



TYPES OF AUDIT

***SUBJECT: AUDITING
PRESENTED BY : LAVANYA.P
DEPARTMENT OF COMMERCE***

INTRODUCTION OF AUDIT

1. The auditing has its origin in the necessity in the development of sum system to put a check on the persons whose duties were to record receipts and payments of money on behalf of owners.
2. The historical record shows that the ancient Egyptians, the Greek and the Romans use to get there public accounts audited.
3. With the development of trade and commerce the need for recording those transactions was felt by businessmen.
4. He started taking the services of others for recording those transactions.

DEFINITION OF AUDIT

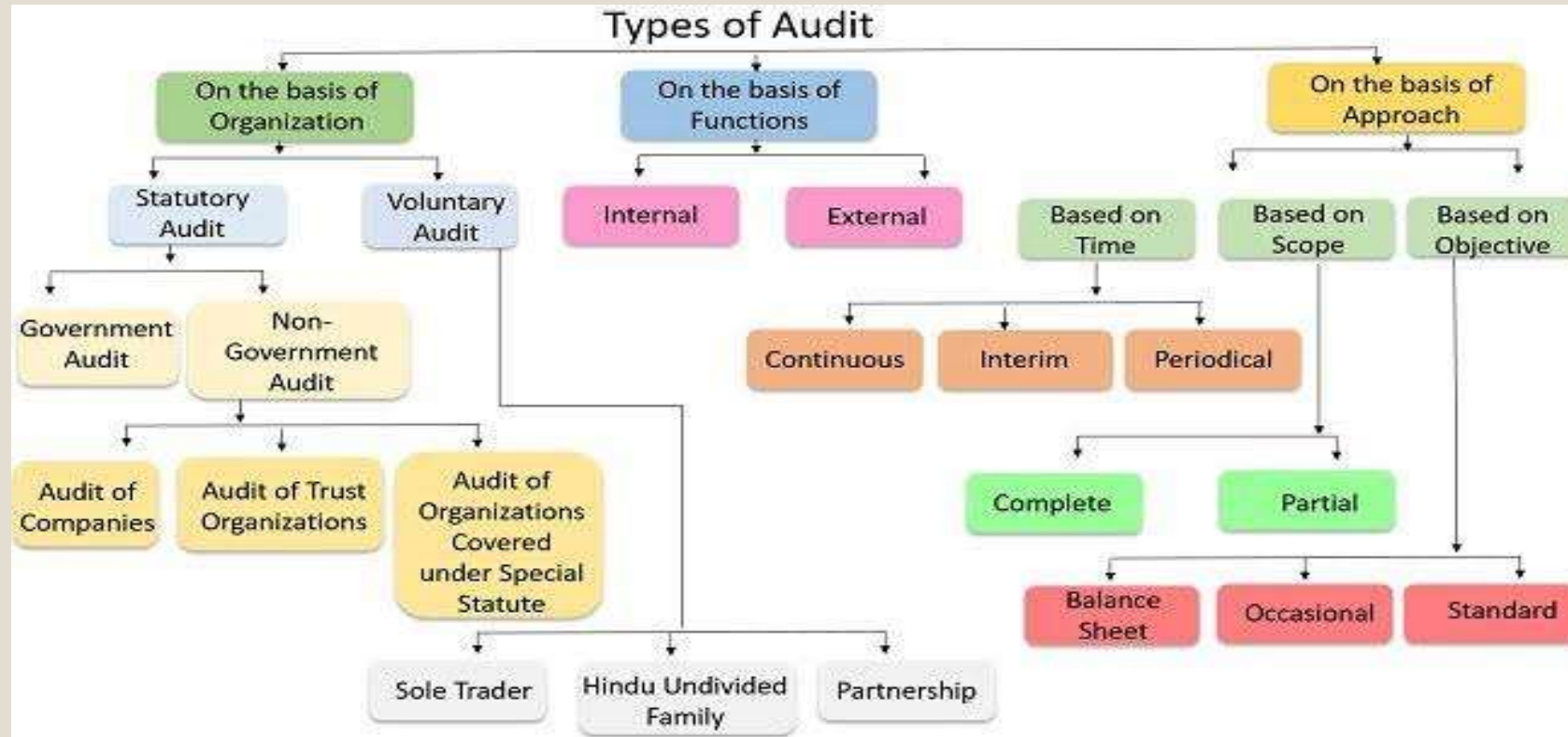
The word audit is derived from Latin word in which means “to hear”. “Auditing is concerned with the verification of accounting data determining the accuracy of and reliability of accounting statement and reports.

