



CARO 2020

Companies (Auditor's Report) Order, 2020

1. Applicability: It shall apply to every company **including a Foreign Company** as defined in clause (42) of section 2 of the Companies Act, 2013 **except -**

(M.T.: One Person got his Samsung S8 Insured from Private Bank)

- i. A **Banking Company** as defined in clause (c) of section 5 of the Banking Regulation Act, 1949;
- ii. An **Insurance Company** as defined under the Insurance Act, 1938;
- iii. A company licensed to operate under **(S8) Section 8** of the Companies Act;
- iv. A **One Person Company** as defined under clause (62) of section 2 of the Companies Act
- v. A **Small Company** as defined under clause (85) of section 2 of the Companies Act; and
- vi. A **Private Limited Company** not being a subsidiary or holding company of a public company having
 - Paid up **capital and reserves and surplus** not more than **rupees one crore** as on the balance sheet date and
 - Total **borrowings** not exceeding rupees **one crore** from any bank or financial institution at any point of time during the financial year and
 - Total **revenue** as disclosed in Scheduled III to the Companies Act, 2013 (including revenue from discontinuing operations) not exceeding rupees **ten crore** during the financial year as per the financial statements.

2. Auditor's report to contain matters specified in paragraphs 3 and 4- Every report made by the auditor under section 143 of the Companies Act on the accounts of every company audited by him, to which this Order applies, for the financial years commencing on or after the 1st April, 2019, shall in addition, contain the matters specified in paragraphs 3 and 4, as may be applicable:

Provided this Order shall not apply to the auditor's report on consolidated financial statements **except clause (xxi) of paragraph**

2. **Matters to be included in the auditor's report.** - The auditor's report on the account of a company to which this Order applies shall include a statement on the following matters, namely:—

I. Property, Plant & Equipment/Intangible Assets

a. Records:

A. whether the company is **maintaining proper records** showing full particulars, including quantitative details and situation of Property, Plant and Equipment;

B. whether the company is **maintaining proper records** showing full particulars of intangible assets;

b. **Physical Verification:** whether these Property, Plant and Equipment have been **physically verified** by the management at reasonable intervals; whether any **material discrepancies** were noticed on such verification and if so, whether the same have been properly **dealt** with in the books of account;

c. **Title Deeds:** whether the **title deeds of all the immovable properties** (other than properties where the company is the lessee and the lease agreements are duly executed in favour of the lessee) disclosed in the financial statements are held in the name of the company, if not, provide the details thereof in the format below:-

Description of property	Gross carrying value	Held in name of	Whether promoter, director or their relative or employee	Period held – indicate range, where appropriate	Reason for not being held in name of company *
					*also indicate if in dispute

d. **Revaluation:** whether the company has **revalued its Property, Plant and Equipment** (including Right of Use assets) or intangible assets or both during the year and, if so, whether the revaluation is based on the valuation by a Registered Valuer; specify the amount of change, **if**

change is 10% or more in the aggregate of the net carrying value of each class of Property, Plant and Equipment or intangible assets;

- e. **Benami Property:** whether any proceedings have been initiated or are pending against the company for holding any **benami property** under the Benami Transactions (Prohibition) Act, 1988 (45 of 1988) and rules made thereunder, if so, whether the company has **appropriately disclosed the details** in its financial statements;

II. Inventory

- a. **Physical Verification:** whether **physical verification of inventory** has been conducted at reasonable intervals by the management and whether, in the opinion of the auditor, the coverage and procedure of such verification by the management is appropriate; whether any **discrepancies of 10% or more** in the aggregate for each class of inventory were noticed and if so, whether they have been **properly dealt with** in the books of account;
- b. **Working Capital:** whether during any point of time of the year, the company has been **sanctioned working capital limits in excess of five crore rupees**, in aggregate, from banks or financial institutions on the basis of security of current assets; whether the quarterly returns or statements filed by the company with such banks or financial institutions are in agreement with the books of account of the Company, if not, **give details**;

III. Loans: whether during the year the company has made **investments in, provided any guarantee or security or granted any loans or advances** in the nature of loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or any other parties, if so,-

- a) whether during the year the **company has provided loans or provided advances** in the nature of loans, or stood guarantee, or provided security to any other entity [not applicable to companies whose principal business is to give loans], if so, indicate-
- 1. the aggregate amount during the year**, and **balance outstanding** at the balance sheet date with respect to such loans or advances and guarantees or security **to subsidiaries, joint ventures and associates**;
 - 2. the aggregate amount during the year**, and balance outstanding at the balance sheet date with respect to such loans or advances and

guarantees or security **to parties other than subsidiaries, joint ventures and associates;**

