



*Companies (Auditor's Report)
Order, 2015*

Key Highlights

What's new?



REMOVED

- **Clause v** – Maintenance of Register u/s 301
- **Clause vii** – Internal audit system requirement
- **Clause xii** – Documentation for loans & advances given by way of pledge and other securities
- **Clause xiii** – Provisions of special statute applicable to chit fund, nidhi, mutual benefit societies
- **Clause xiv** – Company dealing or trading in shares
- **Clause xvii** – short term funds used for long term purpose & vice-versa
- **Clause xviii** – Preferential allotment of shares to parties covered in registered maintained u/s 301
- **Clause xix** – creation of security in respect of debentures issued
- **Clause xx** – End use of money raised by public issue



A U D I T

- Exemption of CARO applicability given to - **One Person Company as per section 2(62) of the 2013 Act and a small company as per section 2(85) of the 2013 Act.**
- **Separate clause for investor education fund and protection fund** - Disclosure need to be given stating whether amount required to be transferred to IEPF in accordance with the relevant provisions of the 1956 Act and rules made thereunder has been transferred to such fund within time.



No Change

- **Clause ii** – Inventory
- **Clause x** – Accumulated losses
- **Clause xi** – Repayment of dues to a financial institution, bank, debenture holders
- **Clause xv** – Guarantee for loan taken by others
- **Clause xvi** – Application of term loans for the specified purpose
- **Clause xxi** – Fraud on or by the company

- Provisions of Companies Act, 1956 replaced with corresponding notified provisions of Companies Act 2013
- Change of definition of Insurance Companies
- **Clause i** - effect on going concern on disposal of substantial fixed assets, need not be given.
- **Clause iii** – No comments required to be given w.r.t. loans taken from specified parties and further disclosures w.r.t. loans given, reduced.
- **Clause ix** – Mandatory disclosure regarding amount involved in case of disputed specified statutory dues and forum where such dispute is pending.
- **Applicability of CARO and Clause iv, vi, ix** – Certain modifications

Comparative Analysis (1 of 10)

Particulars	CARO, 2003	CARO, 2015
Applicable from	<ul style="list-style-type: none"> Order Applicable from 1st July, 2003. For Auditor's report on accounts of the company (to which this Order applies) for the financial year commencing before 1st April 2014. 	<ul style="list-style-type: none"> Order Applicable from the date of its publication in the Official Gazette. For Auditor's report on accounts of the company (to which this Order applies) for the financial year commencing on or after 1st April 2014.
Applicable to	<p>Shall apply to every Company including a foreign company as defined in section 591 of the 1956 Act, except:</p> <ul style="list-style-type: none"> A banking company An insurance company as defined u/s 2 (21) of the 1956 Act A section 25 company A private company with a paid up capital and reserves of not more than Rs. 50,00,000 and has not accepted any public deposit and does not have loan o/s of Rs. 10,00,000 or more from any bank or financial institution and does not have a turnover exceeding Rs. 5,00,00,000 	<p>Shall apply to every Company including a foreign company as defined in section 2(42) of the 2013 Act, except:</p> <ul style="list-style-type: none"> A banking company An insurance company as defined under Insurance Act, 1938 A section 8 company A One Person Company as per section 2(62) of the 2013 Act and a small company as per section 2(85) of the 2013 Act. A private company with a paid up capital and reserves of not more than Rs. 50,00,000 and does not have loan o/s of Rs. 25,00,000 or more from any bank or financial institution and does not have a turnover exceeding Rs. 5,00,00,000 at any point of time during the financial year.
Definitions	<ul style="list-style-type: none"> CARO, 2003 defined chit fund company, finance company, investment company, manufacturing company, mining company, processing company, service company and trading company. 	<ul style="list-style-type: none"> No such definitions in CARO, 2015.

Comparative Analysis (2 of 10)

Particulars	CARO, 2003	CARO, 2015
Fixed Assets	<p>Auditor needed to comment upon:</p> <ul style="list-style-type: none"> Maintenance of proper records showing full particulars, including quantitative details and situation of fixed assets; Physical verification of Fixed Assets by the Management, material discrepancies on such verification and dealing of such discrepancies; The effect on going concern in case substantial part of fixed assets are disposed off during the year 	<p>Auditor needs to comment upon:</p> <ul style="list-style-type: none"> Maintenance of proper records showing full particulars, including quantitative details and situation of fixed assets; Physical verification of Fixed Assets by the Management, material discrepancies on such verification and dealing of such discrepancies. Not required
Inventory	<p>Auditor needed to comment upon:</p> <ul style="list-style-type: none"> Physical verification of inventory by the Management; Reasonability and adequacy of Procedures of physical verification of inventory in relation to the size of the company and nature of its business. Inadequacies in such procedures to be reported separately; Maintenance of proper records of inventory, material discrepancies on physical verification and dealing of such discrepancies; 	<p>Same as earlier.</p>

Comparative Analysis (3 of 10)