Definition of Audit

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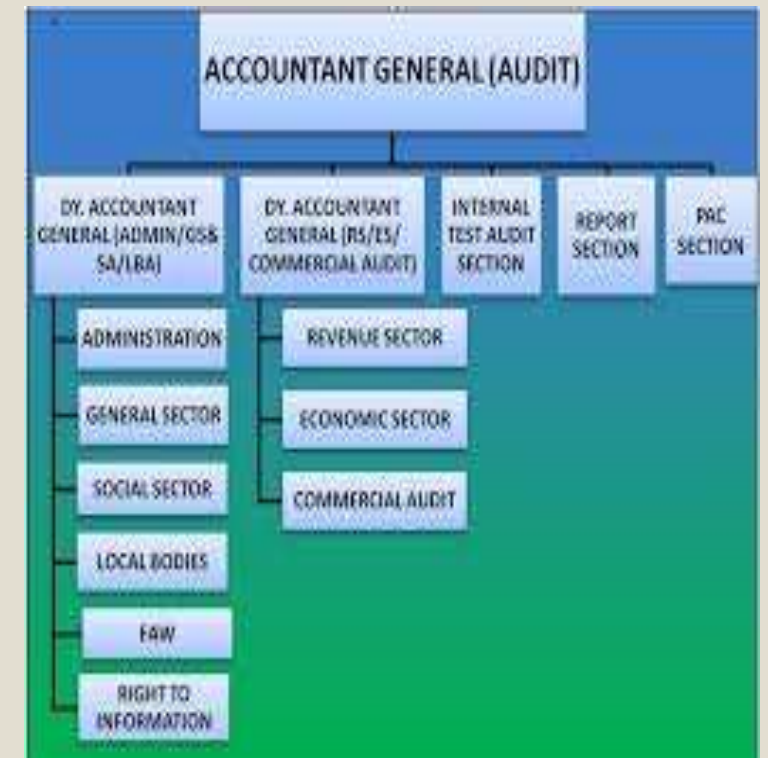
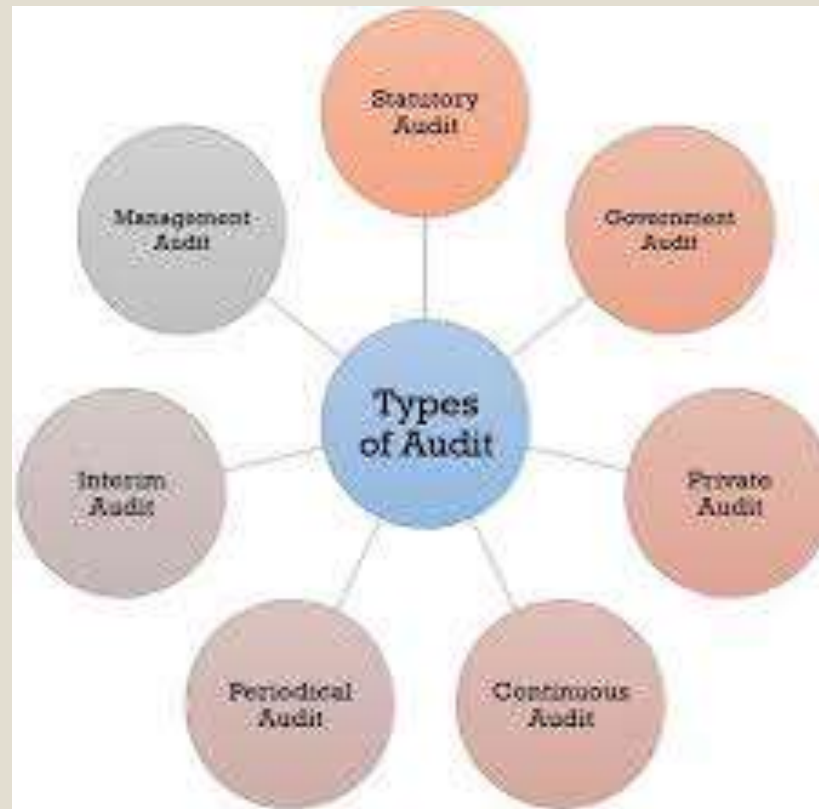
- **Auditing** refers to a systematic examination of books, accounts, documents and vouchers of an organization to ascertain how far the financial statements present a true and fair view of the concern.

