

**CHECK-LIST ON COMPANIES AUDITOR'S REPORT ORDER, 2016
(CARO)**

Client / Unit	Completed by	Detailed review by
Year end	Date	Date

This Order 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 (Private Limited Company whose paid up Share Capital less than Rs. 50 Lacs or Turnover not exceeding of Rs. 2 Crores) ; and
- (v) a private limited company, not being a subsidiary or holding of a public company, having a paid up capital and reserves and surplus **not more than rupees one crore as at 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 defined in Scheduled III to the Companies Act, 2013 (including revenue from discontinuing operations) **exceeding rupees ten crore** during the financial year as per the financial statements.

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 examined by him to which this Order applies for the financial year commencing on or after 1st April, 2015, shall contain the matters specified in paragraphs 3 and 4.

However, this order would not apply to Auditor's Report on Consolidated Financial Statements.

CHECKLIST FOR COMPLIANCE OF CARO,2016

SR NO	PARTICULARS	Yes/No.	Remarks
1.	(a) Whether the company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets		
	<p>For this purpose, please indicate whether the records gives/contains the following:</p> <ul style="list-style-type: none"> ➤ Opening balance ➤ Proper description of the assets to enable specific identification ➤ Proper classification of each assets ➤ Details regarding additions made during the year ➤ Date of addition ➤ Cost of acquisition ➤ Any adjustment to cost – i.e. exchange fluctuation or revaluation ➤ Date of Revaluation ➤ Depreciation rates ➤ Depreciation for the period ➤ Cumulative depreciation ➤ Locational description ➤ Full quantitative details of each item of Fixed Assets (Identification with technical assistance) ➤ Book value on closing date ➤ In case of disposal, details thereof ➤ Closing balance ➤ Whether the fixed assets register is updated yearwise ➤ Whether fixed assets as per register agrees with balances in the Financial Statement. If not, details of the same to be mentioned. 		
	Whether records contain particulars in respect of Items of Fixed assets that have been fully impaired during the period covered by the audit report.		
	Whether records of fixed assets are maintained electronically, and if so they have to be maintained in a manner that they can be retrieved in a legible form.		
	<p>Quantitative details in respect of fixed assets may be maintained on the following lines :</p> <ul style="list-style-type: none"> (i) Land may be identified by survey numbers and by deeds of conveyance. (ii) Leaseholds can be identified by individual leases. (iii) Development of property (iv) Patents, Trade Marks and Designs 		
	(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 within the books of account.		
	(i) Physical verification programme should be obtained from the management		

		(ii)	Have the Fixed Assets been physically verified during the year? If so, at what intervals are the Fixed Assets verified?			
		(iii)	Whether documentation for such physical verification are available?			
		(iv)	If so, are these signed by the persons responsible for verification?			
		(v)	Whether the documentation reflects that the verification was comprehensive and not arbitrary?			
		(vi)	Have the discrepancies been noticed during such physical verification?			
		(vii)	If Yes, are the discrepancies material?			
		(viii)	Have the discrepancies been properly dealt within the books of account? If not give details.			
		(ix)	Are there any assets lying with third parties?			
		(x)	If so, have confirmations been obtained in respect of such assets lying with third parties?			
		(xi)	How is control exercised in respect of Fixed Assets lying at various project sites?			
		(xii)	Are inter-site asset movements monitored and properly accounted for?			
		(xiii)	Whether management representation is obtained confirming that : Fixed assets are physically verified by the company in accordance with the policy of the company and the periodicity of the physical verification of fixed Assets,			
		(xiv)	If possible the auditor, in order to substantiate the fact that the physical verification is carried out in accordance with the procedure explained by the management, attends the physical verification.			
	(c)		Whether title deeds of immovable properties are held in the name of the company. If not, provide details thereof.			
			Obtain list of immovable properties. Confirm the same with books of account.			
			Check agreement and other relevant documentation like 7/12, Property card, Share Certificates etc. to confirm all properties are in the name of the Company.			
			If not, provide list of the same in CARO report.			
2.	(a)		Whether physical verification of inventory has been conducted at reasonable intervals by the management and whether any material discrepancies were noticed and if so, how they have been dealt with in the books of account.			
		(i)	Verify the written instructions for physical verification given by the management to the concerned staff.			
		(ii)	Verify the physical inventory sheets duly authenticated by the field and concerned staff.			

