

# INDORE CHAPTER OF WIRC OF ICSI

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## Recent amendments in Schedule III and CARO reporting

By

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# TOPICS COVERED

Schedule III  
amendments

New CARO  
reporting

New clauses  
in Audit  
report

Impact of  
this in CS  
profession

# WHY TO KNOW SCHEDULE III AND CARO AMENDMENTS

As KMP –  
responsible for  
preparation  
and signing of  
accounts

As Consultant –  
Help in  
compliance  
Management

As Practicing  
CS – Certifying  
the Annual  
returns and  
Financial  
Statements

If not now –  
then when &  
How?

# BACKGROUND OF AMENDMENTS

Accountability –  
Management &  
Auditors

IBC  
Experience

Early  
warning  
signs

Transpare  
ncy

Changing  
to the  
needs of  
business

Enhancing  
corporate  
complianc  
es and  
corporate  
governanc  
e

Less  
Governme  
nt and  
more  
Governanc  
e

Making  
India an  
attractive  
investment  
by  
boosting  
Investors  
confidence

# IMPLICATIONS OF THE AMENDMENTS



Too many disclosures in the accounts
Reader can understand the financial position of the Company
Too much expectation from Auditor on CARO,2020 reporting confirmed by the Management in Schedule III
Well set up IT Infrastructure required to collate data
Big impact on MSME and small company reporting & data collection

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Reader can understand the financial position of the Company

Too much expectation from Auditor on CARO,2020 reporting confirmed by the Management in Schedule III

Well set up IT Infrastructure required to collate data

Big impact on MSME and small company reporting & data collection

# SCHEDULE III AMENDMENTS

## SCHEDULE III AMENDMENTS

```
graph TD; A[SCHEDULE III AMENDMENTS] --> B[DIVISION I  
For companies whose financial statements are required to comply with Companies (Accounting Standards) Rules, 2006]; A --> C[DIVISION II  
For companies whose financial statements are required to comply with Companies (Indian Accounting Standards) Rules, 2015]; A --> D[DIVISION III  
For NBFCs whose financial statements are required to comply with Companies (Indian Accounting Standards) Rules, 2015];
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### DIVISION I

For companies whose financial statements are required to comply with Companies (Accounting Standards) Rules, 2006

### DIVISION II

For companies whose financial statements are required to comply with Companies (Indian Accounting Standards) Rules, 2015

### DIVISION III

For NBFCs whose financial statements are required to comply with Companies (Indian Accounting Standards) Rules, 2015

# APPLICABILITY

- For Financial years beginning on or after 1st April 2021
- Applicable from the Financial statements prepared currently
- Read in the context with CSC established by MCA w.e.f. 23.3.2021
- NFRA : Financial Reporting Quality Review (FRQR) Report  
Audit Quality Review (AQR) Report
- Expectation from Government departments with respect to newly implemented GST laws

# DIVISION I

## General Instructions:

- Instead of Turnover the word Total Income used
- Applicability of Round off

Total Income	Rounding Off
Less than 100 Crore Rupee	To the nearest hundreds, thousands, lakhs or millions or decimals thereof
100 Crore Rupees or more	To the nearest lakhs, millions or crores, or decimals thereof



# PROMOTER SHAREHOLDING

The note on Share Capital in the Financial Statements shall **mention details of the Shareholding of the Promoters along with changes, if any, during the Financial Year**

Currently only shareholding of more than 5% needs to be disclosed

Shares held by promoters at the end of the year				% Change during the year****
S.No	Promoter name	No. of Shares**	%of total shares**	
Total				

\*Promoter here means promoter as defined in the Companies Act, 2013.

\*\* Details shall be given separately for each class of shares

\*\*\* percentage change shall be computed with respect to the number at the beginning of the year or if issued during the year for the first time then with respect to the date of issue. ”

# TRADE PAYABLES AGEING SCHEDULE

Particulars	Outstanding for following periods from due date of payment				
	Less than 1 Year	1-2 years	2-3 years	More than 3 years	Total
(i) MSME					
(ii) Others					
(iii) Disputed dues - MSME					
(iv) Disputed dues-Others					

Similar information shall be given where no due date of payment is specified in that case disclosure shall be from the date of the transaction. Unbilled dues shall be disclosed separately

# IMPACT OF CHANGE

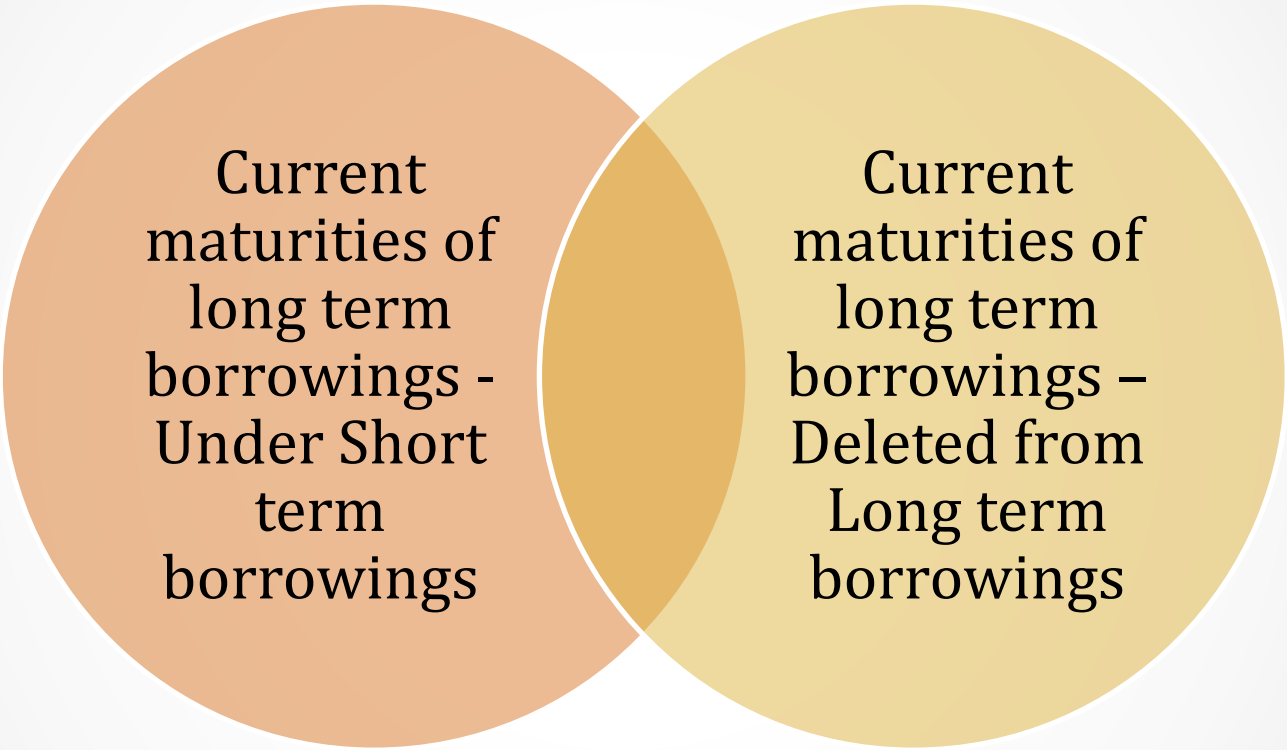
```
graph LR; A[Impact of classification] --> B[In IBC Operational creditors disputed or not identified]; B --> C[Identify Limitation period in IBC]
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Impact of classification

