

SECRETARIAL AUDIT

Practical Nuances

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Background & Introduction

- ▶ Annual Return Certification for Listed Companies (15/06/1988)
- ▶ Corporate Governance (Clause 49) - February 2000
- ▶ Companies (Compliance Certificate) Rules, 2001 (Section 383A) for Mid-sized Companies
- ▶ Audit under Listing Agreements - 47C Share Transfer Audit on Half-yearly basis (now 40 (9) of LODR 2015 on **yearly** basis) and Reconciliation of Share Capital on Quarterly basis under DP regulations
- ▶ Bank Due Diligence - Companies having multiple borrowing arrangements exceeding Rs. 5 crores
- ▶ The MCA released Corporate Governance Voluntary Guidelines 2009 which recommended the introduction of Secretarial Audit. Section **204(1)** of the **Companies Act, 2013** made the secretarial audit compulsory for certain class of companies.

Applicable Provisions:

- ▶ Section 204 of the Companies Act, 2013 read with Rule 9 of The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014
- ▶ Regulation 24A of The SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015
- ▶ Secretarial Standards issued by the ICSI
- ▶ ICSI Auditing Standards (CSAS-1 to CSAS-4)

Applicability under Companies Act, 2013

- ▶ *All Listed Companies;*
- ▶ *Every public company having paid up share capital of fifty crore rupees or more; OR*
- ▶ *every public company having turnover of two hundred fifty crore rupees or more; OR*
- ▶ *every company having outstanding loans or borrowings from banks or public financial institutions of one hundred crore rupees or more (03.01.2020)*

shall annex with its Board's report a secretarial audit report, given by a company secretary in practice, in **Form No. MR-3**

The Board of Directors, in their report shall explain in full, every qualification or observation or other adverse remarks [based on popular doctrine of "Comply or Explain"] made by the company secretary in practice in his secretarial audit report.

Explanation- For the purposes of this sub-rule, it is hereby clarified that the paid-up share capital, turnover, or outstanding loans or borrowings as the case may be, **existing on the last date of latest audited financial statement** shall be taken into account. (03.01.2020)

SA vs ASC vs MGT-8

Basis of Comparison	Secretarial Audit Report	Annual Secretarial Compliance Report	Annual Return Certification
Relevant Law	Section 204 of Act, 2013 read with Rule 9 of MR Rules, 2014.	Reg. 24 A of LODR read with SEBI Circular dated Feb 8, 2019.	Section 92 (2) of Act,2013 read with Rule 11 (2) of MGT Rules, 2014
Scope	Reporting on compliance requirements on corporate law and laws applicable specifically on the Company.	Reporting on compliance, observations as well as the action taken by the company on applicable SEBI Regulations and circulars. More in the nature of an action taken report.	Compliance with provisions of Act, 2013.
Applicability	<ul style="list-style-type: none"> -Listed companies -Public companies with paid-up share capital of Rs. 50 crore or more; OR turnover of Rs. 250 crore or more. -Every company having outstanding loans or borrowing from banks or public financial institutions of Rs.100 crore or more. -Equity Listed Entities, HVDLEs and their Material Unlisted Subsidiary incorporated in India (Reg. 24 A); 	Equity Listed Entities and HVDLEs	<ul style="list-style-type: none"> -Listed company; or -Every company having paid-up share capital of Rs. 10 crore or more; -Every company having turnover of Rs. 50 crore or more.
Format	Form MR-3	As per SEBI Circular dated Feb 8, 2019 SE circulars dated March 16, 2023 and April 10, 2023 (additional affirmations)	Form MGT-8
Timeline	Before approval of Board's Report.	Within 60 days from the end of the FY	Within 60 days from the date of AGM
Inclusion in annual report	Annexed to the Board's Report (that forms part of Annual Report)	It needs to be submitted by the listed entity to the stock exchanges.	No. Attached to e Form MGT-7 filed with the Registrar.

Contents of Secretarial Audit Report (1/5)

Factual information

- **Compliance** with laws specified in MR-3 and laws specifically applicable
- **Deviations** therefrom; (Specific non compliances / observations / audit qualification, reservation or adverse remarks in respect of the laws covered in Secretarial Audit Report)

Compliance of Laws

- ▶ Companies Act, 2013
- ▶ Securities Contracts (Regulation) Act, 1956
- ▶ Depositories Act, 1996
- ▶ Foreign Exchange Management Act, 1999:
 - Foreign Direct Investment
 - Overseas Direct Investment
 - External Commercial Borrowings

Contents of Secretarial Audit Report (2/5)

Regulations prescribed under SEBI Act, 1992:

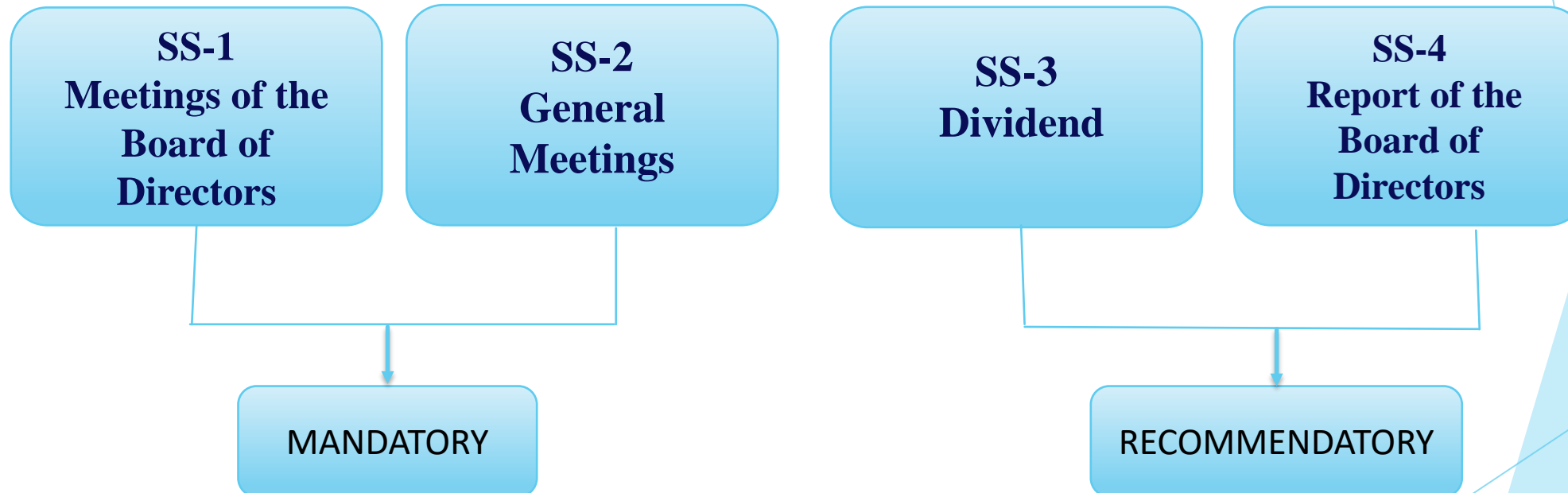
- ▶ SEBI(Substantial Acquisition of Shares and Takeovers) Regulations, 2011
- ▶ SEBI(Prohibition of Insider Trading) Regulations, 2015
- ▶ SEBI(Issue of Capital and Disclosure Requirements) Regulations, 2018
- ▶ SEBI(Share Based Employee Benefits and Sweat Equity) Regulations, 2021
- ▶ The Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021
- ▶ SEBI(Registrars to an Issue and Share Transfer Agents), Regulations 1993
- ▶ SEBI(Delisting of Equity Shares) Regulations, 2021
- ▶ SEBI(Buy-back of Securities) Regulations, 2018

Other Laws as maybe applicable specifically to the company

(Laws **specifically applicable** to nature of Business and not generic laws like Income Tax & GST)

Contents of Secretarial Audit Report (3/5)

Secretarial Standards issued by the Institute of Company Secretaries of India (ICSI)



Contents of Secretarial Audit Report (4/5)

- ▶ **The Listing Agreement entered into by the Company with BSE/NSE, if any**
- ▶ **Qualitative comments about composition of board of directors**
 - Balance of composition
 - Changes in board position-compliance of laws
- ▶ **Quality of information flow for board meetings**
 - Adequate notice, agenda, notes to agenda. Existence of system for seeking further clarification and meaningful participation.
- ▶ **Quality of minutes**
 - Recording of views of dissenting members
- ▶ **Qualitative opinion on adequacy of compliance systems**
 - This pertains to all applicable laws

Contents of Secretarial Audit Report (5/5)

