



**THE INSTITUTE OF
Company Secretaries of India**
IN PURSUIT OF PROFESSIONAL EXCELLENCE
Statutory body under an Act of Parliament

**DRAFT
GUIDANCE MANUAL
ON
QUALITY OF
AUDIT & ATTESTATION SERVICES**

Issued by

Quality Review Board

The Institute of Company Secretaries of India

GUIDANCE MANUAL ON QUALITY OF AUDIT & ATTESTATION SERVICES

(A referencer for Company Secretaries)

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Quality Review Board Institute of Company Secretaries of India

Quality Review Board

Introduction

The Company Secretaries Act, 1980 provides for the regulation of the profession of Company Secretaries in India. The Act was amended in the year 2006 and sections 29A to 29D were inserted making provision for the establishment of Quality Review Board (QRB). Accordingly, the Government of India, Ministry of Corporate Affairs, vide their notification no. S.O. 68 (E) dated 6th February, 2012 constituted QRB of the Institute of Company Secretaries of India for promoting "Quality" considerations in rendering various professional (both statutory and non-statutory) services by the Members of the Institute. Government of India, Ministry of Corporate Affairs, vide their notification no. G.S.R. 736 (E) dated 27th November, 2006 also notified the Company Secretaries Procedures of Meeting of Quality Review Board, and Terms and Conditions of Service and Allowance of Chairpersons and Members of the Board, Rules, 2006. The relevant legislations are given below:

The Company Secretaries (Amendment) Act, 2006

29A. Establishment of Quality Review Board. –

- (1) The Central Government shall, by notification, constitute a Quality Review Board consisting of a Chairperson and four other members.
- (2) The Chairperson and members of the Board shall be appointed from amongst the persons of eminence having experience in the field of law, economics, business, finance or accountancy.
- (3) Two members of the Board shall be nominated by the Council and other two members shall be nominated by the Central Government.

29B. Functions of Board. -The Board shall perform the following functions, namely:—

- (a) to make recommendations to the Council with regard to the quality of services provided by the members of the Institute;
- (b) to review the quality of services provided by the members of the Institute including secretarial Audit services; and
- (c) to guide the members of the Institute to improve the quality of services and adherence to the various statutory and other regulatory requirements.

29C. Procedure of Board. -The Board shall meet at such time and place and follow in its meetings such procedure as may be specified.

29D. Terms and conditions of service of Chairperson and members of Board and its expenditure. –

- (1) The terms and conditions of service of the Chairperson and the members of the Board, and their allowances shall be such as may be specified.
- (2) The expenditure of the Board shall be borne by the Council.

Chapter 1 :

Objectives, Scope & Expressions

Objectives

1. This Guidance Manual on Quality of Audit and Attestation Services by Company Secretaries deals with a firm's responsibilities for its system of quality control for audits and reviews and other assurance and related services engagements. This Manual is to be read in conjunction with the requirements of the Company Secretaries Act, 1980 Regulations made thereunder, the Code of Conduct and other relevant guidelines of the Institute.
2. The objective of the firm is to establish and maintain a system of quality control to provide it with reasonable assurance that (a) the firm and its personnel comply with the technical/professional standards and applicable legal and regulatory requirements; and (b) the reports or certificates issued by the firm or engagement partners are appropriate in the circumstances.
3. A system of quality control consists of policies designed to achieve the objective set out in paragraph 2 and the procedures necessary to implement and monitor compliance with those policies.
4. The objective of this Manual is to guide the Company Secretaries to establish policies, procedures & systems to maintain the highest standards of quality in the assignments undertaken by them.

Scope

5. This Manual applies to all firms of Company Secretaries in respect of audits and reviews and other assurance and related services engagements.
6. Apart from this Manual, in undertaking any audit or certification assignment, a firm should ensure that all statements / compilations conform to the technical standards of ICSI and other legal requirement, to the extent they have come into force and are applicable for reporting.
7. The nature and extent of firm's quality control policies and procedures to comply with this Manual will depend on a number of factors such as the size and nature of its practice, operating characteristics, geographic dispersion, organization and whether it is part of a network. Accordingly, the policies and procedures adopted by individual firms vary, so also the extent of their documentation.
8. This Manual contains the objective of the firm and requirements designed to enable the firm to meet the stated objectives. In addition, it contains related guidance in the form of application and other explanatory material, and introductory material that provides context relevant to a proper understanding of the manual, and definitions.

Expressions

9. In this Manual, the following terms have the meanings attributed below:
- i. **Applicable Laws:** There are a number of legislations applicable to Companies generally. Company Secretary of a Company Shall take declaration from its Board of Director of Company that such specific laws are applicable illustrative list of Applicable Laws is placed as Annexure 1.
 - ii. **Audit** – the expression of audit wherever used includes, audit of secretarial records under Companies Act, 1956 or the Companies Act, 2013 and Rules thereunder or any other statute or any other audit or certification or any such professional work which a Company Secretary in practice or a firm of Company Secretaries is competent to carry out. (Examples of such audit are secretarial audit, VAT audit, stock broker’s audit, internal audit etc.)
 - iii. **Auditor’s report** – means audit report issued in connection with the audit conducted by the Company Secretary and includes a report or certificate made under any other statute.
 - iv. **Audit risks** – means the risk that the auditor expresses an inappropriate audit opinion that are materially mis-stated.
 - v. **Auditee** – means a company or any other legal entity for which audit / certification is carried out by a Company Secretary in practice or by a firm of Company Secretaries.
 - vi. **Auditor** – means a Company Secretary in practice or a firm of Company Secretaries, appointed or under any other statute for carrying out audit/certification.
 - vii. **Engagement Documentation** – means the record of work performed, results obtained, and conclusions the Company Secretary in practice of firm of Company Secretaries reached, including the working papers. The documentation for a specific engagement is assembled in an engagement file.
 - viii. **Engagement Partner** – means the partner or other person in the firm who is a member of the Institute of Company Secretaries of India and is in full time practice and is responsible for the engagement and its performance, and for the report that is issued on behalf of the firm, and who, where required, has the appropriate authority from a professional, legal or regulatory body.
 - ix. **Engagement Quality Control Review** – means a process designed to provide an objective evaluation, before the report is issued, of the significant judgments the engagement team made and the conclusions they reached in formulating the report.
 - x. **Engagement Team** – means all personnel performing an engagement, including any experts contracted by the firm in connection with that engagement.
 - xi. **Firm** – means a sole practitioner, partnership or any other entity of professional Company Secretaries as may be permitted by law and constituted under The Company Secretaries Act , 1980 & Regulations made thereunder.

- xii. Network firm – means a firm under the common ownership, management or control.
- xiii. Partner – means any individual with authority to bind the firm with respect to the performance of a professional services engagement.
- xiv. Personnel – means all partners and other staff or experts employed by the firm.
- xv. Professional Standards – means standards, guidance notes, guidelines issued from time-to-time, by the Institute of Company Secretaries of India.
- xvi. Quality Assurance – means the process established to ensure that requisite controls are in place, properly implemented, monitored; and potential ways of strengthening, improving and enlarging the controls.
- xvii. Quality Control – means and covers the policies, procedures and systems to assure that it renders professional services consistently of high quality.
- xviii. Staff – means professionals, other than partners, and including any experts which the firm employs.

Chapter 2

Quality Control Systems

10. The firm's system of quality control shall include policies and procedures which will address the following :

(a) Quality Control Elements within the firm

- (i) Leadership responsibilities
- (ii) Ethical requirements
- (iii) Human Resources: Requirements, Training & Development
- (iv) Performance Evaluation
- (v) Monitoring

(b) Quality with respect to Customer & Customer Relationship

- (i) Acceptance and continuation of client relationship and specific assignments
- (ii) Integrity of client and ethical requirements on the part of the firm
- (iii) Assignment of human resources for engagement performance
- (iv) Assignment of Engagement Partners

Quality Control Elements within the Firm

Leadership Responsibilities

- 11. The firm should assign responsibility for each assignment to one of its partners or the team leader who shall be responsible for overall quality of such assignment.
- 12. The proprietor of the entity/partners of the firm shall be responsible for quality maintenance and quality improvement of which recommended features are:
 - a) Communication of the quality control policies and procedures to all team members / relevant personnel. The methods for communication, scope and frequency thereof should be established.
 - b) Establishing a process that encourages personnel to communicate their views or concerns on quality control matters.
 - c) Clearly establishing responsibilities of the proprietor of the entity / partners of the firm and other senior personnel for quality control.
 - d) Promotion of an internal culture of quality and provision of related practical guidance including coverage in professional development programs.

- e) Demonstration of firm's overriding commitment to quality, above commercial considerations through the firm's policies and procedures.
 - f) Addressing performance evaluation, compensation and promotion; and devotion of sufficient resources for the development, documentation and support of quality control policies and procedures.
 - g) Ensuring possession of appropriate qualifications, experience, ability and authority of those to whom responsibilities for quality control and performance are assigned.
13. In order to ensure and achieve above quality parameters, it is necessary to set a procedure for documentation, which will cover the following areas –
- a) Documenting quality control policies and procedures of the firm and its circulation to all relevant personnel.
 - b) Documenting & circulating policies & procedures whereby individual employees/personnel can communicate their views or concerns on quality control matters.
 - c) Documenting responsibilities of the Partner and other senior personnel for quality control and circulation among concerned personnel and Governing Board of the firm.
 - d) Documenting and circulating relevant practical guidance (including coverage in professional development programs) for quality control.
 - e) Documenting the firm's requirement of appropriate qualifications, experience, ability and authority of those to whom responsibilities for quality controls and performance are assigned.
14. The firm shall keep and preserve the above documents for prescribed period (unless prescribed by any statute, rules or authority, the firm shall decide and document the period of preservation which should not be less than three years). However, putting those policy documents in public domain is optional.

Ethical Requirements

15. The firm, its partner or the team leader responsible for the assignment should ensure whether members of the audit team have complied with relevant ethical requirements.
16. It is recommended that ethical requirements may be fulfilled by the following:

- a) Methods and processes for establishing, promoting, and monitoring ethical conduct among all personnel.
- b) Policies and procedures to identify non-compliance with ethical requirements and to document both the issues identified and how they were resolved.

17. Ethical requirements include:

- (a) Independence;
- (b) Integrity;
- (c) Objectivity;
- (d) Professional competence and due care;
- (e) Confidentiality;
- (f) Professional conduct; and
- (g) Technical standards

18. The firm, its partner or the team leader responsible for the assignment should assess the independence requirements which apply an assignment. In this regard, the independence policy issues are:

- a) Policies and procedures should be in place to provide reasonable assurance that the firm, its personnel and, where applicable, others subject to independence requirements, maintain independence where required to do so.
- b) Communication to, and education of, partners and professional staff, including non-audit personnel, to ensure that they understand the independence policies that relate to their activities.
- c) Policies and procedures to identify and evaluate circumstances and relationships that create threats to independence so that appropriate action may be taken to eliminate or reduce the threat to an acceptable level by applying safeguards or, if considered appropriate, by withdrawing from the engagement.
- d) Policies and procedures required to ensure compliance with the auditor's independence requirements of the relevant laws & rules.
- e) Requirements for engagement partners to provide the firm with relevant information about client engagements, including the scope of services, to enable it to evaluate the overall impact, if any, on independence requirements of accepting or continuing with an engagement.
- f) Requirements for the engagement partner to obtain information, consider breaches if any of the firm's independence policies, take appropriate action and document conclusions on compliance with independence requirements that apply to the audit engagement.

- g) Requirements for personnel to promptly notify the firm of circumstances and relationships that creates a threat to independence so that appropriate action may be taken.
- h) Maintenance of adequate records to identify, communicate, and monitor compliance with, specific independence requirements (e.g., prohibited investment lists) so that appropriate action can be taken regarding identified threats to independence.
- i) Policies and procedures to provide the firm with reasonable assurance that it is notified of breaches of independence requirements so that it may take appropriate action to resolve such situations.
- j) Periodic written (or electronic) confirmation (at least annually) of compliance with firm policies on independence by all personnel required to be independent.
- k) Processes in place to evaluate the appropriateness of undertaking non-assurance services for audit clients.
- l) Policies and procedures to reduce the familiarity threat including rotation of individuals with a significant role in a listed company audit engagement and limitations on employment of former partners, directors or lead auditors by audit clients or their related companies.
- m) Policies concerning fees and pricing (including fees that constitute a significant proportion of the firm's fees, overdue fees and pricing in proposals).
- n) Disciplinary procedures regarding non-compliance with independence policies and procedures.
- o) Policies when there is actual or threatened litigation between the firm and an auditee.
- p) Policies and practices when independence is determined to be impaired including reporting to any regulatory authority where required.
- q) Policies and procedures regarding communication with the audit committee of an auditee including provision of information to the client company allowing adequate disclosure of non-audit services in the director's report or any other document for disclosure.

Familiarity Threat

19. A familiarity threat arises when, by virtue of a close or long-term relationship with a client, its directors, officers or employees, the firm or person on an engagement team may become too sympathetic to the client's interests compromising the independence of the auditor/firm.
20. Rotation requirement - deploying the same principal auditor on an audit or assignments from the firm over a prolonged period of time may create a familiarity threat. This threat is particularly relevant in the context of the

audit/assignments of listed entities and safeguards should be applied in such circumstances to reduce such threat to an acceptable level.

Integrity

21. While carrying out the assignments, firm should ascertain the integrity aspects of the client. This is particularly applicable in case of new clients though such periodical assessment may also be carried in case of existing clients.
22. Integrity is associated with soundness or moral principles and character in dealings with others. For assessing and evaluating the integrity the following aspects of the client may be considered
 - a) The identity, business reputation and attitude of the owners and key management personnel and related parties.
 - b) The nature of the client's operations, including its business practices.
 - c) Attitude of the management towards compliance of various statutory requirements including implementation of Secretarial Standards, the internal control systems, internal audit etc.
 - d) Limitations suggested / imposed on the scope of work.
 - e) The reasons for the proposed appointment of the firm and non reappointment of the previous firm.

Objectivity

23. The test of objectivity shall be whether the audit was carried out in an impartial and fair manner without favor or prejudice. The auditor should base his assessment and opinion purely on facts, evidences, sound analysis and judgement.

Professional Competence and Due Care

24. Firm should take due care in reporting and authenticating documents and statements applying his professional skills and maintaining objectivity and integrity. While exercising due care and reflecting professional competence, firm should possess:
 - a) an understanding of Secretarial Standards applicable to fulfill the responsibilities;
 - b) special skills (for example, industry specific knowledge) necessary to perform the work on the non- financial information of the particular component; and
 - c) an understanding of the applicable cost/financial reporting framework that is sufficient to fulfill the responsibilities

Confidentiality

25. Confidentiality is the spirit of company secretarial profession and as a professional, complete confidentiality of information obtained during assignment is the basic requirement.

26. Relevant ethical requirements establish an obligation for the firm's personnel to observe at all times the confidentiality of information contained in engagement documentation, unless specific client authority has been given to disclose information, or there is a legal or professional duty to do so.

Professional Conduct

27. Company Secretaries are looked upon as trustworthy guardians caring for consumer protection, investor protection, guides to corporate world in secretarial leadership. As corollary their professional conduct must also be illustrative and above board.
28. The members of the Institute of Company Secretaries of India are bound by a code of conduct. This code stipulates and binds Company Secretaries to the highest level of care, duty and responsibility to their employers and clients, the public and their fellow professionals.

Technical Standards

29. The firm should be fully conversant with various pronouncements by the regulatory bodies and should keep updated with the technical standards which may be prescribed from time to time.

Human Resources: Requirements, Training & Development

30. In case of a professional firm, human resources are the prime assets responsible for success or failure of the firm. The constitution of the team and members which make the team is the major determinant in rendering the quality of professional services and hence, this element is dealt with in a separate chapter.

Performance Evaluation

31. Performance Evaluation is necessary for developing and maintaining competence and commitment to ethical principles which include;
- a) Making personnel aware of the Firm's expectations regarding performance;
 - b) Providing personnel with evaluation of performance;
 - c) Helping personnel understand that advancement to provisions of greater responsibility depends, among other things, upon performance quality; and
 - d) Explaining personnel in clear terms that the failure to comply with the firm's policies and procedures may result in disciplinary action.
32. In order to evaluate the performance, maintenance of the documents, containing following aspects is recommended:
- a) Overall quality on each assignment and the responsibility of the engagement partner.
 - b) Engagement quality and consistency through use of Manuals and/or software tools or other forms of standardized documentation and industry or subject matter-specific guidance.

