



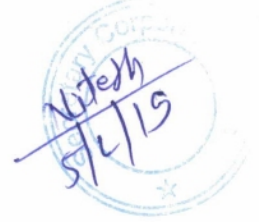
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**THE INSTITUTE OF  
Company Secretaries of India**  
**भारतीय कम्पनी सचिव संस्थान**

**IN PURSUIT OF PROFESSIONAL EXCELLENCE**  
Statutory body under an Act of Parliament

MCA/2019

February 4, 2019

**Shri Injeti Srinivas, I.A.S.**  
Secretary to Government of India  
Ministry of Corporate Affairs  
5<sup>th</sup> Floor  
Shastri Bhawan  
Dr. Rajendra Prasad Road  
New Delhi - 110 001



Sir,

**Subject: Need for effective governance mechanism for CSR and introduction of CSR Audit/  
Review -Reg.**

Introduced by the Companies Act, 2013, the mandate of provisions of Corporate Social Responsibility (CSR) has been around for more than half a decade and these years have witnessed sea change in the 'corporate governance' and 'social responsibility' scenario ever since.

The provisions relating to CSR were brought in sensing the need for the companies to owe certain amount of responsibility towards the society and the environment. Though the compliance with the law in letter has been increasing every year, yet a lot has to be done to reap the intended benefits of this laudable provision.

To ensure that the companies comply with the provisions of Section 135 and rules made thereunder and genuinely spend the CSR amount on the eligible welfare projects, it is imperative to improve governance and transparency in CSR sphere.

Akin to other areas of corporate activity requiring compliance, need for a dedicated independent professional has been felt in the arena of social responsibility as well. Here, however, such a need is heightened considerably for the law itself is in the nascent stage and requires constant handholding for the corporates undertaking compliance of the same.

Undisputedly, independent professionals like Company Secretaries who possess requisite knowledge and skills can add tremendous value in this regard. On one hand, the Company Secretaries so appointed shall seek to **analyse the impact and efficiency of the projects undertaken under CSR mandate by corporates and also share their observations and findings with the Company in the form of a CSR Audit/Review report**, which may mandatorily be annexed with the Board report of the company to provide for greater accountability and assurance. On the other hand, Company Secretaries may be entrusted with the role of guide in understanding the law and its mandate and handhold such entities into enhancing the CSR governance.

An **independent CSR Audit/ Review and issue of CSR Audit/Review Report by the Company Secretaries in Practice** shall not only give the existing CSR mechanism much needed support and give necessary comfort to the stakeholders, regulators and the society at large that the companies are complying with the legal requirements but will also give authentic information about the utilisation of CSR funds by the companies in specified CSR activities.

**Vision**

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

**Motto**

सत्यं वद। धर्मं चर। इष्टार्थं कुरु। अर्थोऽपि नो भवेत्।  
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**Mission**

"To develop high calibre professionals facilitating good corporate governance"



The proposed coverage of the CSR Audit is placed at **Annexure 1**.

Sir, as you are kindly aware, Company Secretaries in Practice are eligible to conduct **Secretarial Audit** of prescribed class of companies in terms of provisions of Section 204 of the Companies Act, 2013. The scope of such Secretarial Audit includes reporting on the compliance of the Companies Act, 2013 and the rules made thereunder, and various other applicable SEBI regulations & other laws.

Also, certain companies are required to get a certificate from Company Secretaries in Practice on their annual return stating that the facts therein are correctly and adequately disclosed and the company has complied with all the provisions of the Companies Act, 2013. The course structure of Company Secretaryship is in line with the current industry and regulatory needs, and incorporates all aspects of the law relating to CSR.

We also wish to submit that ICSI has launched a three months certificate course, '**Certified CSR Professionals**'. The objectives of the CSR certificate course *inter alia* include undertaking capacity building of the candidates in CSR domain while also skilling them in CSR governance, its implementation and monitoring of CSR activities.

The **ICSI CSR Excellence Awards** instituted in 2016 too, is an attempt on the part of the Institute to promote CSR in the India Inc. by acknowledging and recognising their unique and extraordinary contribution in CSR, implementation of innovative practices in CSR. The ICSI is doing its best efforts to help the Government achieving the objectives.

In light of the above submissions; we request your good office to **consider introducing CSR Audit/Review**, as your good office may deem fit, to improve implementation of the provisions relating to CSR in letter as well as in spirit. Besides, this would help the Government in ensuring that the Companies genuinely and actually spend CSR funds on specified projects. This would go a long way in enhancing the accountability and transparency in CSR activities, and at the same time ensure reliability of CSR disclosures and monitoring of the CSR funds utilisation.

In view of their subject knowledge, skills, experience and the statutory recognition/s as such, the Company Secretaries in Practice are the best suited professionals for carrying out CSR Audit/Review and issuing CSR Audit/Review Report.

It is therefore most humbly submitted that the **Company Secretaries in Practice may be assigned the role and responsibility of carrying out CSR Audit/Review and issuing CSR Audit/Review Report**.

We request an opportunity to make a presentation before the High Level Committee on CSR to provide a better perspective in the context of the above representation.

Thanking you

Yours faithfully

(CS Ranjeet Pandey)  
President, The ICSI



Annexure 1

**Broad aspects to be covered under the proposed CSR Audit/Review**

1. Applicability of Section 135 of the Act on the company
2. Constitution of CSR Committee and its composition
3. CSR Policy of the Company and its coverage
4. Local area identification for implementing CSR activities
5. Proper need assessment while selecting the CSR activities in the local area
6. Focus areas for CSR activities as approved by the Board
7. Whether the CSR Policy has been hosted on the website of the Company
8. Number of meetings held by the CSR Committee and value addition made in the meetings
9. Analysis of the duties and responsibility of the CSR Committee and the extent they are fulfilled
10. Allocation of Funds by the Board and comparison of actual spent with the allocated amount and reasons for variation thereof
11. Percentage allocation of the funds to each of the focus area
12. In case CSR spent is routed through a trust then whether proper utilisation of the funds is achieved
13. Implementation schedule and the extent to which the same has been complied with
14. Activities undertaken by the Company for spending and whether the same fall under Schedule VII of the Act
15. Location of CSR Activities and site visit
16. Programme Reporting as to the Number of Programmes held and amount spent on such programme
17. Unspent amount of CSR allocation during the year and reasons for the same
18. Implementation Mechanism adopted by the company to achieve the desired results in the CSR activities
19. Evaluation mechanism of the CSR activities and their implementation mechanism
20. Proper documentation and reporting
21. Whether the Board has taken note of the CSR Committee activities from time to time
22. Whether Board's Report has disclosed the Composition of CSR Committee
23. In case of shortfall in CSR spending in the previous year whether the carried forward amount has been spent in the current year.