Reporting of major Corporate events

- ▶ Factual information about major corporate events, and compliances in respect thereof
- ▶ MR-3 also requires reporting of **major events**, such as
 - Public/Right/Preferential issue of shares/debentures/sweat equity etc
 - Redemption/buy-back of securities
 - Merger/amalgamation/reconstruction etc
 - Foreign technical collaborations

(The above list is illustrative and the secretarial auditor may report about major events that throw special compliance burden)

Adequacy of Compliance Systems (1/2)

- ▶ The report format further requires the secretarial auditor to comment on adequacy of compliance systems
- ▶ **Commensurate** with the size and operations of the company
- ▶ Fixation of responsibility centre or “owners” of each law and Periodic reporting by the owner of compliances or exceptions. Ex (Accounts for tax related, HR dept for labour related)
- ▶ Detailed analysis of requirements of each of such laws

Entry-point requirement—for example, license, registration

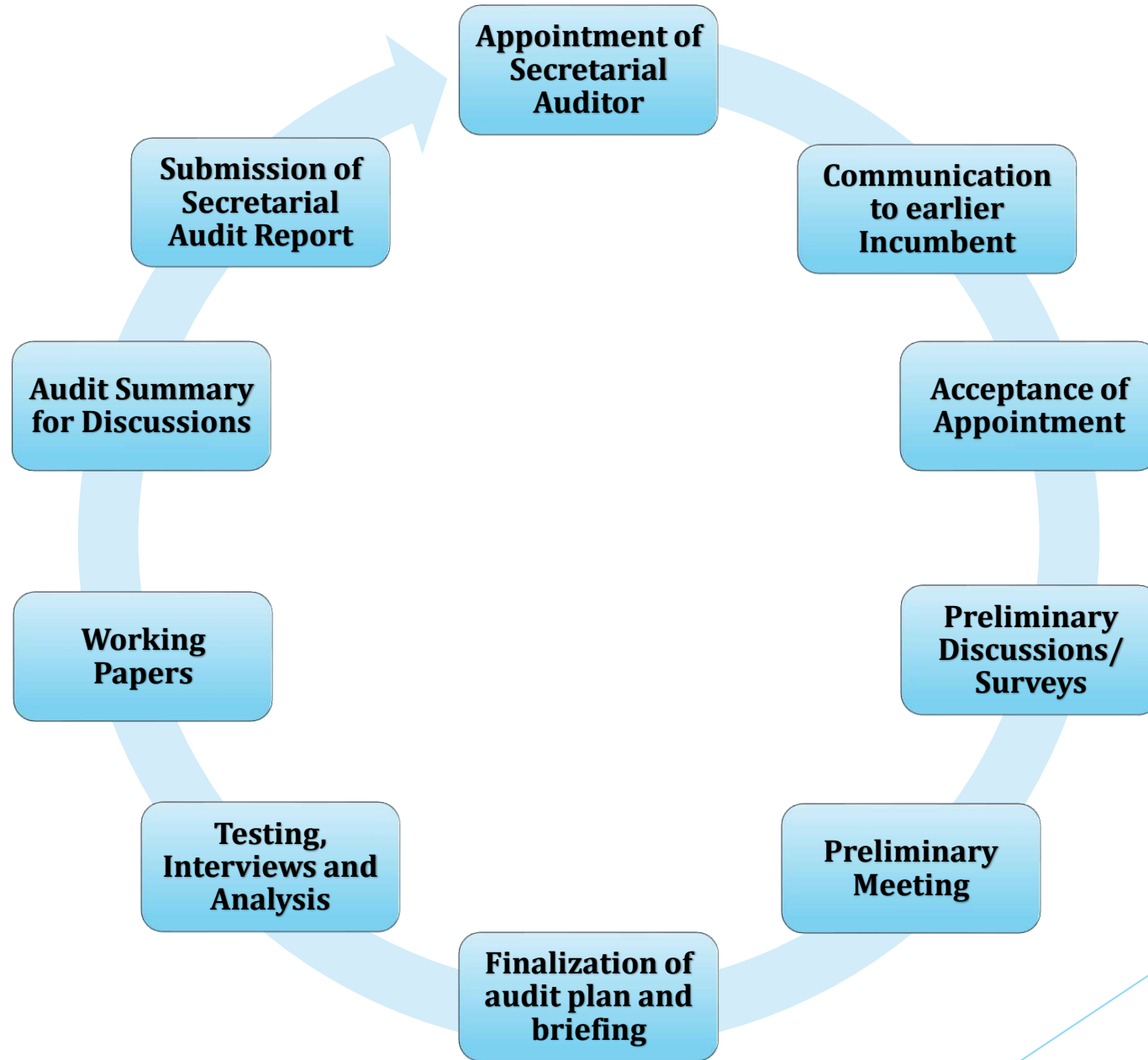
Event-based compliances—for example, approval to be taken for doing something, or some filing in consequence of some event

Regular compliances—for example, periodic filings, renewal

Adequacy of Compliance Systems (2/2)

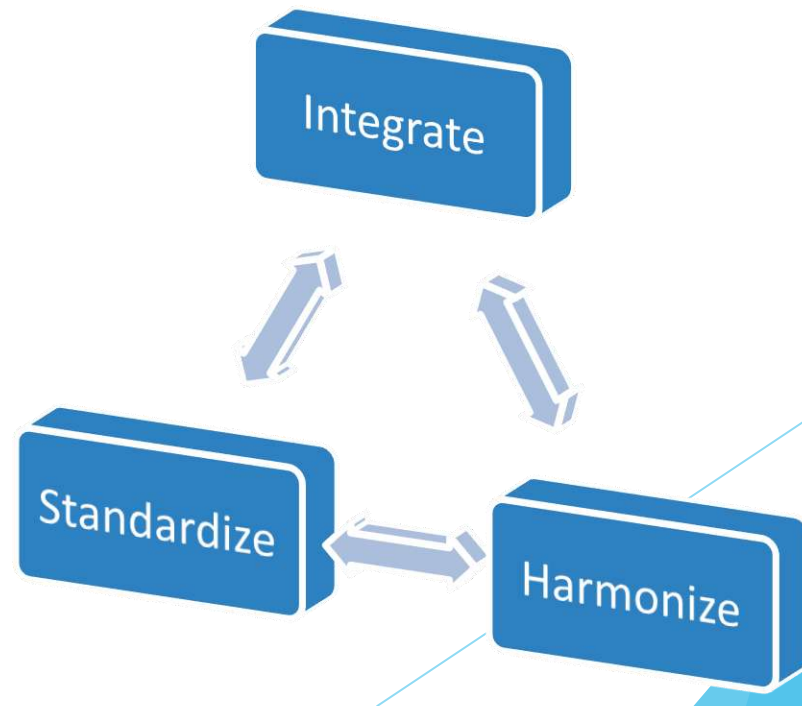
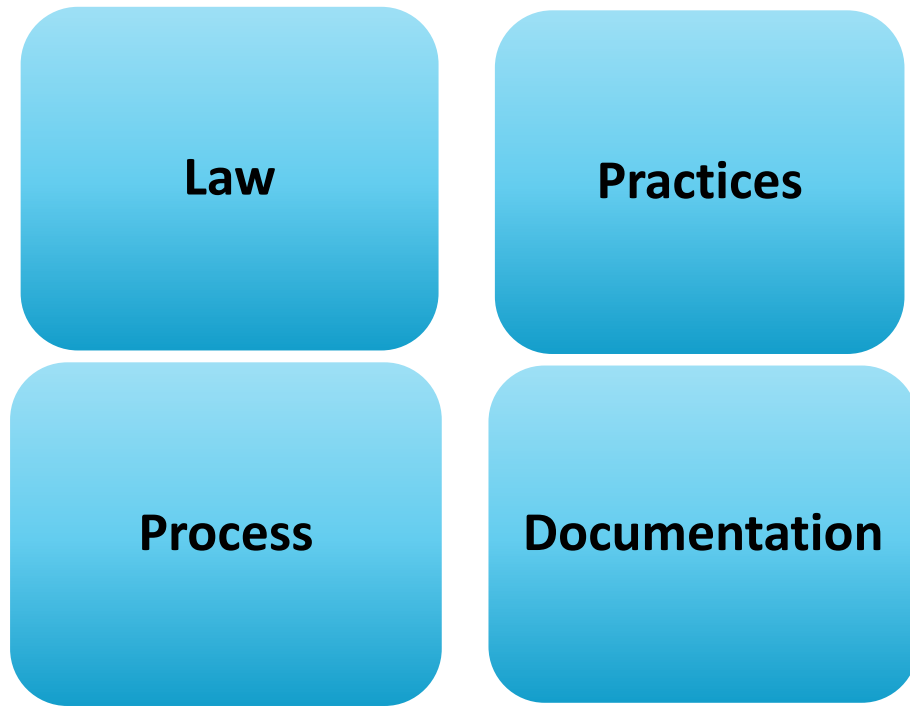
- ▶ Corrective action on non-compliances
- ▶ Reporting to the CS
- ▶ Reporting by the CS to the Board
- ▶ Quality of the compliance system:
 - Is the board aware about compliances?
 - Is the company periodically subjected to inspections by a regulator?
 - How serious are periodic compliance certificates? (Actual compliance or just a certificate)
 - Is there is a maker-checker distinction?