- c) Supervision, quality control and documentation of work during the engagement.
- d) Review by more experienced personnel, including the engagement partner, of work performed by less experienced team members prior to issuing the report.
- e) Policies and procedures for the assembly of final engagement files on a timely basis after the engagement reports have been finalised.

Monitoring

- 33. Monitoring refers to a process which is an ongoing exercise for evaluation of firm's quality control systems which also includes periodic inspection of completed assignments on sample basis to provide the firm with reasonable assurance that its quality control systems are operating effectively.
- 34. A firm has to monitor its personnel, performance procedures, system for reporting and so on as an ongoing exercise. Certain areas for monitoring operations are identified as under –

Monitoring issues for Professional Development

- a) Monitor continuing professional education programs and maintain appropriate records, both on a firm and on an individual basis.
- b) Review periodically the records of participation by personnel to determine compliance with firm's requirements.
- c) Review periodically evaluation reports and other records prepared for continuing education programs to evaluate whether the programs are being presented effectively and are accomplishing firm's objectives.
- d) Consider the need for new programs and for revision or elimination of ineffective programs.

Monitoring of Employees and Performance Procedures

- a) Define the scope and content of the firm's monitoring program.
- b) Determine the monitoring procedures necessary to provide reasonable assurance that the firm's other quality control policies and procedures are operating effectively.
- c) Determine objectives and prepare instructions and review programs for use in conducting monitoring activities.
- d) Provide guidelines for the extent of work and criteria for selection of engagements for review.
- e) Establish the frequency and timing of monitoring activities.
- f) Establish procedures to resolve disagreements which may arise between reviewers and engagement or management personnel.

35. **Establish levels of competence etc.** for personnel to participate in monitoring activities and the method of their selection. The relevant issues:

- a) Determine criteria for selecting monitoring personnel, including levels of responsibility in the firm and requirements for specialised knowledge.
- b) Assign responsibility for selecting monitoring personnel.
- c) Conduct monitoring activities.
- d) Review and test compliance with the firm's general quality control policies and procedures.
- e) Review selected engagements for compliance with professional standards and with the firm's quality control policies and procedures.

Reporting & Corrective Measures

36. Provide for reporting the firm's findings to the appropriate management levels, for monitoring actions taken or planned, and for overall review of the firm's quality control system. The steps are:

- a) Discuss general findings with appropriate management personnel.
- b) Discuss findings on selected engagements with engagement management personnel.
- c) Report both, general and selected engagement findings and recommendations to firm's Management together with corrective actions taken or planned.
- d) Determine that planned corrective actions were taken.
- e) Determine need for modification of quality control policies and procedures in view of results of monitoring activities and other relevant matters.

Quality with respect to Customer & Customer Relationship Acceptance & continuation of client relationship and specific assignments

37. A firm shall establish policies and procedures for the acceptance and continuance of client relationships and specific engagements which will provide reasonable assurance to the firm that it will undertake or continue relationship with client only when it satisfies the following tests

- a) The firm has competence, capability, time & resources to carry out the assignment.
- b) The firm complies with the relevant ethical requirements.
- c) The firm has considered the integrity of the client and ensured the same at an acceptable level.

38. The firm should establish procedures for evaluation of prospective clients and for their approval as clients. Evaluation procedures could include the following:

- a) Obtain and review available secretarial records annual reports, annual return, minutes book and ROC returns, regarding prospective client.
- b) Enquire from third parties as to any information regarding the prospective client and its management and principals which may have a bearing on evaluating the prospective client. Enquiries may be directed to the prospective client's bankers, legal advisers, investment bankers, and the financial or business community who may have such knowledge.
- c) Communicate with the outgoing Company Secretary. Request in writing if there are any unusual circumstances surrounding the proposed change which the firm should be aware of, so that it may determine whether it should accept nomination.
- d) Consider circumstances which would cause the firm to regard the engagement as one requiring special attention or presenting unusual risks.
- e) Evaluate the firm's independence and ability to serve the prospective client. In evaluating the firm's ability, consider needs for technical skills, knowledge of the industry and personnel.
- f) Determine that acceptance of the client would not violate the Code of Professional Ethics applicable to the firm, its partners and staff.

Evaluating Client Information

- 39. Designate an individual or group, at appropriate management levels, to evaluate the information obtained regarding the prospective client and to make the acceptance decision.
- 40. Evaluate clients upon the occurrence of specified events to determine whether the relationships ought to be continued. Events specified for this purpose could include:
 - a) the expiration of a time period;
 - b) a major change in one or more of the following
 - (i) Management
 - (ii) Directors
 - (iii) Ownership
 - (iv) Legal Advisers
 - (v) Financial condition
 - (vi) Litigation status
 - (vii) Scope of the engagement
 - (viii) Nature of the client's business; and
 - c) the existence of conditions which would have caused the firm to reject a client had such conditions existed at the time of the initial acceptance.

Preconditions of accepting/continuing any professional engagement

- 41. Prior to acceptance of any engagement, the firm, in order to establish whether the

preconditions for a professional assignment are present, shall:

(a) Determine whether the reporting framework to be applied in the preparation, audit, review of the secretarial/ non-financial statements is acceptable; and

(b) Obtain the agreement of management that it acknowledges and understands its responsibility:

(i) For the preparation of the secretarial/ non-financial statements in accordance with the applicable reporting framework, including where relevant their fair presentation;

(ii) For such internal control/systems/procedure as management determines is necessary to enable the preparation of secretarial/ non-financial statements that are free from material misstatement, whether due to fraud or error; and

(iii) To provide the firm with:

a. Access to all information of which management is aware that is relevant to the preparation/audit/review etc. of the secretarial/ non-financial statements such as records, documentation and other matters;

b. Additional information that the firm may request from management for the relevant purpose; and

c. Unrestricted access to persons within the entity from whom the auditor determines it necessary to obtain audit evidence.

Limitation on Scope Prior to Engagement Acceptance

42. If management or those charged with governance impose a limitation on the scope of the auditor's work in the terms of a proposed audit engagement such that the auditor believes the limitation will result in the auditor disclaiming an opinion on the Secretarial/non-financial statements, the auditor shall not accept such a limited engagement as an audit engagement, unless required by law or regulation to do so.

Other factors affecting Engagement Acceptance

43. If the preconditions for an audit/professional assignment are not present, the auditor shall discuss the matter with management. Unless required by law or regulation to do so, the auditor shall not accept the proposed audit engagement:

(a) If the auditor assesses that the reporting framework to be applied in the preparation of the secretarial/non-financial statements is unacceptable, or

(b) If the agreement has not been concluded.

Agreement on Engagement Terms

44. The Firm shall agree upon the terms of engagement with the management or those charged with governance, as appropriate. The agreed terms of the

engagement shall be recorded in an engagement letter or other suitable form of written agreement and shall include:

- (a) The objective and scope of engagement;
- (b) The responsibilities of the firm;
- (c) The responsibilities of management;
- (d) Identification of the applicable financial reporting framework; and
- (e) Reference to the expected form and content of any reports and a statement that there may be circumstances in which a report may differ from its expected form and content.

45. If law or regulation prescribes in sufficient detail the terms of the engagement referred to above, the firm need not record them in a written agreement, except for the fact that such law or regulation applies and that management acknowledges and understands its responsibilities.

46. Decision to accept or continue any professional engagement and the need for disclosure of any content of the report or view of the individual firm, to appropriate authorities other than the clients (Regulator, Government or other authorities), if any, shall be based on above considerations subject to paragraphs 41 & 42 above.

Criteria for declining, and withdrawing from an Engagement

47. Based on the evaluation of client information and the following factors, the firm will determine and document the boundary conditions beyond which it would be prudent to decline, or withdraw from an engagement:

- a) Client's status/information that is likely to impact adversely on the independence of the firm.
- b) Ability of the firm to provide appropriate service to the client, considering needs for technical skills, knowledge of the industry and personnel.
- c) Consider circumstances which would cause the firm to regard the engagement as one requiring special attention or presenting unusual risks.

Integrity of client and ethical requirements on the part of the firm

48. In this context, the following policies and procedures are needed:

- a) Procedures for the validation of the integrity and reputation of the client or potential client, including key members of management and those charged with governance.
- b) Procedures to determine the competence of the firm or practitioner to perform the engagement and availability of resources and adequate time to do so.
- c) Ability to meet the ethical and independence requirements.
- d) Policies and procedures where information is obtained subsequent to an

engagement acceptance or continuation which, if the information had been obtained earlier, would have caused the engagement to be declined.

Assignment of human resources for engagement performance

49. The following policies and procedures need to be established in this context:

- a) Policies and procedures for assigning the responsibility for each engagement to an engagement partner and communicating this information to client management and those charged with governance.
- b) Policies and procedures regarding engagement partner capability, competence and authority.
- c) Policies and procedures regarding assigning appropriate staff with the necessary capabilities, competence and time to perform engagements.

Assignment of Engagement Partners -Policies & Procedures

- a) Establish policies and procedures for assigning the responsibility for each engagement to an engagement partner and communicating this information to client management and those charged with governance.
- b) Policies and procedures regarding engagement partner capability, competence and authority.

Chapter 3

Quality of Audit/Attestation Services and Professional Firm

Quality of an Audit

50. The quality of an audit/attestation services can be judged on the following parameters

- a) Significance – the size of the auditee and impact of its business on the public and society at large decides the importance of the matter that was examined in the process.
- b) Reliability – when observations, findings, conclusions and recommendations reflect truly the prevailing conditions with reference to matter under examination, it stands the test of reliability.
- c) Objectivity – denotes unbiased and impartial approach which is just and not influenced by emotions or personal prejudices.
- d) Scope – refers to area and coverage of audit plan with essential elements and whether it was satisfactorily covered during the process.
- e) Timeliness – whether time frame as per the plan is adhered to. The timeliness may be with reference to statutory date schedules or as per the agreement of engagement.
- f) Clarity – the observations and findings in the report need to be presented in a manner free from indistinctness or ambiguity. The report should have clarity or lucidity as to perception or understanding. The observations and recommendations should be easily understandable by the recipient and the user of the report who may not be proficient in the subject matter.
- g) Efficiency – whether the team had the requisite knowledge and expertise to handle the subject matter.
- h) Effectiveness – refers to the acceptance of the observations/ recommendations by the recipient of the report whether by the company or Govt. Departments or the stakeholders of the business or the public at large.
- i) Suggestions – the report should also include the suggestions with a view of adding value to client's activities wherever possible

Quality of a Professional Firm

51. The quality of the professional firm is also dependant on the following characteristics:

- (a) Integrity;
- (b) Objectivity;

(c) Professional competence and due care;

(d) Confidentiality; and

(e) Professional judgment – Capacity & capability of exercising a sound professional judgment is an inherent requirement for quality conduct of an audit. An Auditor has to interpret and to take decisions based on his knowledge and experience surrounding the facts and circumstances of an issue. An auditor has to exercise his judgment as to the audit risks involved, sufficiency and adequacy of the audit evidences collected, management's approach and integrity and so on. The degree of professional judgment also depends upon the auditor's competence, expertise, professional qualifications, aptitude and level in the hierarchy.

(f) Establishment of quality control processes -A system of quality control consists of policies designed to achieve the objective set out and the procedures necessary to implement and monitor compliance with the designed policies. Quality control processes should be carried out in a prescribed way and be documented. These processes may be supported by questionnaires and checklists in prescribed forms. The audit team should follow the quality control procedures suitable to the audit object.

(g) A firm should establish a system of quality control so as to provide it with reasonable assurance that the firm and its audit team comply with professional standards and regulatory and other legal requirements.

(h) The firm, its partner or the team leader shall be responsible for directions, supervision and performance including quality control review of the assignment. This review consists of objective evaluation of the judgments made by the audit team and conclusions reached in formulating the auditor's report.

Direction includes information to team members as regards their responsibilities and objectives of the processes they perform. Team member should also be informed of the nature of the entity's business and the possible issues that may arise during the course of audit. Supervision involves monitoring the progress of the audit and to ensure that the work is being carried out as per the overall audit plan and audit program.

(i) The firm, its partner or the team leader should promote an internal culture for quality and impress on the team members that quality is essential in performing any audit assignment.

(j) The performance evaluation including compensation and promotion of the team members may also be based on observance of evaluation of quality parameters set by the firm.

(k) At no cost, commercial considerations should override the quality perspectives of an assignment.

(l) The development of quality culture within the firm can be done by organizing training seminars, meetings, formal or informal dialogue, mission statements, newsletters, or briefing memoranda etc.

Chapter 4

Peer Review

The dictionary meaning of the term “peer” is, a person of the same legal status or a person who is equal to another in abilities, qualifications, age, background, etc. “Review” means to look back upon (a period of time, sequence of events, etc.) Thus, “peer review” is a self improvement process and is a method of evaluation of a person’s work or performance by a group of people in the same occupation, profession, or industry.

Professional peer review

52. Professional peer review focuses on the performance of professionals, with a view to improving quality, upholding standards, or providing certification. Professional peer review activity is widespread in the field of accounting, law, engineering (e.g., software peer review, technical peer review), aviation, and even forest fire management. In academia, peer review is common in decisions related to faculty advancement and tenure.

Peer review for Company Secretaries

53. Peer review contemplates examination of the systems and approach of a Practice Unit (PU) by another member of the Institute with the objective of identifying the areas, where the practising member may require guidance in improving the quality of his performance and adherence to the requirements of various technical standards.

The focus lies on the promotion of continuing quality improvement in an atmosphere of openness and mutual trust that contributes to enhancing transparency and comparability. Good practice is valued and mutual learning encouraged in a dynamic and motivating process, from which both the PU and Reviewer can benefit.

Authority for Peer Review

54. The Council of the Institute of Company Secretaries of India is constituted under the Company Secretaries Act, 1980 for discharging the functions assigned to the Institute under the Act. Section 15 of the Act provides that “the duties of carrying out the provisions of this Act shall be vested in the Council” and enumerates various duties of the Council. With a view to regulate the profession of Company Secretaries and in terms of the powers vested, the Council has issued guidelines for Peer Review of Attestation Services by Practising Company Secretaries. The said guidelines serve as a mechanism intended to further enhance the quality of professional work of Practising Company Secretaries (PCS) over a period of time, thereby ensuring that the profession of Company Secretaries continues to serve the society in the manner envisaged.

The Guidelines on Peer Review are issued in relation to conduct of members in attestation services:

- to promulgate an appropriate mechanism for ensuring the quality of attestation services and guide the members to conduct themselves in a manner that the Council considers appropriate;

- to provide guidance in relation to the statutory powers and obligations with respect to the parties involved in peer review;
- to prescribe the scope of peer review and the procedures to be adopted during the conduct of a peer review; and
- to establish the expected conduct of members during a peer review.

Objectives of Peer Review

55. The main objective of Peer Review is to ensure that in carrying out their Services, the PCS has complied with the Technical Standards laid down by the Institute and has in place proper systems (including documentation systems) for maintaining the quality of the Services/ work they provide. The Council has specified the Technical Standards in relation to which peer review is to be carried out in the guidelines for Peer Review of Attestation Services by Practising Company Secretaries. Peer Review does not seek to redefine the scope and authority of the Technical Standards specified by the Council but seeks to enforce them within the parameters prescribed by the Technical Standards.

Peer Review is directed towards maintenance as well as enhancement of quality of attestation services and to provide guidance to members to improve their performance and adhere to various statutory and other regulatory requirements. Essentially, through a review of attestation services engagement records, peer review identifies the areas where a practising member may require guidance in improving the quality of his performance and adherence to various requirements as per applicable Technical Standards and regulatory requirements.

Benefits of Peer Review

56. There are significant benefits which a Practice Unit will obtain in undergoing a Peer Review. These may be summarised below:
- i. A successful Peer Review will provide comfort to the P.U. that he has adhered to various statutory, documentary and other regulatory requirements.
 - ii. If deficiencies are noticed and corrective measures suggested, the P.U. will have an opportunity to correct the deficiencies and thereby enhance his professional competence.
 - iii. If a Peer Review Certificate is issued in favour of the P.U. it enhances his credibility in the eyes of the general public.
 - iv. Since a Chinese Wall exists between the Peer Review Process and the Disciplinary Proceedings, the P.U. will benefit from Peer Review without any apprehension of any disciplinary proceedings being initiated against him for any deficiencies noticed on his part.
 - v. Clients of the P.U. will benefit from knowing that their P.U. is periodically reviewed by the ICSI.

