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## The Perception of Auditor and Auditee about Statutory Audit of Senior College with special reference to Jalgaon District

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### Abstract

*Educational institutions are expected to provide education on charitable basis. In view of the absence of the profit motive, the trusts/society is not supposed to draw up financial statements such as profit and loss account normally prepared by a commercial enterprise. However, absence of profit motive does not mean absence of deficit or surplus. It has been upheld in a number of judgments delivered by various high courts and the apex court that the charitable institutions have a right to earn surplus, so long as such surplus is utilized for the charitable purpose for which such institution exists and has not been distributed to the trustees or members of the trust/society. Further, no charitable institution can ever continue to exist solely on its dependence on grants and donations and should, therefore, generate enough surpluses so as to sustain its organizational objectives. Thus, as a measure of accountability and performance, they will be preparing an Income and Expenditure account and a Balance Sheet. This Income and Expenditure account is essential to calculate the deficit/surplus resulting from the activities carried out by the trust/society during a financial year. The balance sheet will reflect the state of asset and liabilities as on the date of balance sheet.*

*Such financial statements should be accompanied with notes to accounts, significant accounting policies and other statements and explanatory material that are an integral part of the financial statements. Such statements should disclose every material transaction of an exceptional and extraordinary nature. The financial statements should be prepared in conformity with relevant statutory requirements, the accounting standards and other recognized accounting principles and practices, the basic objective being to give a true and fair view of the surplus or deficit in the case of income and expenditure account and the state of affairs in the case of balance sheet. Thus the Researcher seeks to study the Perception of Auditor and Auditee about Statutory Audit of Senior College with special reference to Jalgaon District.*

**Keywords:** Statutory Audit, Auditor, Auditee

### Introduction:

Statutory audit is an authentic procedure that is utilized to assemble money related data reflected through the organization's monetary explanation like the Profit and Loss Account, Balance sheet and Cash flow statement. The significance of word the statutory audit in India is the audit which is recommended by statute. There is numerous audit in India which is recommended by the distinctive statute like Income Tax Act require audit according to him comparatively GST Act require audit according to him so a CA need to direct numerous audit according to various statute prerequisite. Subsequently, statutory audit gives a practical perspective of the organization's fraud assessment or misrepresentation appraisal, assuming any, to counteract malpractices and ensure straightforward framework in leading business.

Review of books of educational organisations like school, colleges and so forth or other such foundations which are occupied with the instructive field is known as audit of educational organisations. Income and expenditure accounts and the balance sheet of such institutes should be checked by auditor in order to verify and report the true and fair view of results presented by income statements and financial position presented by the balance sheet.

### Journey of Audit System:

The requirement for an audit in this manner begins from requirement of unbiased and relevant financial information to guide investment decisions of stakeholders. It is essential considering complexity of financial information and remoteness of the users from the financial information generating system. Audit is must considering financial and economic consequences of using unreliable information. A few needs are recorded beneath -

- Reliability and Integrity of Information - Reliability and integrity of financial and operating information should be reviewed by the internal auditor and should analyze the effectiveness of the means used to identify, measure, classify,, and to report such data.



- Compliance with Policies and Procedures - The frameworks and methodology additionally has impressive effect on the activity of the business venture. The internal auditor should check the adequacy and effect of such frameworks and report consequently.
- Safeguarding the Assets - For safeguarding the assets the internal auditor should review the existing system and if required he/she should also verify the presence of such assets.
- Economical and Efficient Use of Resources - The internal auditor ought to likewise assess the economy and productivity with which the assets are utilized. Further the internal auditor should identify the conditions, which would prevent the economical use of resources. They are as per the following -
  - Underutilization of capacity.
  - Non-productive work.
  - Procedures, which are not cost, justified.
  - Over staffing or under staffing.
- Accomplishment of the Established Objectives and Goals - The inside examiner should make a study of the tasks or projects of the undertaking and ought to learn whether the results are not clashing with the developed destinations and focuses of the association. He should also likewise find out whether the programmes are carried out as per plan.

