Two Days Conclave on Company Law

Auditor's Enhanced Responsibility in Revised CARO

SIRC of ICAI, Chennai

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Auditor’s Enhanced Responsibility in Revised Companies Auditor’s Report Order, 2020

Disclaimer – The views expressed are those of the presenter and, therefore, do not necessarily represent the views of either the Council or any Committee(s)/Board(s) of the Council of the Institute of Chartered Accountants of India (ICAI). For any further clarifications, it is advised to refer to the “Guidance Note on The Companies (Auditor’s Report) Order, 2020 (Revised 2022 Edition) issued by the ICAI.

Companies Auditor's Report Order, 2020

Objective
➢ Significant additional responsibility on the management to have Robust internal Controls to comply with these requirements
➢ Additional disclosures will give greater Comfort to the users of the financial statements Primarily shareholders and Lenders
➢ To identify going concern issues of the Company at the early stages
➢ Strict Monitoring of various provisions of the companies act

Companies Auditor's Report Order, 2020

Applicability

- It **shall apply to all companies** except certain categories of companies specifically exempt

- It shall not be applicable to
  - (a) Banking Company;
  - (b) Insurance Company;
  - (c) Section 8 Company; (including section 25 of Companies Act, 1956, pursuant to Sec 465 of the Act)
  - (d) One Person Company (Sec 2(62)) and a small company (Sec 2(85)) &
  - (e) a private limited company, not being a subsidiary or holding company of a public company,
    - having a paid-up capital and reserves and surplus not more than 1 crore as on the balance sheet date **and**
    - which does not have total borrowings exceeding 1 crore from banks / Fis at any point of time during the FY **and**
    - does not have a total revenue exceeding 10 crores during the FY as per the financial statements.
    - **ALL** the above 3 conditions to be satisfied **COLLECTIVELY**. Even, if one condition is not satisfied, the order will be applicable

Companies Auditor's Report Order, 2020

Applicability to the Consolidated Financial Statements:

- The Order specifically provides that it **shall not apply** to the auditor's report on CFS **except clause (xxi)** of Paragraph 3

- If a company converts into a LLP or partnership or any other constitution to which CARO is not applicable, then the order would not be applicable.
- The applicability of the order is based on the status of the company as at the Balance Sheet Date
- In case of a small company, it will remain exempted even if it falls under any of the criteria specified for Private Company. [Effective 1 Apr 2021 – the threshold limit for small company in respect of paid-up capital and revenue stand revised to two crores and twenty crores respectively]

- This means that the auditor will need to give a CARO report on the consolidated financial statements with respect to clause 3(xxi) of the Order only. Thus, the auditor is not required to report on rest of the clauses of the Order

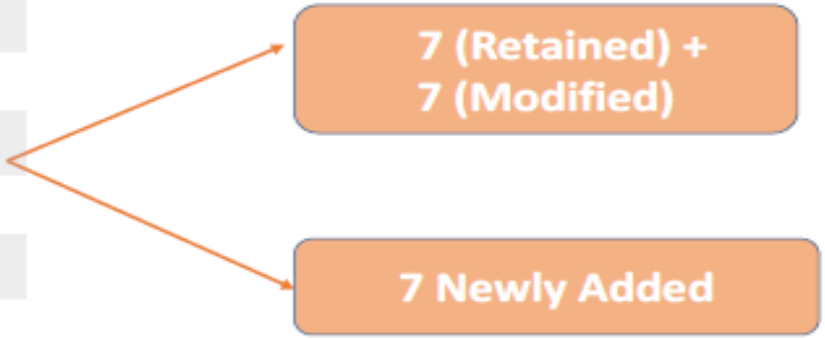
Companies Auditor's Report Order, 2020

SA-230 – Audit Documentation

Steps to be taken by the auditor to ensure that he has adequate working papers to support the conclusions drawn in the report:
➢ Submit to the company, a questionnaire on all important matters covered by the order;
➢ make specific inquiries in writing on all important matters not covered by the questionnaire
➢ insist that replies of the company are furnished in writing and are signed by a responsible officer of the company
➢ where the explanations are not already separately recorded, maintain a record of the discussions with the management
➢ prepare his own "checklist" in respect of the requirements of the Order and record the names of the members of his staff who made the examination and the name of the company's staff who provided the information
➢ Where a requirement of the Order is not complied with but the auditor decides not to make an unfavourable comment, in view of the materiality of the item, he should record rationale for the same in his working papers (SA-320)
➢ Most of the items in the order require exercise of judgement by the auditor rather than application of a purely objective test.

