



Audit in Action: A Study on the Application of Statutory and Tax Audit Procedures in the Real World

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ABSTRACT :

This research paper analyses the practical application of statutory and tax audit procedures undertaken during a summer internship. The primary objective was to understand statutory audit execution, documentation, and compliance under the Companies Act, 2013 and the Standards on Auditing (SAs) issued by ICAI. The internship provided exposure to vouching, ledger scrutiny, reconciliations, compliance verification and preparation of audit working papers. Tools such as Tally, SAP, GST Portal and Traces were used for audit testing and reporting. The study also highlights real-time challenges such as delay in information submission, lack of adequate documentation, and reconciliation mismatches. The findings show that statutory audits play a vital role in financial transparency, compliance assurance, and governance. The study concludes that internship-based practical learning significantly enhances auditing knowledge, analytical skills, and readiness for a career in finance and auditing.

Keywords: Statutory Audit, Tax Audit, ICAI, Compliance, Audit Procedures, Financial Reporting

1. Introduction

Statutory audits ensure that companies operate in accordance with regulatory and financial reporting requirements. Under the Companies Act 2013, every registered company must undergo mandatory statutory audit conducted by an independent auditor. The increasing complexity of business operations has made auditing an essential governance function that safeguards stakeholder confidence and accountability.

This study is based on a two-month internship experience, where various statutory audit procedures were performed for clients belonging to different industries. The internship enabled practical exposure to audit planning, vouching, documentation, compliance checks, drafting working papers and the preparation of audit reports. The experience helped correlate theoretical knowledge with real-world auditing operations and understand compliance requirements applicable under ICAI and SEBI guidelines.

2. Objectives

The objectives of this study are as follows:

- To study statutory and tax audit procedures followed in organizations.
- To apply Standards on Auditing (SAs) practically during audit assignments.
- To examine vouching, verification and documentation processes in real audit cases.
- To understand the role of audit working papers and compliance verification.
- To analyse common challenges encountered during statutory audits.
- To examine the practical role of auditors in financial governance and transparency.

3. Literature Review

Statutory audit is a mandatory regulatory requirement under the Companies Act, 2013 which ensures that financial statements present a true and fair view of the company's affairs. The Companies Act outlines audit appointment, scope of audit, duties of auditors and reporting requirements. According to Section 139 and Section 143 of the Companies Act, statutory auditors are required to examine the books of accounts, internal financial controls and compliance records, and express an independent opinion.

The Standards on Auditing issued by the Institute of Chartered Accountants of India (ICAI) form the audit framework and provide guidelines related to audit planning, documentation, evidence, professional skepticism, reporting and forming an audit opinion. For example, SA 230 specifies standards on audit documentation, while SA 500 highlights procedures regarding audit evidence. These standards collectively ensure that audit procedures are systematically conducted and properly documented (ICAI, 2020).

Earlier research emphasizes that statutory auditing plays a vital role in promoting corporate transparency and ensuring that financial statements are free

from material misstatements. Aruna Jha (2017) highlights that audit methodology focuses on collecting sufficient audit evidence through vouching, verification and analytical procedures. Sharma (2019) explains that internal controls and compliance procedures form the foundation of statutory audit effectiveness and are necessary for preventing misstatements and frauds.

According to IIMB Management Review (2020), auditors contribute significantly to corporate governance by monitoring compliance, financial reporting standards, and ethical conduct of organizations. The journal concludes that external audits enhance investor confidence and help organizations reduce financial risk through independent evaluation.

Studies published in CA Journal (2021) indicate that technology has reshaped audit functioning, with automated reconciliation tools, compliance portals and ERP platforms improving efficiency, accuracy and speed of audit reporting. Additionally, online compliance systems such as GST Portal, MCA Portal and Traces have enabled better reporting accuracy and verification of statutory data.

Recent research in the International Journal of Accounting Research (2022) highlights the increasing role of computer-based audits, data analytics and automation tools in identifying financial discrepancies. The journal stresses that manual auditing methods have become less effective due to increasing transaction volumes and changing taxation regulations in India.

