

Reimagining Secretarial Audit Report for Listed Entities : Need of the hour

The Secretarial Audit provides independent assurance on a listed entity's compliance mechanism and corporate governance systems. Financial Audit along with Secretarial Audit form a complementary framework that strengthens corporate accountability and enhances corporate governance. The article throws light on the Reimagined Secretarial Audit Report framework that aligns with SEBI's recent regulatory emphasis on enhanced governance expectations from boards and management.



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सत्यं वद। धर्मं चर।

"Speak the Truth, Practice Dharma"
(Taittiriya Upanishad – Shikshavalli 11.1)

INTRODUCTION

The article throws light on the Reimagined Secretarial Audit Report framework that aligns with SEBI's recent regulatory emphasis on enhanced governance expectations from Boards and management. The Secretarial Audit Report, reimagined, reflecting growing emphasis on regulatory compliance, Board governance and stakeholder accountability can become as a key tool in transforming a merely compliant listed entity into a truly well-governed listed entity, one that is trusted, sustainable, and resilient.

A "well-governed listed entity" demonstrates robust Board governance, regulatory compliance, and alignment with stakeholder expectations, fostering trust and long-term sustainability. In contrast, a "not-so-well governed listed entity" often lacks transparency, accountability, and effective risk management, resulting in regulatory lapses, stakeholder dissatisfaction and eventual collapse.

Often regarded as **the non-financial counterpart** to the financial audit, the Secretarial Audit provides independent assurance on a listed entity's compliance mechanism and corporate governance systems. While the financial audit assesses the integrity of financial reporting, for instance, whether related party transactions (RPTs) are correctly recognised, measured, and disclosed, the Secretarial Audit evaluates whether those transactions comply with the company's RPT policy and have received the necessary approvals from the Audit Committee, the Board, or the Shareholders, as the case may be. Together, these two audits form a complementary framework that strengthens corporate accountability and enhances corporate governance.

Recognising their significance, statutes require that both financial and secretarial auditors of listed entities be appointed by shareholders. Their reports are submitted to shareholders and made public, ensuring transparency. The auditors are appointed typically for a five-year term, with the possibility of one reappointment subject to statutory conditions. This safeguards independence and mitigates conflicts of interest. Both audits follow prescribed auditing standards, ensuring the consistency, reliability, and comparability of their findings.

Genesis -

The genesis of Secretarial Audit can be traced back over a period of time in the phased manner as given below:

- **Phase 1** - Compliance Certificate for small companies.
- **Phase 2** - Proposals for Secretarial Compliance Audit.
- **Phase 3** - Voluntary Secretarial Audit.
- **Phase 4** - Mandatory Secretarial Audit.
- **Phase 5** - Kotak Committee Recommendations - SEBI Listing Regulations amended to provide for mandatory Secretarial Audit Report for material unlisted subsidiary and Annual Secretarial Compliance Report for Listed Entities.
- **Phase 6** - Changes in Companies Rules – Certain category of private companies brought within the purview of Secretarial Audit.
- **Phase 7** - Requirement of approval from Shareholders for appointment of Secretarial Auditor in Listed Entities.

PHASE-WISE EVOLUTION OF SECRETARIAL AUDIT IN INDIA

Phase 1 – Introduction in Companies Act, 1956

Section 383A, introduced with the Companies (Compliance Certificate) Rules, 2001, mandated small companies (with paid-up capital of ₹10 lakh or more and not required to appoint a full-time Company Secretary) to obtain a Compliance Certificate from a Practising Company Secretary (PCS). This certificate, verifying compliance with the Companies Act, 1956 had to be attached to the Board's Report.

Phase 2 – Naresh Chandra Committee Recommendations (2002)

Based on this Committee's recommendations, the Companies (Amendment) Bill, 2003 proposed:

- (a) Secretarial compliance audits ordered by the government in case of non-compliance suspicions;
- (b) Pre-certification of documents filed with the Registrar by a PCS.

Phase 3 – Voluntary Secretarial Audit (2009)

The ICSI, in its 2009 report on strengthening corporate governance, recommended:

- Mandatory secretarial audit for listed and certain other companies;
- Audit to be conducted by PCS;
- Audit report to be submitted to the Corporate Compliance Committee; and
- Secretarial Audit Report to be part of the Board's Report.

Phase 4 – Mandatory Secretarial Audit (Companies Act, 2013)

Section 204 introduced mandatory Secretarial Audit for:

- Listed companies;
- Public companies with ₹50 crore+ paid-up share capital, or ₹250 crore+ turnover.

