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## THE COMPANIES (AUDIT AND AUDITORS) AMENDMENT RULES, 2015

MCA vide its notification dated December 14, 2015 hereby made the following rules to amend the Companies (Audit and Auditors) Rules, 2014 and these rules may be called the Companies (Audit and Auditors) Amendment Rules, 2015. They shall come into force on the date of their publication in the Official Gazette. They are yet to be published in the Gazette of India.



In the Companies (Audit and Auditors) Rules, 2014, for rule 13 the following rule shall be substituted, namely:-

### 13. Reporting of frauds by Auditor and other matters:

- (1) If an Auditor of Company, in the course of the performance of his duties as statutory auditor, has reason to believe that an offence of fraud, which involves or is expected to involve individually an amount of rupees one crore or above, is being or has been committed against the company by its officers or employees, the auditor shall report the matter to the Central Government.
- (2) The auditor shall report the matter to the Central Government as under:-
  - (a) The auditor shall report the matter to the Board or the Audit Committee, as the case may be, immediately but not later than two days of his knowledge of the fraud, seeking their reply or observations within forty five days;

- (b) On receipt of such reply or observations, the auditor shall forward his report and the reply or observations of the Board or the Audit Committee along with his comments (on such reply or observations of the Board or the Audit committee) to the Central Government within fifteen days from the date of receipt of such reply or observations;
  - (c) In case the auditor fails to get any reply or observations from the Board or the Audit Committee within the stipulated period of forty five days, he shall forward his report to the Central Government along with the note containing the details of his report that was earlier forwarded to the Board or the Audit Committee for which he has not received any reply or observations;
  - (d) The report shall be sent to the Secretary, Ministry of Corporate Affairs in a sealed cover by registered post with acknowledgement due or by speed post followed by an e-mail in confirmation of the same;
  - (e) The report shall be on the letter head of the auditor containing postal address, email address and contact telephone number or mobile number and be signed by the auditor with his seal and shall indicate his membership number and;
  - (f) The report shall be in the form of a statement as specified in Form ADT-4.
- (3) In case of a fraud involving lesser than the amount specified in sub rule (1), the auditor shall report the matter to Audit Committee constituted under section 177 or to the Board immediately but not



later than two days of his knowledge of the fraud and he shall report the matter specifying the following:

- (a) Nature of fraud with description
- (b) Approximate amount involved
- (c) Parties involved

(4) The following details of each of the fraud reported to the Audit Committee or the Board under sub-rule (3) during the year shall be disclosed in the Board's report:-

- (a) Nature of fraud with description
- (b) Approximate amount involved
- (c) Parties involved, if remedial action not taken; and
- (d) Remedial actions taken

(5) The provisions of this rule shall also apply, mutatis mutandis, to a Cost Auditor and a Secretarial Auditor during the performance of his duties under section 148 and section 204 respectively.

- In the principle rules, after rule 14 and before Form ADT 1, word annexure is to be inserted.
- In the principle rules, in Form ADT 4,-
  - (i) In line 3, for the words, figures and brackets "rule 13(4)", the word, figures, letter and brackets "rule 13(2)(f)" shall be substituted; and
  - (ii) In line 25, in item no. (10), for the word, figures and brackets "rule 13(1)", the word, figures, letter and brackets "rule 13(2)(a)" shall be substituted.

- **A Comparative Analysis of the changes in the above rules is as under:**

Rules	Before Amendment	After Amendment
13 (1)	If the auditor has sufficient reason to believe that an offence involving fraud, is being or has been committed against the company by officers or employees of the company, he shall report the matter to the Central Government immediately but not later than 60 days of his knowledge.	If the auditor has sufficient reason to believe that an offence involving fraud, which involves or is expected to <b>involve individually an amount of Rupees one crore or more</b> , is being or has been committed against the company by officers or employees of the company, he shall report the matter to the Central Government immediately but not later than 60 days of his knowledge.
13 (2)(a)	Auditor shall forward his report to the Board or the Audit Committee, as the case may be, immediately after he comes to knowledge of the fraud,	The auditor shall report the matter to the Board or the Audit Committee immediately <b>within two days</b> of his knowledge of fraud, seeking their reply or

	seeking their reply or observations within forty-five days.	observations within forty five days.
13 (3)	No provision	In case the fraud involved is lesser than the amount specified above, the auditor shall report the matter to the Audit Committee or Board within two days of his knowledge. He shall report the matter specifying the following: a. Nature of fraud b. Amount involved c. Parties involved
13 (4)	No provision	The Details of each of the fraud reported to the Audit Committee or the Board during the year shall be disclosed in the Board's report.