- b) whether the investments made, guarantees provided, security given and the terms and conditions of the grant of all loans and advances in the nature of loans and guarantees provided **are not prejudicial to the company's interest;**
- c) in respect of loans and advances in the nature of loans, whether the **schedule of repayment of principal and payment of interest** has been stipulated and whether the repayments or receipts **are regular;**
- d) if the amount is overdue, state the **total amount overdue for more than ninety days**, and whether reasonable steps have been taken by the company for recovery of the principal and interest;
- e) whether any loan or advance in the nature of loan granted which has fallen due during the year, **has been renewed or extended or fresh loans granted to settle the overdues** of existing loans given to the same parties, if so, specify the aggregate amount of such dues renewed or extended or settled by fresh loans and the percentage of the aggregate to the total loans or advances in the nature of loans granted during the year [not applicable to companies whose principal business is to give loans];
- f) whether the company **has granted any loans or advances** in the nature of loans either **repayable on demand** or without specifying any terms or period of repayment, if so, specify the aggregate amount, percentage thereof to the total loans granted, aggregate amount of loans granted to Promoters, related parties as defined in clause (76) of section 2 of the Companies Act, 2013;

IV. In respect of **loans, investments, guarantees, and security** whether provisions of section 185 and 186 of the Companies Act, 2013 have been complied with. If not, provide the details thereof.

V. Public Deposits

in respect of **deposits accepted** by the company or amounts which are deemed to be deposits, whether the directives issued by the **Reserve Bank of India** and the **provisions of sections 73 to 76** or any other relevant provisions of the Companies Act and the rules made thereunder, where applicable, have been complied with, if not, the nature of such contraventions be stated; if an order has been passed by Company Law Board or National Company Law Tribunal or Reserve Bank

of India or any court or any other tribunal, whether the same has been complied with or not?

VI. Cost Records

Where maintenance of cost records has been specified by the Central Government under sub-section (1) of section 148 of the Companies Act, whether such accounts and records have been made and maintained;

VII. Statutory Dues

- a. Whether the company is regular in depositing **undisputed statutory dues** including **Goods and Services tax**, provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and any other statutory dues to the appropriate authorities and if not, the extent of the arrears of outstanding statutory dues as on the last day of the financial year concerned for a period of more than six months from the date they became payable, shall be indicated;
- b. Where statutory dues referred to in sub-clause (a) have **not been deposited on account of any dispute**, then the amounts involved and the forum where dispute is pending shall be mentioned. {A mere representation to the concerned Department shall not be treated as a dispute.}

VIII. Unrecorded Transactions

whether any **transactions not recorded** in the books of account have been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961 (43 of 1961), if so, whether the previously unrecorded income has been properly **recorded in the books of account during the year**;

IX. Repayment of Loans

- a. whether the company has **defaulted in repayment of loans or other borrowings** or in the payment of interest thereon to any lender, if yes, the period and the amount of default to be reported as per the format below:-

Nature of borrowing, including	Name of lender	Amount not paid on due date	Whether principal or interest	No. of days delay or unpaid	Remarks, if any

debt securities					
	lender wise details to be provided in case of defaults to banks, financial institutions and Government.				

- b. whether the company is a **declared wilful defaulter** by any bank or financial institution or other lender;
- c. whether **term loans were applied for the purpose for which the loans were obtained**; if not, the amount of loan so diverted and the purpose for which it is used may be reported;
- d. whether funds raised on **short term basis have been utilised for long term purposes**, if yes, the nature and amount to be indicated;
- e. whether the company has **taken any funds** from any entity or person on account of or **to meet the obligations of its subsidiaries, associates or joint ventures**, if so, details thereof with nature of such transactions and the amount in each case;
- f. whether the company has **raised loans during the year on the pledge of securities** held in its subsidiaries, joint ventures or associate companies, if so, give details thereof and also report if the company has defaulted in repayment of such loans raised;

X. IPO/FPO/Debt Finance

- a. whether moneys raised by way of initial public offer or further public offer (including debt instruments) during the year were **applied for the purposes** for which those are raised, if not, the details together with delays or default and subsequent rectification, if any, as may be applicable, be reported;
- b. whether the company has **made any preferential allotment or private placement** of shares or convertible debentures (fully, partially or optionally convertible) during the year and if so, whether the requirements of **section 42 and section 62** of the Companies Act, 2013 have been complied with and the funds raised have been used for the

purposes for which the funds were raised, if not, provide details in respect of amount involved and nature of noncompliance;

