

Brief Comparison between CARO, 2003 & CARO, 2015

The Central Government in consultation with the Institute of Chartered Accountants of India, constituted under the Chartered Accountants Act, 1949 (38 of 1949) came up with the **Companies (Auditor's Report) Order, 2003** (referred to as “**CARO, 2003**”) effective from 12th June, 2003 (date of publication in Official Gazette) by virtue of power conferred by sub-section (4A) of Section 227 of the Companies Act, 1956 (hereinafter referred to as “**Act, 1956**”) wherein the order specified **22 matters** which were required to be specified in the Auditor's Report.

Simultaneously, by virtue of sub-section (11) of Section 143 of Companies Act, 2013 (hereinafter referred to as “**Act, 2013**”), the Central Government has conferred its powers and have issued an order to be called as **Companies (Auditor's Report) Order, 2015** (referred to as “**CARO, 2015**”) dated 10th April, 2015 specifying only **13 matter** required to be specified in the Auditor's Report for the financial year ending 31st March, 2015.

Brief Comparison between CARO, 2003 & CARO, 2015

PARTICULARS	CARO, 2015	CARO, 2003	REMARKS
<i>Effective from</i>	To come into force on the date of its publication in Official Gazette.	To come into force on the 1 st day of July, 2003.	
<i>Financial Year</i>	This Order will be applicable for the financial year commencing on or after 1 st April, 2014	This Order was applicable for every financial year ending on any day on or after the commencement of this Order	Auditor will include statement as per CARO, 2015 in their auditor report for Financial Statement prepared for FY ending 31 st March, 2015
<i>Applicability</i>	CARO, 2015 shall apply to every company including a foreign company as defined u/s 2(42)[1] of Act, 2013.	CARO, 2003 was applicable to every company including a foreign company as defined	Applicability and the excepted companies more or less are constant. There has been addition of One

PARTICULARS	CARO, 2015	CARO, 2003	REMARKS
		under Section 591[2] of Act, 1956	Person Companies to the list of companies not required to follow CARO, 2015
Exceptions	(i) a banking company as defined in clause (c) of section 5 of the Banking Regulation Act, 1949 (10 of 1949);	(i) a banking company as defined in clause (c) of section 5 of the Banking Regulation Act, 1949 (10 of 1949);	Same exception
	(ii) an insurance company as defined under the Insurance Act, 1938 (4 of 1938);	(ii) an insurance company as defined in clause (21) of section 2 of the Act;	Unlike in Act, 1956 an insurance company is not defined in Act, 2013. Hence the reference has

PARTICULARS	CARO, 2015	CARO, 2003	REMARKS
			been made to definition under Insurance Act, 1938
	(iii) a company licensed to operate under section 8 of the Companies Act;	(iii) a company licensed to operate under section 25 of the Act; and	Same exception
	(iv) a One Person Company as defined under clause (62) of section 2 of the Companies Act and a small company as defined under clause (85) of section 2 of the Companies Act; and	No such exception.	Since the concept of One Person Companies has been introduced under Act, 2013.

PARTICULARS	CARO, 2015	CARO, 2003	REMARKS
	(v) a private limited company with a paid up capital and reserves not more than rupees fifty lakh; and which does not have loan outstanding exceeding rupees twenty five lakh from any bank or financial institution; and does not have a turnover exceeding rupees five crore at any point of time during the financial year.	(iv) a private limited company with a paid up capital and reserves not more than fifty lakh rupees; and has not accepted any public deposit; and does not have loan outstanding ten lakh rupees or more from any bank or financial institution; and does not have a turnover exceeding five crore rupees.	Limit for amount of loan outstanding has been raised from INR 10 lakh to 25 lakhs. However, no increase in the limit of turnover has been made. Small companies under Act, 2013 will not get covered unless the outstanding loan crosses the stipulated limits.

PARTICULARS	CARO, 2015	CARO, 2003	REMARKS
<i>Matters to be included in the Auditor's Report</i>			
(i) Reporting on maintaining, verifying and disposing off the fixed assets	(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	(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	Requirement to report disposing off of substantial part of fixed assets during the year, if any, has been done away with.

