



A Study Of Statutory Audit Procedure And Practices For Companies

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Introduction :

A statutory audit, commonly referred to as a financial audit, involves an impartial and objective evaluation of an organization's financial statements, carried out by a qualified and independent auditor. The primary objective of this audit is to verify that the financial statements accurately represent the entity's financial status and performance, adhering to applicable statutory regulations and accounting principles. This audit is legally required and seeks to collect adequate information for the auditor to express an opinion on the fairness and accuracy of the company's financial position as of the balance sheet date.

Review of Literature :

Russell and Armitage (2006) conducted a questionnaire that revealed multiple deficiencies in the peer review system. Additionally, research by DeFond (2010) and Farrell and Shabad (2005) investigated PCAOB inspections, finding that inspectors appeared to lack sufficient auditing expertise and were subjected to pressures to uncover issues. However, these studies did not offer conclusive evidence regarding the impact of inspections on enhancing audit quality.

Daugherty and Tervo (2010) conducted a study involving 146 accountants from small registered public accounting firms, revealing that inspections enhance audit quality for smaller auditors. The research indicated that smaller CPA firms view the initial PCAOB inspections as detrimental to their operations, whereas medium and larger firms reported beneficial outcomes from PCAOB inspections. This finding is supported by Gramling et al. (2011), who determined that PCAOB inspections have a corrective influence on small auditors. Additionally, DeFond and Lennox (2011) highlighted that the prospect of PCAOB inspections led nearly half of small firms to discontinue their audit services. Conversely, there is limited evidence suggesting that PCAOB inspections enhance audit quality for larger auditors. Some researchers have argued that the existing curriculum for professional accountants fails to adequately foster their ethical development (Ravenscroft & Williams, 2004). Consequently, a comprehensive overhaul of the accounting curriculum has been recommended, with a strong focus on ethics (Arens & Elder, 2006; Banerjee, 1993; Chakraborty, 2008; Earley & Kelly, 2004; Ghaffari, Kyriacou, & Brennan, 2008; Gowthrope & Blake, 1998). Furthermore, it has been suggested that criminology, psychology, and other behavioral sciences should be integrated into the current professional course curriculum (Curtis, 2008). Various statistical methods have also been employed to assess the influence of accounting scandals on the ethical reasoning of future statutory auditors. The findings indicate that practical training in ethical considerations would enable statutory auditors to better comprehend regulations and effectively navigate ethical dilemmas in their professional practices (Bakshi, 2000; Lomax, 2003).

¹³ Recently, scholars have recognized several developing fields within auditing that may significantly contribute to the mitigation of accounting scandals. One notable field is forensic auditing, in which statutory auditors collaborate with professionals from various disciplines to examine financial misconduct by corporations and recommend corrective measures. The significance of forensic auditing is also increasing within contemporary accounting education (Curtis, 2008).

Objectives of the Project :

- To understand the overall procedure of conducting the audit and to know about the general audit practices that are prescribed by the Act.
- To gain a practical knowledge and experience on how the audit is conducted by the Wani & Puranik, Chartered Accountants in corporation with the company.
- To get knowledge about different Acts such as Companies Act, Partnership Act etc.
- To understand the ITR filing procedure of individual assesses.

RESEARCH METHODOLOGY :

Research methodology refers to the distinct procedures or techniques employed to identify, select, process, and analyze information pertaining to a particular subject. Within a research paper, the methodology section provides the reader with the opportunity to critically assess the overall validity and reliability of the study.

Type of Research: Descriptive Research

Data Type: Secondary Data

Approach of research: Quantitative

Data Collection Tools: Secondary Data Collected from:

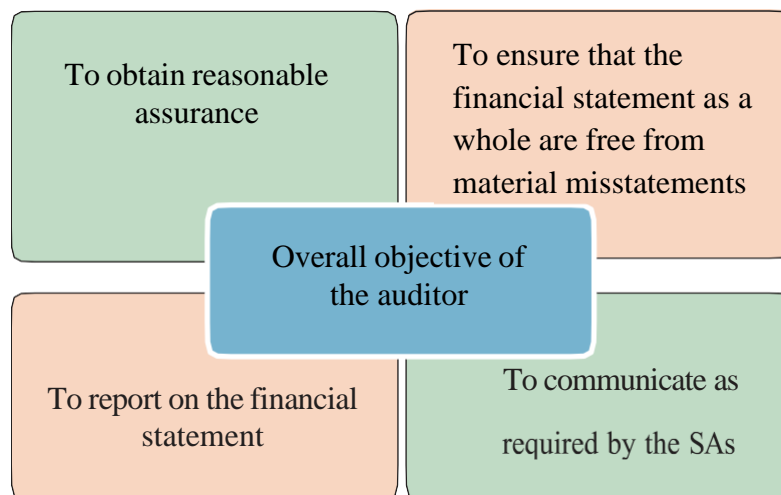
A systematic search was conducted across academic databases such as Google scholar, Research papers, and others covering studies published on the topic. The search utilized keywords including "statutory audit," "practices and procedure" "financial statement audit," encompassing peer-reviewed articles, conference papers, books, and reports.

