
A STUDY ON AUDITING WITH REFERENCE TO SERVICE FIRMS

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Abstract

The purpose of this paper is to define the concept of auditing. There are different types of auditing for different type of organization. Each of them has different procedures which has to be followed while auditing the books of accounts by the independent auditor. The persons who are called as the stakeholders wants the examination of financial information of the particular organization.

Key Words: *Auditing, Intention of auditing, Auditor's intent, Wages and International standard*

Introduction

An audit is an independent examination of financial information of any entity whether profit oriented or not, and irrespective of its size or legal form, when such an examination is conducted with a view to expresses an opinion about the financial statements. The person conducting this process should perform his work with knowledge of the use of the accounting statements and should take particular care to ensure that nothing contained in that statements to cheat anyone.

Review of Literature

Accounting to Institute of Chartered Accountants of India (ICAI), Auditing is defined as “a systematic and independent examination of data, statements, records, operations and performances of an enterprise for a stated purpose”. According to Spicer and Pegler, “An audit may be said to be such an examination of the books, accounts and vouchers of a business as well enable the auditor to satisfy that the balance sheet is properly drawn up, so as to give a true and fair view of the state of affairs of the business and whether profit or loss for the financial period according to the best of his information and the explanations given to him and as shown by the books and if not, in what respect he is not satisfied”. According to Lawrence and Dicksee, “An audit is an examination of accounting records undertaken with a view to establishing whether they correctly and completely reflect the transactions to which they relate. In some instance, it may be necessary to ascertain whether the transactions themselves are supported by authority”. R.K. Mautz defines auditing as being concerned with the verification of accounting data, with determining the accuracy and reliability accounting statements and reports.

Intention of Auditing

Expression of Opinion

The ultimate intension of auditing is that the auditors express an opinion about the financial statements. It should be true and fair and not misleading and that such errors and frauds do not exist as to distort what the accounts really should convey.

A STUDY ON AUDITING WITH REFERENCE TO SERVICE FIRMS**Protection of Shareholders Interest**

Auditors should act on behalf of the Shareholders. It is the duty of an auditors to see whether the interest of the shareholders are protected or not. The shareholders interest can be protected by ensuring profitability and efficient position of the company.

Protection of National Interest

The national interest is protected by the way of auditing the accounts of the organization. It can be protected by the way of prevention of tax evasions. Lowering the tax evasions will lead to raise revenue to the government through taxation is a must for the development of the country.

Measurement of Fair Wages

Another intension of auditing is to see that whether the wages given to the workers of the organization are fair and in conformity with the general price Index.

Arithmetical Accuracy

Auditing helps to check the arithmetical accuracy in the books of accounts and verifying posting, casting and ledgers.

International Standards on Auditing**ISA-200 → Overall objectives of an Independent Auditor and the conduct of an Audit in accordance with Standards on Auditing**

ISA-200 explains the nature and scope of an audit designed to enable the independent auditor to meet the objectives.

ISA 210→ Terms of Audit Engagements

The auditor's responsibilities are agreed the terms of the audit engagement with the management wherever appropriate those charged with government are dealt out in this standard.

ISA 220→ Quality Control for an Audit of Financial Statements

To implement the quality control procedures that provide the auditor with reasonable assurance that the audit complies with professional standards and regulatory and legal requirements.

ISA 230→ Audit Documentation

Audit Documentation is to be prepared by the auditor for the audit of the financial statements is dealt out in this standard.

ISA 240 → Responsibilities Relating to Fraud in Financial Statements

This standard defines auditor's responsibilities relating to fraud in the audit of financial statements. It helps to identify and assess the risk of material mis-statements in the financial statements because of fraud.

ISA 250 → Laws and Regulation in an Audit of Financialstatements

When the auditor performs the auditing of financial statements, he has to consider certain rules and laws and regulations.

A STUDY ON AUDITING WITH REFERENCE TO SERVICE FIRMS**ISA 260 → Communication with Those Charged with Governance**

Those charged with governance means that the auditors shall determine the appropriate person's within the entity's governance with whom to communicate. This standard helps to promote effective two way communication between the auditor and those charged with governance.

ISA 300 → Planning an Audit of Financial Statements

This standard defines that the auditor should plan his work to enable him to conduct an effective audit in an efficient and timely manner. Plans should be based on the knowledge of client's business.

Audit of Charitable Society (Procedure to be followed)

- The constitution of the charitable institution has to be studied first and rules and regulations should be noted down for the consideration of detailed financial statements.
- The activities of the Institution should be identified and be examined whether it is within the objectives of the organization.
- Cash receipts and disbursements should be reviewed.
- The minute book of the institution should be inspected by the auditor.
- The auditor studies financial power of the executives.

Audit of Hospitals

- The auditor should see relevant status of the hospital.
- He should inspect the minute book.
- He should examine the internal check as regards of the issue and receipts of apparatus, clothing's, etc, to ensure that purchases have been recorded properly in the stock register.
- The activities of the hospital should be identified by the auditor.

Findings

- The books of accounts are examined by the auditor.
- The auditor prepares the audit report and it should be submitted before the shareholders at the time of annual general meeting.
- The auditor should not maintain any secrecy which is beneficial to him.
- By the way of auditing it is indirectly said that balance sheet is properly drawn.
- The auditor is following certain auditing procedures / practices which are issued by Chartered Accountants of India. It is called as Standards on Auditing (SA).
- Auditing is not only for companies, it is also applicable for Hospitals, Charitable institutions.

Suggestions

Every company must have an auditor to audit the books of accounts so each company can appoint the internal auditor. He may be an employee of that company. The auditor should not reveal the confidential information of the audit details of the company to others. Auditing should not be contrary to the provisions of Companies act 2013.

A STUDY ON AUDITING WITH REFERENCE TO SERVICE FIRMS**Conclusion**

Auditing is mandatory for all types of organization. Income tax authorities also accept the profit and loss account that has been prepared by a qualified auditor.

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