TYPES OF AUDIT



A. ON THE BASIS OF SCOPE

1. GENERAL AUDIT: It will cover the all areas of business. The audit can be independent or internal.
2. SPECIFIC AUDIT: It concentrates on a particular areas, object or may be period. It is further classified into:
 - a. Partial audit
 - b. Occasional audit
 - c. Interim audit
 - d. Cost audit
 - e. Management audit
 - f. Performance audit
 - g. Standard audit
 - h. Audit in depth
 - i. Post and vouch audit
 - j. Operational audit
 - k. Cash audit



B. ON THE BASIS OF NATURE AND ACTIVITY

1. COMMERCIAL AUDIT: The activities which are the subject matter of audit which are commercial in nature is called commercial audit. In commercial concerns preparation of accounts and audit are conducted by 2 persons. In these concerns periodical audit is preference. It is done after the expenditure has be incurred cashier has no role in audit while making payment on expenditure.
2. NON-COMMERCIAL AUDIT: The audit of non-profit organization will fall under non-commercial audit. Eg: government audit, audit of organization involved in promotion of education, health or environment etc. note on profit basis.



C. ON THE BASIS OF FORM OF ORGANISATION

1. PRIVATE AUDIT: When the audit is not a statutory requirement but is conducted at the desire of owners such audit is called private audit. Private audit is of following types audit of sole traders account audit of partnership account audit of institutions not covered by statutory audit.
2. GOVERNMENT AUDIT: Audit of government officers and department comes under government audit. A separate department is maintained by government of India, known as accounts and audit department headed by comptroller and auditor general of India which works only for government officers. It will not undertake audit of non-government concerns.

DIFFERENCE BETWEEN GOVERNMENT VS. COMMERCIAL AUDIT		
Sl. N.	GOVERNMENT AUDIT	COMMERCIAL AUDIT
1.	This department works independently.	It is audited by two different persons.
2.	It is continuous audit.	It is periodical audit.
3.	It is audited before the incurring of payment.	It is always made after the incurring of payment.
4.	Treasury officer makes an examination on audit.	Cashier has nothing to do with audit.
5.	It is a spending department per forms.	No part of audit by spending department.

D. ON THE BASIS OF WHO CONDUCTS THE AUDIT

1. INDEPENDENT AUDIT: Independent audit is conducted by independent qualified auditor according to Companies Act, 1956, responsibilities and functions. Independent auditor enjoys better status and his duty is to see final statement give true and fair view of financial position and profits periodically. This audit is done for safe guarding the owners, shareholders and other parties who have no ideas of day-to-day operations of the organization.
2. INTERNAL AUDIT: Internal audit is done by permanent staff of the business according to the duties and responsibilities determined by the management for the purpose of early detection of errors and frauds. It is done continuously. Auditor may or may not have professional qualifications. The main purpose of this audit is to help and guide management.

E. ON THE BASIS OF LEGAL NECESSITY

1. STATUTORY AUDIT: It is a compulsory audit conducted by a qualified chartered accountant who are not connected with the management of the concern. The following are the status covered under this audit.

