

CONTENTS

	PAGE
<i>Chapter-heads</i>	<i>I-5</i>
<i>CARO in nutshell</i>	<i>I-27</i>

1 INTRODUCTION

1.1	Backdrop	3
1.2	ICAI's Guidance on reporting requirements of CARO	3
1.3	CARO Report	4
1.4	CARO, 2020 applies to audit reports of Companies (except those specifically exempted) for F.Y. 2019-20 & subsequent FYs	4
1.5	Features of CARO, 2020	5
1.6	CARO, 2020 applicable to all companies unless specifically exempted	5
1.7	CARO, 2020 not applicable to auditor's report on CFS except para 3(xx) of CARO, 2020	6
1.8	Single clause CARO report applicable to consolidated financial statements	6
1.9	Auditor required to report only on matters specified in Paras 3 and 4 of the Order as applicable to the company	7
1.10	Requirements of CARO, 2020 are supplemental to the existing provisions of section 143 of the Act	7
1.11	Distinction between CARO, 2020 and section 143(1)	7
1.12	Supplemental to Comptroller and Auditor General Directions	8
1.13	General Audit Approach to CARO, 2020	8
1.13-1	Period of compliance	8
1.13-2	Investigation not required	9

	PAGE
1.13-3 Working Papers	9
1.13-4 Observe CARO, 2020 in letter and spirit	9
1.13-5 CARO, 2020 is not restrictive of auditor's duties	9
1.13-6 Exercise of judgment	10
1.13-7 Avoid criticising management's actions based on "hindsight"	10

2

APPLICABILITY OF CARO, 2020

2.1	Effective date of CARO, 2020	12
2.2	Companies to which CARO, 2020 applies	12
2.2-1	Applies to foreign company	12
2.2-2	Applicability of CARO, 2020 to audit of branches of a company	14
2.3	Exemption of companies from CARO, 2020	15
2.3-1	Company licensed to operate under section 8 of the Act	17
2.3-2	Definition of 'One Person Company' (OPC)	17
2.3-3	Small Company	19
2.3-4	Exemption to private limited companies from CARO, 2020	20
2.3-5	Not a holding Co. or a subsidiary of a public company	21
2.3-6	Paid up capital plus reserves and surplus should not exceed Rs. 1 crore	22
2.3-7	Total borrowings not exceeding Rs. 1 crore from any bank or Financial Institution [para 1(2)(iv)]	24
2.3-8	Total revenue not exceeding Rs. 10 crore	27

3

PROPERTY, PLANT AND EQUIPMENT

3.1	Property, plant and equipment	35
3.1-1	PPE covers 'bearer plants' also	36
3.1-2	PPE acquired under finance/operating lease	36
3.1-3	Is project under sale PPE or current asset ?	36
3.2	Reporting Requirements of CARO, 2020 as regards Property, Plant and Equipment (PPE)	37

	PAGE
3.2-1 Do these requirements apply to CWIP (<i>i.e.</i> , capital work-in-progress)?	37
3.2-2 If any PPE item has been obtained free of cost as a Government grant, in para 3(i) applicable to it ?	37
3.3 "Proper Records" [Para 3(i)(a)(A)]	37
3.3-1 Para 3(i)(a)(A) of the Order does not require the auditor to comment on records maintained for intangible assets	38
3.3-2 What is meant by 'proper records' ?	38
3.3-3 Electronic PPE register - Whether proper records for the purposes of Para 3(i)(a)(A) of the Order	40
3.3-4 How to enter quantitative details in PPE records	41
3.3-5 How to enter location/situation of PPE items in PPE records	41
3.3-6 Is it necessary to enter the relevant particulars as per Income-tax Act, 1961 in the PPE register?	42
3.4 Physical verification of PPE items [Para 3(i)(b)]	42
3.4-1 Physical verification of PPE items is management's responsibility, not auditor's responsibility	42
3.4-2 Auditor's duties as regards physical verification of PPE conducted by the management - Whether he should attend the physical verification?	43
3.4-3 What is meant by 'reasonable intervals'?	45
3.5 Material discrepancies	45
3.5-1 When can discrepancy be regarded as 'material'?	46
3.6 Revaluation of PPE by the company [Para 3(i)(d)]	47
3.6-1 Auditor's comment required only if company has revalued its PPE or intangible assets or both during the year	47
3.6-2 If no revaluation during the year, no need to state that there has been no revaluation of PPE or intangible assets or both	47
3.6-3 What is meant by revaluation?	47
3.6-4 Registered Valuer	48
3.6-5 Net carrying value	51
3.6-6 Revaluation is optional but if done it must comply with accounting standards	51

