

I. Corporate governance

1. Whether the criteria for applicability have been verified? The criteria being:
 - Applicable to all the listed companies with paid-up capital of Rs.3 crores and above or net worth of Rs.25 crores or more at any time in the history of the company w.e.f. 31-3-2004.
 - Not applicable to the mutual fund scheme.
2. Whether the company has submitted a quarterly compliance report to the stock exchanges within 15 days from the end of the quarter?
3. Whether the compliance in relation to the **Board of Directors** has been verified that:
 - Board of directors of the company should comprise not less than fifty per cent of non-executive directors
 - The number of independent directors depends on whether the Chairman is executive or non-executive Chairman.
 - At least one-third of board should comprise of independent directors in case of non-executive Chairman.
 - At least half of the board should comprise of independent directors in case of executive Chairman.
 - In case of non-executive directors' compensation whether the auditor has verified that all compensation paid to non-executive directors has been fixed by the Board of Directors and approved by shareholders in general meeting
4. Have you verified that the Board meetings were held at least four times a year and that the time gap should not be more than four months between two meetings?
5. Have you verified that any particular director has not acted as Chairman of more than five committees in which he is a director?
6. Have you verified that any particular director is not a member in more than 10 committees in which he is a director, three committees to be considered for this purpose being Audit Committee, Shareholders Grievance Committee and the Remuneration Committee?
7. Have you verified that the Board of Directors has prepared the Code of Conduct for all board members and senior management of the company and also whether the same has been posted on the website?
8. Have you verified that all board members and senior management on an annual basis have given compliance to the Code of Conduct?
9. Whether all members of Audit Committee are financially literate and at least one of them has *accounting* or related *financial management* expertise (both terms have been explained in Clause 49)
10. Have you verified whether all committees – Remuneration, Audit and Grievance Committees – have been constituted as per the requirements of the Clause 49?



11. Whether the Quality Results, Presentation made by companies to analysts have been put on company's website?
12. Have you verified whether the following matters are included in the Directors Report on Corporate Governance?
 - (a) A brief statement on company's philosophy on code of governance.
 - (b) Board of Directors
 - Composition and category of directors for example promoter, executive, non-executive, independent non-executive, nominee director, which institution represented as Lender or as equity investor
 - Attendance of each director at the BoD meetings and the last AGM
 - Number of other BoDs or Board Committees he/she is a member or Chairperson of
 - Number of BoD meetings held, dates on which held
 - (c) Audit Committee
 - Brief description of terms of reference
 - Composition, name of members and Chairperson
 - Meetings and attendance during the year
 - (d) Remuneration Committee
 - Brief description of terms of reference
 - Composition, name of members and Chairperson
 - Attendance during the year
 - Remuneration policy
 - Details of remuneration to all the directors, as per format in main report.
 - (e) Shareholders Committee
 - Name of non-executive director heading the committee
 - Name and designation of compliance officer
 - Number of shareholders complaints received so far
 - Number not solved to the satisfaction of shareholders
 - Number of pending share transfers
 - (f) General Body meetings
 - Location and time, where last three AGMs held
 - Whether special resolutions passed in the previous 3 AGMs
 - Whether any special resolution passed last year through postal ballot – details of voting pattern
 - Person who conducted the postal ballot exercise
 - Whether any special resolution is proposed to be conducted through postal ballot
 - Procedure for postal ballot



(g) Disclosures

- Disclosures on materially significant related party transactions; i.e., transactions of the company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of company at large.
- 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.
- Disclosure of accounting treatment, if different, from that prescribed in ASs with explanation.
- Whistle Blower policy and affirmation that no personnel has been denied access to the audit committee

(h) Means of communication

- Half-yearly report sent to each household of shareholders
- Quarterly results
- Which newspapers normally published in
- Any website, where displayed
- Whether it also displays official news releases
- The presentations made to institutional investors or to the analysts.
- Whether Management Discussion and Analysis is a part of annual report or not.

