

vPlus.

CARO 2020 and CARO 2016

A Comparison



CARO 2020: An Introduction

The MCA has issued the Companies (Auditor's Report) Order, 2020 (CARO 2020), on 25th of February 2020. This order has been issued in supersession of the Companies (Auditor's Report) Order, 2016, and is applicable for reporting on financial statements of companies whose financial year commences on or after 1 April 2019. There has been no change in the applicability of CARO 2020 as compared to CARO 2016. New Clause has been introduced in CARO 2020 that will be applicable to the auditor's report on consolidated financial statements. The total number of clauses in the new CARO is 21. CARO 2020 has enhanced the auditor's reporting requirements in certain areas, such as Investments, Guarantee and loans, NFC Compliance, Fraud reporting. Certain areas which were there in CARO 2003 has been re-introduce in the CAR 2020.

Applicability on Audit of Standalone Financial Statement

CARO, 2020 is applicable to every company including a foreign company, except–

- (i) a banking companies
- (ii) an insurance companies
- (iii) Sec 8 company
- (iv) OPC and small company
- (v) a private limited company,
 - a. not being a subsidiary or holding company of a public company and
 - b. paid up capital and reserves less than one crore and
 - c. borrowings less than one crore from any bank or financial institution and
 - d. total revenue less than ten crore.

Applicability on Audit of Consolidated Financial Statement

Clause No 3(xxi) has been introduce that will require the auditor of Consolidated Financial Statement (CFS) to report the qualification under CARO reported by the auditor of standalone financial statement included in CFS.

Comparison

Clause	CARO 2020	CARO 2016	vPlus. Analysis											
Fixed Assets Property, Plant and Equipment and Intangible Assets	(a) (A) whether the company is maintaining proper records showing full particulars, including quantitative details and situation of Property, Plant and Equipment; (B) whether the company is maintaining proper records showing full particulars of intangible assets;	(a) whether the company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets;	a) Terminology has been changed to incorporate the changed made in AS 10											
	(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;	(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;	b) There is no change in sub-clause (b)											
	(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 format below: -	(c) whether the title deeds of immovable properties are held in the name of the company. If not, provide the details thereof;	c) There is no major change in the sub-clause (c). However, some clarification has been provided in respect of leased property and reporting format.											
	<table border="1"> <thead> <tr> <th>Description of property</th> <th>Gross carrying value</th> <th>Held in name of</th> <th>Whether promoter, director or their relative or employee</th> <th>Period held – indicate range, where appropriate</th> <th>Reason for not being held in name of company*</th> </tr> </thead> <tbody> <tr> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> </tr> </tbody> </table>	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*							
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*									
(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;			d) New Sub-clause has been added to report the revaluation of assets. Now Auditor have to comment on revaluation of assets and specify the amount of change in value of PPE in its report.											

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	(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;		e) New Sub-clause has been added to report the any proceeding under Benami Act. An Auditor need to report such cases in its report but to comment on whether it is properly reported in Financial Statement or not.
Inventory	<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>b) 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>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>-</p>	<p>a) The sub-clause has been more rationalised. Now reporting of discrepancies has been restricted to those cases where it is more than 10% of value class of inventory.</p> <p>b) New sub-clause has been added to report whether stock statement submitted to bank against the working capital limit are in agreement with the books. This will help bankers to curb mis-deceleration by bankers. An additional reporting liability on auditor.</p>
Investments made, guarantee/Security given or loans or advance provided	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, -	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,	Applicability of Clause has been extended to investments made, guarantee or security granted apart from loan granted. Reference to register maintained u/s 189 has been removed in case of "other party". Now this clause is applicable to loans/ investments or guarantee of all cases.

