

Preface

1. **Author has felt when he qualified as Chartered Accountant (CA) in Year 1985 that legal provisions' interpretations are big challenge for legal professionals, govts' officials and public at large in India and outside India.**
2. **Author has realized that something should be developed to resolve this challenge in India and outside India.**
3. **Author has started compiling Frequently Asked Questions (FAQs) on many subjects where his 100% answers are precisely based on Yes or No i.e. white or black nothing is grey**
4. **Author has compiled approximately 150 +(plus) research papers / books with 25 thousand +(plus) pages on many prevailing subjects / acts in India and outside India.**
5. **Author's 1st paper book is now being published under head FAQs on Enforcement Directorate (ED) where 571 FAQs are replied based on Yes or No i.e. white or black nothing is grey**
6. **This book is also containing**
 - (i) Foreign Exchange Management Act (FEMA) 1999 and rules / regulations
 - (ii) Prevention of Money Laundering Act (PMLA) 2002 and rules / regulations
 - (iii) Fugitive Economic Offenders Act (FEOA) 2018 and rules / regulations
7. **This book is published with Sai Kripa and dedicated to my father (late) Mr. M.R. Agarwal, Mother Mrs. R.D. Agarwal, wife Mrs. Snigdha Agarwal, daughter Ms. Soumya Agarwal, daughter Ms. Sanya Agarwal and dedicated team headed by Rajat Kumar**

● **I trust that you will be enriched by reading this book**

With best wishes,
CA. Satish Agarwal
B. Com (Hons.) FCA

satishagarwal307@yahoo.com
+91-9811081957
www.femainindia.com

Author's Profile

Mr. Satish Agarwal (FCA) is heading M/s Satish S Agarwal & Co. Chartered Accountants since 1985 with a team of dynamic young professionals serving clients from various business sectors including public listed companies and government undertakings. Firm was also registered with PCAOB (USA) for undertaking audits and other work of US GAAP.

He is regularly advising on several matters to Institute of Chartered Accountant of India (ICAI) and also to Ministry of Commerce (MoC) for Foreign Trade Agreements (FTAs) and World Trade Organization (WTO) for securing India's best interests.

He is continuously advising on Foreign Investments (FIs) in India and also on Overseas Direct Investments (ODIs) outside India.

He is known for his expertise in incorporating companies in most of countries across the world.

He has written around 150 +(plus) Research papers / books containing 25 thousand +(plus) pages available "freely" on certain portals like:

https://taxguru.in/author/satishagarwal307_1957

Or

www.femainindia.com

Few out of abovementioned Research papers / books are as under:

1. *Book on Enforcement Directorate (ED) in India- (Book with 617 pages)*
2. *Director of Revenue Intelligence (DRI) in India*
3. *Central Bureau of Investigation (CBI) in India*
4. *National Investigation Agency (NIA) in India*
5. *Serious Fraud Investigation Office (SFIO) in India*
6. *Financial Intelligence Unit (FIU-IND) in India*
7. *Central Vigilance Commission (CVC) in India*
8. *Narcotics Control Bureau (NCB) in India*
9. *Research & Analysis Wing (R&AW) in India*
10. *Economic Offence Wing (EOW) in India*
11. *Intelligence Bureau (IB) in India*
12. *Director General of Income Tax Criminal Investigation (DGITCI) in India*
13. *National Company Law Tribunal (NCLT) in India*
14. *Security Exchange Board of India (SEBI) in India*
15. *Prevention of Corruption (PC) Act,1988 in India*

16. *Foreign Assets Investigation Unit (FAIU) in India*
17. *Book on International Financial Services Center (IFSC) in India (Book with 290 pages)*
18. *Replacement of Indian Penal Code (IPC) Criminal Procedure (CP) & Evidence Act (EA) in India*
19. *Undisclosed Foreign Income & Asset (UFIA)-Black Money Act, 2015*
20. *Statutory provisions for General Anti Avoidance Rule (GAAR) in India*
21. *Reserve Bank of India (RBI) Act, 1934*
22. *Foreign Exchange Management Act (FEMA) 1999 in India*
23. *Benami Transactions (Prohibition) Amendment Act, 2016 in India*
24. *Advance Pricing Agreements (APAs) in India*
25. *Annual Performance Report (APR) for Investments outside India*
26. *Foreign Trade Agreements (FTAs) executed by India*
27. *Statutory Obligations for Companies Operating in India*
28. *Significant Beneficial Owners (SBO) in India*
29. *Significant Economic Presence (SEP) in India*
30. *Place of Effective Management (POEM) in India*
31. *Liberalized Remittance Scheme (LRS) for residents of India*
32. *Foreign Liability and Asset (FLA) return in India*
33. *FATCA agreement with USA*
34. *Double Taxation Avoidance Agreement (DTAA) with USA*
35. *Foreign Tax Credit (FTC) in India*
36. *Corporate Frauds (CFs) in India*
37. *Export of Goods and Services under FEMA, 1999 in India*
38. *Imports of Goods and Services under FEMA, 1999 in India*
39. *External Commercial Borrowings (ECBs) in India*
40. *Overseas Direct Investments (ODIs) under FEMA, 1999 in India*
41. *Acquisition of Immovable Properties by Non-residents under FEMA, 1999 in India*
42. *Compounding of Contraventions under FEMA, 1999 in India*
43. *Foreign Branch Office (BO) + Liaison Office (LO) + Project Office (PO) under FEMA, 1999 in India*
44. *Annual Information Statement (AIS) in India*
45. *Investments by Non-Residents (NRIs) in India*
46. *Guidance for Doing Business in United States of America (USA)*
47. *Corporate Tax (CT) Law in UAE*
48. *Acquisition & Transfer for Immovable Properties by Non-Residents (NRs) in India*
49. *Foreign Company's Registration in India*
50. *Auditor Checks and Reporting for Indian Companies in India*
51. *Companies Auditor Report Order (CARO) 2020 in India*
52. *Tax Audit Report (TAR) + Accounting Standard (ASs) in India*
53. *World Trade Organisation (WTO) & Benefits for India*
54. *Deposits by Corporate in India*
55. *Expatriates + Foreign Citizens in India*
56. *Book on Foreign Investments (FIs) by Non-Residents of India (Non-RoI) (Book with 346 pages)*



