

CARO 2020 – An Overview





Overview of CARO 2020

- The Ministry of Corporate Affairs (**MCA**) issued Companies (Auditor's Report) Order, 2020 (**CARO 2020**) applicable for each report issued by auditors of specified class of companies under section 143 of the Companies Act, 2013 **for financial year commencing on or after 1st April 2021.**
- No Change in Applicability requirements as compared to CARO 2016 other than requirements of reporting on **Consolidating financial statements (CFS).**
- **CARO 2020** includes several new clauses and has revised certain existing clauses of **CARO 2016.** The new CARO has increased the reporting requirements for auditors and greater onus on companies to share information.



EXEMPTIONS

Companies exempted under CARO 2020

The Order provides that it shall not apply to:

- **Banking company** as defined in clause (c) of section 5 of the Banking Regulation Act, 1949;
- **Insurance company** as defined under the Insurance Act, 1938;
- Companies licensed to operate under section 8 of the Act;
- **One person company** as defined under section 2 (62) of the Act
- **Small company** as defined under section 2 (85) of the Act; and
- **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 one crore rupees as on the balance sheet date; and
 - which does not have total borrowings exceeding one crore rupees 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 Act, (including revenue from discontinuing operations) exceeding ten crores rupees during the financial year as per the financial statements.



CARO Reporting Requirements

- I. Maintaining records of Property, Plant, Equipment and intangible assets - ***amended***
- II. Physical Verification of Inventories - ***amended***
- III. Repayment of investments, guarantee, security and loans granted by the Company
amended
- IV. Compliance of Section 185 & 186
- V. Acceptance of deposits - ***amended***
- VI. Cost Records
- VII. Statutory dues
- VIII. Disclosure of transactions not recorded in the books***
- IX. Default in repayment of loans or other borrowings - ***amended***
- X. Moneys raised by IPO, FPO & preferential allotment / private placement of shares or convertible debentures - ***amended***

- XI. Fraud reporting - *amended*
- XII. Compliances by Nidhi Company - *amended*
- XIII. Transactions with the related parties (section 177 and 188)
- XIV. Internal Audit System**
- XV. Non-cash transactions with directors
- XVI. Registration with Reserve Bank of India - amended
- XVII. Cash losses**
- XVIII. Resignation of the statutory auditors during the year**
- XIX. Capability of company of meeting its liabilities existing at the date of balance sheet**
- XX. Transfer of amount remaining unspent under sub-section (5) of section 135 to Fund specified in Schedule VII**
- XXI. Consolidated Financial Statements**

CARO 2020	CARO 2016
<p>(a) (A) whether the company is maintaining proper records showing full particulars, including quantitative details and situation of Property, Plant and Equipment;</p> <p>(B) whether the company is maintaining proper records showing full particulars of intangible assets;</p>	<p>(a) whether the company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets;</p>
<p>(b) whether these Property, Plant and Equipment 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;</p>	<p>(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.</p>

CARO 2020	CARO 2016
<p>(c) whether the title deeds of all the immovable properties (other than properties where the company is the lessee and the lease agreements are duly executed in favour of the lessee) disclosed in the financial statements are held in the name of the company, if not, provide the details thereof in the prescribed format which includes:</p> <ul style="list-style-type: none">• Description of property• Gross carrying value• Held in name of• Whether promoter, director or their relative or employee• Period held – indicate range, where appropriate• Reason for not being held in name of company (also indicate if in dispute)	No Such Clause
<p>(d) whether the company has revalued its Property, Plant and Equipment (including Right of Use assets) or intangible assets or both during the year and, if so, whether the revaluation is based on the valuation by a Registered Valuer; specify the amount of change, if change is 10% or more in the aggregate of the net carrying value of each class of Property, Plant and Equipment or intangible assets;</p>	No Such Clause

CARO 2020	CARO 2016
(e) whether any proceedings have been initiated or are pending against the company for holding any benami property under the Benami Transactions (Prohibition) Act, 1988 (45 of 1988) and rules made thereunder, if so, whether the company has appropriately disclosed the details in its financial statements	No Such Clause

