

# COMPLIANCE FRAMEWORK



↳ laws / Rules / Regulations

⊕ Non-Compliance

- ↓ Risk
- ↳ Penalty
- ↳ Imprisonment
- ↳ Fine
- ↳ License Cancellation
- ↳ Winding up
- ↳ Goodwill / reputation

avoid<sup>③</sup>

④ COMPLIANCE FRAMEWORK

mainly BOD is responsible for CF, but due to overburden - delegate

CS

Compliance Officers

- ↳ Advisory
- ↳ Chart
- ↳ Scorecard

a) Compliance Advisory

Group of expert

↓  
advice about the applicable laws

b) Compliance Chart

↓  
overview

← applicable laws/rules/regulations

↓  
Applicable risk

→ risk mitigation techniques

c) Compliance Scorecard

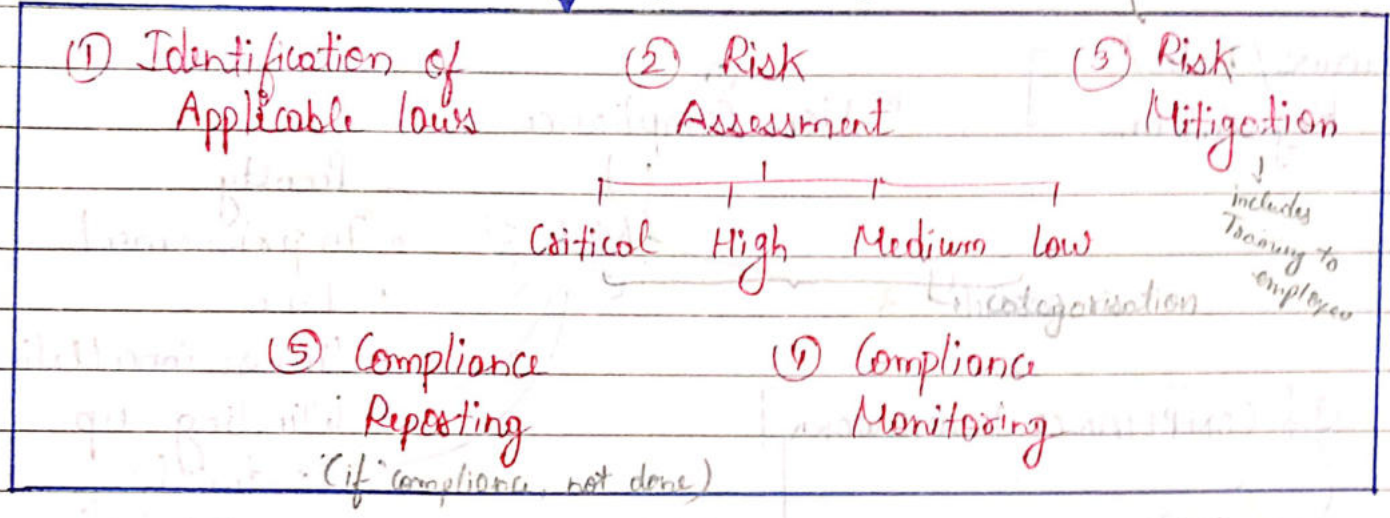
↓ software  
Tool to analyse the compliance status of the Company.

# To ensure compliance with laws, rules & regulations is an integral part of corporate strategy

Date.....

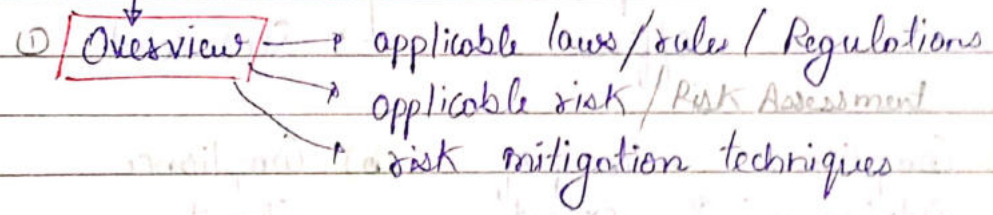
# CMS ← software Compliance Management System

Policies & procedures  
(to ensure compliance)



## ⇒ Compliance Chart

for making of cc, 5 things to do.



- 1) Identification of applicable laws (by seeing financial statements of Co)
- 2) Risk Assessment (+ categorization) → to see limits/threshold
- 3) Risk Mitigation
- 4) Monitoring (whether applicable laws are complied or not)
- 5) Reporting

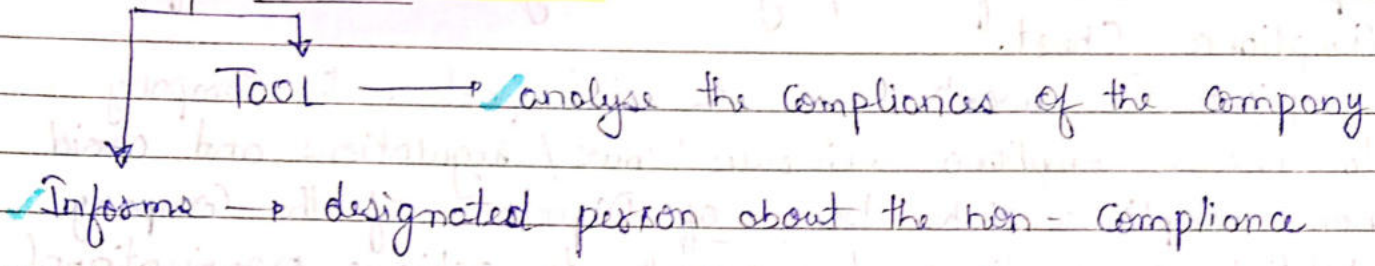
Date.....

