# COMPANIES (AUDITOR'S REPORT) ORDER 2016

# Easy way to learn all 16 points of paragraph 3 of CARO 2016

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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 2016 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 |
| Small Company | Private Limited Company (Not being a holding or subsidiary of Public Ltd Company) if it satisfies all of these 3 condition throughout the FY<br>▪ Paid up capital + Reserves ≤ ₹ 1 Crore (as on Balance Sheet Date) **and**<br>▪ Total Borrowing from Bank or Financial Institution ≤ ₹ 1 Crore (at any point of time during the FY) **and**<br>▪ Turnover (Including revenue from Discontinued operations) ≤ ₹10 Crore (for the FY) |

## 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.

## PARA 3 – MATTERS TO BE INCLUDED IN THE AUDITOR'S REPORT

### Easy way to learn all 16 points of paragraph 3 of CARO 2016

**F I L L** your **PUBLIC COST STATUTORY DUES** by **PUBLIC ISSUE** / **FRAUD** or deduct it from **MANAGERIAL REMUNERATION** or take it from **NIDHI CO.** / **RELATED PARTY** / **PREFERENTIAL ALLOTMENT** / **DIRECTOR** and report to **RBI**

**1. F – 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 the same have been properly dealt with in the books of account.
(c) Whether the title deeds of immovable properties are held in the name of the company. If not, provide the details thereof.

**2. I – Inventories**

Whether physical verification of inventory has been conducted at reasonable intervals by the management and whether any material discrepancies were noticed and if so, whether they have been properly dealt with in the books of account

**3. L – Loans to parties covered U/s 189:**

Whether the company has granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act,2013. If so,
(a) whether the terms and conditions of the grant of such loans are not prejudicial to the company's interest;
(b) whether the schedule of repayment of principal and payment of interest has been stipulated and whether the repayments or receipts are regular;

(c) if the amount is overdue, state the total amount overdue for more than ninety days, and whether reasonable steps have been taken by the company for recovery of the principal and interest;

**4. L - Loans, Investments guarantees and securities U/s 185 & 186**

In respect of loans, investments, guarantees, and security whether provisions of section 185 and 186 of the Companies Act, 2013 have been complied with. If not, provide the details thereof.

**5. PUBLIC - PUBLIC DEPOSIT**

In case, the company has accepted deposits, whether the directives issued by the Reserve Bank of India and the provisions of sections 73 to 76 or any other relevant provisions of the Companies Act, 2013 and the rules framed thereunder, where applicable, have been complied with? If not, the nature of such contraventions 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, whether the same has been complied with or not?

**6. COST - Cost Records U/s 148 of Companies Act 2013**

whether maintenance of cost records has been specified by the Central Government under sub-section (1) of section 148 of the Companies Act, 2013 and whether such accounts and records have been so made and maintained.

**7. STATUTORY - Statutory Dues**

(a) whether the company is regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and any other statutory dues to the appropriate authorities and if not, the extent of the arrears of outstanding statutory dues as on the last day of the financial year concerned for a period of more than six months from the date they became payable, shall be indicated
(b) where dues of income tax or sales tax or service tax or duty of customs or duty of excise or value added tax have not been deposited on account of any dispute, then the amounts involved and the forum where dispute is pending shall be mentioned. (A mere representation to the concerned Department shall not be treated as a dispute).

**8. DUES - Repayments of Dues**

Whether the company has defaulted in repayment of loans or borrowing to a financial institution, bank, government or dues to debenture holders? If yes, the period and the amount of default to be reported (in case of defaults to banks, financial institutions, and government, lender wise details to be provided).

**9. PUBLIC ISSUE - Money raised by public issue & 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**

whether any fraud by the company or any fraud on the Company by its officers or employees has been noticed or reported during the year; If yes, the nature and the amount involved is to be indicated.

**11. MANAGERIAL REMUNERATION – Compliance of section 197 of Companies Act 2013**

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 the Companies Act? If not, state the amount involved and steps taken by the company for securing refund of the same.

**12. NIDHI CO. – Compliances of Nidhi Rules 2014**

whether the Nidhi Company has complied with the Net Owned Funds to Deposits in the ratio of 1: 20 to meet out the liability and whether the Nidhi Company is maintaining ten per cent unencumbered term deposits as specified in the Nidhi Rules, 2014 to meet out the liability.

**13. RELATED PARTY - Compliances with Section 177 & 188 for related parties transaction**

whether all transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the Financial Statements etc., as required by the applicable accounting standards.

**14. PREFERENTIAL ALLOTMENT - Compliance with sec 42 for Preferential / private placement:**

whether the company has made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and if so, as to whether the requirement of section 42 of the Companies Act, 2013 have been complied with and the amount raised have been used for the purposes for which the funds were raised. If not, provide the details in respect of the amount involved and nature of non-compliance.

**15. DIRECTOR - Non Cash Transaction with Director**

whether the company has entered into any non-cash transactions with directors or persons connected with him and if so, whether the provisions of section 192 of Companies Act, 2013 have been complied with.

**16. RBI - Compliance with section 45-IA of RBI Act**

whether the company is required to be registered under section 45-IA of the Reserve Bank of India Act, 1934 and if so, whether the registration has been obtained.

## 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 unfavorable or qualified, the auditor's report shall also state the reasons for such unfavorable 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.