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## A Study on the Audit Procedures with Reference to Chartered Accountant

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### ABSTRACT

This research paper explores in-depth the audit procedures followed by Chartered Accountant (CA) firms, emphasizing the significance of standardized auditing practices in achieving financial transparency, accountability, and statutory compliance. It focuses on each audit stage—planning, risk assessment, internal control evaluation, substantive procedures, evidence gathering, documentation, and reporting—offering a holistic view of the auditing process. By combining primary data from practicing auditors and secondary literature from regulatory sources such as ICAI, this paper examines the real-world challenges faced by auditors and how evolving technology and regulatory frameworks are reshaping auditing in India.

### Introduction

Auditing plays a critical role in establishing trust in financial information presented by organizations. With increasing scrutiny from stakeholders, including investors, regulators, and financial institutions, the importance of accurate audits cannot be overstated. Chartered

Accountant firms in India follow auditing standards set by the Institute of Chartered

Accountants of India (ICAI) under the Companies Act, 2013. These firms conduct a variety of audits—statutory, internal, tax, compliance, forensic—and each audit demands a structured, evidence-based approach.

The present study investigates the audit lifecycle in Chartered Accountant firms, assessing how theory aligns with practice, and analyzing the impact of digital tools, client behavior, auditor training, and regulatory expectations on audit quality.

### Statement of the Problem

Despite the well-laid standards by ICAI, practical auditing often encounters inconsistencies and challenges:

Are CA firms uniformly applying audit procedures across engagements?

How do firms ensure compliance with ICAI's auditing standards amidst dynamic client demands?

What role does technology play in transforming audit procedures?

How do auditors deal with independence threats, especially with long-term clients? What are the recurring challenges CA firms face while conducting audits?

### Objectives of the Study

1. To analyze each phase of the audit cycle followed by CA firms.
2. To assess the implementation and adherence to ICAI auditing standards.
3. To identify the tools and technologies used in modern auditing practices.
4. To explore the ethical dilemmas and independence issues in audits.
5. To examine the role of documentation and audit evidence in forming opinions.
6. To recommend enhancements to existing audit methodologies and firm practices.

Scope of the Study

This research focuses on statutory audit procedures conducted by small and mid-sized CA firms in India. It spans various industry sectors including manufacturing, IT services, retail, and financial services. The paper limits itself to external audits and excludes tax and internal audits unless mentioned contextually.

#### Research Methodology

**Research Design:** This is a qualitative and descriptive study based on exploratory research.

**Primary Data:** Collected through structured interviews with five practicing Chartered

Accountants, each having over five years of statutory audit experience across varied sectors.

**Secondary Data:** Derived from ICAI standards, audit textbooks, research papers, and audit software manuals.

**Sample Selection:** Purposive sampling of CA firms known for statutory audit work in metropolitan and semi-urban areas.

**Analysis Tools:** Comparative analysis, thematic categorization, and data interpretation using Excel-based tools.

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## Literature Review

### 1. Audit Planning and Risk Assessment

Planning is the foundation of the audit. It begins with understanding the client's business model, economic environment, and internal processes. Auditors must identify risk areas and determine the audit strategy accordingly. According to SA 300, audit planning should be performed to reduce audit risk and ensure efficient resource allocation.

Risk assessment involves examining both inherent and control risks. Auditors consider fraud risk, operational risks, and industry-specific risks. SA 315 provides a structured approach to identifying and assessing risks of material misstatement.

### 2. Internal Control Evaluation

SA 265 mandates auditors to evaluate internal controls and report deficiencies. Effective

internal control systems reduce the extent of substantive testing required. Auditors examine control mechanisms related to procurement, sales, payroll, IT systems, and asset management. This evaluation also includes walkthroughs, flowcharts, and questionnaires.

### 3. Substantive Procedures

These include tests of details and analytical procedures. Substantive testing is carried out on financial elements such as revenue, accounts receivable, purchases, inventory, and liabilities.

Procedures include vouching, verification, reconciliation, and analysis of trends. SA 330 guides how auditors should respond to assessed risks through substantive procedures.

### 4. Evidence Gathering

SA 500 emphasizes that sufficient and appropriate audit evidence must be obtained to form a basis for opinion. Evidence may be obtained through physical verification, external confirmations, inquiries, recalculations, and document inspection. The reliability of audit evidence depends on its source and nature—external confirmations are more reliable than internal documents.

