



PANKAJ DALAL & ASSOCIATES
CHARTERED ACCOUNTANTS

THE COMPANIES (AUDITOR'S REPORT) ORDER, 2016 (CARO)

The Central Government, in exercise of the powers conferred, under sub-section (11) of section 143 of the Companies Act, 2013 (the "Act"), issued the Companies (Auditor's Report) Order, 2016, ("CARO 2016" or "the Order") *vide* Order No. S.O. 1228(E) dated 29th March, 2016. CARO, 2016 contains matters on which the auditors of companies (except of those categories of companies which are specifically exempted under the Order) have to make a statement in their audit report.

1. Short title, application and commencement

1. This Order may be called the Companies (Auditor's Report) Order, 2016.
2. It shall apply to every company including a foreign company as defined in clause (42) of section 2 of the Companies Act, 2013 (18 of 2013) [hereinafter referred to as the Companies Act], except—
 - i. a banking company as defined in clause (c) of section 5 of the Banking Regulation Act, 1949 (10 of 1949);
 - ii. an insurance company as defined under the Insurance Act, 1938 (4 of 1938);
 - iii. a company licensed to operate under section 8 of the Companies Act;
 - iv. a One Person Company as defined under clause (62) of section 2 of the Companies Act and a small company as defined under clause (85) of section 2 of the Companies Act; and
 - v. 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 rupees one crore as on the balance sheet date and which does not have total borrowings exceeding rupees one crore from any bank or financial institution at any point of time during the financial year and which does not have a total revenue as disclosed in Schedule III to the Companies Act, 2013 (including revenue from discontinuing operations) 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, 2013 on the accounts of every company audited by him, to which this Order applies, for the financial years commencing on or after 1st April, 2015, shall in addition, contain the matters specified in paragraphs 3 and 4, as may be applicable:



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Provided the Order shall not apply to the auditor's report on consolidated financial statements.

3. Matters to be included in the auditor's report

The auditor's report on the accounts of a company to which this Order applies shall include a statement on the following matters, namely:—

- i. (a) whether the company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets;

(b) Whether these fixed assets 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 immovable properties are held in the name of the company. If not, provide the details thereof;
- ii. whether physical verification of inventory has been conducted at reasonable intervals by the management and whether any material discrepancies were noticed and if so, whether they have been properly dealt with in the books of account;
- iii. Whether the company has granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013. If so,—

(a) Whether the terms and conditions of the grant of such loans are not prejudicial to the company's interest;

(b) Whether the schedule of repayment of principal and payment of interest has been stipulated and whether the repayments or receipts are regular;

(c) 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;
- iv. In respect of loans, investments, guarantees, and security whether provisions of sections 185 and 186 of the Companies Act, 2013 have been complied with. If not, provide the details thereof.
- v. in case, the company has accepted 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, 2013 and the rules framed there



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under, 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. Whether maintenance of cost records has been specified by the Central Government under sub-section (1) of section 148 of the Companies Act, 2013 and whether such accounts and records have been so made and maintained.
- vii. (a) whether the company is regular in depositing undisputed statutory dues including 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 dues of income tax or sales tax or service tax or duty of customs or duty of excise or value added tax 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. Whether the company has defaulted in repayment of loans or borrowing to a financial institution, bank, government or dues to debenture holders? If yes, the period and the amount of default to be reported (in case of defaults to banks, financial institutions, and government, lender wise details to be provided).
- ix. Whether moneys raised by way of initial public offer or further public offer (including debt instruments) and term loans 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;
- x. whether any fraud by the company or any fraud on the Company by its officers or employees has been noticed or reported during the year; If yes, the nature and the amount involved is to be indicated;
- xi. Whether managerial remuneration has been paid or provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act? If not, state the amount involved and steps taken by the company for securing refund of the same;
- xii. whether the Nidhi Company has complied with the Net Owned Funds to Deposits in the ratio of 1: 20 to meet out the liability and whether the Nidhi Company is maintaining ten per cent unencumbered term deposits as specified in the Nidhi Rules, 2014 to meet out the liability;



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- xiii. 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. Whether the company has made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and if so, as to whether the requirement of section 42 of the Companies Act, 2013 have been complied with and the amount raised have been used for the purposes for which the funds were raised. If not, provide the details in respect of the amount involved and nature of non-compliance;
- 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, 2013 have been complied with;
- xvi. 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.