(i) General Shareholder information

- AGM : Date, time and venue
- Financial Calendar
- Date of Book closure
- Dividend Payment Date
- Listing on Stock Exchanges
- Stock Code
- Market Price Data : High, Low during each month in last financial year
- Performance in comparison to broad-based indices such as BSE Sensex, CRISIL index etc.
- Registrar and Transfer Agents
- Share Transfer System
- Distribution of shareholding
- Dematerialization of shares and liquidity
- Outstanding GDRs/ADRs/Warrants or any Convertible instruments, conversion date and likely impact on equity
- Plant Locations
- Address for correspondence



Format of Quarterly Compliance Report on Corporate Governance

Name of the Company:

Quarter ending on:

<i>Particulars</i>	<i>Clause of Listing Agreement</i>	<i>Compliance status (Yes/No/N.A.)</i>	<i>Remarks</i>
1	2	3	4
I. Board of Directors	49-I		
(A) Composition of Board	49(IA)		
(B) Non-executive Directors' compensation & disclosures	(IB)		
(C) Independent Director	(IC)		
(D) Board Procedure	9 (ID)		
(E) Code of Conduct	9 (IE)		
(F) Term of office of non-executive directors	49 (IF)		
II. Audit Committee	9 (II)		
(A) Qualified & Independent Audit Committee	9 (IIA)		
(B) Meeting of Audit Committee	9 (IIB)		
(C) Powers of Audit Committee	9 (IIC)		
(D) Role of Audit Committee	II(D)		
(E) Review of Information by Audit Committee	49 (IIE)		
III. Audit Reports and Audit Qualifications	49 (III)		
IV. Whistle Blower Policy	49 (IV)		
V. Subsidiary Companies	49 (V)		
VI. Disclosure of contingent liabilities	49 (VI)		
VII. Disclosures	49 (VII)		
(A) Basis of related party transactions	(IIA)		
(B) Board Disclosures	(VIIB)		
(C) Proceeds from Initial Public offerings	49 (VIIC)		
(D) Remuneration of Directors	49 (VIID)		
(E) Management	(VIIE)		
(F) Shareholders	49 (VIIF)		
VIII. CEO/CFO Certification	49 (VIII)		
IX. Report on Corporate Governance	49 (IX)		
X. Compliance	49 (X)		

**Note:**

- 1) The details under each head shall be provided to incorporate all the information required as per the provisions of the clause 49 of the Listing Agreement.
- 2) In the column No. 3, compliance or non-compliance may be indicated by Yes/No/N.A.. For example, if the Board has been composed in accordance with the clause 49 I of the Listing Agreement, "Yes" may be indicated. Similarly, in case the company has not come out with an IPO, the words "N.A." may be indicated against 49 (VIIC).
- 3) In the remarks column, reasons for non-compliance may be indicated, for example, in case of requirement related to circulation of information to the shareholders, which would be done only in the AGM/EGM, it might be indicated in the "Remarks" column as – "will be complied with at the AGM". Similarly, in respect of matters which can be complied with only where the situation arises, for example, "Report on Corporate Governance" is to be a part of Annual Report only, the words "will be complied in the next Annual Report" may be indicated.

Non-Mandatory Requirements**1. Chairman of the Board**

A non-executive Chairman should be entitled to maintain a Chairman's office at the company's expense and also allowed reimbursement of expenses incurred in performance of his duties.

2. Remuneration Committee

- (i) The board should set up a Remuneration Committee to determine on their behalf and on behalf of the shareholders with agreed terms of reference, the company's policy on specific remuneration packages for executive directors including pension rights and any compensation payment.
- (ii) To avoid conflicts of interest, the Remuneration Committee, which would determine the remuneration packages of the executive directors should comprise of at least three directors, all of whom should be non-executive directors, the chairman of committee being an independent director.
- (iii) All the members of the Remuneration Committee should be present at the meeting.
- (iv) The Chairman of the Remuneration Committee should be present at the Annual General Meeting, to answer the shareholder queries. However, it would be up to the Chairman to decide who should answer the queries.

3. Shareholder rights

The half-yearly declaration of financial performance including summary of the significant events in last six months, should be sent to each household of shareholders.

