

Comparison of CARO reporting as per Companies Act, 2013 and Proposed Caro (2016)

SERIES- 128

The Ministry had set-up a Committee on 16th September, 2015 to examine and recommend matter for inclusion in the statement to be attached with Auditor's Report under Section 143(11) of the Companies Act, 2013 for the financial year 2015-16 onwards. The said Committee has since made recommendations in the matter.

- I. **Applicability:** It shall apply to every company including a foreign company as defined in clause (42) of section 2 of the Companies Act, 2013 (18 of 2013) [hereinafter referred to as the Companies Act], **Except**

CARO not applicable on below mentioned Companies

- i. A Banking Company as defined in clause (c) of section 5 of the Banking Regulation Act, 1949 (10 of 1949);
- ii. An Insurance Company as defined under the Insurance Act, 1938 (4 of 1938);
- iii. A Company licensed to operate under section 8 of the Companies Act;
- iv. A One Person Company as defined under clause (62) of section 2 of the Companies Act and
- v. A Small Company as defined under clause (85) of section 2 of the Companies Act; and
- vi. A private limited Company,
 - Not being a subsidiary or holding of a public company,
 - having a paid up capital and reserves and surplus not more than rupees one crore as at the balance sheet date and
 - which does not have total borrowings exceeding rupees one crore from any bank or financial institution at any point of time during the financial year and
 - which does not have a total revenue as defined in Scheduled III to the Companies Act, 2013 (including revenue from discontinuing operations) exceeding rupees ten crore during the financial year as per the financial statements.
- vii. Preparation of Consolidate Financial Statement also.

COMPARISON

S. No.	Under Companies Act 2013	Action	Proposed Caro Requirements- Ministry asked for comments
1.	Fixed Assets & Immovable Property (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	(c) added	(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 (c) Whether title deeds of immovable properties are held in the name of the company. If not, provide details thereof.
2.	<u>Inventories</u> whether physical verification of inventory has been conducted at reasonable intervals by the management;	Point added	Whether physical verification of inventory has been conducted at reasonable intervals by the management and whether any material discrepancies were noticed and if so, how they have been dealt with in the books of account
3.	<u>Inventories</u> (b) are the procedures of physical verification of inventory followed by the management reasonable and adequate in relation to the size of the company and the nature of its business. If not, the inadequacies in such procedures		



	should be reported; (c) whether the company is maintaining proper records of inventory and whether any material discrepancies were noticed on physical verification and if so, whether the same have been properly dealt with in the books of account;	(b) (c) deleted	
			This Provision Deleted
4.	(iii) Whether the company has granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 189 of the Companies Act. If so, (a) whether receipt of the principal amount and interest are also regular; and (b) if overdue amount is more than rupees one lakh, whether reasonable steps have been taken by the company for recovery of the principal and interest	Replaced	Whether the company has granted any loans, secured or unsecured to companies, firms or other parties covered by clause (76) of Section 2 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; (b) Whether receipt of the principal amount and interest are regular. If not provide details thereof; and (c) If overdue amount is more than rupees five lakhs, whether reasonable steps have been taken by the company for recovery of the principal and interest
5.	Is there an adequate internal control system commensurate with the size of the company and the nature of its business, for the purchase of inventory and fixed	No change	is there an adequate internal control system commensurate with the size of the company and the nature of its business, for the purchase of inventory



	assets and for the sale of goods and services. Whether there is a continuing failure to correct major weaknesses in internal control system.		and fixed assets and for the sale of goods and services. Whether there is a continuing failure to correct major weaknesses in internal control system.
6.		New Provision	In respect of loans, investments and guarantees, whether provisions of Section 185 and 186 of the Companies Act, 2013 have been complied with. If not, provide details thereof.
7.	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 and the rules framed there under, where applicable, have been complied with? Is not, the nature of contraventions should 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?	No Change	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?
8.	where maintenance of cost records has been specified by the Central Government under sub-section (1) of section 148 of the Companies Act, whether such accounts and records have been made and maintained;	No Change	whether maintenance of cost records has been specified by the Central Government under sub-section (1) of section 148 of the Companies Act, 2013 and whether such accounts and records have been so made and maintained



9.	(a) is the company regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, duty of customs, duty of excise, value added tax, cess and any other statutory dues with the appropriate authorities and if not, the extent of the arrears of outstanding statutory dues as at 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 by the auditor. (b) in case dues of income tax or sales tax or wealth tax or service tax or duty of customs or duty of excise or value added tax or cess 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 constitute a dispute). (c) whether the amount required to be transferred to investor education and protection fund in accordance with the relevant provisions of the Companies Act, 1956 (1 of 1956)	(c) deleted and minor changes in (a) and (b)	(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, and any other statutory dues with the appropriate authorities and if not, the extent of the arrears of outstanding statutory dues as at 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 by the auditor. (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)
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	and rules made there under has been transferred to such fund within time.		
10.	Whether the company has defaulted in repayment of dues to a financial institution or bank or debenture holders? If yes, the period and amount of default to be reported;	Little Amendment	Whether the company has defaulted in repayment of dues to a financial institution or bank or debenture holders? If yes, the period and amount of default to be reported (in case of banks and financial institutions, lender wise details to be provided).
11.	whether the company has given any guarantee for loans taken by others from bank or financial institutions, the terms and conditions whereof are prejudicial to the interest of the company format	Deleted	
12.	whether term loans were applied for the purpose for which the loans were obtained	Deleted and added new provision	Whether moneys raised by way of public issue/ follow-on offer (including debt instruments) and term loans were applied for the purposes for which those are raised. If not, the details together with delays / default and subsequent rectification, if any, as may be applicable, be reported
13.	whether any fraud on or by the company has been noticed or reported during the year; If yes, the nature and the amount involved is to be indicated	Amended	Whether any fraud by the company or any fraud on the Company by its officers/ employees has been noticed or reported during the year; If yes, the nature and the amount involved be indicated
Completely new Proposed Provisions			
14.	Whether the company has made any preferential allotment / 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 and the amount raised have been used for the purposes for which the funds were raised. If not, provide details thereof.
15.	Whether the Nidhi Company has complied with the Net Owned Fund in the ratio of 1: 20 to meet out the liability and whether the Nidhi Company is maintaining 10% liquid assets to meet out the unencumbered liability
16.	Whether all transactions with the related parties are in compliance with Section 188 and 177 of Companies Act, 2013 where applicable and the details have been disclosed in the Financial Statements etc as required by the accounting standards and Companies Act, 2013
17.	Whether managerial remuneration has been paid / 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
18.	Whether the company has entered into any non-cash transactions with directors or persons connected with him and if so, whether provisions of Section 192 of Companies Act, 2013 have been complied with.

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