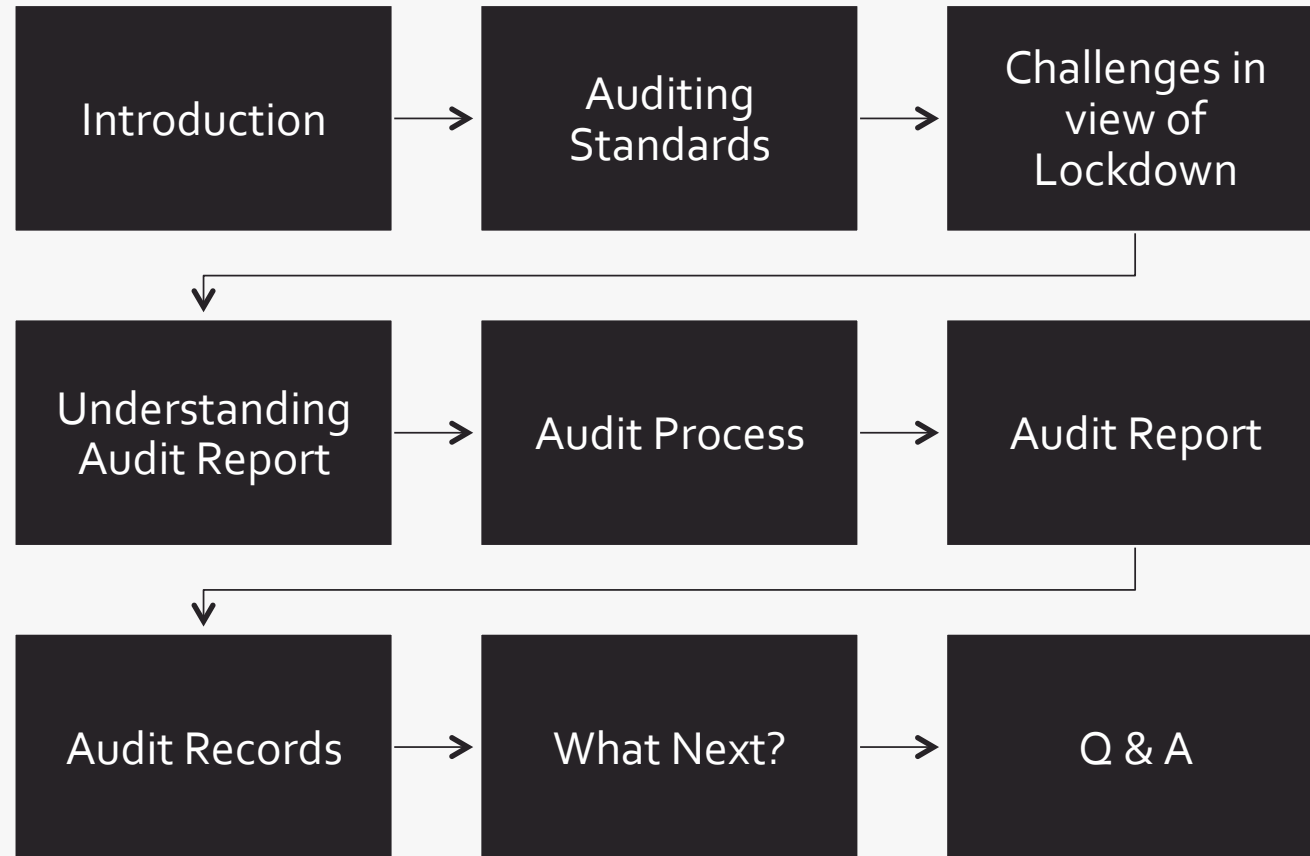
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Agenda of today's discussion

May 08, 2021



Introduction

Why Secretarial Audit?

Journey from Secretarial Compliance Report to Secretarial Audit

Board Report - Section 134(5) (f)

- The directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively

Duties of CS- Section 205

- To report to the Board about compliance with the provisions of this Act, the rules made thereunder and other laws applicable to the company

Principles of SEBI LODR - Regulation 4(1)(g)

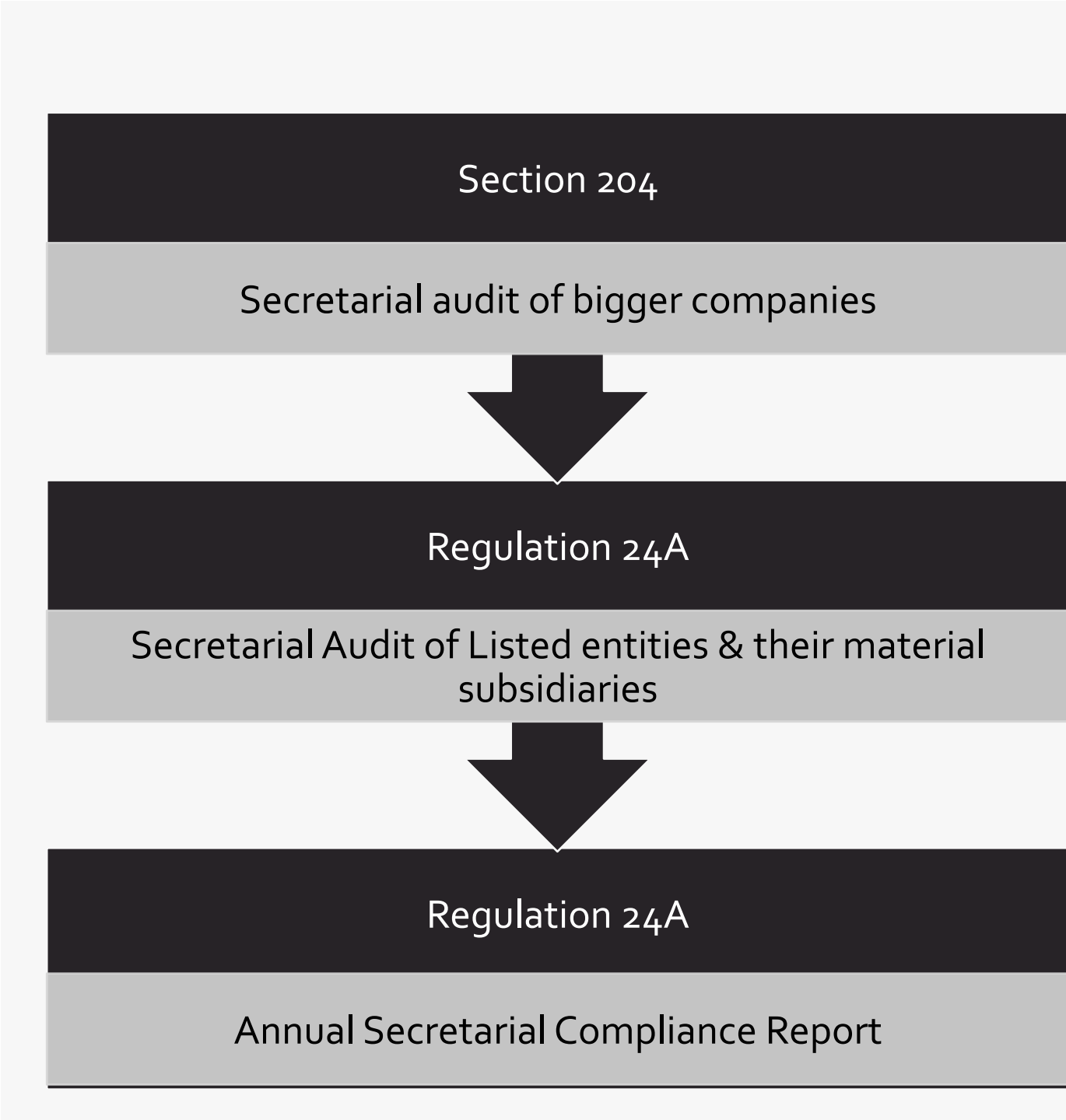
- The listed entity shall abide by all the provisions of the applicable laws including the securities laws.....

Board responsibilities - Regulation 17(3)

- The board of directors shall periodically review compliance reports pertaining to all laws applicable to the listed entity, prepared by the listed entity as well as steps taken by the listed entity to rectify instances of non-compliances.

Introduction

Applicability



Introduction

Applicability

Effective from April 01, 2020, explanation is very clearly providing that share capital, turnover, outstanding loans or borrowings as per latest audited financial statements are to be considered

Listed Entities

- Any time during the respective financial year

Material unlisted Subsidiaries of Listed Entities

- Any time during the respective financial year

Public Companies
(Having PUC => 50 cr
or
Turnover => 250 cr)

- Last day of latest audited financial statement

Any Company
(Borrowings
outstanding => 100
cr)

- Last day of latest audited financial statement

Introduction

Risk Involved

Section	Action	Penalty
143(15)	If Secretarial Auditor fails to report fraud to Central Government	Fine – 1 lacs to 25 lacs
448	Make a false statement in Secretarial Audit Report. (offence – cognizable, bail only after giving opportunity to public prosecutor and court is satisfied that he is not guilty and not likely to commit offence during bail)	Imprisonment - 6 months to 10 years and fine - 1 time to 3 times of fraud involved. Where fraud involves public interest, term of imprisonment shall not be less than three years

Introduction

Risk Involved

Section	Action	Penalty
245(1)(g)	Class Action Suits	As may be determined by tribunal
Schedule II (Part –I) of CS Act, 1980	“discloses information acquired in the course of his professional engagement to any person other than the client so engaging him, without the consent of such client, or otherwise than as required by any law for the time being in force.”	Removal Fine can go up to Rs.5 Lakhs

Introduction

Risk Involved

Misconduct as per the Second
Schedule (Part – I) of CS Act, 1980

A

- Disclosure/sharing of information acquired

B

- Certification without examination

C

- Becoming fortune teller

D

- Expressing opinion in respect of Company in which he has substantial interest

E

- Failure to disclose material facts in report

Introduction

Risk Involved

Misconduct as per the Second
Schedule (Part – I) of CS Act, 1980

F

- Failure to report material misstatement

G

- Gross negligence

H

- Fails to obtain sufficient information

I

- Fails to invite attention to any material departure from generally accepted procedure

J

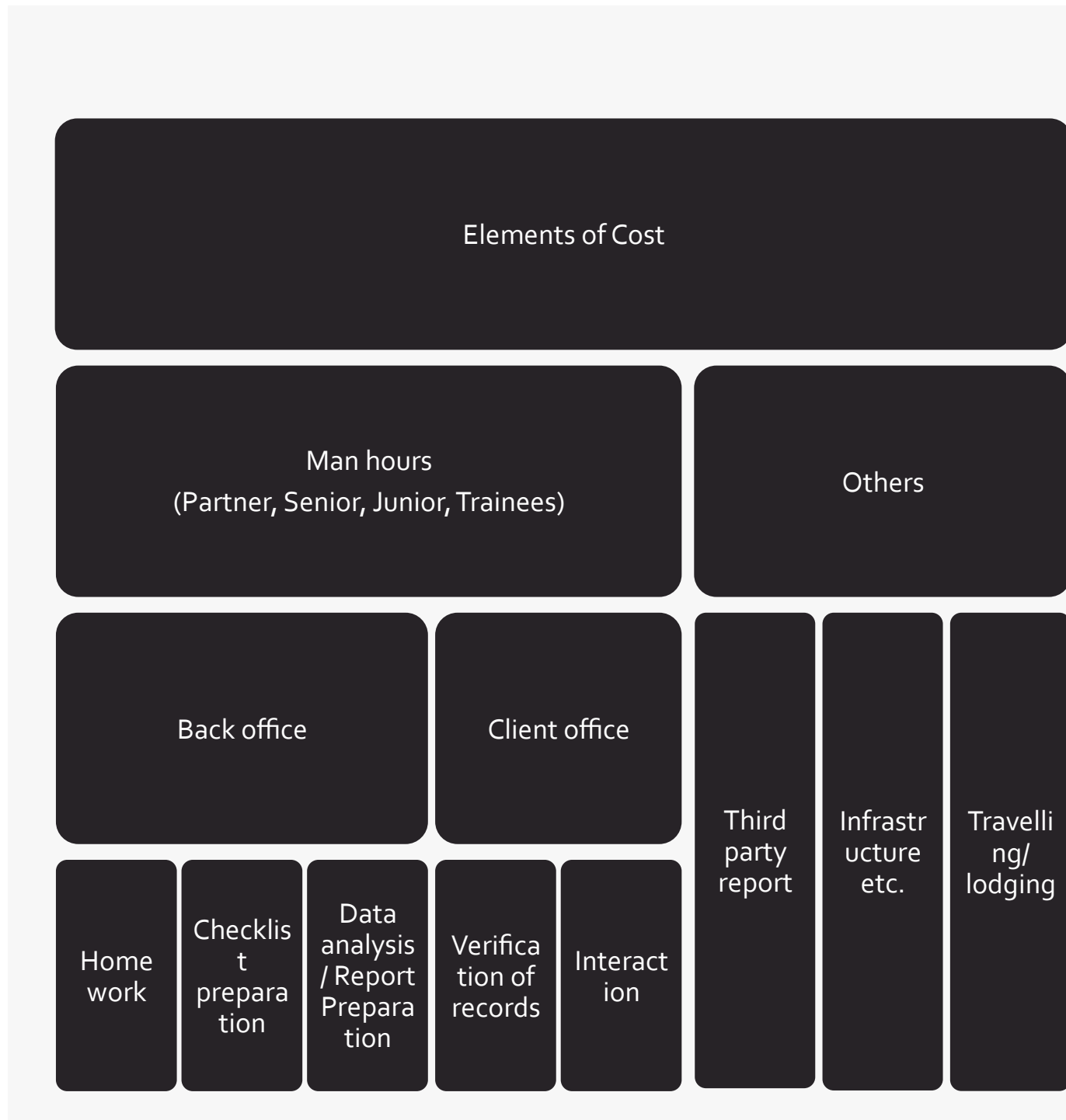
- Fails to keep money advanced by client separately for using the same for intended purpose (Statutory fees etc.)