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	<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 [not applicable to companies whose principal business is to give loans], 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>a) New Sub-clause added to report the aggregate amount of the year and amount outstanding as on date of balance sheet of such loans or advances and guarantees or security to subsidiaries, JV, associates and to others;</p> <p>No format has been provided to report such amount further no clarification has been provided whether amounts need to report in aggregate of party-wise.</p>
	<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>a. whether the terms and conditions of the grant of such loans are not prejudicial to the company's interest;</p>	<p>b) Sub-clause has been amended to include the investments made, guarantees provided, security given</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>b. whether the schedule of repayment of principal and payment of interest has been stipulated and whether the repayments or receipts are regular;</p>	<p>c) There is no change in this sub-clause. Auditor needs to comment and repayment of loan and interest thereon.</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>a. 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>d) There is no change in this clause, auditor needs to comment on the reasonableness of step taken by company on the recovery of overdue amount</p>
	<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</p>		<p>e) New sub-clause has been added to report restructuring or settlement made</p>

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	<p>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>		<p>against the loans during the year. Following details needs to report</p> <p>a) aggregate amount</p> <p>b) % of aggregate to the total loans granted during the year</p> <p>f) New sub-clause has been added to report those loans which are repayable on demand or where no repayment schedule has been provided in the agreement. Following details needs to report</p> <p>a) aggregate amount</p> <p>b) % of aggregate to the total loans granted</p> <p>c) Amount of loan granted to related party.</p>
Compliance of Sec 185 & 186	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;	in respect of loans, investments, guarantees, and security whether provisions of section 185 and 186 of the Companies Act, 2013 have been complied with. If not, provide the details thereof.	There is no change in this clause. An auditor has report whether sec 185 & 186 has been complied with w.r.t. loans, investments, guarantees, and security covered in above clause.
Deposits	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;	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?	There is no change in this clause. An auditor has report however it has been more rationalised to include the deemed deposits.

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cost records	whether maintenance of cost records has been specified by the Central Government under sub-section (1) of section 148 of the Companies Act and whether such accounts and records have been so made and maintained;	whether maintenance of cost records has been specified by the Central Government under sub-section (1) of section 148 of the Companies Act, 2013 and whether such accounts and records have been so made and maintained	There is no change in this clause												
Payment of Statutory Dues	<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>	<p>a) Sub-clause has been modified to include the GST payment.</p> <p>b) Sub-clause (b) has updated to include all statutory dues. Earlier its covered only income tax, sales tax, service tax VAT, customs and excise</p>												
Income Surrendered in Income Tax Assessment	whether any transactions not recorded in the books of account have been surrendered or disclosed 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 clause.	New Clause has been added to comment on the treatment of income so surrendered under income tax assessment in the books of accounts.												
Default in servicing of loans/borrowings	<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 format below: -</p> <table border="1" data-bbox="353 1193 1084 1350"> <thead> <tr> <th>Nature of borrowing, including debt securities</th> <th>Name of lender</th> <th>Amount not paid on due date</th> <th>Whether principal or interest</th> <th>No. of days delay or unpaid</th> <th>Remarks, if any</th> </tr> </thead> <tbody> <tr> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> </tr> </tbody> </table>	Nature of borrowing, including debt securities	Name of lender	Amount not paid on due date	Whether principal or interest	No. of days delay or unpaid	Remarks, if any							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>Keeping in the view of high number of bank defaults by corporates this clause has been totally redrafted.</p> <p>a) This sub-clause is updated to include a format to report the default in debt servicing.</p>
Nature of borrowing, including debt securities	Name of lender	Amount not paid on due date	Whether principal or interest	No. of days delay or unpaid	Remarks, if any										

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	b) whether the company is a declared wilful defaulter by any bank or financial institution or other lender		b) New sub-clause to report whether company has been reported as wilful defaulter by any bank or FIs.
	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;		c) New sub-clause has been added to comment on the end use of fund
	d) whether funds raised on short term basis have been utilised for long term purposes, if yes, the nature and amount to be indicated;		d) New sub-clause has been added to comment whether short term fund has been used for long term fund
	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;		e) New sub-clause has been added to report the cases where loan amount has been used to meet the obligation of related party.
	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;		f) New sub-clause has been added to report the cases where loan has been obtained by way of security of investment in subsidiaries, JV and associate company
Amount raised via issuance of shares/debt	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;	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;	a) This Sub-clause is similar to the earlier clause.