CARO 2020	CARO 2016
<p>a) whether physical verification of inventory has been conducted at reasonable intervals by the management and whether, in the opinion of the auditor, the coverage and procedure of such verification by the management is appropriate; whether any discrepancies of 10% or more in the aggregate for each class of inventory were noticed and if so, whether they have been properly dealt with in the books of account;</p>	<p>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, whether they have been properly dealt with in the books of account.</p>
<p>a) whether during any point of time of the year, the company has been sanctioned working capital limits in excess of five crore rupees, in aggregate, from banks or financial institutions on the basis of security of current assets; whether the quarterly returns or statements filed by the company with such banks or financial institutions are in agreement with the books of account of the company, if not, give details;</p>	<p>No Such Clause</p>

CARO 2020	CARO 2016
<p>whether during the year the company has made investments in, provided any guarantee or security or granted any loans or advances in the nature of loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or any other parties, if so,-</p> <p>(a) whether during the year the company has provided loans or provided advances in the nature of loans, or stood guarantee, or provided security to any other entity [<i>not applicable to companies whose principal business is to give loans</i>], if so, indicate -</p> <p>(A) the aggregate amount during the year, and balance outstanding at the balance sheet date with respect to such loans or advances and guarantees or security to subsidiaries, joint ventures and associates;</p> <p>(B) the aggregate amount during the year, and balance outstanding at the balance sheet date with respect to such loans or advances and guarantees or security to parties other than subsidiaries, joint ventures and associates;</p>	<p>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,</p> <p>(a) whether the terms and conditions of the grant of such loans are not prejudicial to the company's interest;</p> <p>(b) whether the schedule of repayment of principal and payment of interest has been stipulated and whether the repayments or receipts are regular;</p>

CARO 2020	CARO 2016
<p>(b) whether the investments made, guarantees provided, security given and the terms and conditions of the grant of all loans and advances in the nature of loans and guarantees provided are not prejudicial to the company's interest;</p> <p>(c) in respect of loans and advances in the nature of loans, whether the schedule of repayment of principal and payment of interest has been stipulated and whether the repayments or receipts are regular;</p> <p>(d) 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</p>	<p>(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;</p>

CARO 2020	CARO 2016
<p>(e) whether any loan or advance in the nature of loan granted which has fallen due during the year, has been renewed or extended or fresh loans granted to settle the overdues of existing loans given to the same parties, if so, specify the aggregate amount of such dues renewed or extended or settled by fresh loans and the percentage of the aggregate to the total loans or advances in the nature of loans granted during the year [not applicable to companies whose principal business is to give loans];</p> <p>(f) whether the company has granted any loans or advances in the nature of loans either repayable on demand or without specifying any terms or period of repayment, if so, specify the aggregate amount, percentage thereof to the total loans granted, aggregate amount of loans granted to Promoters, related parties as defined in clause (76) of section 2 of the Companies Act, 2013;</p>	----

CARO 2020	CARO 2016
in respect of loans, investments, guarantees, and security, whether provisions of sections 185 and 186 of the Companies Act have been complied with, if not, provide the details thereof;	Same Provision

CARO 2020	CARO 2016
<p>in respect of deposits accepted by the company or amounts which are deemed to be 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 and the rules made thereunder, 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;</p>	<p>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 thereunder, 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?</p>

CARO 2020	CARO 2016
Where maintenance of cost records has been specified by central Government under sub-section (I) of section 148 of the Companies Act, whether such accounts and records have been made and maintained.	Same Provision

CARO 2020	CARO 2016
<p>(a) whether the company is regular in depositing undisputed statutory dues including Goods and Services Tax, 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;</p> <p>(b) where statutory dues referred to in sub-clause (a) 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);</p>	<p>(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;</p> <p>(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).</p>

DISCLOSURE OF TRANSACTIONS NOT RECORDED IN THE BOOKS

CARO 2020	CARO 2016
whether any transactions not recorded in the books of account have been <u>surrendered</u> or <u>disclosed</u> as income during the year in the tax assessments under the Income Tax Act, 1961 (43 of 1961), if so, whether the previously unrecorded income has been properly recorded in the books of account during the year;	NO SUCH PROVISION

DEFAULT IN REPAYMENT OF LOANS OR OTHER BORROWINGS

CARO 2020	CARO 2016
<p>a) whether the company has defaulted in repayment of loans or other borrowings or in the payment of interest thereon to any lender, if yes, the period and the amount of default to be reported as per the prescribed format which includes:</p> <ul style="list-style-type: none"> • Nature of borrowing, including debt securities • Name of lender (lender wise details to be provided in case of defaults to) • Amount not paid on due date • Whether principal or interest • No. of days delay or unpaid • Remarks, if any <p>a) whether the company is a declared wilful defaulter by any bank or financial institution or other lender;</p>	<p>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).</p>