Introduction

Fees for Secretarial Auditor

Misconduct as per the Second Schedule (Part – I) of CS Act, 1980

Amit Gupta, Company Secretary, Lucknow



Auditing Standards

Background

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

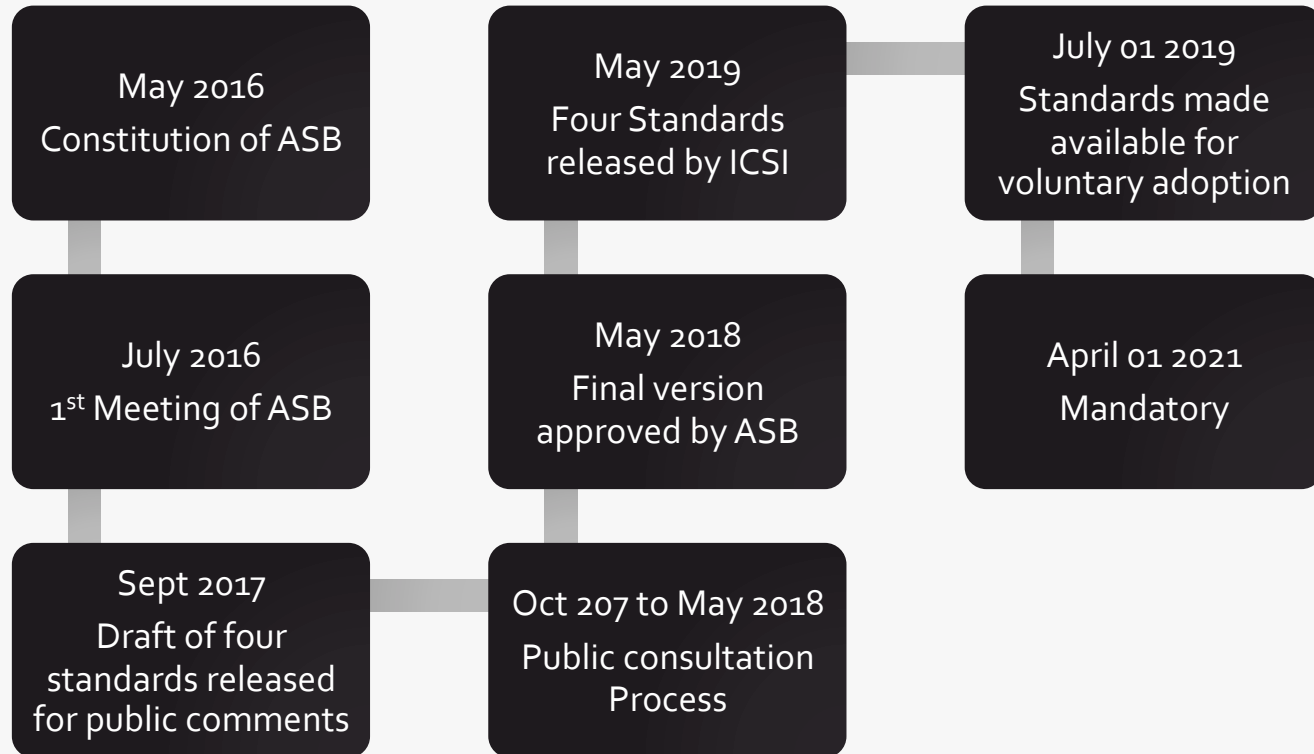
Observations of NSE/SEBI on variations in reporting and need expressed for standardizing the audit process & reporting

Increase the confidence of stakeholders on the audit reports

Reduce the possibilities of mistakes by Auditor

Auditing Standards

Journey



Auditing Standards

Scope of ASB

Formulation and
Development of Standards
and Guidance Notes

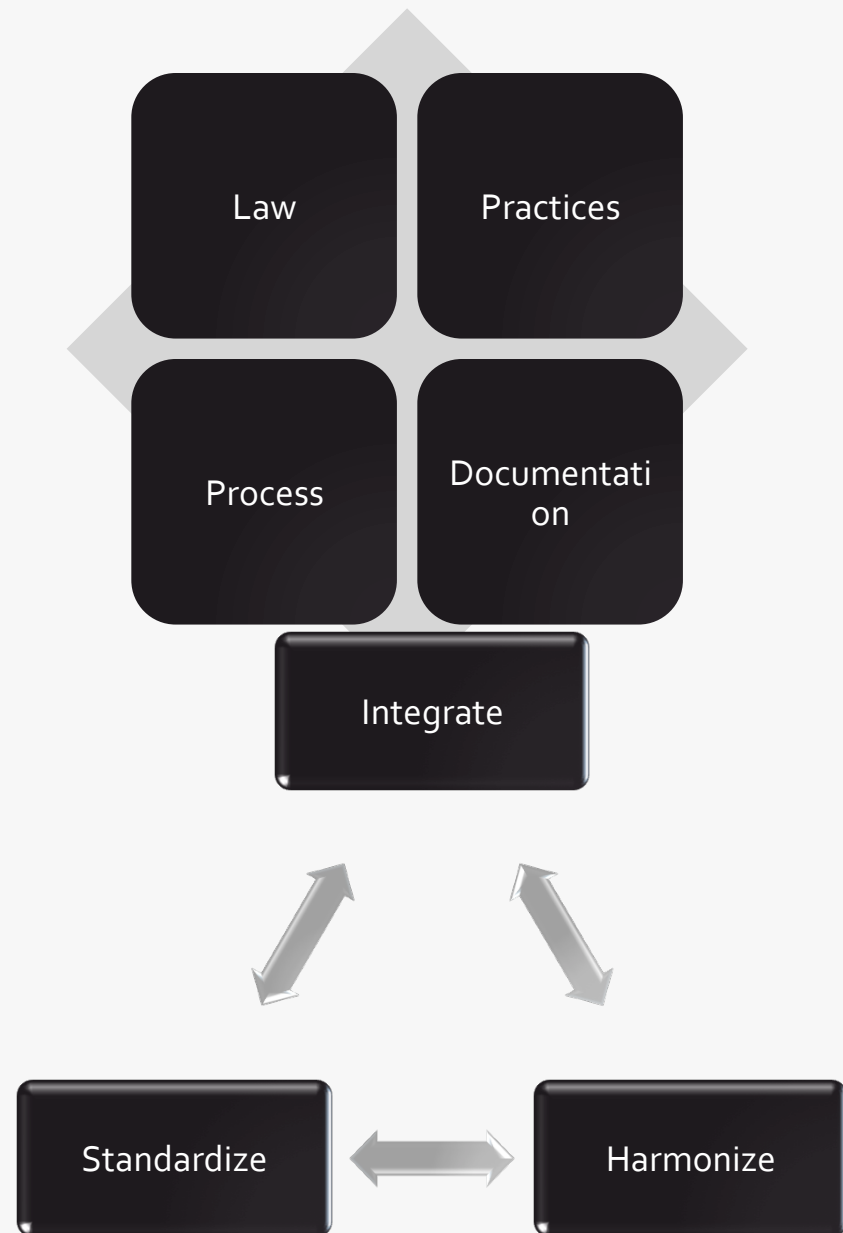
Revision, improvisation and
Identification of prospective
Auditing Areas

Making recommendations for
Capacity Building

Making recommendations for
regulation of Audits

Auditing Standards

Objectives




Auditing Standards

Standards released by ICSI for voluntary adoption with effect from July 01, 2019

Mandatory on Audit engagements accepted on or after April 01, 2021

Amit Gupta, Company Secretary, Lucknow



CSAS – 1
Audit Engagement

CSAS – 2
Audit Process &
Documentation

CSAS – 3
Forming of Opinion

CSAS-4
Secretarial Audit

Auditing Standards

About the standards

Principles only

- Procedures are part of Audit Manual

Standard layout

- All four released standards are having common framework – Scope, effective date, objective, definition & text of standard. Definition are common for all.

Applicability

- Applies to all Audits and not just Secretarial Audit

No pick & choose
Letter & Spirit

- Adherence to standards has to be made in totality and in letter and spirit

Auditing Standards

Scope of standards

Applicable to Audit Engagement
under any statute

CSAS - 1

- 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

CSAS - 2

- Responsibilities and duties of the Auditor with respect to Audit Process in conducting audit and maintaining proper audit records

CSAS-3

- Basis and manner for forming Auditor's opinion on subject matter of the audit

CSAS - 4

- Basis and manner for carrying out the Secretarial Audit

Auditing Standards

Objectives of standards

CSAS - 1

- **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

CSAS - 2

- Principles to **conduct audit as per the specified audit process, to maintain documentation** that provide the basis for Report and evidence that the audit was planned and performed in accordance with the applicable requirements.

CSAS-3

- 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.

CSAS - 4

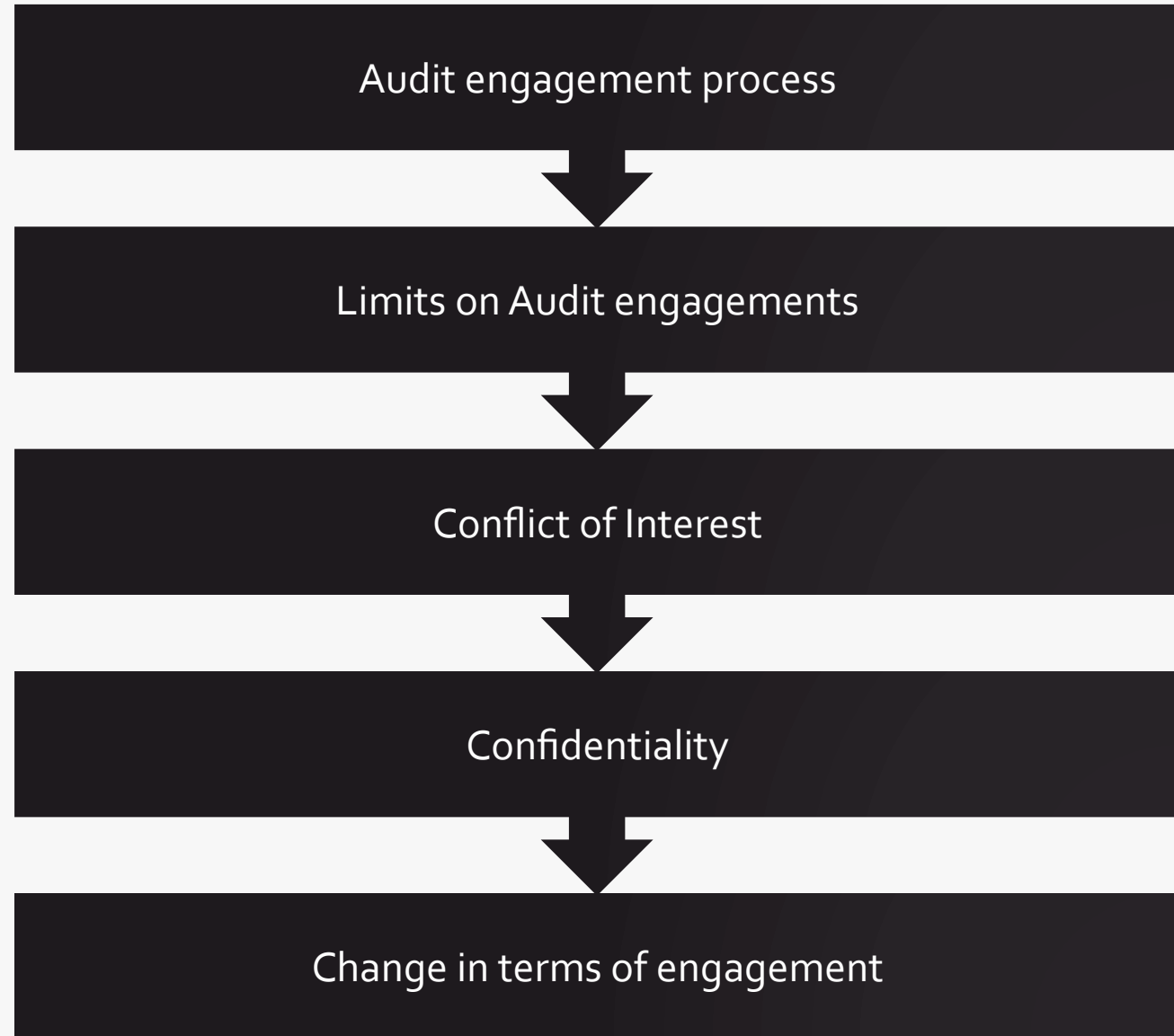
- To lay down the principles for **evaluation of statutory compliances and corporate conduct** in relation thereto

