

Companies Auditor's Report Order, 2020

CAO 2020

Applicability: Every Co. (including foreign Co.) Except:

(financial)

• Banking Co.

• Insurance Co.

NBFC \rightarrow
Applicable

Chhoti Pjyati

• Section 8 Co.

• Small Co.

• Done Person Co.

Pvt Ltd. Co. [\times Holding / Subsy of Public Co.]
(satisfies All 3 conditions)

(Equity)
• P.U.S.C. + R&S $\leq 1cr$ (B.S. date)

$\&$
• Borrowings (Banks / F.I.s) $\leq 1cr$
(whole FY)

$\&$
• Revenue (including discontinue operations)
 $\leq 10cr$
(as per P&L \rightarrow sched III)

* N.A. on Audit of consol. A.S. (except clause XXI)

Small Co. [Co. \rightarrow Public Co. \neq]

P.U.S.C $\leq 4cr$

$\&$

Turnover as per preceding F.Y.
 $\leq 40cr$

Exceptions:

• Holding / Subsy Co.

• Sec 8 Co.

• Incorporated under spl. Act

How to check CAO applicability?

① check for small Co. (using P.Y. figures)

②

Yes

Exempt from CAO 2020

No

check if All condⁿ of Pvt Ltd Co. are satisfied.

(F.Y. 23-24)
CA P02020 Applicable?

Short Quiz:

| Hera Pheri Pvt Ltd | Bhagam Bhaag Pvt Ltd | De Dana Dan Pvt Ltd |
|---|--|--|
| 31.3.23 PUSC = 2.5 Cr T/o = 35 Cr <i>small co.</i> | 31.3.23 PUSC = 3.5 Cr T/o = 42 Cr <i>small co.</i> | 31.3.23 PUSC = 4.5 Cr T/o = 55 Cr <i>small co.</i> |
| 31.3.24 PUSC including R&S = 4 Cr T/o = 32 Cr Borrowings = 40 L <i>Exempt</i> | 31.3.24 PUSC including R&S = 90 L T/o = 9 Cr Borrowings = 55 L <i>Exempt</i> | 31.3.24 PUSC including R&S = 80 L T/o = 8 Cr Borrowings = 65 Lakhs [During the year 1.5 Cr was borrowed and repaid] |

Applicable

Para 3 (clause (i) to clause (xvi))

PPE / G.A.

(a) whether Co. is maintaining Proper Records / full particulars

of (A) PPE
(B) Intangible assets.

1 year
Practical difficulties
3 years

(b) whether PPE has been Physically verified at reasonable intervals.

(not good)

whether any material discrepancies noticed & if so, is it properly dealt in the books of a/c's.

(c) whether H/E deeds of all immovable properties (other than lease) disclosed in FS are held in name of Co.

If "NOT", provide details:

| Description of property | Gross value | In Name of | whether promoter/director/their relative/E.E. | Period held | Reason (dispute) |
|-------------------------|-------------|------------|---|-------------|------------------|
|-------------------------|-------------|------------|---|-------------|------------------|

(d) whether Co. revalued its PPE (including Right of Use Assets) / Intangible Assets / Both during year & if so, whether

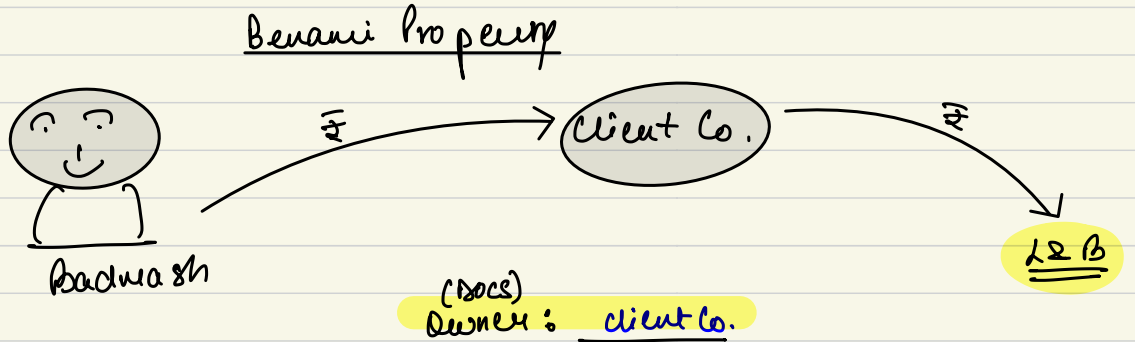
Revaluation

Revaluation by neg. value

≡

(±)
Amt. of change if it's 10% or more in aggregate of Net carrying value of each class of PPE/G.A. Asser.
eg class → Land, Building, etc.