4. Reasons to be stated for unfavorable or qualified answers

1. 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 basis for such unfavorable or qualified answer, as the case may be.
2. Where the auditor is unable to express any opinion on any specified matter, his report shall indicate such fact together with the reasons as to why it is not possible for him to give his opinion on the same.



CARO 2016 Requirement Checklist

Clause No.	Particulars	
1		
	Fixed assets Whether the company is maintaining proper records showing full particulars, including quantitative details & situation of fixed assets	
	a)	Whether records of Fixed Assets (tangible, intangible and leased assets) are maintained showing the following particulars:
	I.	Description of Fixed Assets (purchase agreement) to make its identification possible
	II.	Classification, i.e. under which head
	III.	Location / situation
	IV.	Quantity, i.e., number of units
	V.	Original cost
	VI.	Year of purchase
	VII.	Adjustment for revaluation or for any increase or decrease in cost, e.g., on revaluation of foreign exchange liabilities
	VIII.	Date of revaluation, if any
	IX.	Rate and basis of depreciation, useful life, particulars regarding amortization and impairment
	X.	Depreciation, amortization and impairment for the current year
	XI.	Accumulated depreciation, amortization and impairment loss
	XII.	Particulars regarding sale, discarding, demolition, destruction etc.
	XIII.	Particulars of fixed assets that have been retired from active use and held for disposal
	XIV.	Particulars of fixed assets that have been fully depreciated or amortized or impaired
	XV.	Whether Fixed assets located in the residential premises of members of the staff, if yes, then Fixed Asset Register should indicate the name & designation of the person who has the custody of the asset for the time being
	XVI.	Particulars of Fixed Assets disposed off during the year
	b)	Whether aggregate original cost, depreciation or amortization to date and



		impairment loss, if any, as per the register/records agrees with General Ledger balances? If not, note the disagreements in respect of each class of assets
	c)	If, the FAR is in electronic form: <ul style="list-style-type: none"> • Controls and security measures in Company are such that once finalized, FAR cannot be altered without proper authorization and audit trail. • FAR can be retrieved in a legible form If not, then have duly authenticated print-out of FAR
	1 (b)	
		Whether these fixed assets have been physically verified by the management at reasonable intervals, whether any material discrepancies were noticed on such verification & if so, whether the same have been properly dealt with in the books of account
	a)	I. Whether Fixed Assets were physically verified at any time during the year or earlier years according to a phased program?
		II. What is the periodicity of physical verification and whether the same to reasonable?
		III. Whether assets physically verified agreed/reconciled with book figures? If not, note the discrepancies against each class of assets in terms of value, and state how the discrepancies have been dealt with
		IV. Instructions to officials for carrying out physical verification to include procedures, timing, competency of team members, count sheets / tags, formats etc.
	b)	Physically verify few items from the fixed asset register & vice versa.
	c)	Obtain Written representation from management which shows following details: <ul style="list-style-type: none"> • Has there any disputed ownership on any fixed asset, if yes, require detailed explanation • Fixed Assets are physically verified by the company as per the policy of the company • Periodicity of physical verification • Detail of material discrepancies noticed during physical verification • If no discrepancies were noted during physical verification, the same should be clearly mentioned
	1 ©	
		Whether the title deeds of immovable properties are held in the name of the company, if not provide the details thereof
	a)	Does the company have any immovable properties (land and / or buildings)? Has the Company identified the land and building on the basis of Fixed Asset Register?



