

[A] Reporting Under CARO 2020

Applicability of CARO, 2020:

CARO, 2020 shall apply to **every company** including foreign company except:

- (i) Banking company;
- (ii) Insurance company;
- (iii) Section 8 company;
- (iv) OPC and a Small Company and
- (v) Private limited company, not being a subsidiary or holding of a public company, having

Paid up share capital and Reserves & Surplus	Total borrowings from any Bank or FI	Total revenue (including revenue from disclosed operations)
≤1 crore	≤1 crore	≤10 crore
As on Balance Sheet date	At any point of time during the FY	As per FS

Notes :

1. For calculation

Paid up capital and Reserves & surplus	Borrowings	Revenue
(- Share application)	(- interest accrued but not due)	(-Advance Received)
(-call in advance)	(-loan from individual)	(-Excise /GST)
(- call in arrears)	(+ Interest accrued as well as due)	
(- P&L Debit Balance)		
(+ P&L Credit balance)		
(+ ESOP Reserve)		
(+Amount originally paid up on forfeited shares)		

2. CARO 2020- Not applicable to CFS except Para3(xxi).

3. Small company- Other than public company

Paid-up Share Capital	Does not exceed Rs. 4 Crores
Turnover (Previous F.Y)	Does not exceed Rs. 40 Crores

(It should not be holding or subsidiary of any company)

PARA 3: Matters to be included in Auditor's Report:

Para 3(i): Property, Plant and Equipment

(a) Adequacy of Records:

- Whether company is **maintaining proper records** showing full particulars, including **quantitative details & situation of PPE**.
- Whether company is maintaining proper records showing full particulars of **Intangible assets**.

(b) Physical verification:

- Whether these PPE have been **physically verified** by management **at reasonable intervals**;
- Whether **any material discrepancies** were noticed on such verification & if so, Whether the **same have been properly dealt** with in Books of Account.

Note: Reasonable interval: depends upon circumstance of each case i.e., location, value of asset. **Annual verification** may be reasonable but it may be impracticable to carry verification in some cases. Even in such cases, **verification programme** should be such that all assets are **verified at least once in every 3 years**.

(c) Title Deeds:

- Whether title deeds of **all immovable properties** (Other than properties where the company is lessee & lease agreements are duly executed in favour of lessee) **disclosed** in F.S. **are held in name of company**.
- If **not**, **provide details** thereof in below mentioned format.

Description of property	Gross Carrying value	Held in name of	whether promoter, director or their relative or employee	Period held	Reason for not being held in name of co.*

*also indicate if in dispute.

(d) Revaluation of Property, Plant & Equipment:

- Whether company has **revalued its PPE** (including Right of Use assets) or intangible assets or both during the year &, if so, Whether revaluation is **based on valuation** by a **Registered Valuer**;
- **Specify Amt. of change**, if **change is 10% or more** in aggregate of net carrying value of each class of PPE or intangible assets.

(e) Benami Property:

- Whether **any proceedings** have been initiated or are pending against company **for holding any benami property** under Benami Transactions (Prohibition) Act, 1988 & rules made thereunder
- Whether company has appropriately **disclosed** details in its **F.S.**

Para 3(ii): Inventories -

a) Physical verification

- Whether **physical verification** of inventory has been conducted **at reasonable intervals** by mgt & whether coverage & procedure of such verification by mgt is appropriate;
- Whether any **discrepancies of 10% or more in aggregate** for each class of inventory were noticed & if so, whether they have been **properly dealt** with in books of account;

b) Working capital limit

- Whether during any point of time, company has been **sanctioned working capital** limits **in excess of ₹ 5 crore, in aggregate**, from banks or F.I. on basis of security of current assets;
- Whether the **quarterly returns or statements** filed by company with such banks or F.I. **are in agreement** with books of account of Company, **if not**, give details.

