

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1849
ANSWERED ON:01.08.2003
AUDIT OF COMPANIES
UMMAREDDY VENKATESWARLU

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government propose to review some of the provisions of rules affecting auditors and their reports which have become applicable from July 1, 2003;
- (b) if so, the details thereof;
- (c) whether the use of long term loans by companies for short-term investments is one subject which get emphatic scrutiny in future;
- (d) whether such finances were not being properly used or conservatively invested by companies; and
- (e) if so, the safeguards instituted to ensure that companies are constantly under watch by auditors for their actions?

Answer

MINISTER OF FINANCE (SHRI JASWANT SINGH)

(a) to (c) : The Government has issued the Companies (Auditor's Report) Order, 2003 [CARO, 2003] under Section 227(4A) of the Companies Act, 1956 by virtue of which auditors are required to, inter alia, report on certain additional requirements prescribed by Central Government. Apart from many such matters, the report shall also, include a statement regarding use of long term funds by companies for short term investments and vice-versa.

(d) & (e) : The purpose of seeking a report from the auditors on use of long term funds is to discover whether they are being properly used by companies. Proper disclosure is itself a primary safeguard against misuse, as such misuse would then come to the notice of shareholders, the owners of the company.