Statutory Reporting by Auditors for Company in India

INDEX

S.No	Topic	Page No.
(A) Amendments for preparation of financial statements		4
1	<i>Amendment in schedule III for checking + reporting by Auditors</i>	<i>4 to 6</i>
2	<i>Amendment in CARO 2016 changed as 2020 for checking + reporting by Auditors</i>	<i>6</i>
3	<i>Amendment for preparation of Auditor's report by Statutory auditors</i>	<i>6 & 7</i>
4	<i>Amendment in definition of small company for checking + reporting by Auditors</i>	<i>7</i>
5	<i>Amendment in definition of OPC for Checking + reporting by Auditors</i>	<i>8</i>
6	<i>Amendment in definition of Listed company for Checking + reporting by Auditors</i>	<i>8</i>
7	<i>Amendment in Director's Report for Checking + reporting by Auditors</i>	<i>9</i>
8	<i>Amendment in CSR activities for Checking + reporting by Auditors</i>	<i>9</i>
9	<i>Amendment in gap between 2 BODs Meetings for Checking + reporting by Auditors</i>	<i>9</i>
10	<i>Amendment in EGM through Virtual + etc for Checking + reporting by Auditors</i>	<i>9 & 10</i>
11	<i>Amendment in BODs virtual meeting for Checking + reporting by Auditors</i>	<i>10</i>
12	<i>Amendment in appointment of ID for Checking + reporting by Auditors</i>	<i>10 & 11</i>
13	<i>Amendment in registration under different acts for Checking + reporting by Auditors</i>	<i>11</i>
14	<i>Amendment in IND AS for Checking + reporting by Auditors</i>	<i>11 & 12</i>
15	<i>Amendment as launching of MCA 21 V3 for Checking + reporting by Auditors</i>	<i>12</i>

(B) Amendments for preparation of financial statements		13
1	<i>Amendment of Audit Trail software for Checking + reporting by Auditors</i>	13
2	<i>Amendment for preparation of Auditor's Report by Statutory auditors</i>	13
3	<i>Amendment in Director's Report for Checking + reporting by Auditors</i>	13 & 14
(C) Checking + reporting for loan to director by Auditors		15
1	<i>Applicability of provisions for Checking + reporting by Auditors</i>	15
2	<i>Non Applicability of provisions for Checking + reporting by Auditors</i>	15 & 16
3	<i>Penalty for contravention against each default for Checking + reporting by Auditors</i>	16 & 17
4	<i>Misc. provisions as applicable + not applicable for Checking + reporting by Auditors</i>	17
(D) Checking + reporting for loan and investment by Auditors		18
1	<i>Applicability of provisions for Checking + reporting by Auditors</i>	18
2	<i>Non Applicability of provisions for Checking + reporting by Auditors</i>	18 & 19
3	<i>Penalty for contravention against each default for Checking + reporting by Auditors</i>	19 & 20
4	<i>Misc. provisions as applicable + not applicable for Checking + reporting by Auditors</i>	20
(E) Checking + reporting for CARO 2020 by Auditors		21
1	<i>Amendment in PPE + intangible assets for Checking + reporting by Auditors</i>	21 to 23
2	<i>Amendment in Inventories for Checking + reporting by Auditors</i>	23 & 24
3	<i>Amendment in Loans +Investments + Etc. for Checking + reporting by Auditors</i>	24 to 27
4	<i>Amendment in Loans under section 185 and 186 for Checking + reporting by Auditors</i>	27
5	<i>Amendment in compliances against deposits for Checking + reporting by Auditors</i>	28

6	<i>Amendment in maintenance of Cost Records for Checking + reporting by Auditors</i>	28 & 29
7	<i>Amendment in Undisputed + disputed dues for Checking + reporting by Auditors</i>	29 & 30
8	<i>Amendment in Surrendered of Income for Checking + reporting by Auditors</i>	30
9	<i>Amendment in default + diversion of fund for Checking + reporting by Auditors</i>	30 to 32
10	<i>Amendment in use of money from own shares for Checking + reporting by Auditors</i>	32 & 33
11	<i>Amendment in fraud by + on company for Checking + reporting by Auditors</i>	33 & 34
12	<i>Amendment in default of principle + etc. for Checking + reporting by Auditors</i>	34
13	<i>Amendment in compliances of Related Party for Checking + reporting by Auditors</i>	35
14	<i>Amendment in Internal Audit System for Checking + reporting by Auditors</i>	35
15	<i>Amendment in Non-cash transactions for Checking + reporting by Auditors</i>	35 & 36
16	<i>Amendment in NBFC Business without COR for Checking + reporting by Auditors</i>	36 & 37
17	<i>Amendment in Cash Losses for Checking + reporting by Auditors</i>	37
18	<i>Amendment in Resignation of Auditors for Checking + reporting by Auditors</i>	37
19	<i>Amendment in capability to pay liabilities for Checking + reporting by Auditors</i>	37 & 38
20	<i>Amendment in CSR Compliance for Checking + reporting by Auditors</i>	38
21	<i>Amendment in Qualifications +etc. for Checking + reporting by Auditors</i>	38
22	<i>Amendment in Managerial Remuneration for Checking + reporting by Auditors</i>	38 & 39
Profile of Publisher for Article on Statutory Reporting by Auditors for Company		40



(A) Amendments for preparation of financial statements

(Schedule-III for year ending March 31, 2022)

1. Amendment in schedule III for checking + reporting by Auditors

- (i) Disclosure for shareholding from promoters
- (ii) Trade Payables with ageing :-
 - (a) From 0 to 1 Year
 - (b) From 1 to 2 Years
 - (c) From 2 to 3 Years
 - (d) From 3 to Infinite years
- (iii) Reconciliation of gross + net written down value (WDV) for each class of asset
- (iv) Trade Receivables with ageing :-
 - (a) From 0 to 1 Years
 - (b) From 1 to 2 Years
 - (c) From 2 to 3 Years
 - (d) From 3 to Infinite years
- (v) Disclosure for title deed of Immovable Property held not in name of Company.
- (vi) Disclosure for revaluation of fixed asset + capital work in progress (CWIP) with ageing.
- (vii) Disclosure for Loan or Advance as given to promoter + director + KMP + related party
- (viii) Disclosure for proceeding as initiated + pending under Benami Transactions (Prohibition) Act, 1988 for Benami Property.
- (ix) Reconciliation between quarterly or monthly statement of stock as per books of accounts and submitted to bank + give the reason for material discrepancy if any



