PARA 1 – SHORT TITLE, APPLICATION AND COMMENCEMENT

1. TITLE Companies (Auditor's Report) Order 2015

2. APPLICABILITY Applies to every company [Including a foreign company u/s 2(42) of Companies Act 2013]

However CARO 2015 would not apply on the following:-

Banking Company	Banking company as defined u/s 5(c) of Banking Regulation Act 1949
Insurance Company	Insurance company as defined under Insurance Act 1938
Section 8 Company	Section 8 Company as defined under Companies Act
OPC/Small Company	OPC as defined u/s 2(62) and Small Company as defined u/s 2(85) of Companies Act
Pvt. Ltd. Co.	Private Limited Company if it satisfy all of these 3 condition throughout the FY ⇨ PUC + Reserves ≤ Rs. 50 Lakhs; and ⇨ Loan Outstanding from Bank or Financial Institution ≤ Rs. 25 Lakhs; and ⇨ Turnover ≤ Rs. 5 Crore

3. EFFECTIVE DATE Effective w.e.f. on the date of its publication in the Official Gazette.

PARA 2 – AUDITOR'S REPORT TO CONTAIN MATTERS SPECIFIED IN PARAGRAPHS 3 AND 4

Every report made by the auditor u/s 143 of Companies Act 2013, on the accounts of every company examined by him to whom this Order applies for the FY 2014-15 onwards, shall contain the matters specified in paragraphs 3 and 4.

The auditor's report on the account of a company to which this Order applies shall include a statement on the following matters, namely:—

(1)	Fixed Asset	Proper Records	⇨ Whether the company is maintaining proper records ⇨ Whether such proper records are showing full particulars of fixed assets (including quantitative details and situation)
		Physical Verification	⇨ Whether fixed assets have been physically verified by the management at reasonable intervals ⇨ Whether any material discrepancies were noticed on such verification ⇨ Whether such discrepancies, if noticed, have been properly dealt with in the books of account
(2)	Inventory	Physical Verification	⇨ Whether physical verification of inventory has been conducted at reasonable intervals by the management ⇨ Whether the procedures followed by the management for physical verification of inventory are reasonable and adequate in relation to the size of the company and the nature of its business ⇨ If not, report the inadequacies in such procedures
		Proper Records	⇨ Whether the company is maintaining proper records of inventory ⇨ Whether any material discrepancies were noticed on physical verification ⇨ If so, whether such discrepancies have been properly dealt with in the books of account

(3)	Related Party Loans	Comments on Repayment	⇨ Whether the company has granted any loans (secured or unsecured) to companies, firms or other parties covered in the register maintained u/s 189 of the Companies Act. ⇨ If so, whether receipt of the principal amount and interest are regular ⇨ If overdue amount is > Rs. 1 Lakhs, whether reasonable steps have been taken by the company for recovery of the principal and interest
(4)	Internal Control	Adequacy and Maintenance	⇨ 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 assets and for the sale of goods and services? ⇨ Whether there is a continuing failure to correct major weaknesses in internal control system.
(5)	Deposits	Compliances	⇨ In case the company has accepted deposits, whether the directives issued by the RBI 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, State the nature of contraventions ⇨ If an order has been passed by CLB or NCLT or RBI or any court or any other tribunal, whether the same has been complied with or not?
(6)	Cost Records	Maintenance	⇨ Where maintenance of cost records has been specified by the CG u/s 148(1) of Companies Act, ⇨ Whether such accounts and records have been made and maintained

(7)	Statutory Dues	Undisputed Dues	⇨ Whether the company is regular in depositing undisputed statutory dues including PF / ESI / I. Tax / Sales-Tax / Wealth Tax / Service Tax / Custom Duty / Excise Duty / VAT / Cess and any other statutory dues with the appropriate authorities ⇨ If not, then indicate the extent of arrears of outstanding statutory dues as at the last day of FY concerned for a period of > 6 months from the date they became payable
		Disputed Dues	⇨ Mention the amount any T. Tax / Sales Tax / Wealth Tax / Service Tax / Customs Duty / Excise Duty / VAT or Cess which have not been deposited on account of any dispute ⇨ Also mention the forum where dispute is pending. *(NOTE: A mere representation to the concerned Department shall not constitute a dispute).*
		IEPF	⇨ Whether the amount required to be transferred to IEPF in accordance with Companies Act 1956 and related rules has been transferred to such fund within time.
(8)	Losses Incurred	Accumulated Losses	⇨ In case of a company which has been registered for a period ≥ 5 years, whether its accumulated losses at the end of the FY are ≥ 50% of its net worth
		Cash Losses	⇨ Whether it has incurred cash losses in such FY and in the immediately preceding FY
(9)	Debt Repayment	Default	⇨ 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

(10)	Guarantee Given	Terms & Conditions	⇨ Whether the company has given any guarantee for loans taken by others from bank or financial institutions ⇨ Whether the terms and conditions whereof are prejudicial to the interest of the company
(11)	Term Loan	Utilization	⇨ Whether term loans were applied for the purpose for which the loans were obtained
(12)	Fraud	Fraud on/by Company	⇨ Whether any fraud on or by the company has been noticed or reported during the year ⇨ If yes, indicate the nature and the amount involved

PARA 4 – REASONS TO BE STATED FOR UNFAVOURABLE OR QUALIFIED ANSWERS

(1) Where, in the auditor's report, the answer to any of the questions referred to in paragraph 3 is unfavourable or qualified, the auditor's report shall also state the reasons for such unfavourable or qualified answer, as the case may be.

(2) 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.