

**SEMINAR BY ICAI
ON
REPORTING IN COMPANY AUDIT**

**Presentation by : -
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ON SATURDAY, FEBRUARY 14, 2015**

Writing a Board's report under Companies Act, 2013



Annual Report Consists of



Annual Financial Statements
along with Auditors' Report

Board/ Directors' Report

Secretarial Audit Report, if
applicable



Why Board Report?

“There is evidence of steady erosion in trust for established authorities. As trust diminishes, so increases the demand of transparency”

-Tom Delfgaauw



What is board report?

- It is a document by the board to shareholders reporting on the company's condition
- It is an inalienable part of the annual report.
- The report includes a summary of initiatives, activities of the board, and personal perspective of the company's future.
- Board Report is also known as Directors' Report



General Rules

- Prepared on the basis of Stand Alone Financial Statements of the company
- Separate section on performance and financial position of its subsidiaries, Joint Venture Companies and Associate Companies
- Signed by
 - Chairperson or
 - Two directors including Managing Director, if any.

Disclosures required in Board Report

1.


- Under Companies Act, 2013

2.

- Under Listing Agreement

3.

- Any other law that may apply to the company



DISCLOSURES UNDER
Section 134 (3)
of Companies Act, 2013
&
Rule 8
of the Companies Act
(Accounts) Rules.



CONTENTS OF REPORT Sec 134 (3)

Extracts of Annual Return as provided under section 92(3) **Form No. MGT-9**

1. REGISTRATION AND OTHER DETAILS:
2. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY
3. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES
4. SHARE HOLDING PATTERN
 - a) Category-wise Share Holding
 - b) Shareholding of Promoters
 - c) Change in Promoters' Shareholding
 - d) Shareholding Pattern of top ten Shareholders
 - e) Shareholding of Directors and Key Managerial Personnel:
5. INDEBTEDNESS
6. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL
7. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES



CONTENTS OF REPORT Sec 134 (3)

- Number of meetings held in a year
 - 4 meeting in a year
 - One meeting per Quarter
 - Maximum gap between two BM not more than 120 days.

CONTENTS OF REPORT Sec 134 (3)

- Directors Responsibility Statement:

**Applicable accounting standards
have been followed**

Going concern basis

**Consistent Accounting Policies
applied to represent true and fair
view of state of the affairs of the
Company**

**Internal financial control for
Listed Companies**

**Proper and sufficient care for
accounting records and fraud
detection mechanism**

**Mechanism to ensure
compliances of all the applicable
laws.**

CONTENTS OF REPORT Sec 134 (3)

- Statement of Declaration given by ID
- Companies Policy with regard to the
 - Qualification
 - Appointment
 - Remuneration

Applicable to

- Listed Cos
- Public Cos with a pd up capital more than Rs. 10 Crores
- Public Cos with a turnover more than Rs. 100 Crores
- Public Cos having loans/borrowings/Deposits over Rs. 50 Crores

CONTENTS OF REPORT Sec 134 (3)

- Explanation and Comments on every qualification and reservation on the adverse remark and disclaimer made
 - By the auditor in his report
 - By the company secretary in practice in his Secretarial Report
- particulars of loans, guarantees or investments under section 186
- Particulars of contracts and agreements entered into in FORM AOC 2
 - Details of contract or arrangement that are Arms Length Price
 - Details of Contracts or arrangement that are not at Arms Length Price



CONTENTS OF REPORT Sec 134 (3)

- The state of the company's affairs
- Amount proposed to be carried to Reserves
- Dividend Recommended, if any.
- Material changes subsequent to FY closure
- The conservation of energy, technology absorption, foreign exchange earnings and outgo
- Risk Management Policy

CONTENTS OF REPORT Sec 134 (3)

- Policy developed and implemented on the Corporate Social Responsibility initiatives during the year
 - Brief outline about Cos CSR Policy
 - Composition of CSR Committee
 - Average NP for 3 years
 - Prescribed CSR expenditure
 - Details of CSR Spends
 - Reasons for not spending prescribed CSR amount
 - Responsibility Statement by CSR Committee
- Applicable to:
 - Co with a NW of Rs. 500 crore
 - Turnover of Rs. 1000 Crore
 - Net Profit of Rs. 5 Crore in the last 3 years