Q1 Explain the role of Company Secretary in creation of Compliance Chart.

Ans. Compliance Framework is an essential part in the company to ensure compliance with rules/laws/regulations and avoid non-compliance risk. Board of Directors of the company establish a compliance framework to achieve organisational goal and mitigate the risk.

- Company Secretary, being the compliance officer of the company plays an important role in corporate compliance framework.
- Corporate Compliance Framework includes Compliance Advisory, Compliance Chart and Compliance Scorecard.
  - (a) Compliance Advisory advises in compliance of laws.
  - (b) Compliance Scorecard is the tool to analyse the compliances of the company.
  - (c) Compliance Chart - Overview of applicable laws/rules/regulations, applicable risk and risk mitigation techniques.
- Compliance Chart involves identification of applicable laws/rules/regulations, risk assessment, risk mitigation, compliance reporting and compliance monitoring.

# Compliance Scorecard :



Q.2 Write a short note on Compliance Scorecard. [3M]

Ans. • Company has to comply with a lot of laws/ rules/ regulations and to avoid the non-compliance risk Company incorporates a Compliance framework. Company Secretary plays a crucial role in implementation of compliance framework.

- Compliance framework includes a) Compliance Advisory, b) Compliance Chart c) Compliance Scorecard.
- Compliance Scorecard is a tool to analyse and assist the compliance with various laws, rules and regulations.
- Compliance Scorecard informs the designated person about the non-compliance for fixing the issue.

Date.....

## # Content of Compliance Chart

- (a) Identifying laws / rules / regulations applicable on the company.
- (b) Identifying risk arising from compliance obligations.
- (c) Categorisation of risk level of compliance obligation -  
Critical, High, Medium, Low.
- (d) Compliance risk mitigation policies and procedures.
- (e) Allocation of ownership of activities and compliance obligations (Monitoring).
- (f) To whom and how frequently compliance related findings and results are reported. (Reporting)

Q.3 You are the CS of the newly formed company Sun Moon Ltd. Your Chairman has asked you to prepare a Compliance Chart. What are the various points you would mention in the compliance chart.

Ans. We have been appointed as the Company Secretary of Sun Moon Ltd. which is a newly incorporated company and we have been asked to prepare a Compliance Chart.

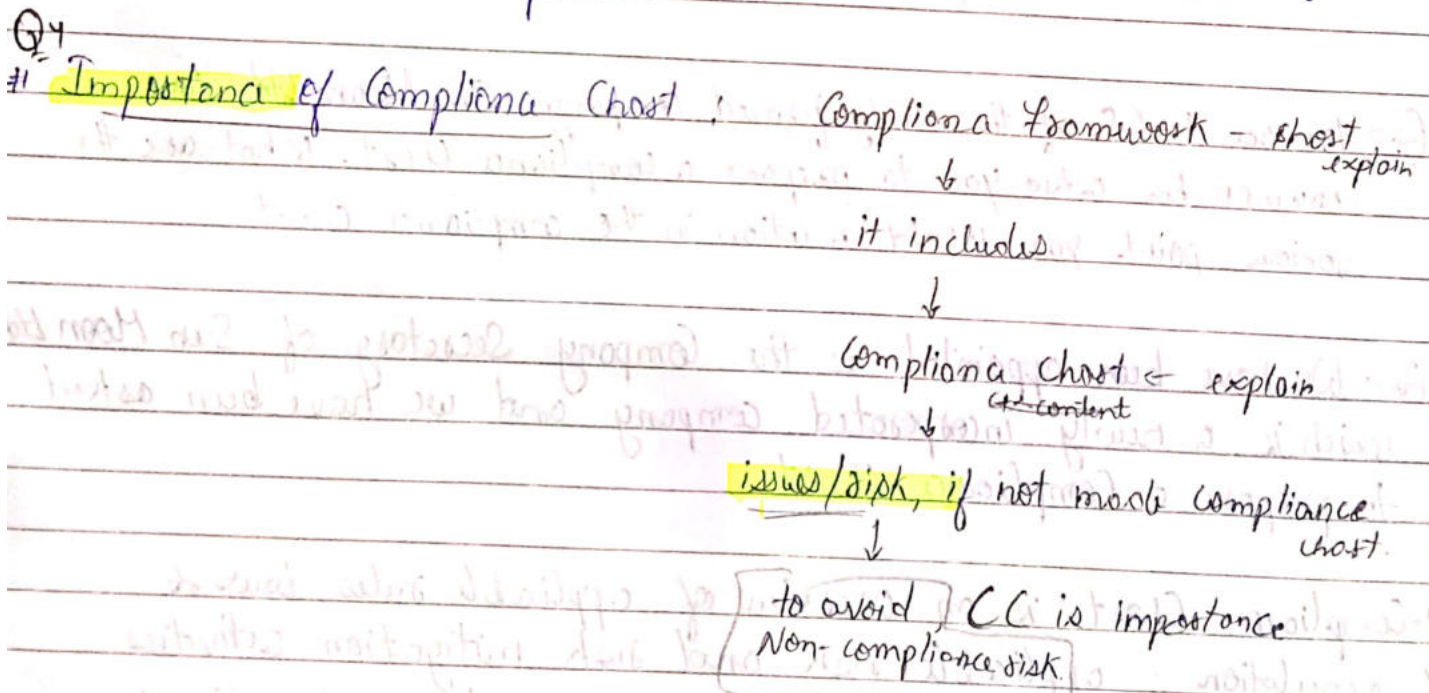
• Compliance Chart is an overview of applicable rules, laws & regulations; applicable risk and risk mitigation activities implemented in a company. To incorporate a compliance chart, following has to be taken into consideration:

- a) Identification of applicable law / rules / regulations
- b) Risk Assessment
- c) Risk Mitigation

- d) Compliance Monitoring
- e) Compliance Reporting

As a Company Secretary, we would advise that following points should be mentioned in the Compliance Chart:

- a) Identifying laws/rules/regulations applicable on the company
- b) Identifying risk arising from compliance obligations.
- c) Categorisation of risk level of compliance obligation -  
Critical, High, Medium, low.
- d) Compliance risk mitigation policies and procedures
- e) Allocation of Ownership of activities and compliance obligations
- f) To whom and how frequently compliance related findings and results are reported.