Scope of Peer Review

57. Peer review is directed at the attestation services of a practice unit (PU).

In the first stage , the following attestation services will be covered:

(i) Signing of Annual Return pursuant to proviso to sub-section (1) of section 161 of the Companies Act, 1956.

(ii) Issuance of Compliance Certificate pursuant to proviso to subsection (1) of section 383A of the Companies Act, 1956.

(iii) Issuance of Certificate of Securities Transfers in Compliance with the Listing Agreement with Stock Exchanges.

(iv) Certificate of reconciliation of capital, updation of Register of Members, etc. as per the Securities & Exchange Board of India's Circular D & CC/Cir-16/2002 dated December 31, 2002.

(v) Conduct of Internal Audit of Operations of the Depository Participants.

(vi) Certification under Clause 49 of the Listing Agreement.

Since law is a dynamic subject, situations may arise whereby regulatory prescriptions may necessitate certification in other areas also in due course. The Council and the Peer Review Board may include other attestation services under the scope of Peer Review from time to time.

Peer Review Process

58. Once a practice unit is selected for review, its attestation engagement records pertaining to the immediately preceding financial year shall be subjected to review. Any records of attestation services relating to five years prior to the said preceding financial year shall not be subjected to review.

The Review shall focus on:

(i) Compliance with Technical Standards.

(ii) Quality of Reporting or Attestation services.

(iii) Office systems and procedures with regard to compliance of services including appropriate infrastructure.

(iv) Training and capacity building Programs for staff (particularly, the Apprentice Trainees) Applicability of the Guidelines on Peer Review

The guidelines on Peer Review shall apply to all or any of the following cases:

(a) Whenever a peer review is mandated

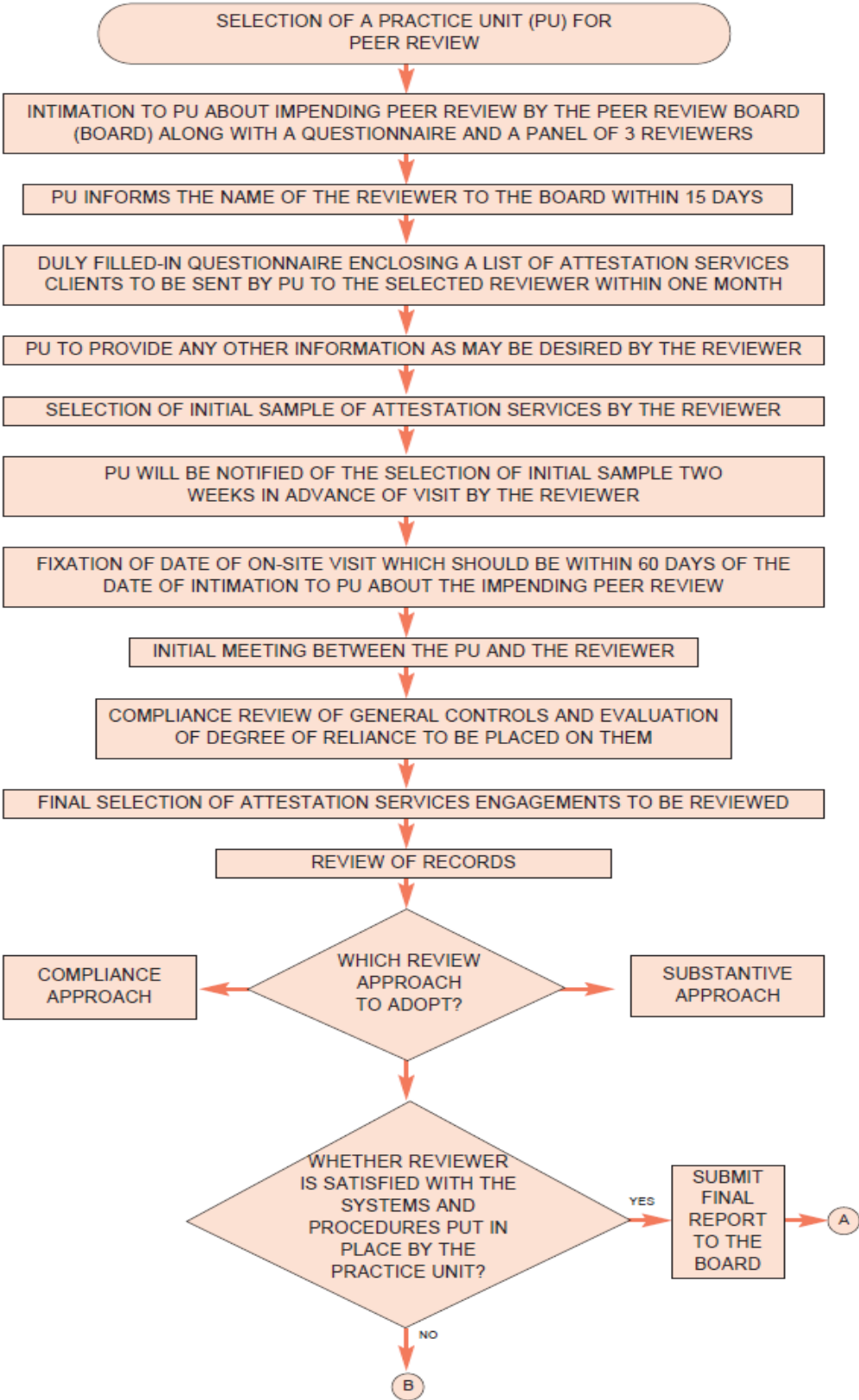
(b) Whenever a peer review is requested

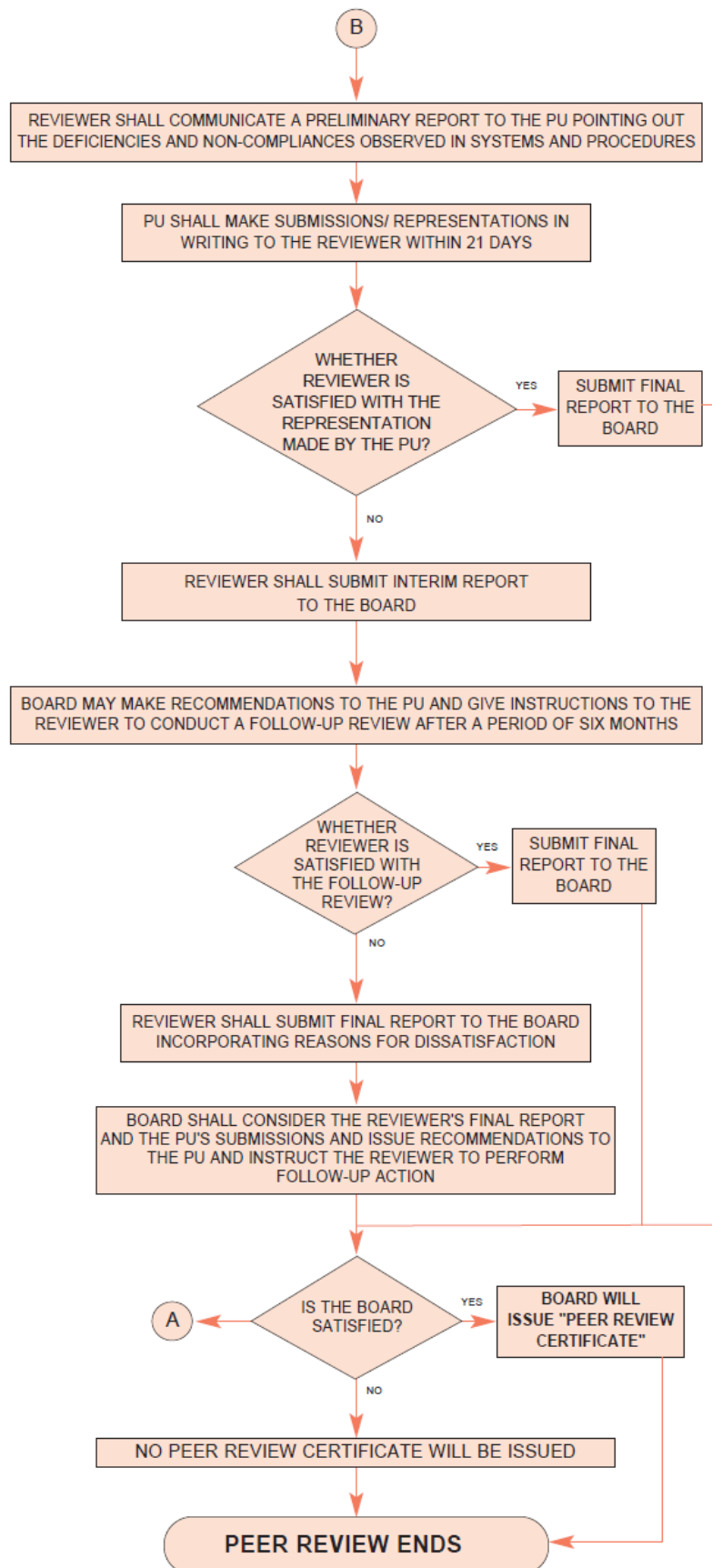
(c) Whenever a peer review is conducted.

A Peer Review is said to be mandated when the Council of the Institute or any legislative amendment to law requires a Peer Review to be conducted. A Peer Review is said to be requested when a Practice Unit (PU) requests the Peer Review Board to have itself Peer Reviewed on a voluntary basis. A Peer Review is said to be conducted when a Peer Review is undertaken based on random selection initiated by the Peer Review Board.

The entire peer review process has been explained with the help of a following flow chart: -

FLOW CHART EXPLAINING THE PEER REVIEW PROCESS





Chapter 5

Human Resources

59. The quality of Human Resources plays the most significant role in providing and assuring quality in professional services by a firm of professional cost accountants. An excellence in quality services can only be achieved if there are corresponding excellent personnel.
60. To achieve standard of excellence in the professional assignment requires competent audit team and effective quality controls at all stages in the audit process. A firm should create an environment to maintain consistently high quality and aim at continuous improvement in the effectiveness and quality of services it renders. For this, a firm requires dedicated and devoted Audit Team.
61. The firm should continuously assess its manpower requirement at various levels, with different skills sets. Understaffing may be economic in the short term but will prove to be costlier in the long run. Similarly, overstaffing should also be avoided which has inherent limitations like calling for inefficiencies, wastage of resources, disturbance to other employees and organization and on top of all a high cost structure for a firm and consequently for the auditee. It endangers the professional opportunities of the firm in terms of loss of clientele. The firm should have adequate staff to handle the assignments effectively keeping in mind the growth requirement of the firm.
62. The firm should establish policies and procedures to ensure that it has adequate, competent and human resources committed to ethical standards to perform audit assignments with adherence to professional standards and within the limits of Legal and Regularity requirements which will enable the firm to issue reports which are valuable to the client and appropriate to the audit assignment.
63. For fulfilling the human resource objectives following are recommended:
 - a) Policies and procedures to provide the firm with reasonable assurance that it has sufficient personnel with the capabilities, competence and commitment to ethical principles to perform its engagements.
 - b) Policies and procedures addressing the following: Recruitment, Performance evaluation, Capabilities, Competence, Career development, Promotion, Compensation and Estimation of personnel needs.
 - c) Policies and procedures regarding professional development, education and training, including: Course coverage of all necessary skills for the performance of audits, including ethical standards and industry expertise; Regular assessment of professional development needs and assignment of personnel to courses accordingly; Evaluation of participants and of instructors; Maintenance of attendance records; Follow-up and consequences of non-attendance; Professional development record for each partner and employee, including evaluations.
 - d) Disciplinary procedures regarding non-compliance with firm policies and procedures

65. Personnel issues relating to human resources include the following:

- (a) Recruitment
- (b) Training & Education
- (c) Performance evaluation
- (d) Career development in the context of capabilities & competence

Recruitment

Recruitment Program Objective

66. The recruitment program objectives of a firm are:

- a) Maintain a program designed to obtain qualified personnel by planning for personnel needs, establishing hiring objectives, and setting qualifications for those involved in the hiring function.
- b) Plan for the firm's personnel needs at all levels and establish quantified hiring objectives based on current clientele, anticipated growth, and retirement.

Design Hiring Program

67. Design a program to achieve hiring objectives which provides for:

- a) Identification of sources of potential candidates.
- b) Methods of contact with potential candidates.
- c) Methods of specific identification of potential candidates.
- d) Methods of attracting potential candidates and informing them about the firm.
- e) Methods of evaluating and selecting potential hirees for extension of employment offers.
- f) Inform those persons involved in hiring as to the firm's personnel needs and hiring objectives.
- g) Assign to authorised persons the responsibility for employment decisions.

Monitoring the effectiveness of the Recruiting Program

68. Following steps may be taken to monitor the effectiveness of the recruiting program:

- a) Evaluate the recruiting program periodically to determine whether policies and procedures for obtaining qualified personnel are being observed.
- b) Review hiring results periodically to determine whether goals and personnel needs are being achieved.

- c) Establish qualifications and guidelines for evaluating potential hirees at each professional level.
- d) Identify the attributes to be sought in candidates, such as intelligence, integrity, honesty, motivation and aptitude for the profession.

Identification Parameters

- 69. Identify achievements and experiences desirable for entry level and experienced personnel. For example:
 - a) academic background;
 - b) personal achievements;
 - c) work experience; and
 - d) personal interests.

Arms Length Recruitment

- 70. Set guidelines to be followed when hiring individuals in situations such as:
 - a) Hiring relatives of personnel or relatives of clients;
 - b) Rehiring former employees; and
 - c) Hiring client's employees.

Background Information and Documentation

- 71. Maintain adequate information and documentation, such as:
 - a) resumes; b) application forms;
 - c) interviews;
 - d) academic record;
 - e) personal references; and
 - f) former employment references.

Evaluating Qualification

- 72. Evaluate the qualifications of new personnel, including those obtained from other than the usual hiring channels (for example, those joining the firm at supervisory levels or through merger or acquisition), to determine that they meet the firm's requirements and standards.

Feedback to new Recruits

- 73. Inform applicants and new personnel of the firm's policies and procedures relevant to them.
 - a) Use a brochure or other means to inform applicants and new personnel.

- b) Prepare and maintain a Manual describing policies and procedures for distribution to personnel.
- c) Conduct an orientation program for new personnel.

Training & Education

74. The firm should provide effective training for the staff members. Various types of training should be imparted to the staff, e.g. introductory and induction training to the newly employed, technical and skill enhancement training to the existing staff, managerial training for the higher level staff and so on. Continuous education is the buzzword and in this era of competition, the team members must update and upgrade their knowledge and skill. The ICSI has taken a lead in this direction and has also introduced a scheme for continuous education program as a mandatory requirement for its professionals. All company secretary, whether in practice or service, should consider this scheme and try to keep themselves updated at all times.
75. A firm should have genuine commitment to the development and training of their team members. The firm should establish proper policies and procedures:
- a) Establish continuing professional education requirements for personnel at each level within the firm.
 - b) Consider legislative and professional bodies' requirements or voluntary guidelines in establishing firm requirements.
 - c) Encourage participation in external continuing professional education program, including self-study courses.
 - d) Encourage membership in professional organisations. Consider having the firm pay or contribute toward membership dues and expenses. Consider firm paying the membership fees and contributing the expenses of such professional organizations.
 - e) Encourage personnel to serve on professional committees, write articles, and participate in other professional activities.

Technical Information

76. Make available to personnel, information about current developments in professional technical standards and materials containing the firm's technical policies and procedures and encourage personnel to engage in "self development" activities. Provide personnel with professional literature relating to current developments in professional technical standards.
- a) Distribute to personnel material of general interest, such as relevant international and national pronouncements on secretarial services and secretarial auditing matters.
 - b) Distribute pronouncements on relevant regulations and statutory requirements in areas of specific interest, such as corporate laws, labour laws, company, securities and taxation law, to persons who have responsibility in such areas.

- c) Distribute Manuals containing firm's policies and procedures on technical matters to personnel. Manuals need to be updated for new developments and changing conditions.
- d) Provide technical literature relating to specialised areas and industries.

