

Audit: An Enduring Necessity Amid Economic and Non-Economic Activities

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Introduction

The word “AUDIT” has Latin origins, deriving from ‘audire,’ meaning to hear. Historically, auditors listened to accountants reciting financial accounts to verify their accuracy. Today, auditing embodies control, inspection, and revision across various domains. This practice has deep historical roots in ancient civilizations, including India, Egypt, Greece, Mesopotamia, and Rome. Even the Vedas reference accounts and auditing, showcasing its long-standing importance.

In Valmiki’s *Ramayana*, Lord Rama inquires about Bharat’s financial prudence, while in the *Mahabharata*, King Yudhishtra instructs Nakula to oversee army accounts. Initially, audits were commissioned by kings, emperors, or religious authorities and were conducted by state officials or scribes. Kautilya’s *Arthashastra* introduced structured rules for accounting and auditing of public finances, proposing essential offices like Treasurer and Chief Comptroller Auditor. This system emphasized independent audits to enhance compliance and accountability.

Evolution of Auditing

The evolution of auditing gained momentum in the 18th century when clerks were appointed by states to examine public accounts. The primary goal was to uncover fraud and ensure accurate financial records. The Industrial Revolution further transformed auditing, necessitating more complex structures like joint-stock companies. The Joint Stock Companies Act of 1844 mandated auditor appointments, while the Companies Act

of 1900 established the requirement for independence and professional qualifications for auditors.

In India, the Office of the Comptroller and Auditor General was founded in 1858, evolving into a robust institution for public financial oversight post-independence. The establishment of the Institute of Chartered Accountants of India (ICAI) in 1949 was a pivotal moment, creating a professional framework for auditing and accountancy in the country. The ICAI's Auditing and Assurance Standards Board plays a crucial role in developing standards that ensure consistency and quality in audits.

Recent Developments and Legislative Framework

The Companies Act, 2013, reinforced the mandatory nature of audits for all companies, establishing a comprehensive framework governing auditor appointments and responsibilities. It mandates that auditors provide a true and fair view of financial statements, ensuring transparency and accountability. Recent amendments have further highlighted the need for auditors to consider internal controls and compliance with laws and regulations, emphasizing their role in risk management and corporate governance.

Key Provisions of the Companies Act, 2013:

- **Section 139:** Specifies the appointment process for auditors, ensuring they serve a term of six years, promoting accountability.
- **Section 143(2):** Requires auditors to report on the financial statements, emphasizing their duty to ensure compliance with accounting standards.
- **Section 143(3):** Introduces additional reporting requirements, including assessments of internal controls, enhancing the auditor's oversight role.

The Auditor's Comprehensive Perspective

An auditor's role extends beyond mere compliance; they provide valuable insights that enhance an organization's operational effectiveness. With a 360-degree view of the business environment, auditors identify risks and opportunities that can significantly

benefit clients. Standards such as SA 240, SA 250, and SA 570 highlight the auditor's responsibilities in identifying fraud, ensuring regulatory compliance, and assessing an entity's going concern status.

Embracing Technological Advancements

In an era of rapid digital transformation, auditors must adapt to new technologies that reshape business models. The integration of data analytics, artificial intelligence, and other technological tools enhances the audit process, enabling auditors to deliver deeper insights. As organizations increasingly rely on technology, auditors with expertise in cyber security, sustainability, and data management will be in high demand.

The Need for Regulatory Flexibility

As the auditing landscape evolves, so too must the regulatory framework. Recent RBI guidelines regarding the appointment of statutory auditors have raised concerns, particularly for smaller chartered accountants and sole proprietorships. With approximately 70% of practicing firms operating as sole practitioners, these restrictions could stifle competition and limit diversity within the profession. It is essential for regulatory bodies to reconsider such measures to ensure a balanced and inclusive auditing environment.

Significance -

Audit will remain essential as long as economic and non-economic activities exist on our planet. The profession must evolve, embracing technology and advocating for flexible regulations to address contemporary challenges. By doing so, auditors can ensure their continued relevance and provide invaluable insights that enhance the integrity of financial reporting and governance. Upholding the principles of accountability, transparency, and ethical conduct will be critical for the future of auditing, enabling professionals to navigate the complexities of a dynamic business environment.

Creating Professional Opportunities

The evolving landscape of auditing presents numerous professional opportunities. As businesses face increasing regulatory scrutiny and the complexities of digital transformation, the demand for skilled auditors will only rise. Areas such as forensic accounting, internal auditing, compliance consulting, and sustainability audits are expanding, offering diverse career paths for professionals.

Moreover, the integration of technology in auditing creates roles for data analysts, IT auditors, and cyber security experts, further broadening the scope of the profession. The need for auditors to understand emerging trends, like environmental, social, and governance (ESG) criteria, will also enhance job prospects, as companies increasingly prioritize sustainability.

Excelling in the Auditing Profession

To thrive in the auditing profession, individuals should focus on the following key areas:

1. **Continuous Learning:** Stay updated with the latest auditing standards, regulations, and technological advancements. Pursuing relevant certifications, such as Certified Internal Auditor (CIA) or Certified Information Systems Auditor (CISA), can enhance expertise and marketability.
2. **Technological Proficiency:** Embrace tools and software that facilitate data analysis, risk assessment, and financial reporting. Familiarity with advanced analytics, blockchain technology, and artificial intelligence will set candidates apart in the job market.
3. **Strong Communication Skills:** Develop effective communication skills to articulate findings clearly to stakeholders. The ability to present complex information in an understandable manner is crucial for influencing decision-making.
4. **Ethical Judgment and Integrity:** Uphold ethical standards and demonstrate integrity in all professional dealings. Trustworthiness is vital for building long-term client relationships and maintaining professional credibility.

5. **Networking:** Engage with professional associations and attend industry conferences to build a network of contacts. Networking can lead to mentorship opportunities and open doors to new career paths.

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