

Companies (Auditor's Report) Order, 2015

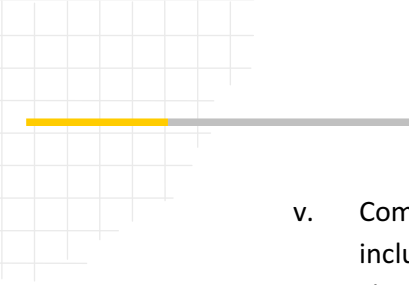
The Ministry of Corporate Affairs (MCA) has by notification dated 10th April, 2015 issued "The Companies (Auditor's Report) Order, 2015 (hereinafter referred to as 'CARO 2015') under section 143(11) of the Companies Act, 2013 replacing The Companies (Auditor's Report) Order, 2003.

The highlights of CARO 2015 are given below:

- 1) It is applicable to all companies including foreign companies for the financial year commencing from 1st April 2014 and onwards except following companies:
 - i. Banking company,
 - ii. Insurance company,
 - iii. Non-profit making company under section 8 of the Act,
 - iv. One person company, small company and
 - v. Private company having paid up capital and reserves not more than Rs. 50 lacs, loan from bank / financial institution not exceeding Rs. 25 lacs and turnover not exceeding Rs. 5 crore at any point of time during the year (all 3 conditions must be satisfied).

Since auditors have to be give report on every financial statement which are laid before the Company in general meeting as required by section 143(2) of the Act, CARO would also apply to Consolidated financial statements as CARO is issued u/s 143(11) read with Section 143 (2) unless specific exemption is provided.

- 2) As compared to CARO 2003 where reporting was required for 21 clauses, CARO 2015 requires reporting for only 12 clauses which are broadly same as CARO 2003. The summary of 12 clauses are given below:
 - i. Maintenance of fixed assets records and its physical verification by the company
 - ii. Maintenance of inventory records and its physical verification by the company
 - iii. Loans given by the company to related parties. Reporting is not required in respect of loans taken.
 - iv. Internal control system for purchase of inventory & fixed assets and for sale of goods & services

- 
- v. Compliance with the provisions for deposits accepted by the company. This will include compliance with deposit taken from members. However, MCA should clarify on whether deposits accepted would include receipt of certain amounts which are deemed to be deposit under Companies (Acceptance of Deposit) Rules 2014
 - vi. Maintenance of cost records (if applicable)
 - vii. Regularity in depositing undisputed statutory dues and details in respect of disputed statutory dues. Further, new sub clause added for reporting on transfer of amount to investor education and protection fund as per the requirement.
 - viii. Accumulated losses and cash loss of the company during the current and immediately preceding year
 - ix. Default in repayment of dues to financial institution or bank or debenture holders
 - x. Guarantee given by the company for loans taken by others from banks and financial institutions, the terms whereof are prejudicial to the interest of the company
 - xi. Application of term loans for the purpose for which they were obtained
 - xii. Nature and amount involved in fraud on or by the company reported during the year

The notification issued by the MCA is attached herewith for reference.

In case of any clarification, you may reach us at nashah@nashah.com

Disclaimer:

This document has been prepared as a service to the clients. We recommend you to seek professional advice before taking any action on the specific issues.