

Comparison between CARO 2003 and CARO 2015

Title	Companies (Auditor's Report) Order, 2003	Companies (Auditor's Report) Order, 2015	Remarks
Compiled by CA Sumit Binani & CS Mamta Binani			
Applicability	Every company including a foreign company as defined in section 591 of the Act	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.	Retained
Exceptions	Banking Company, Insurance Company, Sec 25 Company and Private Companies (with paid up capital and reserves not more than Rs 50 lacs and has not accepted any public deposit and does not have loan outstanding Rs 10 lacs or more from any bank or financial institution and does not have a turnover exceeding Rs 5 Crores.	Banking Company, Insurance Company, Section 8 Company, Small Company, One Person Company and Private Companies (with a paid up capital and reserves not more than Rs.50 lacs and which does not have loan outstanding <u>exceeding Rs.25 lacs</u> from any bank or financial institution and does not have a turnover exceeding Rs.5 crores <u>at any point of time during the financial year.</u>	Amendments highlighted in red colour
Commencement	1st day of July, 2003	From the date of publication in the official gazette.	-
Definitions	Provided Definitions of the following Companies: Chit Fund, Nidhi, Mutual benefit, Finance, Investment, Manufacturing, Mining, Processing, Service & Trading	<u>Does not provide any definitions</u>	Amendments highlighted in red colour
Auditor's Report to contain matters	Every report made by the auditor under section 227 of Act, on the accounts of every company examined by him to which this Order applies for every financial year ending on any day on or after the commencement of this Order, shall contain the matters specified in paragraphs 4 and 5 (given in the following paragraphs)	Every report made by the auditor under section 143 of the Companies Act, on the accounts of every company examined by him to which this Order applies for the financial year commencing <u>on or after 1st April, 2014, shall contain the matters specified in the paragraphs 3 and 4</u> (given in the following paragraphs)	Amendments highlighted in red colour

Matters to be included in the auditor's report

Fixed Assets	Whether the company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets	Whether the company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets	Retained
	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	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	Retained
	If a substantial part of fixed assets have been disposed off during the year, whether it has affected the going concern	--	Removed
Inventory	Whether physical verification of inventory has been conducted at reasonable intervals by the management	Whether physical verification of inventory has been conducted at reasonable intervals by the management	Retained
	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	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	Retained
	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	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	Retained
Loans	Has the company either granted or taken any loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under section 301 of the Act. If so, give the number of parties and	Whether the company has <u>granted</u> any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 189 of the Companies Act	Amendments highlighted in red colour

	amount involved in the transaction		
	Whether the rate of interest and other terms and conditions of loans given or taken by the company, secured or unsecured, are prima facie prejudicial to the interest of the company	--	Removed
	Whether payment of the principal amount and interest are also regular	Whether receipt of the principal amount and interest are also regular	Amendments highlighted in red colour
	If overdue amount is more than Rs 1 lac, whether reasonable steps have been taken by the company for recovery/payment of the principal and interest	If overdue amount is more than Rs.1 lac, whether reasonable steps have been taken by the company for recovery of the principal and interest	Retained
Internal Control	Is there an adequate internal control procedure 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. Whether there is a continuing failure to correct major weaknesses in 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	Amendments highlighted in red colour
Transactions with entities in which directors are interested	Whether transactions that need to be entered into a register in pursuance of section 301 of the Act have been so entered	--	Removed
	Whether each of these transactions have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time (This information is required only in case of transactions exceeding the value of Rs 5 lacs in respect of any party and in any one financial year)	--	Removed
Deposits	In case the company has accepted deposits from the public, whether the directives issued by the Reserve Bank of India and the provisions of sections 58A and 58AA of the Act and the rules framed there under, where applicable, have been complied with. If not,	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	Amendments highlighted in red colour

	the nature of contraventions should be stated; If an order has been passed by Company Law Board whether the same has been complied with or not?	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?	
Internal Audit System	In the case of listed companies and/or other companies having a paid-up capital and reserves exceeding Rs.50 lakhs as at the commencement of the financial year concerned, or having an average annual turnover exceeding five crore rupees for a period of three consecutive financial years immediately preceding the financial year concerned, whether the company has an internal audit system commensurate with its size and nature of its business	--	Removed
Cost Record	Where maintenance of cost records has been prescribed by the Central Government under clause (d) of sub-section (1) of section 209 of the Act, whether such accounts and records have been made and maintained	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	Retained
Statutory Dues	Is the company regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax, Custom Duty, Excise Duty, 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	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	Amendments highlighted in red colour
	In case dues of sales tax/income tax/custom	In case dues of income tax or sales tax or	Amendments

	tax/wealth tax/excise duty/cess have not been deposited on account of any dispute, then the amounts involved and the forum where dispute is pending may please be mentioned. (A mere representation to the Department shall not constitute the dispute)	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)	highlighted in red colour
		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 there under has been transferred to such fund within time	Amendments highlighted in red colour
Extent of Accumulated Losses	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 financial year immediately preceding such financial year also	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	Retained
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	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	Retained
Documents & Records for Loans and Advances	Whether adequate documents and records are maintained in cases where the company has granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities; If not, the deficiencies to be pointed out	--	Removed
Provisions relating to Special Statute	Prescribed reporting pertaining to Chit Fund/Nidhi & Mutual Benefit Company	--	Removed
Records etc for Companies	If the company is dealing or trading in shares, securities, debentures and other	--	Removed

dealing and trading in securities	investments, whether proper records have been maintained of the transactions and contracts and whether timely entries have been made therein; also whether the shares, securities, debentures and other securities have been held by the company, in its own name except to the extent of the exemption, if any, granted under section 49 of the Act		
Guarantee by the Company	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	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	Retained
Term Loans-Application	Whether term loans were applied for the purpose for which the loans were obtained	Whether term loans were applied for the purpose for which the loans were obtained	Retained
Tenure of usage of funds raised	Whether the funds raised on short-term basis have been used for long term investment and vice versa; If yes, the nature and amount is to be indicated	--	Removed
Preferential Allotment of Shares	Whether the company has made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Act and if so whether the price at which shares have been issued is prejudicial to the interest of the company	--	Removed
Security on Debenture	Whether securities have been created in respect of debentures issued?	--	Removed
Disclosure of end use of public money raised	Whether the management has disclosed on the end use of money raised by public issues and the same has been verified	--	Removed

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	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	Retained
Reasons to be stated for unfavourable or qualified answers	Where, in the auditor's report, the answer to any of the questions referred above is unfavourable or qualified, the auditor's report shall also state the reasons for such unfavourable or qualified answer, as the case may be	Where, in the auditor's report, the answer to any of the questions referred to above is unfavourable or qualified, the auditor's report shall also state the reasons for such unfavourable or qualified answer, as the case may be	Retained
	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.	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.	Retained