**Advantages:**

Auditing has become a mandatory task in the business organization. All the organizations like business, social, industries and trading organizations make audit of books of accounts. Recently, proprietor of business and its management are isolated. In this way, to detect and prevent frauds and errors, auditing has turned out to be fundamental. Its favourable circumstances are as per the following:

- **Audit Helps To Detect and Prevent Errors and Frauds** - An auditor's fundamental obligation is to recognize detect errors and frauds, preventing such errors and frauds. In this way, despite the fact that all organisations don't have compulsion on audit, they make review of the considerable number of books of accounts.
- **Audit Helps To Maintain Account Regularly** - If there is any misrepresentation in the business, auditor can raise query about such act. Thus auditing raises moral weight on keeping up accounts routinely.
- **Audit Helps To Get Compensation** - On the basis of audited statement of valuation made by the auditor compensation is paid by the insurance company if there is any loss in the property of business.
- **Audit Helps To Obtain Loan** - Especially financial institutions prefer to give loans on the basis of inspected audited statements. A business organisation may acquire advance considering the audited statement of most recent five years. Thus, an organisation should make audit necessary to acquire advance loans.
- **Audit Facilitates the Sale of Business** - Valuation of Assets is made by the auditor. Based on valuation of Assets and liabilities, businessman can offer his business for sale. It helps to decide the cost of business to be offered for sale.
- **Audit Helps To Assess Tax** - Tax authorities assess taxes on the basis of profit calculated by the auditor. On the basis of sales shown in the audited statement sales tax is calculated by sales tax authorities.
- **Audit Facilitates To Compare** - Instructions are given to an accountant by auditor, which helps to compare books of accounts of current year with the accounting of the previous year. Thus, after comparing the accounts of current with previous year's errors and frauds gets detected.
- **Audit Helps To Adjust Account of Deceased Partner** - While auditing books of accounts valuation of all the assets and liabilities of the business is made by the auditor. Such valuation helps to clear the amount of deceased partner.
- **Audit Helps To Present a Proof** - Auditor can present audited report as a proof to settle such case in case which is filed against the auditor's negligence. So, it helps to present evidences to settle such cases.
- **Audit Provides Information about Profit or Loss** - A businessman wants to know profit or loss of his business after a certain period of time. In this way, the proprietor of the business can get data about profit or loss after auditing the books of accounts.
- **Audit Helps To Prepare Future Plan** - All the audited statements remain true and correct. Such true and correct account helps to prepare for the future plans.
- **Audit Helps To Increase Goodwill** - Auditing demonstrates the profitability and financial position of an organization which makes public confident about the business. Hence, auditing helps to increase goodwill



of an organization.

- **Audit Helps To Amalgamate the Company** - Sometimes, same nature of undertakings might be amalgamated. Auditing makes valuation of assets and liabilities which helps in amalgamation of the undertakings. Buyer of the undertaking can trust on the valuation made by the auditor.

**Disadvantages:**

The objective of an audit of the financial statements is to enable an auditor to express an opinion on true and fair views of such financial statements. Indeed, it is the examiner’s sentiment which helps assurance of the genuine and reasonable perspective of the money related position and working consequences of an organisation. It is exceptionally significant to note of that the AAS-2 makes it a subtle point that such an opinion expresses by the auditor is neither an assurance as to the future viability of the enterprise nor the efficiency or effectiveness with which management has conducted affairs of the enterprise. Further, the procedure of auditing has its own inherent limitations. The inherent limitations are as follows:

- **All transactions cannot be checked** - Each and every transaction cannot be checked by the auditor, thus he has to check them on sample basis.
- **Evidence is not conclusive** - Audit evidence is not conclusive in nature the confirmation of debtors is not conclusive evidence that all amount will be collected, the conclusions are persuasive rather than conclusive.
- **Not easy to detect some frauds** – It is sometimes difficult for an auditor to identify the profoundly laid cheats which includes acts designed to conceal them such as false clarification, forgery and unrecorded transaction. It is difficult for an auditor to recognize certain frauds which are committed with malicious or fraudulent intentions.
- **Audit cannot assure about profitability or efficiency of management** – An assurance about profitability or efficiency of management cannot be given even though the accounts are audited.
- **Dependence on explanation by others** - Auditor needs to be dependent on the clarification and information given by the responsible officers of the organization. Audit report is influenced unfavorably if the explanation and information prove to be false.
- **Dependence on opinions of others** - Auditor needs to depend on the views or sentiments given by various specialists viz Lawyers, Solicitors, Engineers, Architects and so on he can’t be a specialist in every one of the fields
- **Conflict with others** - Auditor may have contrasts in opinions with the bookkeepers, administration, engineers and so forth. In such a case personal judgment assumes a vital part. It varies from person to person.
- **Effect of inflation** - Financial proclamations may not unveil true picture even after audit because of inflationary trends.
- **Corrupt practices to influence the auditors** - The management may utilize corrupt practices to influence the auditors and get a great report about the situation of the organisation.
- **Inherent limitations of the financial statements** - Financial statements don’t reflect current values of the assets and liabilities. Many things depend on individual judgment of the proprietors. Certain non-money related actualities can’t be estimated. Audited statements due to these limitations can’t display genuine position.

**Objectives of the Study:**

- To study the awareness among auditee about Statutory Audit of Senior College.
- To find out Perception of Auditor and Auditee about Statutory Audit of Senior College.
- To compare the view of both Auditor and Auditee about Statutory Audit of Senior College.