(e) whether any Proceedings initiated/pending against Co for holding Benami Property & if so, whether Co. disclosed details in FS.



Beneficial owner: Badmash

Books? Client Co.

Benami Transⁿ (prohibition) Act 1988

Proceedings

F.S. Disclose: Nature, Status, Issuance

Clause (ii) Inventory

whether physical verification of Inventory

- conducted at reasonable intervals by mgt, coverage & procedures appropriate, (1 year)

- whenever at any point during year, Co. has been, sanctioned working capital > 5cr in agg. (Banks/FI)

on security of current assets.

- Any discrepancy of 10% or more in agg. of each class of inventory noticed $\hat{=}$

- whether only returns/statements filed by Co. with Banks/FI agree with Books of A/cs,

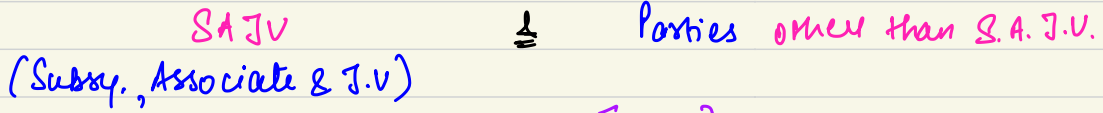
if so, is it properly dealt in books of a/cs. if not, give details.

A → 100% [material → 100% / others → sample]
 B → 60%
 C → 30%

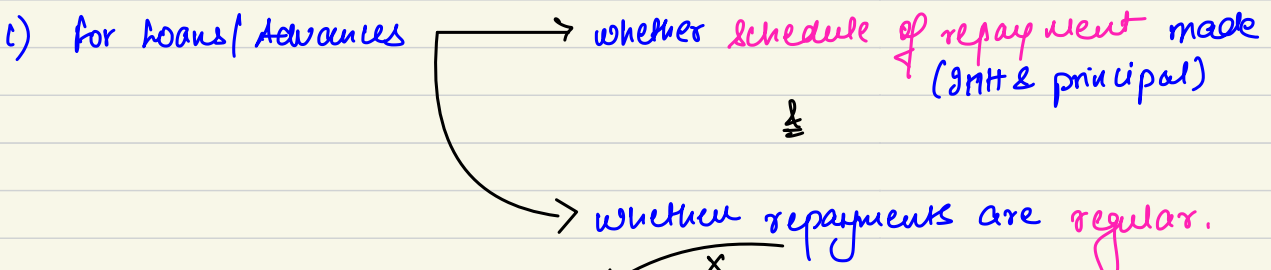
clause (iii) MGS (Loans, Investments, Guarantee, Security)

a) whether during year Co. provided MGS to any entity, if so:

Indicate Agg amt & o/s balance [B.S. date] w.r.t.



b) whether MGS & TGS → ^[against] not prejudicial to Co's interest.



d) if amt is overdue, state amt overdue > 90 days. Non Perf. Asset (Bank)
 whether reasonable steps by mgt for recovery of amt.

(Bad loans)

(e) whether any loan fallen due during year

↓
has been REfresh (Renew, Extend, fresh loan) to settle existing loan

↓
if so, specify

(₹)

Agg. amount of loan REfresh

≡ % of the agg. to total loans granted during year.