CONTENTS OF REPORT Sec 134 (3)

- Details of performance evaluation made by the Board on its own performance and of the Committees and individual Directors
 - Applicable to
 - Listed Cos
 - Public Co having paid up capital more than Rs. 25 Crores



DISCLOSURES UNDER
other Sections Companies Act



- Section 199 :

(12) Every listed company shall disclose in the Board's report, the **ratio of the remuneration of each director to the median of employee's remuneration.**

(14) MD or WTD getting **commission from the Company** may also get commission from its **HC or SC** subject to its disclosure by the company in the Board's report.



**DISCLOSURE UNDER COMPANIES
(ACCOUNTS) RULES, 2014**



Disclosure under Rule 8(5):

- Financial summary or highlights
- Change in nature of business, if any
- Details of change in the Directors or key Managerial Personnel
- Details of Deposits accepted during the year, remained unpaid or unclaimed as at the end of the year.
- Any material order passed by the court or regulator affecting the status or operations of the company.



DISCLOSURES UNDER LISTING AGREEMENT

Disclosures under various Clauses of LA

Clause 5 A I(g)

- Details of Shares held in Suspense account, if any

Clause 5 A. II (h)

- Details of shares are in the Unclaimed Suspense Account

Clause 32

- Disclosures regarding related party
- Disclosure of loans /advances and investments in its own shares by the listed companies, their subsidiaries, associates

Disclosure under clause 49 of LA

- Criteria for performance evaluation, as laid down by the Nomination Committee
- Details of training imparted to Independent Directors
- Compliance with Code of Conduct.
- Remuneration policy and the evaluation criteria.
- Policy for determining 'material' subsidiaries
- Policy for entering into related Party Transaction

CLAUSE 49 VIID- Management Discussion and Analysis report

- Industry structure and developments.
- Opportunities and Threats.
- Segment-wise or product-wise performance.
- Outlook
- Risks and concerns.
- Internal control systems and their adequacy.
- Discussion on financial performance with respect to operational performance.
- Material developments in Human Resources / Industrial Relations front, including number of people employed.



CLAUSE 49 VII H

- Details of training imparted to Independent Directors
- Details of establishment of vigil mechanism
- Disclose the remuneration policy and the evaluation criteria.



**ANY OTHER LAW THAT
MAY APPLY TO THE COMPANY**




For Example


- Section 22 of THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) Act
 - Annual Report of the Board to contain No. of cases filed and disposed off during the year.

**Suggested List of Items to be
Included In the Report on
Corporate Governance in the
Annual Report of Companies**

Non- mandatory items that can be included:

- Brief statement on company's philosophy on code of governance
- Board of Directors
 - Composition and Category
 - Attendance of each director at the Board meetings and the last AGM
 - Number of other Boards or Board Committees in which he/she is a member or Chairperson.

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- Details of Various Committees of the Board:
 - Composition and names of members and Chairperson
 - Meetings and attendance during the year
 - Means of communication
 - Quarterly results
 - Newspapers wherein results normally published
 - Any website, where displayed
 - Whether it also displays official news releases; and
 - The presentations made to institutional investors or to the analysts.

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- General Shareholder Information:
 - Date of Book closure
 - Dividend Payment Date
 - Registrar and Transfer Agents
 - Share Transfer System
 - Distribution of shareholding
 - Dematerialization of shares and liquidity, etc.
 - Details of non-compliance by the company, penalties, strictures imposed on the company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years. –
Mandatory Now



PENALTY FOR NON-COMPLIANCE

- Monetary Penalty:
 - Company – Rs. 50K to 25 Lacs
 - Officers – Rs. 50k to 5 Lacs
- Imprisonment:
 - Upto 3 years
- Or both



Thank You

CS Rahul Padmakar Sahasrabuddhe

