

COMPANIES ACT,2013

CARO 2015

**Advocate Arun Saxena
Saxena & Saxena Law Chambers
Advocates & Attorneys
603-604, New Delhi House,
27, Barakhamba Road,
New Delhi – 110 001.
Ph: 43044999, Mob.: 9810037364
E-mail : advisor@sslclegal.in**

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Effective

On the date of publication in
Official Gazette

Applicability

w.e.f. financial year commencing
on or after 1st April 2014

CARO 2015

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Exceptions:

- i. Banking company
- ii. Insurance company
- iii. Section 8 companies
- iv. OPC
- v. Small companies
- vi. Private companies
 - a) Capital and reserves not > Rs.50.00 lacs and
 - b) Outstanding loans not > Rs.25.00 lacs and from financial institutions and banks
 - c) Turnover not > Rs.5.00 crores

Matters to be included in Auditors Report

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Matters

- (i) Fixed assets:-
 - Maintenance of records
 - Physical verification
 - Whether on reasonable intervals.
 - Discrepancies found
 - Detail within books of accounts
- (ii) Inventories:-
 - Physical verification
 - Procedure (adequate/ reasonableness)
 - Maintenance of records
 - Material Discrepancies
 - Detail within books of accounts

Changes in new CARO

Requirement to report disposing off of substantial part of fixed assets during the year has been done away.

Same provision

Matters to be included in Auditors Report

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Matters

- (iii) Loans given:-
- Unsecured or secured loans
 - Companies/firms, other parties covered in ledger maintained in section 189
 - Whether repayment and interest is regular?
 - Overdue more than Rs.1.00 lac to be reported.
 - Steps taken by the company for recovery.

Changes in new CARO

Reporting on loans taken by company not required. Reporting on rates charged on loan given not required as company shall charge as per Section 186(7)

Matters to be included in Auditors Report

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Matters

- (iv) Internal control system:-
- For purchase of inventory and fixed assets
 - Sales of goods and services
 - adequacy
 - Commensurate with size and nature of business
 - Whether there is continuing failure to correct major weakness in internal control system

Changes in new CARO

Reporting on adequate internal control procedure for sales of services is also included.

Matters to be included in Auditors Report

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Matters

- (v) Deposits:-
- Compliance of provision of section 73 to 76
 - Compliance of directions of RBI
 - Compliance of order passed by CLB and CLT, RBI
 - Nature of contravention to be reported.

Changes in new CARO

Same provision

Matters to be included in Auditors Report

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Matters

- (vi) Cost records:-
- Maintenance of cost records u/s 148
 - Whether company has maintained such records or not?

Changes in new CARO

Same provision

Matters to be included in Auditors Report

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Matters

- (vii) Statutory Dues:-
- Has the company is regular in depositing **undisputed** statutory dues relating to PF, ESI, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, VAT and Cess etc.
 - Extend of arrears at the last date of financial year (outstanding for more than six months).
 - If dispute relates to income tax, sales tax, wealth tax, service tax, custom duty, excise duty, VAT and Cess. The amount involved and forum where dispute is pending be reported.
 - Whether amount required to invest education fund has been transferred or not?

Changes

Whether amount required to be transferred to investor education fund has been transferred within time.

Matters to be included in Auditors Report

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Matters

Changes in new CARO

- (viii) Accumulated losses:
- Not less than 50% of networth
 - Cash losses in financial year or in preceding financial year **(for companies registered for not less than 5 years)**

Same provision

- (ix) Dues of financial institutions, banks/ debenture holder:-
- Default in repayment of dues
 - Means of default be mentioned

Same provision

Matters to be included in Auditors Report

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Matters

Changes in new CARO

- (x) Guarantee given:
- For guarantee given, for loan taken by others from banks and financial institutions.
 - Whether terms and conditions are prejudicial in the interest of the company?

Same provision

- (xi) Term loans:
- Whether utilised for the purpose for which loans were obtained.

Same provision

Matters to be included in Auditors Report

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<u>Matters</u>	<u>Changes</u>
(xii) Fraud: <ul style="list-style-type: none">•Committed or not by company•Notice by the auditor•Nature and amount to be reported. However, rule 13 of companies audit and auditors rule 2014 prescribed. The responsibility and duty of the auditor to report the fraud to the Central Govt. also. If he has reason to believe during the course of audit that the offence of the fraud has been committed/ being committed on the company by the officer or the employee of the company.	Same provision

* Reasons for all unfavourable or qualified answers be given.

Matters no more required to be reported in CARO 2015

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<u>Matters</u>	<u>Comments</u>
(i) Transaction entered by company in which Directors are interested	2013, Act Mandates Audit Committee to review all related party transactions determining whether these are on Arm's length basis or not?
(ii) Internal Audit System	Now, under Act, 2013 requirement to report on Internal Audit system is with directors who are to report under Director's Responsibility Statement u/s 134.

Matters no more required to be reported in CARO 2015

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Matters

- (iii) Record required to be maintained by company (loan against pledge of shares or debentures)
- (iv) Compliance of Special Statute Provision. (Chit fund / Nidhi Co.etc.)

Comments

The definition of charge under Act, 2013 includes pledge of shares also. Auditor of company may assess the same by viewing relevant form.

Matters no more required to be reported in CARO 2015

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Matters

Comments

- (v) Record maintained by companies dealing or trading in securities
- (vi) Details of fund received for short term basis have been utilised for long term investment and vice-versa.

Matters no more required to be reported in CARO 2015

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	<u>Matters</u>	<u>Comments</u>
(vii)	Preferential allotment and determination of Arm's Length Price	Act, 2013 require u/s 62(1) (c) valuation report to be obtained for preferential allotment which takes care of price of issue.
(viii)	Creation of security in respect of debentures issued.	
(ix)	End use of money raised by public issue.	



THANK YOU