(f) whether Co. granted loan

↓
Repayable on demand / without any terms of repayment

↓
if so, specify

(₹) agg. amount ⊕

% to total loans granted

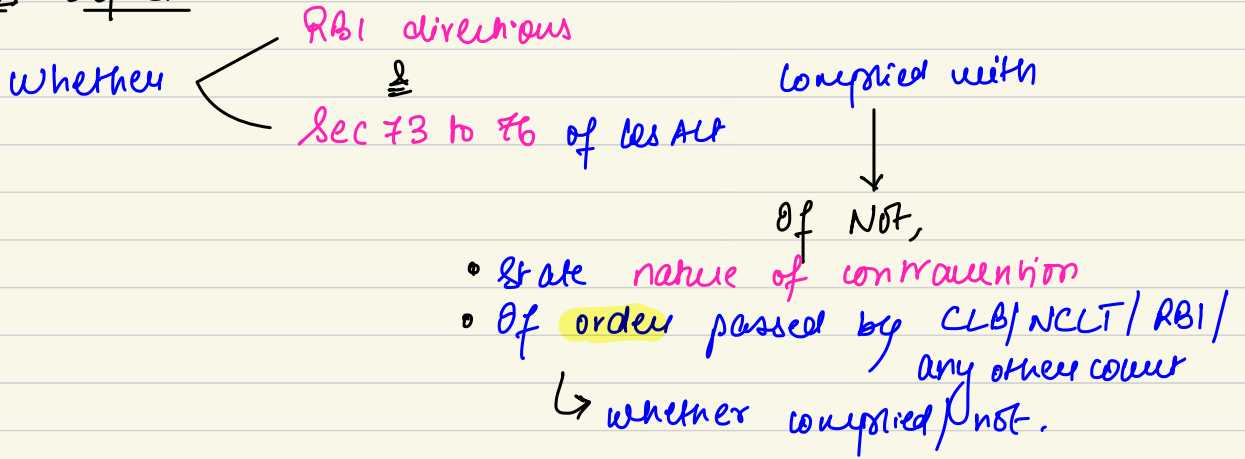
≡ Agg. loans to promoters, R.P.(s)

* Point (a) & (c) N.A → NBFC

clause (iv)

For WQS → whether **Sec 185 & 186** of **Ins. Act 2013** complied?
 ↓
 If not, provide details.

clause (v) Deposits



clause (vi) whether **maintenance of cost records**

specified by **C.G. u/s 148(1)** of **Ins. Act 2013**
 ↓ (how)

$\hat{=}$ whether such **acc & records** made & maintained.

Q **Is Auditor required to check cost records?** "No"

clause (vii)

Statutory Dues (GST, PF, & SI, Income Tax & others)
TDS → due date → 7th of m. m.

Undisputed

Disputed* {Appeal}

• whether Co. is **regular** in depositing **U.S.D** to **appt. authorities**

where **stat. dues** not deposited due to **dispute**, then mention:

• if not, extent of **arrears**,

→ **(?) Amt involved** $\hat{=}$

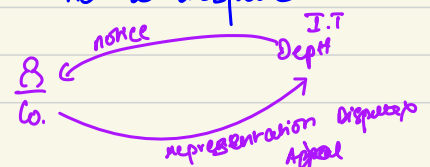
on **for > 6 months** last day of **F.Y.**

→ **Forum** where dispute is pending. (ITAT, High court etc.)

* Representation to concerned dept. **not a dispute.**

| Sr | Stat due | Due date | Reported? |
|----|------------|-----------|-----------|
| 1. | GST | 15.7.24 | X |
| 2. | Income Tax | 29.9.23 | ✓ |
| 3. | P.F. | 15.10.23. | X |

(GSM)



clause (viii)

whether any transaction not recorded in books been



surrendered / disclosed as income during year



in tax assessment under I.T. Act 1961



If so, whether previously unrecorded income

been properly recorded in books of A/c.

clause (ix) Repayment of Loans

a) whether Co. defaulted in repayment of loans/other borrowings / Pmtt. to any lender,

if yes, report as below:

| Nature of Borrowing | Name of Lender* | Amt of (₹) default | Principal/Intt | Delay (no. of days) | Remarks, if any |
|---------------------|-----------------|--------------------|----------------|---------------------|-----------------|
|---------------------|-----------------|--------------------|----------------|---------------------|-----------------|

* lender wise details → default of [Bank / FI / govt]

b) whether Co. declared as wilful defaulter by Bank / FI / other lender.

Kyv?
[purpose x]

(LT)

(ST)

c) whether term loans were applied for purpose for which loans were obtained

whether funds raised on short term basis utilised for long term purpose.

[if NOT, (₹) amt of loan diverted & purpose to be indicated]

[if yes, nature & amt (₹) indicated.]