Date 22/3/2025.....

# # Compliance Management System (CMS)

① Identification of Applicable laws

② Risk Assessment

③ Risk Mitigation (Policies & Procedures)

Critical High Medium Low

④ Compliance Reporting

⑤ Compliance Monitoring  
(Compliance Ownership)

[Pg-1.19]

## Significance of CMS

① Better compliance of laws

② Non-compliance can be avoided.

- ① Safety valve (cederbar effect)
- ② Cost ↓      ③ Goodwill ↑
- ④ Credibility / Brand worthiness ↑
- ⑤ Good Corporate citizen

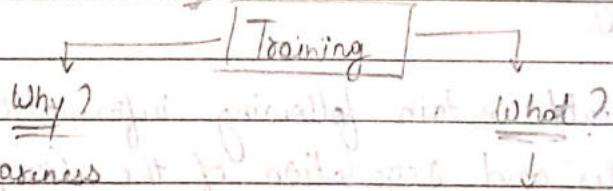
[Pg-1.5]

## Benefits of [well-designed] CMS

- Rotna → Access to rules & regulations
- aa → Audit
- gays → training
- to → task mgmt
- Direct → Dashboard

Pass → policy & procedure

Pg-1.17



- 1) Compliance framework
- 2) Roles & Responsibility
- 3) Critical & High-risk obligation
- 4) Process of compliance
- 5) Consequence

- 1) Framework
- 2) Roles/ Responsibilities
- 3) Training structure
- 4) Target Audience
- 5) Frequency

Spiral

SKYSHOTS

Date.....

Q.5. "The Compliance Chart of any company must contain the complete information on compliance dashboard, which provide a detailed compliance procedure to the compliance executives". As a Company Secretary, list out the various content of Compliance Chart.

- ⊕ Synopsis → Compliance Chart
- Content of CC
  - Benefits of well-designed CMS.
    - ① Dashboard
    - ② Access to rules & reg<sup>n</sup>
    - ③ Task Mgmt etc.

Compliance Chart is a part of Compliance framework which provides an overview of applicable laws, rules and regulation, applicable risks and Risk Mitigation activities. Company Secretary plays a crucial role in Compliance Chart.

Compliance Chart will be created after considering following activities:

- 1) Identification of Applicable laws
- 2) Risk Assessment
- 3) Risk Mitigation
- 4) Compliance Monitoring
- 5) Compliance Reporting

A Compliance Chart should contain following information:

- a) Applicable laws, rules and regulation of the Company
- b) Risk arising from compliance obligations.
- c) Categorisation of risk of compliance obligation as Critical, High, Medium & low.
- d) Compliance Risk Management policies and procedures.
- e) Allocation of ownership of activities

Spiral

SKYSHOTS



Date.....

4) To whom and how frequently compliance-related findings and results are reported.

• If a Compliance Management System is well-designed following are the advantages:

a) Compliance Dashboard: A Compliance Management System should have a proper dashboard to track the compliance events. Dashboard helps auditors and compliance offices to analyse the status of compliance of the Organisation.

b) Access to rules and regulation.

c) Compliance Audit

d) Training

e) Policy and Procedures.

# Process of Corporate Compliance Framework: Date.....

I Identification of Applicable laws & Regulations

To frame Compliance Framework (CS) has to be aware of the Applicable Laws (+) Business Model of the Company

↓  
Applicable laws

- 1) Corporate law
- 2) Commercial law
- 3) Labour law
- 4) Environmental law
- 5) Cyber law
- 6) Securities law
- 7) Tax

Source of Identifying Compliance Obligations

- 1) laws & regulations
- 2) Order of regulatory Authorities (ROC/RD/SEBI)
- 3) Judgement of Court/tribunals
- 4) Monitoring website (MCA/SEBI/RBI)
- 5) Licenses
- 6) Treaties/protocols
- 7) Engaging with Mgmt
- 8) Attending seminars
- 9) Subscription to informat<sup>n</sup>
- 10) Internal policies