In-House Training

- 77. For training programs presented by the firm, develop or obtain course materials and select and train instructors.
 - a) State the programs objectives and education and/or experience prerequisites in the training programs.
 - b) Provide that program instructors be qualified as to both program content and teaching methods.
 - c) Have participants evaluate program content and instructors of training sessions. d) Have instructors evaluate program content and participants in training sessions.
 - e) Update programs as needed in light of new developments, changing conditions, and evaluation reports.
 - f) Maintain a library or other facility containing professional, regulatory and firm literature relating to professional and technical matters.
- 78. Provide, to the extent necessary, programs to fill the firm's needs for personnel with expertise in specialised areas and industries.
 - a) Conduct programs to develop and maintain expertise in specialised areas and industries, such as regulated industries, computer auditing, and statistical sampling methods.
 - b) Encourage attendance at external education programs, meetings, and conferences to acquire technical or industry expertise.
 - c) Encourage membership and participation in organisations concerned with specialised areas and industries.

Performance Evaluation

- 79. Evaluate performance of personnel and advise them of their progress. Gather and evaluate information on performance of personnel.
 - a) Identify evaluation responsibilities and requirements at each level indicating who will prepare evaluations and when they will be prepared.
 - b) Instruct personnel on the objectives of personnel evaluation.
 - c) Utilize forms, which may be standardized, for evaluating performance of personnel

- d) Review evaluations with the individual being evaluated.
- e) Require that evaluations be reviewed by the evaluator's superior.
- f) Review evaluations to determine that individuals worked for and were evaluated by different persons.
- g) Determine that evaluations are completed on a timely basis.
- h) Maintain personnel files containing documentation relating to the evaluation process.

Periodically Counsel the Personnel

80. Review periodically with personnel the evaluation of their performance, including an assessment of their progress with the firm. Considerations would include the following:

- a) performance;
- b) future objectives of the firm and the individual;
- c) assignment preference; and
- d) career opportunities.

81. Evaluate partners periodically by means of senior partner or fellow partner evaluation and counseling as to whether they continue to have the qualifications to fulfill their responsibilities.

82. Review periodically the system of personnel evaluation and counseling to ascertain that: a) procedures for evaluation and documentation are being followed on a timely basis;

- b) requirements established for advancement are being achieved;
- c) personnel decisions are consistent with evaluations; and
- d) recognition is given to outstanding performance.

Career Development in the context of Capabilities & Competence

83. It makes the team members more proficient to carry out their responsibilities and also makes individuals capable of assuming more important roles and positions. A good plan of career development boosts the moral of the team members which improves their performance enhancing the quality of jobs they perform.

84. Establish qualifications deemed necessary for the various levels of responsibility within the firm.

- a) Prepare guidelines describing responsibilities at each level and expected performance and qualifications necessary for advancement to each level, including:
 - (i) Titles and related responsibilities; and
 - (ii) The amount of experience (which may be expressed as a time period) generally required for advancement to the succeeding level.
- b) Identify criteria which will be considered in evaluating individual performance and expected proficiency, such as:
 - (i) technical knowledge;
 - (ii) analytical and judgmental abilities;
 - (iii) communication skills;
 - (iv) leadership and training skills;
 - (v) client relations;
 - (vi) personal attitude and professional bearing (character, intelligence, judgment and motivation); and
 - (vii) qualification as a professional accountant for advancement to a supervisory position.

Advancement decision

85. Take necessary steps such as:

- a) Assign responsibility to designated persons for making advancement conducting evaluation interviews with persons considered for advancement, documenting the results of the interviews, and maintaining appropriate records.
- b) Evaluate data obtained giving appropriate recognition in advancement decisions to the quality of the work performed.
- c) Study the firm's advancement experience periodically to ascertain whether individuals meeting the stated criteria are assigned increased degrees of responsibility.

Chapter 6

Quality Issues

The purpose of this chapter is not to provide guidelines on how to conduct Audit/attestation services efficiently and effectively. This chapter outlines the general principles underlying the “quality performance” of objective and process and their requirements. Following these principles as guides to action/decision and fulfilling the requirements are likely to bring excellence in the “quality” of Audit/attestation services rendered by company secretary.

Quality issues

Following are the major quality issues relating to secretarial audit:

Procedural Quality Issues

- a) Purpose
- b) Scope
- c) Programme
- d) Planning
- e) Team
- f) Execution
- g) Communication
- h) Documentation
- i) Reporting
- j) Follow-up
- k) Post Audit Quality Assurance

Operational Quality Issues

- a) Sampling
- b) Evidence
- c) Analytical Procedures
- d) External Experts' Opinion
- e) External Confirmation
- f) Written representation

Company

- a) Company responsibility
- b) Requirements from Company

Procedural Quality Issues

Purpose

86. The purpose of an audit is to enhance the degree of confidence in the Secretarial/non-financial statements, of intended users. An auditor expresses his opinion as to whether the significant reporting aspects of an enterprise are duly covered within the prescribed framework. He has to express his opinion on the statements certified by him whether they are "fair" in all material aspects and present "a true & fair" view.
87. The auditor has to provide an assurance to the users of cost / financial statements that these statements are free from material misstatement. Even though the auditor uses the words like "fair", "reasonable" etc., it is presumed that the level of assurance is "high". However, it does not imply an absolute level of assurance due to inherent limitations of an audit, e.g. the quality and reliability of audit evidence, audit sampling, dependence on expert opinions etc.

Scope

88. An opinion expressed by an auditor on the Secretarial/non-financial statements provide an assurance whether these statements are prepared as per the applicable reporting framework. Such an opinion is necessary and commonly applicable to all statements authenticated by the auditor. This may be true, in case of financial audit since it does not touch upon the efficiency or effectiveness in conducting the business operations of an entity by the management. Financial reporting frameworks are fair presentation more in the nature of compliance frameworks. Many times it is a "checklist" approach to auditing which leads to audit failures. However, the scope of Secretarial Audit is much wider and a Secretarial Auditor Secretarial Auditoris also required to comment on efficiency and effectiveness parameters. Secretarial Auditor Secretarial Auditor He has also to offer his observations and suggestions relevant to the audit conducted by him. Thus, Secretarial Audit travels far beyond the compliance audit and is much wider in its scope and utility to stakeholders. Secretarial Auditor

Programme

89. A firm should prepare an Assignment Programme including audits, both statutory and voluntary, internal or external, periodic or annual. The resources for these professional assignments should be planned on long term basis, at least on yearly basis. This program planning will define the requirement of resources as against availability so as to find the gaps and to take measures to fill them. The firm should keep flexibility to accommodate additional assignments and interchange

priorities of assignments. The firm should be ready to adjust its yearly program based on exigencies without compromising the quality outputs.

90. Audit programme describes the series of audits that are anticipated to be performed over some specified period of time.

Planning

91. Audit plan, describes the processes and activities that are carried out in connection with a particular audit.
92. An auditor should plan an audit so that it is performed in an effective manner. The audit planning should also include establishing an overall audit strategy for the audit.
93. Availability of resources and skill sets of the staff – The availability of skilled audit personnel is always a constraint in case of firms. The demand for resources also exceeds the availability in majority of cases. Hence, a firm has to judiciously form an audit team or assign the professional assignments to its staff such that there is adequate staff in terms of nos. and skill sets that are demanded by the professional assignment.
94. Selection of timing – The firms have little choice or discretion regarding timing to perform the audits. Substantial resources may have to be engaged on assignments having statutory time frames. During such period, the internal resources of the firm may get strained and the firm may look for alternative and additional resources to maintain the quality in carrying out the assignments. The work reallocations may be another option to tie over the busy periods.
95. The firm should prepare and document Audit Plan. While preparing the audit plan consideration should be given to the availability of skilled audit staff, the time frame for audit performance and completion, the nature and complexities involved, risk assessments and the audit tests to address to those risks.

Elements of an Audit Plan

96. The audit plan should include the following elements:

- a) The purpose and objectives
- b) Legal framework under which the audit is being conducted
- c) Significant areas and issues involved
- d) Process and technique to be adopted
- e) Check points, activities
- f) Allocation of work contents amongst the staff
- g) Time schedules for completion of various tasks/ phases
- h) Determining time lines for submission of Draft Report, discussion thereon with the auditee and submission of final report
- i) Areas to be classified on "Risk" criteria to allocate suitable resources
- j) Determining the extent of detailed examination and coverage in terms of volume
- k) Evaluation of internal controls and professional work carried out by other agencies / experts and placing reliance thereon
- l) Materiality considerations and determining the threshold therefore
- m) Structure, contents of the report

Essentials of Audit Planning

97. For a successful audit plan, the following should be adhered to by the firm, its partners and staff:

- a) The elements of an audit plan may be similar for different auditee entities. However, the actual contents may differ from auditee to auditee enterprise, and on nature, type & objective of the audit or authentication assignment.
- b) The audit plan should be reviewed by the experienced auditor, normally not engaged on the assignment. Their experience may be useful to modify the audit plan to meet the audit objectives more vigorously.
- c) The audit plan should be flexible enough to accommodate modifications which may be necessary and should be carried out with the approval of team leader.
- d) Auditing involves the collection and analysis of facts and data sufficient to

reach reliable and valid conclusions about the subject of the audit.

- e) The auditing staff should be made familiar of the quality control policies and procedures of the firm. The hierarchy, responsibility & authority for decision making needs to be clearly defined and understood by the audit staff.
- f) The Audit plan includes the nature, timing and extent of audit procedures to be performed by audit teams. Sometimes audit plan requires modification based on revised consideration of assessed risks. e.g.. Auditor gets some information during the course of audit which differs significantly from the information available when the auditor planned the audit procedure.

Qualitative Excellence in Audit in ERP Environment

- 98. With the advent of and spread of computerized accounting, introduction and implementation of ERP systems, an auditing firm must acquire the skills to conduct the audit in those environments. The audit team should have the knowledge of mechanized accounting and should be equipped to handle the systems in place at the auditee entity. The familiarity with the computerization and handling of various systems will not only increase the efficiency and effectiveness of the audit but rather should be considered as a basic and fundamental requirement for an audit firm. In this perspective, the systems audit assumes great significance.
- 99. With the advancement of technology and exposure of Indian businesses to global practices, computerization has spread to the grass root level of any business operation. Computerization in this context is not limited to use of computers for calculations but it involves using of sophisticated computerized systems for controlling business operations. Enterprise Resource Planning (ERP) System is an integrated computer based system used to manage internal and external resources effectively. The ERP systems today virtually cover each and every aspect of business. The development and sophistication level in ERP Systems has reached a level where the ERP System act as an Artificial Intelligence and help business management in decision making for complex business scenarios. The ERP systems come in all shapes and sizes. There are specialized ERP systems based on nature of industry, size of business, business function to be controlled, etc. ERP System developers are bringing to the world latest of technology and riches of business experience in a harmonized way.
- 100. All this has tempted the business around the world, irrespective of its nature and size, to do away with the traditional practice of business control and adopt the ERP System. ERP Systems bring a sea change to the fundamentals of Record Keeping, Data Processing, Information Availability and Management Reporting. ERP Systems integrate all the business functionalities to have a better control over various business processes and effective management reporting. This integration is not limited to same ERP system within the same business enterprise but it spreads across the ERP systems and business entities enabling backward and forward business entity integration.
- 101. Thus in an ERP environment the nature of transaction is varied and there is complexity in the business transactions. The Internal Controls are system driven. All this calls for a specialized knowledge for review and audit of a business enterprise operating in ERP environment. For conducting any audit, the auditor needs to collect considerable data and information from ERP system. Auditor

needs to evaluate audit risk and reliability of the information received from the ERP system. As already mentioned, this information is not primary information but is outcome of complex computing technique and programs used by the ERP system and hence requires expertise in different models of ERP systems. This need for expertise has given birth to two fundamental techniques of auditing –

a) Auditing Through System b) Systems Audit

102. It is responsibility of an auditor to have an insight of both the techniques of audit mentioned above so as to deliver the quality of work expected of him/her. Each of the above technique requires specialized knowledge and special audit program. These audit techniques call for a systematized, structured, timely and informed approach to auditing to achieve the desired objective of Qualitative Excellence in Audit in ERP Environment.

Auditing Through System

Auditor evaluates the Audit Evidence generated from the ERP system and accesses Audit Risk using various audit tools deployed in the ERP system. Auditor makes use of various system functionalities and reports and evaluates the fundamental system logic to obtain satisfactory level of confidence in the Audit Evidence and to mitigate the Audit Risk.

103. Following are the points which an auditor may use as fundamental guiding block for this technique of auditing to deliver a high quality service

- a) For this auditing technique auditor need not have too much of technical knowledge about the ERP System and the peripheral components, both Hard Ware and Software.
- b) This auditing technique calls for strong Functional and Inter Functional Knowledge, Data Processing and Information Analysis Skill, Critical Analytic Skills and Knowledge of Auditing Tolls on part of Auditor.
- c) Knowledge of basic architecture of the ERP System is necessary.
- d) Knowledge about the basic functionality offered by the ERP System.
- e) Knowledge of the various Functional Modules available in the system.

104. Their features and functionalities and integration points among them.

- a) Knowledge about the internal controls available as a part of the ERP System (Standard system).
- b) Auditor should collect information about the actual implementation of ERP System – Functional Modules Implemented, Businesses Processes Mapped, Extent of Implementation (geographical, business partners, etc), etc.
- c) Information about interface with other ERP systems. System controls for such an interface.
- d) Auditing Tools – Many ERP systems come with inbuilt Auditing Tools.

105. There are many Audit Tools available which can be used by auditor in any of the ERP system he is auditing. Auditor should make use of these Auditing Tools for efficient and effective audit.

- a) Auditor should use various techniques such as “Black Block Testing”, “Penetration Testing”, “Transaction Testing”, “Configuration Testing”, etc. for collecting audit evidence and ensuring that internal controls are in place.
- b) Information about SOD Matrix (Segregation of Duties) and its implementation in ERP System. Validation of SOD Matrix is one of the most critical activities in this audit technique.
- c) The ERP Systems provide a large number of Reports as a standard functionality. Target Users for these reports are different and hence the information presented by this reports is very pointed and specific. Knowledge of various reports and ability to interpret the information correctly is very important.

d) Knowledge of ERP system's functioning logic for the area under audit and for all the areas which integrate with it. For example, if the area of audit is Project Costing, then knowledge of how the ERP system calculates Revenue Recognition, Cost of Completed Contract, etc. is necessary. Knowledge of link between various projects, sales orders, production orders, purchase orders, stock reservations, expenses, budgeting, etc. is also necessary.

e) The information generated through ERP System may not always be directly usable. It needs to be processed by the auditor for his/her use. Knowledge and expertise in various data processing utilities such as "Excel Work Sheets" is very important.

Systems Audit

106. Audit that encompasses review and evaluation of automated information processing system, related non automated controls and the interface between them.

'Information systems auditing is the process of collecting and evaluating evidence to determine whether a computer system safeguards assets, maintains data integrity, allows organizational goals to be achieved effectively and uses resources efficiently' – Ron Weber.

107. From the above definition, it is clear that Systems Audit is a special type of Auditing Technique. With the advancement of technology and spread of ERP Systems, Systems Audit has emerged as a separate branch of audit. Systems Audit varies greatly from the traditional concept of audit as it requires a very strong technical knowledge along with functional knowledge. Hence the Systems Audit is divided into two streams one is Functional Systems Audit and second is Technical Systems Audit.

108. Following are the points which an auditor may use as fundamental guiding block for this technique of auditing to deliver a high quality service –

- a) Knowledge of various Hard Ware and Soft Ware components of the ERP System.
- b) Knowledge of the Technology Used in designing the ERP System Soft Ware. Knowledge about the fundamental features of this technology, its advantages and risks involved in using the specific technology. Knowledge of parallel technologies and on going advancements in the used technology is also very critical.
- c) Knowledge of various Operating System Platforms, their strengths and vulnerabilities.

- d) Knowledge of Anti Virus Software available in the market; their advantages and limitations.
- e) Knowledge about different Network Architectures, their advantages, shortcomings, etc.
- f) Knowledge about the Operating System Platform, Anti Virus Software and Network Architecture Used by the organization and reasons there of. Critical evaluation of the choice of these based on the requirements of the organization, available options and SWOT analysis for each of them.
- g) Knowledge about various technologies in Network Protection both in terms of Hard Ware and Software e.g. – Fire Walls, Proxy Servers, Data Encryption, Modes of data transfer, etc.
- h) Knowledge about various modes of data storage and backup available in the market. Knowledge about strengths and risks in using each of these modes.
- i) Knowledge about the data storage and backup method and technology used by the organization. Critically evaluation of the choice of these based on the requirements of the organization, available options and SWOT analysis for each of them.
- j) Knowledge of BCP (Business Continuity Plan) and DRP (Disaster Recovery Plan) for the organization.
- k) Critical validation of the BCP and DRP to identify unmitigated potential risks and vulnerabilities.
- l) Knowledge about the testing procedure for the BCP and DRP. Knowledge about actual testing and result of activation of BCP and DRP.
- m) Knowledge about various access control technologies available. Access control refers to both logical as well as physical access control to Information Assets.
- n) Knowledge of the Access Control technology used in the organization. Critically evaluation of appropriateness of the technology used, unmitigated risks and vulnerabilities.
- o) Knowledge about the ERP system program logic. Knowledge about the features available in the ERP System to ensure data integrity, data consistency and data security.