2 to SAJV

(P)

whether Co. taken funds from any entity / person

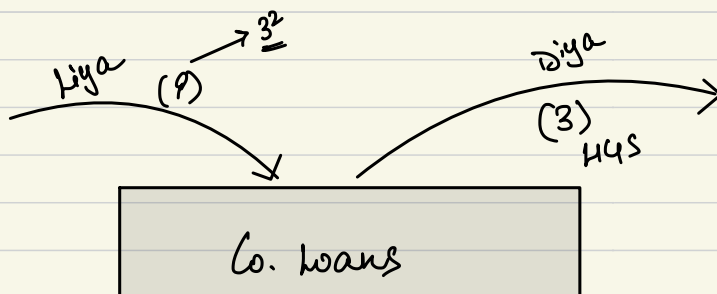
to meet obligations of SAJV

If yes, details of nature of transⁿ & (₹) amt indicated.

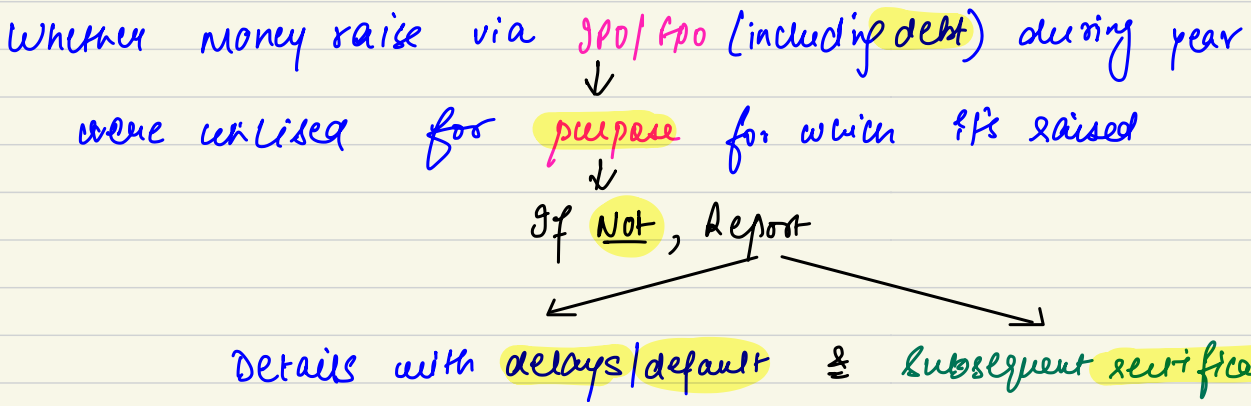
(P)

whether Co. raised loans during year, on pledge of securities held in SAJV,

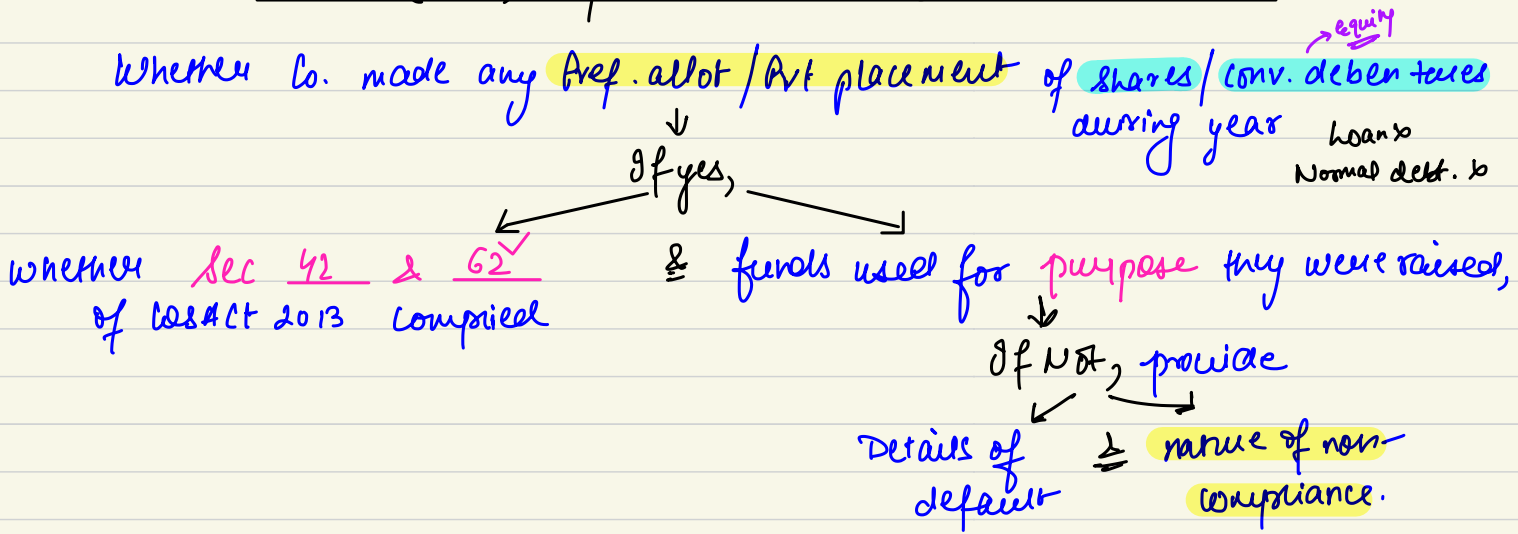
If yes, give details & also report if any default on such loans.