		(iii)	Verify the summary sheets/consolidation sheets duly authenticated by the responsible officials, like in the case of depots of the company, the sheets can be signed by the zonal heads, mentioning all depots under his charge.			
		(iv)	Examine internal memos etc. regarding the various issues at the time of verification.			
		(v)	Examine any other relevant documents evidencing physical verification of inventory.			
		(A)	Review original physical verification sheets and trace selected items into the final inventories.			
		(B)	Compare final inventories with stock records and other evidences.			
		(vi)	If the Company is adopting continuous stock taking methods, please ascertain whether the management:-			
			➤ Maintains adequate stock records that are kept upto date (for this the previous years cost audit report may be considered and the list of records maintained can be taken and verified.);			
			➤ Has established adequate procedures for physical verification of inventories (for this the working papers of the procedures adopted should also be scrutinized); and			
		(vii)	Investigating and correcting all material differences between book records and physical counts.			
		(viii)	Determine whether the procedures for identifying damaged and obsolete items of inventory are in place and proper.			
			➤ Is there written policy			
			➤ Policy has been followed i.e. amount has been provided for/written off.			
		(ix)	Whether the management has instituted adequate cut-off procedures.			
		(xiii)	Examine whether material discrepancies that have been noticed on verification of inventories when compared with book records, has been properly dealt with in the books of account.			
3.			Whether the company has granted any loans, secured or unsecured to companies, firms, LLP's 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;			

	(i)	<p>Obtain a list of companies, firms, LLP's or other parties covered in the register maintained under Section 189 of the Companies Act, 2013 from the management. The parties covered under Section 189 would be as defined under Section 184 which is as under :</p> <p>Every director of a Company who is in any way, whether directly or indirectly, concerned or interested in a contract or arrangement or proposed contract or arrangement entered into or to be entered into:</p> <p>(a) With a body corporate in which such director or such director in association with any other director, holds more than two percent shareholding of that body corporate, or is a promoter, manager, Chief Executive Officer of that body corporate; or</p> <p>(b) With a firm or other entity in which, such director is a partner, owner or member, as the case may be.</p>			
	(ii)	Verify whether the company has granted any loans, secured or unsecured to parties covered in the register maintained under Section 189 of the Companies Act, 2013.			
	(iii)	Have you gone through the details of advances to ascertain whether any advance can be considered to be in the nature of a loan, e.g. where the likely recovery is expected to take a very long time, or where the services received are much less in comparison to the amount advanced or where abnormal/long advances outstanding against purchases? All kind of abnormal advances will be considered as loan.			
	(iv)	Examine all loans (secured or unsecured) granted by the company to identify loans granted to parties covered in the register maintained under Section 189 of the Companies Act, 2013			
	(v)	Have you also taken into consideration the loan transactions that have been squared up during the year. Such transaction should also be reported under this clause.			
	(vi)	Have you checked /obtained the terms and condition of the loans granted i.e. rate of interest, security, repayment schedule etc.			
	(vii)	Have you ascertained whether terms and conditions of loans granted are not prejudicial to the interest of the Company.			
	(b)	Whether the schedule of repayment of principal and payment of interest has been stipulated and whether the repayments or receipts are regular;			