	b)	Whether the title deeds of these immovable properties are in the name of the company? Whether the details as per title deeds reconcile with the details in Fixed assets register, if not, is there any material difference to be reported here
	c)	Has there cases of where immovable property transferred as a result of conversion of partnership firm, LLP into company. If yes, carry out detail examination
	d)	In case of immovable asset mortgaged with the bank / Financial Institutions, has confirmation or online verification (if available) been done
	e)	Has the management provided details of immovable properties not held in company's name (for example, location, description, and reasons for not being held in the company's name?
	f)	In case the title deeds are lost, assess whether the certified copies of such documents are available with the company and what actions have been taken by the management in this regard?
	g)	In case the title deeds are mortgaged with the lenders, assess if the confirmation from the lenders is obtained for the same
	h)	In case not held, provide details: <ul style="list-style-type: none"> • No. of cases • Leasehold / freehold • Gross Block • Net Block • Remarks
2		
		Inventory Whether physical verification of inventory has been conducted at reasonable intervals by the management & whether any material discrepancies were noticed & if so, whether they have been properly dealt with in the books of account
	a)	Has the management physical verified the inventory, as defined in AS
	b)	Whether evidence of physical verification has been seen and reasonableness of periodicity of physical verification evaluated? If yes, verify: <ul style="list-style-type: none"> • Written instruction issued by the management • Duly authenticated physical verification sheets • Duly authenticated summary sheets / consolidation sheet • Internal memo etc regarding issues arising on physical verification • Any other documents evidencing the physical verification
	c)	Whether the original physical verification sheets have been reviewed and selected items traced into the final inventories? (including the more valuable ones as per ABC classification)



	d)	Whether the comparison of final inventories with stock has been done? Whether records and other corroborative evidence, e.g. inventory statements submitted to banks?
	e)	In case of continuous stock taking check whether management: <ul style="list-style-type: none"> • Maintain adequate and up to – date stock records • Procedures established for physical verification of inventories Examine thoroughly and verify all material differences between the book records and the physical counts.
	f)	Whether stock register is updated and value of inventory extracted from it tallies with the books of account.
	g)	If any material discrepancies were found as compared to stock records, what were the extent of discrepancies (in terms of value) and how the same have been dealt with in the books of account as well as in the stock records?
3		
		Loans & advances Whether the company has granted any loans, secured or unsecured to companies, firms, limited liability partnerships or Other parties covered in the register maintained under section 189 of the companies act 2013 if so
	a)	I. <ul style="list-style-type: none"> • Obtain list of parties covered in register maintained in Form MBP 4u/s 189 from the company. • Obtain director disclosure of interest in Form No. MBP – 1 from director • Are there any contracts, agreements covered u/s 184(2) which are entered in MBP 4 • Verify transactions covered u/s 188. Are these transactions entered MBP 4 • Has loan been given to any party covered in MBP 4? • Whether loans given to section 189 parties are squared off during the year.
	b)	
		Whether the terms & conditions of the grant of such loans are not prejudicial to the companies interest
		II. <ul style="list-style-type: none"> • Check whether terms & conditions on which loan granted are prejudicial to the interest of the company. If yes, then report the same • Are loans granted during the year • Period for which loan given, repayment schedule • Rate of interest at which loan given • Does the Company have ability to lend or it is giving loans out of



		<p>borrowed funds</p> <ul style="list-style-type: none"> • Are loans interest free or in case given out of borrowed funds below the rate of interest paid for such loans or below the limits u/s 186(7) • Is the party to whom loan is given as good standing and capacity to repay • Are the terms prejudicial to the company
	c)	
		Whether the schedule of repayment of principal payment of interest has been stipulated & whether the repayments or receipts are regular
		<ul style="list-style-type: none"> • Details to be verified for all loans, current year as well as previous year, which are outstanding during the year • If there is no schedule of repayment of principal and interest, the same is to be reported • If the schedule of repayment of principal & payment of interest is stipulated but repayment of principal or payment of interest is not regular, then report the fact and may give no. of cases and remarks, if any
	d)	
		If the amount is overdue state the total amount overdue for more than 90 days, & whether reasonable steps have been taken by the company for recovery of the principal & interest
		<p>If the amount of loan is overdue then:</p> <ul style="list-style-type: none"> • Period of overdue • State amount overdue for more than 90 days: For calculating amount overdue check the repayment schedule • Steps taken by the company for the recovery of overdue amount for example: Issue of reminder, sending of solicitor's note. • Obtain management representation regarding the same • Report in the following manner: <ul style="list-style-type: none"> ➤ No. of cases ➤ Principal Amount overdue ➤ Interest overdue ➤ Total overdue ➤ Steps taken ➤ Remarks (if any)
4		
		Loan, investment, guarantee & security In respect of loans, investments, guarantees, & security whether provisions of section 185 & 186 of the companies act 2013 have been complied with if not, provide