Workshop

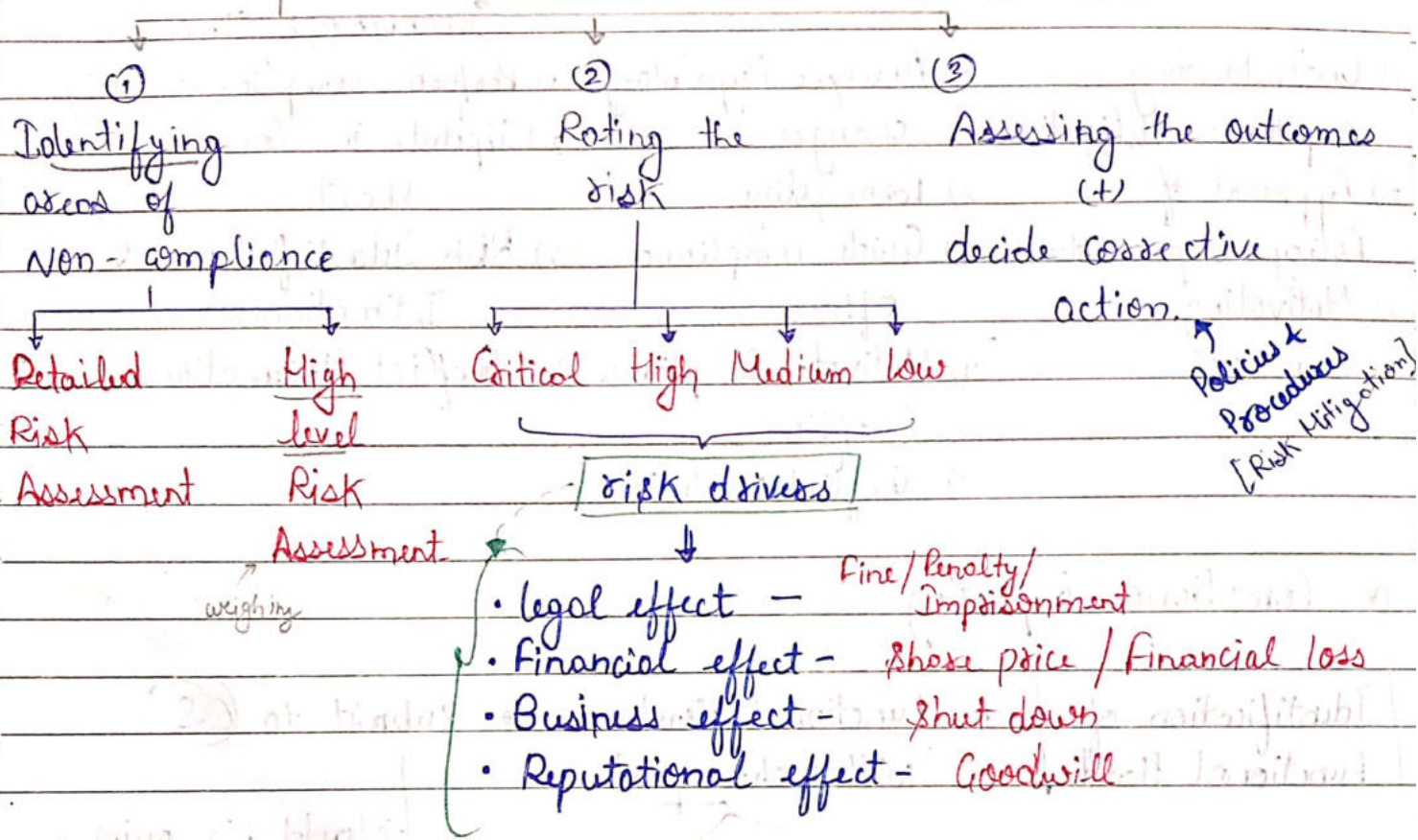
MCA/  
Times of  
India  
website  
notifs

Quantity/weighting/categorise

Date.....

## II Risk Assessment

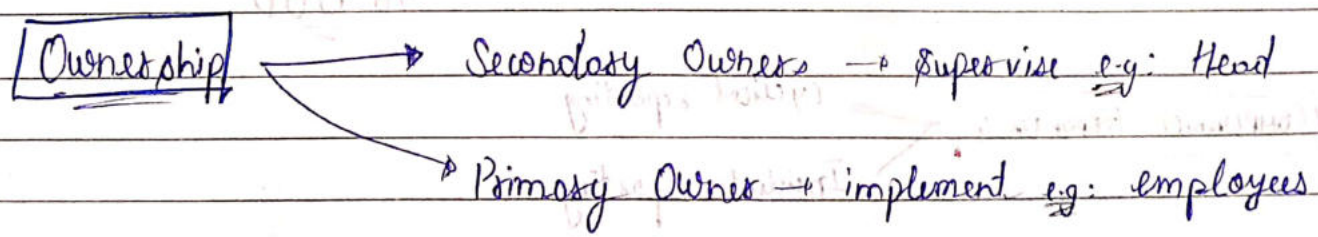
Process where company identifies the associated risk to every transaction