- p) Knowledge about the scalability of the ERP System, its current operating efficiency and future requirements.
- q) Knowledge of various Manual processes that integrate with the system processes. Assurance on the adequacy of controls over these processes and validation of the same.

109. All the above information will help the auditor to conduct a quality Systems Audit to ensure that the information asset (Physical or Logical) is protected against all the potential and identified threats. The System Audit also ensures that the ERP System itself is protected against risks and is configured in such a way to deliver data integrity, data consistency and data security.

Team

110. The firm, its partner or the team leader responsible for the assignment should select the audit team members taking into consideration the following matters –
- a) Theoretical and practical knowledge and experience, understanding and exposure of similar nature and complexity of the auditee entity.
 - b) Technical knowledge and expertise including technology issues.
 - c) Knowledge and understanding regarding professional standards, regulatory and other legal requirements, ability to take professional judgments etc.

Execution

111. Success of audit execution depend upon the following:
- a) The contents of the audit plan should be properly explained to the members of the audit team by the team leader.
 - b) The team leader should ensure that the persons involved in the audit process have understood the audit plan and the tasks to be performed by each one of them.
 - c) The audit plan may require modification due to unforeseen situations. Such changes should be incorporated, documented along with reasons necessitating such changes and approval should be obtained from principle auditor.
 - d) Supervision: There should be proper an adequate supervision to ensure that the audit tasks are performed carefully. In case of difficulties the team leader should provide further assistance and guidance to the team members.

- e) Audit team members should maintain record as regards completion of audit tasks and the results should also be documented which should be reviewed and approved by the higher authorities (team leader). Audit working papers assume significance and are essential part of an audit process.
 - f) The audit team members should maintain audit working papers in a systematic manner which contains the results of audit testing and findings.
 - g) The audit evidence denotes the basic data, records, facts and figures on the basis of which audit observation/ findings/ conclusions are drawn. It should be sufficient and relevant to rely upon.
 - h) Knowledge and skills of professionals, not available in house, may be outsourced in case of issues which require technical inputs.
112. An auditor needs to apply concept of materiality both in planning and during the execution of the audit. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the secretarial/non-financial statements. The auditor's determination of materiality is a matter of professional judgment, and is affected by the auditor's perception of the secretarial/non-financial statements
113. To provide assurance to the user of secretarial/non-financial statements and to maintain objectivity and qualitative approach in his audit assignment, an auditor should exercise professional judgment and maintain professional skepticism both in planning and execution stages of audit.
- a) Auditor should identify the potential risk areas leading to material misstatements.
 - b) Auditor should collect adequate and appropriate audit evidence if he has apprehensions regarding existence of material misstatements.
 - c) Auditor should draw conclusions from the audit evidences obtained by him and then only should form an opinion on the cost / financial statements which should be expressed in the applicable reporting framework and / or applicable law or regulation.
114. While executing Audit, the Auditor should follow analytical procedures, which means evaluation of cost and financial information through analysis of credible relationships among both financial and non financial data. Analytical procedures also include investigation to identify fluctuations or relationships that are inconsistent.

Communication

115. Effective two way communication between the auditor and auditee is an essential feature of a quality audit. Communication helps developing relationship between the two while maintaining independence of auditor and objectivity of the audit.
116. An auditor has to balance the potential conflict between his obligations of confidentiality and obligations to communicate, especially with outsiders. The law and regulation may restrict the auditor's communication of certain matters and the auditor may consider obtaining legal advice on those issues.
117. The auditor should communicate with the management about his responsibility for forming and expressing an opinion on the cost / financial statements prepared by the management however, he should also communicate to the management that it does not relieve management of their responsibilities relating to the statements prepared by the management.

Documentation

118. Audit documentation refers to the record of audit procedures performed, relevant audit evidence obtained, and conclusions reached by the auditor.
119. Audit documentation is required as sufficient and appropriate record of the basis for the Auditor's Report and providing evidence that the audit was planned and performed as per the audit plan and complying with legal & statutory requirements.
120. The auditor shall document discussions of significant matters, when and with whom the discussions took place.
121. The firm should establish its policies and procedures for audit documentation. Audit documentation should be completed "in time" even though no time limits as such are normally prescribed by any statute. It may be considered to be a good practice to complete audit documentation within a period not exceeding 45/60 days from the date on which the audit report is rendered. .
122. The audit documents should have self custody, easy but protected accessibility. If the data / information / audit evidence is in electronic form it must be retrievable only with proper authorization. The real test will be the full confidentiality. A safeguard should be taken so that the documentation or audit evidence is not altered, or additions or deletions made without the knowledge of the proper authority. The documentation should be fully protected from physical loss or damage. The electronic documents should have proper and safeguarded password protection and back up mechanism. The audit documents should be divided in sections and properly indexed with serial numbers.
123. The audit documentation should be retained depending upon the relevance and significance of the same in relation to the matter authenticated or certified by the auditor. Normally the audit documentation should be retained for a minimum period of 5 years from the date of signing the report. However, the legal provisions or regulations will override the firm's policy regarding the retention of such documentation. Even though the obligation is on the companies, a corollary follows that the auditors should also keep the audit documentation for the corresponding period.
124. The audit documentation shall be sufficient to enable an experienced auditor, having no connection with the audit of specific entity, to understand the nature, timing and extent of audit procedures performed, compliance with secretarial standards and other legal and regulatory requirements, the result of audit

procedure performed, audit evidence obtained, significant matters arising out of audit and how they were addressed and audit conclusions reached with the underlying professional judgments for reaching such conclusion.

125. In the process of audit documentation, the auditor shall record;
- a) Identifying characteristics of specific items
 - b) Who performed audit work and date.
 - c) Who reviewed audit work with dates of review.
 - d) Discussion of significant matters with the management or those in charge of its governance, nature of significant matters and when and with whom discussion took place.
 - e) Information, if any, about any significant matter that is inconsistent with overall Audit Report and how the inconsistency was addressed.
 - f) Departure, if any, in an exceptional circumstance, from a relevant requirement specified in any standard/stipulation prescribed by ICSI/regulatory authority, reasons for such departure and how application of an alternative audit procedure fulfilled the requirement.

Matter arising after date of Audit Report

126. If in an exceptional circumstance, the Auditor performs new or additional audit procedures or draws new conclusions after the date of Audit Report, the auditor shall document:
- a) The circumstance encountered.
 - b) The new or additional audit procedures applied and audit evidence obtained.
 - c) The new conclusions reached and their impact on Audit Report.
 - d) When and by whom the resulting changes in audit documentation was made.
127. In case of modification of, or addition to, existing audit documentation, the following shall be recorded:
- a) Reasons for modification/addition.
 - b) When and by whom they were made and reviewed.

Reporting

128. A Quality Audit Report should satisfy the following tests.
- a) It should meet the objectives of the audit.
 - b) The language should be lucid, clear and unambiguous.
 - c) The length of reporting should be just which will keep the interest of the reader alive neither too lengthy nor too concise.
 - d) Audit Report should contain all material and relevant facts in a summary

format.

- e) All audit observations, findings and conclusions should have backing of adequate and reliable audit evidence in the form of audit working papers.
 - f) The view point of the auditee enterprise should also be included, analyzed and discussed in the report.
 - g) Audit evidence, data and/or view points expressed by the auditee enterprise even if conflicting or contradictory to the findings incorporate in the audit report should be included and explanation should be offered as to the reasons for not accepting the same by the auditors.
 - h) The audit report should be completed in the stipulated/ accepted/ agreed time limit.
 - i) Audit report should be balanced and constructive. It may also mention the strong and positive features.
 - j) Audit report should also offer audit findings on inefficiencies, lapses, irregularities, frauds.
 - k) The language of the audit opinion is influenced by the legal framework for the audit but it should clearly indicate whether the contents of the opinion are qualified or unqualified.
 - l) The auditor may express his opinion as "Qualified Opinion" in a situation when there is limitation on the scope of the auditors' examination or if the auditor disagrees with the treatment or disclosure of one or more items in the Secretarial/non-financial statements which are material but not fundamental in understanding the Secretarial/non-financial statements.
 - m) The auditor may express his opinion as "Adverse Opinion" in a situation when the auditor is unable to form an unqualified opinion on the Secretarial/non-financial statements as a whole due to disagreement that is material and fundamental, rendering the Secretarial/non-financial statements seriously misleading.
 - n) The auditor may express his opinion as "Disclaimer of Opinion" in a situation when the auditor has not been able to obtain sufficient evidence to support and express an opinion on the Secretarial/non-financial statements as a whole due to uncertainty or scope restriction that is material and fundamental.
 - o) The Secretarial Audit report which is also regarded as efficiency and performance audit report should also include suggestions and recommendations for further improvements. In this sense Secretarial Audit has a much a larger and wider role than that of merely compliance audit.
129. The draft audit report should be prepared in consideration with the team members. It will be a good practice to share/discuss the draft report with the

auditee enterprise. This process brings better transparency in the system. It also helps the auditor to correct or rectify the understanding or assumptions underlined the audit observations. It also offers an opportunity to the auditee to correct or rectify the audit evidence offered/ submitted to the auditors earlier. In short, the audit report gets more acceptability when it goes to the higher level of management hierarchy. It completely avoids a situation where there is disagreement between the auditor and the auditee on the basic facts and figures itself which forms the basis for reporting.

Follow-up

130. The firm should keep itself in touch with the audit enterprise to ascertain the steps taken by the auditee on the audit observations/ findings/ opinions/ suggestions. This process encourages auditee to take corrective actions on the adverse audit findings. It also provides a "hand holding" support to the auditee and provides post audit expert advice from the auditors. This may also lay the foundation for future assignments/ relationship with the auditee.

Post Audit Quality Assurance

131. The firm should establish an internal control procedure which will include the review of completed audits on sample basis. This review will include review of adherence to audit plan, maintenance of audit working papers, documentation of audit evidences etc. This review may be carried out by those seniors who are not involved in the initial audit process. This will act as a measure and booster for qualitative conduct of audits.

132. The firm should establish a policy for such post audit reviews and outline the procedures thereof. The factors such as legal requirements and other socio economic considerations will influence such post audit reviews. These post audit reviews shall:

- (a) confirm that integral quality assurance processes have operated satisfactorily;
- (b) ensure the quality of the audit report; and
- (c) secure improvements and avoid repetition of weaknesses.

133. The post audit review should aim at offering suggestions and recommendations for future and also take note of good practices observed during the review. The objective is not to point out the shortcomings but to encourage the audit team and improve their performance further.

Operational Quality Issues

Sampling

134. Auditor draws conclusions about the large volume of data (population) by selecting a sample out of such data. The sample size determines the quantum of risk that the auditor is ready to accept. There are no hard and fast rules for defining the sample size. Sample size depends upon the experience and professional judgment of the auditor and is also based on "Audit risk" factor.

135. Audit Sampling: Application of audit procedures to less than 100% of the population of documents/items relevant for audit such that all sampling units have

a chance for selection (for applying audit procedure thereon) so as to provide the auditor a reasonable basis on which conclusion about the entire population can be drawn.

136. Sample design, size & selection of items for testing should meet the following:

- a) Purpose of the audit procedure and population characteristics shall be considered for designing an audit sample.
- b) Sample size shall be so chosen as to reduce sampling risk to an acceptable low value.
- c) Random sampling, whenever practicable, shall be considered so that each sampling unit shall have reasonable chance of selection.
- d) For sampling, use of stratification and value-weighted selection will increase audit efficiency.

Evidence

- 137. Audit evidence means information contained in the accounting/costing records and other information collected and used by the auditor in arriving at the conclusions on the basis of which his opinion is based.
- 138. An auditor has to plan & perform his audit tasks which enable him to obtain sufficient and appropriate audit evidence on the basis of which he can draw audit conclusions to express his opinion on cost / financial statements. When designing and performing audit procedures the auditor shall consider the relevance and reliability of the information to be used as audit evidence. The audit evidence may contain information provided and produced by the auditee itself or by management expert of the auditee or during the performance of the audit. Auditor needs to evaluate the accuracy and completeness of such audit evidence.
- 139. Absence of information e.g. inability or refusal of the management to provide information sought by the auditor also constitutes audit evidence.
- 140. Audit evidence includes inspection, observation, confirmation, recalculation, re-performance and analytical procedures, often in some combination, in addition to inquiry.
- 141. An auditor may be confronted with the situations such as contradictory audit evidence, questionable reliability of the information and documents collected and circumstances that may suggest misappropriations or frauds etc. Under such situations, auditor should show professional skepticism and more rigorous audit steps are called for.
- 142. When the auditor doubts the reliability of information to be used for audit evidence or, audit evidence obtained from one source is inconsistent with that of another source, the auditor shall determine necessary modification or additions to audit procedure necessary to resolve the matter.
- 143. Audit evidence is more reliable when it is obtained from independent sources outside the entity, directly by the auditor and in documentary form. External confirmation should be obtained as a direct written response to the auditor, in documentary form which is considered as qualitative audit evidence.
- 144. Written representations by the management are audit evidence. Such written representations may not be considered as sufficient and appropriate audit evidence on their own and an auditor must also obtain other audit evidence regarding fulfillment of management responsibilities.

Analytical Procedures

145. 'Analytical Procedures' means evaluation of financial /non-financial information through analysis of plausible relationships among financial and non-financial data – both within the entity and in comparison with the industry/market standards.

Steps to design substantive analytical procedures are:

- a) Determine suitability of substantive analytical procedures having regard to assessed risks of possible material misstatements and test of details for those assertions.
- b) Evaluate reliability of data from which auditor's expectation of recorded amounts/ ratios/cost or overhead rates etc is developed, taking account of source, comparability, nature and relevance of available information and controls over preparation.
- c) Develop auditor's expectation of recorded amounts/ ratios/ etc and evaluate whether the expectation is sufficiently precise to identify a misstatement that, aggregated with other misstatements may cause the Secretarial/non-financial statements to be materially misstated.
- d) Determine difference between recorded amount and expected value that is acceptable without any further investigation.

Results of applying Analytical Procedures

146. If application of analytical procedures identifies fluctuations in values or relationships that are inconsistent with other relevant information or if the difference between recorded and expected value is beyond the tolerable limit:

- a) inquire with the management and obtain additional, relevant and appropriate audit evidence to resolve the matter.
- b) perform other audit procedures as may be necessary.

Documentation

147. If the Secretarial Auditor uses any specific work of Internal Auditor, the Secretarial Auditor shall document:

- a) conclusion reached about the adequacy of such specific work; and
- b) the audit procedures applied on the said specific work to evaluate its adequacy.

External Experts' Opinion

148. An individual or organisation possessing expertise in fields other than accounting and auditing (e. g. valuer) is regarded as external expert. An auditor may take external expert's opinion on various technical matters which forms the audit evidence. The auditor has to place reliance on the opinion expressed by the external expert considering his reliability, competency, consistency with data & information and independence.

149. In case of an external expert it shall be ensured that the interests and relationship of the external expert does not constitute a threat to that expert's objectivity.
150. The auditor shall evaluate adequacy of expert's work having regard to the following:
- a) Relevance and reasonableness of expert's findings/conclusions and consistency thereof with other audit evidence.
 - b) Relevance and reasonableness of assumptions and methods used in the expert's work.

- c) Relevance, reasonableness, accuracy and completeness of source data (if any) used in the expert's work provided, such data are significant for the expert's Work.
- d) Agreement with the expert on the nature and extent of further work by the expert in case expert's work is found to be inadequate for audit purpose.
- e) Performance of additional, appropriate audit procedures in case expert's work is found to be inadequate for audit purpose.

Reference of Expert's opinion in Report

151. If the auditor's opinion remains unmodified by the work of an expert, such work shall not be mentioned in Report unless required by law or regulation. Even when such reference is required by law/regulation, the Auditor shall specify in the Report that such reference to expert's Work does not reduce responsibility for the opinion.
152. If the auditor's opinion is modified by the work of an Auditor's expert, such work may be referred to in the Audit Report to have an understanding of the modification of opinion, provided, the Auditor shall specify in the Audit Report that such reference to expert's Work does not reduce auditor's responsibility for the auditor's opinion.