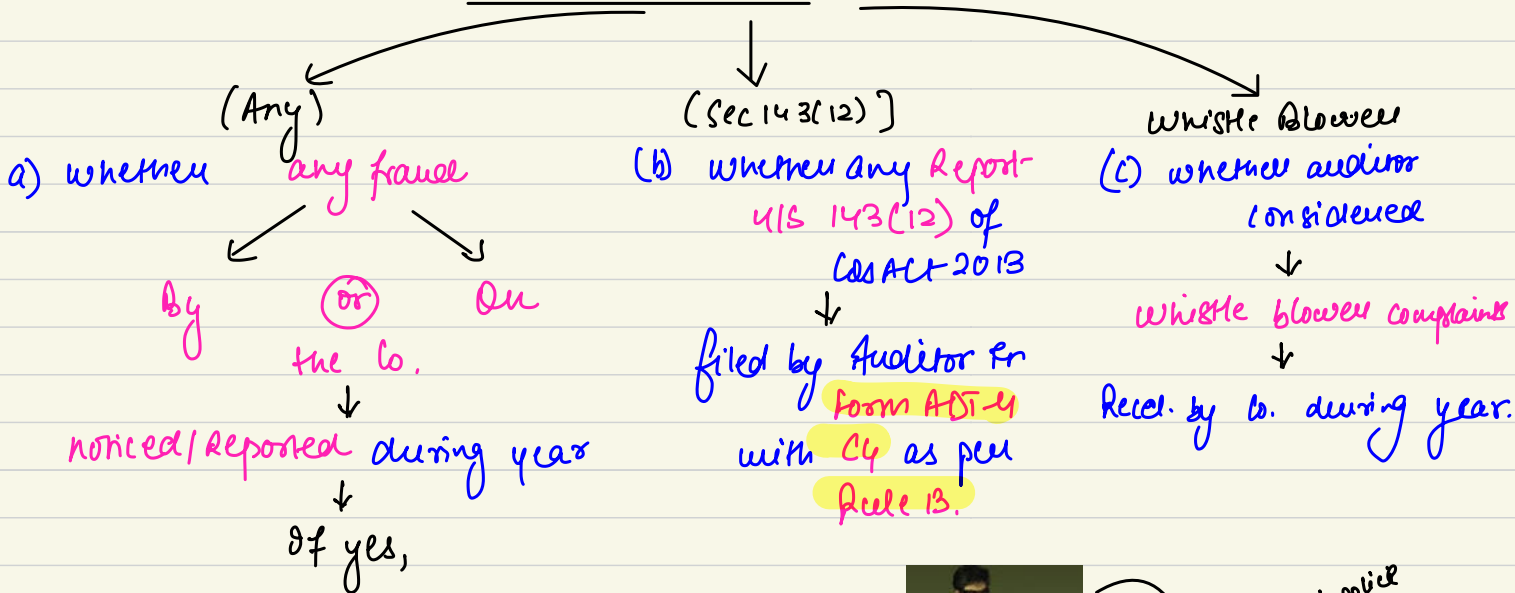
Ten Tan Tan Tara IPO lag gaya humara
Clause (x) (a) IPO/FPD Reporting