	PAGE
3.6-7 Para 3(i)(d) is neither exhaustive of auditor's duties nor exhaustive of management's duties as regards revaluation	51
3.7 Auditor's duty under section 143(3)(i) - Existence, adequacy and operating effectiveness of internal financial controls	58
3.8 Auditor's duty under section 143(3)(f) - Adverse effect on the functioning of the company	59
3.9 Auditor's duty under section 143(3)(h) - Any qualification, reservation or adverse remark relating to accounts	59

4

INTANGIBLE ASSETS

4.1 Intangible assets	61
4.1-1 Asset	62
4.1-2 Monetary Assets	62
4.1-3 Non-monetary assets	62
4.2 Reporting requirements of CARO, 2020 as regards intangible assets	62
4.3 Proper records of intangible assets	62
4.3-1 Full particulars of intangible assets	64
4.3-2 Electronic intangible assets register - Whether proper records for the purposes of Para 3(i)(a)(B) of the Order	65
4.3-3 Is it necessary to enter the relevant particulars as per Income-tax Act, 1961 in the PPE register ?	67
4.4 Revaluation of intangible assets by the company [Para 3(i)(d)]	67
4.4-1 Auditor's comment required only if company has revalued its PPE or intangible assets or both during the year	67
4.4-2 If no revaluation during the year, no need to state that there has been no revaluation of PPE or intangible assets or both	68
4.4-3 What is meant by revaluation?	68
4.4-4 Registered Valuer	68
4.4-5 Net carrying value	68
4.4-6 Revaluation is optional but if done it must comply with accounting standards	69

	PAGE
4.4-7 Para 3(i)(d) is neither exhaustive of auditor's duties nor exhaustive of management's duties as regards revaluation	69
4.5 Auditor's duty under section 143(3)(i) - Existence, adequacy and operating effectiveness of internal financial controls	72
4.6 Auditor's duty under section 143(3)(f) - Adverse effect on the functioning of the company	73
4.7 Auditor's duty under section 143(3)(h) - Any qualification, reservation or adverse remark relating to accounts	73

5

TITLE DEEDS OF ALL IMMOVABLE PROPERTIES DISCLOSED IN ACCOUNTS

5.1 Objectives of the Reporting requirement	76
5.2 Reporting Requirements of CARO, 2020 as regards title Deeds of Immovable Properties not in Company's name	77
5.3 Whether Reporting Requirement Applies only to immovable Properties Included in Accounts as PPE	78
5.4 Immovable property	78
5.5 Title Deeds	78
5.6 Auditor's duty under section 143(3)(i) of the Act - Existence, adequacy and operating effectiveness of internal financial controls	79

6

PROCEEDINGS PENDING AGAINST THE COMPANY FOR HOLDING BENAMI PROPERTY

6.1 Reporting Requirements as regards proceedings initiated/ pending against the Co. for holding <i>benami</i> property	81
6.2 Any <i>Benami</i> Property	81
6.2-1 Definition of "Property" [Section 2(26) of the PBPT Act]	81
6.2-2 Meaning of the word "any" in the expression "any property"	82
6.2-3 The definition of " <i>benami</i> transaction"	83
6.2-4 Whether the term " <i>benami</i> property" covers only immovable property?	85

	PAGE
6.3 Any proceeding initiated/pending against the Co. for holding <i>benami</i> property	86
6.4 Auditor's duty under section 143(3)(h) - Any qualification, Reservation or adverse remark relating to accounts	86

