

Chapter - 8 "Audit Reports"

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

Pvt. Companies (Not HIs of Public Company)

satisfying 3 conditions.

(a) PUC + RES \leq 1 Cr; and

(b) Borrowings \leq 1 Cr; and

(c) Total revenue \leq 10 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) Proper records showing full particulars of PPE

" " " " " of Intangible Assets.

(b) Physical Verification - \rightarrow 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 - \rightarrow 10%; dealt in books of Acc.

(b) Working Capital Limit: Sanctioned W.C. $>$ 5 Cr (Bank + F.I.)

- Quarterly returns / statements - agree - Acc.

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



whether such accounts and records have been so made and maintained.

(vii) Statutory dues :

- Undisputed
 - Regular - depositing - App authorities
 - Irregular → Arrear - last day of yr - > 6 M
- disputed
 - Amount under dispute.
 - Forum where dispute is pending.

(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/Just - Nature, Name of lender, Amt. not paid
- (b) Declared - wilful default - Bank/F.I./Other lender. P.P.S., No. of days
- (c) Term loans → applied for purposes - If not, Amt - dividend, Purpose
- (d) Funds - S/term basis - utilised for long term purpose - If yes → nature and amount
- (e) Funds - raised - obligations - 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.

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(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) Defect 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 Drawactions with directors : Whether such drawactions occurs

whether Sec. 192 - Complied with.

- (Xvi) Regn. with RBI: (a) whether regn. required O/Ls 45-IA 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

1001	Revenue Accrual >
801	Exp. Accrual
701	Cash Receipt < Cash Exp.
7801	

(Xviii) Resignation of Auditor: whether st. Auditor - resigned during the year;
 If yes - whether auditor - Considered - issues, objections or concerns raised by Outgoing auditor.

(Xix) - Material Uncertainty: on basis of

- financial ratios
- financial assets - ageing and realisability
- financial liabilities - payment
- Other info. accompanying f.s.
- Auditor's knowledge - BoD / Mngt. plans

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

↓
 Company - meet its liabilities existing at date of BS
 - as and when fall due - period - 1 year

(xx) Transfer of Unspent CSR amount:

- (a) whether, for other than ongoing projects;
Unspent amt. → transf. to fund specified in
Sch. VII - 6 months.
- (b) whether, in case of ongoing project, unspent
amt. → transf. to special account within
period specified. (30 days)

✓ Ongoing projects -

→ Amt. not spent → 30 days
Period → Unspent CSR Acc
(Special account)

✓ Other than ongoing projects -

- Amt. not spent → Funds specified
in Sch. VII
Period → 6M.

(xxi) CFS: Whether there have been any Qualifications / 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 remark.