



“A REAL LIFE OBSERVATION OF HOW A CHARTERED ACCOUNTANCY FIRM PERFORMS STATUTORY AND INTERNAL AUDITS”

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Abstract: This paper will delve into the real audit methods that Chartered Accountancy (CA) firms are using with the main focus on both the statutory and internal audits that are carried out to guarantee financial adherence, authenticity and accountability. Observations, engagement in auditing tasks, and the sharing of experiences with auditors as part of the internship training in a mid-sized organization were employed to conduct data collection based on the qualitative research approach and analysis of the case study. The paper has studied planning, execution and reporting of audit in numerous businesses and found out that the auditing firms were always faced with the following problems: strict schedules, poor control mechanisms, GST and TDS discrepancies, and poor documentation. Even while not many people used advanced automation, a lot of people used products like Tally ERP, Microsoft Excel, and ICAI templates. The report says that to make audits more efficient, you need to follow professional standards, work well with clients, and keep good records. Even if there are still a lot of problems, audits have been very important for compliance and internal control systems since they provide assurance and advice. The research comes to the conclusion that incorporating emerging tools and technology and supporting the continuity of professional development can contribute to the credibility and efficiency to a greater degree.

Index Terms : Tally ERP, ICAI Standards, Internal Audit, Statutory Audit, Chartered Accountant Firms, Auditing Practices, Audit Documentation, GST Reconciliation, Qualitative Study

1. INTRODUCTION

1.1 The Study's Background

Auditing plays a vital relevance in today's complicated and highly regulated business world since it promotes openness, accountability, accuracy in financial reporting. It serves as a key aspect of corporate governance that helps organizations to obey the laws, auditing guidelines, and professional standards. The companies act 2013 and the Standards on Auditing (SA) prepared by the institute of chartered accountants of India (ICAI) govern the auditing process in India. Financial statements are reviewed, internal control system are assessed, and financial compliance are ensured by Chartered Accountants (CAs). Through such methods investor trust is strengthened and financial discipline is kept.

1.2 Changing Dynamics of Auditing procedures

Indian Auditing industry has been undergoing a transformation of people checking to using technology and data analytics. Auditing has progressed to become more precise, and increased operational efficiency through integration of software solutions like Tally ERP, Case Ware, and CAATs. Modern auditing incorporates aspects such as ESG reporting and forensic audits, which necessitating knowledge from

different professional fields. Indian auditing profession was established under the Companies Act, 1913, and then the ICAI was established in 1949. Regulatory mechanisms such as Standards on Auditing (SAs) and CARO also have impacted on its growth.

1.3 Role of ICAI

The Institute of Chartered Accountants of India (ICAI) functions as the governing body which supervises the auditing profession, develops rules and regulations for the audit professionals, oversees the quality of audits, provides advising help, and ensures ethical working of auditors. Such programs ensure that the Indian auditing practices are always in line with the Global standards and are flexible to the changing financial regulations.

2. LITERATURE REVIEW

1. Based on the Survey done across 252 NIFTY listed businesses, the study finds that the effectiveness of internal audit is mostly riven by the competency of internal audit team and their contacts with audit committee. The authors discuss via the prism of institutional theory that how professional competence and governance frameworks influences the audit quality. **(Purba, 2021)**
2. The study highlights the significance of internal auditing in supporting corporate governance frameworks, the findings imply that cooperation between internal and external audit can sustain the transparency and accountability. **(Sridhar, 2022)**
3. Through the application of action research approach in this study, it is shown that internal auditing serves as a crucial managerial control mechanism that promotes governance, contribute to effective decision making, and risk management. **(Mukhopadhyay, 2022)**
4. The report concluded that legal requirements such as CARO 2020 and NFRA outreaches have significantly expanded the scope of work of the auditor which includes assessing the internal audit effectiveness and audit trail verification. **(Mishra, 2021)**
5. Advisory systems are applied to examine the differences in statutory and forensic auditing procedures. It finds that forensic tools demonstrate superior fraud detection, adding financial advisory mechanisms into routine audits to enhance productivity, strengthen efficiency and risk anticipation. **(Kumar, 2024)**

3. RESEARCH GAP

Although little academic and professional literature has been developed on audit standards, compliance framework and risk management practices, the operational issues faced by the auditors particularly in small and mid-size CA firms have never been studied and given much scholarly attention, most of the research focuses on practices in large organizations without considering how the smaller firms manage the continuous changes in regulations, little automation as well as delays in documentation. The research in question fills the research gap because the field-based evidence was acquired through practical exposure during internship experience. It sheds light on practical challenges of operations, time limits, flexibility of technology which can be encountered in the actual world statutory and internal audit practice.

