

PROCESS FOR DETECTION AND REPORTING OF FRAUD IN SECRETARIAL AUDIT

G.V. and Associates, Company Secretaries, Coimbatore and Chennai

Reference: Section 143(12) and (14) of the Companies Act, 2013 and Rule 13 of the Companies (Audit and Auditors) Rules, 2014

A. STEPS IN THE PROCESS

Step	Action	Responsibility
1. Planning	Review previous audit observations and the Action Taken Report; identify high-risk areas for the company; obtain management representation on compliance and fraud.	Partner and Audit Team
2. Questionnaire checklist	Apply the Firm's questionnaire-based checklist to the records of the company; mark any response showing a grave deviation as a red flag (indicative areas in Part B).	Audit Team
3. Examination of red flags	Examine each red flag with supporting documents; seek written explanations from the Company Secretary and management.	Partner
4. Forming a view	Decide, with reasons recorded in the working papers, whether there is reason to believe that a fraud has been or is being committed; consult a second Partner in every such case.	Partner
5. Reporting	Report as per Part C within the prescribed time.	Partner signing the audit report
6. Documentation	Keep all working papers, explanations and reports confidential in the audit file.	Partner

B. INDICATIVE RED-FLAG AREAS IN THE CHECKLIST

Area	Indicative red flags
Related party transactions	Transactions without required approvals, at unusual terms, or not disclosed.
Loans, guarantees and investments	Transactions beyond limits under Sections 185 and 186, or to entities with no business rationale.
Funds raised	Use of issue or borrowed funds for purposes other than those stated.
Board and management	Frequent unexplained changes in directors or KMP; resignations of auditors or independent directors citing concerns.
Records and filings	Mismatch between minutes, registers and MCA filings; backdated or altered records; repeated delays.
Charges and assets	Unusual creation, modification or satisfaction of charges; sale of major assets without approval.
Statutory dues and notices	Persistent defaults; notices from regulators not placed before the Board.

C. REPORTING OF FRAUD

Amount involved	Reporting requirement
Rs. 1 crore or more	Report to the Board or Audit Committee within 2 days of knowledge, seeking a reply within 45 days. Forward the report, with the reply and the Firm's comments, to the Central Government in Form ADT-4 within 15 days of receipt of the reply, or after expiry of 45 days if no reply is received.
Less than Rs. 1 crore	Report to the Audit Committee or Board within 2 days of knowledge; details are disclosed in the Board's report.

Confidentiality: The identity of persons involved, and the details of any suspected fraud shall not be disclosed to anyone except as required for reporting under law.

Approved by the Partners on 01 / 04 / 2026

For G. V. and Associates


G. Vasudevan
Partner