**Hypotheses of the Study:**

- **Ho-** There is no significant difference between the perception of Auditor and Auditee about Statutory Audit of Senior College.
- **H1-** There is significant difference between the perception of Auditor and Auditee about Statutory Audit of Senior College.

**Scope of the Study:**

- Aim of the research is to study about Perception of Auditor and Auditee about Statutory Audit of Senior College with special reference to Jalgaon District.
- The accuracy of the study depends on authenticity of the information supplied from the respondents.



- As the study requires huge data from selected area, cost and time constraints may have affected the effectiveness of the study through every attempt made to keep of the objectives and research methodology.
- The study is limited to only sample size of Auditor and Auditee from Jalgaon district, which are given in sample design.

**Research Methodology of the Study:**

The study is based on critical evaluation and analysis of basically Primary Data. The primary sources include both Auditor and Auditee. A study is undertaken in the sampled regions to see its impact for which a detailed questionnaire is prepared to collect relevant information from the primary source for the guidance of the researchers. With the help of the questionnaire, detailed discussions were made with the certain sources of primary data to understand their views, thinking and attitude which would help to give the researchers useful

recommendations, if any. The questionnaire is processed with the help of statistical tools like tabulations, grouping, percentages, averages, testing of hypothesis etc. Questionnaire is used mainly to analyze the opinion of the students.

The term auditor is used in the sense; an auditor is a person or a firm appointed by a company to execute an audit. To act as an auditor, a person should be certified by the regulatory authority of accounting and auditing or possess certain specified qualifications. Generally, to act as an external auditor of the company, a person should have a certificate of practice from the regulatory authority. Also in case of auditee, it is person or organization that is audited. Moreover statutory audit refers A statutory audit is a legally required review of the accuracy of a company's (or government's) financial statements and records. The purpose of a statutory audit is the same as the purpose of any other type of audit: to determine whether an organization is providing a fair and accurate representation of its financial position by examining information such as bank balances, bookkeeping records and financial transactions.

**Research Area:**

Researchers selected investors from Jalgaon district. Sample sizes of 100 respondents have been taken which includes 50 auditors and 50 auditee. Researcher collects data through Primary and Secondary sources. Researcher distributed 100 questionnaires among the respondents.

**Review of literature:**

**1) Name of Journal:** International Higher Education

**Title of the Paper:** The Scourge of Fraud and Corruption in Higher Education

**Name of the author:** Goolam Mohamedbhai

**Volume:** VOL 94 (2018)

**Issue published:** Number 84: Winter 2016

**Analysis of research paper:** It is analyzed that no sector seems, to be immune from fraud and corruption, not even those that have a direct impact on society's welfare: health, education, sports, politics, or religion. Advanced education is no special case. "Corruption for resources, fame and notoriety places extraordinary pressures on higher education institutions. In some instances, corruption has invaded whole systems of higher education and threatens the reputation of research products and graduates, regardless of their guilt and innocence." This statement, which originates from Transparency International's 2013 Global Corruption Report: Education catches the circumstance. That defilement had contaminated advanced education has been known for a considerable length of time. Scarcely any week passes at this point without the presence of an article on fraud in advanced education.

**2) Name of Journal:** The College and University Auditor Journal

**Title of the Paper:** Fraud Education and Awareness: Increasing Employee Fraud Awareness

**Name of the author:** Joseph Reed

**Volume:** volume 58 numbers 2

**Issue published:** summer 2016

**Analysis of research paper:** It is analyzed that Fraud can be discovered in areas not touched by internal audit. Regardless, the accusations remain: "Internal Audit is not protecting the organization adequately" or "Internal Audit failed to see the risks of fraud before they occurred." Rightly or wrongly, management tends to look to internal audit as the solution to both detecting and preventing fraud. However, as we see in this article, internal auditors cannot be responsible for finding all fraud nor can they be held responsible for preventing fraud.

**3) Name of Journal:** The IUP Journal of Accounting Research and Audit Practices

**Title of the Paper:** Auditor's Fear of Losing a Client: Views of Professional Accountants in the Big Audit Firms in Botswana



**Name of the author:** Christian J Mbekomize and Rhodgers Hove

**Issue published:** Oct, 2012

**Analysis of research paper:** The objectives of this study are to investigate the reasons for evaluators’ fear of losing a customer and to build up worthy cures as per professionals in enormous review firms in Botswana. A poll was utilized to request the perspectives of respondents, and spellbinding insights were figured. The discoveries of this examination uncovered that evaluators in enormous firms are not worried about the likelihood of losing a customer on the off chance that they issue a sentiment that is disagreeable to the administration. The ramifications of these discoveries are that gauges, statutes and directions that are at present set up to guarantee the trustworthiness of examiners’ work are satisfactory in the event that they are joined by a more successful enforceability system.

