

CARO 2020 APPLICABILITY

CARO 2020 has superseded CARO 2016 and is applicable from the FY 2020-21
It is applicable to all companies (including foreign company), except:

1. Banking & Insurance companies;
2. Company registered u/s 8 of the Companies Act, 2013;
3. One Person Company and small company;
4. A Private Ltd. Company:
Not a subsidiary or holding company of a public company;
Paid-up capital + R & S not exceeding Rs. 1 crore as on the balance sheet date;
Borrowings not exceeding Rs. 1 crore from any bank or financial institution at any time during the FY; and
Revenue (including revenue from discontinuing operations) not exceeding Rs. 10 crore in the FY.

Note: CARO 2016 was not applicable to consolidated financial statements. However, CARO 2020 comprises a clause which is now applicable to auditor's report on CFS. According to this clause, where any qualifications or adverse remarks are highlighted by the auditors in their respective standalone companies' CARO reports, then the details of such remarks are to be mentioned by the auditor of the company in his CARO report of CFS.

CARO 2016vs2020 Comparison

CARO 2016

CARO 2020

FIXED ASSETS	PPE and INTANGIBLE ASSETS (Modified)
<p>1. Maintenance of proper records including details of quantity and situation of FA</p> <p>2. Physical verification at regular intervals by the management</p> <p>3. Material discrepancies accounted for in the books of account</p> <p>4. Title deeds of immovable property, if not held in the name of the company</p>	<p>1. Maintenance of proper records including details of quantity and situation of PPE</p> <p>2. Maintenance of proper records of intangibles</p> <p>3. Physical verification at regular intervals by the management</p> <p>4. Material discrepancies accounted for in the books of account</p> <p>5. Title deeds of immovable property, if not held in the name of the company – Format prescribed [Check Note A]</p> <p>6. Revaluation of PPE if done by a Registered Valuer; and if the amount of change is >= 10% of net carrying value</p>
BENAMI TRANSACTIONS	BENAMI TRANSACTIONS (Inserted)
None	Details of any proceedings pending under the Benami Transactions (Prohibition) Act, 1988 against the company; and its appropriate disclosure in FS
Reporting on Working capital	Reporting on Working capital (Inserted)
None	If sanctioned working capital limits in excess of Rs. 5 crore from banks or financial institutions on hypothecation of current assets
None	If quarterly returns filed with banks or financial institutions are in conformity with books
Reporting on Investments, loans and advances given	Reporting on Investments, loans and advances given (Modified)
<p>1. The terms and conditions of loans are not prejudicial to the interests of company</p> <p>2. Whether the repayment is in order</p> <p>3. Loans outstanding for more than 90 days and their recovery position</p> <p>4. Whether Sections 185 and 186 of the Companies Act have been complied with</p>	<p>1. Proper disclosure of investments, granting of guarantee or security, and providing of loans or advances</p> <p>2. Disclosure of aggregate amounts during the year and O/S balances of loans to subsidiaries, joint ventures and associates</p> <p>3. Disclosure of aggregate amounts during the year and O/S balances of loans to parties other than subsidiaries, joint ventures and associates</p> <p>4. The terms and conditions of loans are not prejudicial to the interests of company</p> <p>5. Whether the repayment is in order</p> <p>6. Loans outstanding for more than 90 days and their recovery position</p> <p>7. Whether Sections 185 and 186 of the Companies Act have been complied with</p> <p>8. In case of loans or advances repayable on demand, without any terms or period of payment, specify the amount of such loans given to the promoters & related parties</p> <p>9. In case existing loans falling due during the year have been extended, renewed, replaced with fresh loans, specify the aggregate amount and percentage of such loans</p>
Reporting on deposits	Reporting on deposits (Modified)
<p>1. For deposits accepted by the company, whether RBI's directives and Sections 73 to 76 have been followed</p> <p>2. If an order is passed by the court or any other tribunal like RBI, CLB, NCLT, etc.</p> <p>3. Whether any non-compliance is noticed and specify the nature of contravention</p>	<p>1. For deposits accepted by the company or deemed deposits, whether RBI's directives and Sections 73 to 76 have been followed</p> <p>2. If an order is passed by the court or any other tribunal like RBI, CLB, NCLT, etc.</p> <p>3. Whether any non-compliance is noticed and specify the nature of contravention</p>

Reporting on Transactions not recorded	Reporting on Transactions not recorded
None	1. Are there any transactions not recorded in the books of account but disclosed as income in the income tax proceedings/assessments
None	2. Proper disclosure of such unrecorded transactions has been done or not

Reporting on Defaults in repayment	Reporting on Defaults in repayment
1. The details of period and amount of default in respect of repayment of loans or borrowings to banks, financial institutions, Government or debenture holders	1. The details of period and amount of default in respect of repayment of loans or borrowings to banks, financial institutions, Government or debenture holders 2. Format specified for showing lender-wise details of default (**Refer Note B) 3. Whether the company is declared as a willful defaulter by a lender 4. Whether terms loans/short-term loans are applied for the purpose for which they were obtained; with details of diversion, if any 5. Details of funds procured by the company to meet the obligations of subsidiaries, joint ventures and associates 6. Whether the company has raised loans on the pledge of securities held in subsidiaries, joint ventures and associates

