

## Chapter- 8 " Audit Reports "

(13) CARO, 2020:

- (A) Applicability: All Companies including foreign companies, EXCEPT
- (i) Banking Companies
  - (ii) Insurance "
  - (iii) Companies licensed to operate U/s 8 of Companies Act, 2013.
  - (iv) OPC and Small Companies
  - (v) Private Companies (Not being H/S of Public Companies) which satisfied 3 conditions:
    - (a) PUC + R&S  $\leq$  10cr; and
    - (b) Borrowings from Bank and F.I.  $\leq$  10cr; and
    - (c) Total Revenue (As per sch-III)  $\leq$  10cr.

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

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

Imp: (i) Property, Plant and Equipment: [Para 3 (i)]

(a) Proper records - full particulars - (including Q. details & location) of PPE - Maintained

" " - " " - Intangible assets - "

(b) Physical verification - Mngt. - at reasonable interval

↓  
Any discrepancy noticed

↓  
dealt properly in books of account.

(c) Title deeds - immovable properties - Name of Company;

↓  
If not → Provide details

(d) Revaluation - PPE and Intangible Assets

↓  
If yes → Valuation - Regd. Valuer; Specify change, if any  $\geq$  10% - N.C.V. each class.

(e) Proceeding initiated or pending - Benami Transactions (Prohibition) Act

↓  
If yes → proper disclosures given in F.S.

### (ii) Inventories - Para 3(ii):

(a) Physical Verification: at reasonable interval;  
Coverage and Procedures are appropriate;  
Discrepancies -  $\geq 10\%$  or more for each;  
↓  
properly dealt in books of account.

(b) Working Capital limit: - W.C. limit sanctioned  $> 5\%$  from any Bank or F.I.  
against security of Current Assets.  
- If yes - Quarterly statements filed - Agree with books of Acc.

### (iii) Investments, Guarantee, Security, loans or advances in nature of loans:

Whether Co. has made investments or given guarantee or provided security or granted any loan or advances in nature of loan to any Company, firm, LLP or other person; if yes -

- (a) LIA/GIS → S, A, J.V → Ag. amt. and O/S Balance  
→ Other than S, A, J.V. → Ag. amt. and O/S Balance
- (b) I/LIA/GIS → not prejudicial to interests of Company.
- (c) LIA → Whether Schedule for repayment of Principal and Payment of Interest - stipulated  
Whether Repayment/Receipt - Regular
- (d) If amt. is Overdue → State the amt.  $> 90$  days  
→ Reasonable steps taken for recovery.
- (e) If LIA - fallen due → Renewed / Extended / settled through fresh loan  
↳ (a) Ag. amt. of such  
(b) % age to total loans.
- (f) If LIA - repayment on demand / without terms of repayment  
↳ (a) Ag. amt. of such loan (b) % age to total loan

(c) Agt. amt. of such loans to Promoters / Related Parties.

(iv) Compliance of Sec. 185 and 186 of Companies Act, 2013:

w.r.t. Loans / Investments / Guarantees / Security



auditor shall check whether provisions of Sec. 185 and 186 of Companies Act, 2013 has been complied with.



If not, provide the details thereof.

<sup>Imp.</sup>  
(v) Public deposit: In respect of deposits accepted by the company or amount deemed as deposits

↓  
Whether - Directives issued by RBI;  
- Provisions of Sec. 73 to 76 of Companies Act, 2013; or  
- Other relevant provisions of Companies Act, 2013



has been complied with



If not, state the nature of contraventions.

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Whether Company has complied with the order passed by:

→ CLB

→ NCLT

→ RBI

→ Court; or

→ Other Tribunal.

(vi) Cost Records [Para 3 (vi)]:

Whether maintenance of cost records specified by C.G. vs 148 (i) of Companies Act

↓ If yes

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

(vii) Statutory dues:

Undisputed



Whether Co. is regular in depositing the undisputed statutory dues with appropriate authorities



If not, state the Outstanding amount for a period > 6 months, as on B/S date.

Disputed



- (a) Amount under dispute
- (b) Forum where dispute is pending

Note: Mere representation shall not be considered as a dispute.

Ex- Due Date: ~~(a)~~ 01.05.2024 - O/S - 31.03.2025 B/S date.

~~(b)~~ 18.08.2024 - O/S - 31.03.2025 > 6M

irregular [ (c) 10.10.2024 - O/S - 31.03.2025  
(d) 09.01.2025 - O/S - 31.03.2025 ]

Imp  
(viii) Unrecorded Income: [Para 3(viii)]

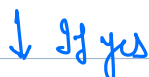
Whether any transaction not recorded in books of account has been surrendered or disclosed during the year under income tax assessments



whether unrecorded income, properly recorded in books of account.

(ix) Loans and Borrowings: [Para 3(ix)]

~~(a)~~ Whether company defaulted in repayment of loans, borrowings or payment of interest to any lender.



Provide details →

- Nature of Borrowing
- Name of lender
- Amount not paid
- Whether Principal or Interest
- No. of days

(b) Whether Co. is declared wilful defaulter by any bank / F.I. / other lender.

~~(c)~~ Whether amount of T/L - applied for the purpose for which loan is obtained

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If not, State the amount diverted and Purpose

~~(d)~~ Whether funds raised on short term basis utilised for long-term purpose.

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If yes, state the nature and amount.

(e) Whether funds raised to meet the obligations of S/A/J.V.

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If yes provide the details - Nature and amount.

(f) Whether loan raised against Pledge of Securities in S/A/J.V.

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If yes, provide details and report any default in repayment of such loans.