



AUDITOR'S REPORT



Company Audit – Key Aspects

- Statutory Framework
(Chapter X – CA 2013)
- Professional Pronouncements
- Format of Financial Statements
- Specific Reporting Requirements



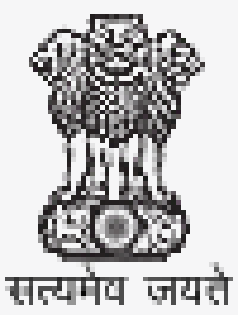
***WHAT'S
NEW***

Schedule III -
Revised format
(Section 129)

Audit Trail Point

Mandatory Nature
of Auditing
Standards

Section 143 &
CARO 2020



[Companies Act, 2013](#)

[Companies Rules](#)

[Effective Dates](#)

[Notifications/Circulars](#)

Section [Chapter X Audit and Auditors]

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[139 Appointment of Auditors](#)

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SA 700

Forming an opinion
and reporting on
Financial Statements

SA 700 (Revised)	SA 700 (Old)
Title	Title
Addressee	Addressee
Opinion	Introductory Paragraph
Basis for Opinion	Management Responsibility
Going Concern	Auditors Responsibility
Key Audit Matters	Auditors Opinion
Management Responsibility	Other Reporting Responsibilities
Auditors Responsibility	Signature
Other Reporting Responsibilities	Date, Place
Signature	
Date, Place	



SA 701

Communicating Key Audit Matters in AR

Key Audit Matters - Those matters that, in the auditor's professional judgment, were of most significance in the audit of the financial statements of the current period.

Key Audit Matters are selected from matters communicated with those charged with governance.





SA 705

Modifications to the
Opinion in the
Independent AR

Clean Report

Qualified Opinion

Disclaimer

Adverse



○ ○ ○ ○ **SA 706**

Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report.

EoM Paragraph – A paragraph included in the auditor's report that refers to a matter appropriately presented or disclosed in the financial statements that, in the auditor's judgment, is of such importance that it is fundamental to users' understanding of the financial statements.



CARO 2020

Applicable from FY 2021-22



Overview of the Order

New Clauses (incl 2 re - introduced)	7
Modified Clauses	7
Retained Clauses	7
Total	21
Sub Clauses	47



Summary of Changes

Newly added (clauses) 7	Modified (clauses) 7	Retained (clauses) 7
Transaction Not recorded in Books	Fixed Assets	Acceptance of deposits
Ability of Company to meet its Liabilities	Inventory	Maintenance of cost records
CSR - Transfer of Unspent Amount to Fund	Repayment of Loans granted by company	Loans ,Investments, securities & guarantee's - Sec 185 & 186
Statutory Auditor Resignation	Default in repayment of dues	Application of funds raised
CFS : reference to negative remarks in Subsidiary CARO	Reporting of frauds	Related Party Transactions
Internal Audit System (CARO 2003)	Nidhi Company	Non-Cash Transactions
Cash Loss (CARO 2003)	Registration with RBI	Payment of statutory dues

Applicable from

Applicable to

Not Applicable to

Financial year commencing on or after **1st April 2021**

Every company including a foreign company as defined in section 2(42) of the Companies Act, 2013.

Government Company

Branches

Banking Company

Insurance Company

Section 8 Company

One Person Company

Small company under section 2(85) of Companies Act, 2013*

New Clause 1

Internal Audit System (xiv)

a)whether the company has an internal audit system commensurate with the size and nature of its business; (Re-introduced from CARO 2003)



b)whether the reports of the Internal Auditors for the period under audit were considered by the statutory auditor

Response/Report

- i. The company has an internal audit system commensurate with the size and nature of its business.

- ii. The reports of the Internal Auditors for the period under audit has been considered.

New Clause 2

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 from CARO 2003)

Response/Report

The company has not incurred cash loss during the Financial Year. In the immediately preceding financial year, it incurred a cash loss of Rs.17.66 crores.

