



A STUDY ON VOUCHING AND CORPORATE ADVISORY SERVICE IN AUDITING FIRM WITH REFERENCE TO NAGARAJA K H AND COMPANY.

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Abstract: This study focuses on the important procedure of vouching in auditing companies in an effort to clarify its significance, workings, challenges, and potential enhancements. Vouching, a critical stage in the audit process, involves verifying the authenticity and correctness of financial data and transactions by cross-referencing them with supporting documentation. It also examines how technological innovations like blockchain and artificial intelligence might enhance and simplify vouching procedures, thereby increasing the accuracy and efficiency of audit processes. The goal of the research is to provide insightful information on the complex interaction between auditing and corporate consulting services in the contemporary business environment to stakeholders, policymakers, practitioners, and academics.

Keywords: Vouching, Advisory Services, Audit Process

INTRODUCTION

Auditors meticulously follow business transactions from financial records to their original origins in a process known as vouching. To confirm the veracity and accuracy of documented transactions, this entails looking through contracts, invoices, receipts, and other pertinent documentation. The study will look into vouching procedures, including sampling strategies, the analysis of documented evidence, and the application of audit tools and software. Oftentimes, auditing firms go above and beyond the call of duty to offer their clients insightful advisory services. This comprises risk management techniques to reduce potential threats, financial analysis to evaluate performance and pinpoint areas for improvement, strategic planning to match company goals with market trends, including regulatory compliance advice to guarantee legal compliance.

Vouching allows auditors to protect the integrity of financial information reported by identifying fraud, errors, or misstatements. Corporate advice services are essential to auditing firms because they provide strategic direction to companies on a range of financial and operational issues. This covers tasks including handling risks, financial restructuring, mergers and acquisitions, and regulatory compliance.

Changes in industry trends, legal frameworks, and the growing role of auditing companies in offering clients complete financial guidance have all influenced the emergence of corporate consulting services. Technology integration is a key component of the advancement of corporate consultancy services. Businesses are using cutting-edge technology like blockchain, AI, and data analytics more and more to improve their consulting services. These technological advancements enhance the efficiency and efficacy of corporate consulting services by facilitating quicker and more precise making decisions, risk assessment, and monitoring of compliance..

NEED OF THE STUDY

- To understand the importance of identifying mistakes and frauds.
- To comprehend the meaning of Ensuring Compliance
- To understand why strategic guidance is necessary
- To determine a risk management aspect
- To comprehend the necessity of governance and compliance in advising services

OBJECTIVES OF THE STUDY

- To study how current Vouching practices in Audit Firms effectively detect financial statement fraud
- To study corporate advisory services and how they can contribute to the financial performance of the firm.
- To study about the effectiveness of Advisory services on Audit firm

REVIEW OF LITERATURE

1. Viinutha Pati, School Of Management, (2021)

This research paper discusses the significance of vouching in auditing and the reasons it is called the "backbone" of auditing are covered in the study paper. Vouching is an essential auditing process in which auditors follow the transactions back to their original origins to confirm the accuracy and legitimacy of the transactions. In order to make sure that financial accounts are accurate, this method is crucial for determining the main targets for inspection.

2. SC Bansal,Journal of Revista Universal (2021)

The wide range of transactions and situations that auditors may come across during the vouching process is discussed in this research study under the heading of the "sheer magnitude and diversity of problems". This covers a range of company formats and financial transaction kinds.

3. Varsha Ainapure, Mukund AinapurePHI Learning Pvt. Ltd (2019)

The main topic of this essay is auditing engagements, which are methodical reviews of financial data to guarantee accuracy and adherence to pertinent laws. It explores the process of confirming different financial components, including sales, payments, purchases, and revenue receipts. This study examines the fundamentals of auditing and presents a methodical procedure for conducting audits.

4. Muhamad Sori, A Risk Scorecard Framework For E-Auditing In Indian Banking Sector International Journal of Accounting & Information Management, (2020)

This essay focuses on the difficulties faced by an auditor who must rely entirely on their own knowledge, aptitude, discretion, and judgment when manually auditing the banking or insurance industries. The primary obstacle is to manually map and assess banking capabilities and operations with GRC control standards. An way to verifying data integrity in cloud computing

5. Rajat Saxena, Somnath Dey Procedia Computer Science(2016)

The aim of this work is to provide a new and more effective method for data integrity verification that is popularly called "Cloud Audit." Through the maintenance of data integrity throughout its lifecycle, this technique seeks to improve the security and dependability of cloud-based data storage..