4. Postal Ballot

Currently, though there is requirement for holding the general meeting of shareholders, in actual practice only a small fraction of the shareholders of that company do or can really participate therein. This virtually makes the concept of corporate democracy illusory. It is imperative that this situation which has lasted too long needs an early correction. In this context, for shareholders who are unable to attend the meetings, there should be a



requirement which will enable them to vote by postal ballot for key decisions. Some of the critical matters which should be decided by postal ballot are given below:

- (i) Matters relating to alteration in the memorandum of association of the company like changes in name, objects, address of registered office etc;
- (ii) Sale of whole or substantially the whole of the undertaking;
 - a. Sale of investments in the companies, where the shareholding or the voting rights of the company exceeds 25%;
 - b. Making a further issue of shares through preferential allotment or private placement basis;
 - c. Corporate restructuring;
 - d. Entering a new business area not germane to the existing business of the company;
 - e. Variation in rights attached to class of securities;
 - f. Matters relating to change in management.

5. Audit qualifications

Company may move towards a regime of unqualified financial statements.

6. Training of Board Members

Company shall train its Board members in the business model of the company as well as the risk profile of the business parameters of the company, their responsibilities as directors, and the best ways to discharge them.

7. Mechanism for evaluating non-executive Board Members

The performance evaluation of non-executive directors should be done by a peer group comprising the entire Board of Directors, excluding the director being evaluated; and Peer Group evaluation should be the mechanism to determine whether to extend/continue the terms of appointment of non-executive directors.

NOTE:

There have been additional conditions that may be prescribed. Please consider the announcements and their effective date that will change many of the above points from 2006.

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II. PEER REVIEW CHECKLIST FOR THE AUDITOR (REFERRED TO AS PRACTICE UNIT)

1.	The peer review excludes:	
	i. Management consulting engagements;	
	ii. Representing a client before the authorities;	
	iii. Engagement to prepare tax returns or advising clients in taxation matters;	
	iv. Engagement for the compilation of financial statements;	
	v. Engagement solely to assist the client in preparing, compiling or collating information other than financial statements;	
	vi. Testifying as expert witness; and	
	vii. Providing expert opinion on points of principle such as accounting standards or the applicability of certain laws, on the basis of facts provided by the client.	
2.	Whether the practice unit has ensured:	Y/N/NA / Remarks
	i. that while performing attestation services due compliance has been made with the technical standards laid down by the Institute?	
	ii. place proper system for maintaining the quality of attestation services performed by him?	
3.	Whether the practice unit has adhered to various statutory and other regulatory requirements?	
4.	Whether there has been enhancement on the reliance placed by the users of financial statements for economic decision making?	
5.	Whether the general controls have been executed like independence, maintenance of professional skills & standards, outside consultations, staff supervision and development and office administration?	
6.	Whether the member has followed independent policies and procedures as also communicated and monitored the same and periodically reviewed the practice unit's association with clients?	
7.	Whether the member has established plans for personnel needs - based on current and anticipated clients?	
8.	Whether the member has established recruitment policy, personnel policy and same have been communicated to new personnel?	
9.	Whether the member has any policy for outside consultation?	
10.	Whether the member has documented resolution of differences of opinion?	
11.	Whether the member has written guidelines on responsibility, expected performance and qualifications for advancement of the staff?	