XI. Fraud

- a. whether **any fraud by the company or any fraud on the company** has been noticed or reported during the year, if yes, the nature and the amount involved is to be indicated;
- b. whether any **report under sub-section (12) of section 143** of the Companies Act has been filed by the auditors in Form ADT-4 as prescribed under rule 13 of Companies (Audit and Auditors) Rules, 2014 with the Central Government;
- c. whether the auditor has considered **whistle-blower complaints**, if any, received during the year by the company;

XII. Nidhi Company

- a. Whether the Nidhi Company has complied with the Net Owned Funds to Deposits in the **ratio of 1: 20** to meet out the liability
- b. whether the Nidhi Company is maintaining **ten per cent unencumbered term deposits** as specified in the Nidhi Rules, 2014 to meet out the liability;
- c. whether there has been any **default in payment of interest** on deposits or repayment thereof for any period and if so, the details thereof;

XIII. Related Party Transactions

Whether all transactions with the related parties are in compliance with **sections 177 and 188** of Companies Act, 2013 where applicable and the details have been disclosed in the Financial Statements etc., as required by the applicable accounting standards;

XIV. Internal Auditor

- a. whether the **company has an internal audit system** commensurate with the size and nature of its business;
- b. whether **the reports of the Internal Auditors** for the period under audit were considered by the statutory auditor;

XV. Non - Cash Transactions

Whether the company has entered into any non-cash transactions **with directors or persons** connected with him and if so, whether the

provisions of section 192 of Companies Act, 2013 have been complied with;

XVI. NBFC

- a. Whether the company is required to be registered under **section 45-IA** of the Reserve Bank of India Act, 1934 and if so, whether the registration has been obtained.
- b. whether the company has **conducted any Non-Banking Financial** or Housing Finance activities without a valid Certificate of Registration (CoR) from the Reserve Bank of India as per the Reserve Bank of India Act, 1934;
- c. whether the **company is a Core Investment Company (CIC)** as defined in the regulations made by the Reserve Bank of India, if so, whether it continues to fulfil the criteria of a CIC, and in case the company is an exempted or unregistered CIC, whether it continues to fulfil such criteria;
- d. whether the **Group has more than one CIC as part of the Group**, if yes, indicate the number of CICs which are part of the Group;

XVII. Loses

whether the company has **incurred cash losses** in the financial year and in the immediately preceding financial year, if so, state the amount of cash losses;

XVIII. Auditor

whether there has been any **resignation of the statutory auditors** during the year, if so, whether the auditor has taken into consideration the issues, objections or **concerns raised by the outgoing auditors**;

XIX. Ratios

on the basis of the **financial ratios, ageing and expected dates of realisation** of financial assets and payment of financial liabilities, other information accompanying the financial statements, the auditor's knowledge of the Board of Directors and management plans, whether the auditor is of the opinion that **no material uncertainty exists** as on the date of the audit report that company is capable of meeting its liabilities existing at the date of balance sheet as and when they fall due within a period of one year from the balance sheet date;

XX. Unspent Amount

- a. whether, in respect of other than ongoing projects, the company has **transferred unspent amount to a Fund** specified in Schedule VII to the Companies Act within a period of six months of the expiry of the financial year in compliance with second **proviso to sub-section (5) of section 135** of the said Act;
- b. whether any amount remaining unspent under subsection (5) of section 135 of the Companies Act, pursuant to any ongoing project, has been transferred to special account in **compliance with the provision of subsection (6) of section 135** of the said Act;

XXI. Qualification/ Adverse Mark

whether there have been any **qualifications or adverse remarks** by the respective auditors in the Companies (Auditor's Report) Order (CARO) reports of the companies included in the consolidated financial statements, if yes, indicate the details of the companies and the paragraph numbers of the CARO report containing the qualifications or adverse remarks.

3. Reasons to be stated for unfavorable or qualified answers.-

- i. Where, in the auditor's report, the answer to any of the questions referred to in paragraph 3 is **unfavorable or qualified**, the auditor's report shall also state the reasons for such unfavorable or qualified answer, as the case may be.
- ii. Where the auditor is unable to express any opinion in answer to a particular question, his report shall indicate such fact together with the reasons why it is not possible for him to give an answer to such question.