

# REFERENCER ON SECRETARIAL AUDIT<sup>1</sup>

## 01. Introduction

The Ministry of Corporate Affairs, Government of India released CORPORATE GOVERNANCE VOLUNTARY GUIDELINES 2009 on December 21, 2009. The preamble to Guidelines states that *“These guidelines provide for a set of good practices which may be voluntarily adopted by the Public companies. Private companies, particularly the bigger ones, may also like to adopt these guidelines.”*

The Guidelines, amongst other things, recommend the introduction of Secretarial Audit. Para V of the Guidelines states that :

*“Since the Board has the overarching responsibility of ensuring transparent, ethical and responsible governance of the company, it is important that the Board processes and compliance mechanisms of the company are robust. To ensure this, the companies may get the Secretarial Audit conducted by a competent professional. The Board should give its comments on the Secretarial Audit in its report to the shareholders.”*

Companies, which do not adopt these guidelines, either fully or partially, are expected to inform their shareholders about the reasons for not adopting these Guidelines. This is in consonance with the popular doctrine of “Comply or Explain”. The Board should give its comments on the Secretarial Audit in Directors’ Report as provided in Para V of the Guidelines.

## 02. Need for Compliance Management

Secretarial Audit is a compliance audit and it is a part of total compliance management in an organisation. The Secretarial Audit is an effective tool for corporate compliance management. It helps to detect non-compliance and to take corrective measures.

The multiplicity of laws, rules, regulations, etc. has necessitated introduction of a compliance management system to ensure compliances of laws applicable to a company. This has a two-fold objective:

- (a) Firstly, to protect the interests of all the stakeholders;
- (b) Secondly, to avoid any legal action against the company and its management.

Under most laws, the persons responsible for compliance and liable for punishment are directors, Company Secretary and the officers who have been designated for specific compliances. From amongst the directors, the responsibility of managing and whole-time directors is greater. Under the Companies Act, a managing and/or whole-time director (besides Company Secretary) is an officer who is in default liable for penal consequences of defaults and thus responsible for compliances, while under most other laws they are *the persons in charge of, and responsible to, the company for the conduct of the business of the company.*

In India, a number of statutes contain under the heading “Offences by Companies” an identical provision regarding vicarious liability of directors and other company officers for company’s offences. In *Girdhari Lal Gupta v. D.N. Mehta* AIR 1971 SC 2162, the Supreme Court has construed the expression ‘a person in charge and responsible for the conduct of the business of the company’ as to mean the person in overall control of the day-to-day business of the company. This ruling has been followed in a number of subsequent decisions.

Sub-clause I(C)(iii) of Clause 49 of the Listing Agreement provides *“The Board should periodically review compliance reports of all laws applicable to the company, prepared by the company as well as steps taken by the company to rectify instances of non-compliances.”* Accordingly, all listed companies should introduce a system for reporting to the Board, on compliances with laws applicable to them. Hence, a **Legal Compliance Reporting System is necessary to comply with sub-clause I(C)(iii) of Clause 49 of the Listing Agreement.**

## 03. Secretarial Audit & Company Secretary in Practice (PCS)

A significant area of competence of PCS is “Corporate laws” (comprising statutes, rules, regulations, notifications, circulars and clarifications, forms, guidelines and bye-laws) owing to intensive and rigorous coaching, examinations, training and continuing education programmes. PCS is a highly specialized professional in matters of statutory, procedural and practical aspects involved in proper compliances under corporate laws. Strong knowledge base makes PCS a competent professional to conduct Secretarial Audit.

A Company Secretary in Practice has been assigned the role of Secretarial Auditor under section 2(2)(c)(v) of the Company Secretaries Act, 1980.

In order to guide its members with the process of Secretarial Audit, the Institute of Company Secretaries of India has issued this Referencer.

## 04. Secretarial Audit Process

Secretarial Audit is a process to check compliance with the provisions of various laws and rules/regulations/procedures, maintenance of books, records etc., by an independent professional to ensure that the company has complied with the legal and procedural requirements and also followed the due process. It is essentially a mechanism to monitor compliance with the requirements of stated laws.

Benefits of Secretarial Audit are manifold. Ever-increasing complexities of laws and responsibilities of directors (especially non-executive directors) make it imperative that a PCS reports whether or not there exists proper compliance mechanism and systems in the corporate structure. PCS has also to verify whether diverse requirements under applicable laws have been duly complied with or not and if there is a need for any corrective measures or improvement in the system.

<sup>1</sup> Wherever reference is made to the Secretarial Auditor in this Referencer the word ‘he’ has been used to represent both genders.

For the purposes of this Referencer on Secretarial Audit, the term ‘PCS’ means a Company Secretary holding a Certificate of Practice under sub-section (1) of section 6 of the Company Secretaries Act, 1980 who acts as Secretarial Auditor of the company.