	(i)	Check whether the schedule of repayment of principal and repayment of interest has been stipulated.			
	(ii)	If loan agreements are not executed, any other equivalent documents may be referred;			
	(iii)	The dates of repayment of principal and receipt of interest need to be verified with reference to agreed schedule in the agreement.			
	(iv)	In case of any irregularity in receipt of principal and/or interest, prepare a detail in following format: Serial number, Name of Party, delay in repayment (in amount), nature of repayment i.e principal or interest , number of days delayed, overdue Principal, Overdue Interest, Year end balance.			
	(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;			
	(i)	Examine and obtain from the management a list of overdue amounts individually for more than ninety days.			
	(i)	Obtain Management Certificate for steps taken by the Company for recovery of receipt of principal/interest.			
	(iii)	Have you been provided adequate documentation to prove that reasonable steps have been taken for the recovery in case where there are defaults in repayment?			
	(iv)	If legal action is initiated – Obtain status of the case			
	(v)	Whether any amount is written off during the year. If yes, obtain list and Board of Directors Resolution.			
4.	In respect of loans, investments and guarantees, whether provisions of Section 185 and 186 of the Companies Act, 2013 have been complied with. If not, provide details thereof.				
	<p>i)Provisions of Section 185 is not applicable to following private Companies :</p> <p>a) A private company in whose share capital , no other body corporate has invested any money and borrowings, if any, of such company from bank or financial institution or other body corporate is less than twice of its paid up share capital or fifty crore whichever is lower, and has not defaulted in repayment of borrowings subsisting at the time of making transaction under this section.</p>				

		<p>b) The provisions of section 186 is not applicable to following companies :</p> <p>i) Banking company or an insurance company or a housing finance company in the ordinary course of its business or a company engaged in the business of financing of companies or of providing infrastructural facilities;</p> <p>ii) Non-banking financial company registered under Chapter IIIB of the Reserve Bank of India Act, 1934 and whose principal business is acquisition of securities in respect of its investment and lending activities;</p> <p>iii) Company whose principal business is the acquisition of securities; shares allotted in pursuance of section 62(1) (a).</p> <p>ii) Obtain List of Directors and List of companies in which the Director is interested.</p> <p>iii) Check if any loan has been advanced (including any loan represented by a Book Debt) directly or indirectly or any guarantee or security is provided by one company to any other person where such Director is interested.</p> <p>iv) If answer to the above question is Yes, the check whether the following compliance under section 185 has been made :</p> <p>a) Whether the said loan was given to a Managing Director or whole time director as a part of the conditions of service extended by the company to all its employees.</p> <p style="text-align: center;">OR</p> <p>b) Whether advancing of such loan is pursuant to any scheme approved by the members by a special resolution.</p> <p style="text-align: center;">OR</p> <p>c) Whether a company which in the ordinary course of its business provides loans or gives guarantees or securities for the due repayment of any loan and in respect of such loans an interest is charged at a rate not less than the bank rate declared by the Reserve Bank of India.</p> <p>v) In case of wholly owned subsidiaries, if the said loan (given by their Holding Companies) is utilized in their Principal Business Activities, are exempted from this Section.</p>		
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		Section 186 - Inter-corporate Loans / Security/ Guarantee		
		<p>1. Check whether the Company has given loan to any party, given guarantee on behalf of any party or made any investment in securities of other Company.</p> <p>2. Check whether Prior Shareholders approval by special resolution is obtained if the limit exceeds 60% of paid up share capital and free reserves + Security Premium account or 100% of free reserves + Security Premium account.</p> <p>3. Need to ensure that first time investment in any company is within limit or is made only after shareholders approval.</p> <p>4. Whether rate of interest is equal to or more than the yield on Government Securities.</p> <p>5. Whether Register in form MPB 2 is maintained for giving loan, guarantee and providing securities.</p> <p>6. Whether In the Financial Statements full particulars of the loans given, investment made or guarantee given or security provided and the purpose for which the loan or guarantee or security is proposed to be utilised by the recipient of the loan or guarantee or security.</p> <p>EXEMPTIONS</p> <p>1. It is hereby clarified that in cases where the effective yield (effective rate of return) on tax free bonds is greater than the prevailing yield of one year, three year, five year or ten year Government Security closest to the tenor of the loan, there is no violation of sub-section (7) of section 186 of the Companies Act, 2013.</p> <p>2. The shareholders approval (as per Point 3 above) is not required in case of :</p> <p>(i) loan or guarantee or security provided to / on behalf of wholly owned subsidiary company or joint venture companies (ii) acquisition of securities of wholly owned subsidiary companies.</p>		