Companies Auditor's Report Order, 2020

	Number of clauses
Retained Clauses	7
Retained – with Changes	7
Deleted Clauses	1
Newly Introduced	5
Re-Introduced (2003)	2
CARO 2020	21
Sub Clauses	47



- Changing needs of the business and ensure better compliance and governance.
- Less Government and More Governance
- More trust on Auditors by Government for better Governance
- Powerful tool for Auditors to express opinion

Companies Auditor's Report Order, 2020

Analysis of Clauses of CARO, 2020

Clause	Particulars	No of Sub-clauses	New / Modified
3(i)	Property, Plant and Equipment	5	Modified
3(ii)	Inventory	2	Modified
3(iii)	Loans, Investments & Guarantees	6	Modified
3(iv)	Loans to Directors & Loan and Investment by Company	1	Retained
3(v)	Public Deposits	1	Retained
3(vi)	Cost Records	1	Retained
3(vii)	Statutory Dues	2	Retained
3(viii)	Undisclosed Income under Income-tax Act	1	New
3(ix)	Loans, Borrowings	6	Modified
3(x)	Initial Public Offer / Further Public Offer	2	Retained

Companies Auditor's Report Order, 2020

Analysis of Clauses of CARO, 2020

Clause	Particulars	No of Sub-clauses	New / Modified
3(xi)	Fraud	3	Modified
3(xii)	Nidhi Companies	3	Modified
3(xiii)	Related Party Transactions	1	Retained
3(xiv)	Internal Audit	2	New (2003)
3(xv)	Non-Cash Transactions	1	Retained
3(xvi)	RBI Act	4	Modified
3(xvii)	Cash Losses	1	New (2003)
3(xviii)	Auditor's Resignation	1	New
3(xix)	Material uncertainty in payment of liabilities	1	New
3(xx)	Corporate Social Responsibility	2	New
3(xxi)	CARO Reports of Components	1	New
	Managerial Remuneration		Deleted

New Clauses

Companies Auditor's Report Order, 2020

Clause 3 (viii) – Undisclosed Income under the Income-tax Act - NEW

Transaction not recorded in books of accounts have been surrendered [Identified and accepted] or disclosed [Voluntary Disclosure] as income in Tax assessment under income tax act

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, if so, whether the **previously unrecorded income** has been properly **recorded in the books** of account **during the year**;

Reconciliation with the Financial Statements – current as well as previous periods (if recorded in current year).

- Restate FS if it is IND AS
- Show prior period adjustment in FS
- Impact in ICFR