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	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	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;	b) Clause (xiv) of CARO 2016 has been merged with this clause, auditor is required to report the compliance of sec 42 & 62 in case of preferential allotment or private placement.
Reporting of Fraud	<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>	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>a) applicability has been extended as word “officers or employees” has been removed.</p> <p>b) New Clause has been added to comment on reporting of fraud in form ADT-4 with CG.</p> <p>c) New Clause has been added to comment on auditor’s action on whistle-blower complaints received by the company.</p>
Managerial Remuneration		Whether managerial remuneration has been paid or provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act? If not, state the amount involved and steps taken by the company for securing refund of the same;	Clause has been deleted
Nidhi Company	<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 ten per cent. 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>	<p>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</p> <p>whether the Nidhi Company is maintaining ten per cent unencumbered term deposits as specified in the Nidhi Rules, 2014 to meet out the liability;</p>	<p>a) There is no change is this clause.</p> <p>b) There is no change this clause.</p> <p>c) New clause has been added to report the default on interest payment and principal repayment.</p>
Related Parties Transaction	whether all transactions with the related parties are in compliance with sections 177 and 188 of Companies Act where applicable and the details	whether all transactions with the related parties are in compliance with sections 177 and 188 of	There is no change in this clause. Auditor is required to

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	have been disclosed in the financial statements, etc., as required by the applicable accounting standards;	Companies Act, 2013 where applicable and the details have been disclosed in the Financial Statements etc., as required by the applicable accounting standards;	comment on compliance of sec 177 and 188 on related party transaction.
Internal Audit System	<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>		<p>a) Auditor's comment on Internal Audit system has been re-introduced.</p> <p>b) New sub-clause has been added to comment on auditor's consideration of internal audit report in its work.</p>
Non-Cash Transaction	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	whether the company has entered into any non-cash transactions with directors or persons connected with him and if so, whether the provisions of section 192 of Companies Act, 2013 have been complied with;	There is no change in this clause.
Registration with RBI as NBFC	<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>(a) New clause has been added to comment on whether company is required to take NBFC registration. If yes, whether registration has been obtained.</p> <p>(b) Auditor is required to comment on whether company has conducted any business of NBFC without registration.</p> <p>(c) Auditor is required to comment whether company is CIC and compliance of regulation by it.</p> <p>(d) Auditor is required to comment total number of CIC in the group in which company is operating.</p>

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Cash Loss	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;	-	Reporting of Cash loss incurred by the company has been re-introduced in the CARO 2020
Resignation of Auditor	whether there has been any resignation of the statutory auditors during the year, if so, whether the auditor has taken into consideration the issues, objections or concerns raised by the outgoing auditors;	-	New Clause has been added to comment on the incoming auditor's action on the issues, objections or concerns raised by the outgoing auditors.
Companies Capabilities to meet its liabilities	on the basis of the financial ratios, ageing and expected dates of realisation of financial assets and payment of financial liabilities, other information accompanying the financial statements, the auditor's knowledge of the Board of Directors and management plans, whether the auditor is of the opinion that no material uncertainty exists as on the date of the audit report that company is capable of meeting its liabilities existing at the date of balance sheet as and when they fall due within a period of one year from the balance sheet date;	-	New Clause has been added to comment on whether company will be able to meet its liabilities in next one year.
CSR Compliances	<p>a) whether, in respect of other than ongoing projects, the company has transferred unspent amount to a Fund specified in Schedule VII to the Companies Act within a period of six months of the expiry of the financial year in compliance with second proviso to sub-section (5) of section 135 of the said Act;</p> <p>b) whether any amount remaining unspent under sub-section (5) of section 135 of the Companies Act, pursuant to any ongoing project, has been transferred to special account in compliance with the provision of subsection (6) of section 135 of the said Act;</p>	-	New Clause has been added to report the compliance of CSR provisions where any amount remains unspent on account of ongoing projects.
Qualification under CARO by any of the group companies' auditor.	whether there have been any qualifications or adverse remarks by the respective auditors in the Companies (Auditor's Report) Order (CARO) reports of the companies included in the consolidated financial statements, if yes, indicate the details of the companies and the paragraph numbers of the CARO report containing the qualifications or adverse remarks.	-	New clause has been added requiring the auditor of CFS to report the qualification under CARO reported by the auditor of standalone financial statement included in CFS.



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