5.	In case the company has accepted deposits from the public, whether the directives issued by the RBI and the provisions of Section 73-76 or any other relevant provision of the Act and the rules framed there under, where applicable, have been complied with. If not, the nature of the contravention should 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 .		
	(i) In particular, check		
	➤ Whether proper fixed deposit register has been maintained?		
	➤ Whether the balances tally with the trial balance?		
	➤ Whether return of fixed deposit has been filed in time (30 th August)?		
	➤ Whether deposits have been repaid in time?		
	➤ Whether required liquid assets have been maintained?		
	(ii) Examine the system by which deposits are accepted and records are maintained and make reasonable test check to ensure the system is operating (Board of Director, Advertising, Limits, Bank Reconciliation Statement, Filing with Registrar of Company).		
	(iii) Ensure by reasonable test checking that the Company has not accepted deposits during the year in excess of limits.		
	(iv) Examine corespondence and documents filed with the Registrar of Companies to ascertain whether there is any contravention or whether CLB has passed an order.		
	(v) Examine records in connection with the deposits regarding matters that the CLB has dealt with.		
	(vi) <ul style="list-style-type: none"> ➤ the nature of deposits which may be accepted and the terms thereof; ➤ the limits up to which the deposits can be accepted; ➤ furnishing of receipts to depositors 		
	The clause, in addition to requiring the auditors to report on compliance with the requirements of section 73 and the directives of the Reserve Bank of India for acceptance of public deposits, also requires the auditor to: <ul style="list-style-type: none"> (i) report on compliance with the provisions of section 76 of the Act; and (ii) report on compliance with the order, if any, passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal 		
	If the company has not complied with the order, the same is to be reported stating therein the nature of contravention and the fact that the company has not complied with the order issued by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.		

6.		Where maintenance of Cost Records has been Specified by the Central Government under sub –section (1) of section 148 of the Act, whether such accounts and records have been made and maintained.		
	(i)	➤ Examine whether maintenance of cost records has been prescribed by the Central Government for the products manufactured by the Company.		
		➤ If answer of a(i) is No, obtain Management Certificate, and whether the same is verified with the Act (Cost Audit Rules) for this purpose.		
	(ii)	Have you reviewed whether the prescribed accounts and records have been made and maintained?		
	(iii)	Whether Cost Audit is applicable to the Company. If yes, have you seen the Cost Audit Report of previous year?		
	(v)	If answer of (iv) is yes, whether any adverse observation is there. Also, obtain a copy of cost audit report.		
	(v)	Whether Audit Committee Minutes has been verified?		
	(vi)	The auditor should obtain a written representation from the management stating (a) whether cost records are required to be maintained for any product(s) of the company under section 148 whether cost accounts and records are being made and maintained regularly.		
7.	(a)	Is the company regular in depositing undisputed statutory dues including provident fund, employee state insurance, income tax, sales tax, Service Tax, duty of customs, duty of excise, value added tax, cess and any other statutory dues with the appropriate authorities and if not, the extent of the arrears of the outstanding statutory dues as at the last day of the financial year concerned for a period of more than six months from the date they become payable, shall be indicated by the auditor.		
		(Note: An Auditor is not expert of above stated laws hence to obtain a certificate from the management about compliance of laws and if not, reasons with outstanding amount) Whether a list of statutory dues which company is required to deposit regularly has been obtained.		
	(i)	Is the Company regular in depositing statutory dues listed above with the appropriate authorities during the year?		
	(ii)	Where there are no arrears on the Balance Sheet date but the Company has been irregular during the year in depositing statutory dues, extent of arrears during the year should be stated.		
	(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)	Whether the information about arrears of outstanding statutory dues is provided in the format: <ul style="list-style-type: none"> • Name of the Statute • Nature of the dues • Amount (Rs.) • Due date • Date of Payment 		
	(vi)	Where there are arrears of statutory dues, the extent of the arrears, the period (arrears above six months) to which the arrears relate and the fact of subsequent clearance or otherwise should be indicated.		
	(vii)	Have you gone through the list of current liabilities and other credit balances to ascertain any such amounts that are due?		
	(viii)	Have you gone through the relevant assessment records to ascertain whether these dues are disputed or undisputed?		
	(ix)	Obtain a written representation with reference to the date of the balance sheet from the management:		
		1. Specifying the cases and the amounts considered disputed;		
		2. 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 become payable.		
		3. Containing a statement as to the completeness of the information provided by the management.		
	(b)	In case 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).		
	(i)	Obtain a written representation with reference to the date of the balance sheet from the management.		
	(ii)	In case dues of Sales Tax / Income Tax / Service Tax / Customs duty / Excise Duty / VAT have not been deposited on account of any dispute, then the amounts involved and the forum where dispute is pending is to be mentioned. The following format is recommended:-		
		➤ Name of the Statute		
		➤ Nature of Dues		
		➤ Amount (Rs.)		
		➤ Forum where dispute is pending.		
		Please note that mere representation to the concerned department does not constitute dispute.		
	(iii)	Specifying the cases and the amounts considered disputed;		