- (x) Disclosure for declaring willful defaulter by bank or financial Institution
- (xi) Disclosure for relationship with struck off company as per MCA records.
- (xii) Disclosure for pending registration of charge + pending satisfaction with Registrar of Companies (ROC) exceeding statutory limit.
- (xiii) Disclosure for compliances against layer of companies.
- (xiv) Disclosure for 11 Ratios:-
 - (a) Current Ratio
 - (b) Debt-Equity Ratio
 - (c) Debt Service Coverage Ratio
 - (d) Return on Equity Ratio
 - (e) Inventory turnover ratio
 - (f) Trade Receivables turnover ratio
 - (g) Trade payables turnover ratio
 - (h) Net capital turnover ratio
 - (i) Net profit ratio
 - (j) Return on Capital employed
 - (k) Return on investment
- (xv) Disclosure for compliance of approved Scheme(s) of arrangement + deviation from accounting standards if any.
- (xvi) Disclosure for utilization of borrowed fund + share premium (both).
- (xvii) Disclosure for transaction as not recorded in books of accounts but already surrendered as income in income tax assessment.
- (xviii) Disclosure for Corporate Social Responsibility (CSR)
- (xix) Disclosure for Crypto Currency + Virtual Currency as used by company.
- (xx) Rounding of figures in financial statement is mandatory + based on total income in place of total turnover.
- (xxi) Disclosure for current maturities like period not exceeding 12 months against long term borrowing.



- (xxii) Disclosure for security deposit (given) under head other non-current asset in place of long term loan + advance
- (xxiii) Disclosure for utilization against borrowed fund other than for purpose other than borrowed.
- (xxiv) Disclosure for revaluation of Property Plant and Equipment (PPE) by register valuer
- (xxv) Disclosure for intangible asset under development with ageing.
- (xxvi) Disclosure for borrowed fund for further lending + investment + guaranty + security to 3rd party.

2. **Amendment in CARO 2016 changed as 2020 for checking + reporting by Auditors**

- (i) CARO 2020 having 21 clauses where CARO 2016 having 16 clauses.
- (ii) (a) CARO 2020 is having 7 new clauses where 1 old clause of CARO 2016 is deleted and 1 old clause of CARO 2016 is merged.
- (b) Hence 16 old clauses + 7 new clauses - 1 old clause is deleted - 1 old clause is merged= 21 new clauses
- (iii) (a) CARO 2020 is applicable from April 01st, 2021.
- (b) Hence CARO 2020 is applicable for financial statements for year ending March 31st, 2022 • Notified vide order dated February 25th 2020.

3. **Amendment for preparation of Auditor's report by Statutory auditors**

- Report under other matters to include in Auditors Report where old clause (d) to delete + new clause (e) + (f) + (g) to insert.
- (I) **Clause (e)**
- (i) Whether the management has represented that, to the best of its knowledge and belief, other than as disclosed in the notes to the accounts, no funds have been advance or loan or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the company to or in any other person(s) or entity(ies), including foreign entities, Intermediaries with the understanding, whether recorded in writing or otherwise, that the Intermediary shall,



whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the company 'Ultimate Beneficiaries' or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

(ii) *Whether the management has represented, that, to the best of its knowledge and belief, other than as disclosed in the notes to the accounts, no funds have been received by the company from any person(s) or entity(ies), including foreign entities Funding Parties, with the understanding, whether recorded in writing or otherwise, that the company shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party Ultimate Beneficiaries or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries and*

Note:

- *Auditor have to check the details in notes to account and take a representation from director about such clause and check all the transaction of Company in respect of loan and advance received by company and their respective documents.*
- (iii) *Based on such audit procedures that the auditor has considered reasonable and appropriate in the circumstances, nothing has come to their notice that has caused them to believe that the representations under sub-clause (i) and (ii) contain any material misstatement.*

(II) Clause (f)

- *Whether the dividend declared or paid during the year by the company is in compliance with section 123 of the Companies Act, 2013.*

4. Amendment in definition of small company for checking + reporting by Auditors

- (i) (a) *Small company to include a Private limited company where paid up capital not exceeding 4 crore or turnover not exceeding 40 crore from Sept. 15, 2022*
(b) *Hence 1 condition out of 2 conditions to apply to become a small company*
- (ii) (a) *Small company not to include a Public limited company.*
(b) *Hence a public limited company not to treat as small company beside paid up capital not exceeding 2 crore or turnover not exceeding 20 crore.*



5. **Amendment in definition of OPC for Checking + reporting by Auditors**

- (i) **Now Non Resident Indian (NRI) permitted to incorporate an One person company (OPC) in India**
- (ii) **Now not mandatory to convert OPC into Non OPC beside increase in turnover**
- (iii) **Now OPC permitted to convert into Non OPC without any transition period.**

6. **Amendment in definition of Listed company for Checking + reporting by Auditors**

- **Now not treated listed public limited company:**
 - (i) **Where public limited company as not listed the equity shares on recognized stock exchange but listed the debt securities or preference shares.**
 - (a) **Where listed public limited company has already listed for non-convertible debt securities as issued under private placement in accordance the terms and conditions as prescribed under SEBI (Issue and Listing of Debt Securities) Regulations, 2008**

or
 - (b) **Where listed public limited company has already listed for non-convertible redeemable preference shares as issued under private placement in accordance the terms and conditions as prescribed under SEBI (Issue and Listing of Non-Convertible Redeemable Preference Shares) Regulations, 2013**

or
 - (c) **Both categories jointly (a) + (b) above mentioned.**
 - (ii) **Where listed private limited company has already listed the non-convertible debt securities as issued under private placement on recognized stock exchange in accordance the terms and conditions as prescribed under SEBI (Issue and Listing of Debt Securities) Regulations, 2008**
 - (iii) **Where listed public limited company has not listed the equity shares on recognized stock exchange but these equity shares listed on stock exchange in jurisdiction as specified in sub-section (3) of section 23 of the Act.**



7. *Amendment in Director's Report for Checking + reporting by Auditors*

- (i) *Disclosure about application as made or proceeding is pending under Insolvency and Bankruptcy Code (IBC), 2016 during the year + status at end of financial year.*
- (ii) *Disclosure about difference between amounts of valuation as executed at time of 1 settlement + valuation made while taking loan from Banks or Financial Institutions + reasons.*
- (iii) *Disclosure about annual report on CSR activity if any*

8. *Amendment in CSR activities for Checking + reporting by Auditors*

- (i) ***Now certain entities required to obtain unique CSR registration number:***
 - (a) *Registered Public Trust*
 - (b) *Registered Society*
 - (c) *Registered company under section 8 of CA, 2013*

(ii) *Unique CSR Registration Number:*

Above mentioned entity if intended to undertake any CSR activity to register with ROC through filing CSR-1 e-form to obtain Unique CSR Registration Number.

