

ANNOUNCEMENT¹

Manner of Reporting In Respect of Such Clauses of the Companies (Auditor's Report) Order, 2003 Which Are Not Applicable to the Auditee Company

I. The Council, at its 329th Adjourned meeting held on 03rd and 04th January 2014 at New Delhi noted that the paragraph 80 of the Statement on the Companies (Auditor's Report) Order, 2003 (the Statement) requires that, in such situations, where one or more of the clauses are not applicable, it would be appropriate for the auditor to make a suitable comment in his report bringing out the fact of non-applicability of a particular clause.

II. The Council considered the requirements of paragraph 80 of the Statement and was of the view that non applicability of one or more clauses of the Companies (Auditor's Report) Order, 2003 (CARO 2003) to the company would not, in any way, impact the auditor's opinion on the financial statements. Thus, the said information did not have much perceivable benefit to the readers of the audit report. Accordingly, the auditor may choose to report on the non-applicability of the individual clause of CARO, 2003, or, alternatively, aggregate/ club the fact of non applicability of different clause(s) of CARO 2003.

3. The Council, accordingly, decided to amend paragraph 80 of the Statement on CARO, 2003 as follows:

80. There may be situations where one or more of the clauses are not applicable. For example, the requirement regarding internal audit system does not apply in case of all the companies. In such situations, it would be appropriate for the auditor to make a suitable comment in his report bringing out the fact of non-applicability of a particular clause. To illustrate, where the maintenance of cost records has not been prescribed by the Central Government under section 209(1)(d) of the Act, the auditor may state:

"The Central Government has not prescribed maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 for any of the products of the company".

[Alternatively, the auditor may aggregate/ club the fact of non applicability of different clauses of CARO, 2003 and report as under:](#)

["Matters specified in clauses.....\(relevant clause number of the clause/s not applicable\) of paragraph 4 of the CARO 2003 do not apply to the Company."](#)

¹ This announcement has been issued by Auditing and Assurance Standards Board under the authority of the Council of ICAI. (aasb@icai.in)

(note: Amendments to paragraph 80 of the Statement on CARO, 2003 are given in track changed mode).