COMPANIES (AUDITOR'S REPORT) ORDER 2016

QUICK LEARNING NOTES

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PARA 1 – SHORT TITLE, APPLICATION AND COMMENCEMENT

1. TITLE Companies (Auditor's Report) Order 2016

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 (Not being a holding or subsidiary of Public Ltd Company) if it satisfy all of these 3 condition throughout the FY ⇨ PUC + Reserves ≤ Rs. 1 Crore; and ⇨ Total Borrowing from Bank or Financial Institution ≤ Rs. 1 Crore; and ⇨ Turnover (Including revenue from Discontinued operations) ≤ Rs. 10 Crore

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 2015-16 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 showing full particulars of fixed asset ⇨ Whether such proper records includes quantitative details and situation of fixed asset
		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
		Title of Immovable	⇨ Whether the title deeds of immovable properties are held in the name of the company ⇨ If not. Provide the details thereof.
(2)	Inventory	Physical Verification	⇨ Whether inventory have been physically verified by the management at reasonable intervals ⇨ Whether any material discrepancies were noticed on physical verification ⇨ Whether such discrepancies, if noticed, have been properly dealt with in the books of account
(3)	Loan to Related Party	Terms and Conditions	⇨ Whether the company has granted any loans (secured or unsecured) to companies, firms, LLPs or other parties covered in the register maintained u/s 189 of the Companies Act. ⇨ If yes, Whether the terms and conditions of the grant of such loans are not prejudicial to the company's interest,
		Repayment	⇨ Whether the schedule of repayment of principal and payment of interest has been stipulated ⇨ Whether the repayments or receipts are regular, according to such schedule

		Overdue Amount	⇨ State the total amount overdue for more than 90 days ⇨ Whether the reasonable steps has been taken by the company for the recovery of the principal and interest.
(4)	Investment, Loan, etc.	Compliance of 185 and 186	⇨ Whether provisions of section 185 and 186 of the Companies Act, 2013 have been complied with, in respect of loans, investments, guarantees, and security. ⇨ If not, Provide the details of non compliance
(5)	Deposit Acceptance	Legal Compliance	⇨ 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
		Judicial Compliances	⇨ 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).*
(8)	Debt Repayment	Default in Repayment	⇨ Whether the company has defaulted in repayment of dues to a financial institution or bank or government or debenture holders? ⇨ If yes, the period and amount of default to be reported. (Lender wise details in case of default to financial institution or bank or government)
(9)	Fund Utilization	Utilization of IPO/FPO/Term Loans	⇨ Whether moneys raised by way of initial public offer or further public offer (including debt instruments) and term loans were applied for the purposes for which those are raised. ⇨ If not, the details together with delays or default and subsequent rectification, if any, as may be applicable, be reported
(10)	Fraud	Fraud on/by Company	⇨ Whether any fraud by the company or fraud on the company by its officers and employees has been noticed or reported during the year ⇨ If yes, indicate the nature and the amount involved
(11)	Managerial Remuneration	Compliance	⇨ Whether managerial remuneration has been paid or provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to Companies Act? ⇨ If not, state the amount involved and steps taken by the company for securing refund of the same

(12)	Nidhi Company	NOF and unencumbered time deposit	⇨ Whether the NIDHI Company has complied with the Net Owned Funds to Deposits in the ratio of 1: 20 to meet out the liability ⇨ Whether the NIDHI Company is maintaining 10% unencumbered term deposits as specified in the Nidhi Rules, 2014 to meet out the liability
(13)	Related Party Transactions	Compliance and Disclosure	⇨ Whether all transactions with the related parties are in compliance with sections 177 and 188 of Companies Act, 2013 where applicable ⇨ Whether the details have been disclosed in the Financial Statements etc., as required by the applicable accounting standards
(14)	Preferential Allotment or Private placement	Compliance of Section 42 and Utilization	⇨ Whether the company has made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review ⇨ Whether the requirement of section 42 of the Companies Act, 2013 have been complied with, is so allotted ⇨ Whether the raised amount has been used for the purposes for which it was raised ⇨ Provide the details in respect of the amount involved and nature of non-compliance, in respect of section 42 or of fund utilization.
(15)	Non Cash Transaction with Directors etc.	Compliance of 192	⇨ Whether the company has entered into any non-cash transactions with directors or persons connected with him ⇨ Whether the provisions of section 192 of Companies Act, 2013 have been complied with, if so entered.

(16)	RBI Registration	Compliance of Registration	⇨ Whether the company is required to be registered u/s 45-IA of the Reserve Bank of India Act, 1934 ⇨ Whether the registration has been obtained, if so required.

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.