9. *Amendment in gap between 2 BODs Meetings for Checking + reporting by Auditors*

- (i) *Now gap between 2 Board of Directors (BODs) meetings is permitted not exceeding 180 days instead not exceeding 120 days*
- (ii) *This amendment is permitted for 2 quarterly BODs meetings like June 2021 and Sep 2021 quarters meeting only • Notified vide circular No 08/20 dated May 03rd, 2021*

10. *Amendment in EGM through Virtual + etc for Checking + reporting by Auditors*

- *Now Extraordinary General Meeting (EGM) is permitted through Video Conferencing (virtual) + Other Audio Visual Means (OAVM) + postal ballot*



- (i) Now virtual mode is permitted. Notified vide circular 10/2021 dated June, 23rd 2021. This is permitted from July 01st, 2021
- (ii) This amendment is permitted not exceeding December 31st, 2021 instead of earlier not exceeding June 30th, 2021 • Notified vide circular 10/2021 dated June 23rd, 2021

11. Amendment in BODs virtual meeting for Checking + reporting by Auditors

- Permitted for holding of BODs meeting through virtual for certain purposes only:
 - (i) For approval of Annual Financial Statements
 - (ii) For approval of Board of Directors report
 - (iii) For approval of Prospectus
 - (iv) For approval of certain matters:-
 - (a) **Amalgamation**
 - (b) **Merger**
 - (c) **Demerger**
 - (d) **Acquisition**
 - (e) **Takeover**
 - (v) For audit committee meetings for considering of financial statements but after an approving by BODs • Notified vide notification 409(E) dated June 15th 2021
- MCA has extended relaxed timeline not exceeding December 31st 2021 to conduct EGM through virtual + OAVM + postal ballot. • Notified vide circular dated June 23rd 2021.

12. Amendment in appointment of ID for Checking + reporting by Auditors

- (i) Meaning of Independent Director (ID) to include a director but to exclude a Managing Director (MD) + Whole time director (WTD) + nominee director.
- (ii) Relaxations for appointment of ID by MCA
 - (a) Now individual is permitted to appoint as ID in company before inclusion his name in data bank as maintained by MCA after making a fee Rs. 1000
 - (b) Now ID is also permitted to renew his registration with data bank as maintained by MCA after making a fee Rs. 1000 beside delay exceeding 30 days



(c) Above mentioned 2 amendments are notified vide notification 418(E) dated June 18th 2021.

13. Amendment in registration under diff. acts for Checking + reporting by Auditors

- Now ROC is permitted to allow obtaining registration under certain acts at time of incorporation of new company:-
 - (i) For registration under Goods and Service Tax (GST)
 - (ii) For registration under Employees State Insurance Corporation (ESIC)
 - (iii) For registration under Employees Provident Fund Organization (EPFO)
 - (iv) For registration under Professional Tax
 - (v) For opening a Bank Account
- Notified vide notification 392(E) dated June 7th 2021.

14. Amendment in IND AS for Checking + reporting by Auditors

- Now MCA has introduced some amendments in Indian Accounting Standards (IND AS) for aligning with International Financial Reporting Standards (IFRS):
 - (i) **Under Ind AS 101 for Presentation of Financial Statements**
Now term Financial Asset to be replaced with Financial instrument under head classification and Measurement of Financial Asset
 - (ii) **Under Ind AS 102 for Share Based Payment**
Now changes are made under financial reporting for defining term Equity Instrument
 - (iii) **Under Ind AS 107 for Financial Instrument + Recognition + Presentation + Disclosure**
 - (a) Now certain additional disclosures are required in financial statement for interest rate benchmark reform:
 - (aa) Nature + extent of risk as exposed from financial instrument due to interest rate benchmark reform



(ab) Progress for completing the transition for alternative benchmark rates + to state that how company is managing the transition

(iv) **Under Ind AS 109 for Financial Instrument**

Now introduced the practical method for assessment of contractual cash flow test to measure a financial asset as amortized cost for changes in financial assets due to interest rate benchmark reform

(v) **Under Ind AS 116 for Lease**

Now benefit against to rent concession to lessees to be recognized as income instead of lease rent not exceeding June 2022 instead of not exceeding June 2021

- MCA has highlighted the new Companies (Indian Accounting Standard) Amendment Rules, 2021 • Notified vide Notification dated June 18th 2021

15. **Amendment as launching of MCA 21 V3 for Checking + reporting by Auditors**

- Now MCA has launched a new website for enabling the business community to register a company + to file statutory documents quickly + easily.



(B) Amendments for preparation of financial statements

(Schedule-III for year ending March 31, 2023)

1. Amendment of Audit Trail software for Checking + reporting by Auditors

- Now 100% companies are mandatory required to use accounting software + having audit trail of each transaction beside original transaction was rectified or deleted.

2. Amendment for preparation of Auditor's Report by Statutory auditors

- Other Matters to be included in Auditors Report where old clause (d) to be deleted and New Clause (e) + (f) + (g) to be inserted.

Clause (g)

- Whether the company has used such accounting software for maintaining its books of account which has a feature of recording audit trail (edit log) facility and the same has been operated throughout the year for all transactions recorded in the software and the audit trail feature has not been tampered with and the audit trail has been preserved by the company as per the statutory requirements for record retention.
- This amendment is applicable from April 01st, 2022 for financial year ending March 31st, 2023 • Notified vide notification dated March 24th, 2021.

3. Amendment in Director's Report for Checking + reporting by Auditors

- (i) Disclosure about use of accounting software for maintaining its books of account having certain features :-
 - (a) For ability to record the audit trail of each transaction
 - (b) For ability to create + edit log of each change as made in books of account + date of change
 - (c) For ability to ensure that audit trail cannot be disabled.



