

Key changes in CARO 2020 as compared to CARO 2016

Clause	CARO 2016	CARO 2020
No. of Clauses	16	21
1. Property, Plant and Equipment and Intangible Assets	<ul style="list-style-type: none"> Reporting on all the fixed assets and no specific mention of the intangible assets. No specific details where title deeds of the immovable properties are not in the name of the Company. 	<ul style="list-style-type: none"> Separate Reporting for PPE and Intangible Assets. Specific reporting where title deeds are not in name of the Company except where Company is a Lessee and lease agreement executed in favour of Company. New sub-clause (d) inserted to report on revaluation of PPE or intangible assets – by a Registered Valuer and specify amount, if change is 10% or more of Net carrying value. New sub-clause (e) inserted to report on initiated or pending proceedings under Benami Transactions (Prohibition) Act, 1988 and its appropriate disclosure in the Financial Statements.
2. Inventory	<ul style="list-style-type: none"> Reporting only on physical verification of inventory at reasonable interval by Management and material discrepancies. No reporting on the coverage and procedures of such verification. No reporting on the quarterly returns or statements filed with banks or financial institutions. 	<ul style="list-style-type: none"> Auditor's opinion required on coverage and procedure followed by management for physical verification of inventory. To report if discrepancies of 10% or more noticed and properly dealt in books of accounts. New sub-clause (b) inserted to report whether the quarterly returns or statements filed by the company with banks or financial institutions are in agreement with the books of account if sanctioned working capital limits exceed five crore rupees on the basis of security of Current Assets.
3. Loans, Investments,	<ul style="list-style-type: none"> Auditor to report on the loans granted to parties covered under the Section 189 of the 	<ul style="list-style-type: none"> Coverage of reporting extended to reporting of Loans given to any party as against parties covered under section 189.

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Guarantees, Securities and Advances in nature of Loan	Companies Act, 2013 with respect to terms and conditions, regular repayments as per schedule and amount overdue for more than 90 days.	<ul style="list-style-type: none"> Coverage also extended to include investments, guarantee and security provided. Additional reporting in terms of aggregate amount during the year and balance outstanding as at balance sheet date for related parties and others Sub-clause (b) and (c) to report on adequacy of terms and conditions regarding Investments made, securities given, guarantees provided and advances given in nature of loan. Sub-clause (e) inserted for additional reporting on any loan or advance in the nature of loan renewed or extended or fresh loans granted to settle the overdue of existing loans. Sub-clause (f) inserted for additional reporting on any loan or advance in the nature of loan granted either repayable on demand or without specifying any terms or period of repayment – aggregate amount, %age to the total loans granted, loans granted to Promoters, related parties as per section 2(76) of the Companies Act, 2013.
4. Compliance of Section 185 and 186 of Company Act 2013.	No Changes	
5. Deposits	Reporting of regulatory compliances issued by the RBI and provisions of sections 73 to 76 of the companies Act, 2013 for deposits accepted.	Reporting on amounts, which are deemed to be deposits have been specifically added now.
6. Maintenance of Cost Records	No Changes	

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7. Statutory Dues	Not used the word Goods & Service Tax .	<ul style="list-style-type: none"> • Goods and Service Tax has specifically been included in the list of Statutory dues. • Disputed dues related to all Statutory Dues as per sub-clause (a) to be reported.
8. Unrecorded Income	No such reporting requirement in Caro 2016.	A new clause inserted to report whether any income surrendered or disclosed during the year in the tax assessments , has been properly recorded in the books of accounts.
9. Repayment and usage of Borrowings	<ul style="list-style-type: none"> • Reporting required only for default in repayment of loans or borrowing to a financial institution, bank, Government or dues to debenture holders. • Period of default and lender wise amount of default to be reported. • Usage of term loans for the purpose for which they are raised (separately covered in clause (ix) of Caro 2016) 	<ul style="list-style-type: none"> • Default of Interest payment is also to be reported • Default in repayment to <u>any lender</u> (not only financial institution, bank, Government and Debenture holders) • Sub-clause (b) inserted to report whether the company is a declared wilful defaulter by any lender • Sub-clause (c) and (d) inserted to report on usage of borrowed funds as per the purpose of loan and usage of long term & short term funds • Sub-clause (e) inserted to report on funds borrowed to meet the obligations of its subsidiaries, associates or joint ventures. • Sub-clause (f) inserted to report on funds borrowed on the pledge of securities held in its subsidiaries, associates or joint ventures
10. Use of money raised through issue of shares	In case of preferential allotment or private placement of shares or convertible debentures, auditor needs to report on compliance u/s 42 of Companies Act.	In case of preferential allotment or private placement of shares or convertible debentures, auditor is also required to verify and report compliance of Section 62 in addition to compliance u/s 42 of Companies Act.

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11. Fraud	<ul style="list-style-type: none"> Reporting of all the frauds by/ on the company by its officers or employees. Nature and amount involved to be indicated 	<ul style="list-style-type: none"> Reporting of all the frauds on the company is required (whether or not its employees or officers do it). New sub-clause (b) inserted to report any reporting made by auditor to central government u/s 143(12) in ADT 4. New sub-clause (c) inserted to report whether the whistleblower complaints received by the Company have been considered.
12. Nidhi Company	No reporting earlier was required on default in repayment of deposits and interest thereon by Nidhi Company.	A new sub-clause (c) has been inserted which requires reporting on default in repayment of deposits and interest thereon by Nidhi Company.
13. Related Party Transactions	No Changes	
14. Internal Audit	No reporting on Internal Audit System.	Clause 14 inserted to report whether the company has an internal audit system commensurate with the size and nature of its business and whether the reports of the Internal Auditors were considered by the Statutory auditor.
15. Non-cash transactions with Directors	No Changes	
16. Registration u/s 45-IA of RBI Act	Reporting only on registration u/s 45-IA of RBI Act	New sub-clauses (b), (c) and (d) inserted to report whether the NBFC has valid certificate of registration to carry out the activities, validity of Core Investment Company status as per the criteria laid down by RBI and number of CICs in the Group.

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17. Cash Losses	No reporting on cash loss .	New clause 17 inserted to report whether the Company has incurred cash losses in current and previous financial year, and amount of such cash losses.
18. Auditor's Resignation	No such reporting earlier.	New clause 18 inserted to report if there is any resignation of Statutory Auditor during the year and the new auditor has taken into consideration the issues, objections or concerns raised by the outgoing auditors.
19. Financial Position	No reporting on the financial position of the company.	New clause 19 inserted for auditors to report whether they are 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 <u>within a period of one year from the balance sheet date.</u>
20. CSR Compliance	No reporting on CSR Compliances .	New clause 20 inserted to report whether <ul style="list-style-type: none"> • unspent amount in respect of other than ongoing projects, has been transferred to a Fund specified in schedule VII, and • unspent amount in respect of an ongoing projects, has been transferred to special account; as per the provisions of Section 135 of the Companies Act, 2013.
21. Consolidated Financial Statements	No reporting on Consolidated Financial Statements .	New clause 21 inserted which requires auditor to report on qualification or adverse auditor remarks in other group companies being consolidated.

Deleted Clause 11 of CARO 2016: Reporting on Managerial Remuneration

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