



Dear Professional Colleagues,

Sub: Scope of Secretarial Audit under section 204 of the Companies Act, 2013

Section 204 requires every listed company and a company belonging to other class of companies as may be prescribed to annex with its Board's report made in terms of sub-section (3) of section 134, a secretarial audit report, given by a company secretary in practice, in such form as may be prescribed.

The format of the Secretarial Audit report has been prescribed as Form no. MR. 3.

In terms of Form No. MR. 3, the Secretarial auditor needs to examine and report the compliance of:

- five specific laws:
  - ✓ Companies Act, 2013,
  - ✓ Securities Contracts (Regulation) Act, 1956 ('SCRA'),
  - ✓ Depositories Act, 1996,
  - ✓ Foreign Exchange Management Act,
  - ✓ Securities and Exchange Board of India Act, 1992;
- Point (vi) .....(other laws as may be applicable specifically to the company);
- secretarial standards and listing agreement

To finalise the scope of Acts to be examined by Secretarial Auditor while conducting secretarial audit, ICSI held consultation meets at various regional chapters in four regions of the Institute to get the views of company secretaries (in employment as well as in practice).

After deliberating on the views emerged from consultation meets and taking into consideration the views of members of Corporate Laws and Governance Committee, the Council at its 226<sup>th</sup> meeting held on November 21, 2014 decided as under:

Scope of Secretarial Audit would include:

- ✓ Reporting on compliance of Five laws as mentioned in form MR-3
  - Companies Act, 2013,
  - Securities Contracts (Regulation) Act, 1956 ('SCRA'),
  - Depositories Act, 1996,
  - Foreign Exchange Management Act,
  - Securities and Exchange Board of India Act, 1992;
- ✓ Reporting on compliance of 'Other laws as may be applicable specifically to the company' which shall include all the laws which are applicable to specific industry for example for Banks- all laws applicable to Banking Industry; for insurance company- all laws applicable to insurance industry; likewise for a company in petroleum sector- all laws applicable to petroleum industry; similarly for companies in pharmaceutical sector, cement industry etc.
- ✓ Examining and reporting whether the adequate systems and processes are in place to monitor and ensure compliance with general laws like labour laws, competition law, environmental laws.
- ✓ In case of financial laws like tax laws and Customs Act etc., Secretarial Auditor may rely on the Reports given by statutory auditors or other designated professionals.

You are all aware, that this recognition of secretarial audit has been received after long undying efforts of the Institute. Regulators have reposed faith in us, the CS professionals and hence let us all display professionalism and meet the challenges of the new law.

Let us submit quality secretarial audit reports and keep the dignity of the profession high.

Thanking you,  
Yours faithfully,



CS R Sridharan  
President