Reporting on Whistle-blower complaints:	Reporting on Whistle-blower complaints:
None	Whistle-blower complaints received by the company during the year; to be considered by the auditor while submitting his audit report

Reporting on Internal audit	Reporting on Internal audit
None	1. The company's internal audit system is commensurate with the size and nature of its business or not
None	2. Whether the statutory auditor has considered the internal audit reports of the company

Reporting on Cash losses:	Reporting on Cash losses:
None	1. Cash losses incurred by the company in the current FY and in the preceding FY
None	2. The amount of cash losses/negative balance reflecting in cash flow statement

Reporting on Resignation of statutory auditors	Reporting on Resignation of statutory auditors
None	1. Any resignation of the statutory auditor during the year
None	2. Whether details of issues, objections or concerns raised by the outgoing auditors have been appropriately considered

Reporting on Uncertainty to meet liabilities	Reporting on Uncertainty to meet liabilities
None	1. Details of material uncertainty with regard to realization of financial assets and payment of financial liabilities
None	2. Whether any such uncertainty exists on the date of audit report that the company will not be capable of meeting its liabilities as and when they fall due within a period of 1 year from the B/S date

Reporting on CSR	Reporting on CSR
None	1. In relation to ongoing CSR projects, details of transfer of unspent CSR amount to the Special Account within stipulated time in compliance with Section 135
None	2. For CSR projects other than ongoing ones, details of transfer of unspent CSR amount to the Fund specified in Schedule VII within stipulated time in compliance with Section 135
Reporting on Inventory	Reporting on Inventory
1. Physical verification at regular intervals by the management 2. Material discrepancies accounted for in the books of account	1. Physical verification at regular intervals by the management 2. Material discrepancies accounted for in the books of account
None	3. Materiality is considered to be 10% or more for inventory items
Reporting on Statutory Dues	Reporting on Statutory Dues
1. The company is regularly depositing its statutory dues with authorities such as ESI, Provident Fund, Income Tax, etc. 2. If not regular, statutory dues outstanding for more than 6 months as on the last date of the FY should be disclosed 3. If any taxes have not been deposited because of any pending dispute, disclosure on the amount of such dispute and the forum where the litigation is ongoing	Same provisions as CARO 2016.
Reporting on Fraud:	Reporting on Fraud:
1. Any fraud by the company or its officers/employees which has been noticed during the FY 2. The nature and amount of fraud involved None	1. Any fraud by the company or its officers/employees which has been noticed during the FY 2. The nature and amount of fraud involved 3. Whether any report in FORM ADT-4 has been filed by the auditor with the Central Government in relation to suspected offense
Cost Records:	Cost Records:
If maintenance of cost records is specified by the Central Government u/s 148 of the Companies Act 2013, whether such accounts and cost records have been maintained or not by the company	Same as CARO 2016.
Reporting on Managerial Remuneration	Reporting on Managerial Remuneration
Whether managerial remuneration is paid after taking requisite approvals defined u/s 197 2. Amount of unapproved remuneration and steps taken to secure its refund	Omitted in CARO 2020. Omitted in CARO 2020.
Reporting on Public Offer	Reporting on Public Offer
Utilization of money raised through IPO or FPO for the earmarked purposes for which it was raised 2. In case of any delay and defaults in utilization, details thereof	Same as CARO 2016. Same as CARO 2016.

Reporting on Nidhi company:	Reporting on Nidhi company:
Maintenance of net owned funds to deposits in the ratio of 1:20 to meet out the liability	1. Maintenance of net owned funds to deposits in the ratio of 1:20 to meet out the liability
2. Maintenance of 10% unencumbered term deposits as specified in Nidhi Rules	2. Maintenance of 10% unencumbered term deposits as specified in Nidhi Rules
None	3. Whether there is any default in payment of interest on deposits or repayment thereof

Reporting on Related Party Transactions	Reporting on Related Party Transactions
Whether all transactions with related parties have been made in compliance with Section 177 and 188	Same as CARO 2016.
2. Appropriate disclosure in FS in accordance with accounting standards	Same as CARO 2016.

Registration under RBI:	Registration under RBI:
1. Whether registration has been obtained by NBFCs liable to be registered under the RBI Act	1. Whether registration has been obtained by NBFCs liable to be registered under the RBI Act
	2. Conduction of any NBFC activities without holding a valid Certificate of Registration (CoR)
	3. Whether the company qualifies for a Core Investment Company (CIC)
	4. The number of CICs if the group has more than one CIC

Reporting on Non-cash transactions:	Reporting on Non-cash transactions:
Any non-cash transactions entered into with directors or related persons is within the limits provided u/s 192	Same as CARO 2016.

Reporting on Private Placement or Preferential Allotment	Reporting on Private Placement or Preferential Allotment
Private placement or preferential allotment made by the company is in accordance with Section 42 and 62	Same as CARO 2016.
2. Whether the amount raised has been utilized for the purposes for which it was raised	Same as CARO 2016.

Paragraph 4:	Paragraph 4:
If CARO report to be annexed with the auditor's report contains any unfavorable or qualified remarks, the auditor shall state the reasons for his opinion.	Same as CARO 2016.

***Note A – Details of Title Deeds as prescribed under CARO 2020**

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

**** Note B – Details of Default in repayment as prescribed under CARO 2020**

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
–	Lender wise details to be provided in case of defaults to banks, financial institutions, and Government	–	–	–	–