Secretarial Audit-The Process via CSAS



ICSI Auditing Standards

- ▶ The same are **mandatorily applicable** to the audit assignments accepted on or after **1st April 2021**.
- ▶ Guidance note has been issued for ICSI Auditing Standards which sets out the explanations, procedures and practical aspects to facilitate the compliance by the stakeholders.



ICSI Auditing Standards (Overview)

CSAS-1 Auditing Standard on Audit Engagement	CSAS-2 Auditing Standard on Audit Process & Documentation	CSAS-3 Auditing Standard on Forming of Opinion	CSAS-4 Auditing Standard on Secretarial Audit
<ol style="list-style-type: none"> 1. Audit Engagement Process 2. Limits on audit engagement 3. Conflict of interest 4. Confidentiality 5. Change in terms of Engagement 	<ol style="list-style-type: none"> 1. Audit planning 2. Risk assessment 3. Information about the Auditee 4. Audit checklists 5. Collection, verification and analysis of audit evidence 6. Documentation, record keeping and retention 	<ol style="list-style-type: none"> 1. Process of forming of opinion 2. Form of an opinion 3. Auditor's responsibility 4. Format of report 	<ol style="list-style-type: none"> 1. Identification and segregation of applicable laws 2. Verification of corporate conduct and compliance of laws 3. Board composition, Board processes 4. System and process 5. Detection & Reporting of Fraud

CSAS-1

Auditing Standard on Audit Engagement

Scope: The Auditing Standard on Audit Engagement (CSAS-1) is applicable to the **Practicing Company Secretaries (PCS)** as defined in the Company Secretaries Act, 1980, who undertake the **audit assignment** envisaged under the Companies Act, 2013 or Securities and Exchange Board of India Act, 1992 or any other law prevailing in India.

Definition: CSAS-1 “**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 the Audit.

(Majority of Partners?)

Audit Engagement Process

- ▶ Appointment
- ▶ Audit Engagement Letter
- ▶ Communication to the Predecessor or Previous Auditor

Appointment

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.

(No Circular Resolution)

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

(either on the Copy or separate letter or email)

Specimen Certificate of Eligibility as Secretarial Auditor

Date:

To

The Board of Directors,

Dear Sir,

Sub: Proposed Appointment as Secretarial Auditor

I/We thank you for your communication dated _____ seeking my/our consent to act as the Secretarial Auditor of your company for the financial year _____. I/We give my/ our consent for being appointed as Secretarial Auditor of the company.

I/we hereby confirm that:

- 1) I am/we are eligible for appointment and not disqualified for appointment as per the Companies Secretaries Act, 1980 and rules and regulations made thereunder and ICSI Auditing Standards;
- 2) The proposed appointment is within the limits, if any laid down by ICSI ;
- 3) I/We do not have any substantial conflict of interest in terms of ICSI Auditing Standard on Audit Engagement (CSAS 1)
- 4) I/We do not have any conflict of interest in terms of ICSI Auditing Standard on Audit Engagement (CSAS 1)

Or

I/We do have conflict of interest other than substantial conflict of interest which are as below :

Thanking you,

Yours sincerely,

Limits of Audit Engagements

The Auditor shall accept Audit Engagements within the limits of number of audits, if any, as may be prescribed under any law for the time being in force or by the ICSI from time to time.

Audit Engagements	Limits per F.Y
1. Secretarial Audits per partner/ PCS:	
a. Unit not peer reviewed	10
b. Unit peer reviewed	15
2. Annual Secretarial Compliance Reports individually/per partner	
a. Unit not peer reviewed	5
b. Unit peer reviewed	10
3. In case of the following, Secretarial Audit/ Secretarial Compliance Report to be done by <u>Peer Reviewed Units only</u>:	
a. Top 100 companies as per market capitalization	w.e.f. 01.04.2020
b. Top 500 companies as per market capitalization	w.e.f. 01.04.2021
c. All listed companies	w.e.f. 01.04.2022
d. All companies (Unlisted Public & Private)	w.e.f. 01.04.2023

Conflict of Interest

- ▶ The Auditor shall **not** have any **substantial conflict of interest** with the Auditee.
- ▶ Any conflict of interest, **other than substantial** conflict of interest, **must be disclosed** by the Auditor before accepting the Audit Engagement or as soon as the Auditor becomes aware of the same, as the case may be.

Substantial conflict of interest means

- ▶ 1) Ownership- Holding more than 2% of Paid-up capital/shares of nominal value of above Rs. 50,000 (Lower) or more than 2% of voting power#
 - ▶ 2) Financial Interest- Indebtedness > Rs 5 Lakhs except in ordinary course of Business##
 - ▶ 3) Past Employment- Within last 2 years with the Auditee or its holding or subsidiary
-
- ▶ # This limit shall be applied based on combined holding of the Auditor along with partners, spouse, parent, sibling, and child of such person or of the spouse, any of whom is dependent financially on such person.
 - ▶ ## The limit of Rs. 5 lakhs shall be applicable to the combined indebtedness of the audit firm including indebtedness by the partners in their individual capacity.

Communication to the Predecessor or Previous Auditor

- ▶ The Auditor shall communicate in writing to the Predecessor or Previous Auditor, if any, before accepting the Audit Engagement.

Note: The Council of the Institute has resolved that it shall be **mandatory** for every Company Secretary in Practice, before accepting any of the following assignments (**MGT-7, MGT-8, Secretarial Audit, Diligence report etc**), to communicate to the previous incumbent, in terms of clause (8) of part I of the First Schedule to the Company Secretaries Act, 1980

Further, Council of ICSI has prescribed the following format to be issued by Company Secretaries under Clause 8 of the First Schedule of the Company Secretaries Act, 1980

CS.....

Address

Dear Sir / Madam,

Sub.: Intimation in terms of Clause 8 of the First Schedule to the Company Secretaries Act, 1980

I, CS /We, M/s....., Company Secretary in Practice / Firm of Company Secretaries have been approached by the Management of M/s..... Limited to..... (list of professional services) for the FY vide their letter No. dated We understand that earlier the abovementioned professional services were being rendered by your goodself/ firm to M/s. Limited during the Financial Year

I / We request you to kindly take this communication as an intimation to be given to the previous incumbent in terms of Clause 8 of the First Schedule to the Company Secretaries Act, 1980.

Regards,

CS

Membership No. ACS / FCS CoP No.....

For & Co./ & Associates, Company Secretaries

Firm Unique Code

Date: Place:

Audit Engagement Letter

The Audit Engagement shall inter alia include:

- a. The objective and scope of the audit;
- b. The responsibilities of the Auditor and the Auditee;
- c. Written representations provided and/or to be provided by the Management to the Auditor, including particulars of the Predecessor or Previous Auditor;
- d. The period within which the audit report shall be submitted by the Auditor, along with milestones, if any;
- e. The commercial terms regarding audit fees and reimbursement of out-of-pocket expenses in connection with the audit; and
- f. Limitations of audit, if any.

Specimen Audit Engagement Letter

To,
ABC & Associates (name of Audit firm)
Company Secretaries (Address)

Dear Sir,

This engagement letter is provided in connection with (type of audit) of XYZ Ltd.

I. Scope of work

The scope of the Audit shall include..... (For example, in case of Secretarial Audit , the scope of audit shall be as specified in Section 204 of the Companies Act, 2013)

II. Responsibilities of Auditor

The Auditor shall carry out the audit with utmost integrity in terms of this Audit Engagement Letter adhering to the highest level of ethics and standards. The Audit shall be conducted in accordance of the requirements of the Act.

III. Duties of Auditee

Auditee acknowledges its responsibility for maintenance of Records and compliances under the applicable laws, acts, rules and regulations.

Auditee acknowledges its responsibility to provide the Auditor access to Records and documents of the Auditee, reports of third party and information as may be sought by the Auditor. The Auditee shall be responsible for the correctness and appropriateness of the Records, documents and information of the Auditee.