the details thereof	
SECTION 185	
a)	Obtain from the management a list of director or any other person in whom the director is interested (MBP-1) and register maintained under section 189 (MBP-4)
b)	Whether any loans given including amount shown as book debt or any guarantee provided or any security in connection with any loan to <ul style="list-style-type: none"> • directors or his partner or relatives • director of holding company or his relatives or partner • any firm in which the director or his relative is a partner • any private company in which the director is a director or member • anybody corporate of which not less than 25% of total voting power is exercised by director alone or with other directors collectively • anybody corporate, Board of directors, MD or manager whereof is accustomed to act in accordance with directions of the Board, director(s) of lending Company
c)	If it is a private company, is it exempt by Notification dated 5 th June, 2015 or any other exemption stated in the section <ul style="list-style-type: none"> • Does the company's list of shareholders include and body corporate? • Does the borrowings of such company from bank or financial institution is less than twice its paid up share capital or Rs.50 corers whichever is lower • Is the company is default in repayment of such borrowings subsisting at the time making the transaction
d)	Whether any of the transaction is attracting the provisions of section 185?
e)	Check whether the interest is charged at the rate not less than bank rate declared by RBI in case loan or guarantee or security provided are in the ordinary course of business
f)	Whether any loans were accepted including amount shown as book debt or any guarantee received or any security received in connection with any loan from a company of S. 185?
g)	Whether the non-compliance reported in the following manner: <ol style="list-style-type: none"> a. Name of the party b. Nature of non-compliance <ol style="list-style-type: none"> i. Loan given to director or interested concern ii. Guarantee given to director or interested concern iii. Security in connection with any loan given to director or interested concern iv. Other default c. Maximum amount outstanding during the year d. Amount outstanding as at balance sheet date



SECTION 186	
a)	Obtain the list of loans given or guarantees or securities given by the company during the financial year.
b)	Obtain register of loan and investment maintained by the company in MBP-2 duly authenticated by Company Secretary or Board.
c)	Obtain the details of loans given, guarantee and security provided, purchase the security of any other body corporate and investment made by the Company including opening balances
d)	Whether prior approval of board by means of resolution passed in general meeting with the consent of all the director present and public Financial Institution has been taken Note: Approval of financial institution not required in case loan is within the limit mentioned below and there is no default in repayment of loan and interest to Public Financial Institution
e)	Whether the company has exceeded the limit of 60% of its paid-up share capital, free reserves and securities premium account or 100% of its free reserves and securities premium account, whichever is more?
f)	If so, whether prior approval by means of a special resolution passed at a general meeting has been obtained?
g)	Whether company has made investment through more than two layers of investment companies?
h)	Whether the company has disclosed in the Financial statement full particulars of the above transactions along with the purpose of utilization by the borrower.
i)	Whether the rate of interest charges is more or at par to the rates specified in section 186(7) of the Act, if not, the reasons thereof
j)	Whether the non-compliance reported in the following manner: a. Name of the party b. Nature of non-compliance i. Investments made through more than two layers investment companies ii. Loan given or guarantee given or security provided or acquisition of securities exceeding the limits without prior approval by means of a special resolution iii. Loan given at rate of interest lower than prescribed iv. Other default c. Maximum amount outstanding during the year Amount outstanding as at balance sheet date
5	
	Deposits (section 73 to 76) In case the company has accepted deposits, whether the directives issued by the reserve bank of India & the provisions of section 73 & 76 or any other