7

INVENTORY

7.1 Reporting requirements of CARO, 2020 as regards inventory	89
7.1-1 Whether assets given under finance lease by lessor-company will be covered under para 3(i) (PPE) or under para 3(ii)(a) (inventory)?	90
7.1-2 Whether assets given under operating lease and assets taken under finance lease will be covered under para 3(i) (PPE) or under para 3(ii)(a) (inventory)?	90
7.2 Meaning of inventory	90
7.2-1 Can it be said that para 3(ii)(a) will not apply to inventories of construction companies since these are immovable (e.g., flats) and hence do not require physical verification?	91
7.3 Physical verification by Management	91
7.3-1 What about inventories held with third parties (e.g., consignees, customers on sale or return basis, bounded warehouses)? Is auditor to insist that management physically verify these also?	91
7.3-2 Auditor's responsibilities with reference to physical stock-taking conducted by management	92
7.4 Reasonable Intervals [para 3(ii)(a)]	93
7.5 Auditor's opinion on the appropriateness of the coverage & procedure of verification	94
7.5-1 Where due to the nature of the production process/ industry, physical verification of WIP is impracticable	95
7.6 Any discrepancies of 10% or more in the aggregate for each class of inventory noticed on physical verification	95
7.6-1 Discrepancy	95
7.6-2 Each class of inventory	96
7.6-3 Determination of discrepancies in the aggregate for each class of inventory and reporting thereon if it is 10% or more in the aggregate for that class	96

	PAGE
7.7 Auditor's duty under section 143(3)(i) - Existence, adequacy and operating effectiveness of internal financial controls	98
7.8 Auditor's duty under section 143(3)(f) - Adverse effect on the functioning of the company	99
7.9 Auditor's duty under section 143(3)(h) - Any qualification, reservation or adverse remark relating to accounts	99

8

QUARTERLY STATEMENTS SUBMITTED TO BANKS/ FIs BY COMPANIES ENJOYING SANCTIONED WORKING CAPITAL LIMITS

8.1 Reporting requirements of CARO, 2020 as regards quarterly statements submitted to banks/FIs by companies enjoying working capital limits	101
8.2 "During any point of time of the year"	101
8.3 Auditor's duties where reporting requirement is triggered	102
8.4 Auditor's duty u/s 143(3)(f) - Observations on financial transactions/matters that have any adverse effect on the functioning of the company	102

9

LOANS OR ADVANCES IN THE NATURE OF LOANS OR GUARANTEES OR SECURITY PROVIDED TO, OR INVESTMENTS MADE IN, OTHER ENTITIES

9.1 Reporting Requirements of CARO, 2020 as regards loans or advances in the nature of loans or guarantees or security provided or investments made	110
9.2 Loans, Guarantees or securities provided by Co. Whose principal business is not making loans	111
9.2-1 Subsidiary	112
9.2-2 "Associate Company" [Section 2(6)]	117
9.3 Loans	118
9.4 Advances in the nature of loans	118
9.4-1 Sale and Repurchase	119

	PAGE
9.5 Whether terms & conditions of loans or advances in the nature of loans are not prejudicial to company	119
9.6 Guarantee	119
9.7 Prejudiciality of guarantee or security provided	120
9.8 Prejudiciality of investments made	121
9.9 Whether repayment schedule stipulated	121
9.10 Regularity of repayments or receipts	122
9.11 “Overdue”	122
9.12 Reasonable steps for recovery	123
9.12-1 Will taking post-dated cheques from the defaulting party amount to ‘reasonable steps for recovery’?	125
9.12-2 If the post-dated cheques taken are honoured before the date of issue of audit report, can the auditor regard the taking of post-dated cheques as ‘reasonable steps’ for recovery?	125
9.13 Evergreening of loans that have fallen due during the year	125
9.14 Co. has granted loans repayable on demand or without specifying terms of repayment	125
9.14-1 “Related Party” [Section 2(76)]	126
9.14-2 Promoter [Section 2(69)]	127
9.15 Auditor’s duty under section 143(3)(f) - Observations on financial transactions which have any adverse effect on the functioning of the company	129

10

REPORTING ON COMPLIANCE WITH SECTIONS 185 AND 186 AS REGARDS LOANS, INVESTMENTS, GUARANTEES AND SECURITIES

10.1 Reporting Requirements under CARO, 2020 in respect of compliance with sections 185 and 186	130
10.2 Interpretation of requirements	131
10.2-1 Transactions exempted from section 185/186 and not required to be reported upon by auditor under Para 3(iv)	131
10.3 Ban on loan to director or to any other person in whom director is interested [Section 185]	132