6. Renuka Mahajan, Trends and Future Directions, Detecting and managing operational, transactional and auditing risk using data analytics (2016)

The scope of this research study is briefly described, with an emphasis on the investigation of fundamental ideas and methods associated with the identification and control of operational, transactional, and auditing risk. It suggests that the article will probably explore instruments made especially for these uses.

7. CS Srishti Vajpayee, The Management Accountant, Universal Contest Of Piloting A Revolution In Present Accounts And Audit Systems (2018)

Vouching and blockchain technology—which is usually controlled by a peer-to-peer network and ensures that the contents in any particular block cannot be changed—are the topics of this article. It guarantees audit trails are safe, reliable, and impervious to fraud or manipulation. It is a distributed ledger that is open and capable of effectively recording transactions between two parties. When vouching, it aids the auditor as well. Procedure for Audits.

8. Khem raj, International Journal of Research in Commerce & Management (2018)

One can comprehend and see the final outcomes and judgements regarding the success or failure through audit. These assessments serve as a foundation for identifying the underlying reasons for success or failure. It allows us to evaluate and adjust the programmes and policies, as well as eliminate any flaws or weaknesses.

9. Pralok Gupta, Rupa Chanda. Accountancy services sector in Asia: case study of India Trade, Investment and Economic Development in Asia (2016)

Because all of an organization's resources, especially its financial ones, are involved, there is a fundamental need for accounting services. The need for accounting and auditing services is a result of this. Moreover, this need is also fueled by auditing services, which are frequently connected to accounting. Through the review and validation of financial records and reports, auditing guarantees the integrity and correctness of financial information.

10. Jenkins, A study on how non-audit services has the impact on clients of the Audit firm, Journal of Applied Business Research (2020)

This study examines the impact of non-audit services on public perceptions of auditor independence. The independence of auditors from their customers can be preserved in the context of public accounting firms. The non-audit services support the auditor's independence and help set them apart from the client.

RESEARCH DESIGN**Research Gap**

There is a limited number of studies on vouching in audit firms, utilizing artificial intelligence and data analytics on the efficacy and efficiency of misstatement detection when compared to manual procedures. Effect on To comprehend the possible benefits or drawbacks of particular advisory services on various elements of audit quality, including the efficacy of risk assessment, fraud detection, and overall audit judgment, research is required. The long-term impacts of providing consulting services on the culture and behavior of audit companies have not been thoroughly studied.

Research Design

The research methodology consists of Primary Data and Secondary Data. The primary data is collected through surveys with basic questions about Vouching and advisory service's impact on audit firms. And Secondary Data is Case Studies, Industry Reports, Previous Research Studies, Research Journals, Professional Journals and Magazines. The hypothesis test is conducted with the help of JMP Software data which is obtained from the questionnaire and can be analyzed.

Data Collection

The primary data utilized for the research study was gathered using a well framed questionnaire circulated to chartered accountant clients. Secondary data includes academic journals, and magazines. The research sample consisted of 91 responses, Graphical Representation is the statistical tool for analysis of the data.

RESEARCH METHODOLOGY AND DATA COLLECTION

Population: Target people are clients Of The Audit Firm,

Sample Design: Random Sampling

Primary Data: Through survey with basic questions about Vouching and Advisory Service's Impact on an Audit Firm

Secondary Data: Case Studies, Industry Reports, Previous Research Studies, Research Journals, Professional Journals and Magazines.

Instrument for Data Collection: Questionnaire

Sample Size: 91

Testing Of Questionnaire: Chi-Square test

Statistical Tool for Analysis: Graphical Representation

Limitations:

- The study heavily depends on the availability and accuracy of documentation.
- Complex transactions require detailed analysis and understanding due to their sophisticated nature.
- The dual role of providing advisory services and auditing may lead to conflicts of interest.