Auditing Standards

Overview

CSAS – 1

Audit Engagement

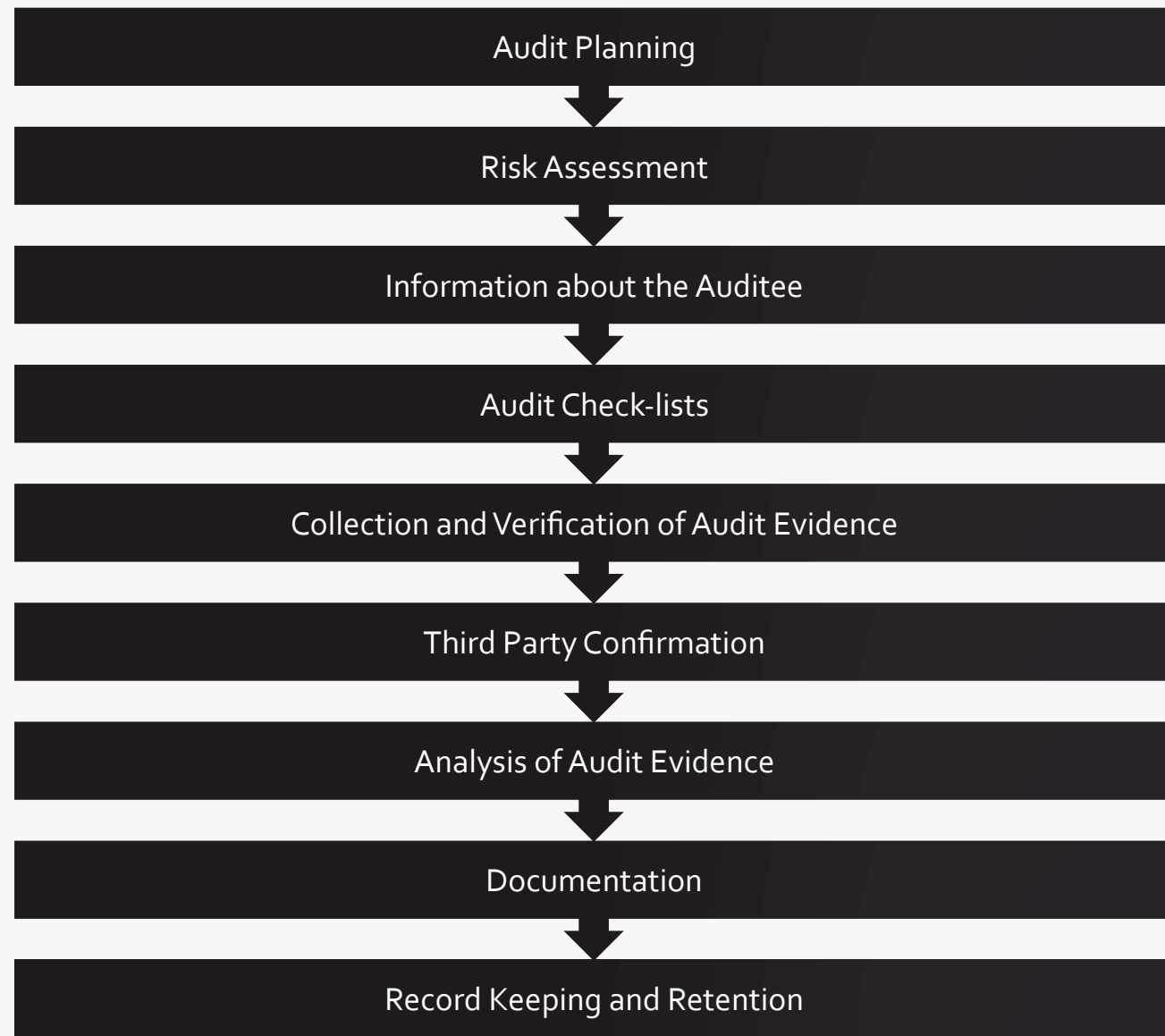


Auditing Standards

Overview

CSAS – 2

Audit Process & Documentation

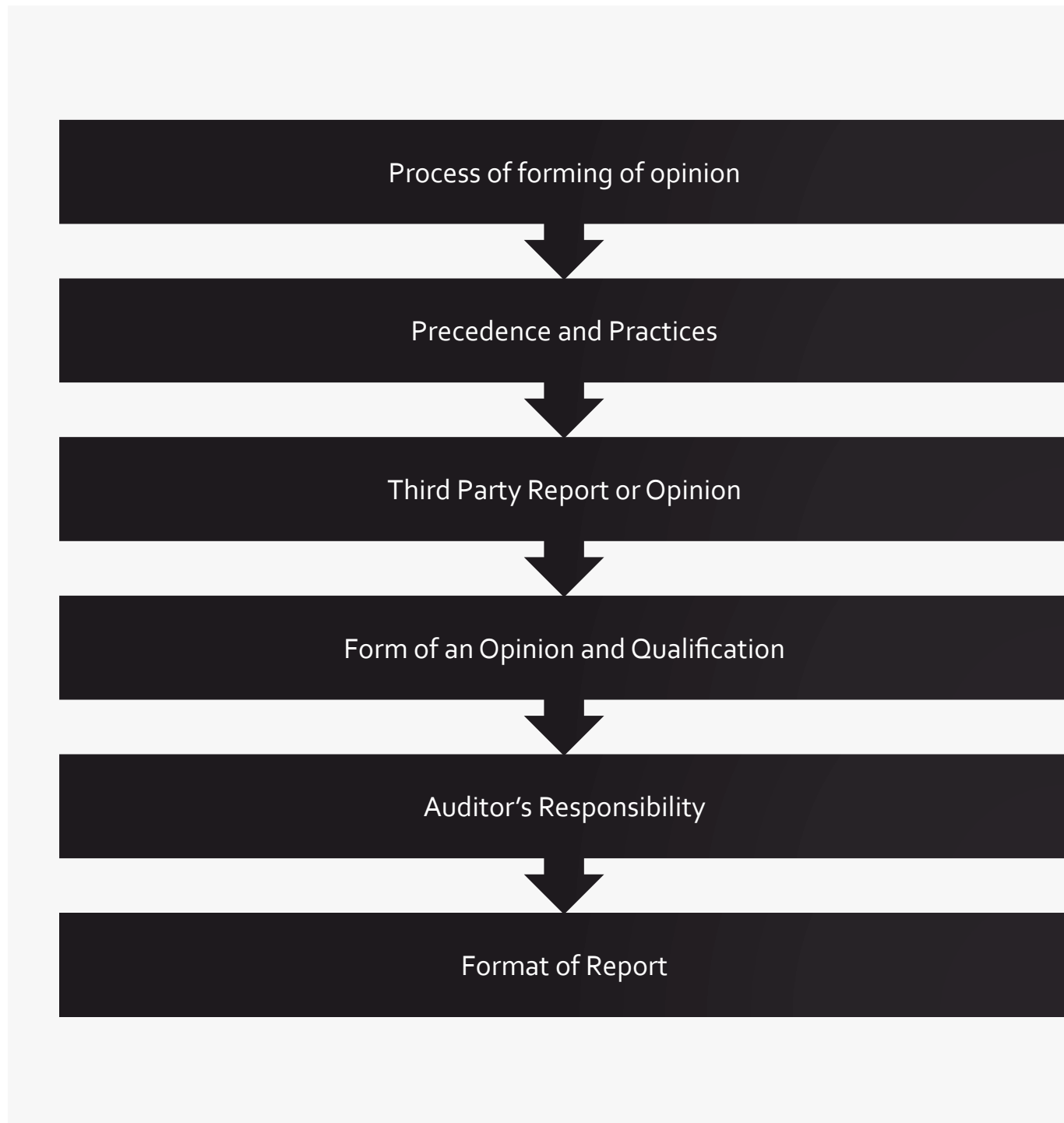


Auditing Standards

Overview

CSAS – 3

Forming of Opinion



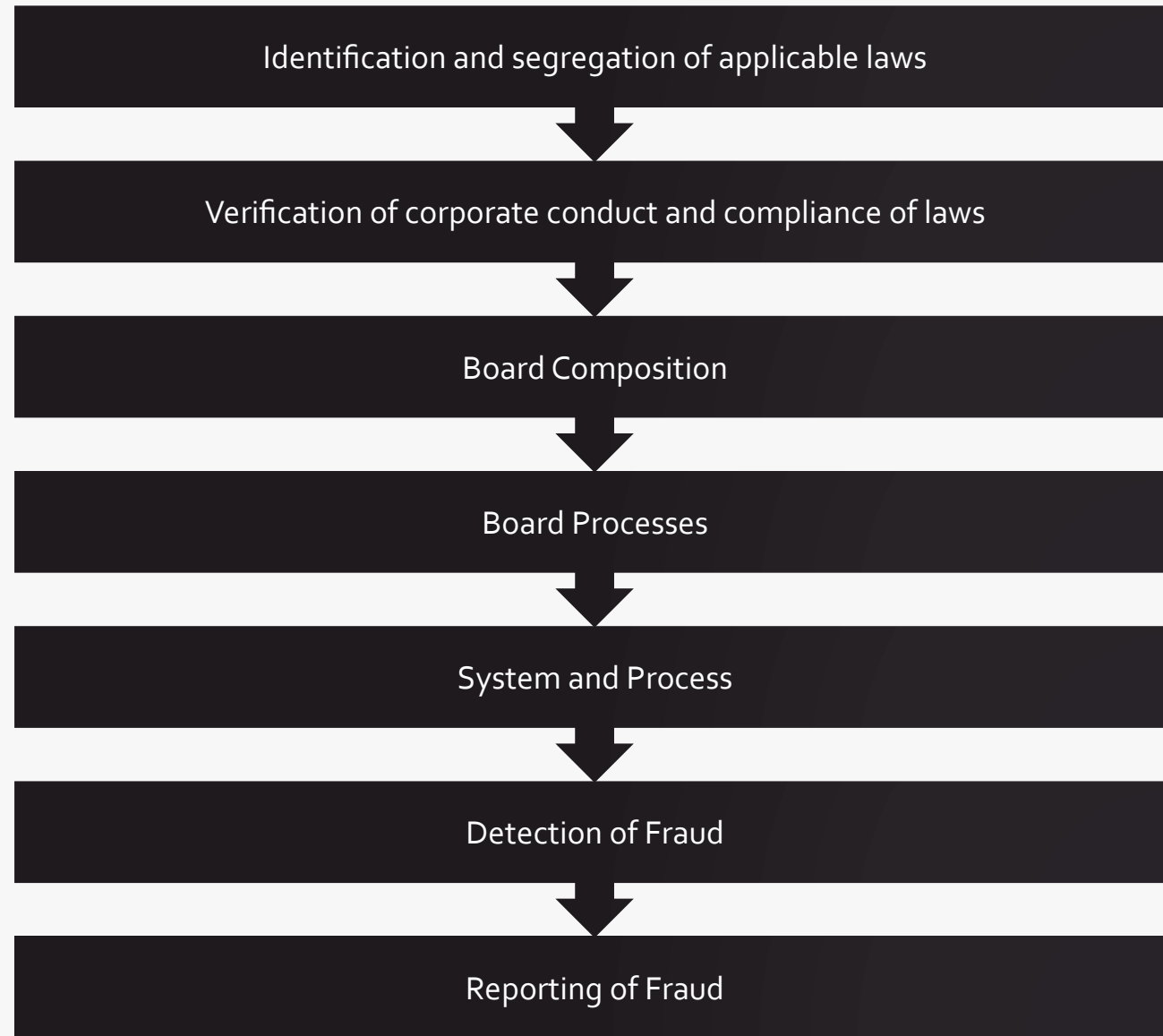
Auditing Standards

Overview

CSAS – 4

Secretarial Audit

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) also



COVID 19 Challenges

Key Issues

Access to Auditee data

If Secretarial Audit can be undertaken in view of COVID 19?

If Auditor can issue Secretarial Audit report during lockdown period?

If Audit report can be digitally signed?

If there is any restriction in issuing physically signed report during lockdown period?

Whether any modification is required in Audit report?

Whether any disclaimer etc. can be given in the audit report?

How to safeguard our members while they sign secretarial audit report on the basis of limited day available.

If Auditor should consider COVID 19 as event for the purpose of reporting in Secretarial Audit Report?

COVID 19 Challenges

Maintenance of records in Lockdown

Section 81 - Act to have overriding effect-

The provisions of this Act shall have effect notwithstanding anything inconsistent therewith contained in any other law for the time being in force.

[Provided that nothing contained in this Act shall restrict any person from exercising any right conferred under the Copyright Act, 1957 (14 of 1957) or the Patents Act, 1970 (39 of 1970).]

Section 4- Legal recognition of electronic records-

Where any law provides that information or any other matter shall be in writing or in the typewritten or printed form, then, notwithstanding anything contained in such law, such requirement shall be deemed to have been satisfied if such information or matter is-

- (a) rendered or made available in an electronic form; and
- (b) accessible so as to be usable for a subsequent reference.

COVID 19 Challenges

Maintenance of records in Lockdown

Section 5- Legal recognition of electronic signatures—

Where any law provides that information or any other matter shall be authenticated by affixing the signature or any document shall be signed or bear the signature of any person, then, notwithstanding anything contained in such law, such requirement shall be deemed to have been satisfied, if such information or matter is authenticated by means of [electronic signature] affixed in such manner as may be prescribed by the Central Government.

Explanation.—For the purposes of this section, —signed, with its grammatical variations and cognate expressions, shall, with reference to a person, mean affixing of his hand written signature or any mark on any document and the expression —signature shall be construed accordingly.

5th Proviso of Rule 7 of The Companies (The Registration Offices and Fees) Rules, 2014

Provided also that any correspondence (physically or electronically) and documents to be filed by any person shall contain name, designation, address, membership number or DIN, as the case may be, of the person signing such document and make sure correctness thereof and in no case, correspondence, merely with signature and writing authorised signatory shall be acceptable

COVID 19 Challenges

Maintenance of records in
Lockdown

**Sub-Rule 6 of Rule 8 of The
Companies (The Registration Offices
and Fees) Rules, 2014**

**Scanned image of documents shall
be of original signed documents
relevant to the e-forms or forms and
the scanned document image shall
not be left blank without bearing the
actual signature of authorised
person.**

**Sub-Rule 7 of Rule 8 of The
Companies (The Registration Offices
and Fees) Rules, 2014 may also be
relevant in this regard.**

**Section 120 of the CA 2013-
Without prejudice to any other
provisions of this Act, any
document, record, register,
minutes, etc.,—**

**(a) required to be kept by a
company; or**

**(b) allowed to be inspected or
copies to be given to any person by
a company under this Act, may be
kept or inspected or copies given,
as the case may be, in electronic
form in such form and manner as
may be prescribed.**

COVID 19 Challenges

Maintenance of records in
Lockdown

Section 65B provides for admissibility of electronic records and under Section 73A Court can ask Controller or Certification Agency for verification of digital signatures.

Section 85A provides that the Court shall presume that every electronic record purporting to be an agreement containing the electronic signature of the parties was so concluded by affixing the electronic signature of the parties.

Presumptions by Court

Section 85B, 85C, 86, 88A & 90A empowers court to make certain presumptions regarding electronic records, signatures, messages etc.

COVID 19 Challenges

Maintenance of records in
Lockdown

Sr No	Document	Signature	Physical Signature Required	Acceptability of DSC	
				In normal circumstances	During Covid-19 lockdown
1	BM Notice (e-mail)	Not required	No	Yes	Yes
2	BM Notice (Physical)	Mandatory	Yes	No	No
3	BM Minutes (Physical)	Mandatory	Yes	No	No
4	BM Minutes (electronic)	Mandatory	No	Yes	Yes

COVID 19 Challenges

Maintenance of records in
Lockdown

Sr No	Document	Signature	Physical Signature Required	Acceptability of DSC	
				In normal circumstances	During Covid-19 lockdown
5	BM Attendance register (Physical)	Mandatory	Yes	No	No
6	BM Attendance recording (VC)	Mandatory	Yes	No	No
7	GM Notice (Physical)	Mandatory	Yes	No	No
8	GM Notice (electronic)	No	No	Yes	Yes

COVID 19 Challenges

Maintenance of records in
Lockdown

Sr No	Document	Signature	Physical Signature Required	Acceptability of DSC	
				In normal circumstances	During Covid-19 lockdown
9	GM Minutes (Physical)	Mandatory	Yes	No	No
10	GM Minutes (VC)	Mandatory	Yes	No	No
11	Shorter notice consent (Physical)	Mandatory	Yes	No	No
12	Shorter notice consent (electronic)	No	No	Yes	Yes

COVID 19 Challenges

Maintenance of records in
Lockdown

Sr No	Document	Signature	Physical Signature Required	Acceptability of DSC	
				In normal circumstances	During Covid-19 lockdown
13	Nomination resolution of BC(Physical)	Mandatory	Yes	No	No
14	Nomination resolution of BC(Electronic)	No	No	Yes	Yes
15	Proxy	Mandatory	Yes	No	Disabled
16	GM attendance slips	Mandatory	Yes	No	VC so not required

COVID 19 Challenges

Maintenance of records in
Lockdown

Sr No	Document	Signature	Physical Signature Required	Acceptability of DSC	
				In normal circumstances	During Covid-19 lockdown
17	MBP-1/DIR 8 (Physical)	Mandatory	Yes	No	No
18	MBP-1/DIR 8 (electronic)	No	No	Yes	Yes (email suffice)
19	Minutes extract (for e-forms)	No	No	Yes	Yes
20	Minutes extract (physical)	Mandatory	Yes	No	No
21	Statutory Registers	Mandatory	Yes	No	No Defer making entry

Understanding Audit Report

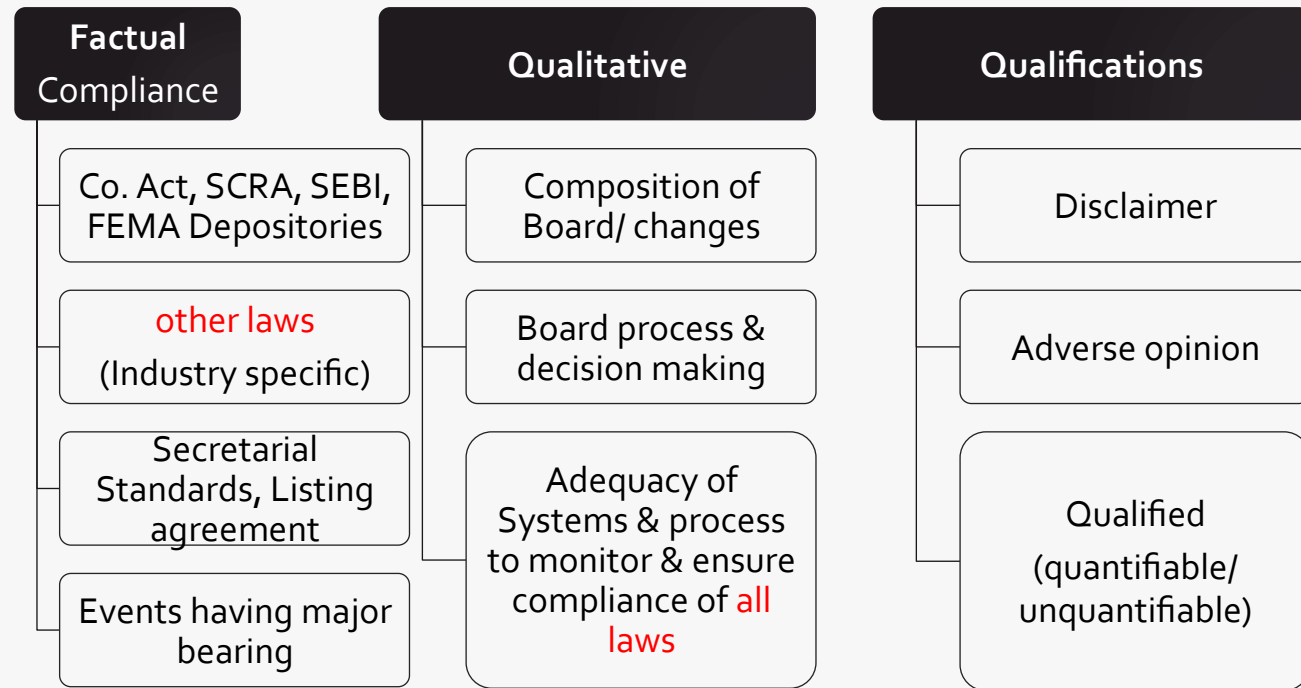
Audit is quite different from
certification

Auditing is a systematic and independent examination of data, statements, records, operations and performance (financial or otherwise) of an enterprise for a stated purpose.

