

Frequently Asked Questions (FAQ)
On
Disclosure of Information Related to Forensic Audit of Listed Entities

Relevant Extract [In Schedule III, in Part A, under the Clause A, sub-clause 17 of SEBI LODR Regulations]

*“17. Initiation of Forensic audit: In case of initiation of forensic audit, (by whatever name called), the following disclosures shall be made to the stock exchanges by listed entities:
a) The fact of initiation of forensic audit along-with name of entity initiating the audit and reasons for the same, if available;
b) Final forensic audit report (other than for forensic audit initiated by regulatory / enforcement agencies) on receipt by the listed entity along with comments of the management, if any.”*

1. What types of ‘forensic audits’ are required to be disclosed under sub-clause 17?

Forensic audits as mentioned in the above sub-clause of LODR refers to those audits, (by whatever name called), which are initiated with the objective of detecting any mis-statement in financials, mis-appropriation/ siphoning or diversion of funds. It does not seek to cover disclosure of audit of matters such as product quality control practices, manufacturing practices, recruitment practices, supply chain process including procurement and matters that would not require any revision to the financial statements disclosed by the listed entity.

2. Whether forensic audits initiated by the company are to be disclosed under sub-clause 17?

The fact of initiation of any forensic audit, (or an audit by whatever name called), by the management of listed entity, lenders, regulatory / enforcement agencies for the purpose mentioned at point 1 above, are required to be disclosed.

3. Whether sub-clause 17 applies to ongoing audits?

The law has prospective effect. Hence, it applies to all audits which are initiated and audit reports which are finalized after October 8,2020.

4. What details may be expunged from the disclosure of the final forensic audit report?

In the disclosure of the final forensic audit report, any personally identifiable information including names of individuals and commercially sensitive information, if any, may be expunged.