

Reporting of Statutory dues under CARO - Significant observations by FRRB

The Financial Reporting Review Board (**FRRB**) of the ICAI conducts reviews of financial statements and audit reports of various enterprises to determine whether the compliance with the Generally Accepted Accounting Principles (GAAP), auditors reporting obligations, disclosure requirements of applicable rules and regulations relevant to the reporting enterprise has been done or not.

While reviewing the Companies (Auditor's Report) Order, 2016, the Board has noted non-compliance w.r.t. **clause 3(vii)** of CARO in reporting of statutory dues and extended its observations and views on the matter of reporting. It is recommended that the Auditors while reporting under CARO 2020 should consider the following points. Some of the observations along with the reporting done by the auditors' on para 3(vii) of CARO 2016 have been discussed below:

7. Reporting of Statutory Dues

*"(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)"*

Matter contained in the Auditor's Report	Observations of the Board
<p>Para (vii) (a): According to the information and explanations given to us the company is generally regular in depositing undisputed statutory dues with appropriate authorities and there were no arrears as at 31st March, 20XX for the period more than six months from the date they became payable</p>	<p>The auditor has merely mentioned 'statutory dues' and has not specified in his comments the dues in respect of provident fund, employees' state insurance, income- tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess etc. as required in aforesaid paragraph of CARO, 2016</p>
<p>Para (vii) (a): Undisputed statutory dues including provident fund employee' state insurance, income tax, sales tax, service tax, duty of custom, duty of excise, value added tax, cess and other material statutory dues, as applicable, have not been regularly deposited with the appropriate authorities and there have been significant delays in large number of cases. Further, no undisputed amounts payable in respect thereof were outstanding at the year-end</p>	<p>Auditor has not reported for regularity in depositing of Goods and Services Tax (GST).</p>

<p>for a period of more than six months from the date they become payable</p>	
<p>Para (vii) (a): The company is regular in depositing with appropriate authorities undisputed statutory dues including investor education protection fund, income tax, sales tax, wealth tax, service tax & custom duty and other material statutory dues applicable to it. According to the information and explanations given to us , no undisputed amounts payable in respect of provident fund, income tax, sales tax, wealth tax, custom duty, VAT, Cess and other material statutory dues were in arrears as at 31st March 20XX for a period of more than six months from the date they became payable.</p>	<p>Board noted the auditor did not report whether the company is regular in depositing dues of provident fund, employee state insurance, duties of excise, value added tax and cess. Further reporting included investor education and protection fund and wealth tax which was not in line with the requirements given under paragraph 3 (vii) (a) CARO 2016.</p> <p>Accordingly, the view of the board is that the auditor has not appropriately reported on para 3 (vii) (a) of CARO, 2016.</p>
<p>Para (vii) (a): According to the information and explanation given to us and records of the company examined by us, in our opinion, the Company is generally regular in depositing undisputed statutory dues including Provident Fund, employee's state insurance fund, wealth tax, custom duty, excise duty, cess and any other statutory dues with the appropriate authorities. There are no undisputed statutory dues payable for a period of more than six month from the date they become payable as at the year end.</p>	<p>Board is of the view that the auditor did not comment with respect to sales tax, service tax and value added tax while reporting in pursuance to the above stated requirement of CARO, 2016.</p> <p>The requirements of CARO, 2016 have not been complied with.</p>
<p>Para (vii) (a): The Company is generally regular in depositing undisputed statutory dues, including Provident fund, Employees' State Insurance, Income-tax, Sales Tax, Service Tax, Customs Duty, Value Added Tax, Cess, and other material statutory dues applicable to it to the appropriate authorities except GST</p>	<p>Auditor's comment under para (vii) (a) of CARO, 2016 is not complete as he has not commented on other part relating to the extent of the arrears of statutory dues (GST) outstanding as on the last day of the financial year for a period of more than six months from the date, they became payable.</p>

<p>Para (vii) (b): According to the Information and Explanations given to us, there are no dues of Sales Tax, Service Tax/GST and Value added tax which have not been deposited with the appropriate authorities on account of any dispute except for the dues of Income Tax. As informed to us, the Company does not have any dues on account of duty of Customs and duty of Excise.</p>	<p>Board observed that no further details were reported by the auditor on income tax related disputes as per the above stated requirements of CARO 2016.</p> <p>The requirements of CARO, 2016 have not been complied.</p>
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Paragraph 42 (j) of Guidance Note on the Companies (Auditor's Report) Order, 2016: *"It may be noted that penalty and/or interest levied under the respective laws would be covered within the term—amounts payable"*

Matter contained in the Auditor's Report and Financial Statements	Observations of the Board
<p>The Contingent Liabilities included a disputed income tax demand which remained the same for the last three years and same amount was reported by the auditor while reporting under paragraph 3(vii) (a) of CARO, 2016</p>	<p>Auditor while reporting under paragraph 3(vii) (a) of CARO, 2016 ignored the interest component on disputed income tax demand. However penalty and/or interest levied under the respective laws gets covered within the term "amounts payable".</p> <p>Guidance Note on CARO 2016 have not been complied with.</p>

Reference:

This document is prepared in with the help of "*Study on compliance of financial Reporting requirements (Ind AS Framework) - Volume II*", issued by Financial Reporting Review Board of the ICAI.

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