New Clause 3

Unrecorded Income (viii)

- 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

Response/Report

There are no transactions that were not recorded in the books of account of the company surrendered or disclosed as income during the year in the tax assessments under The Income Tax Act, 1961;

New Clause 4

Resignation of Statutory Auditor (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;

Document :

- Concerns raised by the Outgoing Auditor – In the Audit Report and otherwise, communication before accepting engagement, discussions and communication with TCWG.
- **Include specifically in MRL (LoR) - All the material concerns/objections discussed by the outgoing auditor are shared by the Management/BOD/AC.**

Response/Report

There has not been any resignation of the statutory auditors during the year.

New Clause 5

Capability of meeting its liabilities (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;

Action Points

Written representation from Management on

- Verify the realisability of Receivables and other financial assets
- Board's 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.

Response/Report

On the basis of the financial ratios, ageing and expected dates of realization 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, we are 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.

New Clause 6

Transfer of unspent CSR amounts to fund (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;
- 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

Response/Report

3.(i) In respect of other than ongoing projects, the company has/has not transferred the 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.

(ii) In respect of other than ongoing projects, the company has/ has not transferred any amount remaining unspent under section (5) of section 135 of Companies Act to special account in compliance with provision of sub section (6) of section 135 of the said Act

New Clause 7

CARO remarks of other auditors – CFS (xxi)

- Whether there have been any qualifications or adverse remarks by the respective auditors in the 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.

Modified Clause 1

Fixed Assets

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;



Modified Clause 1

Fixed Assets

- 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;
- 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 :

Fixed Assets

New

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

New

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

Modified Clause 2

Inventory (ii)

New

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;

Inventory (ii)

New

b) 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;

**The quarterly returns/statements filed by the
company with banks/financial institutions
are in agreement with the books of the company**

Modified Clause 3

Repayment of Loans granted by company

New

- 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,

Modified Clause 4

Default in repayment of dues (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 below :- (table specified).
- 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. (re-introduced)
- d) whether funds raised on short term basis have been utilised for long term purposes? If yes, the nature and amount to be indicated. (re-introduced)

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New

Default in repayment of dues (ix)

New



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

New

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;

Modified Clause 5

Reporting of frauds (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 
- 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

○ ○ ○ ○ *Some Relevant Aspects*

- Auditor to report on frauds noticed or reported during the year
- Auditor to consider whether frauds reported under sec 143(12) to the CG also to be reported here- only noticed frauds and not suspected frauds
- Fraud committed during the year and rectified during the year also to be reported
- Fraud **committed by third parties / vendors** on the company **need NOT** be reported if there is no involvement of officers or employees of the company
- GN provides that materiality of fraud to be considered while reporting

Modified Clause 6

Nidhi Company (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
- 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;

New

The company has not incurred cash loss during the Financial Year. In the immediately preceding financial year, it incurred a cash loss of Rs.17.66 crores.

Modified Clause 7

Registration with RBI

- 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.

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New

Registration with RBI

New

- 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;**

New

○ ○ ○ ○ **RBI Directives**

- NBFC/ HF need to obtain the certificate of registration.
 - If Registration is not obtained, the reasons should be sought from the management and documented
 - Report existence or absence of registration as the case may be
- Examine the transactions of the company with relation to the activities covered under the RBI Act and directions related to the Non-Banking Finance companies
- Examine FS to ascertain whether:
 - Company's financial assets constitute more than 50 per cent of the total assets and income from financial assets constitute more than 50 per cent of the gross income.
 - Company has net owned funds as required for the registration as NBFC

○ ○ ○ ○ *In Other Legal & Regulatory Matters*

Amendments in Rule 11 of Companies (A&A) Rules 2014

- Whether the management has represented that **NO FUNDS** other than what is disclosed in the FS, have been advanced/received to/by the company with an understanding that, such amount be lent/invested on behalf of the funding party to/in any person (Ultimate Beneficiaries)
- That there is nothing that has caused him to believe that the representations are mis-stated .



Amendments in Rule 11 of Companies (A&A) Rules 2014

- Whether the dividend declared/paid during the year is in accordance with Sections 123 of The Act.



Audit Trail

“ As proviso to Rule 3(1) of the Companies (Accounts) Rules, 2014 is applicable for the Company only with effect from 1st April 2023, and reporting under this clause is not applicable for the financial year ended 31st March 2023”.



THANK YOU

JOMON K GEORGE