Together, these studies suggest that modern statutory audits are becoming more technology-driven, compliance-oriented and governed by strict regulations under ICAI and the Companies Act, 2013. The literature collectively supports the idea that effective audits depend largely on documentation quality, control testing and technology-based compliance verification.

4. Research Methodology (Detailed Version)

Research methodology refers to the systematic process adopted for data collection, analysis and interpretation in order to achieve the objectives of the study. This research is based on a qualitative observational approach derived through practical exposure and learning gained during a two-month statutory audit internship at GMK & Associates, Navi Mumbai. The methodology adopted in this study is descriptive in nature as it focuses on explaining real audit procedures rather than numerical or statistical evaluation.

4.1 Nature of the Study

The study is qualitative, descriptive and experience-based, supported by audit observations, compliance procedures and documentation reviews carried out during audit assignments. The research aims to describe statutory audit practices actually followed in organisations, and therefore adopts a descriptive case-based approach instead of quantitative modelling.

4.2 Data Collection Methods

Both primary and secondary sources of data were utilised in this research:

Primary Data

Primary information was collected through:

- observation of audit procedures
- participation in audit execution
- reviewing client documents
- discussing audit requirements with seniors
- preparation of working papers during real audit engagements

These primary interactions provided first-hand exposure to statutory audit methodologies such as vouching, verification, documentation, data checking, audit evidence and compliance procedures.

Secondary Data

Secondary data was collected from:

- ICAI publications
- Companies Act, 2013
- internal audit files
- audit checklists
- GST Portal and Traces databases
- company documents shared during audits

Secondary sources helped in understanding statutory framework, audit responsibilities, compliance requirements and documentation standards.

4.3 Sampling Technique

A purposive sampling technique was followed for selecting audit engagements, as the internship involved different clients assigned by the audit firm. The work exposure covered small and medium enterprises (SMEs), LLPs and private companies, enabling learning across different business sectors and audit structures.

4.4 Tools and Software Used

The following digital tools and platforms were used extensively during audit assignments:

- Tally ERP for ledger and transactional review
- SAP for enterprise data
- GST portal for compliance verification
- MCA and Traces portal
- Excel-based audit checklists

These tools helped verify statutory compliance, match financial records with government data, and perform reconciliations.

4.5 Data Analysis Technique

Data analysis involved examination of:

- primary documents (invoices, vouchers, bank statements, purchase registers)
- statutory records (GSTR, TDS returns, 26AS)
- compliance filings
- ledger scrutiny
- analytical procedures

Reconciliations and working paper documentation were prepared in accordance with SA 230 and SA 500. Audit observations were analysed using substantive and compliance-based audit techniques.

4.6 Ethical Consideration

All client-related data, documents, names and financial information have been kept strictly confidential. Confidentiality guidelines given by ICAI were followed while working on audit reports and checking accounts. Statements have been generalized in this research without disclosing client identities.

4.7 Limitations of Methodology

- Limited duration of internship
- Restricted access to some financial information
- Dependence on client data availability
- Time constraints due to submission deadlines

These factors affected the depth of certain procedures, however, practical exposure still offered meaningful real-world learning.

5. Data Analysis (Point-wise in Paragraph Format)

The data analysis conducted during the statutory audit internship was based on reviewing and verifying various financial, compliance-related and documentary records collected from clients. The first aspect of data analysis involved **vouching and verification of basic accounting records**, including invoices, bank statements, purchase bills, sales entries and journal vouchers. This helped verify whether transactions recorded in books were valid, properly authorised and supported with relevant documentation.

Secondly, **substantive testing was carried out on major transactions** such as purchases, sales, expenses and income items in order to ensure completeness, accuracy and appropriate classification. During analysis, bills were checked against ledger postings and the correctness of entries was cross-verified using documentary evidence available in physical and digital records.

Another important component of data analysis involved **checking statutory compliance**, especially in relation to GST filings, TDS returns and Form 26AS. This included reconciling ledger figures with GST portal data and verifying whether TDS deducted had been correctly deposited and reflected in Form 26AS. In several cases, differences were found due to incorrect ledger posting, delay in data entry or unrecorded adjustments.