PARTICULARS	CARO, 2015	CARO, 2003	REMARKS
	the same have been properly dealt with in the books of account;	properly dealt with in the books of account;  (c) if a substantial part of fixed assets have been disposed off during the year, whether it has affected the going concern;	
<i>(ii) Physical Verification and maintenance of records of Inventories</i>	(a) whether physical verification of inventory has been conducted at reasonable intervals by the management;(b) are the	(a) whether physical verification of inventory has been conducted at reasonable intervals by the management;(b) are the procedures of physical	<i>Same Provision</i>

PARTICULARS	CARO, 2015	CARO, 2003	REMARKS
	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	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	

PARTICULARS	CARO, 2015	CARO, 2003	REMARKS
	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;	noticed on physical verification and if so, whether the same have been properly dealt with in the books of account;	
(iii) Reporting on repayment of loans granted by the Company	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	(a) has the company either granted or taken any loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under section 301 of	Reporting of loans taken by the Company not included in CARO, 2015. Reporting on rates charged not required under CARO, 2015 as

PARTICULARS	CARO, 2015	CARO, 2003	REMARKS
	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;	the Act. If so, give the number of parties and amount involved in the transactions.(b) whether the rate of interest and other terms and conditions of loans given or taken by the company, secured or unsecured, are prima facie prejudicial to the interest of the company; (c) whether payment of the principal amount and interest are also regular;	company will charge as per Section 186 (7).

PARTICULARS	CARO, 2015	CARO, 2003	REMARKS
		(d) if overdue amount is more than one lakh, whether reasonable steps have been taken by the company for recovery/payment of the principal and interest;	
(iv) Internal control System	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	Is there an adequate internal control procedure commensurate with the size of the company and the nature of its business, for the purchase of inventory and fixed	Reporting on adequate internal control procedure for sale of services also included under CARO, 2015

PARTICULARS	CARO, 2015	CARO, 2003	REMARKS
	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.	assets and for the sale of goods. Whether there is a continuing failure to correct major weaknesses in internal control;	
<i>Transactions entered by the company in which the director(s) is/are interested</i>	No such provision	(a) whether transactions that need to be entered into a register in pursuance of section 301 of the Act have been so entered;(b) whether each of these transactions have been made at prices which are	Reporting on whether transactions in which directors are interested and pricing of these transactions are not required. · Act, 2013 mandates Audit Committee

PARTICULARS	CARO, 2015	CARO, 2003	REMARKS
		reasonable having regard to the prevailing market prices at the relevant time; <i>(This information is required only in case of transactions exceeding the value of five lakh rupees in respect of any party and in any one financial year).</i>	to review all related party transactions inter-alia determining whether the same has been conducted on arm's length basis or not. Merely charging at prevailing market price is no more the criteria. Entire transaction needs to be on arm's length basis.
(v) Acceptance of deposits	In case the company has accepted deposits, whether the directives issued by the	In case the company has accepted deposits from the public, whether the directives	Same provision

PARTICULARS	CARO, 2015	CARO, 2003	REMARKS
	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? 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 Reserve Bank of India or any court or any other tribunal,	issued by the Reserve Bank of India and the provisions of sections 58A and 58AA of the 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?	

PARTICULARS	CARO, 2015	CARO, 2003	REMARKS
	whether the same has been complied with or not?		
Internal Audit System	No such provision	In the case of listed companies and/or other companies having a paid-up capital and reserves exceeding Rs.50 lakhs as at the commencement of the financial year concerned, or having an average annual turnover exceeding five crore rupees for a period of three consecutive financial years immediately preceding the financial year	The purpose of internal audit is to identify that whether the compliance system is adequate commensurate with the size of the company. Act, 2013 mandates the Directors to report the same under Director's Responsibility Statement under Section 134.

PARTICULARS	CARO, 2015	CARO, 2003	REMARKS
		concerned, whether the company has an internal audit system commensurate with its size and nature of its business;	
(vi) Cost Records	Where maintenance of cost records has been specified by central Government under sub-section (1) of section 148 of the Companies Act, whether such accounts and records have been made and maintained.	Where maintenance of cost records has been prescribed by the Central Government under clause (d) of sub-section (1) of section 209 of the Act, whether such accounts and records have been made and maintained.	Same Provision

PARTICULARS	CARO, 2015	CARO, 2003	REMARKS
(vii) Payment of applicable taxes	(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 ii not, the extent of the arrears of outstanding statutory dues as at the last day of the financial	(a) is the company regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax, Custom Duty, Excise Duty, 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	CARO, 2015 mandates the reporting whether 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) and rules made thereunder has been transferred to such fund within time.

PARTICULARS	CARO, 2015	CARO, 2003	REMARKS
	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	than six months from the date they became payable, shall be indicated by the auditor.(b) 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.	