		relevant provisions of the companies act, 2013 & the rules framed there under, where applicable, have been complied with? If not, the nature of such contraventions be stated, if an order has been passed by the 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?
	a)	Where the company has accepted deposit, examine the system by which deposit are accepted and records maintained for the same
	b)	Enquire management about the possible instances of non -compliance of Section 73 to 76. It could include: <ul style="list-style-type: none"> • Loan from directors out of borrowed funds • Loan from director's relatives before 15.9.2015 • Loan form director's relatives out of borrowed funds • Loan from members without compliance of S. 73(2). Private companies allowed to extent of 100% capital and free reserves w.e.f. 5th June, 2015 • Advance for goods or services exceeding 365 days • Deposit from employees exceeding more than their 1 year salary • Loan from promoters after bankers loan satisfied • As other amount received as loan or advance other than exempt under Companies (Acceptance of Deposit) Rules 2014
	c)	In case company accepts deposits from its members, check whether the company has complied with the provision of Section 73(2)
	d)	In case of deposit taken by the eligible company, check whether the company has complied with the provision of Section 76.
	e)	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, state whether the same has been complied or not?
	f)	Obtain management representations regarding: <ol style="list-style-type: none"> 1) The company has complied with the directives issued by RBI and provision of Section 73 to 76 of the Companies Act and relevant rules there under 2) Where an order has been passed by any of the relevant authorities (Company Law Board, National Company Law Tribunal, RBI, any Court or any other Tribunal), the company has complied with the requirement of the order
6		
		Cost records Whether maintenance of cost records has been specified by the central government under sub-section(1) of section 148 of the companies act 2013 & whether such accounts & records have been so made & maintained
	a)	Whether cost accounting records have been prescribed for the company under Section 148(1) of the Companies Act 2013?



		Obtain a list of accounts maintained at the company
	b)	Verify whether the proper accounts and records prescribed are made and maintained by the company
7		
		<p>Statutory dues Whether the company is regular in depositing undisputed statutory dues including provident Fund, employees state insurance, income tax, sales tax, service tax, duty of customs, duty of excise, value added tax, cess & any other statutory dues to the appropriate authorities & if not, the extent of the arrears of outstanding statutory dues as on last day of the financial year concerned for a period more than six months from the date they became payable shall be indicated</p>
	a)	I.
		Whether a list of statutory dues which company is required to deposit regularly has been obtained
		II.
		<p>Whether the Company has been generally regular or irregular in depositing statutory dues or otherwise, indicates the same.</p> <ul style="list-style-type: none"> • Check due date and date of payment of all statutory dues including: <ul style="list-style-type: none"> ○ Advance Tax (Income Tax) ○ TDS ○ TCS ○ Service Tax ○ VAT / CST ○ Excise Duty ○ Customs ○ ESI / Pf • Check No. of payments in each case and No. of delays in each nature • Is interest paid / payable for any of the above dues for delay in payments
		III.
		Whether penalty and / or interest levied under the respective law is included under amounts payable
		IV.
		Ensure that disclosure is restricted to the actual arrears and should not include the amounts which have not fallen due for deposit and have been shown as arrears at the balance sheet date
		V.
		<p>Whether a written representation with reference to the date of the balance sheet from the management obtained:</p> <ul style="list-style-type: none"> • specifying the cases and the amounts considered disputed; • containing a list of the cases and the amounts in respect of the statutory dues which are undisputed and have remained outstanding for a period of more than six months from the date they became payable;



		<ul style="list-style-type: none"> Containing a statement as to the completeness of the information provided by the management.
	b)	
		Where dues of income tax or sales tax or service tax or duty of customs or duty of excise or value added tax have not been deposited on account of any dispute then the amounts involved & the forum where dispute is pending shall be mentioned (a mere representation to the concerned department shall not be treated as a dispute)
		I. Whether a list of disputed statutory dues has been obtained from company
		II. <ul style="list-style-type: none"> Is there any disputed dues which has been provided for in the accounts whether through provision or otherwise? Is there any payment made under protest and the same is disclosed as receivable? Is there any rectification filed u/s 154 of Income Tax Act or similar provisions under other laws? The disclosure of the same is also required to be given
		III. Review internal audit report, minutes of the meeting of the Board of Directors and audit committee
	c)	Ensure that information about arrears of undisputed / disputed statutory dues pending for more than six months is provided in the format: <ul style="list-style-type: none"> Name of the Statute Nature of the dues Amount (Rs.) Period to which amount relates Forum where dispute is pending
8		
		Repayment of dues Whether the company has defaulted in repayment of loans or borrowing to a financial institution bank, government or dues to debenture holders? If yes, the period & the amount of default to be reported (in case of defaults to banks, financial institutions. & government, lender wise details to be provided)
	a)	Whether agreement and schedule of repayment of loan to banks, financial institutions (including NBFC) and debenture holders has been obtained?
	b)	Ensure whether the repayments as per books are in accordance with the terms and conditions of the relevant agreement
	c)	Obtain confirmations of the concerned bank or financial institutions as to the status of loan account including overdue position
	d)	Whether all defaults existing at the balance sheet date are reported irrespective



