



“What’s
New?”

March 2, 2020

“Major changes with respect to Company Auditor’s Report ”

A new Companies (Auditor’s report) Order, 2020 (CARO 2020) has been notified by Ministry of Corporate Affairs (MCA). This Order replaces the previous Companies (Auditor’s Report) Order, 2016.

CARO report is issued by the Auditor as part of the statutory audit report. On private limited companies CARO 2020 applies if paid-up share capital and free reserves or borrowings from banks exceed INR 10 Million or revenue exceeds INR 100 Million.

Source: MCA Order F.No. 17/45/2015-CL-V Part-I dated February 25, 2020

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CARO 2020 - Key changes

CARO 2020 has added some more clauses for Auditors to report, which are as below :

- Revaluation of property, plant and equipment and intangible assets
- Proceedings initiated (even if not complete) under the Benami Transactions (Prohibition) Act, 1988
- Whether statements filed with banks are in line with books of accounts, if company was sanctioned working capital limits against current assets in excess of INR 50 Million
- Amount outstanding as on Balance Sheet date with respect of investments, loan or advances, guarantee or security
- Whether previously undisclosed incomes surrendered during income-tax proceedings have now been properly recorded or not
- Amount of loan which is renewed or extended or fresh loan taken to settle overdue existing loan
- Whether auditor has considered whistle blower complaints received during the year by the company
- Whether company has adequate internal audit system or not and whether auditor has considered the reports of internal auditor or not
- Amount of cash loses, if any
- Whether the auditor has taken into consideration the issues, objections or concerns raised by the outgoing auditors
- Uncertainty of company capable of meeting its liabilities
- Amount of unspent Corporate Social Responsibility Fund transferred to special account provided in Schedule VII
- Any qualifications or adverse remarks by the respective auditors in the CARO reports of the subsidiary/associate companies included in the consolidated financial statements

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