DATA ANALYSIS

Summary of the Survey

	QUESTIONS	FREQUENCY	PERCENTAGE
Age Group	20 -29	41	41%
	30-39	33	33%
	40 - 49	15	15%
	50 and above	11	11%
Education Qualification	UG	41	41%
	PG	33	33%
	Graduate	15	15%

	Profession	11	11%
Importance of vouching in ensuring the accuracy of financial statements	Important	53	53%
	Somewhat important	20	20%
	Moderately important	19	19%
	Extremely Important	7	7%
Role of vouching in detecting fraudulent activities within organizations	Very effective	47	47%
	Somewhat effective	45	45%
	Not very effective	7	7%
	Ineffective	0	0%
Factors that contribute to the effectiveness of vouching procedures in audit firms	Skilled Auditors	23	23%
	Clear regulations	31	31%
	Advanced technology	19	19%
	All of the above	27	27%
Measures that can be taken to improve vouching practices in audit firms	Strict regulations	16	16%
	Enhanced Training for auditors	37	37%
	Increased transparency	28	28%
	Hiring experienced auditors	18	18%
Satisfaction of the clients with the frequency and thoroughness of vouching conducted by audit firms	Highly satisfied	20	20%
	Satisfied	57	57%
	Neither satisfied nor dissatisfied	22	22%
	Highly dissatisfied	0	0%
To what extent vouching contributes to the overall reliability	Highly satisfied	24	24%
	Satisfied	47	47%

and credibility of audited financial statements.	Neither satisfied nor dissatisfied	28	28%
	Highly dissatisfied	0	0%
Factors that would influence the decision to seek corporate advisory services from an audit firm.	Reputation of the firm	15	15%
	Cost of the services	51	51%
	Range of services provided	19	19%
	Experience of the advisor	15	15%
Main advantages of obtaining corporate advisory services from an audit firm?	Enhanced credibility and trust	26	26%
	Access to specialized knowledge	28	28%
	Streamlined process	29	29%
	Access to expertise	16	16%
How can audit firms improve their corporate advisory services?	Investing in additional training	23	23%
	Strengthening internal controls	39	39%
	Enhancing Transparency	29	29%
	Investing in expertise	9	9%
Satisfaction of the clients with the quality of strategic advice provided by the corporate advisory service in the audit firm	Highly satisfied	25	25%
	Satisfied	53	53%
	Neither satisfied nor dissatisfied	16	16%
	Highly dissatisfied	6	6%
Rate of effectiveness of the recommendations provided by audit firms in their corporate advisory services	Highly satisfied	7	7%
	Satisfied	52	52%
	Neither satisfied nor dissatisfied	18	18%

	Highly dissatisfied	0	0%
To what extent audit firms understand your business needs adequately when providing corporate advisory service	Highly satisfied	6	6%
	Satisfied	53	53%
	Neither satisfied nor dissatisfied	16	16%
	Highly dissatisfied	0	0%

Table 1: Summary of the Survey.

HYPOTHESIS TESTING (Chi Square Test)

- Hypothesis 1**

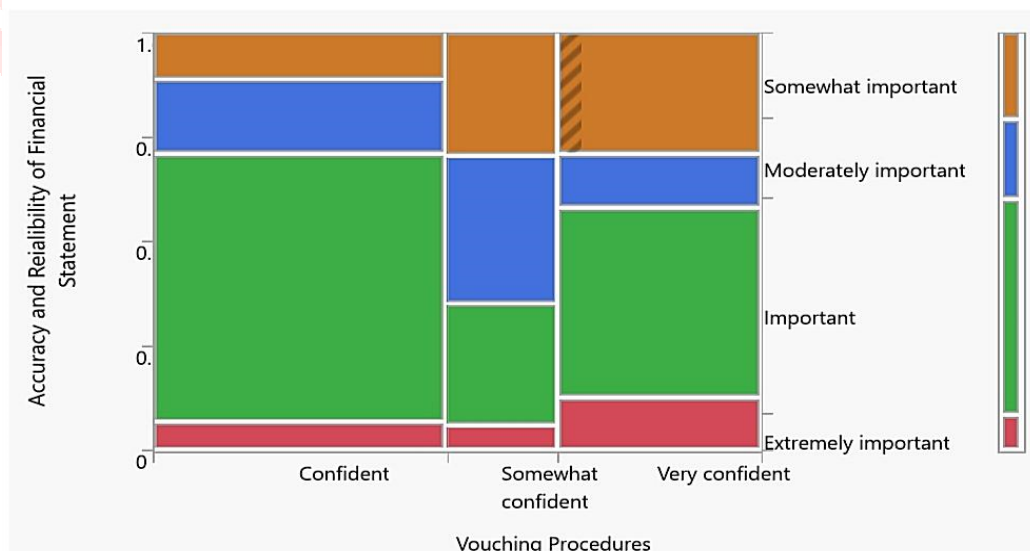
Null Hypothesis (H0): There is no significant impact of vouching procedures on the accuracy and reliability of financial statements in auditing firms.