## III Compliance Monitoring → ownership allocation

→ Oversight of companies activities

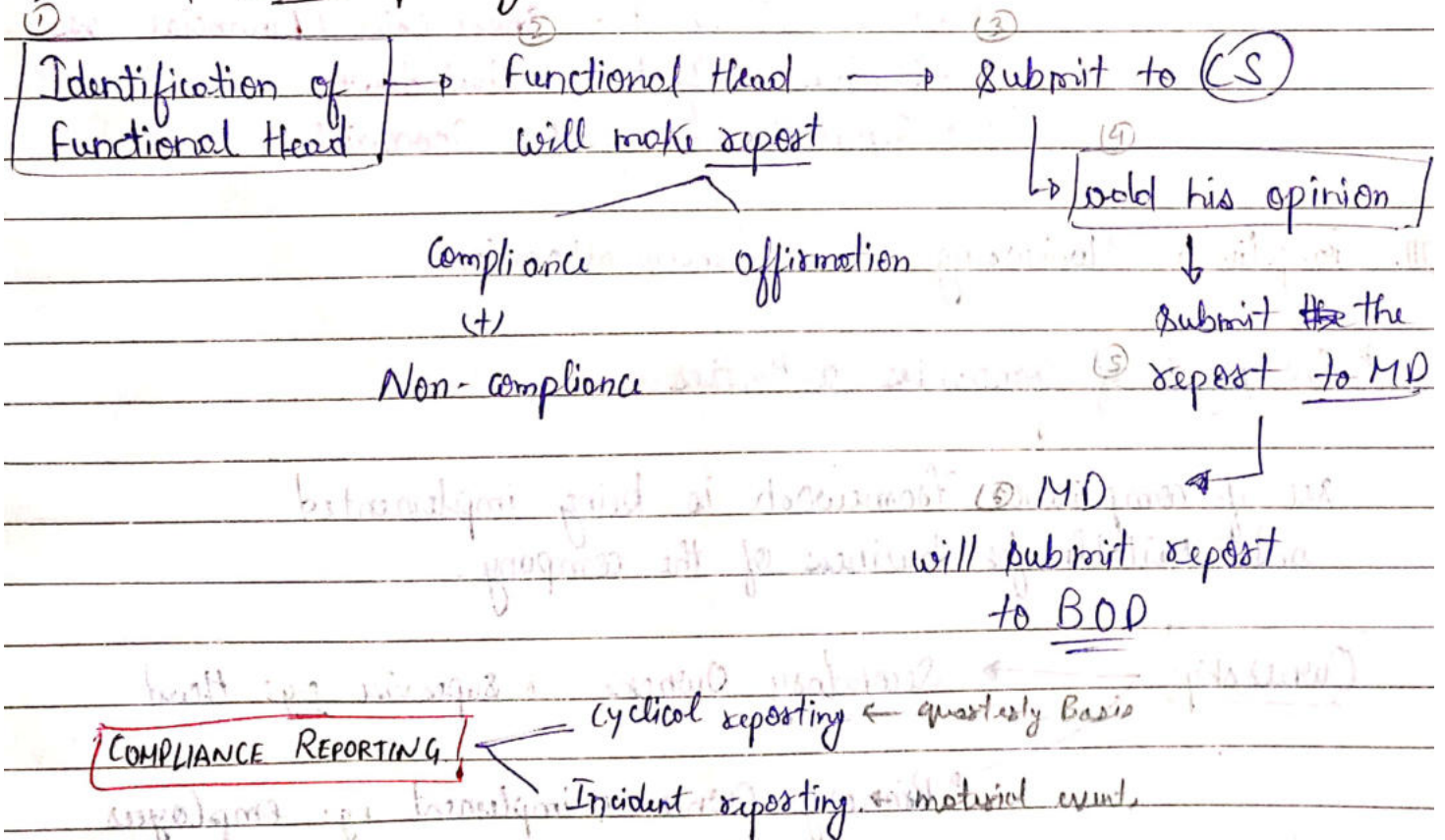
+  
(see) if compliance framework is being implemented and suitable for business of the company.



→ role of various level of management :

| TOP MANAGEMENT                                                                                         | SENIOR MANAGEMENT                                                                                                                          | COMPLIANCE OFFICER/<br>SUBORDINATE STAFF                                                                                                              |
|--------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1) Understanding Compliance Obligations<br>2) Approval of Policy & procedure<br>3) Motivating employee | 1) Analyse Regulatory changes<br>2) Form policy<br>3) Guide compliance officer<br>4) Motivate compliance officer<br>5) Conflict resolution | 1) Perform Compliance Obligation<br>2) Update in Compliance Chart (40-40 check hoyi)<br>3) Risk Identification & Intimation<br>4) Conflict Intimation |