(d) *For ability to audit by statutory auditor to trace every step of financial data of particular transaction as right from the general ledger to source document with help of audit trail.*

(ii) *Disclosure about annual report on CSR activity if any*

- *This amendment is applicable from April 01st, 2022 for financial year ending March 31st, 2023 • Notified vide notification dated March 24th, 2021.*



(C) Checking + reporting for loan to director by Auditors

(Section 185 of Companies Act, 2013)

1. Applicability of provisions for Checking + reporting by Auditors

- (i) Domestic (Indian) company not permitted to any loan as directly or indirectly to any person + entity
- (ii) Loan is including an unreasonable business advance + unreasonable business debtors + guaranteed + security for obtaining of loans to certain person + entity:-
 - (a) For Director of company
 - (b) For Holding company
 - (c) For Partner of director
 - (d) For Relative of director
 - (e) For Partnership firm + LLP where director + director relative is partner
 - (f) For Private limited company + body corporate where director is interested

2. Non Applicability of provisions for Checking + reporting by Auditors

- (i) (a) Where Special Resolution (SR) is passed in Extra Ordinary General Meeting (EGM) + disclosure of specific fact for loan + advance
- (b) Where loan to be utilized for principal business activity (only)
- (ii) (a) Where loan is given to Managing Director (MD) or Whole Time Director (WTD) under contract of service + same scheme is generally as available to 100% employees
 - +
 - (b) Scheme is approved through SR in EGM or AGM
- (iii) Where investor company a NBFC + terms and conditions are reasonable
- (iv) Where Loan + guaranty + security as given to 100% owned subsidiary company for principal business activity (only)



- (v) *Investor company a private limited + certain conditions to satisfy:*
 - (a) *Where shareholding not owned by body corporate (including LLP)*
+
 - (b) *Where 100% borrowings from bank + financial institution as not exceeding 200% of paidup capital or Rs. 50 crore whichever is lower*
+
 - (c) *Where default not made in repayment of borrowing from bank + financial institution*
- (vi) *Where guarantee + security as not given to bank + financial institution for lending to subsidiary company for principal business activity (only)*
- (vii) *Where loan is given by Nidhi company to director + director relative as shareholder of company*
- (viii) *Where approval is obtained: -*
 - (a) *From Central Govt
or*
 - (b) *From State Govt.
or*
 - (c) *From Concerned Ministry*

3. ***Penalty for contravention against each default for Checking + reporting by Auditors***

- (i) ***On company for each default***
 - (a) *Minimum 5 Lac*
 - (b) *Maximum 25 Lac*
- (ii) ***On director + officer for each default***
 - (a) *Maximum imprisonment as not exceeding 6 months
or*
 - (b) *Fine*
 - (ba) *Minimum 5 Lac*
 - (bb) *Maximum 25 Lac*



(iii) **On director + officer who has taken loan + guarantee + security**

- (a) *Maximum imprisonment as not exceeding 6 months*
or
- (b) *Fine*
- (ba) *Minimum 5 Lac*
- (bb) *Maximum 25 Lac or both*

4. **Misc. provisions as applicable + not applicable for Checking + reporting by Auditors**

- *Director is treated as interested in other company:-*
- (i) *Where director of company is director or shareholder in other private limited company*
- (ii) *Where 1 or 2 or more director(s) are holding as singly or jointly an exceeding 25% shareholding (voting power) of borrowing company*
- (iii) *Where BODs or MD or manager of borrowing company is accustomed to act or to give the directions to BODs or director(s) of lending company*



(D) Checking + reporting for loan and investment by Auditors

(Section 186 of Companies Act, 2013)

1. Applicability of provisions for Checking + reporting by Auditors

- (i) Domestic (Indian) company is not permitted to invest in other body corporate without satisfaction of certain terms and conditions + not exceeding 60% or 100% + not permitted to invest where investee company is having more than 2 layer of companies.
- (ii) Domestic (Indian) company is not permitted to give any loan + guarantee + security to any person + body corporate as not exceeding 60% or 100%
- (iii) Domestic (Indian) company is not permitted to give a loan + to invest where company has made a default in repayment of deposit + interest + default still continued.
 - Meaning of 60% = Paid up capital + free reserve + share premium
 - Meaning of 100% = Free reserve + share premium

2. Non Applicability of provisions for Checking + reporting by Auditors

- (i) Domestic (Indian) company is permitted where investee company outside India + having more than 2 layers of companies
- (ii) Domestic (Indian) company is permitted where investee company in India + having more than 2 layers of companies + to fulfill the legal compliance as required for investment by subsidiary company in another subsidiary company
- (iii) (a) Domestic (Indian) company is permitted as exceeding 60% of paid up capital + free reserve + share premium + after passing special resolution (SR) in EGM or AGM
 - or
 - (aa) Domestic (Indian) company is permitted as exceeding 100% of free reserve + share premium after passing special resolution (SR) in EGM or AGM
- (b) Passing of SR in EGM or AGM is not required where loan + guarantee provided:-



- (ba) To 100% owned subsidiary company
or
- (bb) Joint venture + disclosure is made in Financial Statement
- (iv) Domestic (Indian) company is permitted to give loan to employee under normal service contract
- (v) Domestic (Indian) company is permitted to give loan + investment + guarantee + security:
 - (a) To Banking company
 - (b) To Insurance company
 - (c) To Housing company
 - (d) To Infrastructure financing company (IFC)
- (vi) Domestic (Indian) company is permitted where investment is made by investment company
- (vii) Domestic (Indian) company is permitted to invest in right issue of equity share
- (viii) Domestic (Indian) company is permitted to invest where investor company is NBFC having investment + lending activity as principal business activity
- (ix) (a) Govt. company as engaged in defence production activity is permitted to give loan + to invest
 - +
(b) Govt. company has taken approval:
 - (ba) From Central Govt.
or
 - (bb) From State Govt.
or
 - (bc) From Concerned Ministry

3. **Penalty for contravention against each default for Checking + reporting by Auditors**

- (i) Fine on company
 - (a) Minimum 25 thousand
 - (b) Maximum 5 Lac



(ii) **Fine on director + officer**

(a) *Maximum imprisonment not exceeding 2 years*

or

(b) *Fine*

(ba) *Minimum 25 thousand*

(bb) *Maximum 1 Lac*

4. **Misc. provisions as applicable + not applicable for Checking + reporting by Auditors**

(i) *Board of Directors (BODs) is required to pass a resolution with 100% voting in favor of resolution for loan + investment + guarantee + security*

+

(ii) (a) *Consent from bank or financial institution is required before giving any loan + to Invest where loan is taken from bank or financial institution*

(b) *Consent from bank or financial institution is not required before giving any loan + Investment where loan is taken from bank or financial institution + limit not exceeding 60% or 90% + domestic (Indian) company has not made any default in repayment of term loan*

(iii) *Domestic investment company is required minimum 50% investment + 50% income in financial asset for maintaining as investment company status*



(E) Checking + reporting for CARO 2020 by Auditors

1. Amendment in PPE + intangible assets for Checking + reporting by Auditors

(i) ● CARO-2020 – Clause 3(i) maintaining of records for PPE + Intangible assets

(a) (A) Whether the company is maintaining proper records showing full particulars, including quantitative details and situation of PPE ?