4. OBJECTIVES

1. To identify the application of statutory and internal audit procedures in audit practice.
2. To get acquainted with the audit documentation and finances compliance.
3. To determine the role of auditor and difficulties involved in upholding accountability, and accuracy.
4. To learn the significance of technological advancement on auditing practices.

5. METHODOLOGY

5.1 Research Type: The study adopts Descriptive research, which highlights the real world statutory and internal audit practices encountered during the internship.

5.2 Methods of Research: The research is totally based on interaction with clients and auditors, observation of audit process, and document analysis to understand the actual audit processes.

5.3 Research Design: The Case study approach was adopted to examine the planning, performing, and reporting of audits for a single mid-sized CA firm.

5.4 Data Collection Method: Primary data were collected through discussions and observations, whereas Secondary data from analysis of audit files, financial statements, and ICAI publications.

5.5 Sampling Method: The sampling technique used to choose specific audit assignments Purposive sampling which is considered most relevant to the study objectives.

The size of the sample

- The study is based on qualitative observation.
- Audits were conducted for 7-8 organizations across sectors, including manufacturing, services, trading, and non-governmental organizations, during the internship.
- Around 20-25 audit procedures were performed including vouching, ledger scrutiny, bank reconciliation, and financial compliance checks.
- The insights of study is mostly based on interaction with 15 clients and discussions with 5 audit professionals.

6. DISCUSSION & RESULTS

1. Statutory Audit Statutory

Audits follows the Companies Act of 2013 and the ICAI Standards on Auditing (SAs) Common issues were identified such as Incomplete vouchers, inconsistencies in GST records, TDS mismatches, and late submission of document. In spite of these issues and difficulties, auditing contributed to increase compliance and financial accuracy by fulfilling assurance and advisory functions for clients

2. Internal Audit

Internal audits were primarily focused on evaluation of internal controls and effectiveness of operations. The important areas of internal audit are cash handling, inventory control, and payment approvals. The results indicated stock variances due to weak cash controls in an NGO, inadequate GST reconciliation, and absence of vendor payment approvals because of delay in uploading of purchase and sales bill. While audits showed process and control limitations, but the effectiveness of these audits are ultimately relied on management's response on the recommendations.

3. Key Audit Functions Performed

Under the different client's engagement, the basic audit jobs like Expense Vouching, bank reconciliations, ledger checks, GST/TDS checks, Compliance checks, Documentation checks etc. were always done to ensure accuracy, good documentation and compliance of the auditing requirements.

Audit Activity	No. of Clients	Frequency	Importance
Expense Vouching	9	High	Very High
Bank Reconciliation	11	Medium	High
Ledger Scrutiny	10	Medium	High
GST/TDS Compliance Verification	11	Medium	Very High
Internal Control Review	7	Low	High
Working Paper Preparation	5	High	Essential
Report Drafting Assistance	6	Low	Supportive

Interpretation:

Repeating the basic audit processes in different engagements, it can be stated that basic audit processes can be seen to be mandatory in all audit engagements and these processes guarantee consistency, quality and confidence. Such practices develop the ability of the auditor to have better analytical abilities and be precise in the detailing process and stress the significance of documentation in achieving accuracy and accountability.

Typical Audit Problems Found

Documentation, statutory compliance matters including the mismatch of GST and TDS, bank reconciliation and internal control were identified to have continuous problems. Many of the clients submit incomplete paperwork such as invoices, bank statements or supporting vouchers. Mistakes in ledger and poor allocation of tasks were also frequent observations.

Area of Audit	Issues Observed	Frequency
Documentation	Missing bills, unsigned vouchers, unclear expense heads	High
Bank Records	Outdated reconciliations, unposted charges	Medium
GST/TDS Compliance	Incorrect or late filing, improper rates used	High
Ledger Accuracy	Misclassifications, suspense entries	Medium
Internal Controls	No segregation of duties, lack of written SOPs	Medium

Interpretation

The most encountered issues were non-compliance with statutes and incomplete documentation. These results highlight the spirit of proper records and informing the customers to fulfill their tax and regulatory requirements.