In IBC  
Operational  
creditors  
disputed or not  
identified

Identify  
Limitation period  
in IBC

# OTHER LIABILITIES SIDE



Current  
maturities of  
long term  
borrowings -  
Under Short  
term  
borrowings

Current  
maturities of  
long term  
borrowings -  
Deleted from  
Long term  
borrowings

# ASSETS SIDE

- Assets - Non-current assets

Property, plant & equipment and Intangible assets

- a) Property, plant and equipment
- b) Intangible assets

- Security deposits

- Under Other current assets

- Property, Plant & Equipment (PPE)/ Intangible assets

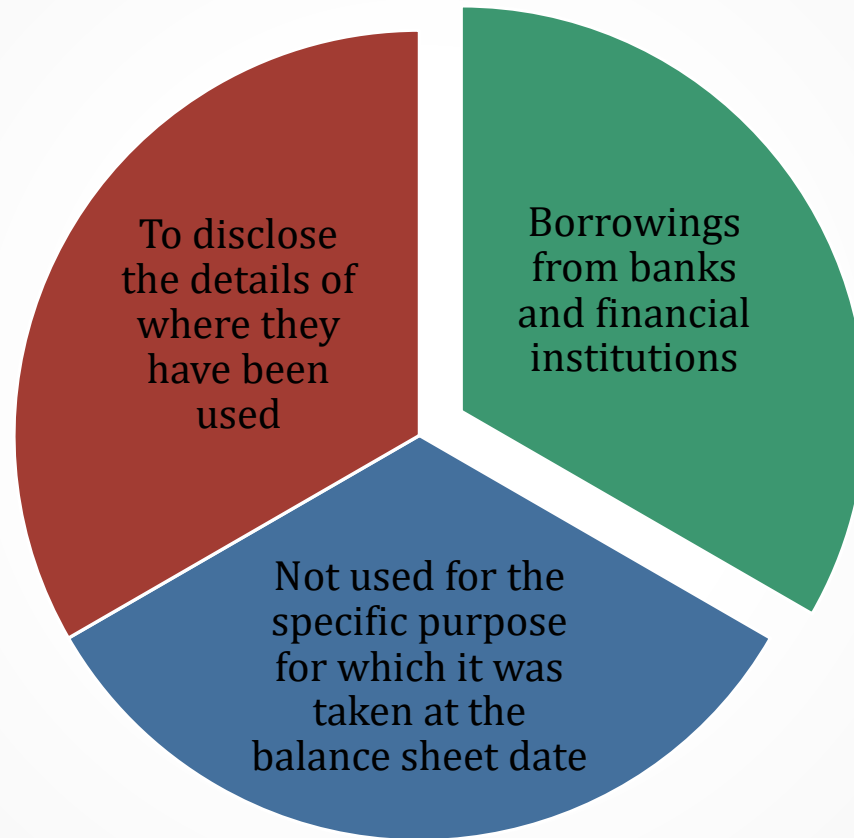
- Basis of Revaluation – Registered valuer or otherwise

- **Change  $\geq$  10% of net carrying value of each class - disclose - Amount of change**

# ACCOUNTS RECEIVABLE AGEING SCHEDULE

Particulars	Outstanding for following periods from due date of payment					Total
	Less than 6 months	6 months - 1 year	1-2 years	2-3 years	More than 3 years	
(i) Undisputed Trade receivables – considered good						
(ii) Undisputed Trade Receivables – considered doubtful						
(iii) Disputed Trade Receivables considered good						
(iv) Disputed Trade Receivables considered doubtful						

# BORROWINGS FROM BANKS/FINANCIAL INSTITUTIONS



# TITLE DEEDS OF IMMOVABLE PROPERTIES NOT HELD IN NAME OF THE COMPANY

## **Title Deed of Immovable Property not held in name of the Company**

The company shall provide the details of:

- All the immovable property (other than properties where the Company is the lessee and the lease agreements are duly executed in favour of the lessee) whose title deeds are not held in the name of the company in format given here and where such immovable property is jointly held with others, details are required to be given to the extent of the company's share.