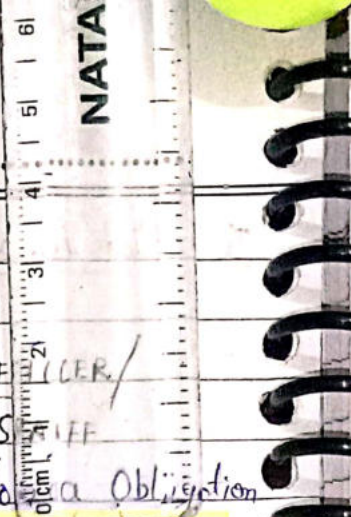
IV Compliance Reporting



**COMPLIANCE REPORTING**

Cyclical reporting ← quarterly Basis

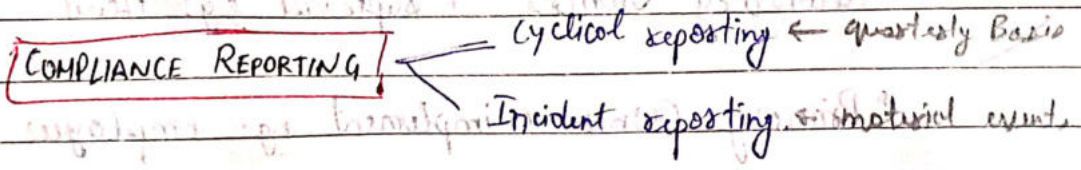
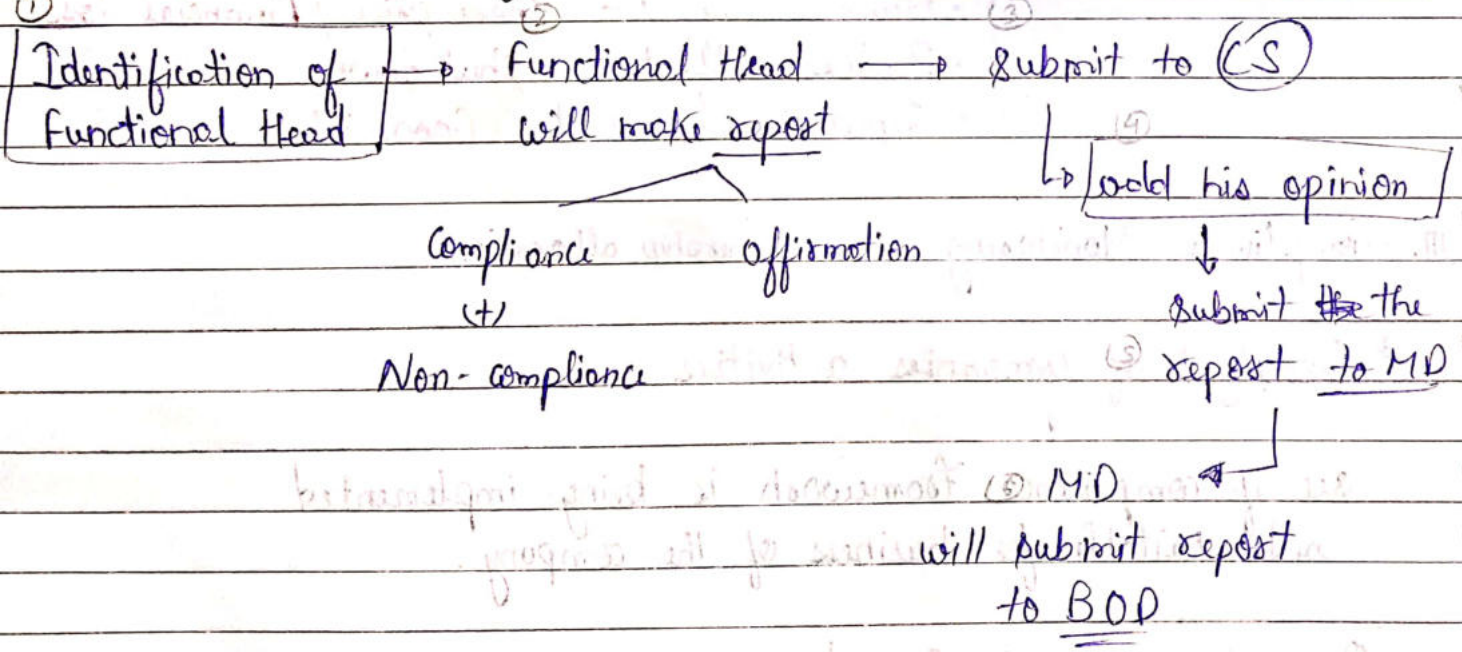
Incident reporting ← material event



→ role of various level of management :

| TOP MANAGEMENT                                                                                         | SENIOR MANAGEMENT                                                                                                                          | COMPLIANCE OFFICER/<br>SUBORDINATE STAFF                                                                                                                                                                                                         |
|--------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1) Understanding Compliance Obligations<br>2) Approval of Policy & procedure<br>3) Motivating employee | 1) Analyse Regulatory changes<br>2) Form policy<br>3) Guide compliance offices<br>4) Motivate Compliance offices<br>5) Conflict resolution | 1) Perform Compliance obligation<br># <u>LEGAL CELL</u><br>1) Identification of <u>new</u> laws & regulations<br>2) Communicating to compliance owners<br>3) Resolving Doubts<br>4) Review of System<br>5) <u>Periodical</u> Review & Assessment |

IV Compliance Reporting



Date.....

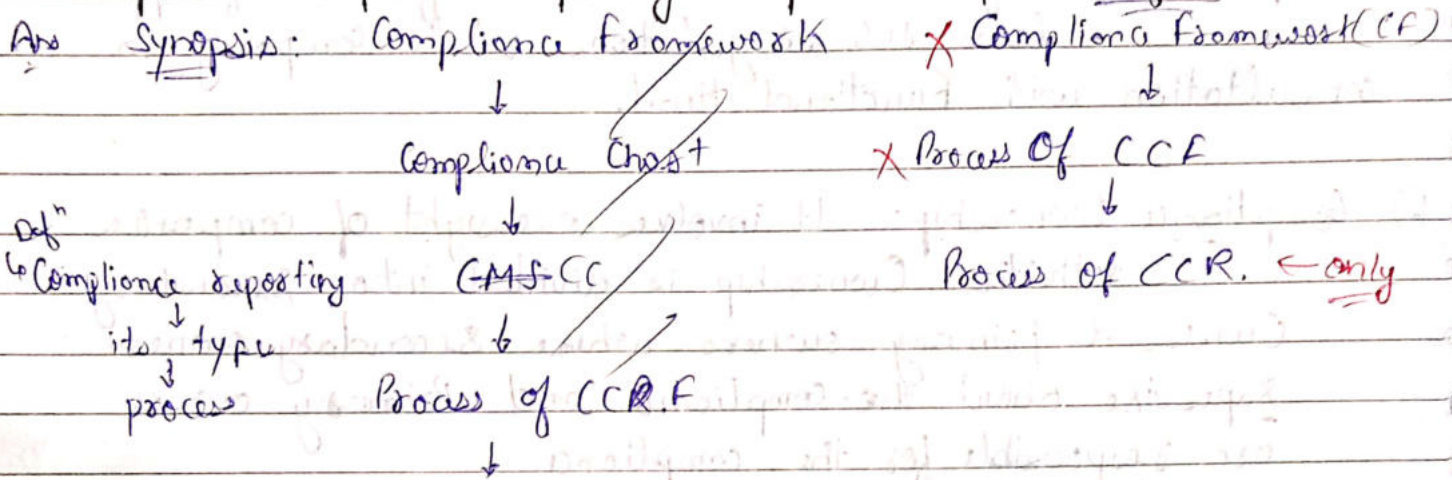
Q Explain the process of Corporate Compliance Framework.

