# Companies (Auditor's Report) Order, ~~2015~~ 2016

**Applicability:-**

To each and every company (including a [1]foreign company) except:

1. Banking Companies,
2. Insurance Companies,
3. Companies u/s 8 of companies Act, 2013,
4. One Person Company and [2]small companies.
5. Private Limited companies(not being subsidiary/holding of a public company) having:-
   a. Paid-up capital + reserves **not more than ~~50 lacs~~ 1 crore and,**
   b. Loans from bank or any financial institution **not exceeding ~~20 lacs~~ 1 crore and,**
   c. ~~Turnover~~ Total Revenue as per Schedule III **not exceeding ~~5 crores~~ 10 crores.**

**Matters to be disclosed in Auditor's Report:-**

Every Auditor's report u/s 143 of CA, 2013 of every company to which this Order applies for FY on or after 1st April, ~~2014~~ 2015, shall contain matters specified in paragraph 3 and 4.

Order shall not apply to auditor's report on consolidated financial statements.

**Paragraph 3:**

(i) Fixed Assets –

a. Whether proper records (full particulars, quantitative details and situation of FA) are maintained.
b. Physical verification by management at reasonable intervals, if any material discrepancies found, whether properly dealt in books of accounts.
c. Title Deed of immovable properties held in the name of company. If not, provide details.

(ii) Inventories –

a. Physical verification conducted at reasonable intervals.
~~b. PV procedures are adequate according to size of company & nature of its business.~~
~~c. Proper maintenance of inventory records, if any material discrepancies found during PV, the same have been dealt in books of accounts.~~

(iii) Loans u/s 189 –

Loans (Secured or Unsecured) granted to companies, firms, LLPs or other parties covered in register u/s 189 of companies act, 2013,

a. Terms & conditions of loan granted not prejudicial to company's interest,
b. Receipt of principal and interest amount are regular and,
c. If overdue is more than one lakh, reasonable steps have been taken to recover the principal and interest amount.

[1]***Foreign Company***- *Any foreign co., situated outside India, has a place of business in India whether by itself or through an agent, physically or through electronic mode & conducts any business activity in India in any other manner.(sec 2(42) of companies act, 2013)*

[2]***small Company***- *paid up capital < 50 lacs; turnover < 2 crores; excluding- holding or subsidiary, section 8 co, co. or body corporate governed by any special act.*

(iv) Section **185 & 186 –**

a. Whether provisions u/s 185 & 186 have been complied with in respect of Loans, Investments, Guarantees and security.
b. If not Complied, provide details thereof.

~~**I**nternal Control System –~~

~~a. There is an internal control system, adequate with the size of company & nature of its business, for the purchase of inventory & fixed assets and for sale of goods and services.~~
~~b. There is a continue failure to correct major weaknesses in Internal Control System.~~

(v) **D**eposits Accepted –

If Deposits are accepted, then:

a. Directions of RBI, Section 73 to 76, or any other provisions or rules of companies act, where applicable, have been complied with.
b. If not, state the nature of contravention,
c. If nay order has been passed by CLB, NCLT, RBI or any court or any other tribunal, whether the same has been complied with.

(vi) **Co**st Recor**d**s –

If maintenance of Cost Records has been specified by CG under sub-section (1) of sec 148 of CA, 2013, whether such accounts are maintained.

(vii) **S**tatutory Dues –

a. Regular in depositing undisputed Statutory Dues with the appropriate authority.
b. If not, the extent of arrears of o/s stat. dues as at last day of concerned FY for a period of more than six months, shall be indicated by auditor.
c. If the amount o/s is on account of any dispute, then amount involved & the forum (where dispute is pending) shall be mentioned.
~~d. Amount required to be deposited in INVESTOR EDUCATION AND PROTECTION FUND u/s 125 of CA, 2013, has been transferred within the time.~~

~~**A**ccumulated Losses –~~

~~e. In case of a company (registered for not less than 5 years), whether the accumulated losses at the end of financial year are not less than 50% of its net worth. (In other words, whether the losses are more the 50% of its networth).~~
~~f. Whether there are cash losses in current & immediately preceeding financial year.~~

(viii) **D**efault of repayment –

a. Default in repayment of dues to a financial institution or bank or debenture holder,
b. If yes, period & amount of default to be reported.

~~**G**uarantee for loan –~~

~~c. Company has given guarantee for loans taken by other.~~
~~d. If yes, terms & conditions are not prejudicial to interest of the company.~~

*Notes:*

(ix) **U**sage of Term Loan & IPO –

a. Money raised by way of initial public offer(including debt instrument)
b. Terms loans were applied for the purpose for which the loans were obtained.

(x) **N**oticed any fraud –

a. Any fraud on or by the company has been reported or noticed by its officers or employees during the year.
b. If yes, Nature and amount to be indicated.

(xi) **M**anagerial Remuneration –

a. Whether managerial remuneration has been paid or provided in accordance with section 197 of schedule V of CA, 2013.
b. If not, state the amount involved and steps taken to secure the refund of same.

(xii) Compliance of **NIDHI** Company to meet out the liability –

a. Net owned funds to Deposits in the ration of 1:20,
b. Maintaining 10% unencumbered term deposits as specified in NIDGI rules, 2014.

(xiii) Section **177 & 188** –

a. All transactions with the related parties are in compliance of above sections, wherever applicable, and
b. Details have been disclosed in Financial Statements.

(xiv) If the company has made any preferential allotment or **private placement** of shares or convertible debentures(fully or partially),

a. Requirement u/s 42 of CA 2013 have been complied with, and
b. Amount raised have been used for the purpose for which raised,
c. If not, provide details of amount and nature of non-compliance.

(xv) **Non-cash** transaction –

a. Whether company entered into any non-cash transaction with directors or connected persons,
b. If so, provisions of section 192 of CA 2013 have been complied with.

(xvi) **Reserve Bank of India** –

a. If the registration u/s 45-IA of RBI Act, 1934 is required,
b. Whether the same has been obtained.

**Paragraph 4: Reasons to be stated for unfavourable or qualified answers**

Auditor, in his report, should state the reason for:-

1. Why the answer of any question referred to in paragraph 3 is unfavourable or qualified.
2. If auditor is unable to express an opinion, shall indicate such facts together with reason for not expressing the opinion.

ASHISH PAL

Mail us at: info.brasskandco@gmail.com, ashish.brasskanco@gmail.com

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