## THE COMPANIES (MEETINGS OF BOARD AND ITS POWERS), SECOND AMENDMENT RULES, 2015

MCA vide its notification dated December 14, 2015 made the following rules to amend the Companies (Meetings of Board and its Powers) Rules, 2014, these rules may: be called the Companies (Meetings of Board and its Powers) Second Amendment Rules, 2015. They shall come into force on the date of their publication in the Official Gazette. They are yet to be published in the Gazette of India.



- In the Companies (Meetings of Board and its Powers) Rules, 2014, after rule 6 the following rule shall be substituted, namely:-  
**“6A. Omnibus approval for related party transactions on annual basis.-**

All related party transactions shall require approval of the Audit Committee and the Audit Committee may make omnibus approval for the related party transactions proposed to be entered into by the company subject to the following conditions, namely:-

- (1) The Audit Committee shall, after obtaining approval of the Board of Directors, specify the criteria for making the omnibus approval which shall include the following, namely:
  - (a) Maximum value of the transactions, in aggregate, which can be allowed the omnibus route in a year;
  - (b) The maximum value per transaction which can be allowed;
  - (c) Extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval;

(d) Review, at such intervals as the Audit Committee may deem fit, related party transaction entered into by the Company pursuant to each of the omnibus approval made;

(e) Transactions which cannot be subject to the omnibus approval by the Audit Committee.



(2) The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely;

- (a) Repetitiveness of the transactions (in past or in future)
- (b) Justification for the need of omnibus approval

(3) The Audit Committee shall satisfy itself on the need for omnibus approval for transactions of repetitive nature and that such approval is in the interest of the company.

(4) The omnibus approval shall contain or indicate the following:-

- (a) Name of related parties
- (b) Nature and duration of the transaction
- (c) Maximum amount of transaction that can be entered into
- (d) The indicative base price or current contracted price and the formula for variation in the price, if any, and
- (e) Any other information relevant or important for the Audit Committee to take decision on the proposed transaction:

Provided that where the need for related party transactions cannot be foreseen and aforesaid details are not available, Audit Committee may make omnibus approval for such transactions

subject to their value not exceeding rupees one crore per transaction.

(5) Omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approval after the expiry of such financial year.

(6) Omnibus approval shall not be made for the transactions in respect of selling or disposing of the undertaking of the company.

(7) Any other conditions as the Audit Committee may deem fit.

- **Rule 10** “Loans to Director etc. under section 185 **shall be omitted** Rule 10 “Loans to Director etc. under section 185 which read as under, shall be omitted:

1. Any loan made by a holding company to its wholly owned subsidiary company or any guarantee given or security provided by a holding company in respect of any loan made to its wholly owned subsidiary company is exempted from the requirements under this section; and

2. Any guarantee given or security provided by a holding company in respect of loan made by any bank or financial institution to its subsidiary company is exempted from the requirements under this section.

**Provided** that such loans made under sub-rule (1) and (2) are utilized by the subsidiary company for its principal business activities.

## FORMATS FOR FINANCIAL RESULTS FOR LISTED ENTITIES WHICH HAVE LISTED THEIR DEBT SECURITIES AND/OR NON-CUMULATIVE REDEEMABLE PREFERENCE SHARES

- SEBI has issued a circular vide reference no. CIR/IMD/DF1/9/2015 dated November 27, 2015 related to formats of financial results of entities which have listed their debt securities and/or non-cumulative redeemable preference shares.
- In order to enable investors to make well-informed investment decisions, timely, adequate and accurate disclosure of financial results on a periodical basis is critical. At the same time, to ensure comparability, uniformity and parity in disclosures made by listed entities across stock exchanges, is essential.
- Towards this end, Regulations 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as “the Listing Regulations, 2015”), has prescribed various disclosures to be filed under various provisions contained therein, in the formats as may be specified by the Board.
- Formats
  - i) The half yearly financial results shall be presented in the format prescribed at Annexure I for companies other than banks and Non-Banking Financial Companies (NBFCs)



- ii) The half yearly financial results shall be presented in the format prescribed at Annexure II for Banks and NBFCs.
  - iii) Manufacturing, trading and service companies, which have followed functional (secondary) classification of expenditure in the annual profit and loss account published in the most recent annual report or which proposed to follow such classification for the current financial year may furnish the half-yearly financial results in the alternative format given in Annexure III (i.e. alternative format) . However it may be noted that the alternative format can be used only if such format is used consistently from the first half-year of the financial year.
  - iv) The limited review report shall be presented in the format prescribed at Annexure IV for companies other than banks and NBFCs
  - v) The limited review report shall be presented in the format prescribed at Annexure V for Banks and NBFCs.
  - vi) Annual audited financial results shall be in the format as is applicable to half yearly financial results.
- Regulation 52(3)(a) prescribes that the listed entity shall submit audit financial results along with and either Form A (for audit report with unmodified opinion) or Form B (for audit report with modified opinion). The Listed Entity shall submit form A or form B in formats as prescribed under regulation 33(4) of Listing Regulations.