	PAGE
10.3-1 Any other person in whom he is interested	133
10.3-2 Exception to the prohibition on loans/guarantees/ security	133
10.3-3 Definition of 'loan'	134
10.3-4 Distinction between 'salary advance' and 'loan'	135
10.3-5 Financial accommodation not amounting to loan	136
10.3-6 Indirect loan	137
10.3-7 Letter of comfort - Whether guarantee	137
10.4 Loan and investment by company [Section 186]	138
10.5 Making inter-corporate investments through investment companies [Section 186(1)]	138
10.5-1 Investment company	139
10.6 Restrictions on loans/investments transactions [Section 186(2)/ (3)/(5)]	139
10.6-1 Whether scope of section 186 not limited to inter- corporate transactions?	140
10.6-2 definition of "loan"	141
10.6-3 Distinction between loans and deposits	142
10.6-4 "Directly or Indirectly"	143
10.6-5 Whether section 186 applies to section 8 companies limited by guarantee and having no share capital	143
10.6-6 Whether section 186 is applicable to a company which is a subscriber to memorandum of association	143
10.6-7 Whether provisions of section 186 applicable to investments in the shares of a new company	144
10.6-8 Whether partners' capital contribution in LLP is hit by section 186	144
10.6-9 Whether loan to LLP hit by section 186?	144
10.7 Disclosure of loans in financial statements [Section 186(4)]	144
10.8 Benchmark lending rate for loans made by company [Section 186(7)]	144
10.9 Companies defaulting on repayment of deposits barred from making loans, investments or giving guarantee/security [Section 186(8)]	145
10.10 Register of loans, investments etc. [Section 186(9)/(10)]	145

	PAGE
10.11 Restrictions on acceptance of inter-corporate deposits [Section 186(6)]	146
10.12 Exemption from section 186 [Section 186(11)]	146
10.12-1 Infrastructure facilities	147
10.13 Power of Central Government to make Rules [Section 186(12)]	149
10.14 Audit procedures	149
10.14-1 Audit procedures for verifying compliance with section 185	149
10.14-2 Audit procedures for verifying compliance with the provisions of section 186	150

11

ACCEPTANCE OF PUBLIC DEPOSITS AND DEEMED DEPOSITS

11.1 Requirements of para 3(v)	156
11.2 Interpretation of the requirements	156
11.2-1 Acceptance of deposits	156
11.2-2 Deemed Deposits	162
11.2-3 Compliance with RBI Directives/section 73/section 76/ Rules	162
11.2-4 Compliance with Order of CLB/NCLT/any Court/other Tribunal	170
11.3 Audit Procedures - Auditor's Checklist	171
11.4 Documentation - Working papers to be retained	173
11.5 Sample Drafts of Comments under Para 3(v)	173

12

MAINTENANCE OF COST RECORDS

12.1 Requirements of para 3(vi)	175
12.2 Interpretation of requirements	176
12.2-1 If records not written up or incomplete	176
12.3 Companies or classes of Companies obligated to maintain cost records as per prescribed Rules (Rule 3)	176

	PAGE
12.3-1 Maintenance of records	180
12.4 Whether Para 3(vi) would apply to companies for which cost audit has been ordered under section 148?	181
12.5 Whether statutory auditor needs to conduct a detailed audit of cost records for the purposes of reporting under Para 3(vi) of CARO, 2020?	181
12.6 Audit Procedures - Auditor's Checklist	181
12.7 Documentation Audit - Working Papers to be retained	182
12.8 Sample Drafts of Comments under Para 3(vi)	182
12.9 Corporate practices (Extracts from the Annual Reports of Companies)	182