- a. Companies act 1956
- b. Companies regulation act 1949
- c. Insurance act 1938
- d. Co-operative societies act
- e. Public and charitable trusts
- f. Electricity supply act 1948 & Indian electricity act 1910



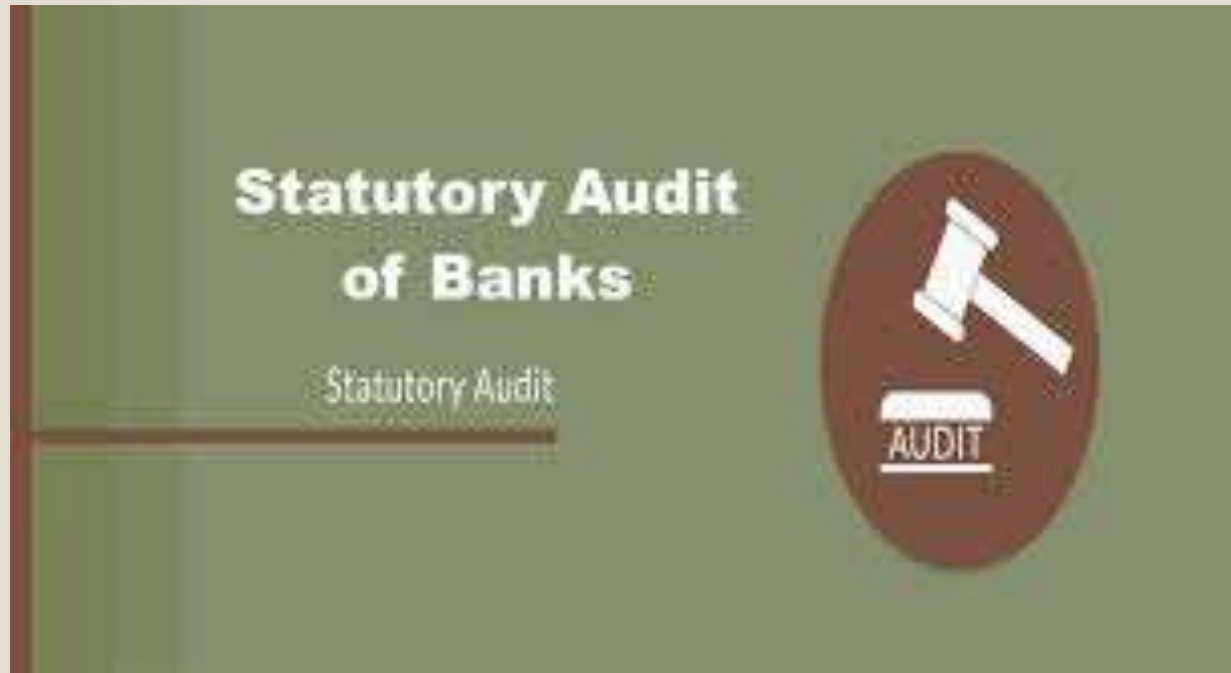
Statutory Audit

Advantages
The statutory report confirms that management has taken due care while delivering their responsibilities.

Disadvantages
The auditor does not assess and review the 100 % transactions.

2. NON-STATUTORY AUDIT: Audit is conducted without any legal necessity or requirements is called non-statutory audit. Generally done on:

- a. Audit of sole-trader account
- b. Audit of partnership firm
- c. Audit of accounts of individual
- d. Audit of institutions not covered under statutory audit.



F. ON THE BASIS OF METHOD OF EXAMINATION

1. CONTINUOUS AUDIT: When the auditor and his staff is constantly engaged in the work during the whole year is known as continuous audit. It helps for internal check effectiveness and when statements are required immediately after the close of financial year.
2. BALANCE SHEET AUDIT: When the audit is concerned with the items of balance sheet only i.e., assets and liabilities is called balance sheet audit.

What is Balance Sheet Audit?

- Verification of all item included in balance sheet combine with the examination of related income and expenses account is known as a balance sheet audit.

THANK YOU