Alternative Hypothesis (H1): There is a significant impact of vouching procedures on the accuracy and reliability of financial statements in auditing firms.

Dependent variable: Accuracy and reliability of financial statements

Independent variable: Vouching Procedures

Mosaic Plot



Count Expected Deviation Cell Chi^2	Extremely important	Important	Moderately important	Somewhat important	Total
Confident	3 3.870968 -0.87097 0.1960	29 23.22581 5.774194 1.4355	8 8.709677 -0.70968 0.0578	5 9.193548 -4.19355 1.9128	45
Somewhat confident	1 1.462366 -0.46237 0.1462	5 8.774194 -3.77419 1.6235	6 3.290323 2.709677 2.2315	5 3.473118 1.526882 0.6713	17
Very confident	4 2.666667 1.333333 0.6667	14 16 -2 0.2500	4 6 -2 0.6667	9 6.333333 2.666667 1.1228	31
Total	8	48	18	19	93

Table 2.1: Analysis of Accuracy and Reliability of Financial Statements by Vouching Procedures

N	DF	-LogLike	RSquare (U)
93	6	5.4767500	0.0493

Test	ChiSquare	Prob>ChiSq
Likelihood Ratio	10.954	0.0898
Pearson	10.981	0.0890

Table 2.2: Chi Square Test of Accuracy and Reliability of Financial Statements by Vouching Procedures

According to the result of the Chi Square Test, the Pearson chi-square value is 10.981 with a probability greater than the significance level (0.0890). Since the probability is greater than the significance level, we fail to reject the null hypothesis. This hypothesis aims to explore the potential relationship between vouching practices and the quality of financial statement audits within auditing firms.

- **Hypothesis 2**

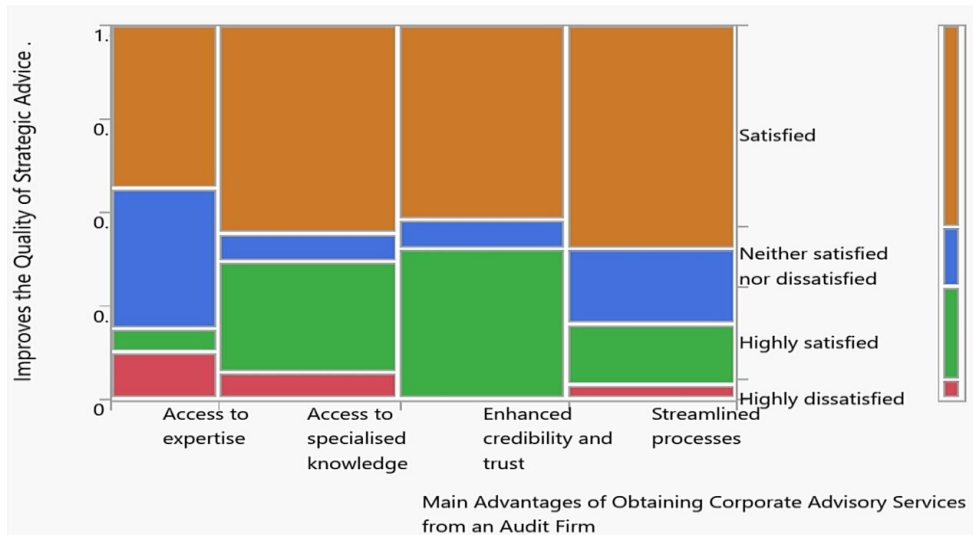
Null Hypothesis (H0) : Implementing the suggested improvements will not have a significant impact on the quality of Corporate Advisory Services provided by Audit firms.