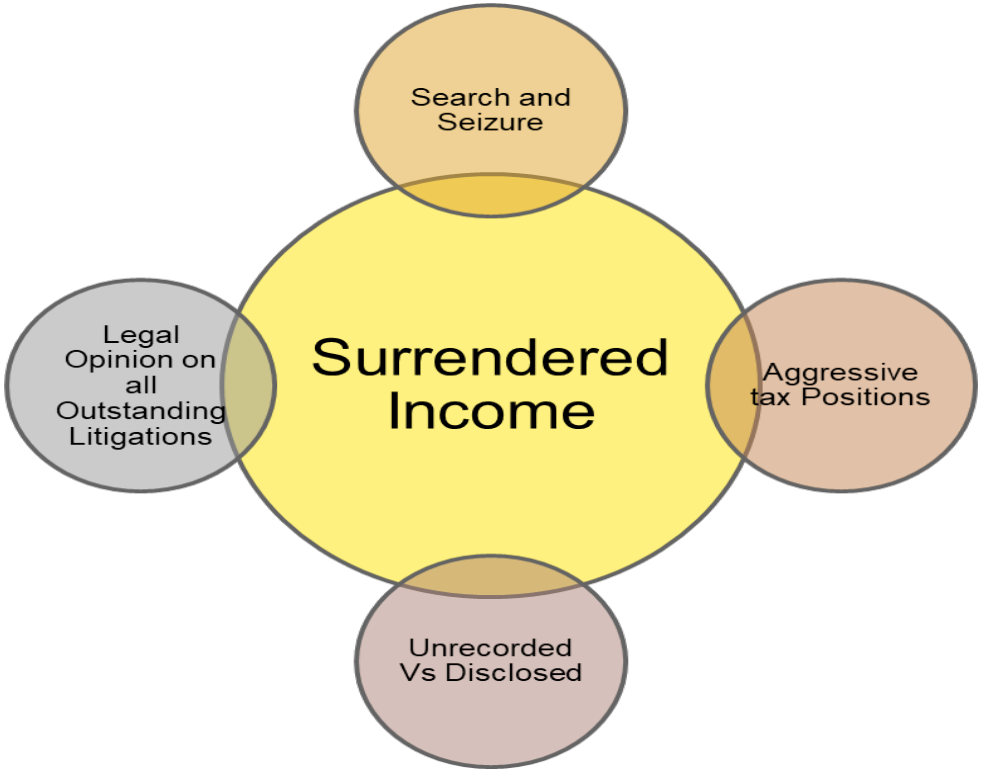
Review of Tax Assessments

- Transfer pricing adjustment
- Search seizure
- Aggressive tax position

Companies Auditor's Report Order, 2020

Clause 3 (viii) – Undisclosed Income under the Income-tax Act - NEW

Surrendered/disclosed Income – New Clause



Companies Auditor's Report Order, 2020

Clause 3 (xix) – Material uncertainty in payment of liabilities - NEW

3 (xix) 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**	This clause requires that the auditor to comment on the "Operational solvency" of the client by referring to the financial and other internal working capital projections for at least 1 year from the date of Balance sheet.

Written representation from Management on:

- Plan for realization of receivables and other financial assets
- BOD documentation of review of Liability position (payable within one year) and payment Plans
- Include specifically that all material events/transactions post balance sheet date but before Report date that could impact the Paying Capacity in the knowledge of the Management/Board has been communicated to the Auditor.

