

Review Article

# A Review Paper on Recent Trend of Auditing and Auditing Professional

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## ABSTRACT

Auditing is a process or activity of verification of records; it plays an important role for business being success. Without auditing procedure business may suffer from worst condition. Audited financial records portray actual fair view of financial position of a business. Now a day, organizational awareness increased pertains to auditing. Every organization interested to know their actual financial results, their profitability, whether books portrays true and fair view of financial transaction. Auditing profession is a noble profession, auditing professional need to verify records in all aspect as per the accepted audit principles and practices to minimize material financial errors and omissions. Audit professionals opinion is most valued for owner, investor, buyers, suppliers, management, society etc. to relying and taking decision pertains to supply of material, investing in organization etc. In future, career in audit profession is very bright due to change in government policies, due to broad and wide marketing growth etc.

**Key words:** Auditing, Audit Professional, Auditor, Audited financial records.

## OBJECTIVES

Objective of auditing is to provide true and fair results presented by profit and loss account and financial position presented by balance sheet. Auditing professional needs to minimize error and omission contain in financial statement.

“The audit objective forms the basis of audit. The objective states the subject matter under examination and how performance will be assessed. Once the objective is determined, the scope, criteria and approach can be developed.”<sup>[1]</sup>

Audit objectives are normally expressed in terms of the conclusion the audit is expected to draw regarding the entity’s performance of an activity. They are based on the question(s) that the audit seeks to answer about the performance of an activity or program: for example “Did the

entity have effective procedure in place to manage the program?”<sup>[1]</sup>

The objectives may cover a single program area or range of responsibilities, and they may fall under the mandate area of a single entity or multiple entities. The objectives should be based on the requirements of the relevant legislation, regulations and policies. They should also flow from section 7 of the Auditor General Act, usually in terms of whether public money has been expended with die regard to economy, efficiency and environmental impact and whether the entity has satisfactory procedures in place to measure its effectiveness. The objectives should focus on matters of significance to parliament.<sup>[1]</sup>

There are number of parameters of securitization of financial records that

should be adhered by the audit professionals, because there are different fields of persons relying upon the audit reports.

### What is auditing?

Auditing is systematic and continuous process of verification, examination and analysis of records. Professional who scrutinize, checking, verifying financial transaction accurately called audit professional.

### Vital Role of Auditing

Auditing plays a very important role in a business, financial institution, investors, suppliers, buyers can rely upon audited records. Applying of auditing upon financial transaction, it creates more values and create trust of records. Based on audited financial records, investors take decision regarding potential investment in a business, banking and financial institution lending money by scrutinizing its repayment capacity etc. Audit provides protection to investors against invested capital in a business, it also provides protection to financial or banking institution against their lending money. Internal audit system reduces mistake by implementing of internal control system. Internal control system is more effective in the way that one individuals work can be checked by other internally. Through audit can promote long term capital investment in a business.

Financial audit is conducted to provide an opinion whether "financial statements" (the information being verified) are stated in accordance with specified criteria. Normally, the criteria are international accounting standards, although auditors may conduct audits of financial statements prepared using the cash basis or some other basis of accounting appropriate for the organisation. In providing an opinion whether financial statements are fairly stated in accordance with accounting standards, the auditor gathers evidence to determine whether the statements contain material errors or other misstatements. [2]

For attainment and fulfillment of business objectives, audit is very important. Audit prevent and detect irregular transaction, easy to compliance with various tax, reduce fraud and error, easy to claim loss of asset under insurance, it helps to investor for decision making, it is useful to top to bottom level management.

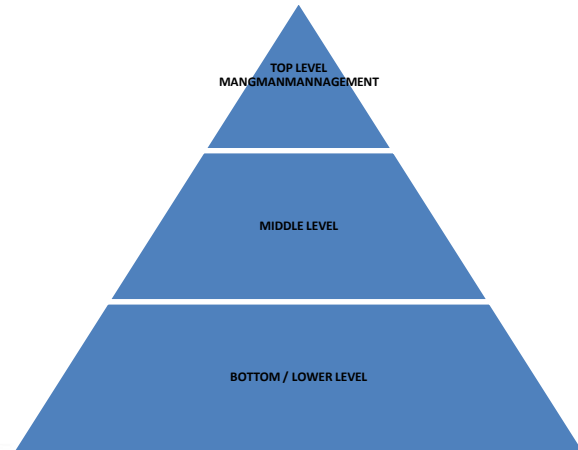


Figure: 1 Showing Utilization of Audit Report to Different Level of Management from Top to Bottom

Top level management consisting of directors or founders of organization, most responsible employee like managers, COO (Chief operating officer), CEO (Chief Executive Officer), CFO (Chief Financial Officer), President or Vice President they are taking decision pertains to organizational policy and goals, rules and regulations related to budget, achievement of sales and revenue related aspect efficiently based on the audited financial statement.

Middle level management consisting of persons who holds managerial skills and reporting to the top management, they are directing and indicating to top management regarding implementation of new strategy and what should be the plan of action in a coming future.

Lower or bottom level management consisting of persons who holds supervisory skills like foremen, duty or shift manager who are reporting to the second level management (Middle Level Management).

Audit professional to use different techniques of auditing and according to the nature and economical condition of

organization, auditor needs to prepare audit plan, review records, if needed adhere surprise audit and sampling techniques, apply survey and analysis in detail of those records that are most precious in nature.

A test of controls is an audit procedure to test the effectiveness of a control used by a client entity to prevent or detect material misstatements. Depending on the results of this test, auditors may choose to rely upon a client's system of controls as part of their auditing activities. However, if the test reveals that controls are weak, the auditors will enhance their use of substantive testing, which usually increases the cost of an audit. The following are general classifications of tests of controls. [3]

**Reperformance:** Auditors may initiate a new transaction, to see which controls are used by the client and the effectiveness of those controls.

**Observation:** Auditors may observe a business process in action and in particular the control elements of the process.

**Inspection:** Auditors may examine business documents for approval signatures, stamps, or review check marks, which indicate that control, have been performed. [3]

## CONCLUSION AND AUDIT OPINION

Audit portrays true and fair view of financial transaction, it is necessary to audit records of a business to create goodwill.

“The auditor discusses his observations with those charged with governance, such as the audit committee of the company, before finalizing the report. The auditor should be firm in his opinion, and exercise his independence at this level. This part of the audit is critical, and calls for resilience on the part of the auditor. An audit report, being a public document, should be drafted skillfully. The code of conduct prohibits an auditor from divulging any information received by him in the course of his professional assignment, unless legally required so to do. Therefore, the auditor shouldn't hesitate to take the help of a legal expert on whether to include certain comments in his report.” [4]

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