### 5. Audit Documentation

Documentation under SA 230 ensures a record of audit procedures, evidence, and conclusions. It includes checklists, working papers, lead schedules, and memos. Good documentation supports quality control reviews and defends the auditor's work during regulatory inspection or litigation.

### 6. Audit Reporting

The reporting stage finalizes the auditor's opinion. According to SA 700, a clean (unmodified) report is issued when financials are fairly presented. SA 705 and 706 guide auditors in issuing modified reports in case of material misstatements or scope limitations. Reports may also include emphasis-of-matter and other-matter paragraphs for significant disclosures.

### 7. Role of Technology

Audit tools like Tally ERP, Winman, CaseWare, and IDEA have automated sampling, testing, and documentation. Data analytics and continuous auditing features improve audit quality and efficiency. However, firms need trained staff and robust cybersecurity frameworks to adopt these tools effectively.

### 8. Ethical Standards and Auditor Independence

ICAI's Code of Ethics and SA 200 stress professional competence, objectivity, and confidentiality. Auditor independence must be preserved both in appearance and fact.

Familiarity threats, especially from long-standing clients, must be mitigated through rotation policies and internal reviews.

#### 9. Challenges in the Audit Process

Auditors face issues like poor record maintenance by clients, non-cooperation, complex transactions, regulatory ambiguity, and last-minute document submissions. Time constraints and staff shortages also impact audit quality. Pressure to compromise on findings is another ethical challenge.

Case Study – XYZ & Co. Chartered Accountants

XYZ & Co., based in Pune, is a mid-tier audit firm specializing in statutory audits. Their process includes:

Engagement Letter: Clearly defining scope, responsibilities, and timelines. Audit Plan and Materiality Matrix: Prepared using SA guidelines.

Client Interaction: Conducted through structured questionnaires and preliminary meetings. Control Evaluation: Focused on IT systems, inventory controls, and expense authorization. Substantive Procedures: Vouching purchase orders, verifying stock, analyzing financial ratios. Software Used: Tally ERP, Excel macros, and cloud-based storage for work paper safety.

Key challenges:

Difficulty in obtaining third-party confirmations. Client delay in providing supporting documents. Access limitations during COVID-19 lockdowns.

### Analysis and Interpretation

From interviews and document reviews:

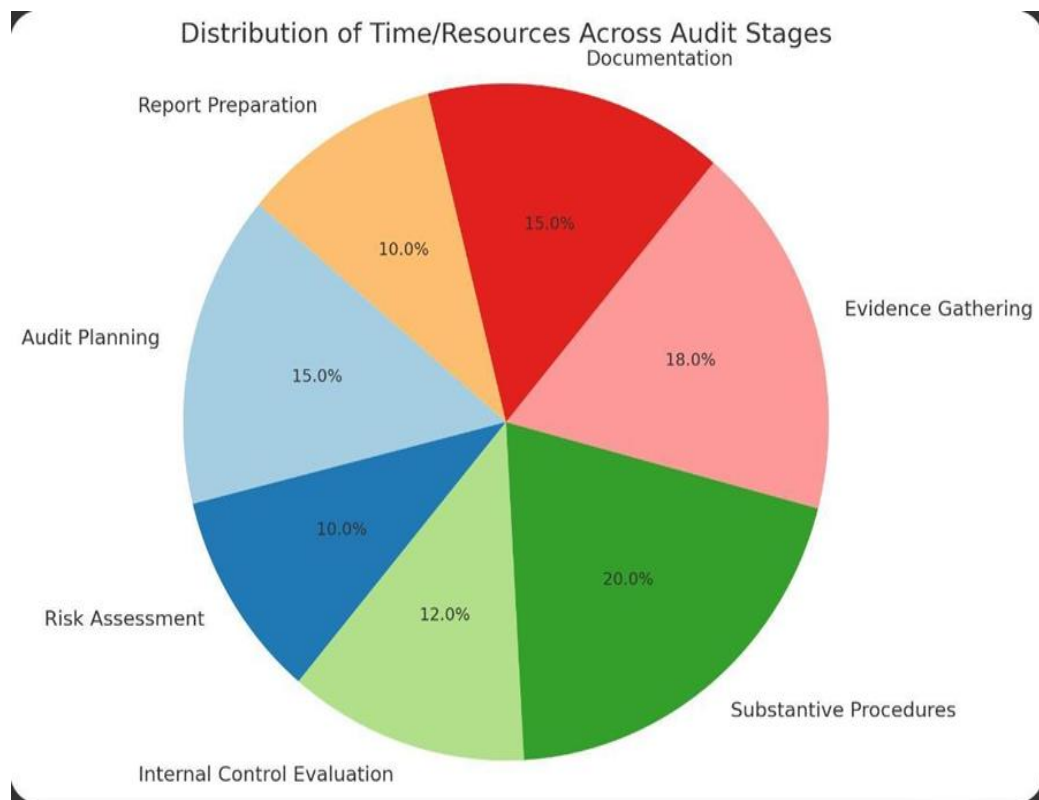
All respondents follow a formal planning process using checklists and engagement letters. 80% use software tools to improve documentation and risk analysis.