	(iv)	Obtain certificate from independent experts handling the disputes of various statutory dues respectively. Review internal audit report, minutes of the meeting of the board of directors and audit committee to ascertain whether any disputed matter is pending.		
8.	Whether the company has defaulted in repayment of loans & borrowings to a financial institution, bank, government or debenture holders? If yes, the period and amount of default to be reported (in case of banks and financial institutions, lender wise details to be provided)			
	(i)	Obtain a schedule of repayments to banks, financial institutions, Government and debenture holdes from the management of the Company. The schedule should indicate the amount and timing of the payments that the Company is required to make to them. Further confirmation from all the banks/FI/ Goverment / debenture trust should be taken.		
	(ii)	Examine the agreement, terms and conditions of the loans and borrowings of the Company from them. Also examine the debeture trust deed.		
	(iii)	If the Company has submitted application for reschedulement/restructuring proposals to the lenders examine and report the period of default and amount of default.		
	(iv)	In case of disputes between the Company and the lender, a disclaimer should be given stating that since there is a dispute between the Company and the lender, we are unable to determine whether there is default in repayment of dues to the lender concerned.		
	(v)	Review of Minutes of Board of Directors Meeting and obtain Certificate from the Company.		
	(vi)	Report on repayment of loans and borrowings in default.		
	(vii)	The auditor is required to report the period and amount of all defaults during the year, further, in case of banks and financial institution, it should be lender wise.		
9.	Whether moneys raised by way of public issue/ follow-on offer (including debt instruments) and term loans were applied for the purposes for which those are raised. If not, the details together with delays / default and subsequent rectification, if any, as may be applicable, be reported;			
	(i)	Examine whether the Company has taken any 'Term Loans' or raised moneys by way of of Public issue/ follow-on offer (including debt instruments)		

	(ii)	Examine the terms and conditions subject to which the Company has obtained / raised the term loans/ public issues/ follow – on offer. The end use of the funds raised by term loans/ public issues/ follow – on offer is mentioned in the sanction letter / Red Herring Prospectus or documents containing the terms and conditions of the funds.		
	(iii)	Examine the actual utilization of the moneys raised by way of public issue/ follow-on offer (including debt instruments) and term loans and obtain sufficient appropriate audit evidences.		
	(iv)	Compare the purpose for which term loans were sanctioned with the actual utilisation of the loans and obtain sufficient appropriate audit evidence regarding the utilisation of the amounts raised.		
	(v)	Whether term loans / public issue/ follow-on offer (including debt instruments) taken/ issued were not applied for stated purpose during the year for any reason? If yes, mention the facts and amount. Also disclose the fact about utilization of term loan of earlier year in current year.		
	(vi)	Companies, generally, during a construction phase temporarily invest the surplus funds to reduce cost of capital which are subsequently utilized for the stated objectives. In such cases, mention the above fact.		
	(vii)	Fund flow after the loan/ public issue/ follow on offer has been taken has to be considered for ascertaining the utilization of money.		
	(viii)	Where the term loan/ public issue/ follow-on offer (including debt instruments) were disbursed / issued at the fag end of the year. In such a case, the auditor should mention in his audit report that the funds obtained during the year has not been utilised.		
	(ix)	Where the auditor concludes that the moneys raised by way of public issue/ follow-on offer (including debt instruments) and term loans were not applied for the purpose for which the funds were obtained, the details together with delays / default and subsequent rectification, if any, as may be applicable, be reported;		
10.		Whether any fraud by the Company or any fraud on the Company by its officers/ employees has been noticed or reported during the year. If yes, the nature and the amount involved be indicated.		
	(i)	Has SA 240 “The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements” been complied with?		
	(ii)	Have checklist on fraud have been filed in ? Has any adverse remarks observed in checklist.		