Particulars	CARO, 2003	CARO, 2015
Loans and advances	<p>Auditor needed to comment upon:</p> <ul style="list-style-type: none"> • Whether the company has granted or taken any secured or unsecured loans to/from parties covered in register maintained u/s 301 of the 1956, Act. If so, the number of parties and amount involved in the transactions; • Rate of interest and other terms and conditions of above loans given or taken are prima facie prejudicial to the interest of the company; • Regularity of payment of principal amount and interest of above loans; • If overdue amount is more than Rs. 1 lakh, whether reasonable steps have been taken by the company for recovery/payment of the principal and interest. 	<p>Auditor needs to comment upon:</p> <ul style="list-style-type: none"> • Whether the company has granted any secured or unsecured loans to parties covered in register maintained u/s 189 of the 2013, Act; • On Regularity of receipt of principal amount and interest of above loans; • If overdue amount is more than Rs. 1 lakh, whether reasonable steps have been taken by the company for recovery of the principal and interest. <p>No comments required in respect of loans taken from parties covered in register maintained u/s 189 of 2013 Act.</p> <p>Further w.r.t. loans given – no comments required on number of parties, amount involved in transactions and whether the rate of interest and terms and conditions are prima facie prejudicial to the interest of the company.</p>
Internal control system	<p>Auditor needed to comment upon:</p> <ul style="list-style-type: none"> • Adequacy of internal control procedure w.r.t to size of the company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods. • Whether there is a continuing failure to correct major weaknesses in internal control. 	<p>Auditor needs to comment upon:</p> <ul style="list-style-type: none"> • Adequacy of internal control system w.r.t to size of the company and the nature of its business, for the purchase of inventory 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.

Comparative Analysis (4 of 10)

Particulars	CARO, 2003	CARO, 2015
Register u/s 301	<p>Auditor needed to comment upon:</p> <ul style="list-style-type: none"> Transactions required to be entered into a register in pursuance of section 301 of the 1956 Act have been so entered; In case transactions entered exceeds value of Rs. 5,00,000 in respect of any party in a financial year, whether those transactions were made at reasonable prices having regard to the prevailing market price at the relevant time. 	<p>No comments relating to this matter are required to be given under CARO, 2015.</p>
Deposits	<p>Auditor needed to comment upon:</p> <ul style="list-style-type: none"> In case the company has accepted deposits, whether the directives issued by RBI and provisions of sections 58A and 58AA of the 1956 Act, and the rules framed there under, where applicable, have been complied with. If not, the nature of contraventions should be stated; If an order has been passed by Company Law Board whether the same has been complied with or not? 	<p>Auditor needs to comment upon:</p> <ul style="list-style-type: none"> In case the company has accepted deposits, whether the directives issued by RBI and provisions of sections 73 to 76 or any relevant provisions of the 2013 Act, and the rules framed there under, where applicable, have been complied with. If not, the nature of contraventions should be stated; If an order has been passed by Company Law Board or National Company Law Tribunal or RBI or any court or any other tribunal, whether the same has been complied with or not?

Comparative Analysis (5 of 10)

Particulars	CARO, 2003	CARO, 2015
Internal Audit System	<p>Auditor needed to comment upon:</p> <ul style="list-style-type: none"> Whether the company has an internal audit system commensurate with its size and nature of its business. (Only In case of Listed Companies or Companies having a paid-up capital and reserves > Rs. 50 lakhs as at the beginning of the financial year or having an average annual t/o > Rs. 5cr for a period of 3 consecutive financial years immediately preceding the financial year). 	<p>No comments relating to this matter are required to be given under CARO, 2015.</p>
Cost Records	<p>Auditor needed to comment upon:</p> <ul style="list-style-type: none"> Where maintenance of cost records has been prescribed by the Central Government under section 209(1)(d) of the 1956 Act, whether such accounts and records have been made and maintained. 	<p>Auditor needs to comment upon:</p> <ul style="list-style-type: none"> Where maintenance of cost records has been specified by the Central Government under section 148(1) of the 2013 Act, whether such accounts and records have been made and maintained.

Comparative Analysis (6 of 10)

Particulars	CARO, 2003	CARO, 2015
Statutory dues	<p>Auditor needed to comment upon:</p> <ul style="list-style-type: none"> Is the company regular in depositing undisputed statutory dues with the appropriate authorities; 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; In case dues of sales tax/income tax/custom tax/wealth tax/excise duty/cess have not been deposited on account of any dispute, then the amounts involved and the forum where dispute is pending may please be mentioned. <i>(A mere representation to the Department shall not constitute the dispute).</i> 	<p>Auditor needs to comment upon:</p> <ul style="list-style-type: none"> Is the company regular in depositing undisputed statutory dues with the appropriate authorities; 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; 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. <i>(A mere representation to the Department shall not constitute the dispute);</i> Whether the amount required to be transferred to investor education fund and protection fund in accordance with the relevant provisions of the 1956 Act and rules made thereunder has been transferred to such fund within time.