Key provisions include:

- Audit to be done by a PCS;
- Appointment by the Board;
- Report to be submitted in Form MR-3 under the Companies (Management and Administration) Rules, 2014 to the Members; and
- Board to explain qualifications, if any, in their report.

Phase 5 – SEBI Recognition (2017–2019)

Following Kotak Committee recommendations, SEBI inserted Regulation 24A in LODR (2018), giving Secretarial Audit regulatory recognition.

From FY 2018–19:

- Listed entities and their material unlisted subsidiaries must submit Secretarial Audit Report issued by a PCS.
- Listed entities also need to file an Annual Secretarial Compliance Report covering compliance with all SEBI regulations and circulars. This report is to be filed with stock exchanges within 60 days of the end of the financial year.

Phase 6 – Expansion to Certain Category of Private Companies (2020)

Secretarial Audit became applicable to private companies having outstanding loans/borrowings of ₹100 crore or more from banks or financial institutions.

Phase 7 – Tenure Limits Introduced for Listed Entities (2024)

New rules mandate that:

- Firms of Secretarial Auditors be appointed by shareholders at the AGM for up to two terms of five consecutive years;
- Individual Secretarial Auditors can be appointed for only one term of five consecutive years.

The evolution from compliance certification under Section 383A of the erstwhile Companies Act, 1956 to Secretarial Audits under Section 204 of the Companies Act, 2013 and Regulation 24A of SEBI LODR demonstrates the profession of Company Secretary's journey towards becoming guardians of governance.

Thus, Secretarial Audit is poised to:

- Provide actionable insights for Boards and Committees;
- Strengthen organisational resilience to compliance risks;
- Enhance stakeholder trust through robust governance assurance;
- Aid in enhancing corporate compliance generally and help restore the confidence of investors in the capital market through greater transparency in corporate functioning.

REIMAGINING THE SECRETARIAL AUDIT REPORT

The Secretarial Audit has evolved significantly over the years, transforming from a compliance checklist merely confirming compliance or reporting non-compliance, into a dynamic and crucial tool for corporate governance assurance. This evolution has been driven by:

- regulatory changes, including the introduction of Section 204 of the Companies Act, 2013 and Regulation 24A of SEBI LODR Regulations;
- a growing emphasis on transparency, accountability, and investor maturity; and
- rising stakeholder expectations for independent assurance on governance practices.

Reasons for Reimagining the Report

- **Enhanced Stakeholder Understanding** - A single reading should enable stakeholders to gauge the entity's compliance status, governance effectiveness, and risk posture across all areas covered.
- **Reflection of Mechanisms and Processes** - Reporting should provide a true and fair view of the mechanisms in place to ensure ongoing compliance and processes to improve governance.
- **Assessment of Intangibles** - The Auditor should have the freedom to express independent, unbiased opinions on intangibles such as governance culture, ethical climate, Board dynamics which are critical for stakeholder assurance.

THE WAY FORWARD

The Secretarial Audit Report must be reimagined to transform a procedural obligation into a robust enabler of Corporate Governance, Stakeholder Trust and Sustainable

Compliance by enabling Secretarial Auditors to:

- Express their views in the most simple, clear, and effective manner;
- Provide insights beyond compliance - on processes and governance effectiveness;
- Contribute to Board decision-making by highlighting compliance risks and improvement areas;
- Serve as a strategic governance assurance tool rather than a mere compliance certification.

The Reimagined Report proposes to integrate Secretarial Audit Report prescribed under Reg 24 A (1) of LODR (Format of which is same as that under Companies Act, 2013) and the Annual Secretarial Compliance Report in prescribed format into a Secretarial Audit Report (SAR) which will be dynamic, multidimensional tool delivering distinct value to every stakeholder. Apart from highlighting Section and Regulation related compliances/

non-compliances, the Reimagined SAR attempts to include the comments from Secretarial Auditor on intangibles also, which remain underrepresented in current formats of the reports such as board dynamics, tone at the top, ethical climate and ethical leadership, governance culture, responsiveness to whistle-blower, openness to dissent, alignment with evolving legal frameworks and global best practices etc.

To summarise the Reimagined Secretarial Audit Report is poised to become a potent and effective tool in the determination as to whether the compliance landscape promotes governance culture in a listed entity.

The Secretarial Audit has evolved significantly from a compliance checklist merely confirming compliance or reporting non-compliance into a dynamic and crucial tool for corporate governance assurance driven by regulatory changes, a growing emphasis on transparency, accountability and investor maturity and rising stakeholder expectations.