Ans Process of Corporate Compliance Framework would be following:

- a) Compliance Identification: It includes identification of applicable laws, rules & regulations on the company in consultation with Functional Head.
- b) Compliance Ownership: It involves oversight of companies activities. Ownership is divided into secondary owners & primary owners, where secondary owners supervise about the compliance and primary owners are responsible for the compliance.
- c) Compliance awareness: It involves creating awareness amongst the owners of compliance through training and seminars.
- d) Compliance Reporting: This involves communicating the status of compliance and non-compliance to the concerned annually by the compliance officers.

Date.....

Q.6 ABC Ltd Co., a listed Company has appointed 2 independent directors. As part of its familiarization policy it provides key updates and background about the company to the newly appointed directors. The directors have requested you as the CS of the Co. to explain the process of Corporate Compliance Reporting. Explain the process of CCR.



- Ans
- Compliance Reporting facilitates communication of potential compliance risk. It enables the management to evaluate if compliance risk is above the risk appetite of Company.
  - Compliance Reporting is of 2 types: Cyclical Reporting and Incidental reporting.
    - a) Cyclical reporting; it is done on quarterly basis and helps the compliance officers to analyse non-compliance risk.
    - b) Incidental reporting; in this material events or incidents are reported which are to be taken care of by risk management process.

• As a Company Secretary of ABC Ltd, we would advise that following is the process of Corporate Compliance reporting:

Date.....

- 1) Functional head will be identified.
- 2) Functional head will collect the information from these relevant department and consolidate it to form a report.
- 3) The report would contain affirmations by functional head and provide details about compliance and Non-compliance.
- 4) The reports will be forwarded to Company Secretary & managing director.
- 5) The Company Secretary will add his opinion, give a brief # to managing director who will submit the report to the Board of Directors. → corrective Action/strategy
- 6) The Entire process of Corporate Compliance reporting is dependant on the implementation of MIS i.e Management Information System.

Date.....

Q7. XYZ Co. has appointed (You) as a Company Secretary, to make arrangements for Cyclical reporting. What arrangements should be made for Compliance & Reporting? Advise.

Ans

Since, we have been appointed as the Company Secretary of XYZ for the purpose of Cyclical Reporting. We would advise to make following arrangements for compliance and reporting:

- 1) Audit & Risk Management Committee: Company will submit Quarterly report of the compliance to audit and risk management committee which will include a summary of all the activities that have been undertaken for the purpose of compliance.
- 2) Annual Certifications: By the end of each financial year, all the compliance officers will provide an assurance that company has complied with the obligations that were their area of responsibility.
- 3) Assurance Maps: To ensure annual and quarterly reporting, [assurance mapping is important.]
- 4) Regulatory Reporting: [Significant compliances] which are required by law must be complied and reported.

Date.....

# # Compliances under Companies Act, 2013:

**Board Meeting** (SS-1)

- First BM within 30 days of incorporation
- 4 BM → Max. 120 days gap
- OPC / small Co. → Half yearly / 90 days
- Notice of BM → 7 days

**Financial Statement**

- Copy of Fin. Statement (+) consolidated Fin. Statement along with notice of AGM → 21 days
- AGM w. 30 days → ROC
- AOC-4
- AOC-4 CFS

**AGM** (SS-2)

- Notice - 21 days
- Directors
- Auditors
- Members
- Legal Representative

→ AGM 60 Days → ROC

MGT-7 (+) → signing of Annual Return

MGT-8 → Certification of Annual Return

PSC-10cr  
T.O-50cr  
only for these Co.

Disclosure of Interest of Director → MBP-1

↳ In first meeting (+) every 1<sup>st</sup> Meeting of FY

when there is change in Interest.

Appointment of Auditor → ADT-1

Appointment (of Auditor) w. 15 Days → ROC

ADT-1

Pvt. Co

Appointment of CS: Paid-up share capital  $\geq 10$  cr or  
 L+ whole-time (CS)

Disqualification of Directors → DIR-8  
 Inform about the disqualification, if  
 while appointment of Directors

Registers of Members → Permanent  
 MGT-1

AOC-4 : } Financial  
 AOC-4 CFS: } Statement

MGT-7 : Director's A/R

Q] A Company ABC Pvt. Ltd. has failed to file its Annual Return in the years 2019-20, 2020-21, 2021-22. What are the consequences of non-filing of Annual Return?

Ans - Every Company shall file its Annual Return within 60 Days of holding the AGM @ where no AGM is held in any year then within 60 days from the date on which the AGM should have been held.

• Annual Return filed by a listed Company @ a Company having PUSC  $\geq 10$  cr or Turnover  $\geq 50$  cr shall be certified by a PCS.

• In case, if a Company does not file its Annual returns for any continuous period of 3 F.Y., then directors of said company shall become disqualified for continuous period of 5 years, and they would not be eligible to be appointed, re-appointed as directors in other Company.

Date.....

DRS → Section 134(5)

## Responsibility of Directors

- 1) Accounts are prepared on Going-Concern Basis.
- 2) Accounts are prepared as per applicable accounting standards.
- 3) Accounting Policies + Judgement (Decision) of Directors give true & fair view of the affairs of the Company.
- 4) Assets of the Company are safeguarded (+) proper care taken to avoid fraud.
- 5) Compliance with laws / Rules / Regulations

## # Secretarial Audit and Compliance Management System.

Compliance Management System is based on following factors:

- a) Nature of Business (es)
- b) Geographical domain of its area of operation (s)
- c) Size of the Company both in terms of operations as well as investments, technology, multiplicity of Business Activities & manpower employed.
- d) Jurisdiction in which it operates
- e) Whether the Company is a listed company or not
- f) Regulatory authority (ies) in respect of its business operations
- g) Nature of the Company viz, private, public, Govt Co., etc.

only given in copy 2

Date.....