Time pressure and document availability cited as the most common issues.

Auditor independence

Training and peer review emerged as significant contributors to audit quality.

### Graphical Interpretation



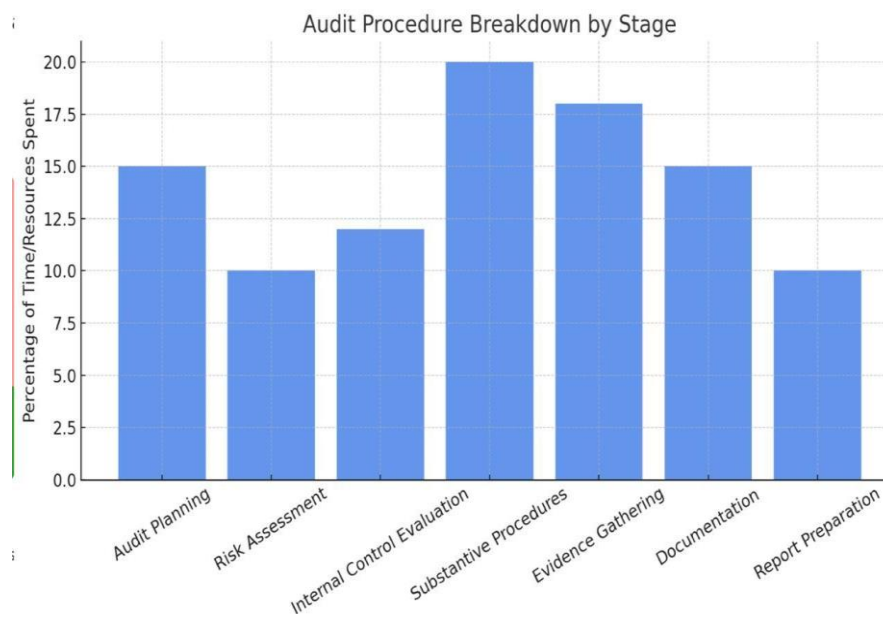


Chart 1: Use of Audit Tools – Illustrates the penetration of Tally, Winman, and manual methods across firms.

Chart 2: Common Audit Challenges – Categorizes challenges such as client non-cooperation, inadequate records, technology issues, and workload pressure.

This pie chart illustrates how CA firms allocate resources: Substantive Procedures – 20%

Evidence Gathering – 18% Documentation – 15%

Audit Planning – 15%

Internal Control Evaluation – 12% Risk Assessment – 10%

Report Preparation – 10%

This data reveals that the most resource-intensive stages are substantive procedures and evidence gathering, emphasizing their critical role in achieving audit accuracy.

## Findings

1. A structured approach is widely followed by CA firms.
2. Substantive procedures demand the most time and expertise.
3. Technology adoption has enhanced productivity but needs better training support.
4. Ethical concerns and client influence remain challenges.
5. Regular peer reviews and internal audits help maintain quality control.

## Suggestions

Conduct mandatory training on audit software and ethics annually.

ICAI should enforce auditor rotation to strengthen independence.

Clients must be educated on maintaining timely records and cooperating with audits. Firms should invest in data security measures for cloud-based audit tools.

Audit planning must be done with greater rigor to avoid time bottlenecks.

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## Conclusion

The audit procedures followed by CA firms are comprehensive but face challenges due to evolving business practices, increasing regulatory expectations, and client complexities.

Substantive testing and evidence collection remain at the heart of audit credibility. While

technology and standards offer powerful tools, ethical discipline and continuous learning are what make audits trustworthy and impactful. The future of auditing lies in integrating

automation with professional judgment, ensuring that financial integrity remains unshakable.

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