IV. Timeline

The Auditor shall submit the Audit Report for the F.Y. 20XX-XX within ___ days of the end of the financial year.

Auditor may also submit a quarterly/half-yearly review report in which the audit observations of the Auditor made during the quarter for timely redressal.

V. Commercial Terms

Audit fees for the F.Y. 20XX-XX is fixed at Rs. XXXXXXX plus applicable taxes. Fees will be billed as the work progresses.

Out-of-pocket expenses by the Auditor shall be reimbursed on actual basis.

VI. Confidentiality

The Auditor shall not disclose the information obtained during the course of Audit without proper and specific authority or unless there is a legal obligation or duty to disclose.

VII. Indemnity

During and after the term of this Engagement, both Parties agree to protect, indemnify, defend and hold harmless other Party, and to extent required from time to time non defaulting party, its officers, agents, and employees, from and against any and all expenses, damages, claims , suits, losses, actions, judgments, liabilities, and costs whatsoever (including legal fees on a full indemnity basis) arising out of, connected with, or resulting from, defaulting Party's negligence, misrepresentation or the breach of any obligations to be performed by the other party and/or its representatives under this Engagement. In no event will either party's liability towards other party arising from the terms of this Engagement exceed the total sum of fees paid under this Engagement.

VIII. Any other term as may be agreed between the Auditor and the Auditee, if any

For XYZ Limited

Date:

Place:

Director

Director

Confidentiality

- ▶ The Auditor shall **not disclose** the information obtained during the course of Audit without proper and specific authority or **unless** there is a legal obligation or duty to disclose.
- ▶ The Auditor shall not use or share with any person any information obtained except for the purposes of audit.
- ▶ The Auditor shall take all reasonable steps to ensure that **employees, staff and other team members** of the Auditor and persons engaged by the Auditor to provide advice or assistance during the conduct of audit, shall also adhere to the Auditor's duty of confidentiality. (Appointment Letter)

Changes in terms of engagement

- ▶ The Auditor shall **not agree** to a change in the terms of the Audit Engagement where there is no reasonable justification for doing so.
- ▶ If before completion of the assignment, the Auditor is requested by the Appointing Authority to change the scope of engagement, resulting in a lower level of assurance, the Auditor shall consider the appropriateness of carrying out the same.
- ▶ If the terms of the Audit Engagement are changed, the Auditor and the Appointing Authority shall agree on the new terms of the engagement by way of a **supplementary/revised engagement letter** or any other suitable form in **writing**.

CSAS-2

Auditing Standard on Audit Process and Documentation

The objective of the Standard is 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

1.1 The Auditor shall make **audit plan** to conduct audit as per the terms of Audit Engagement.

Audit plan is very crucial and should be designed with due care. Audit plan addresses the specifics of **what, where, who, when** and **how**?

Such as:

- What are the audit objectives?
- Where will the audit be done?
- Whether there will be audit visits to other locations of the company?
- When will the audit(s) occur? (how long?)
- Who constitute the audit team?
- How will the audit be done?

The Auditor should prepare an audit plan, which shall include detailed layout for **conducting audit procedures, timing, sample sizes, basis of selection of sample**, etc.

The **basic purpose** of an audit plan is:

- to develop an audit process which ensures that **sufficient and appropriate evidence** is gathered to support the audit opinion;
- the audit should be planned in a manner which ensures that the audit is carried out in an **efficient and effective way** in a **timely manner**;
- the audit plan should be **documented** and kept as **audit working paper**;
- the audit planning process should be framed on a thorough understanding of the **Auditee, its business, sector** in which it functions and **its operation**;
- to **determine the materiality** for the audit.

1.2 Audit Planning

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

Audit planning means establishing and developing an overall audit process, including but not limited to:

- ❑ Identification of broad audit areas;
- ❑ Seeking previous audit findings and observations from the Management and the Predecessor or Previous Auditor, in case of change of Auditor;
- ❑ Determination of subject matters/audit areas requiring special attention, when considered necessary;
- ❑ Risk Assessment and Materiality;
- ❑ Audit technique;
- ❑ Allocation of audit resources for the audit; and
- ❑ Preparation of audit schedule.

Audit planning involves establishing the overall audit strategy for the engagement and development of audit plan.

Adequate Audit planning **benefits the Auditor** in several ways, which includes the following:

- identification of audit area requiring **special attention**;
- identification and timely resolution of **potential challenges**;
- organising and managing the audit process to perform audit in an **effective and efficient manner**;
- selection of **audit team** with appropriate levels of capabilities and competence to respond to anticipated challenges and allocating responsibilities;
- **direction and supervision** of audit team and the **review** of their work, and
- coordination of work done by **third party and specialists**.

1.3 The audit shall be planned in a manner which ensures that **qualitative audit** is carried out in an **efficient, effective and timely manner**. Audit planning shall ensure that appropriate attention is accorded to **crucial areas of audit** and **significant issues** are identified in a timely manner.

Benefits of Audit Plan

- It helps the Auditor obtain **sufficient and appropriate evidence** for the circumstances.
- It helps to keep **audit costs** at a reasonable level.
- It helps to **avoid misunderstandings** with the Auditee.
- It helps to ensure that **potential problems are promptly identified**. (ID)
- It helps to carry out the audit work **smoothly** and in a **well defined** manner.

However, the audit plan should not be followed rigidly and it should be changed according to the circumstances to effectively conduct the audit.

Developing the Audit Plan

The Auditor establishes the overall audit strategy, which sets out the scope, timing and direction of the audit and guides the development of the more detailed audit plan which should include the following:

Introduction – a short introduction about the audit;

Audit field – A description of the audit field, including the regulatory framework for the audit where relevant and recent significant changes and developments that may affect the audit;

Audit objectives – The audit objectives depend on the type of audit to be conducted;

Audit coverage – The audit coverage periods to be covered and locations to be visited; control systems to be tested and sample to be audited;

Materiality – Identification of materiality in terms of value, nature and context;

Risks – A preliminary assessment of risks (e.g. changes in the regulatory environment or internal control systems and evaluation of inherent and control risk);

Audit approach – The audit approach, including the audit procedures to be carried out in order to provide the necessary audit evidence. This identifies the extent of planned reliance on control systems and the extent of substantive procedures;

Organisation – Organisation of audit work: *resources* (including recourse to the work of other Auditor and experts), *timetable* (including the reporting objectives of the audit), *documentation* in electronic audit support system.

2. Risk Assessment

Risk assessment of the Auditee with respect to and connected/relevant to the Audit Engagement shall be done considering **industrial & business environment, organisational structure and compliance requirements**.

The Auditor shall **evaluate** high risk areas/activities of the Auditee relating to:

- ▶ Internal control systems and processes of the Auditee for adherence to the constitutional documents, applicable laws, rules, regulations and standards;
- ▶ Transparency, prudence and probity; and
- ▶ Changes/Attrition in the compliance team and frequency of such changes and attrition.

(Professional Indemnity)

3. Information about the Auditee

The Auditor shall obtain sufficient information about the Auditee that is relevant for conduct of audit and forming an opinion and its expression.

>> It should inter-alia cover the following details:

- **Nature** of the business of the Auditee;
- **Sector** in which the Auditee operates and how Government / Regulatory policies have evolved specific to such sector;
- **Size** of the business of the Auditee including geographical locations;
- **Organisation structures** including Directors and KMPs;
- **Corporate structure**, associates, joint ventures, subsidiaries;
- **Laws applicable** to business of the Auditee;
- **Registrations and permissions** obtained;
- Court & regulatory **orders enforced; (IT Raid)**
- **Media Reports. (C)**

4. Audit Check-lists

The Auditor shall use systematic and comprehensive audit check-lists for carrying out the audit and to verify the compliance requirements. (**Nothing to be missed**)

>> Ideally checklists should:

- promote overall planning and timelines of the audit;
- ensure comprehensive, consistent and focused audit approach;
- avoid duplication of data verification and information;
- ensure that audit scope is being followed;
- serve as a memory aid and provide a repository for notes collected during the audit process.

>> Audit checklists should be developed to provide assistance to the audit process and should be **reviewed and updated from time to time** to meet the scope of audit and its effectiveness. Audit team should be trained in the use of a particular checklist and be shown how to use it to obtain optimal information.

5. Collection and Verification of Audit Evidence

The Auditor shall **verify compliance** with applicable laws, rules, regulations and standards. The deviation if any shall be recorded.

The Auditor shall **obtain** complete, relevant and necessary **evidence** to support the opinion.