Clause (x) (b) Preferential Allotment & Art. Placement



Clause (xi) Fraud



ko 11 malko ki police dhond rahi hai
 ↓
 usme **Fraud** kiya

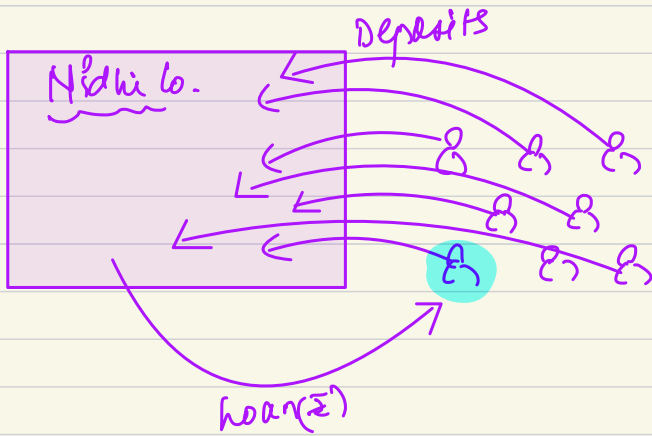
Clause (xii) Nidhi Co.

Whether Nidhi Co.

Complied with **Net Owned funds** to **deposit Ratio** of **1:20**.

maintaining **10%** unencumbered **term deposits** (free of charge) to meet **Liability**

made any **default** in **payment of** **INT** or **repayment** for any period & if yes, give **details**.



आदत Savings



Nidhi "Nidhi" 2% 12 Baje ayeji

golmaal

Clause (xiii) Related Party

Whether all **transⁿ** with **R.P.(s)** (SASSO)

are as per **Sec 177 & 188** of **cos. Act 2013**

details have been **disclosed** in **RS** as per **applicable a/c** **stole**.

Clause (xiv) Internal Audit

a) Whether Co. has **internal audit system** (Sec 138)

commensurate with **nature & size of business**

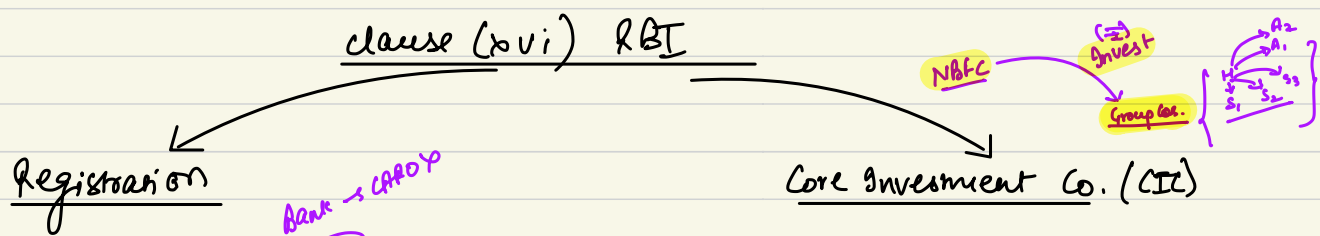
Entity ↑ complexity ↑ → Int. audit Team ↑

b) Whether **Report of Int. Auditor** for **audit period**

considered by **stat auditor**.

Int. Auditor → **Yes** → **Accha** → CR + Rom + M → **Bura** → CR + Rom + M

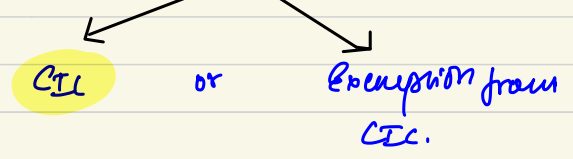
clause (xv) Non Cash Transⁿ *Barter deal*
 whether Co. has entered into non-cash transⁿ with
 ↓
 Directors / persons connected with him *A.R. / O.R.*
 & if yes, whether **Sec 192** of **Comp Act 2013** complied.



a) whether Co. reqd. to be **NBFC**
 reqd. **U/S 45 IA** of **RBI Act 1934**
 & if yes, whether registration obtained.

c) whether Co. is a **CIC**
 (defined by **RBI Regulations**)
 ↓
 whether it continues to fulfill **criteria** of

b) Whether Co. conducted any
 Non Banking financial or Housing finance acts.
 ↓
 without valid "COR" (Certificate of Regⁿ)
 from RBI



d) whether group has **> 1 CIC** as part of group.
 ↓
 if **YES**, indicate **no. of CICs** in group.

clause (xvii) Cash less

whether Co. has incurred **cash lesses** in **FY**
 ↓
 If yes, state amount of cash less. **or** **immediately preceding FY**
 ↓
PAT + Non-cash exp - non cash income.