External Confirmation

153. External confirmation: Audit evidence obtained as a direct written response to the auditor from a third party (confirming party) on paper or electronic media or in any other form.
154. External confirmation seeking steps are:
- a) Determine information to be confirmed / requested.
 - b) Select appropriate confirming party.
 - c) Design/format confirmation request.
 - d) Send the request with follow up.

Results of External Confirmation & Reliability of Response

155. The auditor shall evaluate whether results of external confirmation provide relevant and reliable audit evidence or whether further audit evidence is necessary. In particular:
- a) When the auditor doubts the reliability of response further audit evidence should be obtained to resolve doubt.
 - b) In case of non-response, alternative audit procedure shall be performed to obtain reliable and relevant audit evidence.
 - c) Positive confirmation response request should be sought only when alternative audit procedures will not obtain audit evidence required. If the auditor does not receive such confirmation its implication on audit and auditor's opinion shall be evaluated.
 - d) The auditor shall not use response to any negative confirmation request as the

sole substantive audit procedure to address assessed risk of a material misstatement.

Written Representations about Responsibility of Management

156. Written representation – a written statement (whether on paper or through electronic/other media) provided by the management of the auditee to confirm certain matters or support other audit evidence.
157. The auditor shall request the management to provide a written representation that
 - a) it (management) has fulfilled all responsibilities regarding preparation of Secretarial/non-financial statements in accordance with applicable Secretarial Standards (SS)
 - b) it has provided the auditor with all relevant information and access thereto as agreed in the terms of audit engagement; and
 - c) all relevant transactions have been recorded and reflected in the Secretarial/non-financial statements .
158. The auditor can also seek further written representations to support other audit evidence relevant to Secretarial/non-financial statements.
159. Doubts on reliability of written representations: If the auditor doubts the reliability of written representations or, the written representations are inconsistent with other audit evidence or, doubts the competence, integrity or ethical values of the management, the auditor shall determine its impact on the audit and audit evidence in general.
160. Written representations not provided- if written representations are not provided, the auditor shall:
 - a) Discuss the matter with management;
 - b) Re-evaluate integrity of management and evaluate the effect on the reliability of management's representations and its impact on the audit evidence in general and audit opinion; and
 - c) Reveal the same in Auditor's Report.
 - d) In case there is no written representation or, written representation is silent, on compliance with Secretarial Standards (SS) or, written representation reveals deviation from any SS , the Auditor shall determine and reveal in Auditor's report, the impact of deviation from each SS . Same procedure is to be followed when the auditor, in course of audit, finds any deviation from SS despite any written representation or, absence thereof, on the issue of compliance with SS.

Company support & involvement in enhancing Quality

161. It is responsibility of the management to provide the auditor with full access to all information, record, documents etc. relevant for the purpose of audit. Auditor should also have unrestricted access to the persons from whom the auditor seeks

to obtain audit evidence as he may feel appropriate.

162. With appointment of auditor, the management acknowledges the responsibility to provide all necessary data and information as the auditor may deem fit for the purpose of accomplishing the audit objective. Such management responsibilities are also stipulated in the legal framework under which audit is conducted and the management should take it in the right spirit. The auditor has to function as an “independent” entity and his rights should be respected by the auditee while he is performing his duties. If the audit is conducted as per the management intention without the binding force of law, it would be more appropriate to incorporate these understandings in the engagement letter itself.

Management Representations

163. An auditor may request management, “assurance” in the form of written representations as regards fulfillment of certain responsibilities or certain actions taken or not taken, or happening or not happening of certain events etc. during the course of audit. These management representations may also be required to corroborate certain other audit evidence collected by the auditor. The management should fully co-operate and provide these management representations to the auditor in the format and manner as may be requested by the auditor.

Communication

164. As per section 292 A of the Companies Act, 1956 every public company having paid up capital of not less than 5 crores of Rupees shall constitute a Committee of the Board known as “Audit Committee”. It is a good opportunity for the company management to communicate with the auditors including Secretarial Auditor in these meetings. Secretarial Audit is one of the methods of internal control system and Secretarial Audit Report is an important tool in the hands of management.
165. Good Corporate Governance principles suggest that the Secretarial Auditor will be invited to regularly attend meeting of the audit committee and take the benefit of his knowledge, skills and expertise in the governance of the enterprise.

Chapter 7

Quality through Audit Documentation

Permanent File

166. Records reviewed by the auditor, the process of audit carried out by him, evidences, the due care, diligence exercised by him while carrying out the audit assignment, The records documenting these processes, in the form of audit files, which is a permanent evidence reflecting the quality approach of the auditor is of prime importance. These audit files may be in the form of paper or electronic media or in any other form.

Definition and Purpose

167. Permanent files are a repository of administrative and operational documentation relating to audit process. They are established and maintained to aid in audit planning and to centralize available documentation and information not included in the individual audit files. Information included in the permanent files should only be information that cannot be feasibly included in the working papers due to volume or format or because the information will be applicable on an on-going basis to the current audit or future audits.

Index and Contents

168. Permanent files should be filed with all audit and follow-up working papers supporting the audit. The contents of permanent files are dependent on the needs of the audit. An index should be developed and placed in the front of the permanent file indicating the documents contained, date included in file and auditor's initials.

169. The permanent file usually contains documents and matters of continuing importance of clients' business which will be required for more than one audit. Below are some of the documents and records auditors should keep in their permanent file:

A) Statutory material

(a) Companies Act, 1956

B) The rules and regulations of the company

(a) Memorandum of Association

(b) Articles of Association

(c) Certificate of Incorporation / Commencement of Business

(d) Registration documents under various statutory bodies

C) Copies of documents of continuing importance and relevance to the auditor

(a) Letter of engagement and Board Resolution for appointment of the auditor

(b) Record of communication with the retiring auditor

(c) Royalty Agreement / Technical collaboration

(d) Copies of important legal documents/contracts

- D) Addresses of the registered office and business -The Company's registered office address and all other units/premises, with a short description of the work carried on at such places.
- E) An organization chart -Details of all departments and sub-divisions thereof showing hierarchy of management.
- F) List of books and records with location -List of books and records maintained by the company and place of their location. Names, positions, specimens of signatures and initials of persons responsible for books and document should also be included.
- G) An outline history of the organization
- H) Analysis of significant ratios and trends
- I) Internal Controls -Notes on internal control with Details of study & evaluation of internal controls in the form of narrative record, questionnaires or flow charts etc.
- J) The business structure within a group and associated companies - List of all holding, subsidiary and associate companies.
- K) Company's advisors - A list of the company's advisors such as bankers, merchant bankers, stockbrokers, solicitors, valuers, insurance brokers etc.

Current File

170. Information included in the current file should be information for the period under audit. The indicative list of current file can be as follows:

- a) Appointment letter for the Current Year
- b) Extracts of important board/management meetings
- c) List of responsible persons with their designation and contact details
- d) Secretarial Audit Report/Financial Audit Report for Current year as well as previous year
- e) Actions initiated by company towards Secretarial Auditor's observations and suggestions in previous years reports
- f) Audit Plan/Audit Program
- g) Current years Secretarial Records –
- h) Communications with the company/management team
- i) Letters of representations, confirmations received from company
- j) Audit review points and highlights of analysis

Working Papers

Introduction

171. The working paper file documents the work the auditor has done. The working papers serve as the connecting link between the audit assignment, the auditor's fieldwork and the final report. Working papers contain the records of planning and preliminary surveys, the audit program, audit procedures, fieldwork and other documents relating to the audit. Most importantly, the working papers document the auditor's conclusions and the reasons as to why those conclusions were reached. The disposition of each audit finding identified during the audit and its related corrective action should be documented. Working papers should be completed throughout the audit.
172. Working papers should be economical to prepare and to review. It is easy to include every scrap of information and every form into the working papers. However, the working papers then become a confused mixture of data that is difficult to assimilate and use. Working papers should be complete but concise- a usable record of work performed. Auditors should include in their working papers only what is essential; and, they should ensure that each work paper included serves a purpose that relates to an audit procedure. Working papers that are created and later determined to be unnecessary should be deleted/removed.
173. Among other things, work papers may include:
- a) Planning documents and audit programs.
 - b) Internal control questionnaires, flowcharts, checklists and narratives.
 - c) Notes and minutes resulting from interviews.
 - d) Organizational data, such as charts with job descriptions, process chart.
 - e) Copies of important documents.
 - f) Information about operating and financial policies.
 - g) Results of control evaluations.
 - h) Letters of confirmation and representation.
 - i) Analysis and test of transactions, processes.
 - j) Results of analytical review procedures.
 - k) Audit reports and management responses.
 - l) Audit correspondence that documents the audit conclusions reached.

Scanned Documents

174. Scanned documents should include a reference to the source and the purpose of the document when relevant to understanding or appreciating the actual audit work performed. Such information needs to be included only when it is not provided elsewhere in the working papers.

Tick marks

175. Tick marks do not need to be standardized throughout the set of working papers, but must be consistent throughout a particular work paper. Tick mark explanations must be a part of the work paper or included in a separate tick mark legend work paper.

Cross-Referencing

176. Working papers should be prepared using the appropriate cross-referencing. A cross-reference from the Audit Procedures to the primary work paper provides a reference to where the work was performed. It is not necessary to cross-reference all work papers to the Audit Procedures - only the primary work paper should be cross referred. The primary work paper will then contain cross-references to

other, supporting working papers, which provide additional information regarding the audit procedures performed, results, and conclusions reached.

177. Cross-references should be used to reference information useful in more than one place or to other relevant information including the source of information, composition of summary totals, or other documents or examples of transactions. To encourage conciseness, documents/information should be in the working papers only once.

Standard Working papers

A standard set of working papers will include at least the following documents:

- a) General File: The General File contains key information through the various phases of the audit including planning (draft audit objectives, planning comments including documentation of the budget etc.), reporting process, audit programs, and comments for the next audit. The General File will include the draft and final reports. Audit responses will also be included in the file.
- b) Work paper File: This file should contain the detailed audit procedures and detailed audit working papers. Detailed audit procedures provide detailed audit steps of the audit work to be performed during fieldwork that will achieve the specific audit objectives outlined in the audit program.
- c) Future Audit Considerations: Auditors are encouraged to develop and document future audit ideas during the course of their work. These should be included in the "Comments for next audit" section of the General File.

A Work paper Review

178. The auditor should review all work papers to determine whether they are relevant and have a useful purpose, evidence the audit work performed and sufficiently support the audit findings. In addition, the auditor should ensure the conclusions reached were reasonable and valid, and that the Office work paper standards were followed. The auditor should review all audit review notes to be certain that all notes have been resolved within the working papers. Documentation obtained and not relevant to the audit should be returned/destroyed upon the completion of the audit. The review will consist of:

- a) Determining compliance with work paper guidelines.
- b) Reviewing the audit program that outlines the major objectives of the audit, and ensure that the procedures accomplish the objective(s).
- c) Reviewing the audit procedures and the referenced working papers to ensure the working papers support the procedures performed and all procedures have been completed. Determine that the working papers adequately document the conclusions reached in the report.
- d) Ensuring that all findings prepared have been discussed with the appropriate member of management, and that the disposition of the audit concerned is

documented.

e) Documenting review notes.

Filing and Protection of Working papers

179. All working papers are considered confidential, are the property of the Auditor, and are to be kept under adequate control. Working papers often contain sensitive information or data that must be protected from unauthorized use or review.

180. Working papers in process also need to be controlled by the Auditor. While conducting fieldwork away from the office, the auditors should control the working papers to ensure that information is neither removed, nor substituted nor altered.

Retention Policy

181. All working papers pertaining to an audit belong to the Auditor. All such data is to be kept by the Auditor and is subject to the retention requirements as required by law.

Illustrative List of Laws Applicable to Companies

Sr. No.	Laws Covered
1.	Applicable Municipal / Panchayat Laws
2.	Apprentices Act, 1961
3.	Arms Act, 1959
4.	Atomic Energy Act, 1962
5.	Batteries (Management & Handling) Rules, 2001
6.	Benami Transaction (Prohibition) Act, 1988
7.	Bio-Medical Waste (Management & Handling) Rules, 1998
8.	Industrial Relations Act, 1946
9.	Labour Welfare Fund Act, 1953
10.	Lift Act, 1939
11.	Tenancy and Agriculture Lands Act, 1949
12.	Central Motor Vehicles Rules, 1989
13.	Central Sales Tax Act, 1956
14.	Cenvat Credit Rules, 2004
15.	Chapter V of Finance Act, 1994 and the Service Tax Rules 1944
16.	Child Labour (Prohibition & Regulation) Act, 1986
17.	Collection of Statistics Act, 1953
18.	Companies Act, 2013
19.	Competition Act, 2002
20.	Contract labour (Regulation and Abolition) Act, 1970
21.	Customs Act, 1962
22.	Dangerous Machines (Regulation) Act, 1936
23.	Depositories Act, 1996
24.	Employees' Provident Fund and Miscellaneous Provisions Act, 1952
25.	Employees' State Insurance Act, 1948
26.	Employers' Liability Act, 1938
27.	Employment Exchange (Compulsory Notification of Vacancies) Act, 1959
28.	Environment (Protection) Act, 1986
29.	Equal Remuneration Act, 1976
30.	Essential Commodities Act, 1955
31.	Expenditure Tax Act, 1987
32.	Explosive Substances Act, 1908
33.	Explosives Act, 1884
34.	Factories Act, 1948
35.	Foreign Exchange Management Act, 1999
36.	Foreign Trade (Development and Regulation) Act, 1992
37.	Gas Cylinder Rules, 1981
38.	Labour Welfare Fund Act, 1953
39.	Lift & Escalators Act, 2000
40.	Maritime Board Act, 1981
41.	Physically Handicapped Person (Employment in Factories) Act, 1982
42.	Hazardous Wastes (Management and Handling) Rules, 1989 & Amendment Rule 2003
43.	Income Tax Act, 1961
44.	Indian Boilers Act, 1923
45.	Indian Contract Act, 1872
46.	Indian Electricity Act, 1910
47.	Indian Ports Act, 1908
48.	Indian Stamp Act, 1899
49.	Indian Wireless Telegraph Act, 1933

50. Industrial Disputes Act, 1947
51. Industrial Employment (Standing Orders) Act, 1946
52. Industries (Development & Regulation) Act, 1951
53. Information Technology Act, 2000
54. Insurance Act, 1938
55. Interest Tax Act, 1974
56. International Convention for Safety of Life at Sea, 1974
57. Interstate Migrant Workmen (Regulation of Employment & Condition of Service) Act, 1979
58. Land Acquisition Act, 1894
59. Limitation Act, 1963
60. Maharashtra Workmen's Minimum House Rent Allowance Act, 1983
61. Manufacture, Storage and Import of Hazardous Chemical Rules, 1989
62. Maternity Benefits Act, 1961
63. Minimum Wages Act, 1948
64. Motor Vehicles Act, 1988
65. MS (Carriage of Cargo) Rules, 1995
66. MS (Fire Appliances) Rules, 1990
67. MS (Live Saving Appliances) Rules, 1991
68. MS (Load Line) Rules, 1979
69. MS (Management for Safe Operation of Ships) Rules, 1991
70. MS (Radio Direction Finders) Rules, 1968
71. Mumbai Lift Rules – 1958
72. Negotiable Instruments Act, 1881
73. Noise Pollution (Regulation and Control) Rules, 2000
74. Ozone Depleting Substances (Regulation and Control) Rules, 2000
75. Payment of Bonus Act, 1965
76. Payment of Gratuity Act, 1972
77. Payment of Wages Act, 1936
78. Personal Injuries (Compensation Insurance) Act, 1963
79. Petroleum Act, 1934
80. Prevention of Food Adulteration Act, 1954
81. Prevention of Money Laundering Act, 2002
82. Profession Tax Act
83. Public Liability Insurance Act, 1991
84. Punjab Labour Welfare Fund Act, 1965
85. Registration Act, 1908
86. Regulations of Coastal Regulatory Zone Authority
87. Rules, Regulations made under Insurance Laws
88. Sale of Goods Act, 1930
89. SEBI (Prohibition of Insider Trading) Regulation, 1992
90. Securities and Exchange Board of India Act, 1992
91. Securities Contracts (Regulation) Act, 1956
92. Sick Industrial Companies (Special Provisions) Act, 1985
93. Standard of Weights & Measures Act, 1976
94. Standard of Weights and Measures (Enforcement) Act, 1985
95. State Sales Tax/VAT Acts
96. State Shop and Establishment Acts
97. Static Mobile Pressure Vessels (Unfired) Rules, 1981
98. The Air (Prevention and Control of Pollution) Act, 1981
99. The Bombay Electricity Duty Act, 1958
100. The Bombay Prohibition Act, 1949
101. The Bombay Public Trusts Act, 1952
102. The Bombay Stamp Act, 1958

103. The Building and Other Construction Workers(Regulation of Employment of Service) Act
104. The Central Excise Act,1944
105. The Central Excise Tariff Act,1985
106. The Chemical Accidents (Emergency Planning, preparedness & Response) Rules, 1996
107. The Electricity (Gujarat Amendment) Act, 1976
108. The Electricity Act, 2003
109. The Indian Telegraph Act, 1885
110. The Maharashtra Recognition of Trade Unions & Prevention of Unfair Labour Practices Act, 1971
111. The Marine Insurance Act,1963
112. The Poisons Act, 1919
113. Trade Union Act,1926
114. Transfer of Property Act, 1882
115. Trade Tax Act, 1948
116. Urban Land (Ceiling & Regulation) Act, 1976
117. US Securities laws pursuant to Rule 12g-3(2)(b) of Securities & Exchange Act,1934
118. Water (Prevention and Control of Pollution) Act, 1974
119. Water (Prevention and Control of Pollution) Cess Act, 1977
120. Wealth Tax Act,1957
121. Weekly Holidays Act,1942
122. Workmen's' Compensation Act,1923

Specimen

Quality Policy

Our business vision is that we will be the best by offering exceptional customer service

Our commitment to delivering excellence in our projects and services is to exceed our customers' expectation both in terms of quality and value. M/s. considers successful management of quality to be of prime importance to its business and is committed to continual improvement without compromise.

