



## **Secretarial Auditing Standards issued by The Institute of Company Secretaries of India (ICSI) – A brief review on the need to interact with Management of the Auditee Company.**

Audit planning means establishing and developing an overall audit process, including but not limited to, seeking previous audit findings and observations from the Management and the Predecessor or Previous Auditor, in case of change of Auditor.

The auditing standards expects the auditor to interact with the Management at various stages of audit in order to be sure that the auditor has taken a complete note of all the events and corporate actions that have happened during the year under review. It may not be sufficient to rely on only events and occurrences and corporate actions that have been recorded in the notices, notes, minutes and statutory notifications and filings with various regulators including stock exchanges. Interaction with management is essential if and when the auditor has to form an opinion which is different from the one that the management has taken with regard to certain corporate action or compliance action.

The Auditor shall also document discussions with the Management with respect to significant matters in respect of which written record is not available.

Since by definition, “Management”, includes Board of Directors and persons who have been entrusted with the responsibility of governance and compliances of the Auditee Company, it is incumbent upon the auditor to seek an audience before the Board of Directors and make a presentation before the audit committee and if thought fit before the Board of Directors and bring to the attention of the Board, the following 10 subjects at the barest minimum:

1. On the scope of audit, audit team and hours of audit.
2. Any limitation imposed by the appointing authority on the scope of the audit which is likely to result in the need to express a modified opinion or to disclaim an opinion, unless the limitation is removed.
3. Specific laws applicable to the Company and observations of the auditor on their compliance thereto.
4. Management representations previously issued by the company in previous financial year based on which the auditor had expressed some opinion of compliance or non-compliance and to see if the same representation holds good presently.
5. Key audit matters if any chosen by the auditor and observations if any.
6. Management representations received during the audit and relied upon by the auditor.
7. Delays, defaults, deficiencies, and deviations observed during the audit.
8. Compliance/ Governance weaknesses discovered by the auditor.
9. Qualifications, observations, and remarks if any to be included in the audit report.
10. Appreciation or otherwise on the level of cooperation by the officers of the company and level of upkeep of records



Note: The above 10 subjects are suggestions by KSR & Co Company Secretaries LLP so as to help auditors to be in compliance with the Secretarial Auditing Standards of ICSI.

Secretarial auditor shall ensure that there is proper audit evidence for every opinion or observation expressed by the auditor whether the same forms part of audit report or not. It may be noted that “Audit Evidence” refers to relevant information and documents gathered in the course of the audit for arriving at the conclusion on which the Auditor’s opinion is based.

In addition, it is incumbent upon the auditor to go through the records and interact with directors and officers so as to ascertain if there has been any event or action which could be regarded as major event / action. Any event or action that alters the status of the company as a going concern or its charter or capital structure or management or control or business operation should be regarded as an event / action having major bearing on the affairs of the company. It shall be the duty of the Auditor to identify and report in the Secretarial Audit Report all events/actions having major bearing on the Auditee’s affairs in pursuance of the applicable laws, act, rules, regulations, guidelines, standards, etc.

The provisions of section 143 of the Companies Act, 2013 dealing with the powers and duties of auditors and auditing standards apply mutatis mutandis to the Secretarial Auditor conducting audit under section 204. Thus role of the auditing standards of ICSI in secretarial audit in a way provides a process by which the duties of the auditor as stated above is taken care of.

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