# REVALUATION

Company has revalued its  
Property, Plant and  
Equipment

Disclose as to whether the  
revaluation is based on the  
valuation by a registered valuer  
as defined under rule 2 of the  
Companies (Registered Valuers  
and Valuation) Rules, 2017

# LOANS OR ADVANCES GRANTED TO DIRECTORS, KMPs AND THE RELATED PARTIES

Loans or advances repayable on demand; or without specifying any terms or period of repayment.

<b>Type of borrower</b>	<b>Amount of Loan or advance in the nature of loan outstanding</b>	<b>Percentage to the total Loans and advances in the nature of loans</b>
Promoter		
Directors		
KMPs		
Related parties		

# CAPITAL WORK IN PROGRESS

a) For Capital-work-in progress, following ageing schedule shall be given: CWIP aging schedule

CWIP	Amount in CWIP for a period of				Total*
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress					
Projects temporarily suspended					

# CAPITAL WORK IN PROGRESS

(b) For capital-work-in progress, whose completion is overdue or has exceeded its cost compared to its original plan, following CWIP completion schedule shall be given

CWIP	To be completed in			
	Less than 1 year	1-2 years	2-3 years	More than 3 years
Project 1 Project 2"				

# INTANGIBLE ASSETS

(A) For Intangible assets under development, following ageing schedule shall be given:  
Intangible assets under development aging schedule

Intangible assets under development	Amount in CWIP for a period of				Total*
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress					
Projects temporarily suspended					

Total shall tally with the amount of Intangible assets under development in the balance sheet

# INTANGIBLE ASSETS

(B) For Intangible assets under development, whose completion is overdue or has exceeded its cost compared to its original plan, following Intangible assets under development completion schedule shall be given

Intangible assets under development	To Be Completed in				Total*
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects 1					
Project 2					

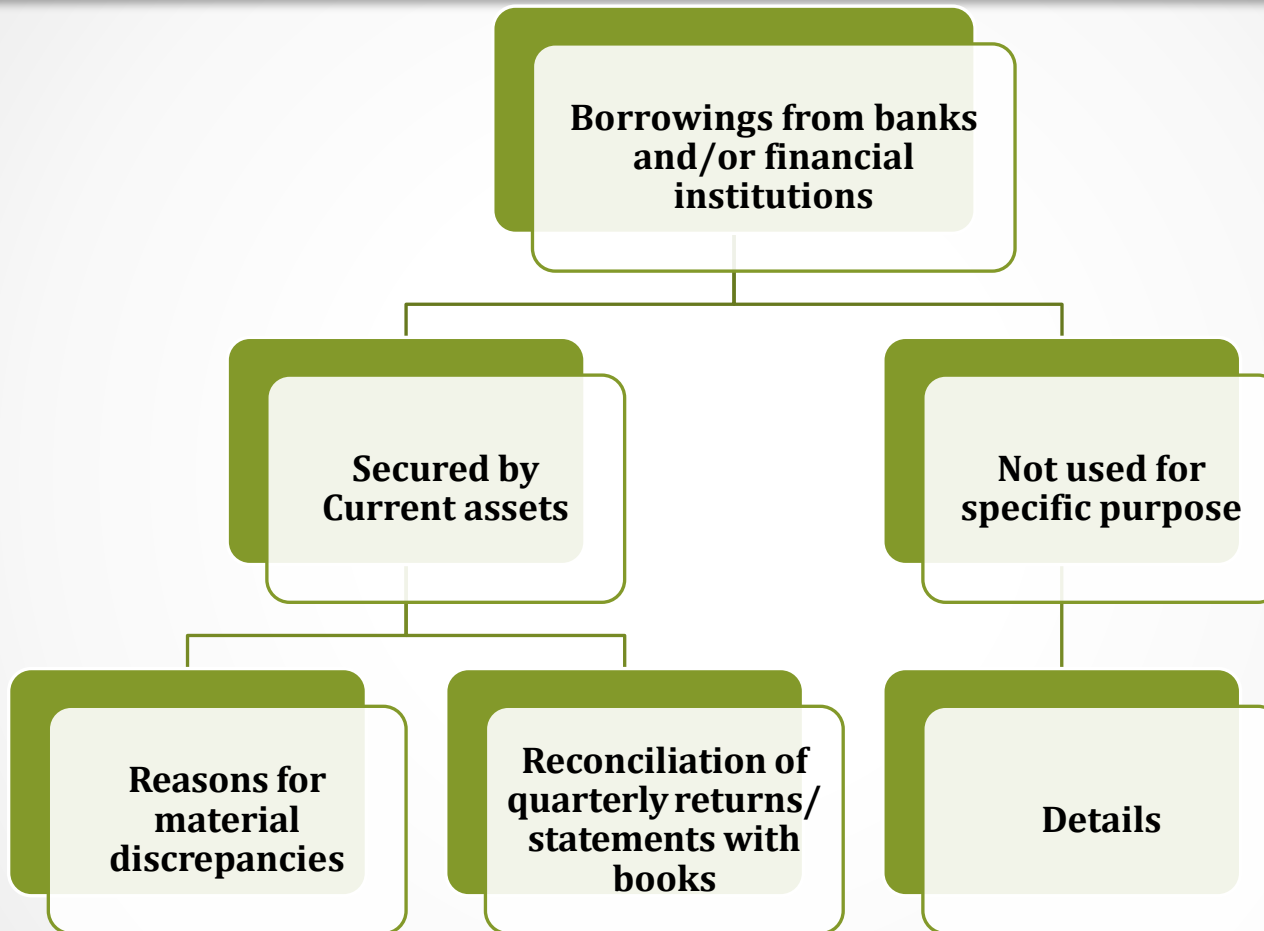
Details of projects where activity has been suspended shall be given separately

## DETAILS OF BENAMI PROPERTY

Where any proceedings have been initiated or pending against the company for holding any benami property under the Benami Transactions (Prohibition) Act, 1988 (45 of 1988) and the rules made thereunder, the company shall disclose the following:-

- (a) Details of such property, including year of acquisition,
- (b) Amount thereof,
- (c) Details of Beneficiaries,
- (d) If property is in the books, then reference to the item in the Balance Sheet,
- (e) If property is not in the books, then the fact shall be stated with reasons,
- (f) Where there are proceedings against the company under this law as an abettor of the transaction or as the transferor then the details shall be provided,
- (g) Nature of proceedings, status of same and company's view on same.

