Secretarial audit, reimagined

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On August 8, the SEBI Chairperson declared: “We’re in boardroom reimagined.” He stressed that corporate governance demands directors who act with integrity and purpose, question and engage with management without bias or hesitation, and offer thoughtful scrutiny of strategy and risk. Boards, he said, must think independently, apply sound judgment, and uphold the broader interests of stakeholders through transparent and principled governance.

But who provides independent assurance that a board has indeed thought independently, exercised sound judgment, or served the broader interest? This question turns the spotlight on secretarial audit, an instrument capable of assessing the deeper cultural underpinnings of governance, but only if it is reimagined to match the reimagined boardroom.

Independent assurance

Statutes mandate a range of audits: financial, cost, tax, social, environmental, and internal, each serving distinct regulatory or operational purposes. By convention, however, the term statutory audit typically refers to the audit of financial statements required under the Companies Act.

In recent decades, another statutory audit has gained prominence in the corporate landscape: secretarial audit (SA), reflecting the growing emphasis on compliance, governance, and stakeholder accountability.

Often regarded as the non-financial counterpart to the financial audit, the SA provides independent assurance on a company’s legal compliance and corporate governance systems. While the financial audit assesses the integrity of financial reporting, for instance, whether related party transactions (RPTs) are correctly recognised, measured, and disclosed, the SA evaluates whether those transactions comply with the company’s RPT policy and have received the necessary approvals from the audit committee, board, or shareholders. Together, these two audits form a complementary framework that strengthens corporate accountability and enhances.

Recognising their significance, statutes require that both financial and secretarial auditors of listed entities be appointed by shareholders. Their reports are submitted to shareholders and made public, ensuring transparency. The auditors are appointed typically for a five-year term, with the possibility of one reappointment subject to statutory conditions. This safeguards independence and mitigates conflicts of interest. Both audits follow prescribed auditing standards, ensuring the consistency, reliability, and comparability of their findings.

Genesis of Secretarial Audit

The origins of the SA can be traced to the early 2000s, when the Companies Act, 1956, was amended to require companies with paid-up capital between ₹10 lakh and ₹5 crore and without a full-time company secretary to obtain a compliance certificate from a practising company secretary (PCS).

The certificate affirmed adherence to various provisions of the Companies Act, including the maintenance of statutory registers and records. Although modest in scope and largely procedural, this marked the first statutory requirement for independent professional oversight of a company's legal compliance framework. The Companies Act, 2013, a watershed in corporate governance, mandated SA by a PCS for every listed company and every public company above the prescribed thresholds of paid-up share capital/turnover. The scope expanded beyond the Companies Act to encompass SEBI Regulations, the Depositories Act, 1996, the Foreign Exchange Management Act, 1999, and other industry-specific laws. This shift elevated the SA from a procedural review to a governance assessment with the potential to influence boardroom decisions, shape board processes, strengthen internal controls, and embed a culture of compliance.

The turning point came in 2019 with the insertion of Regulation 24A into the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR). This provision required listed entities to submit two reports annually to the stock exchanges, both certified by a PCS: the Secretarial Audit Report (SAR) and the Annual Secretarial Compliance Report (ASCR).

The SAR under the LODR mirrors its counterpart under the Companies Act, extending to compliance with a broad spectrum of corporate and allied laws. The ASCR, on the other hand, focuses on compliance with securities laws, with particular emphasis on governance imperatives such as transparency, fairness, and accountability.

By bringing both the reports into the market disclosure regime, SEBI transformed SA from a statutory formality to a governance oversight tool. This could be possible because the PCS has access to board agendas, minutes, and records that reflect actual decision-making and governance practices. This quiet yet profound reform redefined the PCS, from a certifier of compliance to a governance professional, integral to India's evolving and maturing regulatory ecosystem.

Reimagining SAR

For the reimagined board, the SAR and the ASCR must evolve beyond their current, largely checklist-driven reporting. The future lies in integrating them into a Strategic Governance Report (SGR), a dynamic, multidimensional tool delivering distinct value to every stakeholder.

For boards, the SGR should serve as a decision-support tool; for management, a practical compliance compass; for investors, a credible benchmark for governance transparency; and for regulators, an early-warning system for systemic vulnerabilities. The SGR should provide a concise yet insightful snapshot of governance health, enabling stakeholders to gauge the depth of control maturity, cultural alignment, and governance resilience.

Over-reliance on documents, such as disclosures, filings, and minutes, risks overlooking behavioural patterns that leave no paper trail yet decisively shape governance outcomes. The SGR must, therefore, move beyond cataloguing non-compliances to weaving narratives that expose these patterns and underlying governance realities, such as when a deferred board agenda item quietly disappears, signalling discomfort, or when formal processes are sidestepped, exposing weaknesses in governance discipline.

Such observations, enriched with explanatory context, can help stakeholders grasp not only where gaps exist between form and substance, but why they emerge. Importantly, the SGR should illuminate the intangibles that remain under-represented in current reports: board dynamics, tone at the top, ethical climate, and management's operational discipline. Rather than a backward-looking tally, the SGR should evaluate: the robustness of internal controls, the adaptability of compliance frameworks, ethical leadership and responsiveness to whistle-blowers, openness to dissent and innovation in governance, and alignment with evolving legal frameworks and global best practices.

Realising this vision demands that the PCS be reimagined: from a compliance technician to a governance strategist capable of delivering a reimagined SAR. This means engaging proactively with boards and committees, spotting emerging governance risks, advising on institutional responses, and testing the adaptability of systems. The profession must build new capabilities in governance analytics, behavioural risk assessment, and stakeholder engagement.

Reimagining the SAR and ASCR as an SGR can bridge the gap between structural compliance and the cultural realities of governance.

By capturing not only what the board did, but how and why, the SGR can provide independent assurance on the integrity, judgment, and purpose that define effective stewardship. In doing so, it can become a true enabler of trust within the boardroom, across markets, and among all stakeholders.

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