**Limitations of the study:**

- The study is based on limited geographical area.
- Further variables could be added for the purposes of detail study.

**Data Analysis:**

Researcher prepared the questionnaire for respondents and distributed it among them. After receiving the questionnaire researcher analyse the questionnaire.

**Table No1 - Information of questionnaire**

Sr. No	GroupWise	Questionnaire distributed	Questionnaire received	Questionnaire rejected (due to incomplete, wrongly filled etc)	Net Sample size for study
1	Auditor	50	45	3	42
2	Auditee	50	47	3	44
Total		100	92	6	86

**Testing of Hypothesis**

**H0: The proportion of respondent who’s having positive perception about Statutory Audit of Senior College is 0.5**

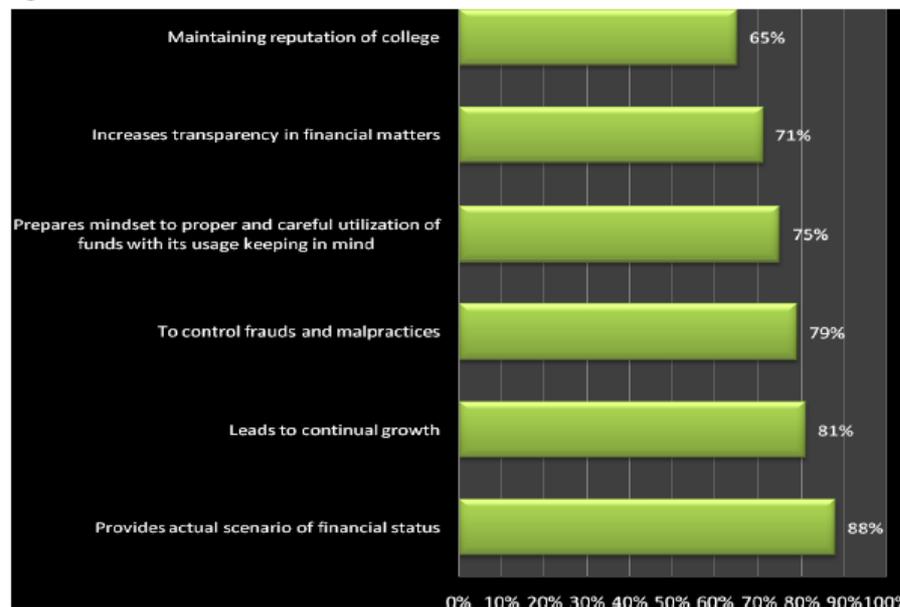
**H1: The proportion of respondent who’s having positive perception about Statutory Audit of Senior College is more than 0.5**

Mathematically  $P= 0.5$  Vs  $P> 0.5$

Sr No	Issues	Proportion of respondents who stated the aspects as either very important or important	SD	Z value	p value	Decision
1	Provides actual scenario of financial status	0.88	0.04	10.84	0.0000	Reject Ho i.e.(P > 0.5)
2	Leads to continual growth	0.81	0.04	7.33	0.0000	Reject Ho i.e.(P > 0.5)
3	To control frauds and malpractices	0.79	0.04	6.60	0.0000	Reject Ho i.e.(P > 0.5)
4	Prepares mindset to proper and careful utilization of funds with its usage keeping in mind	0.75	0.05	5.35	0.0000	Reject Ho i.e.(P > 0.5)
5	Increases transparency in financial matters	0.71	0.05	4.29	0.0000	Reject Ho i.e.(P > 0.5)
6	Maintaining reputation of college	0.65	0.05	2.92	0.0018	Reject Ho i.e.(P > 0.5)



Here level of significance is 0.05



Thus, our null hypothesis **The proportion of respondent whose having positive perception about Statutory Audit of Senior College is 0.5** is rejected. Alternatively we accept our alternative hypothesis. **The proportion of respondent whose having positive perception about Statutory Audit of Senior College is more than 0.5.**

#### Findings

1. The most vital factor about Mutual Fund Investments among the respondents' perception is that, "Provides actual scenario of financial status".
2. The one more important issue is come out from this analysis is that; it prepares mindset to proper and careful utilization of funds with its usage keeping in mind.

#### Conclusion:

From the above analysis, we can conclude that, personnel working in the audit section, ready to follow standard procedures and protocols, even though they are facing many issues. It is reasoned that auditors approve 'truth and reasonableness' financial statements. Financial statements authenticated by auditors are viewed as dependable by the auditee. They take their money related choice in view of the monetary articulation with most extreme great confidence in audit.

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