DEFAULT IN REPAYMENT OF LOANS OR OTHER BORROWINGS

CARO 2020	CARO 2016
<p>(c) whether term loans were applied for the purpose for which the loans were obtained; if not, the amount of loan so diverted and the purpose for which it is used may be reported;</p>	----
<p>(d) whether funds raised on short term basis have been utilised for long term purposes, if yes, the nature and amount to be indicated;</p>	
<p>(e) whether the company has taken any funds from any entity or person on account of or to meet the obligations of its subsidiaries, associates or joint ventures, if so, details thereof with nature of such transactions and the amount in each case;</p>	
<p>(f) whether the company has raised loans during the year on the pledge of securities held in its subsidiaries, joint ventures or associate companies, if so, give details thereof and also report if the company has defaulted in repayment of such loans raised</p>	

Moneys raised by IPO, FPO & preferential allotment/ private placement of shares or convertible debentures

CARO 2020	CARO 2016
<p>(a) whether moneys raised by way of initial public offer or further public offer (including debt instruments) during the year 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;</p>	<p>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;</p>
<p>(b) whether the company has made any preferential allotment or private placement of shares or convertible debentures (fully, partially or optionally convertible) during the year and if so, whether the requirements of section 42 and section 62 of the Companies Act, 2013 have been complied with and the funds raised have been used for the purposes for which the funds were raised, if not, provide details in respect of amount involved and nature of non-compliance;</p>	<p>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;</p>

CARO 2020	CARO 2016
<p>(a) whether any fraud by the company or any fraud on the company has been noticed or reported during the year, if yes, the nature and the amount involved is to be indicated;</p> <p>(b) whether any report under sub-section (12) of section 143 of the Companies Act has been filed by the auditors in Form ADT-4 as prescribed under rule 13 of Companies (Audit and Auditors) Rules, 2014 with the Central Government;</p> <p>(c) whether the auditor has considered whistle-blower complaints, if any, received during the year by the company;</p>	<p>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;</p>

CARO 2020	CARO 2016
<p>(a) whether the Nidhi Company has complied with the Net Owned Funds to Deposits in the ratio of 1: 20 to meet out the liability;</p> <p>(b) whether the Nidhi Company is maintaining 10% unencumbered term deposits as specified in the Nidhi Rules, 2014 to meet out the liability;</p> <p>(c) whether there has been any default in payment of interest on deposits or repayment thereof for any period and if so, the details thereof;</p>	<ul style="list-style-type: none">• 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;

CARO 2020	CARO 2016
whether all transactions with the related parties are in compliance with sections 177 and 188 of Companies Act where applicable and the details have been disclosed in the financial statements, etc., as required by the applicable accounting standards;	• SAME PROVISION

CARO 2020	CARO 2016
<p>(a) whether the company has an internal audit system commensurate with the size and nature of its business;</p> <p>(b) whether the reports of the Internal Auditors for the period under audit were considered by the statutory auditor;</p>	<ul style="list-style-type: none">• NO SUCH PROVISION

NON-CASH TRANSACTIONS WITH DIRECTORS

CARO 2020	CARO 2016
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 have been complied with;	• SAME PROVISION

CARO 2020	CARO 2016
<p>(a) whether the company is required to be registered under section 45-IA of the Reserve Bank of India Act, 1934 (2 of 1934) and if so, whether the registration has been obtained;</p> <p>(b) whether the company has conducted any Non-Banking Financial or Housing Finance activities without a valid Certificate of Registration (CoR) from the Reserve Bank of India as per the Reserve Bank of India Act, 1934;</p> <p>(c) whether the company is a Core Investment Company (CIC) as defined in the regulations made by the Reserve Bank of India, if so, whether it continues to fulfil the criteria of a CIC, and in case the company is an exempted or unregistered CIC, whether it continues to fulfil such criteria;</p> <p>(d) whether the Group has more than one CIC as part of the Group, if yes, indicate the number of CICs which are part of the Group;</p>	<p>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;</p>

CASH LOSSES

CARO 2020	CARO 2016
<p>(a) whether the company has incurred cash losses in the financial year and in the immediately preceding financial year, if so, state the amount of cash losses;</p>	<p>NO SUCH PROVISION</p>



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Google Map Link: <https://goo.gl/maps/GFZFYEZTGo22>