

Chapter - 8 " Audit Reports "

(18) CARO, 2020: (A) Applicability : All companies including foreign companies
Except - Banking | Inv. | Sec. 8 | OPC | Small companies

Pvt. Companies (Not H/s of Public company)
Satisfying 3 conditions.

(a) PwC + R&S $\leq 1 \text{ Cr}$; and
(b) Borrowings $\leq 1 \text{ Cr}$; and
(c) Total revenue $\leq 10 \text{ Cr}$.

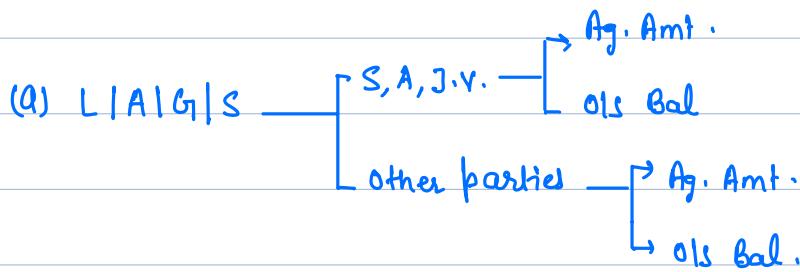
Note: CARO, 2020 shall not apply to auditor's report on CFS
except Para 3 (xxi).

(B) Matters to be reported under CARO, 2020: Para 3

- (i) - Property, Plant and Equipment: (a) Project records showing full particulars of PPE
" " " " " of Intangible Assets.
(b) Physical Verification - Mngt. - Reasonable Interval.
Discrepancies noticed / dealt properly
(c) Title deeds - Immovable properties - name of Co.
If not - detail.
(d) Revaluation - PPE + Intangible Assets
If yes - Valuation - Regd. Valuer
Specify - change - $\geq 10\%$ - NCV - each class
(e) Proceedings for holding Benami Property; disclosure

- (ii) Inventories - Para 3 (ii) - (a) Physical Verification: reasonable interval; coverage & procedures
Discrepancies - $\geq 10\%$; dealt in books of Acc.
(b) Working Capital Limit: Sanctioned W.C. $> 5 \text{ Cr}$ (Bank + F.F.)
- Quarterly returns / statements - agree - Acc.

(iii) Investments, Guarantees, Security, loans or advances in nature of loan:



(b) ILLA/GIS → not prejudicial to interests of company.

(c) LIA → Schedule of repayment of principal; | Repayment/Receipt - regular payment of interest

(d) LIA. → amt. Overdue. → > 90 days

reasonable steps for recovery.

(e) LIA → due → Renewed/Extracted/Settled → Ag. Amt. of such dues
| %age to total loans

(f) LIA → Repayment on demand
without terms of repayment → Ag. Amt. of such loans.
| %age to total loans.

→ Ag. amt. - loans - promoted / RP.

(iv) Compliance of Sec. 185 and 186:

Loan / Investments / Guarantees / Security

provision of Sec. 185 and 186 - Complied with

If not - provide the details thereof.

(v) Public deposits : Compliance of directives issued by RBI

Provisions of Sec. 73 to 76 of Companies Act, 2013

or other relevant provisions of Companies Act, 2013

If not → nature of contravention

- Compliance of Order passed by -

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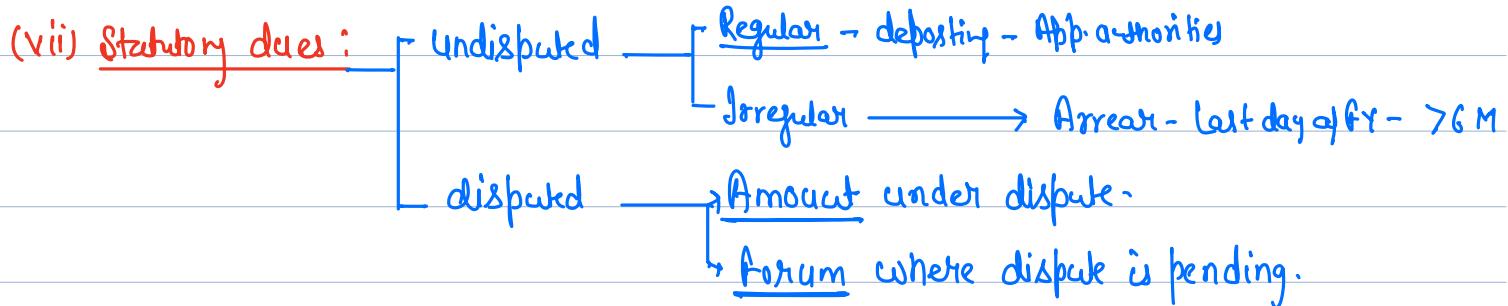
    graph TD
      A["CLB"] --- B[NCLT]
      A --- C["Court"]
      A --- D["Any other Tribunal"]
  
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Any other Tribunal.