13

PAYMENT/NON-PAYMENT OF STATUTORY DUES

13.1 Requirements of Para 3(vii)	186
13.2 Interpretation of requirements	187
13.2-1 Regularity in deposit of undisputed statutory dues [para 3(vii)(a)]	188
13.2-2 Undisputed statutory dues	191
13.2-3 Reporting the extent of arrears [para 3(vii)(a)]	192
13.2-4 "From the date they become payable"	192
13.2-5 Subsequent clearance	192
13.2-6 Statement of arrears of statutory dues outstanding for more than six months	192
13.2-7 Reporting of amount of disputed dues not deposited [para 3(vii)(b)]	193
13.2-8 Tabular format for reporting disputed statutory dues	196
13.2-9 Requirements of section 143(3)(j) and Rule 11(a)	197
13.3 Audit procedures - Auditor's checklist	197
13.4 Documentation - Working papers to be retained	198
13.5 Sample drafts of comments under para 3(vii)	198
13.6 Corporate practices (extracts from Annual Reports of Companies)	198
13.7 Auditor's duty under section 143(3)(f) - Adverse effect on the functioning of the company	199

14**TRANSACTIONS NOT RECORDED IN THE BOOKS
AND SURRENDERED OR DISCLOSED AS
INCOME IN TAX ASSESSMENT**

14.1	Reporting requirements of CARO, 2020 as regards transactions not recorded in books and surrendered or disclosed in income-tax assessment	201
14.2	Whether surrenders or disclosures of unrecorded transactions in schemes like IDS, 2016 attracts reporting	201
14.3	Properly recorded in books of account	201

15**COMPANY DEFAULTS IN REPAYMENT OF LOANS/
OTHER BORROWINGS/IN PAYMENT OF INTEREST
TO ANY LENDER**

15.1	Interpretation of requirements	204
15.1-1	“Borrowings”, “loans”, “dues”	204
15.1-2	Banks	204
15.1-3	Financial Institution	204
15.1-4	Government	204
15.1-5	‘Default’	204
15.1-6	Reporting on defaults	205
15.2	Whether company has been declared a wilful defaulter	206
15.3	Auditor’s duties as regards reporting on status of declaration of company as a wilful defaulter	208
15.4	Defaults and declaration as wilful defaulter to be factored in while reporting on going concern status under para 3(xix) of the order	208
15.5	Auditor’s duty under section 143(3)(f) - Adverse effect on the functioning of the company	209
Annex 15.1	Master Circular DBR.No. CID.BC.22/20.16.003/2015-16, dated 1-7-2015	210

16**END USE OF TERM LOANS**

16.1	Term loans	226
-------------	------------	-----

	PAGE
16.2 Interpretation of requirements of para 3(ix)(a)	226
16.3 Temporary investment of term loan funds pending end-use	227
16.3-1 What if at the balance sheet date, some part of the term loan funds are temporarily invested pending utilisation for sanctioned purpose?	227
16.4 Audit procedures as regards utilization of term loans	227
16.5 Auditor's duty under section 143(3)(f) - Adverse effect on the functioning of the company	228

17

'ASSET-LIABILITY MATURITY MISMATCH' - USE OF SHORT-TERM FUNDS FOR LONG-TERM PURPOSES

17.1 Comparison of reporting requirements with corresponding requirements in CARO, 2016	229
17.2 Requirements of para 3(ix)(d)	229
17.3 Long-term applications/sources of funds	229
17.4 Short-term sources of funds	230
17.5 Short-term application of funds	230
17.6 Comparison of long-term sources and long-term application	230
17.7 Company's system of funds deployment	231
17.8 Nature of application of funds	231
17.9 Audit Procedures - Auditor's Checklist	232
17.10 Documentation - Working papers to be retained	233
17.11 Sample drafts of comments under para 3(ix)(d)	233

18

FUNDS TAKEN FROM OTHER ENTITIES BY COMPANY TO MEET OBLIGATIONS OF SUBSIDIARIES, ASSOCIATES OR JVs

18.1 "Whether the company has taken any funds from any entity or person"	235
---	-----

19**WHETHER COMPANY HAS RAISED LOAN ON
PLEDGE OF SECURITIES IN SUBSIDIARIES,
ASSOCIATES OR JVs**

19.1	Reporting as regards loans taken by pledge of securities held in its subsidiaries/JVs/associate companies	237
-------------	---	-----