SECRETARIAL AUDIT REPORT FOR LISTED ENTITIES

FOR THE FINANCIAL YEAR ENDED 31ST MARCH,

[Pursuant to Regulation 24A of the SEBI Listing Obligations and Disclosure Requirements (LODR), 2015]

To,

The Members,

CIN: _____

Address:

We have Audited the statutory and regulatory compliances and corporate governance practices of [•] (hereinafter referred to as **"the Listed Entity"**) for the financial year ended 31st March [•].

The objective of the Audit was to provide a reasonable assurance regarding compliance mechanism in the Listed Entity with respect to Applicable Laws mentioned hereinbelow, and its adherence to conditions and processes of Corporate Governance and expressing our opinion thereon.

Our Audit is based on verification of books and papers, minute books, forms, returns filed, documents and other records maintained by the Listed Entity, ("hereinafter referred as **"Audit Records"**), the representation/(s) made, information furnished to us by the Management and in accordance with the applicable Auditing Standards issued by the Institute of Company Secretaries of India.

MANAGEMENT'S RESPONSIBILITY

It is the responsibility of the Management to devise and maintain proper systems to ensure compliance with the Applicable Laws mentioned hereinbelow and provide us with the Audit Records thereon.

AUDITOR'S RESPONSIBILITY

1. Our responsibility is to express an opinion on the adequacy and effectiveness of the existing systems for ensuring compliance with Applicable Laws mentioned hereinbelow as well as adherence to prescribed conditions and processes of Corporate Governance.
2. We have conducted the Audit pursuant to Regulation 24A of the SEBI LODR Regulations, 2015 and in accordance with the applicable Auditing Standards issued by the Institute of Company Secretaries of India.
3. Wherever considered necessary, we have obtained reasonable assurance that the Audit Records maintained by the Listed Entity, are free from misstatement.
4. Wherever considered necessary, we have obtained representation from the Management to form our opinion on matters related to the Audit.
5. Wherever considered necessary, we have communicated our Audit findings to the Management.

OUR REPORT

We have examined the Audit Records maintained by the Listed Entity for the financial year ended on 31st March [•] in respect of:

- i. The Companies Act, 2013 (the Act) and the rules made thereunder;
- ii. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- iii. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;

- iv. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- v. The following Regulations, prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') and Circulars issued thereon from time to time: *(Mention only names of Regulations which are applicable during the financial year under review. (An illustrative list of Regulations is mentioned below):*
 - a. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - b. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - c. The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), Regulations, 2015;
 - d. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
 - e. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018;
 - f. The Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021;
 - g. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2021;
 - h. The Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021.

(Hereinafter separately and collectively referred to as **"Applicable Laws"**)

OPINION

Based on our verification of the Audit Records as well as the information provided by the Listed Entity and representation/(s) obtained from the Management during the conduct of our Audit, we hereby report that in our opinion,

- (i) There are proper and adequate systems and processes in place in the Listed Entity to monitor and ensure compliance with Applicable Laws as referred to in the Report and adherence to prescribed conditions and processes of Corporate Governance.
- (ii) The Listed Entity has, during the financial year under review, complied with the provisions of Applicable Laws. / **Except (mention qualifications, if any):**
- (iii) *(item no. 29 of Annexure – A – Observations to be included here)*

Our Key Audit findings are attached in **"Annexure A"**.

STANDARD DISCLAIMERS AND SCOPE LIMITATIONS IN SECRETARIAL AUDIT REPORT, AS PER ICSI GUIDANCE NOTE AND AUDITING STANDARDS

1. The Secretarial Audit Report is neither an assurance as to the future viability of the Listed Entity nor of the efficacy or effectiveness with which the Management has conducted the affairs of the Listed Entity.
2. We have not verified the correctness and appropriateness of financial records and books of accounts of the Listed Entity.

For _____

Practising Company Secretaries

ICSI Unique Code: _____

Peer Review Cert. No.: _____

FCS/ACS: _____ | **COP No.:** _____

ICSI UDIN: _____

_____, ____ (Date) | _____ (Place)

Annexure – A

In our opinion and to the best of our information and according to the explanations given to us, we report the following: -

1) Composition of the Board -

- The Board of Directors of the Listed Entity is duly constituted with proper balance of Executive Directors, Non-Executive Directors including Independent Directors and a Woman Director.
- The changes in the composition of the Board of Directors which took place during the period under review were carried out in compliance with the provisions of the Applicable Laws.
- The Listed Entity has complied with the provisions of the Applicable Laws and Regulations with respect to appointment of Directors and Key Managerial Personnel.

