Companies (Auditor’s Report) Order, 2020

Relevant Date: 25.02.2020

Introduced by MCA Order: MCA Order

Title: Companies (Auditor’s Report) Order, 2020

Applicability:

Provision of this order shall apply to every Companies including a Foreign Company as defined under Section 2(42) of Companies Act, 2013.

Non-Applicability:

1. A banking Company as defined in Section 5(c) of the Banking Regulation Act, 1949.
2. An Insurance Company as defined under the Insurance Act,1938.
3. A Company licensed to operate under Section 8 of the Companies Act, 2013.
4. A One Person Company as defined under section 2(62) of the Companies Act, 2013.
5. Small Company as defined under Section 2(85) of the Companies Act, 2013.
6. A Private Company, not being a subsidiary or Holding of a Public Company-
   a. Having a paid up share capital
   b. and reserve
   c. and surplus

   not more than 1 Cr. rupees as on balance sheet date and

d. which does not have total borrowing exceeding 1 cr. rupees from any bank or financial institution at any point of time during the financial year.
e. And which does not have a total revenue as disclosed in scheduled III the Companies Act(including revenue from discontinuing operations) exceeding ten crore rupees during the financial year as per the financial statements.

Enforceability:

1. This order comes into force on the date of its publication in the official gazette.
2. This Order shall not apply to auditor's report on Consolidated Financial Statements except clause (xxi) of paragraph 3 of the Order.

Auditor's report to contain matter as specified under the Order :

Every report made by the auditor under section 143 of the Companies Act, 2013 on account of every Company audited by him, to which this order applies, for financial year commencing on or after 1st April 2020.

What matters to be included in the Auditor's report?

Auditor's report of the Company to which this Order applies shall include a statement on the following matter-

1. Statement on the maintenance of proper records-
   a. Showing full particular,
   b. Including quantitative details of Properties
   c. Situation of Properties and plan & Machinery.

2. Statement on maintenance of proper records showing full particulars of intangible assets;
3. Statement on physical verification of the Plant & Machineries by the management at reasonable interval:
   a. Whether any material discrepancies were noticed on such verification and if so,
   b. Whether the same has been recorded in the books of accounts.

4. Statements on the title deeds of all the immovable properties disclosed in the financial statements are held in the name of the Company, if not, provide the details thereof in the following format.

Description of 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 the name of Company
-	-	-	-	-	-

5. Statement on whether the company has revalued
   a. its Property,
   b. Plant & Machinery,or
   c. Intangible assets or both

   During the year, if so, whether the revaluation is based on the valuation by a registered valuer:

   a. Specifying the amount of change, if change is 10% or more in the aggregate of the net carrying value of each class of property, plant & equipment or intangible assets;

6. Statements on whether any proceedings have been initiated or are pending against the Company for holding any Benami Property under the benami Transactions (Prohibition) Act, 1988 and rules made thereunder.

    7. Physical verification of the inventories whether has been conducted by the management of the Company at reasonable intervals-

    Whether in opinion of auditor the procedure of verification is appropriate or not

    Whether any discrepancies of 10% or more in aggregate for each class of inventory were notice.

8. Statement on whether during the year company has been sanctioned working capital limit in excess of 5 Crore rupees, in aggregate from bank or Financial institutions on the basis of security of current asset;

   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.
9. Whether during the year company has provided loans or provided advances in the nature of loans, or stood guarantee, or provided security to any other entity.

   *NOTE: Such clause not applicable to Companies whose Principal business is give loans-

Auditor shall 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. Same as outstanding with any other parties other than subsidiaries, Joint Ventures and Associates.

10. Whether provide such loan, guarantees, advances or security on such terms and Conditions not prejudicial to the interest of the Company.

11. If amount overdue, state the amount overdue more than 90 days and step to be taken by the Company for recovery of the Principal and interest.

12. Whether any loan or advance in nature of loan granted which has fallen overdue during the year, has been re-newed, extended or a fresh loan has been granted to paying the earlier loan, proper disclosure of the same.

13. Whether provision of the Section 185 and 186 has been complied by the Company in providing loan or advance, Guarantee or security.

14. In case of deposit or amount to be considered as deposits whether the directives issued by the RBI and provisions of Sections 73 to 76 or any other relevant provisions of the Companies Act, 2013 and the rules made thereunder, has been complied with or not.

If not, the nature of such contravention be stated: Order has been passed by NCLT/RBI or any other court or Tribunal has been Complied with or not.

15. Whether provisions of section 148 of the Companies Act, 2013, relating to maintenance of cost records has been complied with or not.

16. Whether proper payments of statutory dues including-

a. GST,
b. Service tax,
c. Provident Fund,
d. Employees state insurance,
e. Income Tax,
f. Sales tax
g. Custom Duty,
h. VAT
i. Excise Duty
j. Or any other statutory dues has made or not.

17. 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;

18. Any default in repayment of loans or the borrowings or in the payments of interest thereon to any lender,

If yes, the period of default to be reported as per the format below

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

19. whether the company is a declared wilful defaulter by any bank or financial institution or other lender;

20. 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;

21. whether funds raised on short term basis have been utilised for long term purposes, if yes, the nature and amount to be indicated;

22. 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;

23. 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;

24. Details of any IPO/FPO during the year.

25. Details of any Preferential allotment or Private placement during the year, whether provisions of Section 62 and 42 of the Companies Act, 2013 and Rules made thereunder has been complied with or not.

26. Any fraud notice during the year and amount of fraud involved.

27. Whether provision of Section 143 of the Companies Act, 2013 has been complied or not.

28. Whether the auditor has considered whistle-blower complaints, if any received during the year by the Company.

29. Whether provision of section 177 and 188 of Companies Act, 2013 wherever applicable regarding related parties Transactions has been complied with or not.

30. Whether Company have proper Internal Audit system commensurate with the size and nature of it is business.

31. Whether the report of the internal Auditor for the period is considered by the Statutory Auditor of the Company.

32. Whether provision of Section 192 of the Companies Act has been complied with or not

33. Whether provision of section 45-IA of the Reserve Bank of India Act, 1934 wherever applicable on the Companies.

34. 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.

35. (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 subsection (6) of section 135 of the said Act;

36. 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