Data representation: Infographic, charts, diagram, flow charts.

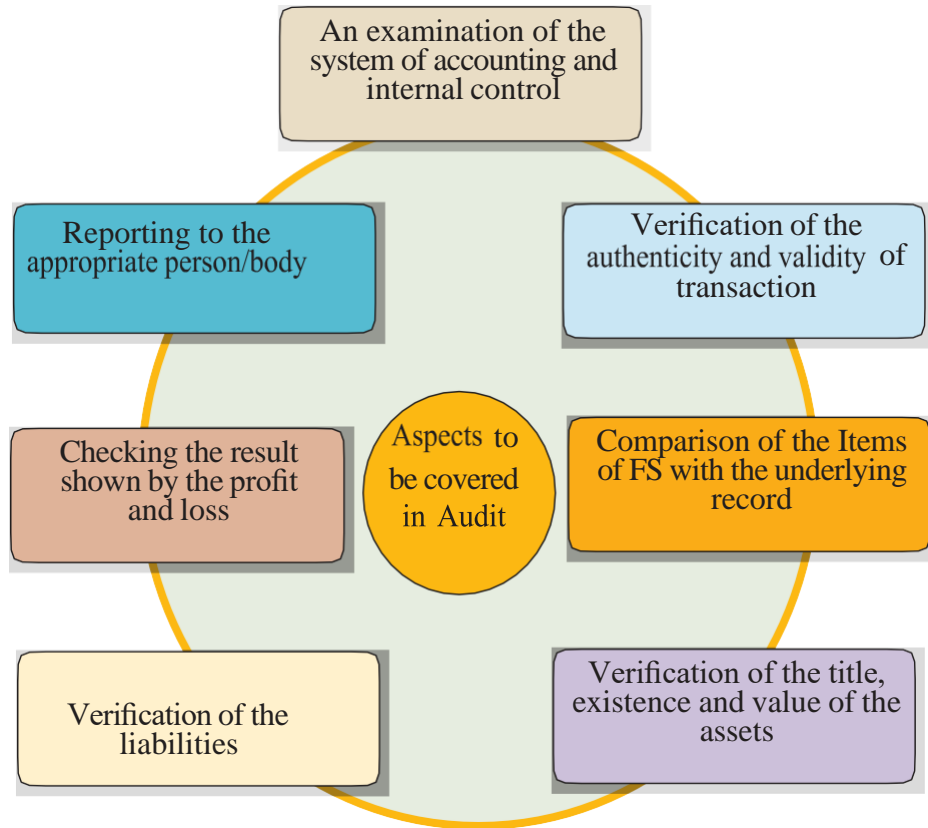
DATA ANALYSIS AND REPRESENTATIONS :

NATURE, OBJECTIVE AND SCOPE OF AUDIT

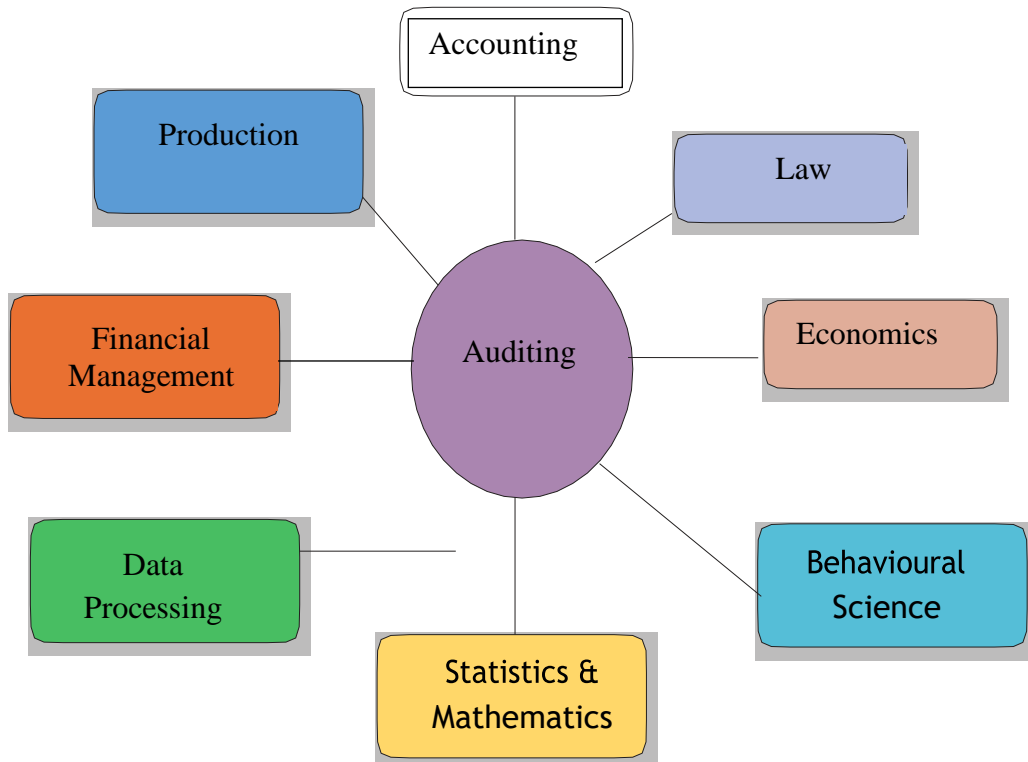
1. An audit refers to an impartial assessment of the financial data of any organization, regardless of its profit orientation, size, or legal structure, conducted with the intention of providing an opinion on the information examined.