(B) Whether the company is maintaining proper records showing full particulars of intangible assets ?

● CARO-2016 – Clause 3(i) for maintaining of proper records for fixed assets

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

● Changes between CARO-2020 and CARO-2016

(A) Separate Reporting for PPE in CARO 2020 instead of Fixed Assets in CARO 2016

(B) Separate Reporting for Intangible Assets in CARO 2020 instead of Fixed Assets (only) in CARO 2016

(ii) ● CARO-2020– Clause 3(i) for physical verification of PPE

(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 ?

● CARO-2016– Clause 3(i) for physical verification 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 ?

● Changes between CARO-2020 and CARO-2016

(b) Physical verification of PPE in CARO 2020 instead of physical verification of fixed assets (only) in CARO 2016.



(iii) ● CARO-2020- Clause 3(i) title deed of immovable prop. not name of company

(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 favor of the lessee) disclosed in the financial statements are held in the name of the company, if not provide the following details ?

- (i) Description of property
- (ii) Gross Carrying Value
- (iii) Held in name of person or entity
- (iv) Whether promoter director or their relative or employee
- (v) Period held indicate range an appropriate
- (vi) Reason for not being in name of company

● CARO-2016- Clause 3(i) title deed of immovable property not name of company

(c) Whether the title deeds of immovable properties are held in the name of the company. If not provide the details there of ?

● Changes between CARO-2020 and CARO-2016

(c) Specific 6 details are required to be given for the title deeds not in the name of Company in CARO 2020 instead of not specific details in CARO 2016.

(iv) ● CARO-2020- Clause 3(i) for revaluation of PPE + intangible assets

(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 ?

● CARO-2016

(e) This clause was not in CARO 2016. Hence new clause is introduced in CARO 2020.

(v) ● CARO-2020- Clause 3(i) for proceedings initiated or pending under Benami Transactions (Prohibition), Act 1988



(f) 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 there under, if so, whether the company has appropriately disclosed the details in its financial statements ?

- CARO-2016

(e) This clause was not in CARO 2016. Hence new clause is introduced in CARO 2020.

2. **Amendment in Inventories for Checking + reporting by Auditors**

(i) ● CARO-2020- Clause 3(ii) for physical verification for inventories

(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?

- CARO-2016- Clause 3(ii) for physical verification for inventories

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?

- Changes between CARO-2020 and CARO-2016

Now auditor is required to report about coverage and procedure of the physical verification as followed by the company are appropriate or not appropriate in CARO 2020 instead of coverage and procedure of the physical verification as followed by the company were not required in CARO 2016

Now auditor is required to report the discrepancies for each class of inventory where discrepancies is minimum 10% of each class of inventory

(ii) ● CARO-2020- Clause 3(ii) for verification of quarterly returns filed banks etc.

(a) Whether during any point of time of the year, the company has been sanctioned working capital limits in excess of 5 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 ?

- *CARO-2016*

This clause was not in CARO 2016. Hence new clause is introduced in CARO 2020.

3. Amendment in Loans +Investments + Etc. for Checking + reporting by Auditors

(i) ● *CARO-2020- Clause 3(iii) for loans or investments and guarantees or securities advance*

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 ?

- *CARO-2016- Clause 3(iii) for loans or investments and guarantees or securities + advance*

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 ?

- *Changes between CARO-2020 and CARO-2016*

Reporting for loans, investments and guarantees/securities given to any party in CARO 2020 instead of given to related party only in CARO 2016

(ii) ● *CARO-2020- Clause 3(iii) for loans or guarantees or securities given to any other entity*

(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 ?*

- *CARO-2016- Clause 3(iii) for loans or guarantees or securities given to any other entity*



- (a) Whether the terms and conditions of the grant of such loans are not prejudicial to the company's interest ?
 - Changes between CARO-2020 and CARO-2016
- (a) Reporting for loans or advances in nature of loan and guarantee/security given to any other party in CARO 2020 instead of terms and conditions of loans are not prejudicial to the company's interest in CARO 2016
- (iii) ● CARO-2020- Clause 3(iii) for loans or advances given to the subsidiaries, joint ventures and associates
 - (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 ?
 - CARO-2016- Clause 3(iii) for repayment of principal and payment of interest
 - (b) Whether the schedule of repayment of principal and payment of interest has been stipulated and whether there payments or receipts are regular ?
 - Changes between CARO-2020 and CARO-2016

Additional reporting for loans or advances, guarantees and securities given to subsidiaries, joint ventures and associates in CARO 2020 instead of repayment of principal and payment of interest with in stipulated time in CARO 2016
- (iv) ● CARO-2020- Clause 3(iii) for outstanding loans or advances to non-subsidiary 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 ?
 - CARO-2016- Clause 3(iii) for amount overdue more than 90 days and steps for recovery
 - (c) If the amount is overdue, state the total amount overdue for more than 90 days, and whether reasonable steps have been taken by the company for recovery of the principal and interest ?



- *Changes between CARO-2020 and CARO-2016*

Reporting for aggregate amount during the year, and balance outstanding at the balance sheet date against loans or advances and guarantees or securities given to the parties other than subsidiaries, joint ventures and associates in CARO 2020 instead of total amount overdue more than 90 days and also reasonable steps are taken for recovery of principle and interest in CARO 2016.

(v) ● *CARO-2020- Clause 3(iii) for investments made guarantees or security given are not prejudicial to the company's interest.*

(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 ?*

● *CARO-2016- Clause 3(iii)*

(b) *This clause was not in CARO 2016. Hence new clause is introduced in CARO 2020.*

(vi) ● *CARO-2020- Clause 3(iii) repayment of principle and interest with in stipulated time*

(c) *In respect of loans and advances in the nature of loans, whether the respect of loans and advances in the nature of loans, whether the schedule of repayment of principal and payment of interest has been schedule of repayment of principal and payment of interest has been stipulated and whether there payments or receipts are regular ?*

● *CARO-2016- Clause 3(iii)*

(c) *This clause was not in CARO 2016. Hence new clause is introduced in CARO 2020.*

(vii) ● *CARO-2020- Clause 3(iii) for amount overdue more than 90 days and steps for recovery.*

(d) *If the amount is overdue, state the total amount overdue for more than 90 days, and whether reasonable steps have been taken by the company for recovery of the principal and interest ?*

● *CARO-2016- Clause 3(iii)*

(d) *This clause was not in CARO 2016. Hence new clause is introduced in CARO 2020.*



(viii) ● CARO-2020- Clause 3(iii) for loans + advances as fallen due but renewed/extended

(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 over dues 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] ?