Clause (xviii) Resignation by Auditor

whether any resignation by stat. auditors during year
 ↓
 If so, whether auditor considered **concerns, objections & issues** raised by outgoing auditor.
AST, 3, 2002
Co. ROC
Sec 143
Sec 144

clause (xix) Going concern

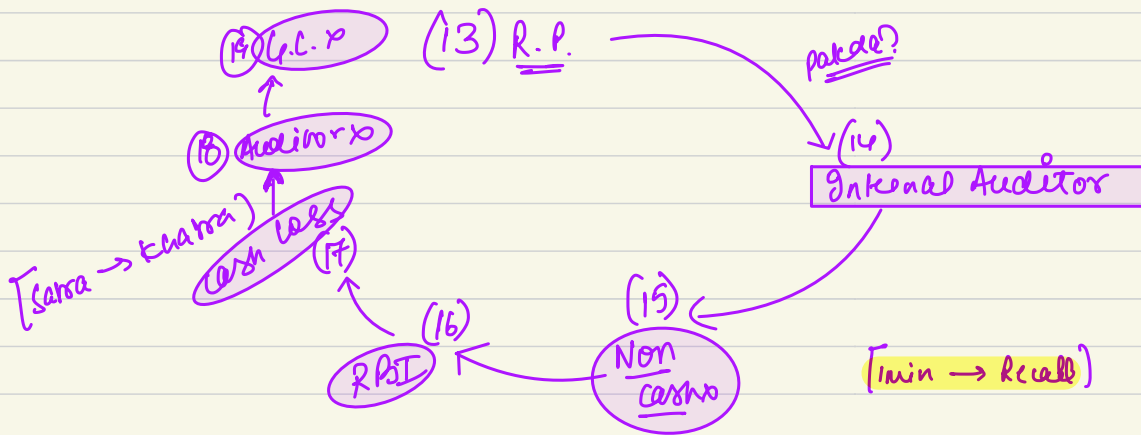
- On basis of:
- Ageing & expected dates of realisation of financial assets.
 - payment of financial liabilities
 - financial ratios
 - auditor's knowledge of BODs & mgt's Plans
 - other info. fr ts

whenever auditor is of opinion that
NO M.U. exists on date of A/R that

Co. is capable of meeting liabilities at B.S date
&
when they fall due within 1 year from B.S. date.

→ SASTO? G.C. Assess. within 12 months

CAO ka mukdavyuh [Sk. Exclusion]





clause (x b) CSR Reporting

(a) whether Co. has to fd. unspent amt
(other than ongoing projects)
↓
to specified fund in Sched. VII
↓
within 6 months of expiry of A.Y.

(b) whether any amt unspent upto
for any ongoing project
↓
trfd. to special Acc.

Sec 135 [3 Preceding A.Ys N.P (Aug) x 2 %]

(Charity)

↓
Specified Sched. VII
fund (6m.)

[School / Hospital etc.]
ongoing project

↓
spe. Acc

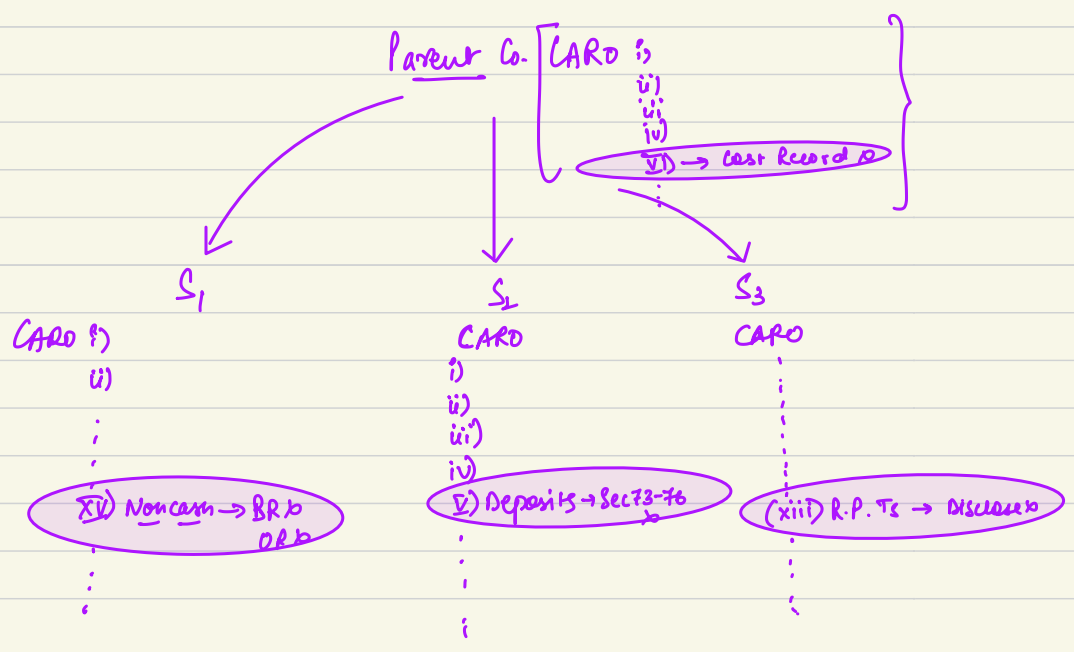
Clause 101 Qualification in Consol FS. CARO