- The Stock Exchanges are advised to bring the provisions of this circular to the notice of Listed Entity and also to disseminate the same on its website. This circular shall come into force on December 01, 2015.

## FORMATS FOR PUBLISHING FINANCIAL RESULTS

- SEBI has issued a circular vide reference no. CIR/CFD/CMD/15/2015 dated November 30, 2015 related to formats for publishing financial results.
- In order to enable investors to make well-informed investment decisions, timely, adequate and accurate disclosure of financial results on a periodical basis is critical. At the same time, to ensure comparability, uniformity and parity in disclosures made by listed entities across stock exchanges is essential.
- Towards this end, Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as the listing Regulations, 2015) provides disclosures to be filed under various provisions contained therein in the formats as may be specified by the Board.
- Formats
  - i) The quarterly financial results shall be presented in the format prescribed at Annexure I for companies other than banks and that prescribed at Annexure II for banks.

3,448	1,352	1,318	119	120	1,670
2,299	1,850	1,586	25	25	1,927
2,455	2,155	1,982	9	3	1,838
2,811	1,831	1,826	226	182	2,331
20,695	2,841	1,826	500	11	2,331
226	175	183	10	44	222
(781)	313	324	(957)	(79)	(644)
140	17,415	16,576	-	-	17,415

- ii) Manufacturing, trading and service companies, which propose to follow functional (secondary) classification of expenditure in the annual profit and loss account, shall furnish quarterly financial results in the alternative format prescribed at Annexure III. The alternative format shall be used only if such format is used consistently from the first quarter of the financial year.
- iii) If the company has more than one reportable primary segment in terms of Accounting Standard (~AS™) 17/ Indian Accounting Standard (~Ind AS™) 108 mandated under Section 133 of the Companies Act, 2013 read with rules framed thereunder or issued by ICAI, it shall also submit quarterly and annual segment information as part of financial results in the format given in Annexure IV.
- iv) Limited review reports shall be given by auditors in the format prescribed in Annexure V for companies other than banks (including those using the alternative format of financial results) and in the format given in Annexure VI for banks.
- v) In case of audited financial reports, the audit report shall be given by the auditors in the format given in Annexure VII for companies other than banks (including those using the alternative format of financial results) and in the format given in Annexure VIII for banks.
- vi) Half-Yearly Statement of Assets and Liabilities shall be in the format specified



in Annexure IX drawn from Schedule III of the Companies Act, 2013 or its equivalent formats in other statutes, as applicable.

vii) The Form A (for audit report with unmodified opinion) and Form B (for audit report with modified opinion) shall be filed in the format specified in Annexure X.

viii) The financial results published in the newspapers in terms of Regulation 47(1)(b) shall be in the format prescribed in Annexure XI.

- While preparation of the financial results, the following shall be noted:-
  - i) Annual audited financial results shall be in the format as is applicable to quarterly financial results. However, columns and figures relating to the last quarter, year to date results and corresponding three months in previous year may not be disclosed.
  - ii) The applicable Accounting Standards are those standards mandated under Section 133 of the Companies Act, 2013 read with the relevant rules issued thereunder/issued by ICAI as applicable.
  - iii) The classification / disclosure of items in the financial results shall be in accordance with the Schedule III of the Companies Act, 2013 or its equivalent formats in other statutes, as applicable.
- Companies adopting the Ind AS in terms of Companies (Indian Accounting Standards) Rules, 2015 notified by the Ministry of Corporate Affairs on February 16, 2015 while publishing quarterly/annual financial results under Regulation 33 of the Listing

Regulations, 2015, shall ensure that the comparatives filed along with such quarterly/annual financial results are also Ind AS compliant.

- The Stock Exchanges are advised to bring the provisions of this circular to the notice of listed entities and also to disseminate the same on its website. This circular shall come into force with effect from December 01, 2015.
- This Circular is being issued in exercise of powers conferred under Section 11 and Section 11A of the Securities and Exchange Board of India Act, 1992 read with Regulation 33, Regulation 47 and Regulation 101(2) of the Listing Regulations, 2015.





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