# CARO 2015 Reporting and Format

## Reporting Under CARO, 2015

The Ministry of Corporate Affairs, on 10th April, 2015, notified the Companies (Auditor’s Report) Order, 2015 (CARO, 2015).

## APPLICABILITY:-

It shall apply to every company including a foreign company as defined in clause (42) of section 2 of the Companies Act, 2013 (18 of 2013) [hereinafter referred to as the Companies Act], except –

(i) a banking company as defined in clause (c) of section 5 of the Banking Regulation Act, 1949 (10 of 1949);

(ii) an insurance company as defined under the Insurance Act,1938 (4 of 1938);

(iii) a company licensed to operate under section 8 of the Companies Act;

(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

(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.

**COMMENCEMENT:-**

Financial Year start on or after 01/04/2014

**Matters to be included in the auditor’s report :**

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

**(i) 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;

(Note: Requirement to report disposing off of substantial part of fixed assets during the year is not required now)

**(ii) INVENTORY**

(a) whether physical verification of inventory has been conducted at reasonable intervals by the management;

(b) are the 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 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;

**(iii) LOANS AND ADVANCES**

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 Companies Act. If so,

(a) whether receipt of the principal amount and interest arc 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;

(Note: Reporting of loans taken by the Company not included in CARO, 2015.)

**(iv) INTERNAL CONTROL**

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.

(Note: Reporting on sale of services also included under CARO, 2015 )

**(v) DEPOSITS**

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 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, whether the same has been complied with or not?

( Note: order has been passed by 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? included under CARO, 2015)

**(vi) COST ACCOUNTING RECORDS**

where maintenance of cost records has been specified by the Central Government under sub-section (1) of section 148 of the Companies Act, whether

such accounts and records have been made and maintained;

**(vii) STATUTORY DUES**

(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 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 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 is pending shall be mentioned. (A mere representation to the concerned Department shall not constitute a dispute).

(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 (1 of 1956) and rules made thereunder has been transferred to such fund within time.

(Note: Reporting on Service Tax and Value added tax also included under CARO, 2015, 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 there under has been transferred to such fund within time)

**(viii) LOSS MAKING COMPANIES**

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 in the immediately preceding financial year;

**(ix) 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;

**(x) GUARANTEE GIVEN**

whether the company has given any guarantee for loans taken by others from bank or financial institutions, the terms and conditions whereof are prejudicial to the interest of the company;

**(xi) USE OF FUNDS**

whether term loans were applied for the purpose for which the loans were obtained;

**(xii) 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.

**REPORTING FORMAT OF CARO 2015**

To the Members of XYZ Limited

We refer to our report on the financial statements of XYZ Limited (the Company) for the year ended March 31, 2015 issued on \_\_\_\_\_\_\_\_\_. The Gazette

version of the Companies (Auditor’s Report) Order, 2015 (CARO 2015) was not available in the Official Gazette of India on the date of our report.

Accordingly, our report does not contain an Annexure on the matters specified in paragraphs 3 and 4 of CARO 2015.

Subsequent to the issuance of our report dated \_\_\_\_\_\_\_, CARO 2015 has been published in the Official Gazette of India. While it is not obligatory on our part to issue our report on the matters specified in paragraphs 3 and 4 of CARO 2015, based on the discussions with the Company, as a measure of good governance, we give hereinafter a statement on the matters specified in paragraphs 3 and 4 of CARO 2015. This may be treated as an Annexure to our aforesaid Report on standalone financial statements for the year ended March 31, 2015.

i. In respect of its fixed assets:

a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets on the basis of available information.

b) As explained to us, all the fixed assets have been physically verified by the management in a phased periodical manner, which in our opinion is reasonable, having regard to the size of the Company and nature of its assets. No material discrepancies were noticed on such physical verification.

ii. In respect of its inventories:

a) The inventories have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.

b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

c) The Company has maintained proper records of inventories. As per the information and explanation given to us, no material discrepancies were noticed on physical verification.

iii. In respect of the loans, secured or unsecured, granted by the Company to companies, firms or other parties covered in the register maintained under Section 189 of the Companies Act, 2013:

a) The principal amounts are repayable over varying periods upto five years, while the interest is payable annually, both at the discretion of the Company.

b) In respect of the said loans and interest thereon, there are no overdue amounts.

iv. In our opinion and according to the information and explanations given to us, the Company has an adequate internal control system commensurate with its size and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in such internal control system.

v. According to the information and explanations given to us, the Company has not accepted any deposit from the public. Therefore, the provisions of Clause (v) of paragraph 3 of the CARO 2015 are not applicable to the Company.

vi. We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Records and Audit) Rules, 2014 prescribed by the Central Government under Section 148(1)(d) of the Companies Act, 2013 and are of the opinion that, *prima facie*, the prescribed accounts and cost records have been maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.

vii. In respect of statutory dues:

a) According to the records of the Company, 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 other material statutory dues have been generally regularly deposited with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of the aforesaid dues were outstanding as at March 31, 2015 for a period of more than six months from the date of becoming payable.

b) According to records of company, there are no 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.

c) According to the records of the Company, there are no amounts that are due to be transferred to the 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.

viii. The Company does not have accumulated losses at the end of the financial year. The Company has not incurred cash losses during the financial year covered by the audit and in the immediately preceding financial year.

ix. Based on our audit procedures and according to the information and explanations given to us, we are of the opinion that the Company has not defaulted in repayment of dues to financial institutions, banks and debenture holders.

x. The Company has given guarantees for loans taken by others from banks and financial institutions. According to the information and explanations given to us, we are of the opinion that the terms and conditions thereof are not *prima facie* prejudicial to the interest of the Company.

xi. The Company has raised new term loans during the year. The term loans outstanding at the beginning of the year and those raised during the year have been applied for the purposes for which they were raised.

xii. In our opinion and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company has been noticed or reported during the year.

For \_\_\_\_\_\_\_\_\_\_\_

(Chartered Accountants)

FRN: \_\_\_\_\_\_\_\_\_

MRN: \_\_\_\_\_\_\_\_\_

Date: \_\_\_\_\_\_\_

Place: \_\_\_\_\_\_

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