(vi) Cost Records : Maintenance of cost records specified by C.G. u/s 148(1)



whether such accounts and records have been made and maintained.



(viii) Unrecorded Income : Transaction not recorded in books of A/c - surrendered or

disclosed as income

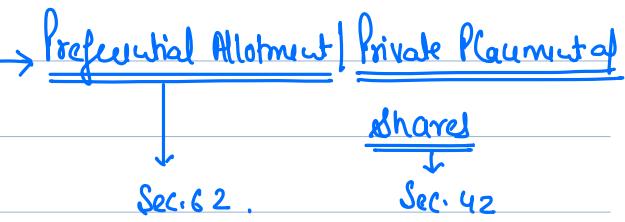
↓ If so

whether unrecorded income → properly recorded in books of account.

(ix) Repayment of dues :

- (a) Default repayment of loans / Borrowings / Gutt -
 - Nature
 - Name of lender
 - Amt. not paid
- (b) Declared - wilful defaults - Bank / F.I. / Other lender.
 - P.I.G.
 - No. of days
- (c) Term loan → applied for purposes - If not -
 - Amt - directed
 - Purpose
- (d) Funds - S/I term basis - utilised for long term purpose
 - If yes → nature and amount
- (e) Funds - raised - obligation - S/A/J.V. -
 - details - nature
 - Amt.
- (f) Loan - raised - Pledge of securities - S/A/J.V. - details.
Report any default in repayment of such loans.

(X) Application of Money and Preferential allotment: ✓ ✓ IPO/fPO - funds raised - applied - Purpose.
If not → details - delay | default | sub. rectification



Compliance - If not - nature of non-
compliance.



Chapter - 8 "Audit Reports"

(13) CARO, 2020

(A) Applicability of CARO, 2020:

(B) Matters to be reported under CARO, 2020:

~~Imp:~~ (xi) : fraud: (a) fraud Noticed or reported - Nature and amt. involved

(b) Report (ADT-4) filed with C.G.

(c) Consideration of whistle-blower complaints.

Note: Audit considerations w.r.t. fraud:

Sec. 143(12) of Companies Act, 2013 - reporting of fraud to C.G.

Rule 13 of CAAR, 2014 ————— Manner of reporting of fraud

- SA- 240 "Auditor's Responsibilities related to fraud in an audit
of F.S."

- Para 3 (xi) of CARO, 2020

(xii) Nidhi Companies: (a) Net owned funds : Deposit Liability Ratio - 1: 20

(b) 10% - Unencumbered Term deposits

(c) Default in payment of Interest, deposits ; If so - details.

(xiii) Related Parties: (a) Compliance of Sec. 177 and 188

(b) Disclosures in the F.S. as per Applicable Ass.

(xiv) Internal Audit System: (a) Existence of Internal audit system - Commensurate with nature and size of business .

(b) Consideration of Internal auditor reports .

(xv) Non Cash Drawalions with directors: Whether such drawings occurs

whether Sec. 192 - Complied with .

(Xvi) Regn. with RBI: (a) whether regn. required o/s 4S-LA of RBI Act, 1934 (NBFC) and whether regn. obtained.

(b) whether - NBF/H.F. - without valid CoR

(c) Co. - CIC ; criteria ; exempted or unregd. CIC - criteria

(d) Group > 1 CIC ; no. of CICs forming part of group.

(xvii) Cash losses: Whether Co - incurred Cash losses in FY and immediate preceding FY; If yes - indicate the amount

✓	100/-
✓	Revenue Accrual >
✓	Exp. Accrual 80/-
Cash Receipt < Cash Exp.	
100/-	7.80 Cr

(xviii) Resignation of Auditor: Whether M. Auditor - resigned during the year; If yes - whether auditor - considered - issued, objections or concerns raised by outgoing auditor.

(xix) - Material uncertainty: on basis of -

- financial ratios
- financial assets - ageing and realisation
- financial liabilities - payment
- other info. accompanying f.s.
- auditor's knowledge - Bd/Mngt. plan

↓

Opinion - no material uncertainty exist - date of audit report
↓

Company - meet its liabilities existing at date of B/S
- as and when fall due - period - 1 year

(xx) Transfer of Unspent CSR amount:

✓ Ongoing projects -

→ Amt. not spent → 30 days

Period → Unspent CSR
amt.
(Special account)

(a) Whether, for other than ongoing projects,
Unspent amt. → drfd. to fund specified in
Sch. III - 6 monthly.

✓ Other than ongoing projects -

- Amt. not spent → funds specified
in Sch. III

Period → 6M.

(b) Whether, in case of ongoing project, unspent
amt. → drfd. to special account within
period specified. (30 days)

(xxi) CFS:

Whether there have been any Qualification / Adverse remarks in
CARO reports of Companies included in CFS.

↓ If yes.

Indicate details of Companies and Paragraph no. of CARO report
containing the Qualification or
adverse remarks.