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## 05. Beneficiaries of Secretarial Audit

The major beneficiaries of Secretarial Audit include :

### (a) Promoters

Secretarial Audit will assure the Promoters of a company that those in-charge of its management are conducting its affairs in accordance with requirements of laws.

### (b) Management

Secretarial Audit will assure the Management of a company that those who are entrusted with the duty and responsibility of compliance are performing their role effectively and efficiently. This also helps the management to establish benchmarks for the compliance mechanism, review and improve the compliances on a continuing basis.

### (c) Non-executive directors

Secretarial Audit will provide comfort to the Non-executive Directors that appropriate mechanisms and processes are in place to ensure compliance with laws applicable to the company, thus mitigating any risk from a regulatory or governance perspective; so that the Directors not in-charge of the day-to-day management of the company are not likely exposed to penal or other liability on account of non-compliance with law.

### (d) Government Authorities / Regulators

Being a pro-active measure, Secretarial Audit facilitates reducing the burden of the law-enforcement authorities and promotes governance and the level of compliance.

### (e) Investors

Secretarial Audit will inform the investors whether the company is conducting its affairs within the applicable legal framework.

### (f) Other Stakeholders

Financial Institutions, Banks, Creditors and Consumers are enabled to measure the law abiding nature of Company management.

Corporate conduct manifesting good Governance is vital for the healthy, vibrant and ever growing corporate sector in global economy. In developing economies, inclusive growth is more than imperative. Adopting effective management tools like Secretarial Audit can go a long way in fulfilling these objectives.

## 06. Scope and Contents of Secretarial Audit

### Scope :

The scope of Secretarial Audit, comprises verification of the compliances under the following enactments, rules, regulations and guidelines:

- (i) The Companies Act, 1956 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 Bye-laws framed there under;
- (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;
- (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, 1997;
  - (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 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) The Listing Agreement(s) entered into by the Company with Stock Exchange (s).
- (vii) Secretarial Standards issued by The Institute of Company Secretaries of India.
- (viii) Corporate Governance Voluntary Guidelines, 2009 issued by the Ministry of Corporate Affairs, Government of India;
- (ix) Corporate Social Responsibility Voluntary Guidelines, 2009 issued by the Ministry of Corporate Affairs, Government of India;
- (x) Guidelines on Corporate Governance for Central Public Sector Enterprises, 2007;
- (xi) Corporate Governance Guidelines for Insurance Companies, 2009 issued by IRDA in case of companies regulated by IRDA; and
- (xii) Other corporate laws as may be applicable specifically to the auditee company.

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## Contents :

Secretarial Audit report should be addressed to the members and form part of the Annual Report (not as part of Directors' Report).

It should, among other things, contain Secretarial Auditor's comments and observations on:

1. Compliance or non-compliance during the defined audit period, in relation to the statutes, rules, regulations, etc. applicable to the company;
2. Significant litigation(s) within the scope of audit;
3. Board Processes followed by the Company which *inter alia* would cover:
  - a. Board structure consisting of –
    - i. Composition of the Board
    - ii. Suitability of directors
    - iii. Succession planning
  - b. Board Systems and Processes consisting of –
    - i. Convening the meeting.
    - ii. Content of agenda (whether the agenda has been made available to the Board along with supporting papers / presentations in advance)
    - iii. Conducting the meetings (frequency and length)
    - iv. Decision making process.
    - v. Adequacy of minutes
    - vi. Board Committees
4. The existence of adequate internal control systems, procedures and safeguards for ensuring compliance with laws applicable to the company, commensurate with the size of the company and the nature of its business.
5. Such other matters that may be required to be audited/ reviewed from a compliance and governance perspective.
6. Any material event(s) happening after the financial year but before the date of the report having substantial impact on any of the above reported items.

Secretarial Audit Report should be signed by the Practicing Company Secretary, who acts as the Secretarial Auditor by mentioning his CP Number issued by The Institute of Company Secretaries of India.

## 07. Secretarial Audit-Periodicity

Secretarial Audit on a continuous basis would help the company in initiating corrective measures and strengthening its compliance mechanism and processes. It is recommended that the Secretarial Audit be carried out periodically (quarterly / half yearly) and adverse findings if any, be communicated to the Board for corrective action.

## 08. Reporting with Qualification

The qualification, reservation or adverse remarks, if any, should be stated by the PCS at the relevant places in his report. The qualifications, reservations or adverse remarks of Secretarial Auditor, if any, should be mentioned in **bold** type or in *italics* in the Secretarial Audit Report.