The process of gathering and evaluating evidence shall continue until the Auditor is satisfied that **sufficient and appropriate evidence** exists to provide a basis for formation of the Audit Opinion.

>> Audit evidence is obtained using a variety of techniques such as the following:

- ▶ *Documents/Records Scrutiny*
- ▶ *Testing, Interviews and Analysis*
- ▶ *Questionnaires*
- ▶ *Third Party Confirmation*
- ▶ *Analytical Procedures*

6. Third Party Confirmation

The Auditor shall obtain confirmations from third party(ies), wherever required, with respect to information which is related to such party(ies).

7. Analysis of Audit Evidence

The Auditor shall **evaluate** the Audit Evidence to arrive at the conclusion.

While evaluating evidence, if the Auditor finds that Audit Evidence is conflicting, the Auditor shall assess the extent and credibility of conflicting evidence in order to reach a conclusion or collect more evidence to resolve the conflict.

8. Documentation

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

The Audit Documentation shall contain sufficient information to enable an Auditor, having no previous connection with the audit, to ascertain from such documentation, the significant findings and conclusions of the Auditor.

Audit Documentation shall take place throughout the audit process. Working papers shall be complete and appropriately detailed to provide a clear trail of the audit. Audit Documentation shall be properly indexed, referenced with and supplemented by the set of working papers.

The Auditor shall also document discussions with the Management with respect to significant matters in respect of which written record is not available

9. Record Keeping and Retention

The Auditor shall establish policies and procedures for retention of Audit Documents.

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

The Audit Documentation shall be maintained in physical or electronic form and retained for a period of **8 years** from the date of signing of Auditor's Report.

CSAS-3

Auditing Standard on Forming of Opinion

1. Process of forming Opinion

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

- ▶ Principle of **completeness**
- ▶ Principle of **objectivity**
- ▶ Principle of **timeliness**
- ▶ Principle of a **contradictory process**

The Auditor may consider various judgements, clarifications, opinion, conflicting interpretations while framing the opinion to the best of his professional acumen.

2. Precedents and Practices

The Auditor shall adhere to generally accepted precedence and practices in relation to forming of an opinion as may be available from historical perspective of any kind of audit.

3. Third Party report or Opinion (Other Professional)

The Auditor shall adhere to the following while forming an opinion based on Third Party reports or opinions:

- ▶ 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.

4. Form of an Opinion

I) Unmodified Opinion

The Auditor shall express an unmodified opinion when based on Audit Evidence, the Auditor concludes that:

- a) there is **due compliance** with the applicable laws in terms of timelines and process; and
- b) the records as relevant for the audit verified by him as a whole are **free from misstatement** and **maintained** in accordance with the applicable laws.



II) Modified Opinion

The Auditor shall express modified opinion when the Auditor concludes that:

a) based on the Audit Evidence obtained, there is **non-compliance** with the applicable laws in terms of timelines and process; or

b) based on the Audit Evidence obtained, the Records as a whole are **not free from Misstatement**; or are **not maintained** in accordance with applicable laws; or

c) he is **unable to obtain sufficient and appropriate Audit Evidence** to conclude that there is due compliance with the applicable laws in terms of timelines and process; or

d) he is **unable to obtain sufficient and appropriate Audit Evidence** to conclude that the Records as a whole are free from Misstatement; or are maintained in accordance with applicable laws.

▶ Whenever the Auditor expresses a modified opinion or disclaims an opinion, the text of the opinion shall be either in *italics* or **bold** letters

III) Limitation

- ▶ If, after accepting the Audit Engagement, the Appointing Authority **imposes** a limitation on the scope of the audit which, in the opinion of the Auditor, is likely to result in the need to express a modified opinion or to disclaim an opinion, the Auditor shall request the Appointing Authority to **remove** the limitation.
- ▶ If the Appointing Authority refuses or fails to remove the limitation, the Auditor shall communicate the matter to the Management and determine whether it is possible to perform alternative procedure to obtain sufficient and appropriate Audit Evidence.
- ▶ If the Auditor is **unable** to obtain sufficient and appropriate Audit Evidence, the Auditor shall determine the implications as follows:
 - a) If the Auditor concludes that the possible effects of unavailable Audit Evidence could be **non-material**, the Auditor shall **qualify** 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**.

5. Auditor's Responsibility

- ▶ The Auditor's Report shall include a section with the heading "Auditor's Responsibility". Auditor's Report shall state that the responsibility of the Auditor is to express opinion on the **compliance with the applicable laws and maintenance of records** based on audit. The Auditor's Report shall also state that the audit was conducted in accordance with applicable Standards. The Auditor's Report shall also explain that those 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.
- ▶ Auditor's Report shall state that due to the inherent limitations of an audit including internal, financial and operating controls, there is an unavoidable risk that some material misstatements or material non-compliances **may not be detected**, even though the audit is properly planned and performed in accordance with the Standards.

6. Format of Report

The report shall be addressed to the Appointing Authority

The report shall be detailed enough to serve its intended purpose.

If any information cannot be conveniently captured within the paragraphs of the report, it shall be given in form of annexure(s).

Signature block shall mention the *name of the audit firm* along with the *registration number*, if any, the *name of the Auditor*, *certificate of practice number*, the *membership number* of the Auditor, specifying whether associate or fellow member, as applicable. The Auditor shall clearly mention *date and place* of signing the report.

Date:
Place: Pune

For SIUT & Co LLP
Company Secretaries
UIN: L2021MHE011500
Name:
FCS:
CP:
UDIN:
Peer Review Certificate No.: 1959/2022

CSAS-4

Auditing Standard on 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)

1. Identification and segregation of applicable laws (Banking/Insurance)

The Auditor shall take note of the **industry specific laws** and other laws as may be applicable to the Auditee based on the identification/segregation by the Management and his own verification.

2. Verification of corporate conduct and compliance of laws

a) Identification of Events/Corporate Actions (Disinvestment/Strike)

The Auditor shall identify **events/corporate actions** that took place during the audit period. The identification shall be made by reviewing the *website of the regulators, website of the Auditee, statutory records* including books and papers, *interaction with the Management* and in any other appropriate manner.

b) Verification of Compliance

The Auditor shall verify all **event and calendar based compliances** from the *Records of the Auditee, database or website of the regulators* and other relevant sources. (MSME & DPT-3 Forms)

3. Board Composition (Extra ID/Name not in databank)

The Auditor shall verify compliance of the Companies Act, 2013, SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, agreement with Lenders/Investors, Articles of Association and provisions of other Acts / rules/ regulations, guidelines and policies, board decisions, shareholders decisions, as may be applicable to the Auditee with regard to:

- ▶ Overall composition of the Board including the minimum and maximum strength of the Board.
- ▶ Optimum combination of the Board including proportion of executive, non-executive, independent, non-independent, retiring, non- retiring, **woman** and nominee director.
- ▶ Eligibility criteria including **disqualifications** of directors.
- ▶ The constitution and composition of Committees of the Board.

4. Board Processes

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.

5. System and Process

System and process broadly refers to the **framework** of legal and procedural compliances of the Auditee including but not limited to 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 by:

1. **Reviewing records** maintained by the Auditee.
2. **Understanding** compliance responsibility centers, control points, matrix, flow of information, escalation of non-compliances to different levels, reporting of any noncompliance.
3. **Assessing** compliance mechanism and understanding its extent, coverage and severity mapping. The Auditor shall also assess compliance manual/standard operating procedures, if any, available with the Auditee.
4. **Analysing** instances of show cause notices received, prosecution initiated, fine or penalties levied, imprisonment ordered, qualification, adverse remark or observations in the statutory, internal or industry specific audit, orders passed by regulatory bodies or judicial/quasi-judicial authorities.

6. Detection of Fraud

- ▶ The Auditor shall exercise professional judgment and maintain professional skepticism **throughout the planning and performance** of 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.
- ▶ During the course of the audit, if the Auditor suspects commission of any fraud, he shall endeavour to collect further evidence for the same. The suspicion may arise on perusal of **internal control systems, complaint under whistle blower mechanism** and **reports of the other auditors**, etc.
- ▶ The Auditor shall ensure to collect sufficient evidence which **substantiates his suspicion** of the commission of the fraud against the Auditee by its employees and officers.

7. Reporting of Fraud

- ▶ If the Auditor has **sufficient reason to believe** that there is commission of fraud and have justifiable grounds for the same, he shall **report** to Audit Committee/Board/Central Government as per the process laid down under the Companies Act, 2013 and include the same in Secretarial Audit Report.
- ▶ The Auditor shall **verify** whether the Audit Committee/ Board has **given any comments** on the fraud reported by the auditors in their report in terms of the provisions of the Companies Act, 2013. **(Cash misappropriation)**
- ▶ The Auditor shall **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.