Para 3(iii): Investments, Guarantee / Security, Loans or Advances

Whether **during the year**, 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, LLPs or any other parties, if so**,

- (a) Whether during the year, **company has provided loans or 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-
 - (i) **aggregate amount during the year**, and **balance outstanding at B/S date** w.r.t. such loans or advances and guarantees or security **provided to subsidiaries, joint ventures and associates**;
 - (ii) **aggregate amount during the year**, and **balance outstanding at B/S date** w.r.t. such loans or advances and guarantees or security **to parties other than subsidiaries, JVs & associates**;
- (b) Whether investments made, guarantees provided, security given and **T&C** of grant of all loans & advances in nature of loans & guarantees provided **are not prejudicial to company's interest**;
- (c) In respect of loans & advances in nature of loans, **whether schedule of repayment of principal and payment of interest** has been stipulated and whether **repayments or receipts are regular**;
- (d) If the amount is overdue, state total amount **overdue for > 90 days**, and whether **reasonable steps** have been taken by the company **for recovery of the principal & interest**;

(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**, if so, Specify

- (i) **aggregate amount** of such dues renewed or extended or settled by fresh loans and
- (ii) the **% of aggregate** to total loans or advances in nature of loans granted during the year

[not applicable to Co whose principal business is to give loans];

(f) whether company has granted any loans or advances in nature of loans either **repayable on demand** or without specifying terms of repayment, if so, specify:

- (i) **aggregate amount**,
- (ii) **% thereof** to total loans granted,
- (iii) **aggregate amount** of loans granted to Promoters and RPs.

Para 3(iv): Compliance of provisions of Sec. 185 & 186

In respect of loans, investments, guarantees, and security whether provisions of **Sections 185 and 186** have been complied with. If not, provide details thereof.

Para 3(v): Public Deposits -

In respect of deposits accepted by the company, **whether directives issued by RBI & provisions of secs. 73 to 76** or any other relevant provisions of Companies Act & rules framed thereunder, **have been complied with**. If not, the **nature of such contraventions** be stated.

If an **order** has been passed by **CLB or NCLT or RBI or any Court or any other Tribunal**, whether same has been **complied with or not?**

Para 3(vi): Cost Records -

Whether **maintenance** of cost records has been **specified by CG** u/s 148(1) & whether such **accounts & records** have been **made & maintained**

Para 3(vii): Statutory Dues -

(a) Whether co. is **regular in depositing undisputed statutory dues** including GST, PF, ESI, I-tax (advance tax), sales-tax, service tax, duty of customs, duty of excise, VAT, cess & any other statutory dues to appropriate authorities and **if not**, the **extent of the arrears of o/s statutory dues as at the last day of FY for a period of more than 6 months from date they became payable, shall be indicated**.

(b) Where statutory dues referred above 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).

Para 3(viii): Unrecorded Income -

Whether any transactions **not recorded in books of account** have been **surrendered or disclosed as income** during the year **in tax assessments** under the Income-tax Act, 1961,

If so, whether the **previously unrecorded income** has been properly recorded in the books of account during the year.

Para 3(ix): Repayment of Dues -

(a) Whether company has **defaulted in repayment of loans** or other borrowings or in payment of interest thereon to any lender, if yes, period and amount of **default to be reported as below:**

Nature of borrowing, including debt securities	Name of lender*	Amount not paid on due date	Whether Principal or interest	No. of delays or unpaid	Remarks, if any

*lender wise details to be provided in case of defaults to banks, FI and Government.

- (b) Whether company is a **declared wilful defaulter** by any bank or FI or other lender;
- (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;
- (d) Whether **funds raised on short term basis** have been **utilised for long term purposes**, if yes, the **nature and amount to be indicated**; in the books of account during the year;
- (e) whether company has **taken any funds from any entity or person** on account of or **to meet the obligations** of its subsidiaries, associates or JVs, if so, details thereof with **nature of such transactions & amount** in each case;
- (f) Whether company has **raised loans** during the year on the **pledge of securities held in its subsidiaries, JVs or associate companies**, if so, give details thereof and also report if the company has defaulted in repayment of such loans raised.

Note- submitting restructuring/re- scheduling application does not mean that default has occurred.

Para 3(X): Application of Money raised by public issue and preferential allotment –

(a) Application of Money raised by public issue:

Whether moneys raised by way of IPO or FPO (including debt instruments) during the year were **applied for purposes for which those are raised, if not, details together with delays or default & subsequent rectification**, if any, as may be applicable, be reported.