Q] Auditing of Compliance System and process is not a fault finding exercise, rather a device to improve compliance mechanism of a company. Comment.

Answer should be around -> CMS.

Ans: Company has to comply with a lot of rules, laws and regulations; non-compliance of which will attract dist. & penalties. To avoid the Non-compliance risk company frames a Compliance Management System to improve the compliance mechanism of company. Since Company Secretary is the Compliance Officer he plays an important role in compliance Mechanism.

2. The Compliance System and Process (Compliance Mechanism) are dependent on following factors:

- Nature of Business (C)
- Geographical domain of its area of operation (A)
- Size of Company both in terms of operation as well as investments, technology, & manpower employed.
- Jurisdiction in which it operates
- Whether the Co. is listed or not.
- Regulatory Authority
- Nature of Company

3. To ensure compliance in the Company Secretarial Auditor is appointed who on the basis of above given factors gets a broad idea about the desired compliance Management system & process of the company. Secretarial Auditor advises the Company to build up a strong compliance Mgmt system [in case any system is found insufficient during the audit]

Spiral

↳ fault finding X; improve SKYSHOTS

Date.....

4. Hence, Auditing of Compliance Mgmt System and process is not a fault-finding exercise, rather a device to improve the compliance mechanism of a company.

### # Compliance Audit

- Conducts to ensure compliance with applicable laws/rules & regulations.
- Different from financial Audit.
- Compliance Audit
  - Propriety: General / Ethical principles
  - Regulatory: laws / Rules & regulations

### # Training and Implementation

WHY?

↓  
Build awareness of

- 1) Compliance Framework
- 2) Roles & Responsibilities
- 3) Critical & High Compliance Obligations
- 4) Performing Compliance obligation
- 5) Consequences.

WHAT?

↓  
Training Program must include.

- 1) Compliance Framework
- 2) Roles & Responsibilities
- 3) Training Program
- 4) Target Audience
- 5) Frequency.

Date.....

# # Compliance Management Tool

1. Compliance Management Tool is a software that automates the compliance system of the organisation.
2. It is a software which bundles all the important work and ensures compliance on a [digital platform.]
3. It helps the Business & the organisation to scale the operations and reduce the risk of Non-compliance.

## → Objective of Compliance Management Tool:

- |                                                                                                                                                                                 |                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>1. Digitization.</p> <ul style="list-style-type: none"> <li>• replaces manual process</li> <li>• increases accountability</li> <li>• reduces the information gap.</li> </ul> | <p>2. Automation</p> <ul style="list-style-type: none"> <li>• provides automatic legal updates</li> <li>• automatically creates a compliance tracker</li> <li>• automatically creates a dashboard.</li> </ul> | <p>3. Compliances</p> <ul style="list-style-type: none"> <li>• ensures compliance with all applicable laws</li> <li>- Monitor the activities of organisation</li> <li>• Avoid penalties</li> <li>• Implement better process &amp; controls</li> <li>• Helps in Audit Mgmt &amp; Audit Documentation</li> </ul> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

## → Kind of Compliance Management Tool:

1. GRC software : Governance Risk Compliance Software
  - a) ensure corporate governance
  - b) Manage the risk
  - c) And ensure compliance.

Date.....

## 2. Industry specific compliance Management tools

- Focus on compliance with laws applicable to specific industry

## 3. All-Purpose compliance Management tool

• Corporate Governance and solves technical issue for all the organisation

## # Benefits of Compliance Management Tool

1. Reduction in Manual Work

2. Streamlining implementation

3. Simplification in monitoring & reporting

4. Risk in Human errors reduced

5. Builds Organisation Reputation

6. Creates a roadmap for Business

## # Compliance Risk - Review & Updation.

• It is important to monitor the compliance risk & ensure risk mitigation activities are working properly. Hence there is a plan for review of compliance risk and updation.

• Compliance Risk - Review is conducted to identify: Purpose/objective

- a) if the plan is still necessary and accurate.
- b) if plan should be combined with another plan @ if it should be rescinded (removed)
- c) if the plan is upto date with current laws & regulations
- d) if changes are required to improve the ~~em~~ effectiveness @ clarity of plan.

• Compliance Risk Plan must include:

- ① Compliance with the laws, regulations and standards included in the chart, including the company values
- ② Routine Business transactions to which compliance obligations or risks are associated.
- ③ Critical and High Compliance Risks
- ④ Key Compliance Risk Mitigation activities
- ⑤ The implementation of the Framework and all policies issued by corporate compliance department.

- (H)
- ✓ First line tracking, - (ongoing tracking as part of Normal course of Business)
  - ✓ Second line Monitoring - (Health check performed)
  - ✓ Third line Assurance (Independent review by Internal Audit)

Q. What methodology should be adopted to assess the compliance Mechanism of Company?

- 1) Risk Assessment
- 2) Program Design / up

Ans 1) Risk Assessment: Through employees surveys, interviews, and document reviews; such assessment is done and it is done to identify gaps b/w Co's current practices and the regulatory requirements.

2) Program Design / Update: It used to assess the compliance programme & reporting structure or communication methods in an organisation. [Whether it is working / fine @ not]

3) Policies and Procedures: (Co.) should review & keep updating & enhancing policies & procedures → including issue of financial reporting, fraud, conflicts of interest, POSH etc.

4) Communication, Training and Implementation:

Communication of various policies & procedure of Co. (s) training programme on such policies ⇒ help in the adoption of such policies in day-to-day.

5) Ongoing Self-Assessment, Monitoring and Reporting: & must be incorporated to achieve success.