8. Identification and Reporting of the events/actions having major bearing on Auditee's affairs

- ▶ It shall be the duty of the Auditor to 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, rules, regulations, guidelines, standards, etc.
- ▶ 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.

*The **identification** of the corporate actions or events having bearing on the Auditee's affairs in terms of applicable laws, act, rules, regulations, guidelines, standards, etc. is a subjective matter and needs to be concluded keeping in mind various **parameters**. Such parameters may include the following:*

- a. The **consideration** involved in the transaction as a percentage of the consolidated turnover, net worth or profit;*
- b. The transaction whether or not in the **ordinary course** of business;*
- c. The transaction representing a **significant shift** from the company's strategy;*
- d. The omission of an event or information is likely to result in **significant market reaction** if the said omission came to light at a later date. (**Lockout**)*

Following are indicative actions and/or events may be considered to have a bearing on the Auditee's affairs: (Price sensitive)

- a. Future plans of Merger or Amalgamation.
- b. Revision in Rating(s).
- c. Fraud/ defaults by promoter or key managerial personnel or by listed entity or arrest of key managerial personnel or promoter.
- d. Agreements [viz. shareholder agreement(s), joint venture agreement(s), family settlement agreement(s) (to the extent that it impacts management and control of the listed entity), agreement(s)/ contract(s) with media companies)], which are binding and not in normal course of business, revision(s) or amendment(s) and termination(s) thereof.
- e. Corporate Debt Restructuring.

_____ X _____ X _____ X _____

Regulatory Framework

Policies under Companies Act 2013

- ▶ Corporate Social Responsibility Policy (Section 135)
- ▶ **Vigil Mechanism Policy** (Section 177)
- ▶ Policy, relating to the remuneration for the directors, key managerial personnel and other employees (Section 178)
- ▶ Risk Management Policy [Section 134(3)(n)]
- ▶ Framework for formal annual evaluation by the Board of its own performance, that of its committees and individual directors [Section 134(3)(p)]

General Audit Findings under Companies Act, 2013

- ▶ Minutes - mode of attendance/entry
- ▶ Attendance sheets not carrying signature of invitees & authentication by CS
- ▶ Signed Minutes not circulated after the meeting
- ▶ Projects/ programme/ policy not being approved by the Board.
- ▶ CSR for Ongoing projects.
- ▶ Utilization Certificate not available.
- ▶ Treatment of unspent CSR amount.
- ▶ Implementing agencies not registered
- ▶ Notice of AGM not sent to the Auditors
- ▶ Chairman of Audit Committee & Stakeholder Relationship Committee not present at the AGM
- ▶ Auditor is appointed for less than 5 years.
- ▶ Non audit services provided by auditor without the approval of Audit Committee.



General Audit Findings under Companies Act, 2013

- ▶ Lending in violation of section 185.
- ▶ Investment exceeding limits of section 186.
- ▶ Perpetual approval of Board and shareholders to Related Party Transactions
- ▶ Independent Director fee payment/renewal
- ▶ Proof of passing circular resolutions not maintained
- ▶ Paper meeting of Independent Director – mandatory agenda not covered
- ▶ Breach of ceiling of Managerial Remuneration without shareholder's approval
- ▶ Not filing casual vacancy within 3 months
- ▶ Not opening of separate bank account for dividend
- ▶ Notice in Form BEN-4 not sent to non-individual shareholders holding more than 10% of shares
- ▶ Board's Report (weblink of Annual Return, CSR-Committee, Policy & Projects)
- ▶ MGT-14 not filed for appointment of Secretarial Auditor



Compliances under Listing Regulations

Eligibility for exemption under Corporate Governance Norms

- ▶ Paid-up Equity Share Capital not exceeding Rs. **10 crores** and
- ▶ Net worth not exceeding Rs. **25 crore**.

Board related

- ▶ Composition, information to be placed, number of directorships,
- ▶ Obligations w.r.t. Independent Directors, Non-Executive Directors, Women Director.
- ▶ Remuneration paid to Directors

Committee related

- ▶ Composition,
- ▶ Terms of reference,
- ▶ Meetings & chairman
- ▶ Actual information placed before the Committees

Compliances under Listing Regulations

Filing of information/returns

- ▶ Quarterly, Half yearly and Annually
- ▶ Event based

Publication of notice/website related compliances

Disclosure of material events

- ▶ Prior and Post

Shareholding

- ▶ Minimum Public Shareholding,
- ▶ Filing of Share Holding Pattern,
- ▶ Reclassification of holdings

Compliances under Listing Regulations

Related party transactions

- ▶ Prior Audit Committee approval obtained? – Interested Directors abstained, only ID's
- ▶ Whether the list of related party is regularly updated?
- ▶ Whether sufficient information is placed before Audit Committee to ascertain if the Related Party Transactions is in the interest of the company?
- ▶ Any external agency certificate to evaluate if transactions were on arm's length?
- ▶ Whether material transactions approved by shareholders?

Annual report related

- ▶ Disclosures in CG Report, MDA report

Compliances under Listing Regulations (Policies)

SEBI (LODR) Regulations, 2015

- ▶ Policy for preservation of documents (Reg. 9)
- ▶ Policy for determining material subsidiaries [Reg. 16(1)(c)]
- ▶ Policy on succession planning [Reg. 17(4)]
- ▶ Code of conduct for the BOD and SMPs [Reg. 17(5)]
- ▶ Risk assessment and minimization procedures [Reg. 17(9)]
- ▶ Policy on Board Diversity (Reg. 18)
- ▶ Remuneration Policy (Reg. 19)
- ▶ Risk Management Policy (Reg. 21)
- ▶ Vigil Mechanism Policy (Reg. 22)
- ▶ Policy on materiality of and dealing with RPT (Reg. 23)
- ▶ Policy for determining materiality of events [Reg. 30(4)]
- ▶ Archival Policy [Reg. 30(8) & 51 (3)]
- ▶ Dividend Distribution Policy (Reg. 43A)

General Audit Findings under SEBI (LODR)

- ▶ **Terms of reference not reviewed annually to align with amendments.**
- ▶ **Regulation 30 (Disclosure of events or information)**

Changes in details of authorised KMP under Reg.30 not informed to stock exchange.

- ▶ **Website disclosures do not reflect:**

Disclosures (Secretarial Compliance Report, Annual Return u/s 92, terms and conditions of appointment of independent directors)

Shareholding pattern

- ▶ **Policies not updated**
- ▶ **Lapse/Delay in intimation of record dates**
- ▶ **Matters to be placed before Board - Minutes of unlisted subsidiary**
- ▶ **Publishing in vernacular and English newspapers**



Specimen Management Representation Letter for Secretarial Audit

The following letter is a general guidance. Representation made by management may vary from one entity to another and from one year to another. It should be adopted in the light of individual requirements and circumstances.

[XYZ Limited]

M/s ABC & CO,

Company Secretaries,

ZYZ Road, India

Date:

Dear Sir,

This representation letter is provided in connection with your audit of the Secretarial Records maintained under 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;

The Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') and other applicable laws including labour laws like Factories Act, Payment of Gratuity Act etc for the year ended on 31st March, 20 Environmental Laws and Competition Laws for the purpose required in it. We the undersigned acknowledge our responsibility for maintaining the Secretarial records referred above and confirm, to the best of our knowledge and belief, the following representations:

Company Law

1. The Company has maintained books of accounts as required under Section 128 of the companies Act, 2013
2. The Company has complied with all the provisions of the Secretarial Standards.
3. The Company has complied with all the provisions of Companies Act, 2013 relating to Statutory Audit/Cost Audit/Internal Audit.
4. No request for transfer or transmission of shares have been received by the company during the year other than as recorded
5. Statutory Registers were kept open for public inspection during working hours on all working days
6. Notice of Board meetings were duly sent to all the directors.
7. Notes and notes to agenda were duly sent to all the directors.
8. No resolutions were passed by way of circulation during the year under review other than
9. Draft Minutes and final minutes were properly sent to all the directors.
10. Company has not obtained any secured loan from any financial institution/banks other than those mentioned in the register of charges.
11. Notice of annual general meeting has been duly sent to all the members, Directors, Statutory Auditor and Secretarial Auditors.
12. No show cause notice has been received by the company under the Acts referred above or any other laws applicable on the company.