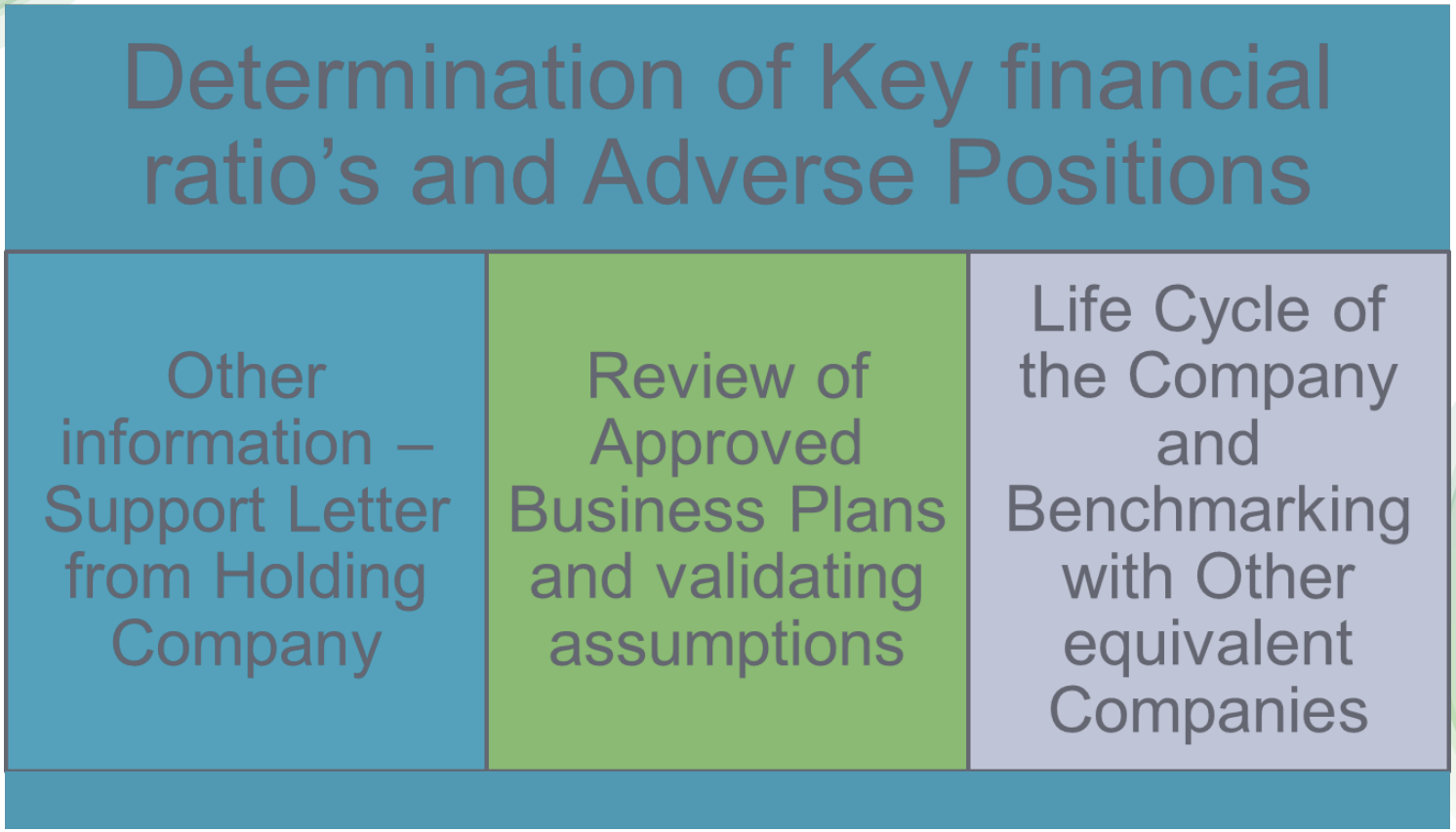
Detailed analysis to be made /highly subjective / management plans duly approved by BOD to be considered / sensitivity analysis to be done / discussions with senior management staff is a must /ceo/coo/cto/cio/chro /

Opinion – On date of Audit Report - the ratios, Mgmt & Board Plan subsequent to the B/S date but before Audit Report – needs to be considered

Companies Auditor's Report Order, 2020

Clause 3 (xix) – Material Uncertainty on payment of liabilities - NEW

Review of Key Ratios / Material Uncertainty – New Clause



Companies Auditor's Report Order, 2020

Clause 3 (xx) – Corporate Social Responsibility - NEW

New Clause on CSR	
xx (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	**Review of Board Report - to identify reasons** **Review of Unspent Corporate Social Responsibility Account (on going Project) – If transferred**
xx (b)- Whether any amount remaining unspent under sub-section (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 sub-section (6) of section 135 of the said Act;	**Verify Compliance – report non - compliance w.r.t. transfer of unspent amount – (Ongoing Projects & Otherwise)**

Companies Auditor's Report Order, 2020

Clause 3 (xxi) – Consolidated Financial Statements - NEW

New Clause on CARO in CFS	
xxi - 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.	This is the only CARO clause which will be applicable while issuing audit report for the **Consolidated Financial Statements.**

- Summary of CARO Reporting (modified) of all Companies included in Consolidated FS
- Only Reference to the Clause/Para Number – no specific reporting requirement to evaluate the impact.
- Subsidiary is unaudited, then similar to other matters para and based on inquiry, work done by holding Company auditor, report should be worded.