Alternative Hypothesis (H1): Implementing the improvements will lead to a measurable enhancement in the quality of corporate advisory services provided by audit firms.

Dependent variable: Quality of corporate advisory services provided by audit firms.

Independent variables: Investment in training, strengthening internal controls, enhancing transparency, and investing in expertise.

Mosaic Plot



Contingency Table:

Count Expected Deviation Cell Chi ²	Highly dissatisfied	Highly satisfied	Neither satisfied nor dissatisfied	Satisfied	Total
Access to expertise	2 0.860215 1.139785 1.5102	1 3.956989 -2.95699 2.2097	6 2.580645 3.419355 4.5306	7 8.602151 -1.60215 0.2984	16
Access to specialised knowledge	2 1.451613 0.548387 0.2072	8 6.677419 1.322581 0.2620	2 4.354839 -2.35484 1.2734	15 14.51613 0.483871 0.0161	27
Enhanced credibility and trust	0 1.344086 -1.34409 1.3441	10 6.182796 3.817204 2.3567	2 4.032258 -2.03226 1.0243	13 13.44086 -0.44086 0.0145	25
Streamlined processes	1 1.344086 -0.34409 0.0881	4 6.182796 -2.1828 0.7706	5 4.032258 0.967742 0.2323	15 13.44086 1.55914 0.1809	25
Total	5	23	15	50	93

Table 3.1: Analysis of Advantages of Obtaining Corporate Advisory Services and Quality of Strategic Advisory Service in an Audit Firm

N	DF	-LogLike	RSquare (U)
93	9	8.6101901	0.0819
Test		ChiSquare	Prob>ChiSq
Likelihood Ratio		17.220	0.0454*
Pearson		16.319	0.0605

Table 3.2: Chi Square Test of Advantages of Obtaining Corporate Advisory Services and Quality of Strategic Advisory Service in an Audit Firm

The Pearson (Chi-square) value of 16.319 with a corresponding probability ($P > \chi^2$) of 0.0605 suggests that there might be a relationship between the suggested improvements (investment in training, strengthening internal controls, enhancing transparency, and investing in expertise) and the quality of corporate advisory services provided by audit firms, and the null hypothesis is rejected according to the result of the chi square test. Corporate advisory services play a crucial role in supporting audit firms' strategic goals and objectives by promoting a cohesive approach to client services. This cohesion is achieved through the establishment of clear communication channels between the advisory team and the audit firm.

FINDINGS

- Vouching processes play a major role in ensuring that financial statements in auditing businesses are accurate and reliable.
- Thorough review of vouching transactions and associated documentation improves the identification of irregularities and possible fraud.
- Modern technologies and data analytics are essential for increasing the efficacy and efficiency of vouching procedures.
- Establishing the integrity of financial audits and spotting abnormalities require a methodical and exhaustive vouching process.
- Regulatory compliance is still a major factor, and businesses are actively navigating the changing environment to make sure that rules and regulations are followed.

SUGGESTIONS

- Provide auditors with advanced training programmes to improve their vouching abilities and keep them abreast of technical developments.
- Incorporate data analytics technologies into vouching processes to boost productivity and broaden the scope of possible fraud detection.
- To increase the group's proficiency in vouching procedures, auditing businesses should cultivate a culture of cooperation and knowledge exchange.
- Update vouching procedures frequently to accommodate evolving risks and shifting business circumstances.
- Improved lines of communication between audit teams and customers will guarantee a deeper comprehension of the transactions that take place during the vouching process.

CONCLUSION

The integration of technology and advanced analytics enhances the capabilities of vouching procedures, improving the overall quality of financial audits. Continuous adaptation and improvement of vouching practices are necessary to address evolving challenges in the business landscape. Corporate advisory services within auditing firms play a pivotal role in delivering comprehensive financial and strategic solutions to clients. The integration of technology, strategic client engagement, and a commitment to regulatory compliance are key factors contributing to the success of advisory services. The positive impact on audit quality underscores the potential for continued growth and development in this sector, emphasizing the importance of a dynamic and client-focused approach for auditing firms offering advisory services.

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