(iii)	<p>Examine the following to ascertain whether any fraud has been reported or noticed by the management?</p> <ul style="list-style-type: none"> - The reports of the Internal Audit - The auditor should enquire from the management about any frauds on or by the company that it has noticed or that have been reported to it. - Discuss the matter with other employees of the company. - Examine the minutes of the book of the board meeting, audit committee etc., of the company in this regard. - Check list of legal cases to ascertain any case has been filed for. 		
(iv)	<p>Where any fraud on the company or by the company has been noticed or reported, determine the nature and amount of frauds and disclose the same. Obtain management representation to this effect.</p>		
(v)	<p>Ensure the reporting under this clause (with respect to fraud on the Company by its officers or employees is in line with our report u/s 143(12) and Board reporting if any.</p>		

11.		Whether managerial remuneration has been paid / 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.		
		<p>1. Not applicable to private limited company.</p> <p>NOTE - A Private Limited which is a subsidiary of a public Limited company shall be deemed to be public company .Therefore this section will be applicable to a private limited company which is a subsidiary of public limited company</p> <p>2. Obtain a list of Directors to whom Remuneration is paid.</p> <p>3. Check the minutes of Board of Directors, AGM and Remuneration Committee to confirm the amount to be paid to Director as remuneration.</p> <p>4. In case remuneration is paid to any one MD, WTD or Manager – the same shall not exceed 5% of net profit.</p> <p>5. Whether Total remuneration to directors (including MD, WTD and Manager) is exceeding 11% of net profit (before giving remuneration).</p> <p>6. If the answer to the above question is "Yes", check whether Approval in general meeting along with the permission of Central Government is taken.</p> <p>7. Check that where service rendered by the directors are of professional nature and in the opinion of nomination and remuneration committee, director possess required qualification for the practice of the profession then the same should not be included for percentage calculation.</p> <p>8. In case of listed company, whether disclosure is made in Board report - ratio of the Remuneration of each director to the median employee's remuneration.</p> <p>9. In case of inadequate profits – whether payments are made within the limits of schedule V without taking CG approval.</p> <p>Note : It is clarified that a managerial person may continue to receive remuneration for his remaining term in accordance with terms and conditions approved by company as per relevant provisions of Schedule XIII of earlier Act even if the part of his tenure falls after 1st April, 2014.</p>		

12.	Whether the Nidhi Company has complied with the Net Owned Fund in the ratio of 1: 20 to meet out the liability and whether the Nidhi Company is maintaining 10% liquid assets to meet out the unencumbered liability.		
	<ol style="list-style-type: none"> 1. Whether the Company is Niddhi Company. 2. Whether net owned fund is 1 : 20 of total liabilities. 3. If not, the same should be reported in report. 4. Whether the Company is maintaining 10% of liquid assets to meet out unencumbered liability. 		
13.	Whether all transactions with the related parties are in compliance with Section 188 and 177 of Companies Act, 2013 where applicable and the details have been disclosed in the Financial Statements etc as required by the accounting standards.		
	<ol style="list-style-type: none"> 1. Certain exemptions to the provision of these sections : <ul style="list-style-type: none"> - <u>Section 188</u> - Any Related party transactions entered into by private limited company in respect of holding, subsidiary or an associate company is not applicable .(reference as per notification dated 05.06.2015) - As per Companies Amendment Act 2015 if any transaction is entered into between holding company and wholly owned subsidiaries whose accounts are consolidated with such holding company then requirement for passing the resolution in general meeting is not applicable. - <u>Section 177</u> - Not applicable to Private Limited Company. 2. Obtain the list of related parties from the management. 3. Check whether any of the following kind of transaction entered with the related parties : <ol style="list-style-type: none"> a. sale, purchase or supply of any goods or materials, directly or through appointment of agent, exceeds ten per cent. of the turnover of the company or rupees one hundred crore, whichever is lower. b. selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent, exceeds ten per cent. of net worth of the company or rupees one hundred crore, whichever is lower. c. leasing of property of any kind exceeds ten per cent. of the net worth of company or ten per cent. of turnover of the company or rupees one hundred crore, whichever is lower. d. availing or rendering of any services, directly or through appointment of agent, exceeds ten percent of the turnover of the company or rupees fifty crore, whichever is lower, e. Appointment to any office or place of profit in the company, its subsidiary company or associate company for remuneration exceeds Rs.2.5 Lakhs Per Month. 		