		of when those defaults have occurred
	e)	In case of defaults to banks, financial institutions, and government, whether lender wise details including amount of default and period of default are reported?
	f)	If application of re-scheduling of loan has been made / accepted or default has been made good during the accounting period, whether the fact has been stated
	g)	Where there may be disputes between the company and the lender on various issues, a brief of nature of dispute shall be given
	h)	In case of default, lender – wise detail: <ul style="list-style-type: none"> • Name of lender • Amount of default as at balance sheet date • Period of default • Remarks
9		
		Money raised by way of initial public offer (include debt instruments) term loan Whether moneys raised by way of initial public offer or further public offer including debt instruments & term loans were applied for the purposes for which those are raised, if not the details together with delays or default & subsequent rectification, if any as may be applicable be reported
	a)	Public Offer
	I.	Whether the company raised money by way of initial public offer or further public offer of equity shares, convertible securities and debt securities?
	II.	Examine the terms and conditions stated in the offer document subject to which the company has raised the above mentioned money
	III.	Whether the money raised is used for the purpose for which it is raised and is capable of being determined? If not state the fact
	IV.	Examine the various documents submitted to SEBI like monitoring report submitted by various financial institutions. Also examine offer document and report of board of directors, if available, to find out whether funds raised have been utilized for the purpose for which they were raised.
	V.	Verify whether all the disclosure required by the SEBI (Listing Obligations and Disclosure Requirements) Regulation 2015 has been made.
	VI.	Whether a representation of the management has been obtained as to the completeness of the disclosures with regard to the end – use of moneys raised by initial public offer and further public offer?
	b)	Term Loan
	I.	Whether the company has taken any term loan form bank, financial institution or any other entities or person?



	II.	Examine the terms and conditions subject to which the company has obtained the term loans including purpose for which term loans were sanctioned?
	III.	Compare the purpose for which term loans were sanctioned with the actual utilization of the loans and obtain sufficient appropriate audit evidence regarding the utilization of the amounts raised.
	c)	In case surplus funds were temporarily invested, however, subsequently the same are utilized for the stated objectives, mention the fact in the Report
	d)	Whether the fund flow statement has been reviewed where one to one correlation was not possible
	e)	Whether fund from public offer or loans taken were not applied for stated purpose, Disclose <ul style="list-style-type: none"> • Nature of fund raised • Details of default (Reason / delay) • Amount involved • Subsequent rectification of the same
10		
		Fraud Whether any fraud by the company or any fraud on the company by its officers or employees has been noticed or reported during the year, if yes, the nature & the amount involved is to be indicated
	a)	Has SA 240 (The Auditor's Responsibilities relating to Fraud in an Audit of Financial Statements) has been complied with? (Attach the check list for compliance of SA 240 with this check list also)
	b)	Examine the following to ascertain whether any fraud has been reported or noticed by the management? <ul style="list-style-type: none"> • The reports of the internal Audit • Enquire from the management about any frauds by the company or any fraud on the company by its officers or employees that it has noticed or that have been reported to it. • Discuss the matter with other employees including officers of the company • Examine the minute book of the board meeting, audit committee etc., of the company in this regard
	c)	Where any fraud by the company or any fraud on the company by its officers or employees has been noticed or reported, determine the nature and amount of frauds and disclose the same. Obtain management representation to this effect.
	d)	Whether any fraud has been reported by the auditor during the year under Section 143(12)? If so, determine whether that same would be reported under this clause?