The Auditor perceives and recognizes the propositions before him for examination, collects evidence, evaluates the same and on this basis, formulates his judgment which is communicated through his audit report.

Understanding Audit Report

Audit is quite different from certification



Understanding Audit Report

Audit is quite different from
certification

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 Personnel
Rules, 2014]*

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED

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

Understanding Audit Report

Audit is quite different from
certification

_____, _____ 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:

I/we have examined the books, papers, minute books, forms and returns filed and other records maintained by ("the Company") for the financial year ended on __, _____ according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;

Understanding Audit Report

Audit is quite different from
certification

(v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-

(a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

(b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;

(c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;

(d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;

(e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;

(f) The Securities and Exchange Board of India (Registrars to an

Understanding Audit Report

Audit is quite different from
certification

Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
(g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; and
(h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;
(vi) (Mention the other laws as may be applicable specifically to the company)

I/we have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India.
- (ii) The Listing Agreements entered into by the Company with Stock Exchange(s), if applicable;

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.

Understanding Audit Report

Audit is quite different from
certification

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.

Understanding Audit Report

Audit is quite different from
certification

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.

I/we further report that during the audit period the company has

(Give details of specific events / actions having a major bearing on the company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc. referred to above).

For example:

Understanding Audit Report

Audit is quite different from
certification

- (i) Public/Right/Preferential issue of shares / debentures/sweat equity, etc.
- (ii) Redemption / buy-back of securities
- (iii) Major decisions taken by the members in pursuance to section 180 of the Companies Act, 2013
- (iv) Merger / amalgamation / reconstruction, etc.
- (v) Foreign technical collaborations

Place :

Signature:

Date :

Name of Company Secretary in practice / Firm:

ACS/FCS No.

C P No.:

Note: Parawise details of the Audit finding, if necessary, may be placed as annexure to the report.

Understanding Audit Report

MR 3

Para 1

Auditor should see the objectivity in mind to establish the same. For example, a company does not have any business having a huge loan exposure and promoter group is drawing huge salaries from the company. It is a question mark on corporate conducts of a company.

Corrupt practices, etc. can fall under this if supported by proper evidences.

While forming of opinion based on audit evidences, the auditor should always keep in mind and try to understand motive behind any corporate actions. A reasonable diligence is needed.

- **Declaration:**
- **What has been done:** The auditor has conducted secretarial audit of applicable statutory provisions and adherence to the **good corporate practices.**
- **How it has been done:** The auditor has conducted secretarial audit in such a manner that provided reasonable basis for making evaluation of **Corporate conduct**, statutory compliances and expression of opinion thereon.

Understanding Audit Report

MR 3

Auditor shall form opinion considering the materiality.

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

Materiality consists of both quantitative and qualitative factors. Determining Materiality is a matter of professional judgment and depends on the Auditor's interpretation of the user's needs.

Para 2

- **Opinion**
- **Basis on which opinion given:** Verification of records, information provided by Auditee.
- **Opinion regarding:** Compliance of listed statutory provisions and existence of proper Board process and compliance mechanism.

Understanding Audit Report

MR 3

In terms of para 1 of CSAS 4, the management is responsible for identification and segregation of industry specific laws and other laws. However, Auditor is required to verify the same.

Para
3

- Details of verification
- **5 specified laws**: Listing of the Act, rules (out of 5) applicable on the Company in respect of which records had been verified.
- **Other laws**: Listing of other laws applicable on respective Industry in respect of which records had been verified.

Understanding Audit Report

MR 3

Para
4

- Details of verification
- **Secretarial Standards**: Mention of Secretarial Standards applicable on the Company, which had been verified.
- **Listing agreement**: Mention listing agreement with stock exchange, applicable on the Company, which has been verified.

Understanding Audit Report

MR 3

Para
5

- Non compliances / observations / audit Qualification / reservation / adverse remarks

Understanding Audit Report

MR 3

The Auditor shall verify that 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.

Para 6

- **Further opinion:**
- **Board constitution/changes:** Board is duly constituted with proper balance of requisite category of directors and changes were made in compliance of law.
- **Board process:** BM notice, agenda, agenda notes were sent at least 7 days in advance and system exist for seeking further information/clarification before meeting.
- **Decision making:** Decisions are taken through majority and dissent is duly recorded.

Understanding Audit Report

MR 3

System and process broadly refers to the framework of legal and procedural compliances of the Auditee including internal regulations, control, guidance and governance.

The Auditor shall assess the efficacy and adequacy of the system and processes of the Auditee commensurate with its size and operation for verifying compliance of applicable laws, rules, regulations, standards, guidelines and defined internal processes, if any.

Para
7

- **Further opinion:**
- **Compliance Management System**: Adequacy of systems and process, considering the size and operations of the Company, to monitor and ensure compliance of applicable laws. (includes all laws not only Industry specific, but also labour etc.)

Understanding Audit Report

MR 3

Para
8

- Non compliances / observations / audit Qualification / reservation / adverse remarks

Understanding Audit Report

MR 3

Para
9

An event/action shall be considered as having major bearing on Auditee's affairs if it affects its going concern or alters the charter or capital structure or management or business operation or control, etc.

- Further Opinion:
- **Specific Events/actions**: List of specific events/actions having major bearing on the affairs.

Audit Engagement

Content of Engagement letter

Objective and scope

Responsibilities of the Auditor and the Auditee

Written representations, particulars of the
Predecessor or Previous Auditor;

Tile Lines

Commercial terms Limitations of audit, if any.

Manner

- The appointment of Auditor shall be made in the manner prescribed in the applicable laws, act, rules, regulations, standards and guidelines or in case no such manner has been prescribed, such appointment shall be made in the manner determined by the Appointing Authority.

Eligibility

- The Auditor shall submit a Certificate to the Appointing Authority confirming eligibility for appointment as Auditor.

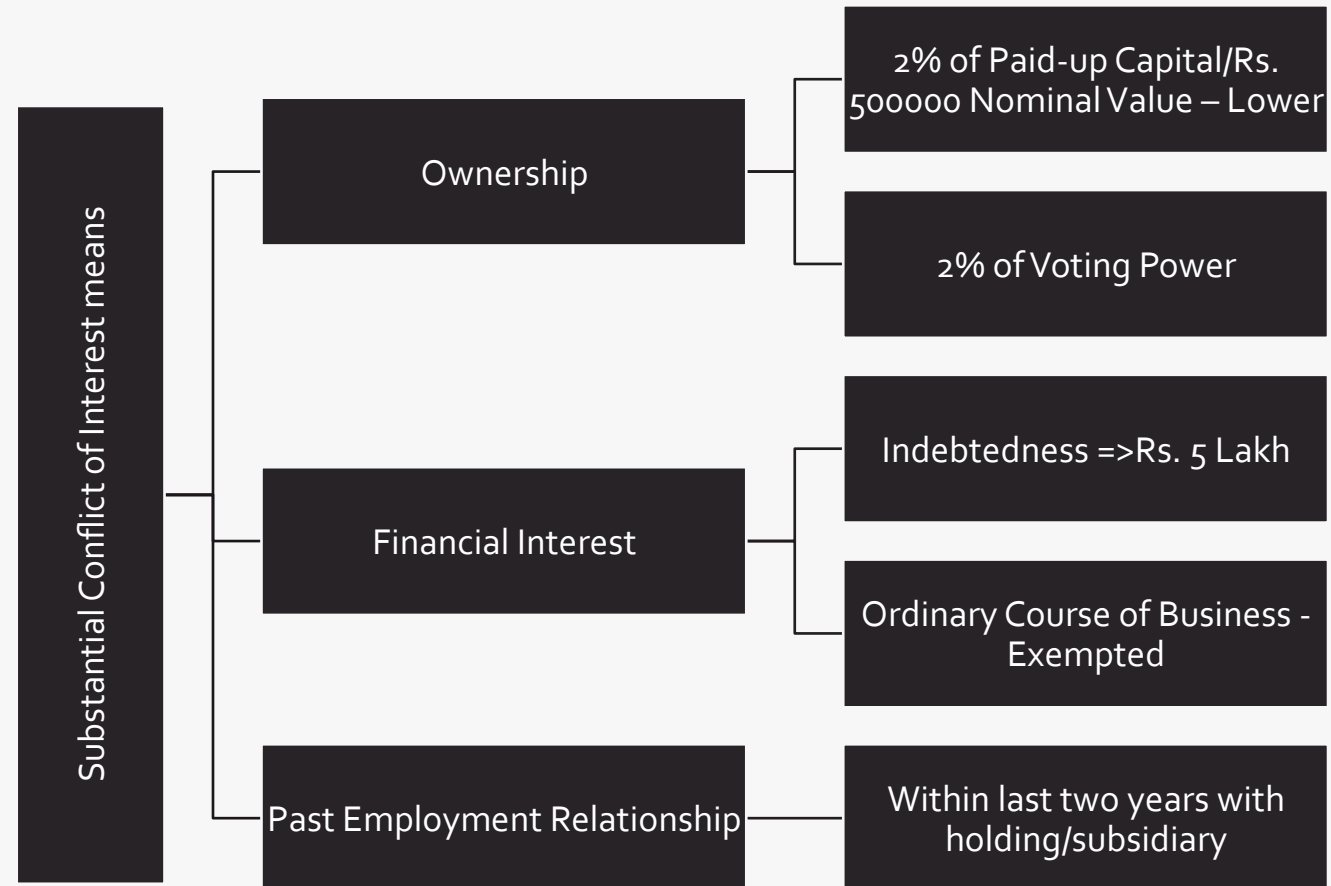
Engagement Letter

- The Auditor shall obtain an Audit Engagement Letter along with a copy of the resolution, if any, passed by the Appointing Authority and shall provide acceptance to the Appointing Authority.

Audit Engagement

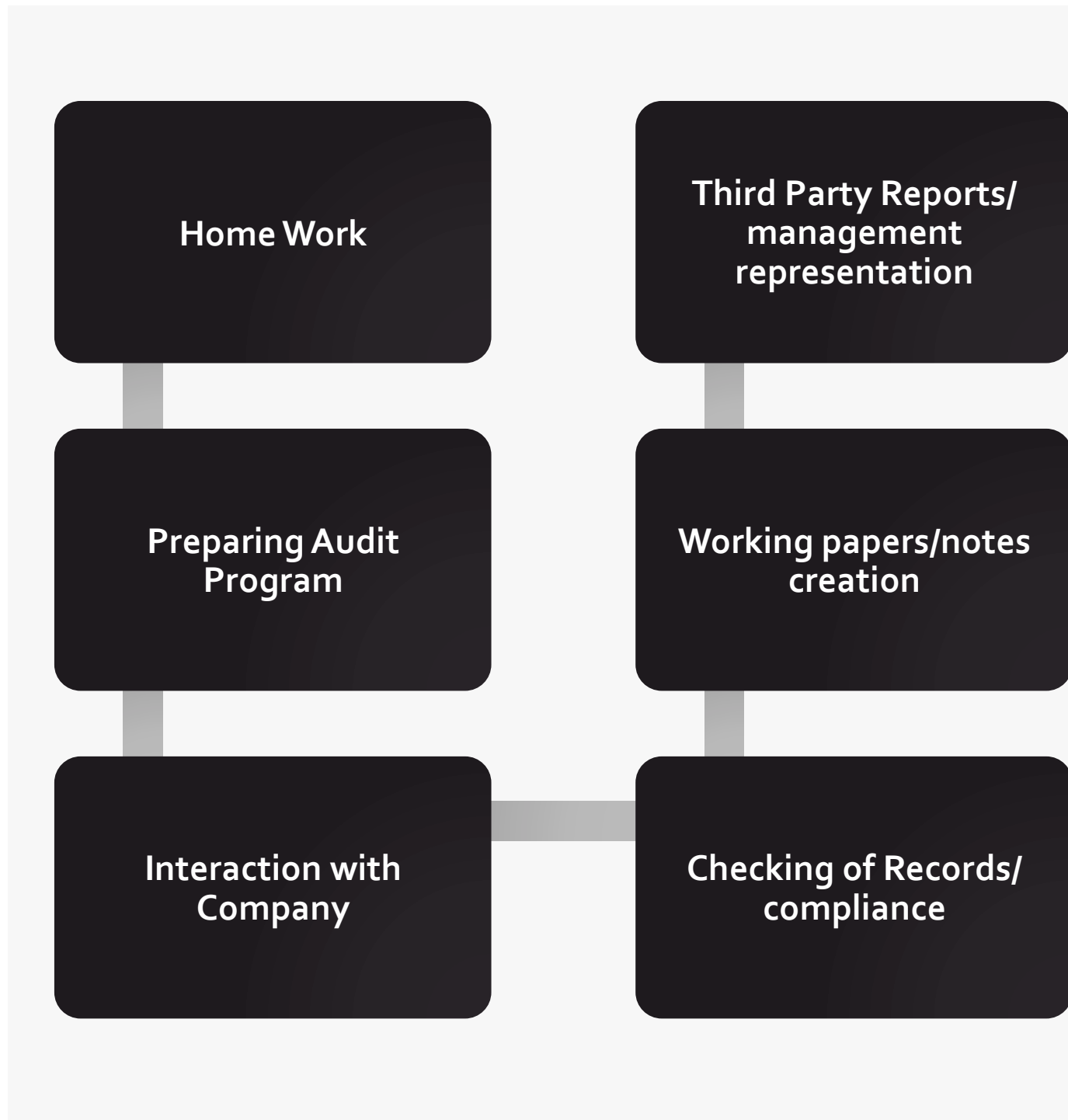
Conflict of Interest

Conflict of interest to be disclosed
Auditor can not have substantial
conflict of interest



Audit Process

CSAS – 2 provides the principles



Audit Process

Objective of Home Work

A

- Identification of trigger points for applicability of laws viz. Geographical locations, no of employees, capital, turnover etc

B

- Checking the applicability of 5 specific laws/rules. Preparing list of Industry specific applicable laws and others.