(b) Preferential allotment:

Whether 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 requirements of Sec. 42 & Sec. 62 of Co. Act, 2013** have been **complied with & funds raised have been used for purposes for which the funds were raised, if not**, provide details in respect of **amount involved & nature of non-compliance**;

Para 3(xi): Fraud -

- (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.
- (b) Whether any **report u/s 143(12)** of Companies Act has been **filed by auditors** in **Form ADT-4** as prescribed under rule 13 of Companies (Audit and Auditors) Rules, 2014 with the C.G.
- (c) Whether auditor has **considered whistle-blower complaints**, if any, received during the year by the company.

Para 3(xii): Nidhi Companies –

- (a) Whether the Nidhi Company has complied with the **Net Owned Fund to Deposits** in the ratio of **1: 20** to meet out the liability.
- (b) Whether Nidhi Company is **maintaining 10% unencumbered term deposits** as specified in the Nidhi Rules, 2014 to meet out liability.
- (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.

Para 3(xiii): Transactions with related Parties –

Whether all **transactions with RPs** are in compliance with **Section. 177 and 188** of Companies Act, 2013 where **applicable and details have been disclosed in the F.S.** etc. as required by **applicable AS**.

Para 3(xiv): Internal Audit System –

- (a) Whether Co. **has an internal audit system** commensurate with size & nature of its business;
- (b) Whether the **reports of the Internal Auditors** for the period under audit were **considered by the statutory auditor**.

Para 3(xv): Non cash transactions with directors –

Whether company has **entered into any non-cash transactions with directors or persons connected with him** & if so, whether **provisions of Sec. 192** of Companies Act, 2013 have been **complied with**.

Para 3(xvi): Registration. with RBI –

- (a) Whether company is **required to be registered u/s 45IA of RBI Act, 1934** & if so, whether the **registration has been obtained**.
- (b) Whether company has **conducted any Non-Banking Financial or Housing Finance activities without** a valid Certificate of Registration (COR) from the RBI as per the RBI Act, 1934.
- (c) Whether company is a **Core Investment Company (CIC)** as defined in regulations made by the RBI, 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.
- (d) Whether the **Group has more than one CIC** as part of the Group, if **yes, indicate No. of CICs** which are part of the Group.

Para 3(xvii): Cash Losses –

Whether company has **incurred cash losses** in the **FY** and in the **immediately preceding FY**, if so, **state the amount of cash losses**.

Para 3(xviii): Resignation of statutory auditors –

Whether there has been **any resignation of statutory auditors** during the year, if so, whether the **auditor has taken into consideration issues, objections or concerns raised by the outgoing auditors**.

Para 3(xix): Existence of Material uncertainty-company ability to meet its liabilities –

On the basis of **financial ratios, ageing & expected dates of realisation of financial assets & payment of financial liabilities**, other information accompanying the F.S., the auditor's **knowledge of the BoD and mgt plans**, whether **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 B/S** as and when **they fall due** within a **period of one year from the balance sheet date**.

Para 3(xx): Transfer of unspent CSR amount –

- (a) Whether, in respect of **other than ongoing projects**, company has **transferred unspent amount** to a **Fund specified in Schedule VII** to the Companies Act **within a period of 6 months of expiry of FY** in compliance with 2nd proviso to Sec. 135(5) of the said Act.
- (b) Whether **any amount remaining unspent u/s 135(5)** of Companies Act, pursuant to **any ongoing project**, has been **transferred to special account** in compliance with provision of Sec. 135(6).

Para 3(xxi): Qualifications or adverse remarks in CARO Reports of group companies –

Whether there have been **any qualifications or adverse remarks** by respective auditors in **CARO reports of Co. included in the CFS**, if **yes, indicate the Details of the companies & Para no.** of CARO report containing qualifications or adverse remarks.

Para 4: Reasons to be stated for Unfavourable or Qualified remarks

- Where, in auditor's report, answer to any of questions referred to in Para 3 is **unfavourable or qualified** - auditor's report shall also **state the basis** for such unfavourable or qualified answer.
- Where auditor is **unable to express any opinion** on any specified matter, his report shall **indicate such fact together with reasons** as to why it is not possible to give opinion.