

# **R C Jain & Associates LLP**

## **Since 1986...**

**Topic : Actual Conduct for Regular &  
Statutory Audit**



# MEANING

- Statutory means anything regulated by laws of the state. Statutory audit is the official inspection of a company's accounts typically by an independent body.
- More elaborately put, it is the audit of books of accounts of a company, according to the requirements of a statute, to ensure fair and accurate representation of its financial records. There are many types of audits in India prescribed by different regulatory bodies. However, commonly, the term 'statutory audit' deals with the requirements of the Companies Act, 2013.



Statutory Audit can be governed by the laws

- such as Companies Audit under the Companies Act,2013,
- Societies Audit Govern by the Societies Act ,1860,
- Trust audit having total Income exceeding Rs.1,50,000/-must have its accounts audited.
- Bank & Insurance audit is governed by the Banking Regulation Act & Insurance Act .
- In simple terms statutory audit in India is equated with Audit under the Companies Act. Every company incorporated under the companies act is required to get its accounts audited by a Chartered Accountant in Practice to ensure true and fair view of the accounts. Further, the auditor has to ensure compliance with various provisions of the Companies Act.

# APPOINTMENT OF AUDITOR

Auditor has to be appointed according to the various Act applicable to the relevant Client.

Example :

Section 139 of CA-2013 governs the aspects of appointment of auditors. Section 139 of the Companies Act, 2013 deals with all the cases, circumstances with respect to appointment of auditors and therefore, it is a complete code in itself with respect to appointment of Auditors. Corresponding section of 139 was 224, 224A, 619 of CA-1956. Audit is useful only if it is conducted by some independent and qualified authority. The auditor must possess requisite qualifications and must act in an independent capacity.

Forms for appointment of auditor are ADT-1.

# VOUCHING

Vouching consists of comparison of entries in the books of accounts with documentary evidence in support thereof

**At the time of vouching the auditor must keep in mind the following points:**

- **Dates and Period** : The dates appearing on different papers attached with the vouchers should support and correspond with the date as recorded on the transactions.
- **Correct Allocation** : Correctness in allocation of certain amounts can be achieved by thorough examination and scrutiny of documentary evidence attached with the main vouchers.
- **Arrangement of Vouchers** : The auditor must very carefully check the vouchers in the company under audit are arranged in the same order as the entries are made in the books of accounts.
- **Proper Authorization** : All the vouchers must be properly authorized by the competent and responsible authority of the company. The signature of the authorized officers must appear on the voucher and related documents.
- **Agreement of Accounts** : This technique states the fact that the amount stated on the vouchers must be written in both words and figures.

- **Checking of Accounting Heads** : This technique of vouching can be materialized by extensive and detailed checking of the documentary evidence attached with the main voucher
- **Arithmetical Accuracy** : Correct costing of the vouchers is to be ensured by the auditor.
- **Revenue Stamp** : The vouchers established in the company must bear a revenue stamp of proper value according to the requirements of the voucher.
- **Alteration and Duplication** : Alteration or any kind of duplication must be very carefully checked in the vouchers. It should be authorized and approved by responsible staff of the Co.
- **Entry in Business Books** : The auditor once completely satisfied in respect, of the contents of the voucher and in respect of the above steps, the auditor then reconciles the vouchers with the transactions recorded in the books of the company under audit.
- **Stamping** : Being totally satisfied in respect of the reconciliation procedure, the auditor will put a tick mark against the transactions and simultaneously affix a stamp on the relevant vouchers.
- **Observations** : Comprehensive and complete notes should be taken in context of such items which require further clarification or evidence such as partnership deeds, lease agreements, memorandum and articles of association, minute book and various contracts etc.

# WHAT ALL TO CHECK

## **Sales Book**

- Inspect the internal Control to decide till what extent Sales transactions has to be checked.
- Read Sales Contract.
- Inspection of Sales Invoices.
- Casting ??
- Reconcile with ledgers, debtor's statement, stock register
- Cut-off policy if delay in delivering sales

## **Sales Return Book**

- See Credit note and Debit Note
- Verify quantity returned.
- Inspection Goods inward Register.
  - Reconcile with ledgers, Creditor's Statement and Stock Register
- Check Posting in Cash and Sales return Book.



## **Purchase Book**

- Inspect the internal Control to decide till what extent Purchase transactions has to be checked.
- Read Purchase Contract.
- Inspection of Purchase Invoices.
- Casting ??
- Reconcile with ledgers, creditor's statement, stock register
- Cut-off policy if delay in delivering sales

## **Purchase Return Book**

- See Credit note and Debit Note
- Verify quantity returned.
- Inspection Goods outward Register.
  - Reconcile with ledgers, Creditor's Statement and Stock Register
- Check Posting in Cash and Purchase return Book.

## **PURCHASES**

### **CASH**

- Invoice should be attached for Cash Purchase and Cash disbursement should be done by an authorized person.
- Cash A/c should be debited and if discount any should be deducted from purchases.

### **CREDIT**

- Confirm amount with Credit Issue receipt.
- Periodical statements prepared should be tallied with creditor's account
- Bank Reconciliation Should be checked if payment by Cheque.
- Check Cash/ trade discounts

# PAYMENTS

- **CHECK THE FOLLOWING**

- O/B of Cash Book
- Petty Cash
- Freight, Carriage & Custom Duty Paid.
- Rent, Rates and Taxes Paid.
- Repairs to Assets.
- Entertainment Expenses.
- Agent's Commission Paid.
- Director's Remuneration Paid
- Wages Paid
- Salary Payment
- Advertising Expenses Paid
- Travelling Expenses Paid
- Insurance Premium Paid

# R C JAIN AND ASSOCIATES LLP

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# Open House Discussions

Thank  
you