C

- Preparing list of events and filtering of events/actions having bearing on Company's affairs

D

- Preparing Company profile and data sheet

E

- Board composition and changes

Audit Process

Objective of Home Work

F

- Understanding Compliance management system

G

- Assessment of Board Process

H

- Website disclosures

I

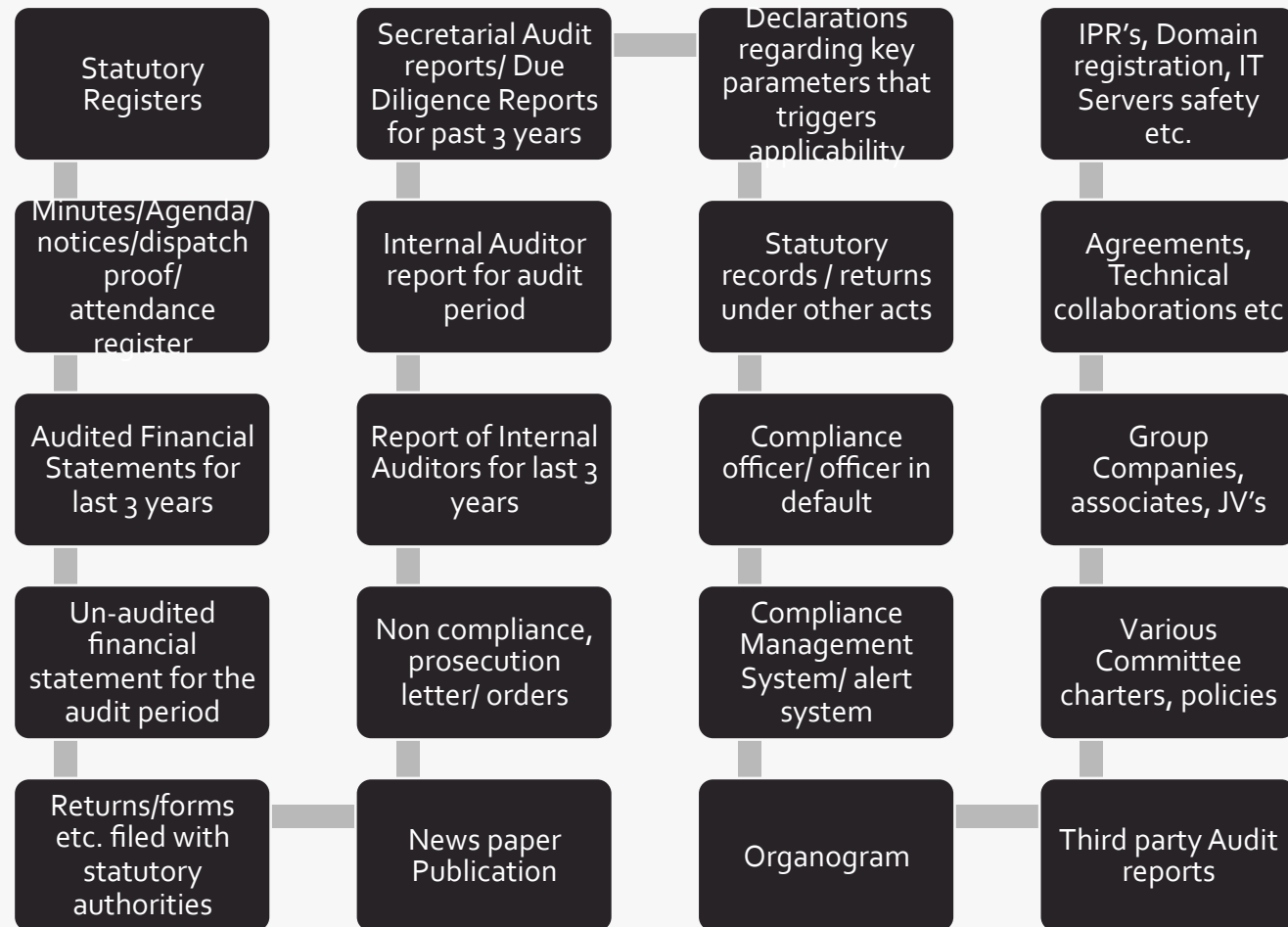
- Understanding the gaps & preparing questionnaire

J

- List of documents/information required

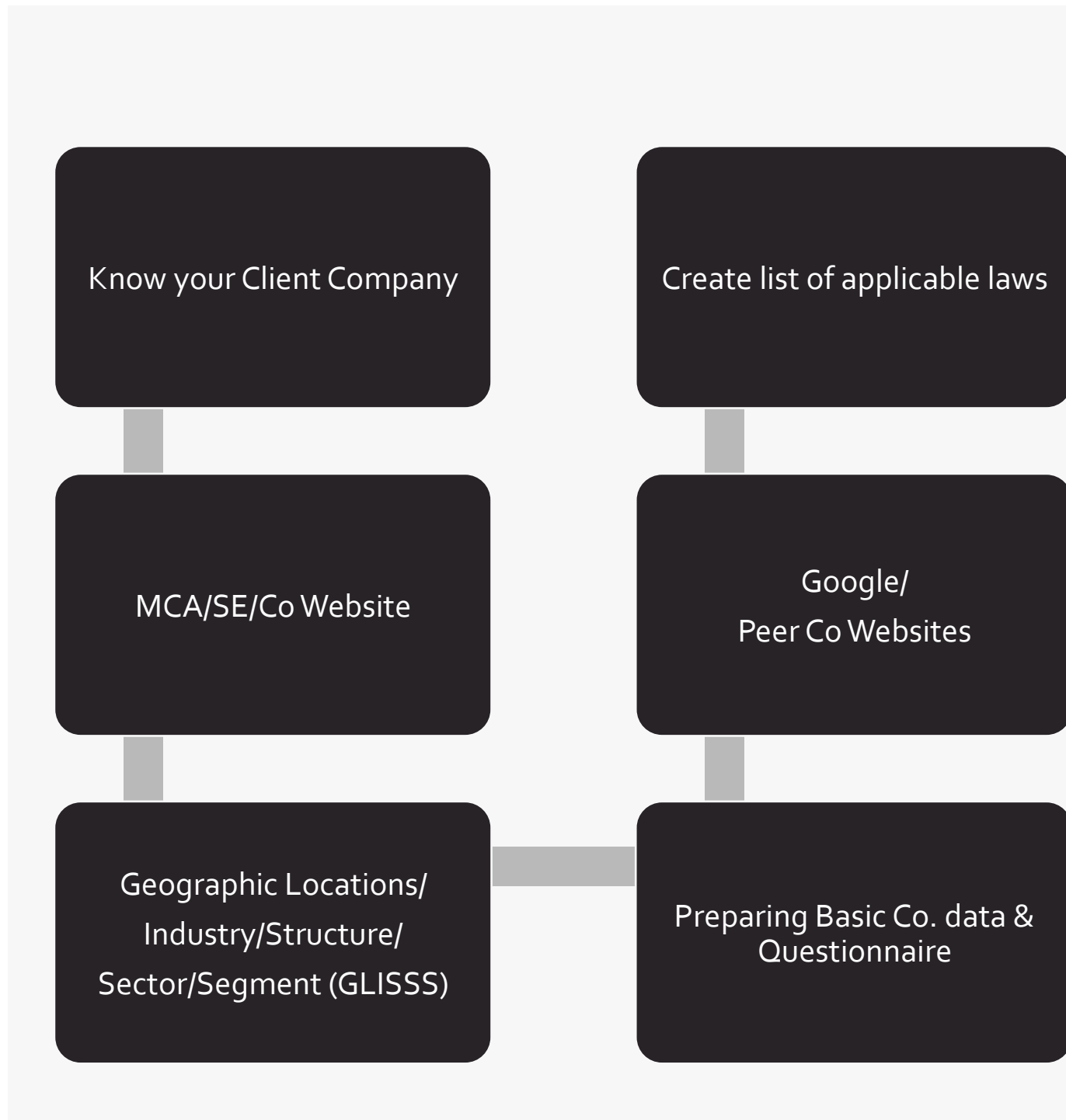
Audit Process

List of documents, records required



Audit Process

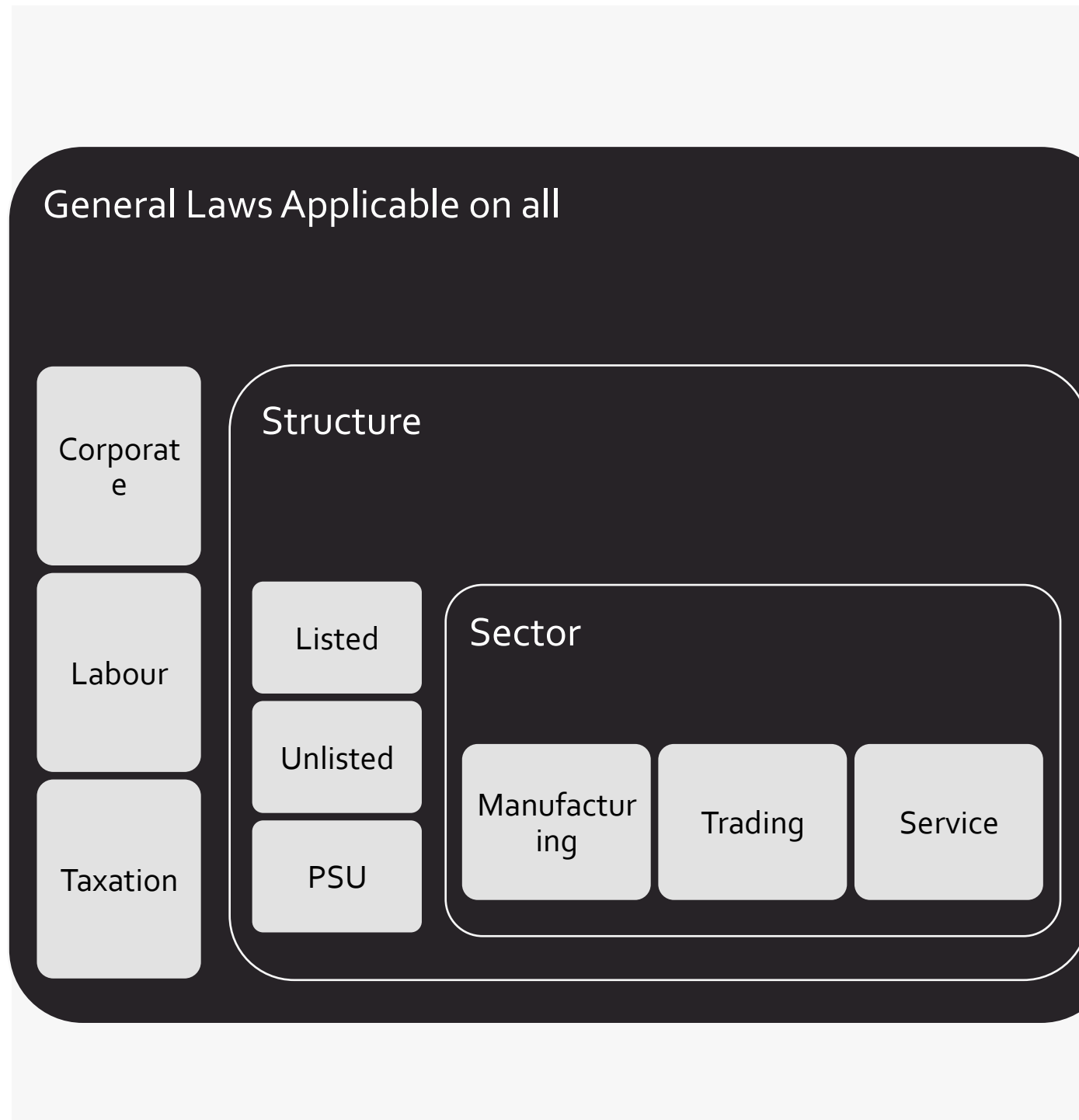
Home Work



Audit Process

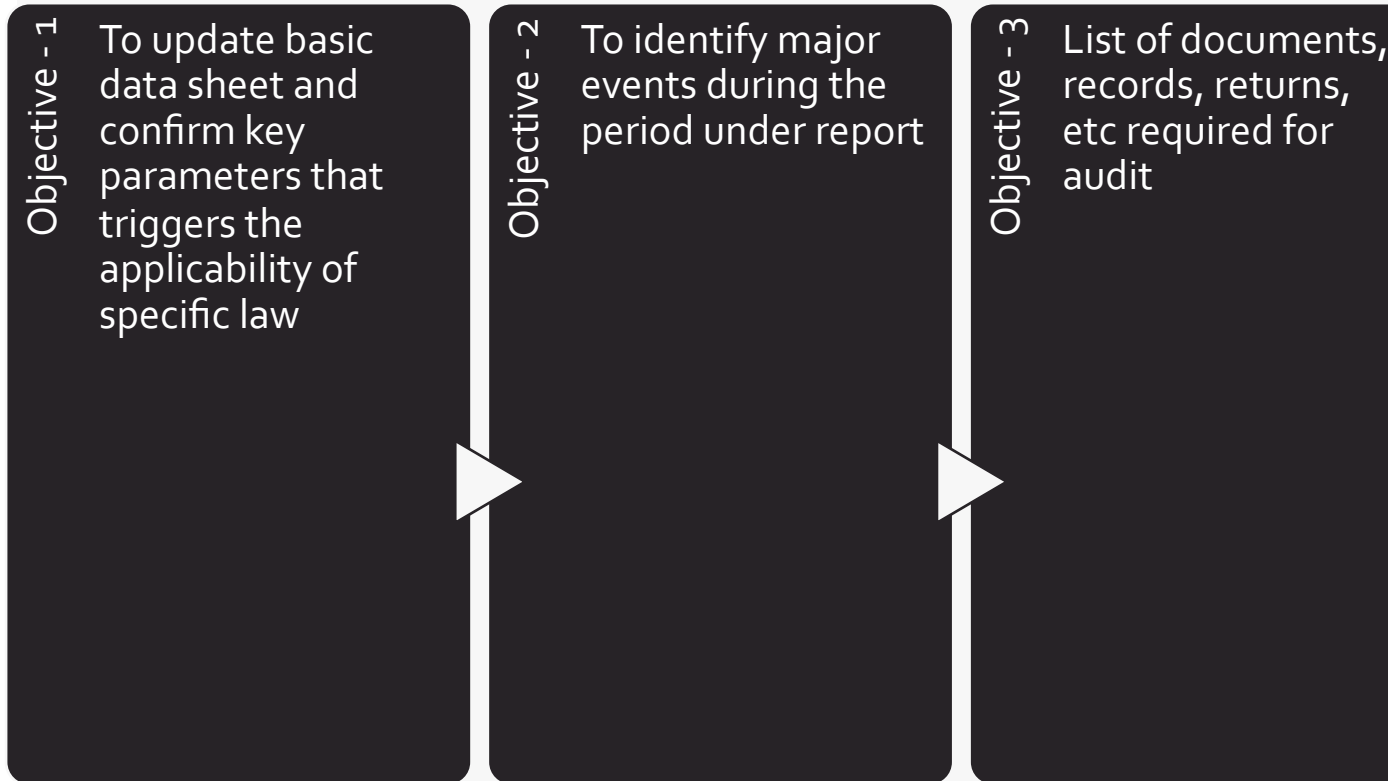
List of Applicable Laws

Applicability depends on Risk Involved, Special Zones/Act, No of Employees, Event Based



Audit Process

Preparing Questionnaire



Audit Process

Preparing Audit Program

Team

To create Audit team. Appropriate mix of Senior/junior and trainees. Back office to create check lists