Companies Auditor's Report Order, 2020

Clause 3 (xiv) – Internal Audit – NEW – Reintroduced from CARO 2003

New Clause on Internal Audit	
xiv (a) - Whether the company has an internal audit system commensurate with the size and nature of its business; **[Re introduced 2003]**	Auditor is now also required to check and report on **adequacy of the scope and coverage** of the internal audit. Scope exclusions will attract attention and management refusing access to IA shall be held against IA

- If internal audit not done during the quarters and scope of coverage is not adequate, operating location coverage
- Internal audit observations does not cover observations raised by statutory auditor
- Audit entries identified
- Control deficiencies identified in scope area of Internal audit

Companies Auditor's Report Order, 2020

Clause 3 (xiv) – Internal Audit – NEW – Reintroduced from CARO 2003

New Clause on Internal Audit (Contd.)	
xiv (b) - Whether the reports of the Internal Auditors for the period under audit were considered by the statutory auditor; **[New]. Terms of reference, coverage etc., is important**	what is the scope/ areas covered and period covered / ATR by the management / independence of the internal auditors/ competence

- Detailed report to be obtained
- All observations to be addressed
- Rep to be received to ensure completeness
- Agree on scope with management to include major risk areas including ICFR
- Periodical independent discussion with internal auditors

Companies Auditor's Report Order, 2020

Clause 3 (xvii) – Cash Loss – NEW – Reintroduced from CARO 2003

New Clause on Cash Loss
(xvii) 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; **[Re introduced 2003]**

- Earnings before depreciation including gain or loss accounting in OCI which will be reclassified to statement of P&L [but its subsequent reclassifications into statement of profit and loss, being a non-cash adjustment, should not be considered.]
- Cash flow operating activity does not include interest expense, income etc.,
- Negative net worth & current liabilities > current assets
- Link to going concern assessment and projections of management
- Link to impairment analysis

Companies Auditor's Report Order, 2020

Clause 3 (xviii) – Auditors Resignation – NEW	
(xviii) 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.	**New Clause inserted**

Modified Clauses

Companies Auditor's Report Order, 2020

3(i) – Property Plant and Equipment - Modified	
(i)(a)(A) - Whether the company is maintaining **proper records** showing full particulars, including quantitative details and situation of Property, Plant and Equipment;	**No Change** No Edit / Alteration – If maintained in electronic form - Audit Trail
(i)(a)(B) - Whether the company is maintaining proper records showing full particulars of intangible assets; -Document for useful life assessment -Evidence for purchase/development and capitalization [License copy etc.,] -Existence evidence by showing usage	New Sub Clause Added Now the company has to keep proper record of intangible assets. (in FAR). **This should include use of such assets and the same should be evaluated for impairment applying professional judgment /skepticism Focus on PPE and intangible asset.**
(i)(b)- 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;	No Change

Companies Auditor's Report Order, 2020

3(i) – Property Plant and Equipment - Modified	
(i)(c) 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	**No Change**

- Description of the property
- Gross Carrying Value
- Held in the name of
- Whether promoter, director or their relative or employee
- Period held – indicate range, where appropriate
- Reason for not being held in name of the company

Companies Auditor's Report Order, 2020

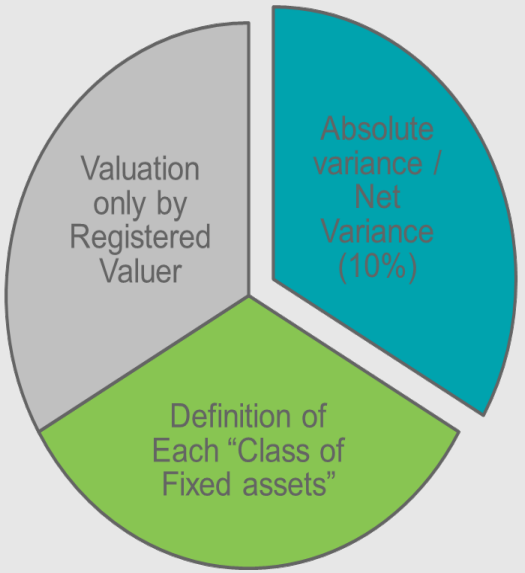
3(i) – Property Plant and Equipment - Modified

i(d) -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;