PARTICULARS	CARO, 2015	CARO, 2003	REMARKS
	is pending shall be mentioned. <i>(A mere representation to the concerned Department shall not constitute a dispute)</i> (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	<i>(A mere representation to the Department shall not constitute the dispute).</i>	

PARTICULARS	CARO, 2015	CARO, 2003	REMARKS
	(1 of 1956) and rules made thereunder has been transferred to such fund within time.		
(viii) Accumulated losses	Whether in case of a company which has been registered for a period not less than five years, its accumulated losses at the end of the financial year are not less than fifty per cent of its net worth and whether it has incurred cash losses in	whether in case of a company which has been registered for a period not less than five years, its accumulated losses at the end of the financial year are not less than fifty per cent of its net worth and whether it has incurred cash losses in such financial year and	Same Provision

PARTICULARS	CARO, 2015	CARO, 2003	REMARKS
	such financial year and in the immediately preceding financial year;	in the financial year immediately preceding such financial year also;	
(ix) Default in repayment of dues	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.	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.	Same Provision
Records required to be maintained by the company	No Such Provision	Whether adequate documents and records are maintained in cases where the company has granted loans and advances on	CARO, 2015 does not mandate reporting of the same as pledge of shares has been included in the

PARTICULARS	CARO, 2015	CARO, 2003	REMARKS
		the basis of security by way of pledge of shares, debentures and other securities; If not, the deficiencies to be pointed out.	definition of charge and the auditor can assess the same by viewing relevant forms for the same.
Compliance of special statute provisions	No such provision	Whether the provisions of any special statute applicable to chit fund have been duly complied with? In respect of nidhi/ mutual benefit fund/societies;(a) whether the net-owned funds to deposit liability ratio is more than 1:20 as on the date of balance sheet;	

PARTICULARS	CARO, 2015	CARO, 2003	REMARKS
		(b) whether the company has complied with the prudential norms on income recognition and provisioning against sub-standard/default/loss assets; (c) whether the company has adequate procedures for appraisal of credit proposals/requests, assessment of credit needs and repayment capacity of the borrowers;	

PARTICULARS	CARO, 2015	CARO, 2003	REMARKS
		(d) 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;	
Records maintained	No such provision	If the company is dealing or trading in shares, securities, debentures and other investments, whether proper	

PARTICULARS	CARO, 2015	CARO, 2003	REMARKS
		records have been maintained of the transactions and contracts and whether timely entries have been made therein; also whether the shares, securities, debentures and other securities have been held by the company, in its own name except to the extent of the exemption, if any, granted under section 49 of the Act;	
(x) Guarantee for loan taken	Whether the company has given any guarantee for loans taken by others from bank or	Whether the company has given any guarantee for loans taken by others from bank or financial	Same Provision

PARTICULARS	CARO, 2015	CARO, 2003	REMARKS
	financial institutions, the terms and conditions whereof are prejudicial to the interest of the company.	institutions, the terms and conditions whereof are prejudicial to the interest of the company.	
(xi) Applicability of term loan	Whether term loans were applied for the purpose for which the loans were obtained.	Whether term loans were applied for the purpose for which the loans were obtained.	Same Provision
Details of funds raised	No such provision	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.	

PARTICULARS	CARO, 2015	CARO, 2003	REMARKS
Preferential Allotment and determination of arm's length price	No such provision	Whether the company has made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Act and if so whether the price at which shares have been issued is prejudicial to the interest of the company;	Act, 2013 mandates under Section 62 (1) (c) obtaining valuation report for preferential allotment made, which takes care of pricing issue. Thus, the same has not been included under CARO, 2015
Creation of security	No such provision	Whether securities have been created in respect of debentures issued?	

PARTICULARS	CARO, 2015	CARO, 2003	REMARKS
End-use of money raised	No such provision	Whether the management has disclosed on the end use of money raised by public issues and the same has been verified.	
(xii) Reporting of fraud	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.	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 Provision
Reasons to be stated for	Where, in the auditor's report, the answer to any of	Where, in the auditor's report, the answer to any of the	Same Provision

PARTICULARS	CARO, 2015	CARO, 2003	REMARKS
unfavourable or qualified answers	the questions referred to in paragraph 3 is unfavorable or qualified, the auditor's report shall also state the reasons for such unfavorable or qualified answer, as the case may be. · 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 why it is not possible for him to give an answer to such question.	questions referred to in paragraph 4 is unfavourable or qualified, the auditor's report shall also state the reasons for such unfavourable or qualified answer, as the case may be. · 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 why it is not possible for him to give an answer to such question.	

[1] “foreign company” means any company or body corporate incorporated outside India which— (a) has a place of business in India whether by itself or through an agent, physically or through electronic mode; and (b) conducts any business activity in India in any other manner

[2] “foreign company” means – (a) companies incorporated outside India which, after the commencement of this Act, establish a place of business within India ; and (b) companies incorporated outside India which have, before the commencement of this Act, established a place of business within India and continue to have an established place of business within India at the commencement of this Act.