It is the policy of the professional practice to:

- Pursue high standards of quality as an integral part of efficient management of the business and ensure that all management decisions take proper account of quality requirements.
- Comply with all contract requirements and company standards pertaining to quality as the minimum.
- Develop systems and procedures that deliver the high standards sought, based upon the following business improvement management principles:
 - Customer focused organisation
 - Leadership
 - Involvement of people
 - Process approach
 - System approach to management
 - Continual improvement - factual approach to decision-making
 - Mutually beneficial supplier relationships
 - Review and, if necessary, revise this policy on a regular basis.

MODEL ENGAGEMENT AGREEMENT

On this _____ day of _____, _____,
Auditor: _____ Auditor
Mailing Address: _____

Hereinafter referred to as The Auditor and _____
(Board (s)) of _____
_____ : hereinafter referred to as the "Company", agree
as follows:

1. The Auditor shall audit all statements and disclosures required by Secretarial Standards and additional required legal statements and disclosures of all funds and/or divisions of the Company for the period beginning _____, _____, and ending _____, _____.

2. At a minimum, the Auditor shall conduct his/her audit and render his/her report in accordance with Secretarial Audit standards. The Auditor shall perform the audit in accordance with Secretarial Standards if required by the Companies Act, 2013 If the audit and/or workpapers are found in this review to be substandard, the results of the review may be forwarded to the Council of ICSI.

3. If an entity is determined to be a component of another company the auditor will make a good faith effort to comply in a timely manner with the requests of the group auditor.

4. This contract contemplates an unqualified opinion being rendered. The audit shall include such tests of the records and such other auditing procedures as are considered by the Auditor to be necessary in the circumstances. Any limitations or restrictions in scope which would lead to a qualification should be fully explained in an attachment to this contract.

5. If this audit engagement is subject to the standards for audit as defined by ICSI, then by accepting this engagement, the Auditor warrants that he has met the requirements for a peer review and continuing education as specified by ICSI. The Auditor agrees to provide a copy of their most recent peer review report regardless of the date of the prior peer review report to the Company.

6. It is agreed that time is of the essence in this contract. All audits are to be performed and the report of audit submitted to the Company within four months of fiscal year end. Audit report is due on: _____, _____. If it becomes necessary to amend this due date or the audit fee, an amended contract along with a written explanation of the delay must be submitted to the Board for approval.

7. In consideration of the satisfactory performance of the provisions of this contract, the Company shall pay to the Auditor, upon approval by the Board, the following fee, which includes any cost the Auditor may incur from work paper or peer reviews or any other quality assurance program required by third parties. Prior to submission of the completed audited financial report, applicable compliance reports and amended contract (if required) the Auditor may submit invoices for approval for services rendered, not to exceed 75% of the total of the stated fees above. If the current

contracted fee is not fixed in total, invoices for services rendered may be approved for up to 75% of the prior year audit fee.

8. After completing the audit, the Auditor shall submit to the Board a written report of audit. This report shall include but not be limited to the following information: (a) Management's Discussion and Analysis, (b) the financial statements and notes of the Company and all of its component units, (c) supplementary information requested by the client or required for full disclosure under the law, and (d) the Auditor's opinion on the material presented. The Auditor shall furnish the required number of copies of the report of audit to the Board as soon as practical after the close of the accounting period.

9. Should circumstances disclosed by the audit call for a more detailed investigation by the Auditor than necessary under ordinary circumstances, the Auditor shall inform the Board in writing of the need for such additional investigation and the additional compensation required therefore. Upon approval by the Board, this contract may be varied or changed to include the increased time and/or compensation as may be agreed upon by the Board and the Auditor.

10. If an approved contract needs to be varied or changed for any reason, the change must be made in writing, signed and dated by all parties and pre-audited if the change includes a change in audit fee. This document and a written explanation of the change must be submitted by email in PDF format to the Board for approval.

11. The audit should not be started before the contract is approved.

12. There are no other agreements between the parties hereto and no other agreements relative hereto that shall be enforceable unless entered into in accordance with the procedure set out herein and approved by the Board.

13. All of the above paragraphs are understood and shall apply to this contract.

Communication regarding audit contract requests for modification or official approvals will be sent to the addresses provided in the spaces below.

Audit Firm Signature:
_____ Name of Audit Firm

Company Signatures:

Authorized Audit firm representative name:

Signature of authorized audit firm representative

Email Address of Audit Firm:

Date_____

RECOGNITIONS SECURED FOR COMPANY SECRETARIES

RECOGNITIONS SECURED FOR COMPANY SECRETARIES

I. FOR A PRACTISING COMPANY SECRETARY

Sl. No.	Statute/Authority	Purpose	When Obtained
I	COMPANY LAW		
1.	The Companies Act, 2013 and Rules made thereunder	(a) "Company Secretary in Practice" means a company secretary who is deemed to be in practice under sub-section (2) of section 2 of the Company Secretaries Act, 1980. {Section 2(25)}	12 September, 2013
		(b) To make declaration that all the requirements of Companies Act, 2013 and the rules made thereunder in respect of registration and matters precedent or incidental thereto have been complied with. {Section 7(1)(b) & Rule 14 of the Companies (Incorporation) Rules, 2014}	
		(c) To certify the annual return of listed company or a company having paid-up share capital of ten crore rupees or more or turnover of fifty crore rupees or more. {Section 92(2) & Companies (Management and Administration) Rules, 2014}	
		(d) Issue Secretarial Audit Report to every listed company and every public company having a paid-up share capital of fifty crore rupees or more; or every public company having a turnover of two hundred fifty crore rupees or more. {Section 204 & Companies (Appointment and Remuneration Personnel) Rules, 2014}	

		<p>(e) To certify that whether the merger and amalgamation scheme is being complied with in accordance with the orders of the Tribunal or not. { Section 232 (7)}</p>	
		<p>(f) To be appointed as an expert{Section 2(38)}</p>	
		<p>(g) To be appointed as Interim/Company Administrator(Section 259)</p>	
2	Companies (Incorporation) Rules, 2014	To make declaration that the draft memorandum and articles of association have been drawn up in conformity with the provisions of Section 8 of the Companies Act, 2013 and rules made thereunder and that all the requirements of the Act and the rules made thereunder relating to registration of the company under section 8 and matters incidental or supplemental thereto have been complied with.{ Rule 19}	
3	Nidhi Rules, 2014	To certify half yearly return of Nidhi Company {Rule 21}.	
4	Companies (Management and Administration) Rules, 2014	To appoint as a scrutinizer in every listed company or a company having not less than one thousand shareholders to scrutinize the e-voting process in a fair and transparent manner{ Rule 20}	

5	Companies (Registration Offices and Fees) Rules, 2014	Precertification of e-form	
6.	Limited Liability Partnership Rules, 2009	<p>LLP forms:</p> <p>Form No.2</p> <p>Form No.3</p> <p>Form No.4</p> <p>Form No.5</p> <p>Form No. 8</p> <p>Form No.11</p> <p>Form No.12</p> <p>Form No.15</p> <p>Form No.17</p> <p>Form No.18</p> <p>Form No.31</p> <p>Form No.32</p>	1 st April, 2009
7.	Company Law Board Regulations, 1991 ¹ [Reg. 19]	To act as authorised representative before the Company Law Board Benches.	May, 1991
II	CORPORATE AND ECONOMIC LAWS		
8.	Competition Act, 2002 [Section 35 & 53S)	To act as authorised representative before the Competition Commission of India and Competition Appellate Tribunal.	31 March, 2003
9.	Central Electricity Regulatory Commission (Miscellaneous Provisions) Order, 1999 (Clause 6)	To act as authorized representative before the Central Electricity Regulatory Commission.	August, 1999

10.	Gujarat Electricity Regulatory Commission (Conduct of Business) Regulations, 1999 (Regulation 23)	To act as authorized representative before the Gujarat Electricity Regulatory Commission.	July, 1999
11.	The Telecom Regulatory Authority of India Act, 1997 (Section 17 and Explanation (b) thereto)	To act as authorized representative before the Telecom Disputes Settlement and Appellate Tribunal.	March, 2000
12.	IRDA (Registration of Indian Insurance Companies) Regulations, 2000 (Regulation 10)	To certify that the company has complied with all the requirements relating to registration fees, share capital, deposits and other requirements of the Insurance Regulatory and Development Authority Act, 1999.	July, 2000
13.	Foreign Trade Policy 2009-2011.	<p>Illustrative List of certificates which may be issued by a Company Secretary in Practice is given hereunder:</p> <p>Certificate for issue of EPCG authorization (Appendix 26)</p> <p>Certificate for EPCG Redemption (Appendix 26A)</p> <p>Certificate showing sales turnover of ammunition (indigenous and imported) during the preceding three licensing years (Annexure ANF 2B)</p> <p>Certification in respect of Application for grant of Status Certificate (ANF 3A)</p> <p>Certification in respect of application for Served from Indian Scheme (annexure ANF 3B)</p> <p>Certificate for Agriculture Infrastructure incentive scrip under VKGUY (Annexure to ANF 3D)</p>	Foreign Trade Policy (2009 – 2014)

14.	Special Economic Zones Rules, 2006(Rule 61)	To act as authorized representative before the Board of Approval	February, 2006
15.	Foreign Exchange Management Act, 1999 (FEMA)	To issue certificates for exchange control purposes. All certificates, which a Practising Chartered Accountant can issue as documentary evidence in support of certain applications, may also be issued by a Company Secretary in Whole-time Practice.	Original recognition received in 1992 under FERA. RBI clarified vide letter dated April 19, 2001, the recognition is valid under FEMA.
16.	Foreign Exchange Management (Transfer of Issue of Securities by a Person Resident Outside India)Regulations, 2008	To certify under FDI Scheme on behalf of Indian companies accepting investment	30 May, 2008
17.	The Trade Marks Rules, 2002 (Rules148-161)	Qualified to be registered as a trade marks agent.	15 September, 2003.
III	SECURITIES LAWS AND CAPITAL MARKETS		
18.	The Securities and Exchange Board of India Act, 1992. [Section 15V, Explanation (b)]	To appear as authorised representative before the Securities Appellate Tribunal	December, 1999
19.	The Depositories Act, 1996 [Section 23C, Explanation (b)]	To appear as authorised representative before the Securities Appellate Tribunal	December, 1999
20.	SEBI - Circular No. MRD/DoP/SE/Cir-1/06	Certify non- promoter holdings as per clause 35 of Listing Agreement in demat mode in case of the companies which have established connectivity with both the depositories.	13 January, 2006

21	Clause 47(c) of the Listing Agreement	Certification to the effect that RTA and/or In-house Share transfer facility of Listed Companies have issued all certificates within one month of the lodgement for transfer, subdivision, consolidation, renewal, exchange or endorsement of calls/ allotment monies. This certificate is to be issued within one month of the end of each half of the financial year.	February 12, 1998
22.	Clause 49 of the Listing Agreement.	To issue certificate of compliance of conditions of corporate governance.	January , 2006 & CIR/CFD/POLICY CELL/2/2014 dated April 17, 2014
23	SEBI (Investment Advisers) Regulations, 2013 [Regulation 19 (3)].	To issue certificate of compliance to an investment adviser under SEBI (Investment Advisers) Regulations, 2013.	
24.	BSE SME Notice No. 20121126-17 dated 26 November 2012.	To issue certificate of compliance conditions for listing on SME Platform of BSE Ltd.	
25.	Model Listing Agreement for Listing of Debt Securities. SEBI/CFD/DIL/CIR-39/2004/11/01	To issue certificate regarding maintenance of adequate security cover in respect of listed debentures by either a Practising Company Secretary, every quarter.	1 November, 2004
26.	Model Listing Agreement for Listing of Debt Securities. SEBI/CFD/DIL/CIR-39/2004/11/01	To issue certificate regarding compliance of conditions of Corporate Governance.	1 November, 2004
27.	Listing Agreement for Indian Depository Receipts (IDRs) SEBI/CFD/DIL/IDR/1/2006/3/4	To issue certificate of compliance of conditions of Corporate Governance.	3 April, 2006

28.	SME Listing Agreement	To certify that all transfers have been completed within stipulated time. To certify compliance of conditions of Corporate Governance.	
29.	SEBI (Depositories Participants) Regulations, 1996	To issue quarterly certificate with regard to reconciliation of the total issued capital, listed capital and capital held by depositories in dematerialized form, details of changes in share capital during the quarter, and in-principle approval obtained by the issuer from all the stock exchanges where it is listed in respect of such further issued capital.	2 September, 2003.
30.	SEBI's Circular IMD/PMS/CIR/1/21727/03	To conduct Internal Audit of Portfolio Managers.	18 November, 2003
31.	SEBI's Circular MRD/DMS/CIR-29/2008	To conduct internal Audit of Stock Brokers / Trading Members / Clearing Members	21 October, 2008
32.	SEBI's Circular SEBI/MIRSD/CRA/Cir-01/2010	To conduct internal Audit for Credit Rating Agencies (CRAs)	06 January, 2010
33.	National Securities Depositories Limited (NSDL)	Conduct of Internal Audit of operations of the Depository Participants, at intervals of not more than three months and furnish a copy of the internal audit report to the depository.	March, 1999
34.	NSDL Circular No. NSDL/POLICY/2006/0021	Concurrent Audit in case of Demat Account opening, Control and Verification of Delivery Instruction Slips.	June , 2006

35.	Central Depository Services (India) Limited (CDS)	(i) Conduct of Internal Audit of operations of the Depository Participants at such intervals as may be specified by CDS from time to time and furnish a copy of the internal audit report to CDS.	September, 1999
		(ii) For empanelment by CDS as auditors for conduct of audit of the records of the participants in so far as the records and operations relate to CDS.	
36.	(A) Securities Contracts (Regulation) Act, 1956; and Securities Contracts (Regulation) Rules, 1957 [Section 22C, Explanation (b)] (Guideline No. F1/8/SE/82 dt. 20.8.1982).	(i) To appear as authorized representative before the Securities Appellate Tribunal	December, 1999
		(ii) Certificate to the effect that allotment has been made by the company on the basis approved by the Stock Exchange.	August, 1982
IV	TAXATION		
37.	Income-tax Act, 1961 and Income-tax Rules, 1962 [section 288(2) and Rule 50(2A)]	To act as authorised representative before the Income-tax authorities.	July, 1979
38.	Wealth-tax Rules, 1957 [Rule 8A(7)(i)]	Recognized as registered valuer of stocks, shares & debenture etc.	8 October, 1974
39.	Authority for Advance Ruling, (Customs, Central Excise and Service Tax) Procedures Rules, 2005	To act as authorized representative under Rule 2(d)(i)	January 2005