-Class of asset

- Review of valuation difference including IND AS 116

New Subclause added



Companies Auditor's Report Order, 2020

3(i) – Property Plant and Equipment - Modified	
i(e) - 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; - Any property of litigation to be tracked	**New Sub-clause added** Reporting under this clause would act as an early warning signal to the users of financial statements of a possible non-compliance/mis-statement. Could also be a possible reporting sec 143(12) (Fraud) – clause xi(b) . Please assess implications thereof . **Enquire on proceedings / filing against the Company – relating to property under Benami –** Report in case of any instance identified • **MRL specifically mentioning that all proceedings / filings against the Company – that is in the knowledge of the Company w.r.t. Benami property, if any, have been shared**

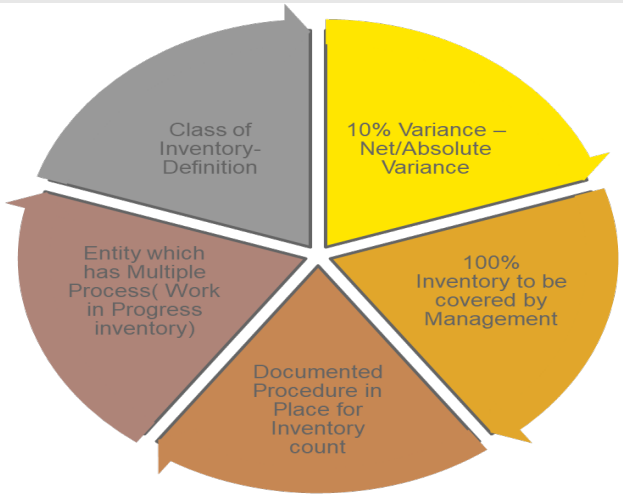
Companies Auditor's Report Order, 2020

3(ii) – Inventory - Modified

(ii)(a) 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;

Modified

Perpetual count, collate differences class wise and check on a periodical basis and also on a cumulative basis for the reporting period to check for 10% differences