# **BORROWINGS FROM BANKS AND/OR FINANCIAL INSTITUTIONS**





# COMPANY DECLARED AS A WILLFUL DEFAULTER

## Date of declaration as willful defaulter

## Details of defaults

“wilful defaulter” here means a person or an issuer who or which is categorized as a wilful defaulter by any bank or financial institution (as defined under the Act) or consortium thereof, in accordance with the guidelines on wilful defaulters issued by the Reserve Bank of India.

# RELATIONSHIP WITH STRUCK OFF COMPANIES

Where the company has any transactions with companies struck off under section 248 of the Companies Act, 2013 or section 560 of Companies Act, 1956, the Company shall disclose the following details:

Name of struck off Company	Nature of transactions with struck-off Company	Balance outstanding	Relationship with the Struck off company, if any, to be disclosed
	Investments in securities		
	Receivables		
	Payables		
	Shares held by struck off company		
	Other outstanding balances (to be specified)		

# REGISTRATION OF CHARGES OR SATISFACTION

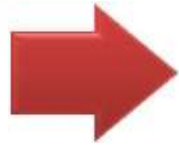
- Charges or satisfaction yet to be registered with Registrar of Companies beyond the statutory period details and reasons thereof shall be disclosed

**REGISTRATION  
&  
SATISFACTION  
OF CHARGE**



# COMPLIANCE WITH LAWS AND DISCLOSURES THEREOF

The effect of scheme of arrangements in accordance with the scheme and in accordance with accounting standards



Deviations, if any

## **2. Compliance with number of layers of companies**

Name and CIN of the companies beyond the specified layers and

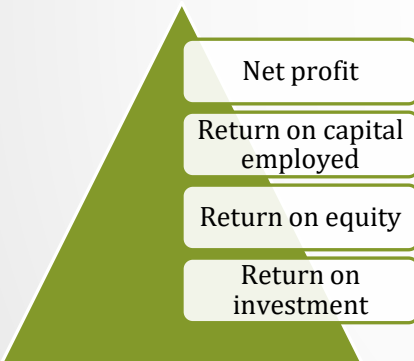
Relationship/extent of holding in such downstream companies

# FINANCIAL RATIOS

Numerator and denominator to be explained

Change in the ratio (> 25%) as compared to the preceding year to be explained

## Profitability



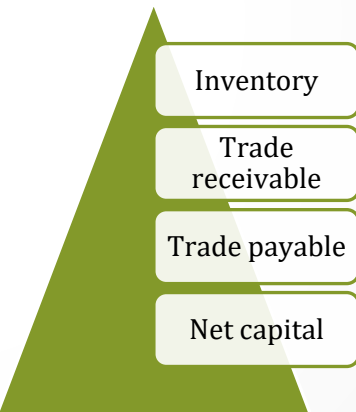
- Net profit
- Return on capital employed
- Return on equity
- Return on investment