Work Allocation

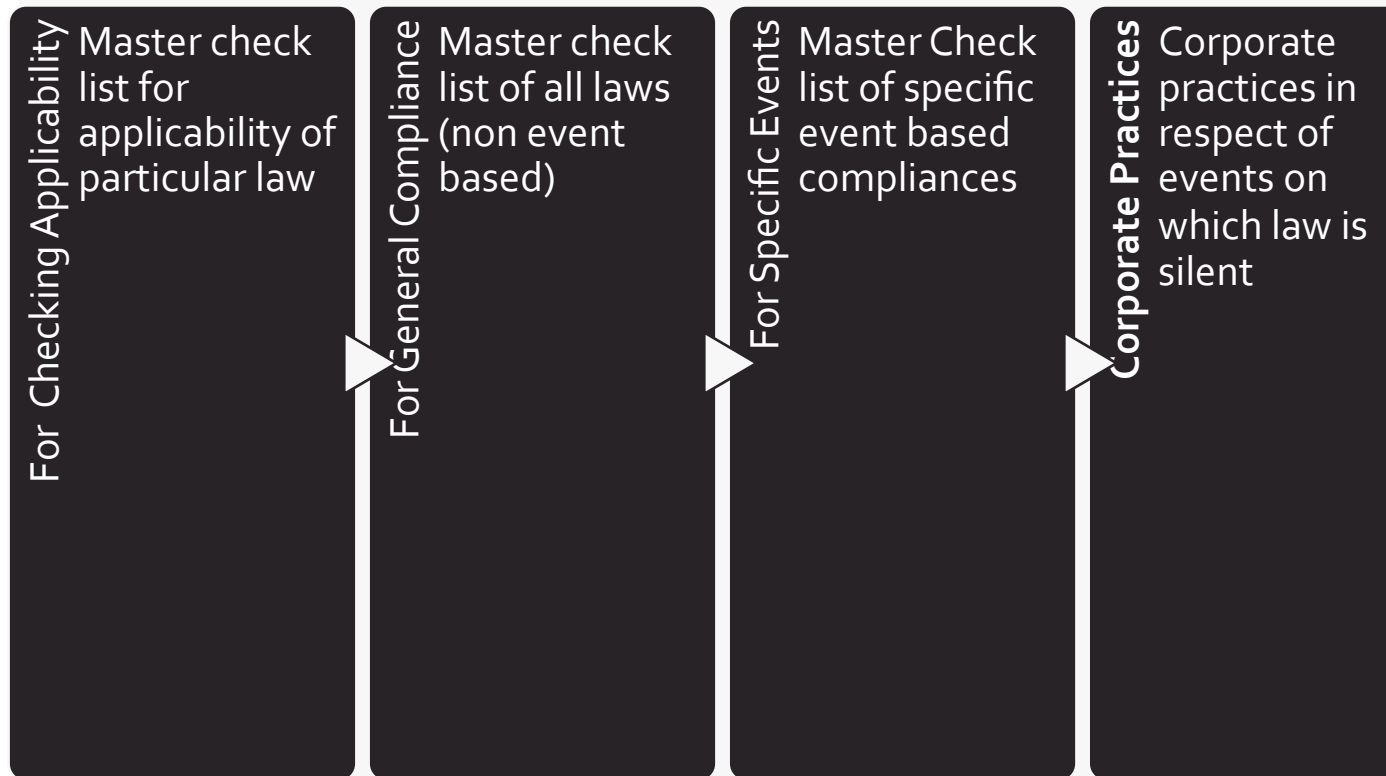
To divide entire work in to parts and assign responsibilities to team leaders

Schedule

To draw time schedule. Time allocation to each type of work

Audit Process

Preparing Master Check List



Audit Process

Preparing Master Check List

S r N o	Details	Due Date	Compliance Date	Primary Evidence	Secondary Evidence	Remarks
1	Notice convening Board meeting	24.01.15	30.12.14	Dispatch Register	Email/ Speed Post/ Regd. Post	Consent not available
2	Board Meeting	01.01.15	01.01.15	BM Minutes	Attendance Register	
3	Convening of EGM	01.01.15	03.01.15	Dispatch Register	Email/ Speed Post/ Regd. Post	Shorter notice consent of available

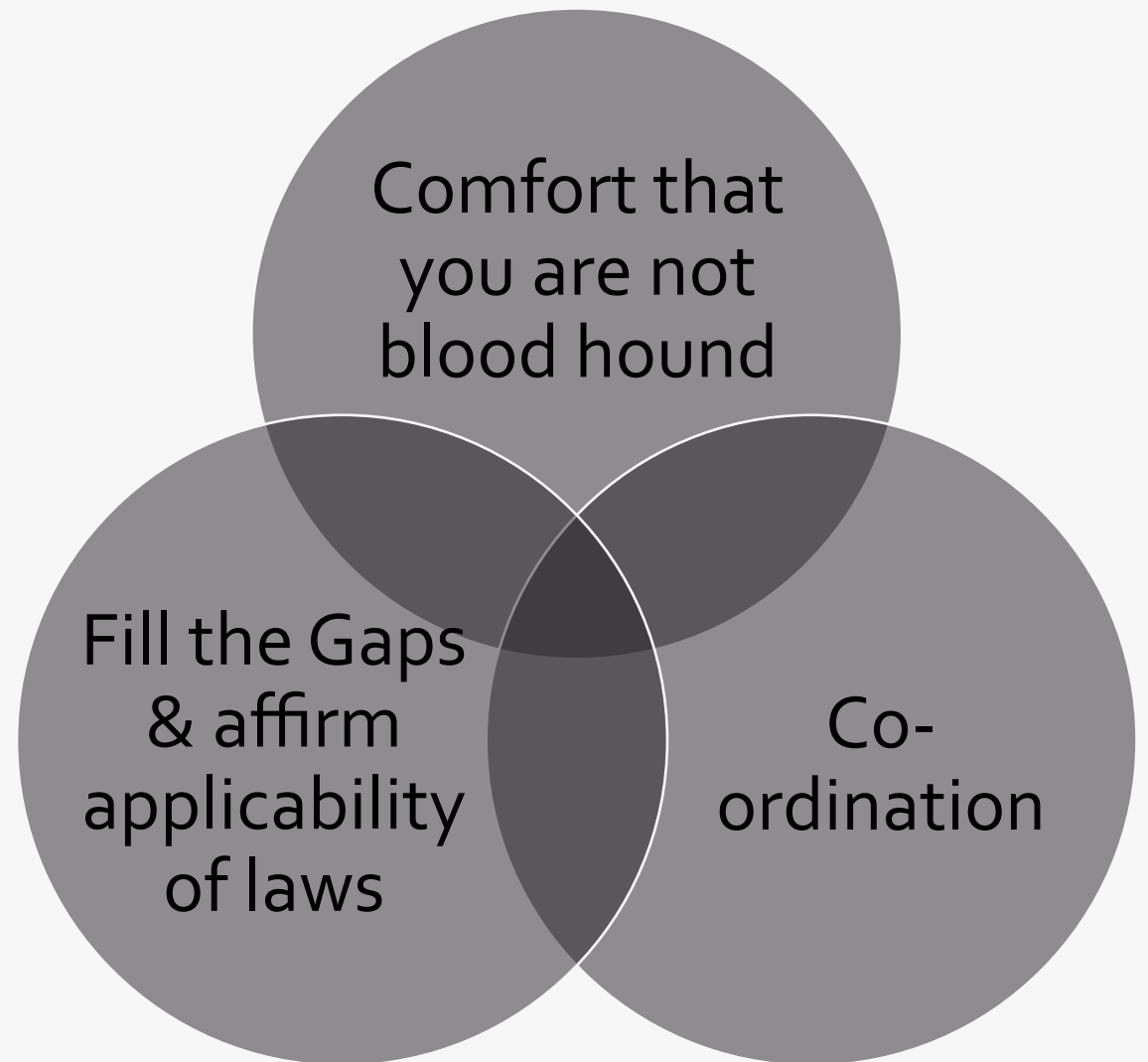
Audit Process

Preparing Master Check List

S r N o	Details	Due Date	Compliance Date	Primary Evidence	Secondary Evidence	Remarks
4	EGM	25.01.15	25.01.15	EGM Minutes	Attendance Register	
5	SH7	24.02.15	27.01.15	Filing Receipt & form	Updated master data	MGT14 also to be filed
6	Verification of AOA			AOA		SR Required Alteration in AOA was required