If the PCS is unable to form an opinion on any matter, he should mention that he is unable to form an opinion on that matter and the reasons therefor. If the scope of work required to be performed, is restricted on account of limitations imposed by the company or on account of circumstantial limitations (like certain books or papers being in custody of another person or Government Authority) the Report should indicate such limitations. If such limitations are so material as to render the PCS incapable of expressing any opinion, the PCS should state that:

“In the absence of necessary information and records, he is unable to report compliance(s) by the Company”.

## 09. Professional Responsibility and Penalty for Incorrect Audit Report

While the Voluntary Guidelines on Corporate Governance have opened up a significant area of practice for Company Secretaries, it casts immense responsibility on Company Secretaries, and poses a great challenge to justify fully, the faith and confidence reposed in them. Company Secretaries must take adequate care while conducting Secretarial Audit.

Any failure or lapse on the part of PCS in issuing a Secretarial Audit Report may attract penalty for incorrect report and disciplinary action for professional or other misconduct under the provisions of the Company Secretaries Act, 1980. It, therefore, becomes imperative for the PCS that he exercises great care and caution while issuing the Secretarial Audit report and also adheres to the highest standards of professional ethics and excellence in providing his services.

## 10. Pre-requisites to Secretarial Audit

### Appointment

- a. For effective functioning, Secretarial Auditor should be appointed by the members in the general meeting from amongst the Secretaries in Whole-time Practice and all the provisions relating to appointment, remuneration and removal of auditors contained in sections 224 to 226 of the Companies Act, 1956 should apply to appointment, remuneration and removal of Secretarial Auditor *mutatis mutandis*.

### Communication to earlier incumbent

- b. Whenever a Secretarial Auditor is appointed in place of the existing Secretarial Auditor, he should communicate the appointment to the earlier incumbent in writing by registered /speed post or any other mode as may be allowed by The Institute of Company Secretaries of India from time to time.

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## Assignment

- c. After the appointment is carried out in the manner suggested, a letter of engagement should be issued by the Company. Practising Company Secretary should formally accept the letter of engagement.

## Access to information and Records

- d. The Company should provide the PCS access at all times to the books, papers, minute books, forms and returns filed and other records maintained by the company, for the purpose of Secretarial Audit.
- e. A PCS should be entitled to require from the company, such information and explanations as he may think necessary for the purpose of such Audit. However, depending on the facts and circumstances he may obtain a letter of representation from the company in respect of matters where personal verification may not be practicable.

For the guidance of the members, three specimen formats of the Secretarial Audit Report are provided, viz. Specimen 1 (Exhaustive Reporting), Specimen 2 (Exception Reporting), and Specimen 3 (Exception and Event Based Reporting). Depending on the size, activities and requirements of the organisation, PCS may adopt any or combinations of the three specimens.

*Specimen 1*                      *Annexure A*

## SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED ... ..

To

The Members ,

\_\_\_\_\_ Limited

I have conducted, the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by 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 ..... (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 hereby report that in my opinion, the company has, during the audit period covering the financial year ended on \_\_\_\_\_, \_\_\_\_\_ 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") for the financial year ended on \_\_, \_\_\_\_\_ according to the provisions of:

- (i) The Companies Act, 1956 and the Rules made thereunder ;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the Rules made there under;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed there under;
- (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;
- (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, 1997;
  - (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 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 auditee company)
- (vii) The Listing Agreements entered into by the Company with.....Stock Exchange(s).

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

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India.
- (ii) Corporate Governance Voluntary Guidelines- 2009 issued by the Ministry of Corporate Affairs, Government of India;
- (iii) Corporate Social Responsibility Voluntary Guidelines, 2009 issued by the Ministry of Corporate Affairs, Government of India;

Based on my examination and verification of the books, papers, minute books, forms and returns filed and other records produced

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to me and according to information and explanations given to me by the Company, I report that the Company has in my opinion, complied with the provisions of the Companies Act, 1956 (Act) and the Rules made thereunder, the Memorandum and Articles of Association of the Company and also applicable provisions of the aforesaid laws, standards, guidelines, agreements, etc.

## **I report that, during the year under review :**

1. The status of the Company during the Financial year has been that of a Private Company/Unlisted Public Company/ Listed Public Company.

2. The Company has / has not been a holding or subsidiary of another company. The company has / has not been a Government/ non Government Company or a financial/non financial company.

3. 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 Companies Act, 1956.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda are sent atleast seven days in advance, 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.

4. The Company has complied with the provisions of the Act and Rules made under that Act in carrying out the following changes:

- (a) Name of the Company
- (b) Registered Office
- (c) Principal business in conformity with the Objects
- (d) Particulars of holding and subsidiary companies
- (e) Promoters
- (f) Auditors
- (g) Directors
- (h) Managerial Remuneration
- (i) Officers in default
- (j) Share Capital (authorized, issued, subscribed, paid-up, conversion / redemption, reclassification, sweat).
- (k) The changes in the provisions of :
  - (i) The Memorandum of Association.
  - (ii) The Articles of Association.