## Liquidity



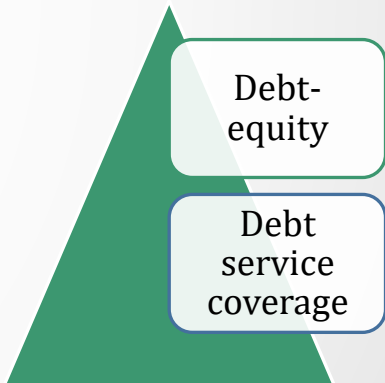
Current ratio

## Turnover



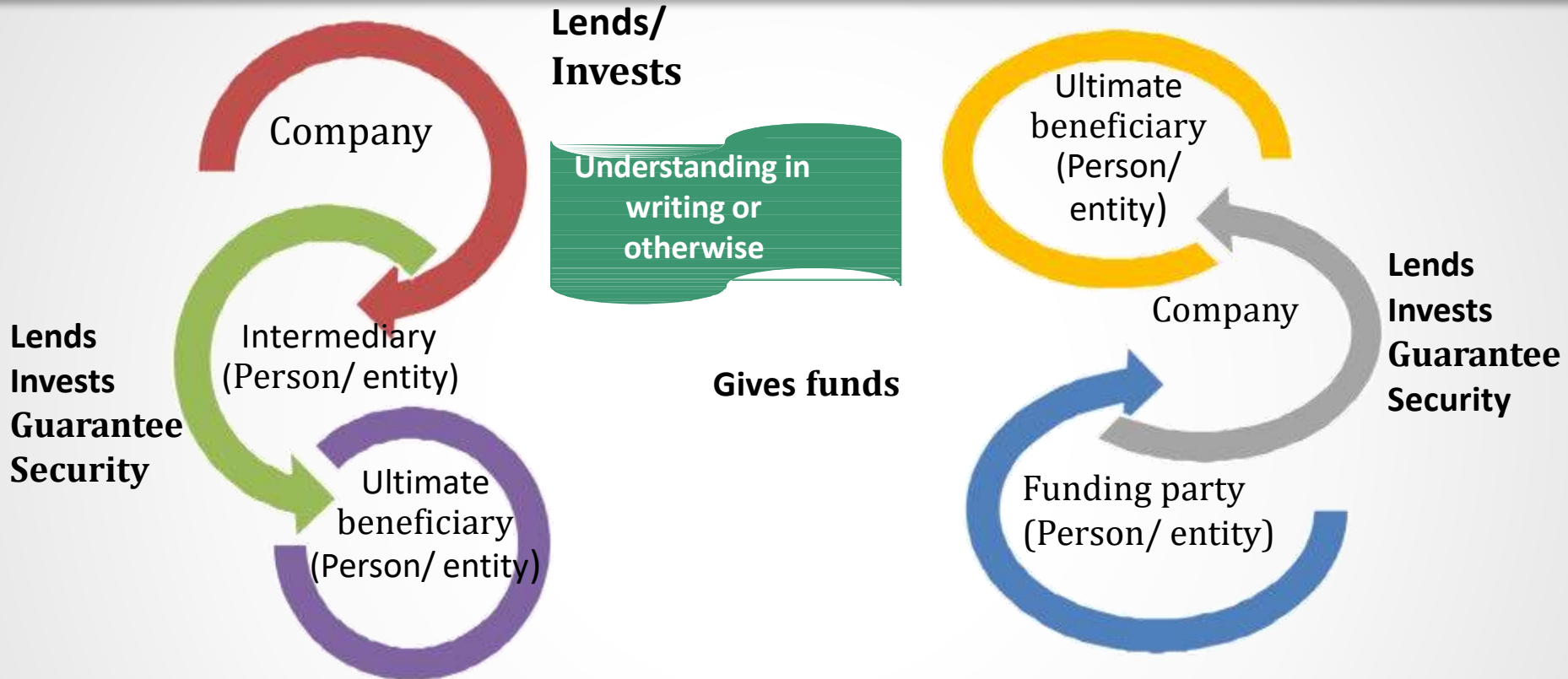
- Inventory
- Trade receivable
- Trade payable
- Net capital

## Solvency



- Debt-equity
- Debt service coverage

# UTILIZATION OF FUNDS



# UTILIZATION OF FUNDS

## Company has advanced or loaned or invested funds – Disclosure:

Date and amount of  
fund advanced/  
loaned/ invested:

- In intermediary  
(ies)

- By the intermediary  
(ies)

Details of each  
intermediary

Details of ultimate  
beneficiary

Details of guarantee/  
security provided to /  
by ultimate  
beneficiary

Declaration for  
compliance with FEMA,  
Companies Act, PMLA

## Company has received any fund – Disclosure:

Date and amount  
of fund: Received  
Further  
advanced/  
loaned/ invested

Details of each  
funding party

Details of other  
intermediaries/  
ultimate  
beneficiary

Details of  
guarantee/  
security provided  
to / by ultimate  
beneficiary

Declaration for  
compliance with  
FEMA,  
Companies Act,  
PMLA

# DIVISION I- INDIAN GAAP – PART 2 – PROFIT & LOSS A/C

Particulars	Amendments
Changes – Part 2 Statement Profit & Loss account	a. Addition / Deletion under III is as below I. Revenue from Operations II. Other Income III. Total Revenue Income (I+II)
Additional disclosure under Notes Statement of Profit and Loss	1. Revenue from Operations Grants or donations received (relevant in case of section 8 companies only) 2. Undisclosed Income Co. shall give details of any transaction not recorded in the books of accounts that has been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961 (such as, search or survey or any other relevant provisions of the Income Tax Act, 1961), unless there is immunity for disclosure under any scheme and also shall state whether the previously unrecorded income and related assets have been properly recorded in the books of account during the year.



# CORPORATE SOCIAL RESPONSIBILITY (CSR)

- Amount required to be spent by the company during the year;
- Amount of expenditure incurred;
- Shortfall at the end of the year;
- Total of previous years shortfall;
- Reason for shortfall;
- Nature of CSR activities;
- Details of related party transactions
- Movements in provision made with respect to a liability incurred by entering into a contractual obligation



# CRYPTO CURRENCY OR VIRTUAL CURRENCY

Where the Company has traded or invested in Crypto currency or Virtual Currency during the financial year, the following shall be disclosed:

- a. Profit or loss on transactions involving Crypto currency or Virtual Currency
- b. Amount of currency held as at the reporting date
- c. Deposits or advances from any person for the purpose of trading or investing in Crypto Currency/ virtual currency

# AMENDMENTS (INCREMENTAL) APPLICABLE FOR DIVISION II ENTITIES (COMPANIES FOLLOWING IND AS)

## Part I- Balance Sheet

A. Under the heading “Equity and Liabilities”

in sub-heading “Liabilities”,-

(I) in item “(1) **Non-current liabilities**”,

in sub-item “(a) **Financial Liabilities**”,

after (i), the following shall be inserted, namely:-

“(ia) **Lease liabilities**”

(II) in item “(2) **Current Liabilities**”,

in sub-item “(a) **Financial Liabilities**”,

after (i), the following shall be inserted, namely:-

“(ia) **Lease liabilities**”

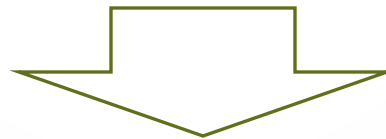
# AMENDMENTS (INCREMENTAL) APPLICABLE FOR DIVISION II ENTITIES (COMPANIES FOLLOWING IND AS)

Amendment	Pre amendment	Post amendment
Statement of changes in equity (Division II+ III)		<ul style="list-style-type: none"> <li>• Changes in equity share capital due to prior period errors</li> <li>• Restated opening balances</li> <li>• Any other change</li> </ul>
Lease liabilities (both non-current and current)	(a) Financial liabilities (i) Borrowings	(a) Financial Liabilities (i) Borrowings (ia) Lease liabilities
Other financial assets		Inserted after sub heading “Loans” under heading “Current assets”
Security deposits and Bank deposits		Non-current assets IX. Other financial assets (i) Security deposits (ii) Bank deposits with more than 12 months maturity (iii) Others