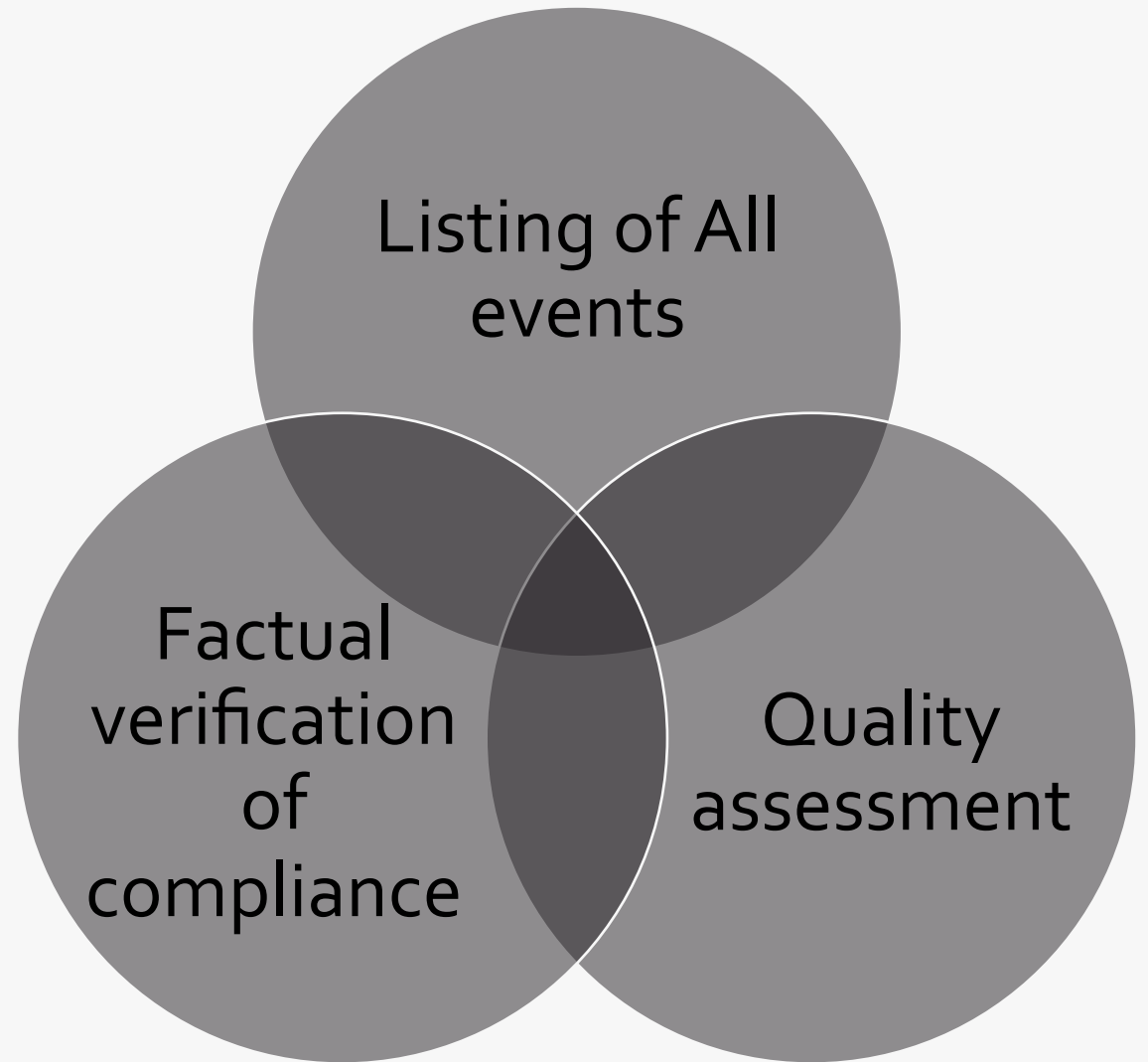
Audit Process

Interaction with Company



Audit Process

Review of Records



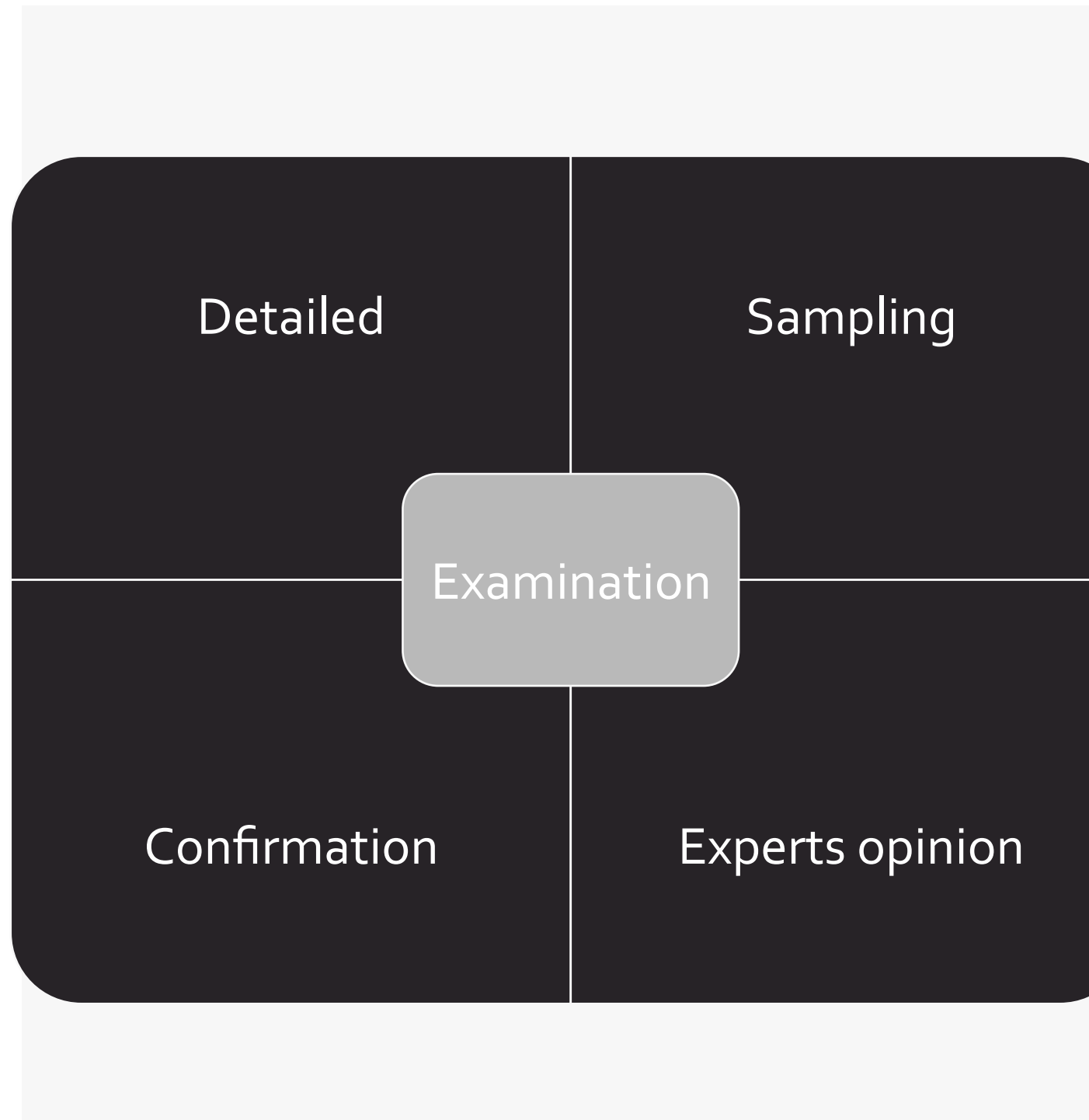
Audit Process

Audit Techniques

Professional Skepticism

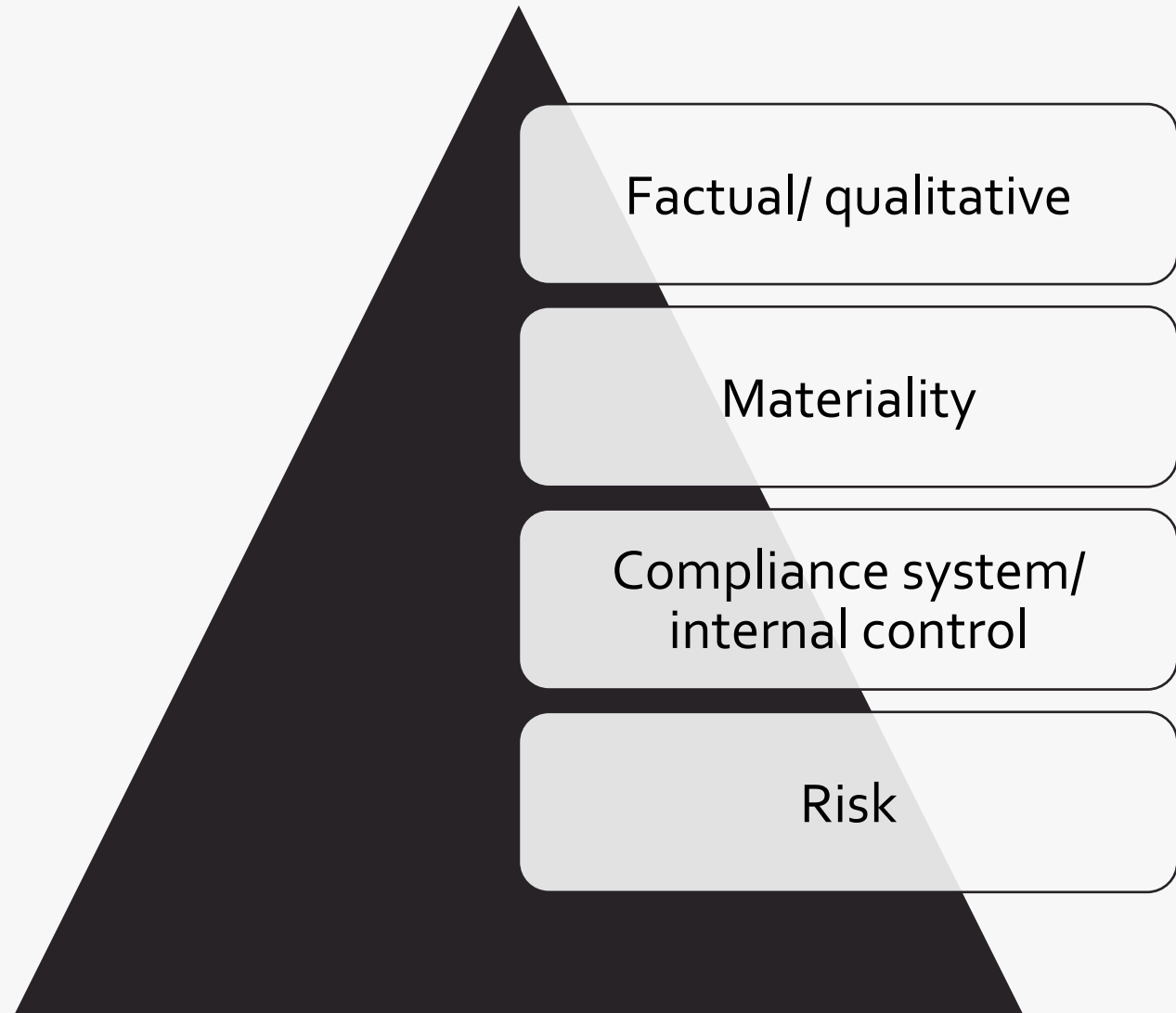
Professional skepticism requires an Auditor to have an enquiring mind. Whatever documents and information are produced before the Auditor by Management/Auditee should not be relied on the face of it.

An Auditor should see to it that documents and information are reasonable, appropriate, in consonance with circumstances and knowledge of the Auditor from other sources as well.



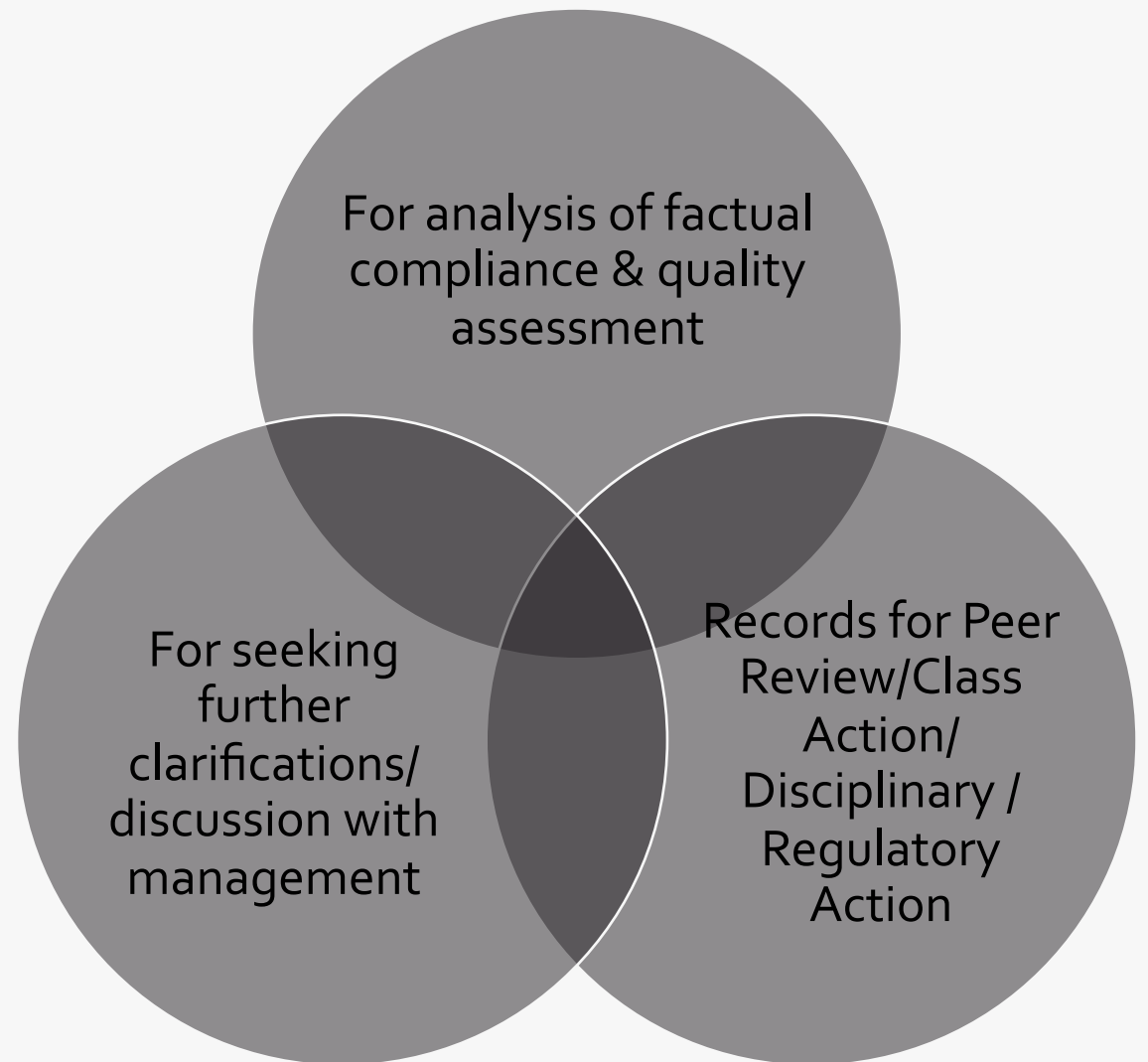
Audit Process

Basis of Sample Size



Audit Process

Preparing Working Papers



Audit Process

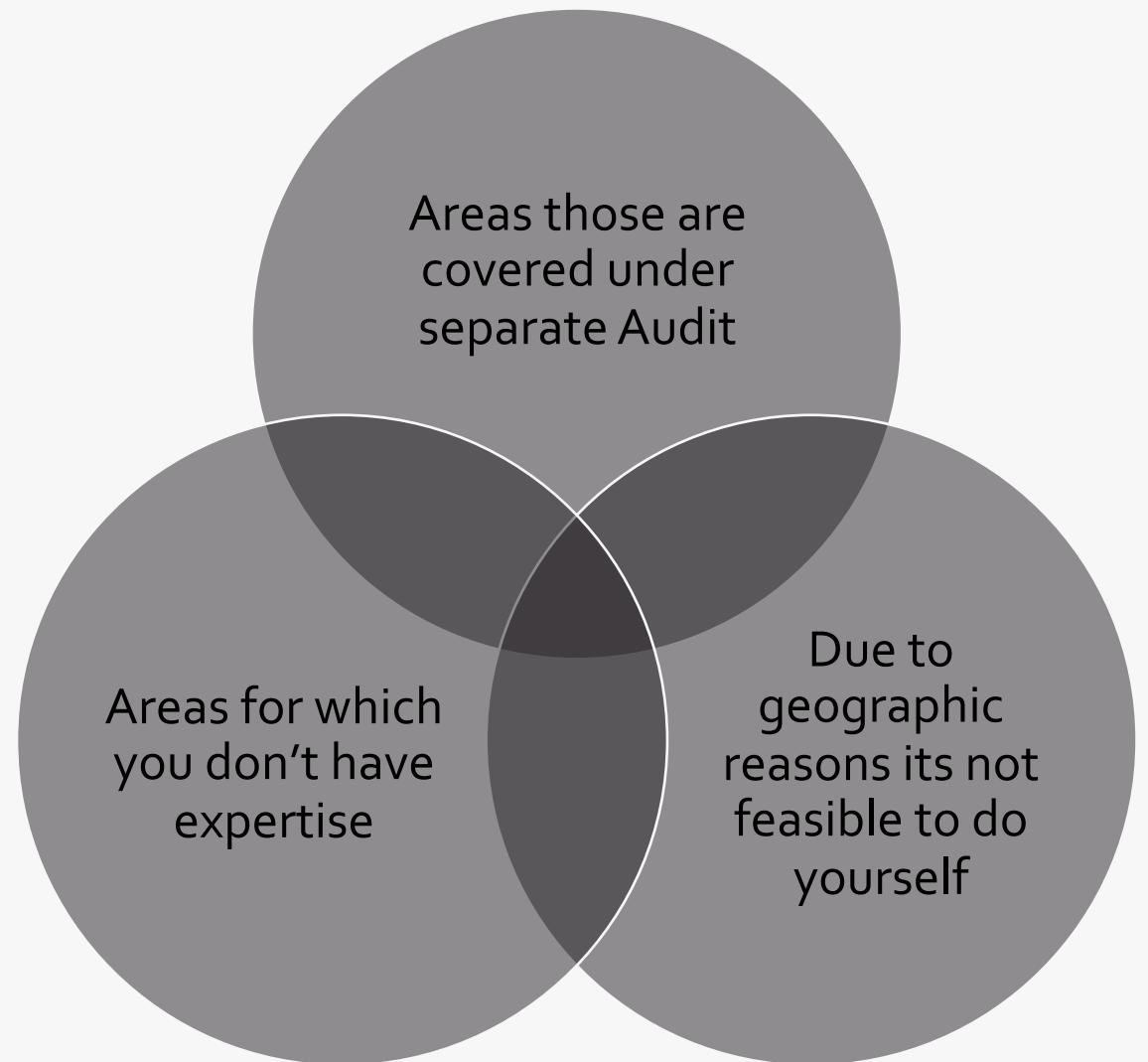
Third Party Report

The Auditor shall indicate the fact of use of Third Party report or opinion and shall also record the circumstances necessitating the use of third party report or opinion;

The Auditor shall indicate the fact if Third Party report or opinion is provided by the Auditee;

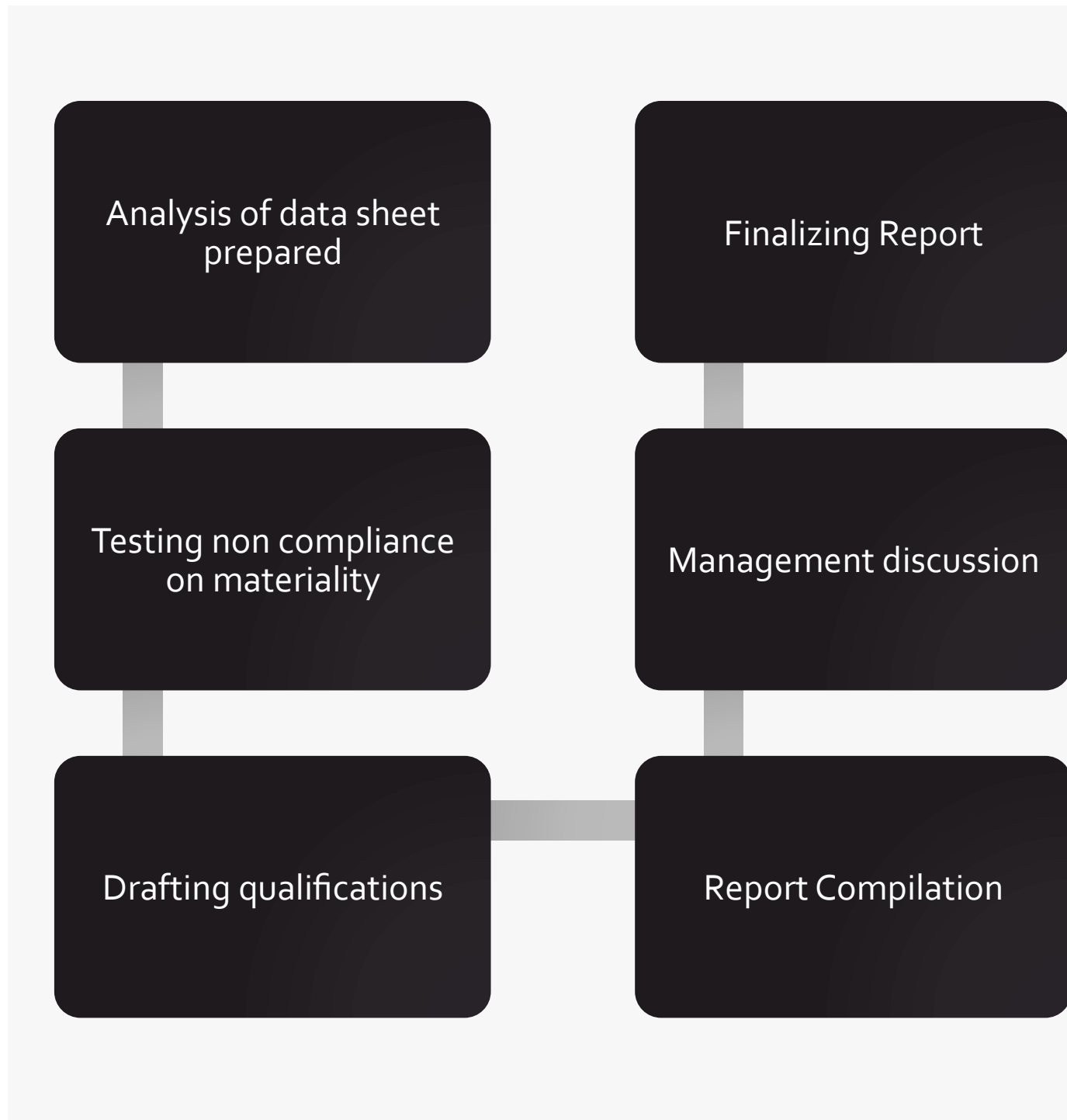
The Auditor shall consider the important findings/ observation of Third Party;

The Auditor shall, if necessary and feasible, carry out a supplemental test to check veracity of the Third Party report or opinion.