Further, a major part of audit analysis included **preparation and review of working papers**, which consisted of checklists, schedules, observation notes and reconciliation statements. All observations were documented in accordance with SA 230 on audit documentation. This working paper preparation helped in summarizing audit findings and preparing queries for the management.

Another analytical procedure applied during audit was **reconciliation of financial records**, where differences between GST returns, bank statements, vendor balances and ledger figures were analyzed. Many reconciliation mismatches were observed, particularly in GST input credit, purchase expenses and statutory dues because of delay in entry recording or incomplete documentation.

In addition to verification and reconciliation, auditors also conducted **analytical procedures such as trend analysis, inter-period comparison and variance analysis**, which helped in identifying unusual variations in expenses or income. These analytical procedures helped understand whether financial figures were reasonable and consistent with business operations.

Finally, during data analysis, **various errors and irregularities were identified**, including incomplete documentation, wrong posting of entries, delayed statutory payments and mismatch in GST filing. These findings were recorded in observation sheets and further communicated to senior auditors for corrective recommendations.

Overall, the data analysis process helped verify the accuracy of financial statements, ensured statutory compliance and provided practical understanding of audit testing procedures as prescribed under the Standards on Auditing issued by ICAI.

6. Findings (Detailed Version in Paragraph Format)

During the course of statutory audit assignments performed at GMK & Associates, several relevant findings were observed relating to documentation requirements, statutory compliance, and audit implementation. Firstly, it was noted that the practical application of Standards on Auditing such as SA 230 on documentation, SA 315 on identifying risks, and SA 500 on audit evidence were followed during fieldwork, which helped in systematically collecting audit evidence and performing verification procedures effectively. This significantly contributed to understanding how theoretical concepts from ICAI guidelines are implemented in actual audit situations.

Secondly, the analysis revealed that **documentation and supporting vouchers remained a common challenge across clients**, particularly small and medium enterprises where bills and invoices were not consistently filed or maintained. As a result, additional time was spent in obtaining missing documents and verifying entries through alternative evidence.

Thirdly, **statutory compliance patterns varied significantly among clients**, especially in the case of GST and TDS related requirements. Many entities had delayed submission of GST returns or pending reconciliation of GSTR data, leading to mismatches between portal records and ledger balances. Additionally, discrepancies were also found in statutory payments, particularly in relation to TDS deductions and deposit timelines.

Another key finding was related to **ledger scrutiny and reconciliation**, where recurring issues such as incorrect posting of entries, mismatch of vendor balances, and delayed bank reconciliation were identified. The audit findings highlighted that proper reconciliation procedures are essential to maintain updated books of accounts and ensure accuracy of reported balances.

The internship further revealed that practical audit engagements improved **technical, analytical and professional skills**, including understanding of compliance systems, risk areas and key procedures related to financial reporting. The use of ERP tools and government portals also enhanced the accuracy of testing and verification procedures.

Overall, these findings suggest that statutory audit not only ensures compliance and reliability of financial information but also provides significant learning exposure regarding documentation, reconciliation, and practical implementation of audit procedures.

7. Conclusion (Detailed Version in Paragraph Format)

In conclusion, the statutory audit internship experience provided valuable practical exposure to audit planning, documentation, substantive testing, compliance verification and preparation of working papers. The internship helped bridge the gap between theoretical learning and real-world statutory requirements by applying auditing standards and compliance processes during field assignments.

The experience demonstrated that statutory audits play an essential role in ensuring financial transparency, organisational accountability and regulatory compliance under the Companies Act and ICAI guidelines. The process of vouching, verification and documentation strengthened understanding of audit methodology, especially in relation to risk areas, internal control evaluation and obtaining appropriate audit evidence.

The study further concludes that statutory audit procedures highlight the importance of maintaining accurate records, timely compliance with tax regulations and regular ledger reconciliation to avoid financial discrepancies. Although limitations such as restricted access to certain information and time constraints were present during the internship, the practical learning outcomes significantly enhanced analytical abilities and professional competence.

Overall, the internship served as a meaningful platform for gaining real-time exposure in auditing practices and has contributed positively towards developing professional readiness for future roles in accounting, taxation and audit domains.

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