	Y/N/NA / Remarks
12. Whether there is a system of evaluating performance, system of scheduling and staffing as also standardised forms, checklists, questionnaires?	
13. Whether the member has established procedures for retention of records such as clients' name, nature of engagement, commencement of audit, date of audit report, billing etc.?	
14. Whether the member has maintained staff register and proper library containing relevant books and publications of the Institute?	
15. Whether the member has organised and delegated field work to competent personnel?	
16. Whether the member has given directions, supervision and review of work so as to be appropriate to the staff's professional competence?	
17. Whether the assistants have been informed about their responsibilities, and objectives of what they are doing and the use of audit programmes?	
18. Whether the partners and managers closely control time spent by audit team?	
19. Whether the professional competence is commensurate with responsibility allotted to the staff?	
20. Whether there is new appointee orientation as also periodic performance appraisals?	
21. Whether the member has a system of continuous professional development of its staff by access to libraries, internet, other sources of updated technical knowledge as well as designation of experts as available for consultation in area of expertise?	
22. Whether the following Technical Standards have been complied with: i. ASs issued by the ICAI; ii. Statement on SAP and AAS issued by the ICAI; iii. Framework for the preparation and presentation of financial statements and statements on Standard Auditing Practices and Guidance Notes on Related Services issued by the ICAI; iv. Statements issued by the Institute of Chartered Accountants of India; v. Compliance of the Guidance notes issued by the Institute of Chartered Accountants of India; vi. Notifications/Directions issued by the Institute of Chartered Accountants of India including those of a self regulatory nature vii. Compliance with the provisions of the various relevant statutes and/ or regulations which are applicable in the context of the specific engagements being reviewed.	



	Y/N/NA / Remarks
23. Verify whether the permanent and current audit include following: i. Appointment and the relevant resolution about appointment ii. Terms of engagement iii. Manner of determining audit fees iv. System of book keeping v. List of books of account maintained by the entity vi. Particulars of the promoters, directors and their powers. vii. Name of the persons writing books of account and other authorized officers viii. Deed governing constitution such as Memorandum and Articles of Association, Partnership Deed ix. Profit and loss account and balance sheet x. Reports of branch auditor, summary of points of internal auditor and director xi. Note on client's business and its accounting system xii. Analytical review procedures in order to: (a) identify important areas of accounts according to their size (b) highlight unusual or unexpected figures or relationships in accounts (c) design audit tests which concentrates on important and unusual items (d) obtain sufficient audit assurance to allow the reduction or even elimination of detailed testing in some areas xiii. Assessment of audit risk by using the professional judgment and audit procedures to ensure that it is reduced to low level xiv. Preliminary estimates of materiality for the audit xv. Class of relevant accounting transactions, sample selection and extent of checking xvi. Compliance test to evaluate the reliability of key controls xvii. Material weaknesses in the operation of key controls communicated to the management - xviii. Performance of analytical review procedures, substantive test to obtain sufficient appropriate audit evidence xix. Letter of representation from the management on fundamental accounting assumption and disclosure in changes in accounting policies having material effect;	



	Y/N/NA / Remarks
xx. Reservations made by branch auditor in the audit report have been dealt within the finalisation of accounts xxi. Working papers contain adequate evidence to support the audit opinion. Working papers include: (a) Copies of the audit programme (b) Particulars of audit test carried out (c) Copies of the principle working papers (d) Letter of representation from the management on fundamental accounting assumption and disclosure in changes in accounting policies having material effect (e) A letter of representation or copy, if addressed to the other auditors xxii. Summary of work done, problems, important decisions and audit conclusions xxiii. Review by senior in charge of work of all assistants, audit programme followed and work performed as per time schedule xxiv. Review of unadjusted errors to determine whether individual and aggregate effect is not material xxv. Post balance sheet events xxvi. Formulation of draft audit opinion xxvii. Comparison of budgeted time to actual and reasons for major variations xxviii. Complete staff evaluation forms	
24. Whether the practice unit on being selected has made arrangements to fulfil the following obligations: i. To provide access or make available records or documents considered relevant within reasonable time at one place; ii. To provide explanation or further particulars; iii. To provide all assistance and information in legible form; iv. Has maintained certain records that represents the adequacy of quality control policies and procedures followed by the practice unit these records being recommendatory records like (a) Profile of the practice unit (b) Lists of clients (c) Staff files (d) Manual of policies and procedures or mandatory records like working papers?	