# STATEMENT OF CHANGES IN EQUITY

## A- Equity Share Capital (For Both Current And Previous Reporting Periods)

<b>Balance at the beginning of the current reporting period</b>	<b>Changes in Equity Share Capital due to prior period errors</b>	<b>Restated balance at the beginning of the current reporting period</b>	<b>Changes in equity share capital during the current year</b>	<b>Balance at the end of the current reporting period</b>



**New Insertion in Amendment**

# TRADE RECEIVABLE AGEING SCHEDULE

Particulars	Outstanding for following periods from due date of payment					Total
	Less than 6 months	6 months - 1 year	1-2 years	2-3 years	More than 3 years	
(i) Undisputed Trade receivables - considered good						
(ii) Undisputed Trade Receivables - considered doubtful						
(iii) Disputed Trade Receivables considered good						
(iv) Disputed Trade Receivables considered doubtful						
(v) Disputed Trade Receivables -which have significance in credit risk						
(vi) Disputed Trade Receivables- credit Impaired						

# DISCLOSURE OF RATIOS - NBFCS

**01 Capital to Risk Weighted Assets Ratio (CRAR)**

**02 Tier I CRAR**

**03 Tier II CRAR**

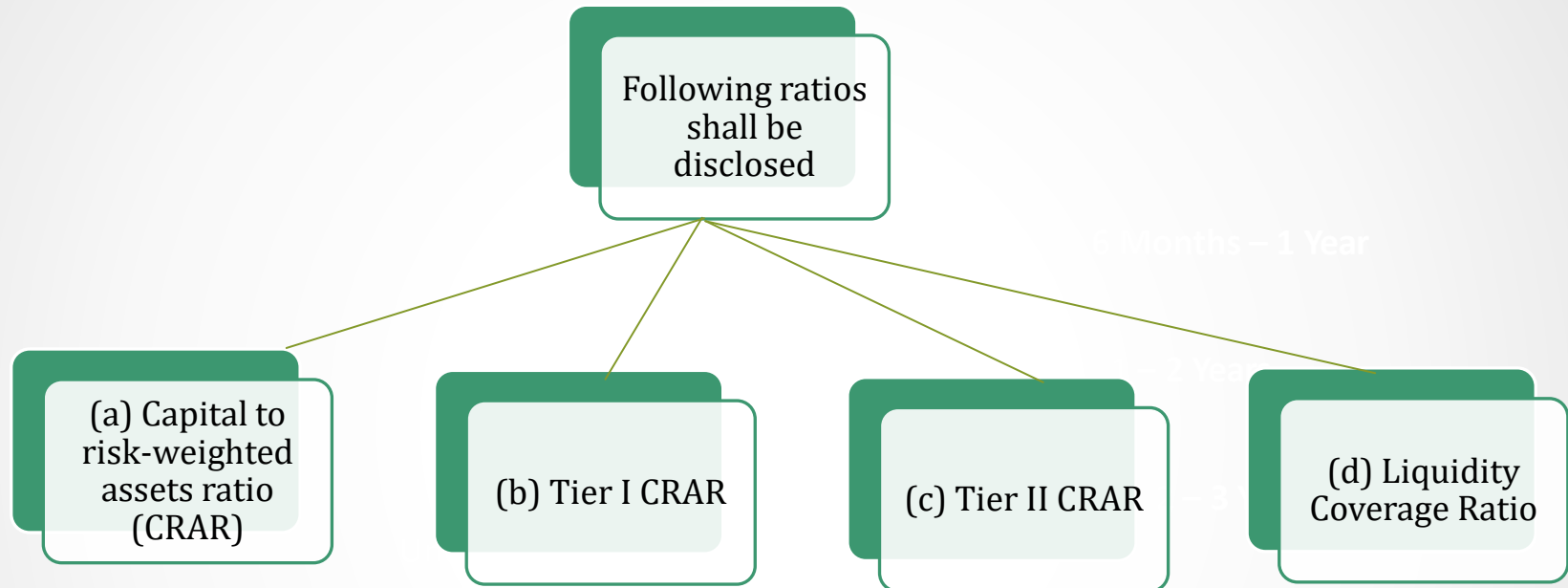
**04 Liquidity Coverage Ratio**

# TRADE RECEIVABLES – IND AS

Particulars	Outstanding for following periods from due date of payment					Total
	Less than 6 months	6 months - 1 year	1-2 years	2-3 years	More than 3 years	
(i) Undisputed Trade receivables – considered good 19						
(ii) Undisputed Trade Receivables – which have significant increase in credit risk						
(iii) Undisputed Trade Receivables – credit impaired						
(iv) Disputed Trade Receivables– considered good						
(v) Disputed Trade Receivables – which have significant increase in credit risk						
(vi) Disputed Trade Receivables – credit impaired						



# AMENDMENTS (INCREMENTAL) APPLICABLE FOR DIVISION III ENTITIES (NBFCs FOLLOWING IND AS)



# CARO, 2020

- Central Government, in consultation with the NFRA by virtue of Section 143(11) of Companies Act, 2013 issued Companies (Auditor's Report) Order, 2020 (“**CARO, 2020**”) on 25th February, 2020 supersedes Companies (Auditor's Report) Order, 2016 (“**CARO, 2016**”) inclusion of the matters specified therein in Auditor’s report financial years commencing on or after the 1st April, 2019 quiet detailed contains 21 broad items –previously 16 clauses 7 new items 1 merged 1 deleted to make the auditor certify on several details which are new Difference from initially introduced all data has to be provided by Management in Sch –III on which auditor to comment



# FINANCIAL YEAR

## **PROVISIONS OF CARO, 2020**

Financial years commencing on or after 1st April, 2021

## **PROVISIONS OF CARO, 2016**

Financial years commencing on or after 1st April, 2015

1 – 3 Years

Auditor's report for FY ending 31st March, 2022 shall include matters specified in CARO, 2020.