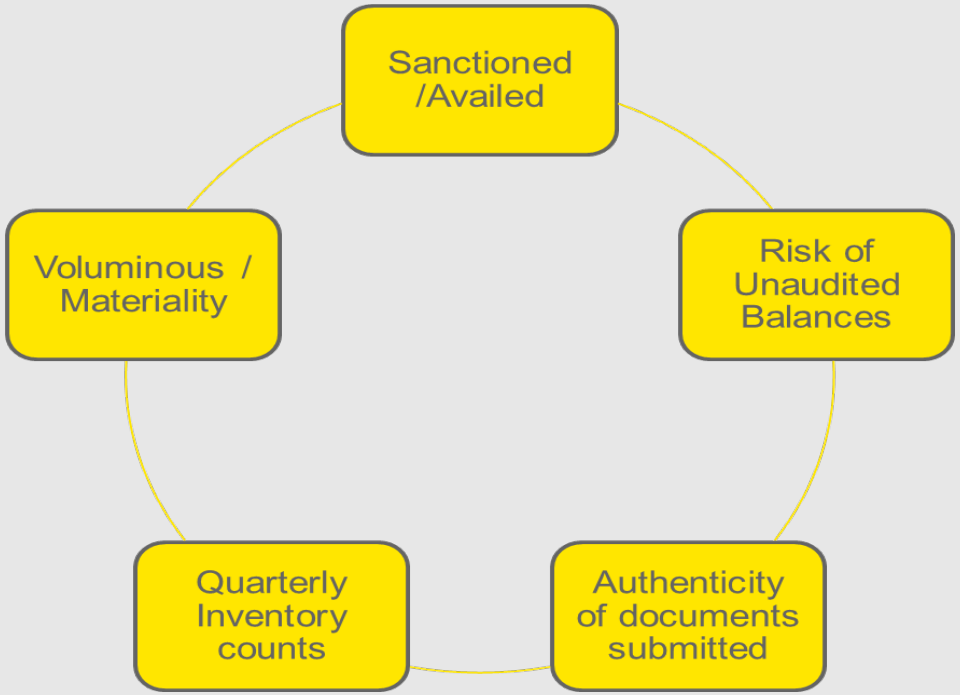
Companies Auditor's Report Order, 2020

3(ii) – Inventory - Modified	
(ii)(b) - Whether during any point of time of the year, the company has been sanctioned working capital limits [Fund & Non fund based] in **excess of five crore** rupees, in aggregate, from banks or financial institutions on the basis of *security of current assets* [Inventory, Receivables, others]; 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	**New Clause Inserted** -Track agreement and terms -Keep copy of all sanction letters' -Check compliances and reconcile to books Clause ii b- If during the year there is an enhancement of limit from 2 to 6 crores whether this clause applies as the amount of sanction is only 4 crores during the year **Review quarterly returns / documents filed with Banks/FI – report if discrepancies noted with books: encouraged to prepare Quarterly FS, get the same reviewed by auditors quarterly. [Challenges for unlisted Company]**

Companies Auditor's Report Order, 2020

3(ii) – Inventory - Modified

(ii)(b) –



Companies Auditor's Report Order, 2020

3(iii) – Loans / Guarantee / Investment / Security during the year - Modified

(iii)(a) - 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 [Does it includes employees]** , 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-

A 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;

B 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

New Clause Inserted

The scope of Auditor's reporting under this clause has increased significantly, Earlier the auditor was required to comment under this clause only for any loans to the parties covered u/s 189 of the Act, now the scope has been increased to cover following-

1. Investments made, guarantees provided & loans or advances granted

2. To any parties irrespective of whether they are covered u/s 189 of the Act or not.

No stipulation regarding the loan being given in cash or in kind.

- Examine agreements.
- File Form MBP-4 – if Directors are interested.
- New Requirement – provide details of such balance O/s at B/S date to Subsidiaries, JV, Associates and Others

Check : Schedule of receipt of principal and interest has been stipulated at the time of sanction and "regular".

Companies Auditor's Report Order, 2020

3(iii) – Loans / Guarantee / Investment / Security during the year - Modified	
(iii)(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; • Check : All loan / advance renewals, extension, fresh issuance – validate – report the aggregate amount. • Check the Agreements/Contract terms – check repayment schedule and period – report in the absence of any of the above • Report aggregate loan granted to Promoters/ RP	Investment, Guarantee & Security Given has been covered now Now made applicable to all parties irrespective of whether they are covered u/s 189 of the Act or not .(investment is very subjective and we need to see the basis of such investment/DDR/ BOD approval/ any related party and is there a significant fraud risk– need to be assessed by Auditors– needs senior involvement)
(iii) (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	No Change **Now made applicable to all parties irrespective of whether they are covered u/s 189 of the Act or not.**

Companies Auditor's Report Order, 2020

3(iii) – Loans / Guarantee / Investment / Security during the year - Modified	
(iii) (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;	No Change Now made applicable to all parties irrespective of whether they are covered u/s 189 of the Act or not.
(iii) (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 over dues 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];	New Sub Clause Added. Please apply professional skeptism for all renewal cases and see the bonafides of such transaction . We must correlate with clause xi(b) and see if any reporting has to be under sec 143(12)

Companies Auditor's Report Order, 2020

3(iii) – Loans / Guarantee / Investment / Security during the year - Modified	
(iii) (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;	New Sub Clause Added.

Companies Auditor's Report Order, 2020

3(ix) – Default in repayment of loans and borrowings - Modified	
(ix) (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 prescribed.	Modified
ix (b) - Whether the company is a declared **wilful defaulter** by any bank or financial institution or other lender; - Any default in payment - Covenant non compliances	New Sub Clause Added. Get this covered by Rep letter . Care must be exercised in cases where the company has defaulted in repayments .
(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 **[Reintroduced] [Management end use monitoring]** - Track all loan, limits - Track all agreements - Check covenants - Track usage	New Sub clause added. Auditor to report on following: ➢ Whether loans obtained are applied for the purpose specified ➢ Whether the loan is diverted for other purposes ➢ Purpose for which the loan is diverted ➢ Normally diversion not expected if diverted it's a misuse of funds ➢ Lot of analytics required to map between bank book and statement to ensure payment is made to same person