13. We have provided to you all relevant information and have given access to all data and records.
14. There is no pending litigation and claims other than reported in the balance sheet by way of contingent liability.
15. No event other than reported to you specifically has occurred during the year which has a major bearing on the company's affairs in pursuance of the laws, rules, regulations, guidelines, standards, etc. referred to above.
16. The views of all the **dissenting** Directors (if any) on important matters have been captured and recorded in the minutes.
17. The venue and time of Board meeting was finalized with the consultation of all board members.
18. _____
19. _____

Securities Laws

1. All Price Sensitive Information was informed to the stock exchanges from time to time
2. All investors complains directly received by the company are recorded on the same date of receipt.
3. The Company has complied with provision of SEBI (LODR) Regulations, 2015.
4. _____

Specific Applicable Laws

Labour Laws

1. All the premises and establishments have been registered with the appropriate authorities.
2. The Company has not employed any child labour/Bonded labour in any of its establishments.
3. The company is ensuring the compliance of PF/ESI and other social security measures to the contract employees. One of the responsible officers of the company carries out the survey regarding the compliance of this.
4. _____

Environmental Laws

1. The Company is not discharging the contaminated water at the public drains/rivers. The company has efficient water treatment plants at its factory premises (if applicable)
2. The company has been disposing the hazardous waste as per applicable rules

Competition Law

List of other laws generally applicable to the company We are attaching herewith the list of laws

1. Applicable specifically to the company.
2. Other Laws applicable to the company
3. _____
4. _____

Date:

Place:

[For XYZ Limited]

Director

SECRETARIAL AUDIT REPORT (DRAFT)

FOR THE FINANCIAL YEAR ENDED 31st March 20XX.

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No.9 of the Companies (Appointment and Remuneration Personnel) Rules, 2014]

To,
The Members,
XYZ LIMITED
Pune

I have conducted the secretarial audit of the compliances of applicable statutory provisions and the adherence to good corporate practices by **XYZ LIMITED** (CIN: L29307MH1981PLC*****) (hereinafter called "**the Company**"). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the **XYZ LIMITED**'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 hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on 31st March 20XX 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 have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company (**records were verified in electronic form**) for the financial year ended on 31st March 20XX according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made there under;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Byelaws framed thereunder;
- (iv) The 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;
- (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 (Share Based Employee Benefits and Sweat Equity) Regulations, 2021–**Not applicable** to the Company during the Audit Period;
 - e) The Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021 – **Not applicable** to the Company during the Audit Period;
 - f) The Securities and Exchange Board of India (Registrars to an 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, 2021 – **Not applicable** to the Company during the Audit Period;
 - h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 and The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018 – **Not applicable** to the Company during the Audit Period.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above except to the extent as *mentioned below*:

1. *Where in terms of SEBI (Prohibition of insider trading) Regulation, 2015 read with BSE circular no. LIST/COMP/01/2019-20 dated 2nd April 20XX ----- We observed that, for the quarter ended 31st June 20XX - the **window for trading** in the shares of the Company was closed from 09th July 20XX instead of 01st July 20XX.*

2. *Where in terms of Regulation 30 and 33 of the SEBI (Listing Obligation and Disclosure Requirements) Regulation, 2015 ---- --- We observed that the Quarterly Financial Statements for the quarter ended on 30th September 20XX were uploaded timely as per SEBI Regulations but **the statement of cash flow for half year ended on 30th September 20XX was missed & submitted later on 10th December 20XX.***

3. *Where in terms of Regulation 34 (3) and Schedule V para C clause 10(i) of the SEBI (Listing Obligation and Disclosure Requirements) Regulation, 2015, We observed that the Mr. **ABC** (DIN: 0080****) Director of the Company is **disqualified** under section 164(2) of the Companies Act, 2013 for a period of five years from 01/11/2018 to 31/10/2023 (As per the List of Disqualified Directors under Drive-III by Goa ROC dated 26th November 20XX).*

Based on the information provided by the Company, following laws are also complied with:

ENVIRONMENTAL LAWS:

The Air (Prevention and Control of Pollution) Act, 1981 & The Air (Prevention and Control of Pollution) Rules 1982.

The Water (Prevention and Control of Pollution) Act, 1974 & The Water (Prevention and Control of Pollution) Rules 1975.

The Hazardous Wastes (Management, Handling and Transboundary Movement) Rules, 2008.

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

Secretarial Standards issued by The Institute of Company Secretaries of India.

(ii) SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 entered into by the Company with BSE Limited.

I 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. Further, Mr. **ABC** (DIN: 0080****) Director of the Company is **disqualified** under section 164(2) of the Companies Act, 2013 for a period of five years from 01/11/2018 to 31/10/2023 (As per the List of Disqualified Directors under Drive-III by Goa ROC dated 26th November 20XX).

I have been informed by the management that adequate notices were 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 decisions are carried through, while the dissenting members' views are captured and recorded as part of the minutes.

I 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.

Further the following events have taken place during the period under review:

The Company sold and transferred the shares of **PQR INDIA** Private Limited to **PQR GmbH**, Germany, as per the Agreement dated 00 May, 20XX & received the consideration of Rs. 00,00,00,000. The approval of shareholders was obtained in the Extra-Ordinary General Meeting dated 00 July 20XX.

The Company has intimated under Regulation 30(3) and 30(4) read with Part A of Schedule III OF SEBI LODR Regulations, 2015 to BSE Limited regarding search and Seizure operations carried out by the Income Tax Department under Section 132 of the Income Tax Act, 1961 in the Company's Office premises and plant w.e.f 00 January 20XX and was concluded on 00 January 20XX.

I further report that we have relied upon the documents provided by the Company in electronic mode for Audit purpose.

Place: Pune

Date: **/05/20XX

I U Thakur

Practising Company Secretary

FCS: 2298, CP NO:1402

UDIN:F002298B000*****

Peer Review No. XXXX/2021

This report is to be read with our letter of even date which is annexed as **Annexure A** and forms an integral part of this report.

Annexure A'

To,
The Members,
XYZ LIMITED
Pune

My report of even date is to be read along with this letter.

1. Maintenance of secretarial records is the responsibility of the management of the Company. My responsibility is to express an opinion on these secretarial records based on my audit.
2. I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. I believe that the processes and practices, I followed provide a reasonable basis for my opinion.
3. I have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Wherever required, I have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards are the responsibility of management. My examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.
7. We hereby state that the audit was done based on information provided by the Company in electronic mode. We were unable to conduct actual physical examination of documents and reports filed by the Company with respect to compliances applicable.

Place: Pune
*Date: **/05/202XX*

I U Thakur
Practising Company Secretary
FCS: 2298, CP NO:1402
*UDIN:F002298B000******
Peer Review No. XXXX/2021

The background features abstract, overlapping geometric shapes in various shades of blue, ranging from light sky blue to deep navy blue. These shapes are primarily located on the right side of the slide, creating a modern, dynamic feel.

RECENT CHANGES IN REPORTING REQUIREMENTS

Circulars by BSE & NSE dated 16th March 2023

To,

All Listed Entities,

Sub: Additional affirmations by Practicing Company Secretaries (PCS) in Annual Secretarial Compliance Report (ASCR)

SEBI vide circular no. CIR/CFD/CMD1/27/2019 dated February 08, 2019, issued the format of Annual secretarial compliance report for listed entities and their material subsidiaries which was effective from March 31, 2019, onwards. The Annual secretarial compliance report to be filed on annual basis by PCS confirming the compliances of all SEBI Regulations, Circulars and Guidelines.

Based on various discussions with SEBI, there are few **additional affirmations** to be provided while submitting Annual Secretarial Compliance Report (ASCR).