2) Constitution of Committees -

The Listed Entity has duly constituted the following Committees in accordance the Applicable Laws: -

Audit Committee, Nomination and Remuneration Committee, Stakeholders Relationship Committee, Risk Management Committee, Corporate Governance and Social Responsibility Committee. *(Add other committees as may be mandated by law)*

3) Board Processes –

- The Listed Entity has established a structured and well-defined Board process that facilitates timely convening of meetings, circulation of agenda and supporting documents, and effective decision-making.
- The annual calendar / schedule of meetings is planned in advance and communicated to all Directors. Agenda papers are circulated with adequate notice, enabling the Board and its Committees to deliberate on key issues in a well-informed manner.
- The Board process also incorporates mechanisms for Directors to seek clarifications or supplementary inputs prior to or during the meetings.
- Proceedings of the meetings are accurately recorded in the minutes, which reflect decisions taken, in line with the applicable Secretarial Standards and regulatory requirements.

4) Meetings -

The Listed Entity being Company has complied with the necessary provisions and Secretarial Standards prescribed for holding of Meetings of Board and Committees thereof, General Meetings and conduct of Postal Ballots.

5) A) Compliance Mechanism

There are proper and adequate systems and processes in place in the Listed Entity to monitor and ensure compliance with Applicable Laws as referred to in the Report.

B) Penalties/Fine Imposed, if any -

No penalties/Fines were imposed under Applicable Laws during the financial year under review.

OR

Even as there are proper systems and processes in place in the Listed Entity to monitor and ensure compliance with Applicable Laws, rules, regulations, we have noted the following -

- Actions taken against the Listed Entity/ its promoters/ directors/ subsidiaries (other than Equity Listed Subsidiaries) either by SEBI or by Stock Exchanges (including under the Standard Operating Procedures issued by SEBI through various circulars) under SEBI Regulations and circulars issued thereunder. (State non compliance)
- Regulator (name of the Regulator) has imposed a penalty/ fine of Rs _____ for ____ (state non-compliance).

- Pursuant to application made by the Listed Entity being a Company, for compounding of non-compliance (mention event of non-compliance), Fines / penalty of Rs. __ was imposed by the Ministry of Corporate Affairs (MCA).
- Also mention any other fine/penalty imposed for compounding of offence, under the Companies Act/ FEMA Regulations.

6) Disclosures/ Declarations -

- The Listed Entity being Company has received all necessary disclosures and declarations from the Directors. Based on the declarations received, none of the Directors of the Company are disqualified under Section 164 of Companies Act, 2013.
- The Board of Directors have, after undertaking due assessment of veracity of the declarations and confirmations submitted by Independent Directors, taken the same on record.

7) Performance Evaluation -

The Listed Entity has conducted performance evaluation of the Board, as a whole, its committees, individual Directors and Chairperson of the Board during the financial year under review.

8) Remuneration to Directors -

The Listed Entity being a Company has obtained the necessary approvals from the Nomination and Remuneration Committee (NRC) / Board / Shareholders for payment of remuneration to Directors and necessary disclosures have been made in the Explanatory Statement to the Notice convening General Meeting / Postal ballot for obtaining shareholders' approval.

9) Policies -

All policies as mandated by the Applicable Laws are in place and are being reviewed periodically as prescribed.

10) Related Party Transactions -

- The Listed Entity has in place a Board approved policy on Related Party Transactions.
- Related Party transactions entered into by the Listed Entity were placed before the Audit Committee on Quarterly basis for review.
- Necessary disclosures were made to the Audit Committee and shareholders for obtaining their approvals.
- Transactions with related parties were in the ordinary course of business and on arm's length basis and are entered into with the prior approval of the Audit Committee/ Board/ shareholders, wherever required.

11) Corporate Social Responsibility -

The Listed Entity being a Company has complied with the provisions with respect to Corporate Social Responsibility as mandated under Section 135 of the Companies Act, 2013.

12) Borrowings -

The Listed Entity being a Company has borrowed funds by obtaining necessary approvals (Board/ Shareholders) and the same are within the prescribed statutory/ approved limits. The Listed Entity has issued Bonds/ Debentures to the tune of [•] and made External Commercial Borrowings to the tune of Rs. [•] and have complied with the Applicable Laws.

13) Charges -

The Listed Entity being a Company has filed the necessary forms for registration/ modification of charges created on the assets of the Company and for satisfaction of the same, with the Ministry of Corporate Affairs under Chapter VI of the Companies Act, 2013.