Companies Auditor's Report Order, 2020

3(ix) – Default in repayment of loans and borrowings - Modified	
ix(d) - Whether funds raised on short term basis have been utilised for long term purposes, if yes, the nature and amount to be indicated **[Reintroduced]** - Non current asset > Non current source of funds	New Sub Clause Added (eg– working capital loan used in giving loans / making investments etc to be checked)
ix (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; • Obtain details of all funds received • Check details of all payments made to subsidiaries, Associates or JV in the period – and the reason • Report if the funds taken vs paid to subsidiaries, etc. are mapped. • Obtain details of fund raised by way of pledge – report if the same is by way of shares of subsidiaries, JV, etc.	New Sub Clause Added. Please apply professional skeptism for all such cases and see the bonafides of such transaction. Reporting under other matters Sec 143(3) (j) – Amount received with direction to lend / invest etc
ix (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;	New Sub Clause Added

Companies Auditor's Report Order, 2020

3(xi) – Fraud Reporting - Challenge of Completeness - Modified	
xi (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; Examine the reports of the internal auditor.	Scope of this clause is increased significantly The word "by its officers or employees" has been removed to cover all kinds frauds by/on Company
xi (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;	New Sub Clause Added **a) Fraudulent financial reporting** **b) Misappropriation of assets** Applies to Cost and Secretarial Auditors too
xi (c) - Whether the auditor has considered **whistle-blower complaints**, if any, received during the year by the company; Challenges for private Companies - Obtain whistle blower complaints and evaluate for fraud related complaints – action taken, etc. - Obtain written representations from management.	New Sub Clause Added Sec 177(9) Mandates - Every listed company and (a) the Companies which accept deposits from the public; (b) the Companies which have borrowed money from banks and public financial institutions in excess of fifty crore rupees. Shall establish a Vigil Mechanism for its directors and employees

Companies Auditor's Report Order, 2020

3(xii) – Nidhi Companies - Modified	
xii (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	Existing Clause
xii (b) – Whether the Nidhi Company is maintaining ten percent unencumbered term deposits as specified in the Nidhi Rules, 2014 to meet out the liability;	Existing Clause
xii (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.	New Sub Clause Added

Companies Auditor's Report Order, 2020

3(xvi) – RBI Act - Modified	
xvi (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; - Financial income >=50% of total revenue for the period - Financial asset > =50% of total asset as at reporting date	Existing Clause
xvi (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;	New Sub Clause Added
xvi (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;	New Sub Clause Added
xvi (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;	New Sub Clause Added

Continuing Clauses

Companies Auditor's Report Order, 2020

Clauses Retained without any modification
3(iv) in respect of loans, investments, guarantees, and security, whether provisions of sections 185 and 186 of the Companies Act, have been complied with, if not provide the details thereof
3(v) 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.
3(vi) whether maintenance of cost records has been specified by the Central Government under sub-section (1) of section 148 of the Companies Act and whether such accounts and records have been so made and maintained

Companies Auditor's Report Order, 2020

Clauses Retained without any modification	
3(vii) (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 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.	
3(vii)(b) where statutory dues referred to in sub-clause (a) have not been deposited on account of any dispute, then 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)	

Companies Auditor's Report Order, 2020

Clauses Retained without any modification
IPO / FPO 3(x)(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:
3(x)(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 (private placement) and section 62 (further issue) 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 non-compliance.
Related Party Transactions 3(xiii) Whether all transactions with the related parties are in compliance with sections 177 and 188 of the Companies Act where applicable and the details have been disclosed in the financial statements, etc., as required by the applicable accounting standards.

Companies Auditor's Report Order, 2020

Clauses Retained without any modification
Non-Cash Transactions: 3(xv) 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, have been complied with.

Companies Auditor’s Report Order, 2020

Q & A



Thank You

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