Comparative Analysis (7 of 10)

Particulars	CARO, 2003	CARO, 2015
Accumulated losses	<p>Auditor needed to comment upon:</p> <ul style="list-style-type: none"> In case of a company, which is registered for a period of not less than 5 years, whether its accumulated losses at the end of the financial year are not less than 50% of its net worth and whether it has incurred cash losses in such financial year and in the immediately preceding financial year also. 	Same as earlier
Repayment of dues to lenders	<p>Auditor needed to comment upon:</p> <ul style="list-style-type: none"> Has the company 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. 	Same as earlier
Documentation for secured Loans & advances granted by way of pledge of securities	<p>Auditor needed to comment upon:</p> <ul style="list-style-type: none"> Maintenance of adequate document and records in cases where the company has granted loans & advances on the basis of security by way of pledge of shares, debentures and other securities; If not the deficiencies to be pointed out. 	No comments relating to this matter are required to be given under CARO, 2015.

Comparative Analysis (8 of 10)

Particulars	CARO, 2003	CARO, 2015
Provisions relating to special statute	<p>Auditor needed to comment upon:</p> <ul style="list-style-type: none"> • Compliance of provisions of any special statute applicable to chit fund. In respect of nidhi/mutual benefit fund/societies: <ul style="list-style-type: none"> ✓ whether the net-owned funds to deposit liability ratio is more than 1:20 as on the date of balance sheet; ✓ whether the company has complied with the prudential norms on income recognition and provisioning against sub-standard/default/loss assets; ✓ whether the company has adequate procedures for appraisal of credit proposals/requests, assessment of credit needs and repayment capacity of the borrowers; ✓ whether the repayment schedule of various loans granted by the nidhi is based on the repayment capacity of the borrower and would be conducive to recovery of the loan amount. 	<p>No comments relating to this matter are required to be given under CARO, 2015.</p>
Records for company dealing or trading in shares, securities, debentures and other investments	<p>For such Companies auditor needed to comment upon:</p> <ul style="list-style-type: none"> • Maintenance of proper records of the transactions and contracts, timely entries and whether shares, securities, debentures and other securities have been held by the company in its own name except to the exemption, if any, granted u/s 49 of the 1956 Act. 	<p>No comments relating to this matter are required to be given under CARO, 2015.</p>

Comparative Analysis (9 of 10)

Particulars	CARO, 2003	CARO, 2015
Guarantees for loans taken by others	<p>Auditor needed to comment upon:</p> <ul style="list-style-type: none"> Has the company 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. 	Same as earlier
Application of term loans	<p>Auditor needed to comment upon:</p> <ul style="list-style-type: none"> Whether the term loans were applied for the purpose for which the loans were obtained. 	Same as earlier
Use of funds raised on short term basis for long term investment and vice-versa	<p>Auditor needed to comment upon:</p> <ul style="list-style-type: none"> whether the funds raised on short-term basis have been used for long term investment and vice versa; If yes, the nature and amount is to be indicated. 	No comments relating to this matter are required to be given under CARO, 2015.
Preferential allotment of shares	<p>Auditor needed to comment upon:</p> <ul style="list-style-type: none"> Has the company made any preferential allotment of shares to parties and companies covered in the Register maintained u/s 301 of the 1956, Act. If so the price at which shares have been issued is prejudicial to the interest of the company. 	No comments relating to this matter are required to be given under CARO, 2015.

Comparative Analysis (10 of 10)

Particulars	CARO, 2003	CARO, 2015
Security of debentures issued	<p>Auditor needed to comment upon:</p> <ul style="list-style-type: none"> Creation of securities in respect of debentures issued. 	No comments relating to this matter are required to be given under CARO, 2015.
End use of money raised by public issues	<p>Auditor needed to comment upon:</p> <ul style="list-style-type: none"> whether the management has disclosed on the end use of money raised by public issues and the same has been verified. 	No comments relating to this matter are required to be given under CARO, 2015.
Fraud on or by the Company	<p>Auditor needed to comment upon:</p> <ul style="list-style-type: none"> 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. 	Same as earlier.
Reasons for unfavorable or qualified answers	<p>If the answer to any of the questions is unfavorable or qualified, auditors needed to state the reasons for such unfavorable or qualified answer, as the case may be.</p> <p>Where the auditor is unable to express any opinion in answer to a particular question, his report shall indicate such fact together with the reasons on impossibility to give an answer to such question.</p>	Same as earlier.

Thank You....



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Corporate Office

Pantomath Advisory Services Group, 108, Madhava Premises,
Bandra Kurla Complex, Bandra (East), Mumbai - 400 051

Landline: (022) 2659 8687/91, **Fax:** (022) 2659 8690

Website: www.pantomathgroup.com

E-mail : info@pantomathgroup.com

Associate Offices at

Bhopal - Madhya Pradesh

Borivali - Mumbai

Gandhinagar - Gujarat

Kolkata - West Bengal

Pune - Maharashtra

Surat - Gujarat

Vapi - Gujarat

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