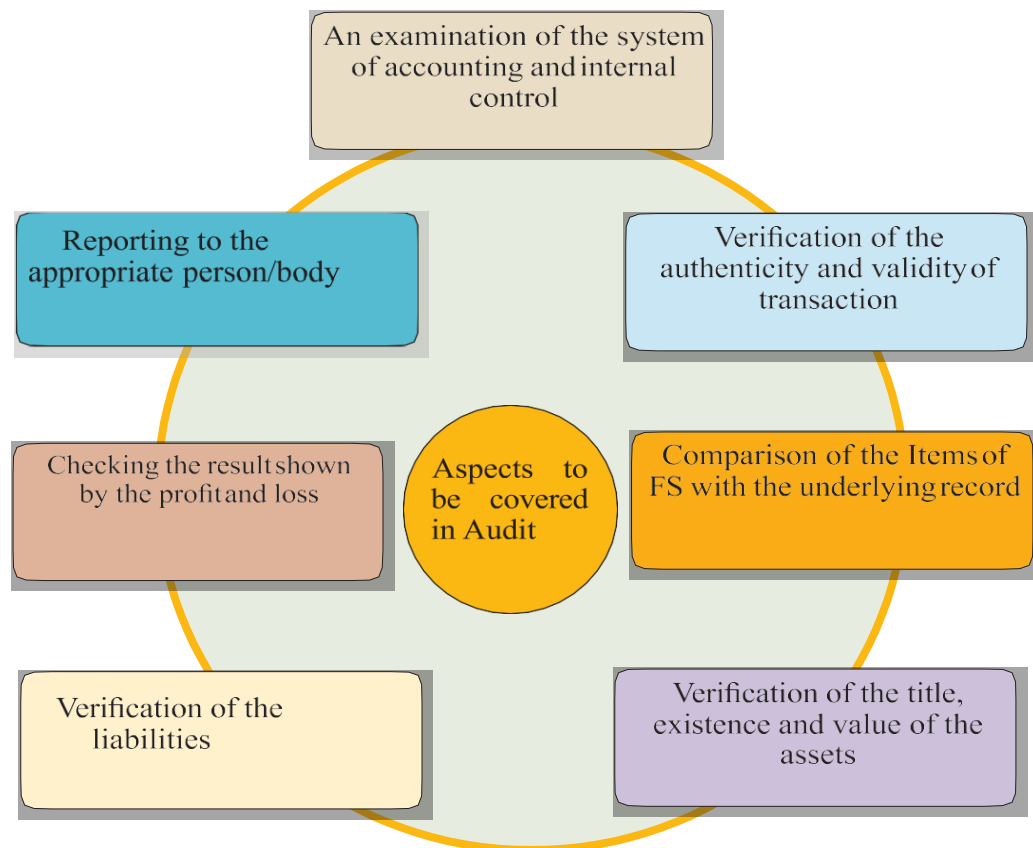


SCOPE OF AUDIT	
	In order to develop a well-founded opinion, the auditor must ensure that the accounting information is both reliable and adequate to serve as the foundation for the preparation of the financial statements.
	All aspects of the enterprise to be covered in audit.
	In forming his opinion, the auditor should also decide whether the relevant information is properly disclosed in the financial statements.
	The auditor is not expected to perform duties which fall outside the scope of his competence.
	Constraints on the scope of the audit that impair the auditor's ability to express an unqualified opinion should be set out in his report.



Relationship of auditing with other disciplines





FINDINGS & CONCLUSION

- The main objective of an audit is to develop and communicate an opinion regarding a company's financial statements.
- This procedure seeks to offer reasonable assurance that the financial statements do not contain material misstatements.
- An audit entails assessing the accounting principles applied and the critical estimates made by management.
- The conclusion and reporting of the audit findings constitute one of the fundamental principles that guide the audit process, with reporting serving as the concluding phase.
- The audit process begins with the Audit Planning phase, during which the auditor defines the scope and objectives, establishing a foundation for a thorough examination. Simultaneously, Preliminary Assessments and Risk Analysis are conducted to pinpoint areas of potential concern or heightened risk, which subsequently guide the development of the Audit Plan. Following this, the Program Development phase entails the formulation of specific audit procedures designed to address the identified risks.
- The audit then advances to the Fieldwork and Testing stage, where the auditor collects evidence to substantiate their findings.
- In the Analysis and Evaluation phase, the auditor scrutinizes the gathered evidence, assesses the organization's adherence to regulations, and evaluates the efficacy of internal controls.
- Documentation plays a vital role throughout the entire audit process, ensuring that each phase—from planning to evaluation—is thoroughly recorded..

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