Problems During Audit Execution

- Insufficient Documentation
- Low digital integration
- Client Reluctance
- Time Constraints
- Poor Internal Controls
- Remedial Measures

RESULTS

- The programs such as Tally, Excel and ICAI templates are used instead of manual work.
- Auditing involved such significant tasks as vouching, scrutiny of documentation, and compliance check.
- Inadequate internal controls, lack of tax-matching and unfinished records were common.
- Internal auditing was aimed at the efficiency of operations and statutory auditing is aimed at compliance and transparency. Auditing progress incorporates technical skill, integrity and elasticity.
- The rules and Standards on Auditing (SAs) of ICAO are strictly followed when conducting audit engagements with the view to how the theoretical structures can be successfully converted into reality audit execution through systematic planning, execution and reporting.
- More than 70% of fieldwork was made up of vouching, which is a manual process of confirming bills, vouchers, and payment entries.
- Missing signatures, bank reconciliations anomalies, old bills delayed, and duplicates were all frequent issues and this is whereby the exact documentation is very crucial.
- GST reconciliations and TDS deductions made constant mistakes and were delayed. Although there was sufficient knowledge on the GST law, sometimes, there were discrepancies between GSTR-2A and books, which caused a lag in making statutory compliance on time.

7. CONCLUSION

Statutory audit is highly organized, governed by rules and motivated by compliance issues. They play a very important role in ensuring that businesses record their financial statements in a precise and fair way. Nevertheless, accuracy and promptness of the auditing records of the client make a significant contribution to their competence. The key to a successful audit assignment is adequate documentation. Standardized templates, audit records and audit checklists are not merely a procedure but also a means of evaluation and consistency besides signaling professional practice. Audits performance requires good cooperation and communication. The seamless performance and full coverage of an audit was greatly dependent on the responsiveness of the staff and the transparency of communication of the audit team.

Technology use in auditing is still in its dynamic stage. Although such programs as Microsoft Excel and Tally ERP were quite prevalent, it is still possible to introduce more advanced tools such as real-time audit dashboard, documents sharing via cloud storage, and data analytics software. One should be eager to acquire new knowledge every time. No two audits are the same as each client, field, and job will present its own distinct problems and learning possibilities. The auditor should remain inquisitive, wary and dedicated to the professional standards.

8. LIMITATIONS

1. Short Time Frame

Due to the internship's scenario and short duration, it was not possible to observe the full audit lifecycle for all client types. The study had limited scope to observe initial stage of planning and risk assessment was restricted because few audits, mainly statutory audits, were already completed or nearing completion when internship started.

2. Limited Sensitive Data Access

Access to some financial records, internal communications, and management reports was restricted because of confidentiality procedures and client privacy agreements. Because of this, the study only used permitted observations and documents that were readily available, which might not accurately reflect the complexity of each audit engagement.

3. Narrow Sample Size

A small sample of client assignments completed during the internship served as the basis for the study. Although a few small and mid-sized businesses from various industries were included, these might not fully represent the audit procedures and difficulties encountered by big businesses, publicly traded companies, or multinational organizations.

4. No application of quantitative research instruments or hypothesis testing

Statistical or hypothesis-based research methods were not used in this project because it was practical and observation-based. Since the results are qualitative in nature and derived from interactions, experiences, and documentation reviews, they cannot be applied to all audit

environments

9. FUTURE SCOPE

The foundation for comprehending the real-world implementation of internal auditing and statutory procedures in a chartered accounting firm has been established by the current study. Even though it has provided worthwhile hands-on learning, the way auditing practices are changing, the way technology is being adopted, and the changes in regulations open up a number of possibilities for further study and investigation. The potential for future growth and improvement of the study is outlined in the points that follow:

1. Advanced Audit Technologies Incorporated

Future research can examine the function of computer-aided audit techniques (CAATs), block chain in auditing, robotic process automation (RPA), and audit management software as automation, artificial intelligence (AI), and data analytics become more and more integrated into contemporary auditing. The ability of Indian businesses to adjust to these new technologies can also be evaluated through research.

2. Auditing Procedures by Sector

NGOs, service-oriented businesses, and SMEs were the main subjects of this study. Future studies may focus on audits that are specific to a given industry, like those in IT services, manufacturing, BFSI (Banking, Financial Services, and Insurance), or healthcare. Every industry has distinct audit challenges, risk factors, and compliance frameworks that call for careful research.

3. A Comparative Analysis of Firm Sizes

The future research will be able to contrast the Big 4s, mid-sized, and small CAs in terms of their auditing practices. This would give a clue on what CA firm size and market positioning has on audit planning, execution, documentation, technology use, and engagement process of clients.

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