20**END USE OF MONEYS RAISED BY WAY OF IPO/FPO**

20.1	Reporting requirement triggered only if IPO/FPO takes place during the year	239
20.2	Interpretation of requirements	239
20.3	Initial Public Offer (IPO)	240
20.4	Further Public Offer	240
20.5	Temporary investment of moneys raised by IPO/FPO pending end use	240
20.6	Audit Procedures - Auditor's Checklist	241
20.7	Documentation - Working papers to be retained	242
20.8	Sample drafts of comments under para 3(x)(a)	242
20.9	Corporate Practices (Extracts from the Annual Reports of Companies)	242
20.10	Auditor's duty under section 143(3)(f) - Adverse effect on the functioning of the company	242

21**PRIVATE PLACEMENT/PREFERENTIAL
ALLOTMENT OF SHARES/FCDs/PCDs/OCDs**

21.1	Requirements of para 3(x)(b) of CARO, 2020	244
21.2	Interpretation of requirements of para 3(x)(b)	244
21.3	Requirements of section 42 regarding private placement	246
21.3-1	Extant provisions	246
21.3-2	Committee's Recommendations	246
21.3-3	New substituted provisions on private placement	247

	PAGE
21.4 Preferential allotment of shares	253
21.5 Audit Procedures	257
21.6 Reporting of non-compliances - Format for reporting	258

22

FRAUDS NOTICED/REPORTED

22.1 Reporting requirements as regards frauds noticed/reported	260
22.2 Para 3(xi) of CARO, 2020 <i>vis-a-vis</i> section 143(12)	260
22.2-1 Frauds in the company by its officers or employees	262
22.2-2 Requirements of Rule 13 of the Companies (Audit and Auditors) Rules, 2014	263
22.2-3 ICAI's Clarifications as regards auditor's duty under section 143(12) read with rule 13	264
22.2-4 Difference between the requirement of CARO and section 143(12)	265
22.2-5 Requirements under section 143(12) and under CARO, 2020 are not substitutes of one another	266
22.3 Concept of fraud	266
22.4 "Noticed or reported"	269
22.5 CARO, 2020 deals with fraud reporting and not fraud detection	270
22.6 Whether report under form ADT-4 filed by auditors	270
22.7 Whistleblower complaints	270
22.8 Audit Procedures - Auditor's Checklist	272
22.9 Auditor's duty under section 143(3)(f) - Adverse effect on the functioning of the company	272
22.10 Auditor's duty under section 143(3)(h) - Any qualification, reservation or adverse remark relating to accounts	273

23

REPORTING OF COMPLIANCES BY NIDHI COMPANIES

23.1 Reporting requirements as regards Nidhi companies	275
23.2 Definition of Nidhi company	276

	PAGE
23.3 Net owned funds to deposit liability ratio of 1:20	276
23.3.1 Definition of 'Net Owned Funds'	276
23.4 Unencumbered term deposits	278
23.5 Documentation - Audit working papers to be retained	278
23.6 Auditor's certificate as to compliance with Nidhi Rules, 2016	278
23.7 Audit procedures	278
23.7-1 Distinction between reporting under Para 3(xii) of CARO, 2020 and certification under Rule 22	278

24

RELATED PARTY TRANSACTIONS

24.1 Requirements of para 3(xiii)	281
24.2 Definition of 'related party'	281
24.3 Requirements of section 188 as regards approvals for related party transactions	282
24.4 Requirement of Audit Committee's approval under section 177	285
24.5 Audit Procedures and Reporting	287

25

INTERNAL AUDIT

25.1 Reporting requirements of CARO, 2020 as regards internal audit system	291
25.2 Companies for which having an internal auditor is mandatory u/s 138 of the Act	291
25.3 For which companies reporting requirement regarding internal audit system is applicable	292
25.4 If company is legally obligated to have an internal auditor u/s 138 but does not have an internal auditor	292
25.5 Evaluation of adequacy of internal audit system with reference to size and nature of its business	292
25.6 Consideration of reports of the internal auditors for the period under audit	293

26**NON-CASH TRANSACTIONS INVOLVING
DIRECTORS OR CONNECTED PERSONS**

26.1	Requirements of para 3(xv)	297
26.2	Interpretation of requirements of para 3(xv)	298
26.2-1	Non-cash transaction	298
26.2-2	Whether auditor to report on non-cash transactions entered into during preceding financial years?	298
26.3	Requirements of section 192 of the Companies Act, 2013	299
26.3-1	“Person connected with him”	299
26.3-2	Valuation of assets by registered valuer	300
26.4	Audit procedures/checklist	300
26.5	Is auditor required to make any adverse comment if there is adverse variance between deal price and registered valuer’s valuation?	300
26.6	Suggested paragraph on reporting non-compliance with section 192	300