**III. RETURN OF DEPOSITS CHECKLIST**

Client _____

Year ended 31st March, 200_____

A. GENERAL

- (1) The return is to be made under Rule 10 of the Companies (Acceptance of Deposits) Rules, 1975. Hence, knowledge of these rules and section 58-A of the Companies Act, 1956 is necessary.
- (2) The return is to be filed with the Registrar of Companies by a company to which the Rules apply, viz. a non-banking non- financial company.
- (3) The return is to be filed before 30 June of each year, giving particulars prescribed as of 31st March.
- (4) **The purpose of this checklist is to enable the auditor to certify the correctness of the particulars required to be furnished in the Return and not on compliance with section 58-A of the Companies Act, 1956 and the Rules.**

B. VERIFICATION OF RETURN

PART 1	REMARKS
(1) This part deals with deposits referred to in Rule 3(2)(i); i.e., loans from shareholders, deposits guaranteed by director(s) of the Company and deposit against unsecured debentures, and deposits from the public, Rule 3(2)(ii). (2) Ensure that deposits outstanding at the end of the year (items 105 and 155) include unclaimed deposits. (3) Confirm that particulars of deposits outstanding at the end of the year (items 105 and 155) agree with the Registrar of Deposits and the balance in the General Ledger account. (4) If the accounts of the Company have been audited before the date of certification of the Return, verify particulars given in items 141, 142, 191 and 192 with particulars of unclaimed deposits required to be furnished in the Directors' Report. (5) If the accounts of the Company have not been audited before the date of certification of the Return and if items 141, 142, 191 and 192 are stated as "nil" obtain Management's representation to that effect. (6) Debentures which are not secured by mortgage of moveable property or which are not convertible are not exempt and should be treated as "unsecured" debentures (even though they may be secured by a floating charge) and shown against item 111.	



	REMARKS
PART 2 (1) This part deals with particulars of “liquid assets” and advertisement inviting deposits or statement in lieu of advertisement. (Rule 4/4A). (2) Confirm that the figure stated against item 210 includes “unclaimed” deposits (items 141, 142, 191 and 192). (3) Physically verify securities held as liquid assets, and obtain confirmation from the Management that these are free of any charge or lien. (4) If securities held as liquid assets have been deposited with bank, obtain particulars thereof from the bank along with a declaration to the effect that securities are held free of any charge or lien. (5) Verify the advertisement given by the Company published in an English newspaper and a vernacular newspaper and indicate the date(s) of publication thereof. (6) Indicate the period of validity of the previous advertisement (i.e., the one prior to the advertisement referred to in Item 5 above). The advertisement is valid up to the earliest of the following: (a) 6 months from the date of closure of the financial year in which it was issued, (State Date) or (b) until the date on which the Balance Sheet is laid before the shareholders in general meeting, (State Date) or (c) where the AGM for any one year has not been held the latest day on which the meeting should have been held. [The advertisement is valid from the date of its publication to the earliest of (a), (b) and (c)]. PART 3 (1) This part deals with “exempt” deposits. (2) Details furnished should be verified from the ledger or Cash Book. (3) Where the financial year of the Company ends on 31st March, ensure that a reconciliation of the Secured and Unsecured Loans shown in its Balance Sheet and the totals of items 110, 160 and 320 is furnished.	



		REMARKS
MANAGER'S CERTIFICATE		
(1) Verify particulars of paid-up capital and free reserves from the latest accounts laid before the shareholders.		
(2) Ensure that deferred revenue expenditure, intangible assets, miscellaneous expenditure not written off and accumulated unprovided depreciation (refer to Notes to accounts and Auditors' Report) are deducted.		
(3) If free reserves include any capital reserve, ensure that it represents realised capital profit.		
(4) Ensure that the Return is duly signed by an authorised official of the Company and dated.		
AUDITORS' CERTIFICATE		
(1) Prepare draft of the auditors' certificate.		
(2) Ensure that it is signed by a partner in his personal name on behalf of the firm.		
(3) Where the financial year of the Company ends on 31st March and the auditors' report for the year under audit has not been signed as at the date of certification of the Return ensure that the fact that particulars furnished in Part 1 and 3 are subject to audit is stated in the auditors' certificate.		
(1) Attach working papers, referenced and cross - referenced to the draft of the Return and / or the above.		
(2) Give details of the total time taken in certifying the Return.		HOURS

Completed by :
Date :

Reviewed by:
Date :