● CARO-2016- Clause 3(iii)

(e) This clause was not in CARO 2016. Hence new clause is introduced in CARO 2020.

(ix) ● CARO-2020- Clause 3(iii) for loans + advances given to promoters/related parties

(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 ?

● CARO-2016- Clause 3(iii)

(f) This clause was not in CARO 2016. Hence new clause is introduced in CARO 2020.

4. Amendment in Loans under sec. 185 and 186 for Checking + reporting by Auditors

● CARO-2020- Clause 3(iv)

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 ?

● CARO-2016- Clause 3(iv)

In respect of loans, investments, guarantees, and security, provisions of Section 185 and 186 of the Companies Act, 2013 have been complied with. If not, provide the details thereof ?

● Changes between CARO-2020 and CARO-2016

No Change in this clause



5. **Amendment in compliances against deposits for Checking + reporting by Auditors**

- **CARO-2020- Clause 3(v)**

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 there under, 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 ?

- **CARO-2016- Clause 3(v)**

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 there under, 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 ?

- **Changes between CARO-2020 and CARO-2016**

Additional reporting for regulatory compliances against the deemed to be deposits is added in CARO 2020 instead of deposits (only) in CARO 2016.

6. **Amendment in maintenance of Cost Records for Checking + reporting by Auditors**

- **CARO-2020- Clause 3(vi)**

Whether maintenance of cost records has been specified by the Central Govt. under sub-section (1) of section 148 of the Companies Act and whether such accounts and records have been so made and maintained ?

- **CARO-2016- Clause 3(vi)**

Whether maintenance of cost records has been specified by the Central Govt. under sub-section (1) of section 148 of the Companies Act, 2013 and whether such accounts and records have been so made and maintained ?



- *Changes between CARO-2020 and CARO-2016*

No Change in this clause

7. Amendment in Undisputed + Disputed dues for Checking + reporting by Auditors

(i) ● *CARO-2020- Clause 3(vii) for outstanding undisputed statutory dues*

(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 6 months from the date they became payable shall be indicated ?*

- *CARO-2016- Clause 3(vii) for outstanding undisputed statutory dues*

(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 6 months from the date they became payable, shall be indicated ?*

- *Changes between CARO-2020 and CARO-2016*

(a) *Additional reporting for GST under undisputed Statutory Dues*

(ii) ● *CARO-2020- Clause 3(vii) for outstanding disputed statutory dues*

(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) ?*

- *CARO-2016- Clause 3(vii) for outstanding disputed statutory dues*

(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) ?*



- *Changes between CARO-2020 and CARO-2016*

No Change in this clause

8. **Amendment in Surrendered of Income for Checking + reporting by Auditors**

- *CARO-2020- Clause 3(viii)*

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 ?

- *CARO-2016*

This clause was not in CARO 2016. Hence new clause is introduced in CARO 2020.

9. **Amendment in default + diversion of fund for Checking + reporting by Auditors**

(i) ● *CARO-2020- Clause 3(ix) for default in repayment of loans from any lender*

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

- *Nature of borrowing, including debt securities*
- *Name of lender (Lender wise details to be provided in case of defaults to banks, financial institutions and Government)*
- *Amount not paid on due date*
- *Whether principal or interest*
- *No. of days delay or unpaid*
- *Remarks, if any*

- *CARO-2016- Clause 3(viii) for default in repayment of loans from banks etc.*

Whether the company has defaulted in repayment of loans or borrowing to a FI, 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).



- *Changes between CARO-2020 and CARO-2016*

Default of Interest payment is also covered in CARO 2020 instead of default of principle amount (only) in CARO 2016.

Now reporting for defaults in payment of principle and interest against the loans or borrowings taken from any lender are covered in CARO 2020 instead of default in payment of principle only against the loans taken from Banks, FI, Government and Debenture holders is covered in CARO 2016
- (ii) ● *CARO-2020- Clause 3(ix) for willful defaulter by any banks etc. or other lender.*
 - (b) *Whether the company is a declared willful defaulter by any bank or financial institution or other lender ?*
 - *CARO-2016- Clause 3(ix)*
 - (b) *This clause was not in CARO 2016. Hence new clause is introduced in CARO 2020.*
- (iii) ● *CARO-2020- Clause 3(ix) for diversion of amount of term loans for any other purpose*
 - (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 maybe reported ?*
 - *CARO-2016- Clause 3(ix)*
 - (c) *This clause was not in CARO 2016. Hence new clause is introduced in CARO 2020.*
- (iv) ● *CARO-2020- Clause 3(ix) for utilization of short term loan for long term purpose*
 - (d) *Whether funds raised on short term basis have been utilized for long term purposes, if yes, the nature and amount to be indicated ?*
 - *CARO-2016- Clause 3(ix)*
 - (d) *This clause was not in CARO 2016. Hence new clause is introduced in CARO 2020.*
- (v) ● *CARO-2020- Clause 3(ix) for loans utilized by subsidiaries, associates or joint ventures*



- (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 ?
 - CARO-2016- Clause 3(ix)
- (e) This clause was not in CARO 2016. Hence new clause is introduced in CARO 2020.
- (vi) ● CARO-2020- Clause 3(ix) for pledging of securities of subsidiaries and joint ventures etc.
- (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 ?
 - CARO-2016- Clause 3(ix)
- (f) This clause was not in CARO 2016. Hence new clause is introduced in CARO 2020.

10. Amendment in use of money from own shares for Checking + reporting by Auditors

- (i) ● CARO-2020- Clause 3(x) for diversion of money as raised through IPO, FPO or debt
 - (a) Whether amounts of money 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 ?
 - CARO-2016- Clause 3(ix) for diversion of money as raised through IPO, FPO or debt
 Whether money 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 ?
 - Changes between CARO-2020 and CARO-2016
 Reporting for diversion of fund as raised for IPO, FPO or debt instruments in CARO 2020 instead of IPO, FPO or debt instruments and term loans in CARO 2016
- (ii) ● CARO-2020- Clause 3(x) for preferential allotment or private placement of shares etc.



(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 ?