27**REGISTRATION OF NBFCs U/S 45-IA OF RBI ACT, 1934**

27.1	Requirements of para 3(xvi)	302
27.2	Interpretation of requirements of para 3(xvi)(a)	303
27.3	Non-Banking Financial Company	303
27.3-1	‘Financial Institution’	304
27.4	NBFCs exempted by RBI from registration under Chapter III-B (i.e. under section 45-IA)	305
27.5	Core Investment Company (CIC)	308
27.5-1	“Systemically important Core Investment Company (CIC-ND-SI)”	309
27.6	Registration of CICs	309
27.7	Unregistered CIC or CIC exempt from registration	309
27.8	Group	310

28**WHETHER COMPANY HAS INCURRED CASH LOSS**

28.1	Reporting requirement of CARO, 2020 as regards cash losses	<i>311</i>
28.2	Reporting requirement applies even during gestation period	<i>312</i>
28.3	'Cash Loss'	<i>312</i>

29**RESIGNATION OF STATUTORY AUDITORS**

29.1	Reporting requirements of CARO, 2020 with regard to resignation of auditor	<i>315</i>
29.2	What constitutes 'resignation' ?	<i>315</i>
29.3	Duties of auditor who resigns	<i>315</i>
29.4	Duties of incoming statutory auditor when predecessor auditor has resigned	<i>316</i>
29.5	Consideration of the issues, objections or concerns raised by the outgoing auditors	<i>316</i>

30**MATERIAL GOING CONCERN UNCERTAINTY**

30.1	Reporting requirements of CARO, 2020 with respect to material going concern uncertainty	<i>318</i>
30.2	Auditor to state his opinion on going concern status in audit report of every company to which CARO, 2020 applies	<i>319</i>
30.3	Opinion of no material uncertainty in para 3(xix) is not a guarantee as to going concern status of Co.	<i>319</i>
30.4	Auditor's duties if material uncertainty exists	<i>319</i>
30.5	Standard of auditing SA 570 going concern	<i>320</i>

31

TRANSFER OF UNSPENT CSR FUNDS

31.1	Reporting requirements of CARO, 2020 as regards unspent CSR funds applicable only to companies covered by section 135	328
31.2	Reporting on compliance with the second proviso to section 135(5) - Para 3(xx)(a)	328
31.3	Reporting on compliance with section 135(6) as regards transfer of unspent CSR amount relating to ongoing projects - Para 3(xx)(b)	329
31.4	No requirement under CARO to report on utilisation of amount transferred to special bank account within 3 financial years	329

32

**QUALIFIED/ADVERSE REMARKS IN CARO REPORTS
OF COMPANIES INCLUDED IN CONSOLIDATED
FINANCIAL STATEMENTS**

32.1	Reporting requirements of CARO, 2020 as regards qualified/adverse remarks in CARO reports of companies included in consolidated financial statements	331
32.2	This is the only CARO requirement applicable to audit reports of consolidated financial statements	331
32.3	Clause applicable to audit report on consolidated financial statements only	331

33

**REASONS TO BE STATED BY AUDITOR FOR QUALIFIED
OR ADVERSE REMARKS IN CARO REPORT**

33.1	Reasons to be stated for unfavourable or qualified answers [Para 4(1) of CARO, 2020]	332
33.2	Where auditor is unable to express opinion on any matter, that fact and the reasons are also to be stated [Para 4(2) of CARO, 2020]	332

APPENDICES

◆ COMPANIES (AUDITOR'S REPORT) ORDER, 2020	335
◆ COMPANIES (AUDITOR'S REPORT) ORDER, 2016	342
◆ COMPANIES (AUDITOR'S REPORT) ORDER, 2015	346
◆ COMPANIES (AUDITOR'S REPORT) ORDER, 2003	349
◆ RELEVANT PROVISION OF COMPANIES ACT, 2013	355