# APPLICABILITY

## PROVISIONS OF CARO, 2020

## PROVISIONS OF CARO, 2016

It shall apply to every company including a foreign company as defined u/s 2(42) of Act, 2013.

2 – 3 Years

Auditor's report for FY ending 31st March, 2022 shall include matters specified in CARO, 2020

# EXCEPTIONS

## PROVISIONS OF CARO, 2020

## PROVISIONS OF CARO, 2016

- (i) a banking company as defined in clause (c) of section 5 of the Banking Regulation Act, 1949;
- (ii) an insurance company as defined under the Insurance Act, 1938;
- (iii) a company licensed to operate under section 8 of the Companies Act;
- (iv) a One Person Company as defined in clause (62) of section 2 of the Companies Act and a small company as defined in clause (85) of section 2 of the Companies Act; and
- (v) 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 1 crore rupees as on the balance sheet date; and
  - not having total borrowings exceeding 1 crore rupees from any bank or financial institution at any point of time during the financial year; and
  - not having a total revenue as disclosed in Scheduled III to the Companies Act (including revenue from discontinuing operations) exceeding 10 crore rupees during the financial year as per the financial statements

No change in exceptions

# NON-APPLICABILITY

<b>PROVISIONS OF CARO, 2020</b>	<b>PROVISIONS OF CARO, 2016</b>
Not apply to the Auditor's report on consolidated financial statements except clause (xxi) of paragraph 3	Not apply to the Auditor's report on consolidated financial statements

3 Years

The Auditor's report of holding company shall also be an indicative of the companies included in the consolidated financial statements whose CARO reports contain any qualifications/ adverse remarks, paragraph wise.

# MAINTAINING RECORDS OF PROPERTY, PLANT, EQUIPMENT AND INTANGIBLE ASSETS

## PROVISIONS OF CARO, 2020

(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;

(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;

## PROVISIONS OF CARO, 2016

(a) whether the company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets;

(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

# MAINTAINING RECORDS OF PROPERTY, PLANT, EQUIPMENT AND INTANGIBLE ASSETS

## PROVISIONS OF CARO, 2020

(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:

- 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)

## PROVISIONS OF CARO, 2016



# MAINTAINING RECORDS OF PROPERTY, PLANT, EQUIPMENT AND INTANGIBLE ASSETS

## **PROVISIONS OF CARO, 2020**

(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;

(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;

## **PROVISIONS OF CARO, 2016**

## KEY POINTS

- Declaration that all the immovable property disclosed in the financial statement are held in the name of the company
- Details of immovable properties which are disclosed in the financial statement but not held in name of the company
- Declaration regarding revaluation of Property, Plant, Equipment and intangible assets including right to use
- Specifying the amount of change, where change is 10% or more in the net carrying value of each class of asset
- Disclosure in the financial statement of proceedings initiated or pending against the company for holding benami properties and declaration thereof

# PHYSICAL VERIFICATION OF INVENTORIES

## PROVISIONS OF CARO, 2020

- (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;
- (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;

## PROVISIONS OF CARO, 2016

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

## KEY POINTS

- The term 'material discrepancy' in the inventory is quantified to mean 10% or more discrepancy in aggregate for each class of inventory
- Auditor's role- Providing opinion on appropriateness of coverage and procedure of physical verification of inventory the by management
- Checking of quarterly statements filed by the company with banks/ FIs w.r.t. working capital loans are in agreement with the books of accounts of the company

# REPAYMENT OF INVESTMENTS, GUARANTEE, SECURITY AND LOANS GRANTED BY THE COMPANY

## **PROVISIONS OF CARO, 2020**

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,-

(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

## **PROVISIONS OF CARO, 2016**

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

(a) whether the terms and conditions of the grant of such loans are not prejudicial to the company's interest

# REPAYMENT OF INVESTMENTS, GUARANTEE, SECURITY AND LOANS GRANTED BY THE COMPANY

## **PROVISIONS OF CARO, 2020**

(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;

(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;

(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;

## **PROVISIONS OF CARO, 2016**

(b) whether the schedule of repayment of principal and payment of interest has been stipulated and whether the repayments or receipts are regular;

(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;

# REPAYMENT OF INVESTMENTS, GUARANTEE, SECURITY AND LOANS GRANTED BY THE COMPANY

## **PROVISIONS OF CARO, 2020**

(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;

(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;

## **PROVISIONS OF CARO, 2016**

# REPAYMENT OF INVESTMENTS, GUARANTEE, SECURITY AND LOANS GRANTED BY THE COMPANY

## PROVISIONS OF CARO, 2020

(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];

(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;

## PROVISIONS OF CARO, 2016



## KEY POINTS

- The scope of financial transactions in Auditor's report has become wide so as to include any transaction u/s 186 to any party vis-à-vis only loans granted to parties covered u/s 189 of Companies Act, 2013 (as was required in CARO, 2016)
- Investments, guarantee and security along with loans or advances granted by the Company
- Renewal or extension or granting of fresh loans to settle the overdues of existing loans
- Loans or advances in the nature of loans (either repayable on demand or without specified terms or period of repayment) granted to Related Parties

## COMPLIANCE OF SECTION 185 & 186

### PROVISIONS OF CARO, 2020

### PROVISIONS OF 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;

# ACCEPTANCE OF DEPOSITS

## **PROVISIONS OF CARO, 2020**

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;

## **PROVISIONS OF CARO, 2016**

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.