Further, **Additional columns have been inserted in the format of ASCR.**

The abovementioned circular will be effective from the financial year ended March 31, 2023, onwards

Additional affirmations to be provided while submitting ASCR

Note: Observations/Remarks by PCS are mandatory if the Compliance status is provided as 'No' or 'NA'

Sr. No.	Particulars	Compliance status (Yes/No/NA)	Observations /Remarks by PCS*
1.	<p><u>Secretarial Standards:</u></p> <p>The compliances of the listed entity are in accordance with the applicable Secretarial Standards (SS) issued by the Institute of Company Secretaries of India (ICSI).</p>		
2.	<p><u>Adoption and timely updation of the Policies:</u></p> <ul style="list-style-type: none"> • All applicable policies under SEBI Regulations are adopted with the approval of board of directors of the listed entities • All the policies are in conformity with SEBI Regulations and has been reviewed & timely updated as per the regulations/ circulars/ guidelines issued by SEBI 		
3.	<p><u>Maintenance and disclosures on Website:</u></p> <ul style="list-style-type: none"> • The Listed entity is maintaining a functional website • <u>Timely dissemination</u> of the documents/ information under a separate section on the website • <u>Web-links</u> provided in annual corporate governance reports under Regulation 27(2) are accurate and specific which <u>re-directs</u> to the relevant document(s)/ section of the website 		

Sr. No.	Particulars	Compliance status (Yes/No/NA)	Observations /Remarks by PCS*
4.	<u>Disqualification of Director:</u> None of the Director of the Company are disqualified under Section 164 of Companies Act, 2013		
5.	<u>To examine details related to Subsidiaries of listed entities:</u> (a) <u>Identification of material subsidiary</u> companies (b) Requirements with respect to <u>disclosure of material as well as other subsidiaries</u>		
6.	<u>Preservation of Documents:</u> The listed entity is <u>preserving and maintaining records</u> as prescribed under <u>SEBI Regulations</u> and <u>disposal of records</u> as per Policy of Preservation of Documents and Archival policy prescribed under <u>SEBI LODR Regulations, 2015</u>		
7.	<u>Performance Evaluation:</u> The listed entity has conducted performance evaluation of the Board, Independent Directors and the Committees at the <u>start of every financial year</u> as prescribed in SEBI Regulations		
8.	<u>Related Party Transactions:</u> (a) The listed entity has obtained prior approval of Audit Committee for all Related party transactions		

Sr. No.	Particulars	Compliance status (Yes/No/NA)	Observations /Remarks by PCS*
	(b) In case <u>no prior approval obtained</u> , the listed entity shall provide detailed reasons along with confirmation whether the transactions were subsequently approved/ratified/rejected by the Audit committee		
9.	<u>Disclosure of events or information:</u> The listed entity has provided all the required disclosure(s) under <u>Regulation 30 along with Schedule III of SEBI LODR Regulations, 2015</u> within the time limits prescribed thereunder.		
10.	<u>Prohibition of Insider Trading:</u> The listed entity is in compliance with Regulation 3(5) & 3(6) SEBI (Prohibition of Insider Trading) Regulations, 2015 (SDD)		
11.	<u>Actions taken by SEBI or Stock Exchange(s), if any:</u> No Actions taken against the <u>listed entity/ its promoters/ directors/ subsidiaries</u> either by SEBI or by Stock Exchanges (including under the Standard Operating Procedures issued by SEBI through various circulars) under SEBI Regulations and circulars/ guidelines issued thereunder		
12.	<u>Additional Non-compliances, if any:</u> No any additional non-compliance observed for all SEBI regulation/circular/guidance note etc.		

Annual Secretarial Compliance Report (Old Draft)

Secretarial compliance Report of **XYZ LIMITED (Pursuant to SEBI Circular No. CIR/CFD/CMD/1/27/2019 dated 8th February, 2019)** for the year ended 31st March, 20XX.

1. I, I.U. Thakur, Practicing Company Secretary have examined:

- a) All the documents and records made available to us and explanation provided by XYZ LIMITED (“the listed entity”),
- b) The filings/ submissions made by the listed entity to the stock exchanges,
- c) Website of the listed entity,
- d) Any other document / filing, as may be relevant, which has been relied upon to make this certification,

For the year ended 31st March, 20XX (“Review Period”) in respect of Compliance with the provisions of:

- a) The Securities and Exchange Board of India Act, 1992 (“SEBI Act”) and the Regulations, circulars, guidelines issued thereunder; and
- b) Securities Contracts (Regulation) Act, 1956 (“SCRA”), rules made thereunder and the Regulations, circulars, guidelines issued thereunder by the Securities and Exchange Board of India (“SEBI”);

The specific Regulations, whose provisions and the circulars/guidelines issued thereunder, have been examined, include:-

- a) Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
 - b) Securities Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018- **Not applicable** to the Company during the Review Period.
 - c) Securities Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - d) Securities Exchange Board of India (Buyback of Securities) Regulations, 2018- **Not applicable** to the Company during the Review Period.;
 - e) Securities Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021-**Not applicable** to the Company during the Review Period;
 - f) Securities Exchange Board of India (Issue and listing of Non-Convertible Securities) Regulations, 2021- **Not applicable** to the Company during the Review Period;
 - g) Securities Exchange Board of India (Issue and Listing of Non-Convertible and Redeemable Preference Shares) Regulations, 2013- **Not applicable** to the Company during the Review Period;
 - h) Securities Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
and circulars / guidelines issued thereunder;
- and based on the above examination, I hereby report that, during the Review Period:

a) The listed entity has complied with the provisions of the above Regulations and circulars / guidelines issued thereunder, except in respect of matters specified below **(Merged with Table C)**

Sr. No	Compliance Requirement (Regulations / circulars/ guidelines including specific clause)	Deviations	Observations / Remarks of the Practicing Company Secretary
1	Company's Insider Trading Code / SEBI (Prohibition of Insider Trading) Regulations, 2015	Designated Person has inadvertently sold X (in words) shares of the Company during closure of trading window period commencing from 4 th April, 20XX.	There is violation of Company's Insider Trading Code and SEBI (Prohibition of Insider Trading) Regulations, 2015. However, the Company has disclosed the same to the Stock Exchange and SEBI. To avoid such incidences in future, the Company is planning to educate and sensitize its employees & Designated Persons

b) ~~The listed entity has maintained proper records under the provisions of the above Regulations and circulars / guidelines issued thereunder in so far as it appears from my/our examination of those records.~~ **(Omitted)**

c) The following are the details of actions taken against the listed entity / its promoters/ directors / material subsidiaries either by SEBI or by Stock Exchanges (including under the Standard Operating Procedures issued by SEBI through various circulars) under the aforesaid Acts/ Regulations and circulars/ guidelines issued thereunder: **(Merged with Table A)**

Sr. No.	Action Taken	Details of Violations	Details of action Taken e.g. fines, warning letter, debarment, etc.	Observations/ Remarks of the Practicing Company Secretary, if any.
- Not Applicable				

d) The listed entity has taken the following actions to comply with the observations made in the previous reports **(Re-numbered to table B)**

Sr. No	Observations of the Practicing company Secretary in the previous reports	Observations made in the Secretarial Compliance Report for the year ended 31 st March, 20XX	Actions taken by the listed entity, if any.	Comments of the Practicing company Secretary on the actions taken by the listed entity
1	Regulation 18(2)(a): The audit committee shall meet at least four times in a year and not more than 120 days shall elapse between two meetings	Gap of more than 120 days between Audit Committee Meetings dated 00 January 20XX and 00 May 20XX	There is violation of Regulation 18(2)(a) of SEBI LODR Regulations 2015. However the Company has disclosed to the Stock Exchanges regarding the same in the Corporate Governance Report for the quarter ending on June 20XX	The Company has taken due care to avoid such violations in future

DATE : **/05/20XX
PLACE : PUNE

I U Thakur
Company Secretary
C. P. Number : 1402
Membership no.: 2298
Peer Review No: XXXX/2021
UDIN: F002298B000*****

Revised Format of Annual Secretarial Compliance Report

Kindly note:

- 1. Table (a) and (c) of the SEBI ASCR format issued vide SEBI circular no. CIR/CFD/CMD1/27/2019 dated February 08, 2019, will be merged.*
- 2. Point (b) of the SEBI ASCR format will be **omitted** as the same has been included in the additional affirmations*
- 3. Table (d) will be revised and re-numbered to table (b)*
- 4. Columns marked in **red** are the additional columns inserted*

a) The listed entity has complied with the provisions of the above Regulations and circulars/ guidelines issued thereunder, **except in respect of matters specified below:** -

Sr. No.	Compliance Requirement (Regulations/ circulars/ guidelines including specific clause)	Regulation/ Circular No.	Deviations	Action Taken by	Type of Action	Details of Violation	Fine Amount	Observations/ Remarks of the Practicing Company Secretary	Management Response	Remarks
					Advisory/ Clarification/ Fine/ Show Cause Notice/ Warning, etc.					

b) The listed entity has taken the following actions to comply with the **observations made in previous reports:**

Sr. No.	Compliance Requirement (Regulations/ circulars/ guidelines including specific clause)	Regulation/ Circular No.	Deviations	Action Taken by	Type of Action	Details of Violation	Fine Amount	Observations / Remarks of the Practicing Company Secretary	Management Response	Remarks
					Advisory/ Clarification/ Fine/ Show Cause Notice/ Warning, etc.					

Thank You!

Any Questions....?

By CS I U THAKUR

Partner: SIUT & Co LLP, Company Secretaries

Partner: I U THAKUR & ASSOCIATES LLP

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Contact: +91 9822016890

25/08/2023