5. The Directors have complied with the disclosure requirements in respect of their eligibility of appointment, independence and compliance with the code of Business Conduct & Ethics for Directors and Management Personnel.

6. The Directors have complied with the requirements as to disclosure of interests and concerns in contracts and arrangements,

shareholdings / debenture holdings and directorships in other companies and interests in other entities.

7. The company has advanced loans, given guarantees and provided securities amounting to Rs. .... to directors and/or persons or firms or companies in which directors were interested, and has complied with the provisions of the Companies Act, 1956.

8. The Company has made loans and investments; or given guarantees or provided securities to other business entities and has complied with the provisions of the Companies Act, 1956 and any other statutes as may be applicable.

9. The amount borrowed by the Company from its directors, members, bank(s)/ financial institution(s) and others were within the borrowing limits of the Company. Such borrowings were made by the Company in compliance with applicable laws.

10. The Company has not defaulted in the repayment of public deposits, unsecured loans, debentures, facilities granted by bank(s) / financial institution(s) and non-banking financial companies.

11. The Company has created, modified or satisfied charges on the assets of the company and complied with the applicable laws.

12. All registrations under the various state and local laws as applicable to the company are valid as on the date of report.

13. The Company has issued and allotted the securities to the persons-entitled thereto and has also issued letters, coupons, warrants and certificates thereof as applicable to the concerned persons and also redeemed its preference shares/debentures and bought back its shares within the stipulated time in compliance with the provisions of the Companies Act, 1956 and other relevant statutes.

14. The Company has declared and paid dividends to its shareholders as per the provisions of the Companies Act, 1956 and other relevant statutes.

15. The Company has credited and paid to the Investor Education and Protection Fund within the stipulated time, all the unpaid dividends, repayment of principal and interest on debentures, repayment of principal and interest on fixed deposits as required to be so credited to the Fund.

16. The Company has paid all its Statutory dues and satisfactory arrangements have been made for arrears of any such dues.

17. The Company (being a listed entity) has complied with the provisions of the Listing Agreement.

18. The Company has provided a list of statutes in addition to the laws as mentioned above and it has been observed that there are proper systems in place to ensure compliance of all laws applicable to the company.

19. The MCA, SEBI, (any other regulatory authority) carried out inspection of the company during the year and there are no major findings / and the major findings are given below:

20. During the year the company has become a sick company or otherwise (amalgamated) etc.



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- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed there under;
- (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;
- (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, 1997;
  - (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 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 auditee company)

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

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India.
- (ii) Corporate Governance Voluntary Guidelines- 2009 issued by the Ministry of Corporate Affairs, Government of India;
- (iii) Corporate Social Responsibility Voluntary Guidelines, 2009 issued by the Ministry of Corporate Affairs, Government of India;
- (iv) The Listing Agreements entered into by the Company with ..... Stock Exchange(s);

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.*

## 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 Companies Act, 1956.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda are sent atleast seven days in advance, 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.

**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.

*Note : Please report specific observations / qualification, reservation or adverse remarks in respect of the Board Structures/ system and processes relating to the Audit period*

Place : Signature

Date : Name of Company Secretary / Firm:

ACS/FCS No.

C P No.:

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

Specimen 3

Annexure C

## SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED .....

To,  
The Members,  
..... Limited

I have conducted, the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by 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 ..... (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 hereby report that in my opinion, the company has, during the audit period covering the financial year ended on \_\_\_\_\_, \_\_\_\_\_ 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.

# REFERENCER ON SECRETARIAL AUDIT

I 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, 1956 and the Rules made thereunder ;
- (ii) The Securities Contracts (Regulation) Act, 1956 (‘SCRA’) and the Rules made there under;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed there under;
- (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;
- (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, 1997;
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  - (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 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 auditee company)

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

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India.
- (ii) Corporate Governance Voluntary Guidelines- 2009 issued by the Ministry of Corporate Affairs, Government of India;
- (iii) Corporate Social Responsibility Voluntary Guidelines, 2009 issued by the Ministry of Corporate Affairs, Government of India;
- (iv) The Listing Agreements entered into by the Company with ..... Stock Exchange(s);

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.

## **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 Companies Act, 1956.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda are sent atleast seven days in advance, 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.

**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.

*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 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**

- (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 sec. 293 of the Companies Act, 1956
- (iv) Merger / amalgamation / reconstruction, etc.
- (v) Foreign technical collaborations

...

...)

Place : Signature

Date : Name of Company Secretary / Firm:

ACS/FCS No.

C P No.:

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