LIONS ARAVIND INSTITUTE OF COMMUNITY OPHTHALMOLOGY, MADURAI

AUDITING
AUDITING

- What is audit
- Verification of Accounting Records
- More of arithmetic
- Accounting principles-
  - Capital
  - revenue
ADVANTAGES

- CONFIRMS THE CORRECTNESS
- PREVENT FRAUDS
- PREVENT DISPUTES
- DETECT ERRORS
  - OMISSION
  - DUPLICATION
  - COMPENSATORY
Advantages-contd

- Helping shareholders/Investors
- Planning for the future
- Fix prices/ charges
- Statutory requirements
- Tax authorities
TYPES OF AUDIT

- Internal audit
  a. By employee
  b. By external auditor

- External audit
  - Statutory audits
  - Internal audits
  - Special audits
  - Gov. audits
CONTINUOUS AUDIT

- Business volume
- Accuracy in Reports
- Alternative to Internal Audit
- Preventing frauds
- Detecting errors quickly
ASSISTANCE OF AUDIT

- Tallying Trial Balance
- Preparing final Reports
- Preparing Depreciation statements
- Preparing and filing Tax Returns
- Representing to Tax authorities
INTERNAL CONTROL

- Numbering & Custody of Receipt books
- Authorizing payments
- Cash-physical verification
- Double key system
- Daily bank deposit
- Daily cash flow statement
INTERNAL CHECK SYSTEM

- Checking material receipt at various points - Security - Purchase - store
- Checking Bills at various points
- Checking of cheque drawn
- Checking of Receipts drawn
- Preparing, Checking, authorizing & payment of vouchers.
MANIPULATION OF ACCOUNTS

- Over/under valuing of stocks
- Keeping secret reserves
- Window dressing to Investors
- Over/under charging Depreciation
AUDITORS RESPONSIBILITIES

- Method of accounting
- Changes in capacity
- Change in prices/charges
- Fund flow & Utilization
- Abnormality in revenue/expense
- Insurance cover
- Bad debts
- Stock valuation
- Complying statutory Requirements
Accounting Vs. Auditing

- **Accounting**
  - It is the maintenance of documents, Day books, & Ledgers.
  - It is the Spade work of the Accountant
  - It is recording of transactions in the books of account

- **Auditing**
  - Starts where the accounting work completes
  - It is the checking of the accuracy of the accounts maintained
  - It is the certification for the correctness of the accounts
THANKS