	e)	Obtain management representation that: <ol style="list-style-type: none"> i. it acknowledges its responsibility for the implementation and operation of accounting and internal control systems that are designed to prevent and detect fraud and error; ii. It believes the effects of those uncorrected misstatements in financial statements, aggregated by the auditor during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. A summary of such items should be included in or attached to the written representation; iii. it has disclosed to the auditor all significant facts relating to any frauds or suspected frauds known to management that may have affected the entity
11		
		Managerial remuneration (applicable for public companies only) Whether managerial remuneration has been paid or provided in accordance with the requisite approvals mandated by the provisions of section 197 read with schedule v to the companies act? if not, state the amount involved & steps taken by the company for securing refund of the same
	a)	<ul style="list-style-type: none"> • Is the company a public company? • Has the company paid or provided for any managerial remuneration?
	b)	Obtain from management the details of managerial remuneration paid / provided by the Company
	c)	Ensure that the computation of managerial remuneration is done in accordance with the provisions of Section 197 read with Schedule V of Companies Act, 2013 The remuneration does not include: <ul style="list-style-type: none"> • Sitting Fees (within prescribed limits) (sub section 2 and 5 of Section 197) • Remuneration for professional services rendered (Sub section 4 of Section 197)
	d)	Examine the steps taken by the company to comply with requirements of the Act with respect to managerial remuneration. Examine the correspondence and documents filed with the Registrar of Companies, Company Law Board, legal correspondence for orders passed, minutes of the meetings of the Board and shareholders.
	e)	Examine whether the Company has obtained requisite approvals mandated by Section 197 read with Schedule V to the Act
	f)	Obtain a listing of managerial remuneration rejected / partially approved. Examine the same with underlying documents and obtain understanding of the steps taken by the Company for refund of unapproved managerial remuneration for reporting along with the amount involved. Assess if the management has waived recovery of the excess amount paid over and above the prescribed limit.



	g)	In case of non – compliance, the default may be reported incorporating the following details:- i. Payment made to Director / Whole time Director / Managing Director / Manager. ii. Amount paid / provided in excess of the limits prescribed ii. Amount due for recovery as at Balance Sheet date v. Steps taken to secure the recovery of the amount
12		
		Nidhi companies Whether the nidhi companies has complied with the net owned funds to deposits in the ratio of 1:20 to meet out the liability & whether the nidhi company is maintaining ten percent unencumbered term deposits as specified in nidhi rules 2014 to meet out the liability
	a)	Is the Company a Nidhi company? Assess if the Company is registered as a Nidhi Company as per provisions of Section 406 of the Companies Act, 2013 or Section 620A of the Companies Act, 1956
	b)	To check compliance with the following: i. not less than two hundred members; ii. net owned funds of ten lakh rupees or more; iii. Whether the net owned funds to deposits ratio is more than 1:20 to meet out the liability as on the date of balance sheet? iv. Examine 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)	Ensure that company has not accepted deposits exceeding twenty times of its net owned funds as per last audited balance sheet
	d)	Verify whether the company file a return of statutory compliance in Form NDH I
13		
		Related party transactions Whether all transactions with the related parties are in accordance with section 177 & 188 of the companies act 2013 where applicable & the details have been disclosed in the financial statements etc. As required by the applicable accounting standards
	a)	Obtain following documents i. a statement containing details of transactions with related parties ii. a list of companies, firms or other parties, the particulars of which are required to be entered in the register maintained under Section 189 of the Act iii. Obtain declarations made by the directors in Form MBP-1 Verify the entries made in the register under Section 189 with such statement



		from management from management and declarations received from directors. Assess the additions / deletions to such list for appropriateness based on relevant declarations
	b)	Perform reasonable check to ascertain completeness and accuracy of details in the statement like review of previous year working papers and company procedure of identifying related parties
	c)	Ascertain the system and procedures of the company to ensure compliance with the provisions of Section 177 and 188 of the Act
	d)	Verify whether the transaction is at arm's length and basis of such conclusion
	e)	Verify that the necessary approvals as required is obtained form Board or shareholder or audit Committee
	f)	Examine whether related party disclosures are made i. in the financial statements as per the requirements of Accounting Standards 18 ii. in Board's report to contracts or arrangements with related parties
	g)	Consider the implications of non – compliance above also in the auditors' opinion on the financial statements
	h)	Check whether the non – compliance with following particulars has been reported: i. Nature of related party transaction ii. Amount involved iii. Remarks
	i)	Obtain Management Representation regarding: i. They have disclose all the related parties, relationship with them and transaction of which they are aware ii. They appropriately accounted for and disclosed such relationship and transaction
14		
		Preferential allotment or private placement of shares section 42 read with rule 14 of companies prospectus & allotment of securities rules 2014 Whether the company has made any preferential allotment or private placement of shares fully or partly convertible debentures during the year under review & if so, as to whether the requirement of section 42 of the companies act 2013 have been complied with & the amount raised have been used for the purposes for which the funds were raised if not, provide the details in respect of the amount involved & nature of non compliance
	a)	Has the Company made any preferential allotment or private placement of shares or fully convertible debentures during the year?
	b)	Obtain a statement containing the specific terms of offer for private placement, including purpose for which funds were raised, and the details of subsequent