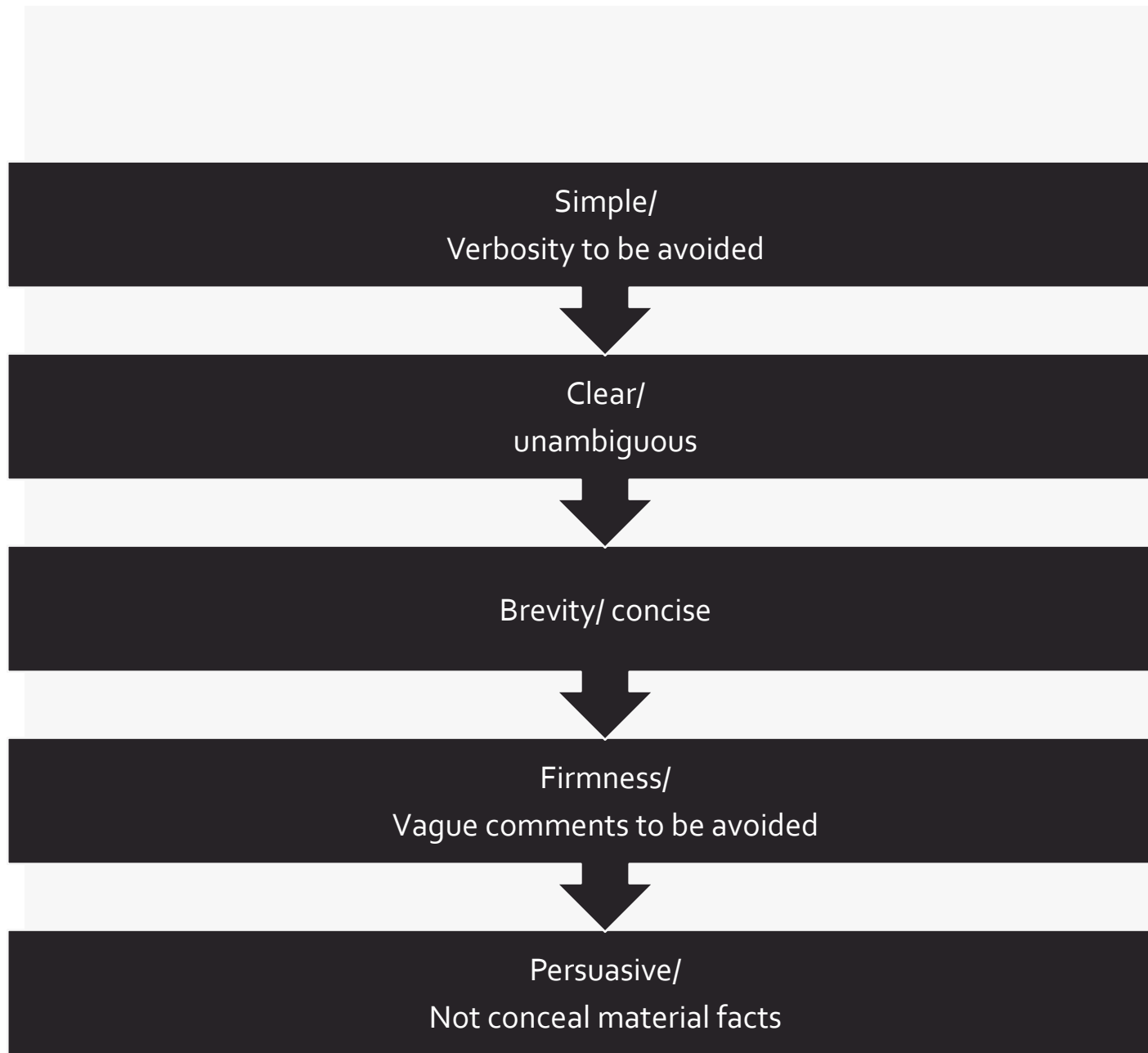
Audit Process

Audit Report



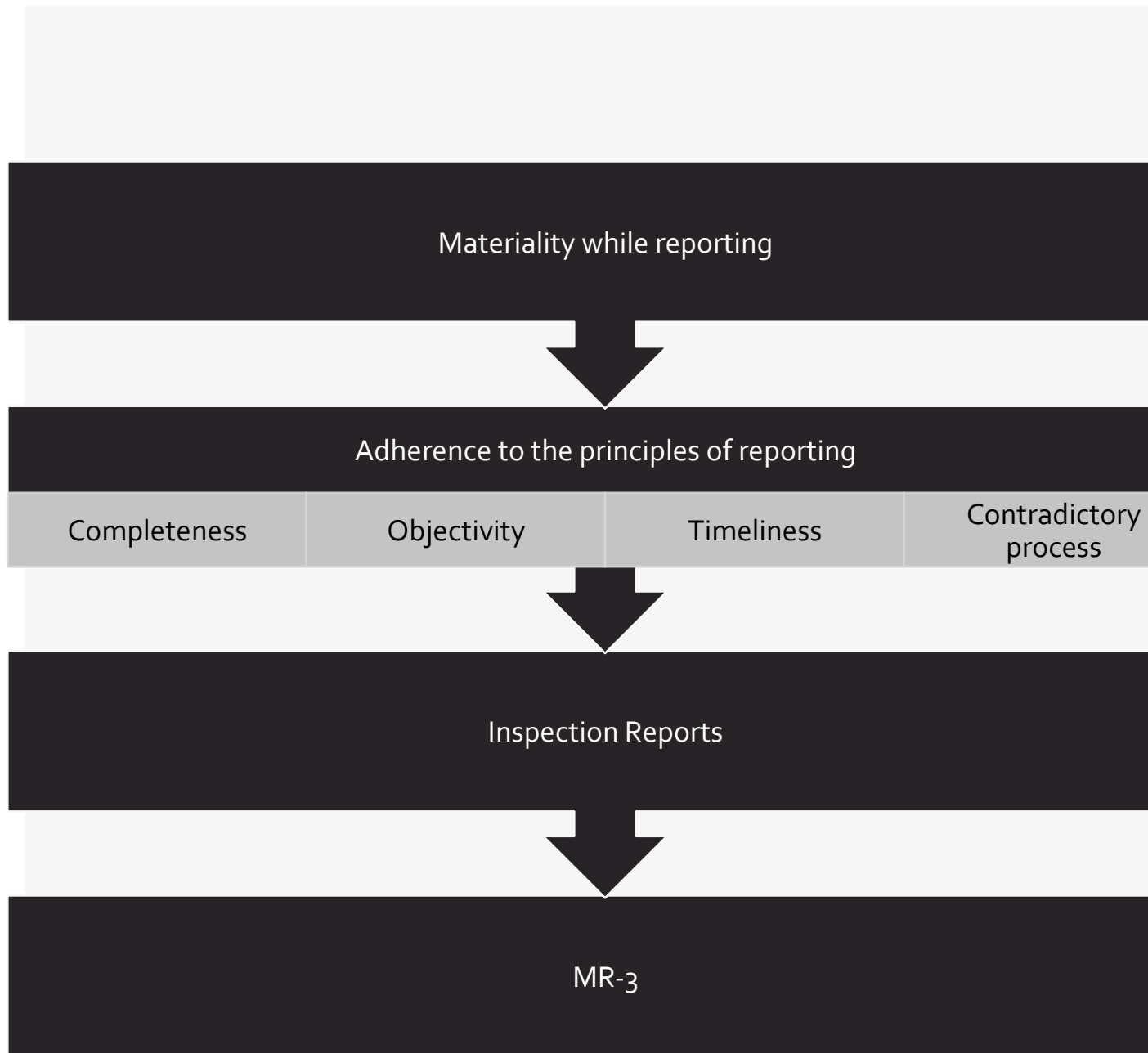
Audit Process

Audit Qualifications



Audit Process

Factors to be considered for reporting



Audit Process

Audit Qualifications

Sample

During the period under review the Company has complied with the provisions the Act, rules, regulations, guidelines, standards etc. mentioned above, except the extent as mentioned below:

In respect of issue of further shares Company did not pass a special resolution before allotment of shares to persons other than existing members.

The Company could not spend the sum allocated toward CSR corpus. However the Company has constituted the CSR committee and its constitution was as per rules.

The Company has filed Form CHG -1, with delay of 120 days, for registration of charge on vehicle purchased in the name of the Company on loan from SBI.

The Company has given loan of Rs. 10 lacs to M/s ABC P Ltd in which Mr. A, director of the Company is director in violation to the provisions of section 185 of CA, 2013. However the same has been received back.

Audit Process

Audit Qualifications

Sample

Form DIR 12 regarding appointment of Mr. A as Director was filed with delay of days.

The Company has not appointed Independent Directors up till 31.03.2015. However as on date of issue of report the Board of the Company has appointed Independent Director, subject to the approval of the Shareholders.

The Company has not filed Form DIR 12 in respect of vacation of office of director of Mr. B, due to non attending of meeting during 12 month w.e.f. 01.04.2014 in terms of the provisions of section 167(1)(b) of the Act.

The Company needs to improve its compliance management and alert system to avoid delays in filing of forms/returns.

We are not able to make comments in respect of Nagpur unit started w.e.f. 01.01.2015, as no documents could be provided by the Company.

Audit Process

Audit Qualifications

Sample

Board/
Committee
Composition

- The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors. ***However the Board of Company has no Independent Directors/Women Director, where as in terms of the provisions of Section 149(4), 149(5) & 149(1) of the Companies Act, 2013 read with rule 4 of the Companies (Appointment And Qualification Of Directors) Rules, 2014 and the SEBI (Listing Obligations and Disclosure Requirements) regulations, 2015, the Company is required to have Independent Directors & women Director on the Board of the Company.*** 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, ***except in case of filling of vacancy caused by resignation of Women Director w.e.f. ____, which was filled w.e.f. _____ after gap of more than six months.***

Audit Process

Audit Qualifications

Sample

Board
Process

- 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, ***however we have noted delay in sending notices, agenda papers in two Board meeting held on ____ & ____ and an Audit committee meeting held on _____ and also Agenda notes in respect of Audit Committee meeting held on ____ does not sufficiently describe the proposal and related facts necessary for taking decision***, 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, ***however in no case any such information/clarification was sought by any Board member***.
- Majority decision is carried through while the dissenting members' views, if any, are captured and recorded as part of the minutes, ***however resolution recorded at item no. 5 in Board meeting dated _____ regarding taking office premises on rent from Managing Director has been wrongly mentioned as passed as all directors being relative were interested and also our comment regarding recording of views of dissenting members is based on representation by management, as we have no mechanism to verify if any member has given any dissenting views in any of the meetings***.

Audit Process

Audit Qualifications

Sample

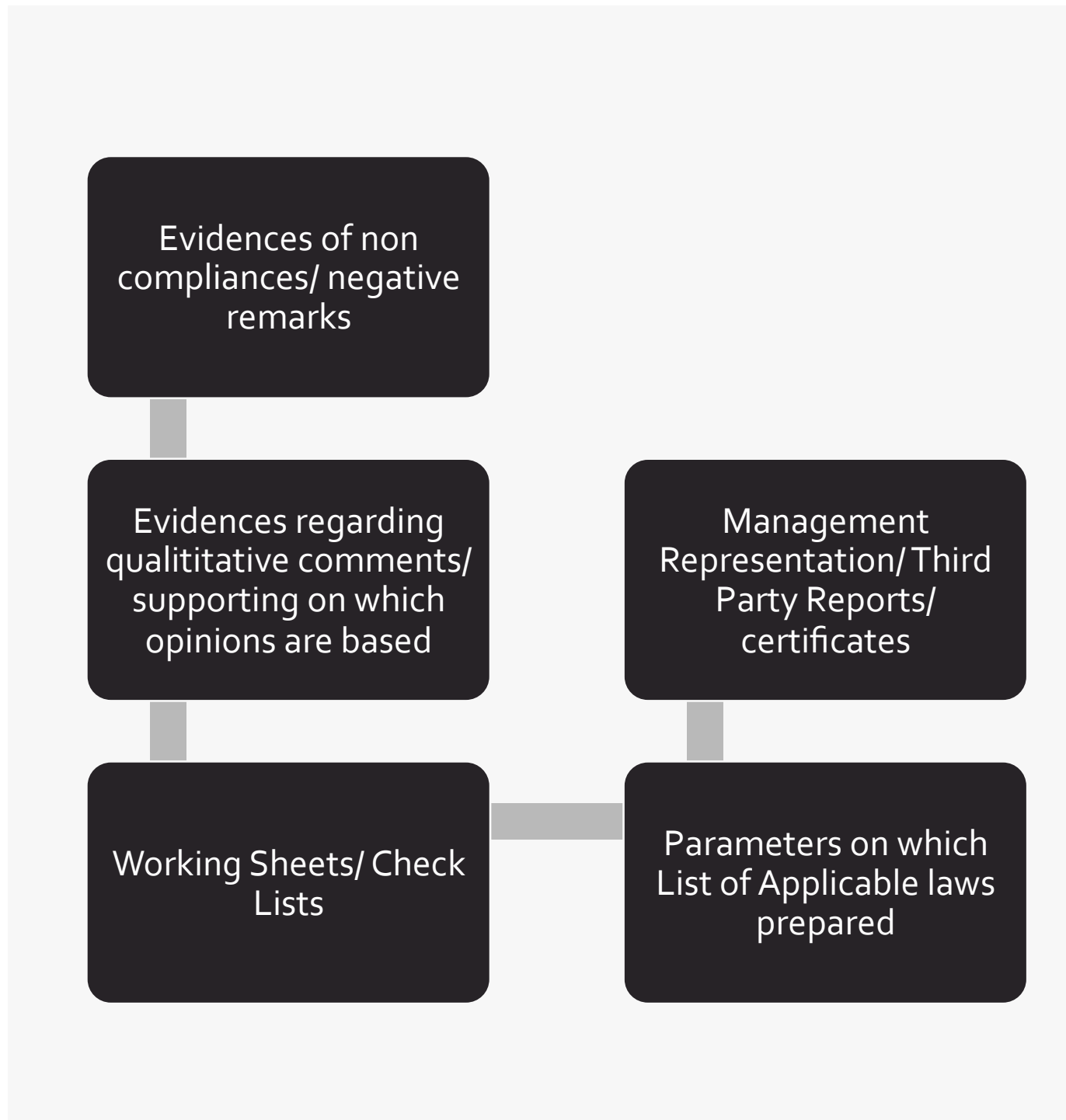
Systems &
Process

- **We further report that** the systems and processes in the company *and in particular in Human Resource Department require further strengthening and improvements, considering the size and operations of the company to enable effective monitoring and ensuring of compliance with applicable laws, rules, regulations and guidelines and also system for monitoring compliances by respective head of department and reporting of compliances/non compliances to the Board is required to be more comprehensive.*

Audit Process

Audit Records

The Audit Documentation shall be collated for records within a period of 45 days from the date of signing of Auditor's Report.



What Next

Create niche over others

Share informal report with management regarding Compliance health




Identify and indicate areas where improvement is required



Discuss concept of Corporate Compliance Management



Encourage management to take help of IT to create Compliance tracker,
alerts/ records



Follow up and offer your services



A presentation by:

CS Amit Gupta
Practising Company
Secretary & IP, Lucknow

Thank you



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