14) Loans and Advances -

The Listed Entity being a Company has complied with the provisions of Applicable Laws with respect to granting of loans, making of investments, guarantees given, securities provided.

15) Disclosures

a) With Stock Exchanges -

The Listed Entity has made timely disclosures and filings with the Stock Exchange(s) in compliance with the Applicable Laws. The disclosures made were in accordance with the materiality framework adopted by the Board.

b) Annual Report -

The Listed Entity has made requisite disclosures in the Annual Report.

c) Website - The Listed Entity has maintained a functional and updated website.

16) Filing of Forms/Returns with Ministry of Corporate Affairs -

The Listed Entity being a Company, has duly filed the forms and returns with the Registrar of Companies, Regional Director, Central Government, NCLT, as the case may be, within the prescribed time limit / with additional fees.

17) Auditors -

The Listed Entity has obtained the necessary approvals for appointment and payment of remuneration to Statutory Auditors, Cost Auditors, Secretarial Auditors and Internal Auditor(s).

18) Deposits -

The Listed Entity being a Company, has not invited/accepted any Deposits including any unsecured loans during the financial year under review.

19) Beneficial Ownership -

As represented by the management, and based on the information and records made available to us, there were no persons identified as significant beneficial owner(s) during the financial year under review.

OR

The Listed Entity being a Company has filed the necessary forms intimating declaration of (i) significant beneficial ownership in a company under Applicable Laws and _____ ii) beneficial interest in any shares received from shareholders under Applicable Laws.

20) Compliance with the provisions of Investor Education and Protection Fund (IEPF) Authority (Accounting, Audit, Transfer and Refunds) Rules, 2016 -

The Listed Entity has complied with the requirements of the Section 125 of the Act and of the IEPF Authority (Accounting, Audit, Transfer and Refunds) Rules, 2016 including filling of the forms.

21) Layers of Subsidiaries -

The Listed Entity being a Company, has complied with the Applicable Laws with respect to restrictions on layers of subsidiaries.

22) Issues / Buyback/ Redemption /Split/ Conversion of securities -

(Nature of Corporate Actions and their description that occurred during the year to be indicated here.)

- The Listed Entity has obtained necessary approvals from the Board/ Shareholders/ Regulator by giving mandated disclosures.
- The Listed Entity has complied with the Applicable Laws.

23) Dividend -

The Listed Entity being a Company, has complied with the Applicable Laws.

24) Alteration of Memorandum of Association/Alteration of Association -

(Description of alteration that occurred during the year to be indicated here);

The Listed Entity being a Company, has obtained necessary approvals from the Board and /or Shareholders and the Regulator.

25) Preservation of documents -

The Listed Entity has preserved and maintained records/ documents as prescribed and disposed of the records as per the Policy on Preservation of documents approved by the Board of Directors.

26) Vigil Mechanism -

The Listed Entity has a whistle-blower policy and vigil mechanism in place.

27) Statutory Registers -

The listed Entity being a Company has kept and maintained all registers, duly updated as per the provisions of the Act, 2013 and the rules made thereunder.

28) Major events (As the Auditor may deem fit) -

(Description of event which will have major impact on the operations of the Listed Entity and status of compliance with Applicable Laws to be reported.)

- Arrangements including Amalgamation
- Incorporation/Listing of subsidiary (ies)
- Reference to IBC matters, if any

29) Observations on -

- board dynamics;
- tone at the top;
- ethical climate and ethical leadership;
- governance culture;
- responsiveness to whistle-blowers;
- openness to dissent;
- alignment with evolving legal frameworks and global best practices.

Notes: -

- Observation(s)/Remarks if any, to be incorporated in the relevant paragraphs in above Annexure A.
- Company means Company incorporated under the Companies Act.
- This format is proposed for Entities whose securities are listed on Stock Exchanges.

REFERENCES:

- The Companies Act, 2013 and the Rules made thereunder;*
- SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 and Master Circulars and Circulars issued thereunder;*
- ICSI Auditing Standards issued by ICSI;*
- Report of the Committee on Corporate Audit and Governance issued by a Committee chaired by Naresh Chandra;*
- ICSI Recommendations to Strengthen Corporate Governance Framework – 2009;*
- Report issued by the SEBI Committee on Corporate Governance under the Chairmanship of Uday Kotak; and*
- Article published in The Hindu Businessline dated 13th August 2025 on the same theme by Dr. M. S. Sahoo and CS. S. N. Ananthasubramanian*