	<p>f. Remuneration for underwriting the subscription of any securities or derivatives thereof of the company exceeds 1% of Net Worth.</p> <ol style="list-style-type: none"> 1. Have you ascertained whether such transaction are entered into ordinary course of the business of the Company and at arm's length basis. 2. If transaction are not in ordinary course of the business or not at arm's length. 3. Check whether all the transactions are disclosed in the Financial Statements. 4. Check whether all the transaction has been disclosed in the Board Report to be shareholders. 5. Have you gone through the minutes of Board of Directors, Audit Committee and AGM / EGM to see the approval of such transactions 		

14.	Whether the company has made any preferential allotment / 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 and the amount raised have been used for the purposes for which the funds were raised. If not, provide details in respect of the amount involved and nature of non-compliance:		
	<ol style="list-style-type: none"> 1. Whether the Company has made any preferential allotment / private placement of shares or fully or partly convertible debentures during the year. 2. If yes, whether following compliances have been made : <ul style="list-style-type: none"> - Whether Prior approval of Members has been obtained by way of Special Resolution for issue of securities on private placement basis. - Whether Detailed Offer Document has been made in prescribed format. - Whether Minimum investment size, per person, per issue, has been fixed at Rs.20,000. - Check that in case of a private company, the offer should not be made to more than 200 persons in financial year. Provided that any offer to Qualified Institutions, or employees under Stock options shall not be considered for calculating limit of 200 persons. - Whether Separate bank account is opened with Scheduled Bank for each issue and money is utilized only after allotment of securities. - Check that the securities to be allotted within 60 days from date of receipt of money, else the company has to refund the same within 15 days, or else pay interest @ 12% p.a. after expiry of said period. - Check whether Offer document, Return of allotment, details of prospective investors as required have been filed with ROC. - Whether the Company has obtained valuation report from Registered Valuer or Chartered Accountant in Practice for 10 years or SEBI Registered Merchant Banker for issuing the shares on premium. - Check that Shares are not issued at discount. 3. Check whether the fund have been utilised for the purpose for which the fund rasied. 4. If the same are not utilised for the purpose then report the same. 		
15.	Whether the company has entered into any non-cash transactions with directors or persons connected with him and if so, whether provisions of Section 192 of Companies Act, 2013 have been complied with.		

	<ol style="list-style-type: none"> 1. Obtain a list of directors of the Company, its holding Company, Subsidiary Company or associate Company and person connected with such directors. 2. Check whether any assets acquired by such persons from the Company. 3. If yes, check whether any of such transactions are non-cash. 4. If yes, check minutes of AGM / EGM to confirm whether approval of shareholders have been obtained for such transactions. 5. If such person director of the Holding Company or connect to such director, whether holding company has approval from its shareholders. 6. Check whether notice for approval of the resolution by the Company or holding Company includes particulars of the arrangement along with the value of the assets involved. 7. If any of compliances stated above has not been complied, the same to be reported. 		
16.	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.		
	<ol style="list-style-type: none"> 1. Check whether the Company is engaged in any of the following business : <ol style="list-style-type: none"> a) Loans and advances b) Acquisition of shares/stocks/bonds/debentures etc issued by Government or local Authority or other marketable securities of like nature. c) Leasing d) Hire purchase e) Insurance business f) Chit fund 2. Check whether its financial assets constitute more than 50% of the total Assets and Income from financial assets constitute more than 50% of the Gross Income. 3. If (1) and (2) are positive, Check whether the company has obtained registration from RBI. 4. If the Company has not obtained the registration, the same should be reported. 		

REASONS TO BE STATED FOR UNFAVOURABLE 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.