- CARO-2016- Clause 3(xiv) for preferential allotment or private placement of shares etc
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 ?
- Changes between CARO-2020 and CARO-2016
Now compliance of the provisions under section 42 and 62 both are to be obeyed in CARO 2020 instead of section 42 is (only) to be obeyed in CARO 2016

11. **Amendment in fraud by + on company for Checking + reporting by Auditors**

- (i) ● CARO-2020- Clause 3(xi) for any fraud by company or on the company
(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?
- CARO-2016- Clause 3(x) for any fraud by company or on the company by its officers and employees
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 ?
- Changes between CARO-2020 and CARO-2016
Reporting for any frauds by the company or on the company is required in CARO 2020 instead of any fraud by its employees or officers (only) in CARO 2016

- (ii) ● *CARO-2020- Clause 3(xi) for report as filed by statutory auditors with central govt.*
 - (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 ?*
 - *CARO-2016- Clause 3(xi)*
This clause was not in CARO 2016. Hence new clause is introduced in CARO 2020.
- (iii) ● *CARO-2020- Clause 3(xi) considering whistle-blower complaints by statutory auditors*
 - (c) *Whether the auditor has considered whistle-blower complaints, if any, received during the year by the company ?*
 - *CARO-2016- Clause 3(xi)*
This clause was not in CARO 2016. Hence new clause is introduced in CARO 2020.

12. **Amendment in default of principle + etc. for Checking + reporting by Auditors**

- *CARO-2020- Clause 3(xii) for term deposits and default in payment of interest*
 - (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 ?*
 - (b) *Whether the Nidhi Company is maintaining 10% unencumbered term deposits as specified in the Nidhi Rules, 2014 to meet out the 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 there of ?*
- *CARO-2016- Clause 3(xii) for term deposits and default in payment of interest*
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 10% unencumbered term deposits as specified in the Nidhi Rules, 2014 to meet out the liability ?
- *Changes between CARO-2020 and CARO-2016*
Reporting for ratios, unencumbered term deposits and default in payment of principle and interest in CARO 2020 instead of ratio and unencumbered term deposits (only) in CARO 2016



13. Amendment in compliances of Related Party for Checking + reporting by Auditors

- **CARO-2020- Clause 3(xii)**

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 ?

- **CARO-2016- Clause 3(xii)**

Whether all transactions with the related parties are incompliance with sections 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the Financial Statements etc., as required by the applicable accounting standards ?

- **Changes between CARO-2020 and CARO-2016**

No Change in this clause

14. Amendment in Internal Audit System for Checking + reporting by Auditors

- **CARO-2020- Clause 3(xiv)**

(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 ?

- **CARO-2016**

This clause was not in CARO 2016. Hence new clause is introduced in CARO 2020.

15. Amendment in Non-cash transactions for Checking + reporting by Auditors

- **CARO-2020- Clause 3(xv)**

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 ?

- **CARO-2016- Clause 3(xv)**



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 ?

- *Changes between CARO-2020 and CARO-2016*

No Change in this clause

16. Amendment in NBFC Business without COR for Checking + reporting by Auditors

(i) ● *CARO-2020- Clause 3(xvi) for registration of company with the RBI*

- (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 ?*

- *CARO-2016- Clause 3(xvi) for registration of company with the RBI*

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 ?

- *Changes between CARO-2020 and CARO-2016*

No Change in this clause

(ii) ● *CARO-2020- Clause 3(xvi) for conducting NBFC without a COR from RBI*

- (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 ?*

- *CARO-2016- Clause 3(xvi)*

- (b) *This clause was not in CARO 2016. Hence new clause is introduced in CARO 2020.*

(iii) ● *CARO-2020- Clause 3(xvi) for company as a Core Investment Company (CIC)*

- (c) *Whether the company as a Core Investment Company (CIC) as defined in the regulations made by the Reserve Bank of India, if so, whether it continues to fulfill the criteria of a CIC, and in case the company is an exempted or unregistered CIC, whether it continues to fulfill such criteria ?*



- CARO-2016- Clause 3(xvi)
- (c) This clause was not in CARO 2016. Hence new clause is introduced in CARO 2020.
- (iv) ● CARO-2020- Clause 3(xvi) for more than 1 CIC in 1 group
- (d) Whether the Group has more than 1 CIC as part of the Group, if yes, indicate the number of CICs which are part of the Group ?

17. Amendment in Cash Losses for Checking + reporting by Auditors

- CARO-2020- Clause 3(xvii)
- 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 ?
- CARO-2016
- This clause was not in CARO 2016. Hence new clause is introduced in CARO 2020.

18. Amendment in Resignation of Auditors for Checking + reporting by Auditors

- CARO-2020- Clause 3(xviii)
- 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 ?
- CARO-2016
- This clause was not in CARO 2016. Hence new clause is introduced in CARO 2020.

19. Amendment in capability to pay liabilities for Checking + reporting by Auditors

- CARO-2020- Clause 3(xix)
- On the basis of the financial ratios, aging 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 1 year from the balance sheet date ?



- **CARO-2016**

This clause was not in CARO 2016. Hence new clause is introduced in CARO 2020.

20. Amendment in CSR Compliance for Checking + reporting by Auditors

- **CARO-2020- Clause 3(xx)**

(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 6 months of the expiry of the financial year in compliance with 2nd provisions 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 sub-section (6) of section 135 of the said Act ?*

- **CARO-2016**

This clause was not in CARO 2016. Hence new clause is introduced in CARO 2020.

21. Amendment in Qualifications +etc. for Checking + reporting by Auditors

- **CARO-2020 Clause 3(XXI)**

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

- **CARO-2016**

This clause was not in CARO 2016. Hence new clause is introduced in CARO 2020.

22. Amendment in Managerial Remuneration for Checking + reporting by Auditors

- **CARO-2020**

This clause is not existed in CARO 2020



- **CARO-2016- Clause 3(xi)**

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 ?

- **Changes between CARO-2020 and CARO-2016**

Now reporting for managerial remuneration is not needed in CARO 2020 instead of it was needed in CARO 2016

Now reporting for managerial remuneration is incorporated in main audit report. Hence duplication is removed.



Published By



CA. Satish Agarwal
B.com (Hons) FCA
Practicing Chartered Accountant Since 1985
+919811081957
9/14 (First Floor) East Patel Nagar, New Delhi- 110008
Email: satishagarwal307@yahoo.com
Website: www.femainindia.com

◆ **Disclaimer**

1. *Contents of this article are solely for informational purpose. Neither this article nor information's as contained herein constitute a contract or will form basis of contract.*
2. *Material contained in this article does not constitute or substitute professional advice that may be required before acting on any matter.*
3. *While every care has been taken in preparation of this article to ensure its accuracy at time of publication.*
4. *Satish Agarwal assumes no responsibility for any error which despite all precautions may be found herein.*
5. *We shall not be liable for direct, indirect or consequential damage if any arising out of or in any way connected with use of this article or information's as contained herein.*

September-2022