whether any qualification / adverse remarks by respective auditors
in CARO Reports of Cos.
↓
Included in Consol. FS.

If yes, indicate

Details of Cos.

para nos. of CARO report
containing qualification /
adverse remark.



CA Ro 2020 Summary

Applicability: Every Co. (including foreign Co.) Except One Person BaSI Pvt Ltd.

Para(3) Reporting

Clause (i) → PPE/GA → PPT + Renewal { Regd. value + Benami (Proceeding → How long B.P. → 0 ✓)
(₹) change → Lot. or more (agg. → Net value → each class)

Clause (ii) → Inventory { P.V. → R/I coverage + Pro. | Disc. 10% or more
W.C. Sanction > 5cr (BIFI) → Only Returns agree with Books?

Clause (iii) → LGS • SATV & others • Repay. sched. + Regular • Refresh (₹ (agg) 1 to total
• Ties → prejudicial? • O/S > 90 days + Steps • Due date (₹ 1:1 PIR. As)

Clause (iv) → LGS → Sec 185 & 186 comply?

Clause (v) → Depo bits → RBI directives + Sec 73-76 comply → Not → Order (LLB/ULT/AB) comply?

Clause (vi) → Cost Records → Sec 148(1) Cg → made & maintain?

Clause (vii) → Stat DUES → Undisputed → Regular → O/S > 6m on last day of FY
↳ Disputed (₹ + forum) [Repⁿ → Dispute x]

Clause (viii) → Income disclosed in G.Tax assessment → recorded in Books?

Clause (ix) → Repay. of loans

- Details of default • Term loan → purpose? • Loan for SATV
- Willful defaulter? • SI Loan → L.T? • Loan → pledges of SATV securities.

Clause (x) → GPO/FPO → funds → purpose? → x → Details (₹) Rectification
↳ P.A. / Aut. → Sec 42/62 + purpose? → x → ₹/Details

Clause (xi) Fraud → Any (Bylon) + Sec 143(12) ADT-4 + Whistle Blower complaints.

Clause (xii) Nidhi Co. → NoF: Deposit 1:20 + 10% Unenc. deposits + default Int
(Repay.)

Clause (xiii) R.P. (S) → Sec 177 & 188 + Atc Stds.

Clause (xiv) G. Audit system → commensurate → Nature & size of Business
(+) G. Audit report + considered → stat. auditor

Clause (xv) Non Cash Transⁿ → Any Director / Connected P? → Sec 192?

clause (xvi) RBI → a) Regd. w/ USIA? Yes → Regd?
b) conducted → N.B/H.F. Act w/10 COR?
c) CIC?
d) >CIC → No. of CIC in group?

clause (xvii) Cash loss (C.Y & P.Y) → (₹)

clause (xviii) Resignation by Auditor → consider 3/CIO of outgoing auditor?

clause (xix) Going concern → on basis of financial (A/L/R) + Plans + other info
↓
No M.V. for meeting high. (B.S date & 1 year)

clause (xx) CSR Reporting → total unspent amt → ₹ 500 cr fund within 6m. of FY
→ ongoing project → Sp. Acc.

clause (xxi) Qualification/Adverse remarks → CARO (cos. → included in CFs)
↓
Details of cos + para. nos.