		application amounts, dates and the purpose (compare Information in PAS-4 with actual utilization)
	c)	<p>Check the compliance for:</p> <ul style="list-style-type: none"> • Passing of Special resolution for offer of securities and filing the same in MGT 14 with ROC • Preparation of Offer Letter in PAS 4 and details of persons to whom offer made in PAS 5 and filing of the same with ROC • Opening of separate or escrow account for receipt of application money • Allotment of securities within 60 days of receipt of money • Filing of allotment details in PAS 3 within 30 days of allotment • Other compliances in Section 42
	d)	In case surplus funds were temporarily invested, however, subsequently the same are utilized for the stated objectives, mention the fact in the Report
	e)	Ascertain whether the offer and allotment of securities referred in 1 above are in compliance with the requirements mandated by Section 42 of the Act
	f)	Based on the understanding so gained, perform a reasonable test check of compliance with the requirements of the Act
	g)	<p>Check whether the non-compliance with following particulars has been reported:</p> <ol style="list-style-type: none"> i. Nature of securities ii. Purpose for which fund raised iii. Amount involved or raised iv. Amount utilized v. Nature of non-compliance <p>Note: Reporting under this Clause is required also in instance where the amounts have been raised in earlier year(s) and is being utilized under the year under review.</p>
15		
		<p>Non cash transactions (section 192 of the companies act 2013) Whether the company has entered into any non-cash transactions with directors or persons connected with him & if so, whether the provisions of section 192 of the companies act 2013 have been complied with</p>
	a)	Obtain a statement containing list of directors of the company, its holding company, subsidiary and associate companies and persons connected with the directors
	b)	<p>Check whether any transaction related to acquisition or to be acquiring assets for consideration other than cash has been entered into by the company and parties mentioned in (1) above</p> <p>Obtain a management representation for the transactions entered and its intention to enter into transactions</p>



	c)	Perform reasonable check to ascertain whether all the compliances for non-cash transactions has complied with
	d)	Scrutinize the following books of accounts, records and documents could provide source of such audit evidence to the auditor as to the existence of such non-cash transactions as well as persons connected with the Directors: <ul style="list-style-type: none"> i. Form No. MBP 1 ii. Form No. MBP 2 iii. Form No. MBP 4 iv. Movements in the Fixed Asset Register v. Minutes book of the General Meeting and Meetings of Directors vi. Report on Annual General Meeting, Meetings of Board of Directors and Audit Committee
	e)	Obtain a statement from management containing transactions between the Company and director(s) referred to above
	f)	Perform reasonable check to ascertain non cash transaction
	g)	Consider the implications of non-compliances above also in the auditors' opinion on the financial statements.
16		
		Requirement of registration under RBI act Whether the company is required to be registered under section 45-IA of the reserve bank of India act 1934 & if so whether the registration has been obtained
	a)	Examine whether the company is engaged in the business which attract the requirements of the registration under RBI The registration is where the financing activity is a principal business of the company
	b)	Examine the financial statements of the Company and assess whether the company has financial assets and financial income <ul style="list-style-type: none"> • What is the proportion of financial assets to total assets (intangible assets excluded)? • What is the proportion of income from financial assets to total income? A company will be treated as NBFC if its financial assets are more than 50% of its total assets (netted off by intangible assets) and income from financial assets should be more than 50% of its gross income
	c)	Obtain understanding of the requirement of Section 45-IA of RBI Act, 1934 with regard to registration of the company with RBI
	d)	Examine the steps taken by the company to comply with requirement of the RBI Act, 1934 with respect to registration as a NBFC. Also examine the correspondence and documents filed with the RBI, minutes of the Board meeting



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	e)	Examine whether the Company has obtained Certificate of Registration from RBI in terms of Section 45-IA of the RBI Act, 1934
	f)	Consider the implications of non-compliances above also in the auditors' opinion on the financial statements.