Deemed Deposits shall also fall under the ambit of Auditor's report

# COST RECORDS

## **PROVISIONS OF CARO, 2020**

## **PROVISIONS OF CARO, 2016**

Where maintenance of cost records has been specified by central Government under sub-section (1) of section 148 of the Companies Act, whether such accounts and records have been made and maintained

# STATUTORY DUES

## PROVISIONS OF CARO, 2020

(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;

(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);

## PROVISIONS OF CARO, 2016

(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;

(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).

# DISCLOSURE OF TRANSACTIONS NOT RECORDED IN THE BOOKS

## **PROVISIONS OF CARO, 2020**

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

## **PROVISIONS OF CARO, 2016**

New Provision

# DEFAULT IN REPAYMENT OF LOANS OR OTHER BORROWINGS

## **PROVISIONS OF CARO, 2020**

(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:

➤ 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

## **PROVISIONS OF CARO, 2016**

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).

# DEFAULT IN REPAYMENT OF LOANS OR OTHER BORROWINGS

## PROVISIONS OF CARO, 2020

- (b) whether the company is a declared wilful defaulter by any bank or financial institution 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 utilized for long term purposes, if yes, the nature and amount to be indicated;
- (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;
- (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;

## PROVISIONS OF CARO, 2020



## KEY POINTS

- Reporting of default in repayment of loans or other borrowings to any lender instead of the ones specified in CARO, 2016 shall be made in the format prescribed in CARO, 2020

Following additional check points have been included:

- company declared as wilful defaulter
- diversion of loans
- utilization of short-term funds for long-term purposes
- funds obtained to meet obligations of its subsidiaries, associates or joint ventures
- funds obtained on the pledge of securities held in its subsidiaries, joint ventures or associate companies

# MONEYS RAISED BY IPO, FPO & PREFERENTIAL ALLOTMENT/ PRIVATE PLACEMENT OF SHARES OR CONVERTIBLE DEBENTURES

## **PROVISIONS OF CARO, 2020**

(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;

(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

## **PROVISIONS OF CARO, 2016**

(a) 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;

(b) 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;

## KEY POINTS

Checking application of term loans for the purposes for which they are raised has been included in point (ix) (c) of CARO, 2020.



1 Year

bars

# FRAUD REPORTING

## PROVISIONS OF CARO, 2020

(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 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;

(c) whether the auditor has considered whistle-blower complaints, if any, received during the year by the company;

## PROVISIONS OF CARO, 2016

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;

Consideration of filing of report under section 143(12) and whistle-blower complaints is inserted

## COMPLIANCES BY NIDHI COMPANY

<b>PROVISIONS OF CARO, 2020</b>	<b>PROVISIONS OF CARO, 2016</b>
<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>	<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 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>

Addition of 2 new parameters is made to check compliance of Companies (Nidhi's) Rules, 2014

## COMPLIANCE WITH SECTION 177 AND 188

### PROVISIONS OF CARO, 2020

### PROVISIONS OF 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

# INTERNAL AUDIT SYSTEM

## PROVISIONS OF CARO, 2020

- (a) whether the company has an internal audit system commensurate with the size and nature of its business;
- (b) whether the reports of the Internal Auditors for the period under audit were considered by the statutory auditor;

## PROVISIONS OF CARO, 2016



# NON CASH TRANSACTIONS

## PROVISIONS OF CARO, 2020

## PROVISIONS OF 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



# REGISTRATION WITH RESERVE BANK OF INDIA

## PROVISIONS OF CARO, 2020

- (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;
- (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;
- (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;
- (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

## PROVISIONS OF CARO, 2016

- 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;

New insertion

## CASH LOSSES

### PROVISIONS OF CARO, 2020

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;

### PROVISIONS OF CARO, 2016

# **RESIGNATION OF THE STATUTORY AUDITORS DURING THE YEAR**

## **PROVISIONS OF CARO, 2020**

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;

## **PROVISIONS OF CARO, 2016**

Earlier, SEBI has also issued Circular on Resignation of statutory auditors from listed entities and their material subsidiaries on October 18, 2019 to regulate resignation of the auditors

# **CAPABILITY OF COMPANY OF MEETING ITS LIABILITIES** **EXISTING AT THE DATE OF BALANCE SHEET**

## **PROVISIONS OF CARO, 2020**

on the basis of the financial ratios, ageing and expected dates of realization 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;

## **PROVISIONS OF CARO, 2016**

**TRANSFER OF AMOUNT REMAINING UNSPENT UNDER SUB-SECTION (5) OF SECTION 135 TO FUND SPECIFIED IN SCHEDULE VII**

**PROVISIONS OF CARO, 2020**

(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;

(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;

**PROVISIONS OF CARO, 2016**

# KEY POINTS

- New Provision has been inserted to check compliance of the provisions of section 135(6) inserted by way of amendment through Companies (Amendment) Act, 2019 which is yet to be notified



6 Months – 1 Year

2 Years

2 – 3 Years

# MANAGERIAL REMUNERATION

PROVISIONS OF CARO, 2020	PROVISIONS OF CARO, 2016
	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;

Provision related to managerial remuneration has been removed considering the same falls under the purview of Secretarial Auditor

# REASONS TO BE STATED FOR UNFAVOURABLE OR QUALIFIED ANSWERS

<b>PROVISIONS OF CARO, 2020</b>	<b>PROVISIONS OF CARO, 2016</b>
<p>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.</p>	



# CONCLUSION

Excerpts from Thirukural:

தக்காங்கு நாடித் தலைச்செல்லா வண்ணத்தால்  
ஒத்தாங்கு ஒறுப்பது வேந்து.

Good Governance warrants proper enquiry into alleged misuses of power and award of deterrent punishment to avoid recurrence

**KNOWLEDGE  
HAS A  
BEGINNING  
BUT NO END**

Thank You!  
😊