40.	The Customs, Excise and Service Tax Appellate Tribunal under the Customs Act, 1962 [Section 146A(2)(d)] read with Customs (Appeals) Rules, 1982 [Rule 9(c)] and The Central Excise Act, 1944 [Section 35Q(2)(c)] read with Central Excise (Appeals) Rules, 2001 [Rule 12(c)] and Service Tax vide section 83 of Finance Act, 1994	To act as authorized representative before the Customs, Excise and Service Tax Appellate Tribunal	October, 1982
41.	West Bengal Value Added Tax Rules, 2005	Authorized to appear before Appellate and Revisional Board, the Commissioner, the Special Commissioner, the Additional Commissioner or any person appointed to assist the Commissioner on behalf of a dealer [Rule 2 (1)(a)(iv)].	April, 2005
42.	Bihar Value Added Tax Act, 2005	Authorised to appear before VAT authorities appointed under Section 10 or the Tribunal or an Officer of the Bureau of Investigation constituted under Section 86 of the Act [Section 87(d)].	April, 2005
43.	Daman and Diu Value Added Tax Regulation, 2005	Authorised to appear before any VAT authority in connection with any proceedings under this Regulation. [Regulation 82(1)(b)].	April, 2005
44.	Goa Value Added Tax Act, 2005	Authorised to appear before any VAT authority including the Tribunal in connection with any proceedings under this Act [Section 82(1)(b)].	April, 2005
45.	Jharkja Jharkhand Value Added Tax Act, 2005	To conduct VAT Audit under section 63(1) To appear before VAT authorities under Rule 51(1)(c)	February 2006

46.	Karnataka Value Added Tax Act, 2003 read with Karnataka Value Added Tax Rules, 2005	Authorised to appear before any Authority other than the High Court in connection with any proceeding under this Act [Section 86 (c) read with Rule 168(2)(c) (iv)(b)].	April,2005
47.	Kerala Value Added Tax Act, 2003.	Authorized to appear before VAT Authorities in connection with any proceedings under this Act [Section 86 (e).	April 2009
48.	Delhi Value Added Tax Act, 2004	Authorize to appear before VAT Authorities under section 82 (1)(b).	April 2009
V	FINANCIAL INSTITUTIONS		
49.	All India Financial Institutions	Certification with regard to the following:	
	(i) Industrial Development Bank of India	(a) Necessary powers of a company and its directors to enter into an agreement.	July, 1981 December ,1981
	(ii) Industrial Finance Corporation of India	(b) Borrowing limits of a company under section 293(1)(d) of the Companies Act, 1956, including details of share capital, authorised, issued, subscribed and paid-up, and the actual borrowing.	July,1983
	(iii) Industrial Credit and Investment Corporation of India	(c) List of Members of a company.	
	(iv) Unit Trust of India	(d) Copies of resolutions passed at company meetings to be furnished to financial institutions.	
	(v) Life Insurance Corporation of India		
	(vi) General Insurance Corporation of India		

	(vii) Industrial Reconstruction Bank of India	- do - (a) to (d)	January, 1986
	(viii) Industrial Development Bank of India	Certification of documents relating to charges.	April, 1991
VI	BANKS		
50.	Reserve Bank of India Circular DBOD No.BP.PC.46/08.12.001/20 08-09	Diligence Report for Banks	September 19, 2008
51.	Indian Banks Association (Circular No. SO/69-73-III-C-82/9565 dated 15.4.1983 and Circular no. SO/69-73-C-86/4763 dated 16.6.1986).	Status/Search Reports for banks	April, 1983
52.	(i) Indian Bank	Certification of documents relating to charges.	December, 1990
	(ii) Bank of India	-do-	February, 1991
	(iii) Andhra Bank (Eastern Region)	-do-	February, 1991
	(iv) Canara Bank	-do-	February, 1991
	(v) United Bank of India	-do-	March, 1991
	(vi) Vijaya Bank	-do-	March, 1991
	(vii) Bank of Baroda ²	-do-	July, 1991
	(viii) Corporation Bank	-do-	August, 1991

	(ix) State Bank of India ²	-do-	September, 1991
	(x) Bharat Overseas Bank	-do-	September, 1991
	(xi) State Bank of Mysore	-do-	October, 1991
	(xii) Indian Overseas Bank	-do-	October, 1991
	(xiii) State Bank of Indore ²	-do-	February, 1992
	(xiv) State Bank of Travancore	-do-	April, 1992
	(xv) Laxmi Vilas Bank Ltd.	-do-	June, 1992
VII	STATE LEVEL AGENCIES		
53.	State Financial/Industrial Investment/ Development Corporations;	Certification with regard to the following:	
	(i) Himachal Pradesh Financial Corporation, Shimla	(a) Necessary powers of a company and its directors to enter into an agreement	July, 1982
		(b) Borrowing limits of a company under section 293(1)(d) of the Companies Act, 1956, including details of share capital, authorised, issued, subscribed and paid-up and the actual borrowing.	
	(ii) West Bengal Financial Corporation ² , Calcutta	-do-	August, 1982

(iii) Maharashtra State Financial Corporation, Mumbai	-do-	April, 1984
(iv) UP State Industrial Development Corporation Ltd., Kanpur	-do-	December, 1985
(v) Assam Industrial Development Corporation Ltd. ² , Guwahati	(a) Necessary powers of a company and its directors to enter into an agreement.	March, 1982 October 1988
	(b) Borrowing limits of a company under section 293(1)(d) of the Companies Act, 1956, including details of share capital, authorised, issued, subscribed and paid-up and the actual borrowing.	
	(c) List of members of a company.	
	(d) Copies of resolutions passed at company meetings to be furnished to financial institutions.	
(vi) Gujarat Industrial Investment Corpn. Ltd. ² , Ahmedabad	-do- (a) to (d)	October, 1982 August, 1986
(vii) Nagaland Industrial Dev. Corpn. Ltd., Dimapur	-do- (a) to (d)	September, 1983
(viii) Uttar Pradesh Financial Corpn., Kanpur	-do- (a) to (d)	September, 1983
(ix) State Industries Promotion Corpn. of Tamil Nadu Ltd. ² , Chennai	-do- (a) to (d)	October, 1983
(x) The Tamil Nadu Industrial Investment Corpn. Ltd. ² Chennai	-do- (a) to (d)	November, 1983

(xi) Karnataka State Indl. Invest. And Dev. Corpn.Ltd ² ., Bangalore	-do- (a) to (d)	July, 1982 February, 1986
(xii) The Pradeshiya Ind. And Investment Corpn. of UP Ltd., Lucknow	-do- (a) to (d)	March, 1986
(xiii) Andhra Pradesh State Financial Corpn., Hyderabad	-do- (a) to (d)	June, 1982 March, 1986
(xiv) The Punjab State Indl. Dev. Corpn. Ltd., Chandigarh	-do- (a) to (d)	March, 1986
(xv) The State Indl. and Investment Corpn. of Maharashtra Ltd ² ., Mumbai	do- (a) to (d)	June, 1982 April, 1984 June, 1984
(xvi) Haryana Financial Corpn. ² , Chandigarh	-do- (a) to (d)	September, 1982, April, 1986, May, 1988
(xvii) Punjab Financial Corpn., Chandigarh	-do- (a) to (d)	May, 1986
(xviii) Andhra Pradesh Indl. Dev., Corpn. Ltd., Hyderabad	-do- (a) to (d)	May, 1982 June, 1986
(xix) Rajasthan State Indl. Dev. & Inv. Corpn. Ltd., Jaipur	-do- (a) to (d)	August, 1986
(xx) Indl. Promotion & Inv. Corpn. of Orissa Ltd ² ., Bhubaneswar	-do- (a) to (d)	September, 1982 August, 1986

(xxi) Gujarat State Fin. Corpn ² ., Ahmedabad	-do- (a) to (d)	April, 1982 September, 1986
(xxii) The Zoram Indl. Dev. Corpn. Ltd., Mizoram	-do- (a) to (d)	March, 1987
(xxiii) Kerala State Indl. Dev. Corpn. Ltd ² ., Thiruvnanthapuram	-do- (a) to (d)	August, 1986
(xxiv) Rajasthan Financial Corpn. ² , Jaipur	-do- (a) to (d)	September, 1983 July, 1987
(xxv) West Bengal Indl. Dev. Corpn. Ltd ² ., Calcutta	-do- (a) to (d)	July, 1987
(xxvi) Orissa State Financial Corporation	-do- (a) to (d)	July, 1987
(xxvii) Bihar State Financial Corpn., Patna	-do- (a) to (d)	January, 1988
(xxviii) Delhi Financial Corpn. ² , New Delhi	-do- (a) to (d)	August, 1988
(xxix) Manipur Indl. Dev. Corpn. Ltd. ² , Imphal	-do- (a) to (d)	April, 1990
(xxx) Pondicherry Indl. Promotion, Dev. & Inv. Corpn. Ltd., Pondicherry	-do- (a) to (d)	December, 1990
(xxxi) Arunachal Pradesh Indl. Dev. & Financial Corpn. Ltd. ² , Naharlagum	-do- (a) to (d)	August, 1991

	(xxxii)Gujarat Industrial Development Corporation	To issue certificate with regard to shareholders, and share-holdings of companies, for the purposes of transfer of industrial Plot/Shed.	May, 1999
B. Secretarial Audit			
	(xxxiii)Manipur Industrial Development Corpn. Ltd., Imphal	Secretarial Audit, once a year of the companies assisted by the Corporation	April, 1990
	(xxxiv)Assam Indl. Dev. Corpn. Ltd., Guwahati	Secretarial Audit, once a year, of the companies assisted by the Corpn. under the IDBI's Refinance Scheme. However, companies having whole-time secretary need not perform Secretarial Audit, provided such Company Secretary submits a certificate of compliance of various provisions of law.	July, 1990
	(xxv)Gujarat Industrial Investment Corporation Ltd., Ahmedabad	Secretarial Audit, once a year, of the companies assisted by the Corpn. including the joint/associate sector companies of the corpn. However, companies having whole-time secretary need not perform Secretarial Audit provided such Company Secretary submits a certificate of compliance of various provisions of law.	June, 1991
	(xxxvi)Arunachal Pradesh Industrial Development & Financial Corpn. Ltd., Naharlagun	Secretarial Audit, once a year, of the companies assisted by the Corporation.	August, 1991
C. Due Diligence Certificates/Search Report			
	Gujarat State Financial Corporation	(i) Certification with regard to the compliance of various laws such as Factories Act, Safety Provisions and other local Acts, by the concerned borrowers.	

		(ii) Preparation of Search Report and other work connected with Registrar of Companies.	May, 1999
VIII.	GOVERNMENT DEPARTMENTS		
54.	Department of Agriculture and Cooperation, Ministry of Agriculture	To issue a certificate about certain prescribed details of a company chartering foreign fishing vessels, according to the guidelines issued by the Department of Agriculture and Co-operation.	July, 1987
55.	Entrepreneurship Department of Industries, Government of Orissa	A Company Secretary setting up industrial unit recognised as 'Special Class Entrepreneur' under the category of technical entrepreneurs (Special class entrepreneurs are eligible for 5% extra capital investment subsidy and other additional privileges for setting up industries).	August, 1992
56.	Department of Telecommunication, vide its Guidelines No. 820-1/2006-LR, dated 24.8.2007	The "Guidelines and General Information for Grant of Licence for Operating Internet Services" authorise Company Secretaries to issue certificate on net worth of the Companies. The Guidelines provide that a company having ISP licence and a net worth of Rs. One Hundred crore or more can only offer IPTV services subject to approval from Licensor. A certificate from Company Secretary (certifying the net worth of the company) is to be submitted.	August, 2007
57.	Ministry of Heavy Industries and Public Enterprises, Department of Public Enterprises, vide its ref. no. 18(8)/2005-GM dated 22nd June 2007	The Guidelines on Corporate Governance for Central Public Sector Enterprises 2007 provide that the company shall obtain a certificate from practicing Company Secretary regarding compliance of conditions of corporate governance as stipulated in these Guidelines and Annexes.	June 2007
IX	HIGH COURT		
58.	Calcutta High Court (letter no. Cor. 424 dated 9.2.1983)	Introduction of panel of Practising Company Secretaries for appointment as receivers, arbitrators, trustees and special officers.	February, 1983

X	ANCILLARY		
59.	Income-Tax Act, 1961	Ministry of Finance, Department of Revenue, Central Board of Direct Taxes, have notified the profession of Company Secretaries under section 44AA of the Income Tax Act, 1961.	October, 1992

Secretary of Company can also undertake such assignment.

In addition, certificate in respect of search reports from the records maintained by the office of the Registrar of Companies will be accepted.

II - FOR A COMPANY SECRETARY IN EMPLOYMENT

1.	Ministry of Education	Appointment of superior posts and services under the Central Government.	February, 1968 December, 1971
2.	Section 2(24) of the Companies Act, 2013.	“Company Secretary” or “Secretary” means a company secretary as defined in clause (c) of sub-section (1) of section 2 of the Company Secretaries Act, 1980 who is appointed by a company to perform the functions of a company secretary under the Act.	12 September, 2013
3.	Section 203 of the Companies Act, 2013.	Appointed as Key Managerial Personnel.	12 September, 2013
4.	Government of Andhra Pradesh	For recruitment in public sector under-takings of the State to superior posts.	September, 1981
5.	Central Government (Ministry of Corporate Affairs)	Qualification for recruitment to Grades I to IV in the Accounts Branch of the Central Company Law Service.	November, 1982
6.	Ministry of Home Affairs, Department of Personnel and Administrative Reforms	Empanelment of Company Secretaries for assignment of Indian experts to the developing countries of Asia, Africa and Latin America.	March, 1984

7.	Government of Gujarat, General Administration, Department Circular No. RDD/1077/1120/K dated 16.1.1978 and letter No. RDD/1081/1781/K dated 23.6.1981	Degrees/diplomas awarded by Universities or other educational Institutes established by an Act of the Central or State legislature or by an Act of Parliament automatically specialize for the purpose of recruitment to the posts and services under the State Government.	January, 1978 June, 1981
8.	Government of Tamil Nadu, Personnel and Administrative Reforms (Personnel) Department, Order No. G.O. Ms. No. 148 dated 7.3.1988	ACS is specialized as one of the qualifications for the purpose of Group 'A' appointments in the State Government Service in the departments concerned with Trade, Commerce, Finance, Commercial Taxes and Industry where such a specialized knowledge is called for.	March, 1988
9.	Government of Kerala, Planning & Economic Affairs (BPE) Department, Thiruvananthapuram, Order No. 10180/BPE – 2/89/Plg. Dated 29.5.1989.	Preference to be given to candidates possessing ACS qualification in addition to ACA/AICWA qualification, for recruitment to the posts of Finance Directors in State Government Undertakings in Kerala.	May, 1989
10.	Karnataka State Financial Corporation, Letter Pers/P- 3214 dated 10.11.1989.	ACS as one of the superior qualification for appointment to executive posts.	November 1989

11.	<p>(a) Govt. of India, Ministry of Personnel, Public Grievances and Pensions(Department of Personnel & Training) O M No. dated 1/2/89-Estt.(Pay.I) dated 09.04.1999.</p> <p>(b) Office of Comptroller & Auditor General of India vide Letter No. 284/ NGE(ENTT)/44-2005.</p>	<p>Employees passing Intermediate and Final Examinations of Company Secretaryship course are eligible for lump sum incentives of Rs. 2,000 and Rs. 4,000, respectively.</p>	<p>9th April,1999</p> <p>April, 1991 (revised in 1999)</p>
12.	<p>Model Listing Agreement for Listing of Debt Securities SEBI/CFD/DIL/CIR-39/2004/11/01</p>	<p>Company Secretary or any other person to be designated as compliance officer.</p>	<p>1 November, 2004</p>
13.	<p>Model Listing Agreement for Listing of Indian Depository Receipts SEBI/CFD/DIL/IDR/1/2006/3/4</p>	<p>Issuer to appoint its Company Secretary as Compliance Officer.</p>	<p>3 April, 2006</p>
14.	<p>Model Listing Agreement for listing Indian Depository Receipts who are signatory to OSCOMMOU.{SEBI/CFD/DIL/IDR/1/2009/16/06}</p>	<p>Issuer to appoint Company Secretary as Compliance Officer</p>	
15	<p>Model SME Equity Listing Agreement {CIR/CFD/DIL/6/2010}</p>	<p>Companies to appoint Company Secretary as Compliance Officer</p>	
