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Abstract:-

The concept and the efficiency of audit are well known and established in the society. It is all pervasive. Audit plays a very significant role in the prevention of errors and frauds thereby keeping vigilance in the society. Yet the audit is to play a proactive role in the society. Auditing activism is the most wanted solution. It must be Omni-present.

Audit should not be confined to the areas of finance only. It should not only audit the Balance Sheet but more also to audit for the Social Balance. The every human action affecting others and the society should be under experts' scanner. Personal actions should also be peer reviewed for sound social health and prosperity.

I do not mean audit here as the audit done by a Chartered Accountant. Audit is the examination by an expert in the concerned field. That is audit is to be done by the Experts having education and training in the particular field can well act as the auditor in that field. I have suggestion for some audit like Medical treatment audit, Court judgement audit, Personal audit, Education audit, Human rights audit, Social peace audit etc.



AUDITING: A SOCIAL PERSPECTIVE – WHAT AND HOW AN AUDIT CAN CONTRIBUTE TO THE SOCIETY

Keywords:

Audit, Audire, Auditor, Examination, Evidence, Verification, Information, Explanations, Satisfaction, Independence, Standard auditing practice, Forecast audit, Energy audit, Social utilisation audit, Medical treatment audit, Court judgement audit, Educational audit, Opportunity utilisation audit, Personal audit, Peer review, Social audit, Auditing activism.



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INTRODUCTION

The term Audit comes from the Latin verb 'Audire' means to hear. Therefore the word Auditor means 'the hearer'. In the early thirteenth century the audit was a process or the act of hearing by the auditor of the accounts and its explanations. And the auditor used to give certificate after hearing the accounts from the parties. In common parlance auditing means auditing of financial transactions. But now-a-days the concept of auditing is all pervasive. It is not only confined to checking of books of account but also checking of working of a system, an environment or a forecast as well. In short it can be extended to other professions as well including the medical and legal ones.

Whatever may be the forms and content of auditing, it is widely accepted to be highly professional function in India and abroad. In India there are two well known professional bodies, viz The Institute of Chartered Accountants of India (ICAI) and The Institute of Cost Accountants of India (ICAI).

DEFINITION

To be more clear about the concept of audit let us analyse some standard definitions:

F. R. M. de Paula defined auditing as an examination of a Balance Sheet and Profit and Loss Account prepared by others together with the Books of Account and vouchers relating thereto in such a manner that the auditor may be able to satisfy himself and honestly report that in his opinion such Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of affairs of the particular concern according to the information and explanations given to him and as shown by the books.

J. Lancaster defined audit as the process of checking, vouching and verification by which the auditor seeks to establish the accuracy or otherwise of a Balance Sheet is known as audit and may be conventionally defined as an investigation into Books of Accounts and the documents and vouchers from which the auditor is to make a report on the Balance sheet or other statement of figures prepared from the books to the persons to whom he had been appointed to report.

International Auditing practice Committee defined auditing as the independent examination of financial information of any entity whether profit oriented or not and irrespective of his size or legal form when such an examination is conducted with a view to expressing an opinion thereon.

The Institute of Chartered Accountants of India defined auditing as a systematic and independent examination of data, statements, records, operation and performances (financial or otherwise) of an enterprise for a stated purpose. In any auditing situation the auditor perceives and recognises the propositions before him for examination, collects evidence, evaluates the same and on this basis formulates his judgement which is communicated through his audit report.

The well known and popular definition given by **Spicer and Pegler** will amply clear the concept of auditing which is reproduced below:

"An audit may be said to be such an examination of books, accounts and vouchers of a business as will enable the auditor to satisfy that the balance sheet is properly drawn up so as to give a true and fair view of the state of affairs of the business and whether the profit and loss account gives a true and fair view of the profit or loss for the financial period according to the best of his information and the explanations given to him and as shown by the books, and if not to report in what respect he is not satisfied.

From the analysis of the above definition we can come across the following common features of audit:

1. It is an examination by the auditor of the relevant books and documents.
2. It involves obtaining information and explanations by the auditor.
3. It is for the purpose of forming a specific opinion.
4. It is a matter of satisfaction or otherwise of the auditor regarding the relevant requirement of a particular audit.
5. It resulted in reporting of auditor's satisfaction or otherwise.
6. Auditor must be an independent person.

The above definitions and the features act as the guiding force to know the spirit of the audit and what the audit is and what are its social responsibilities. But modern audit is omni-present. It is not confined only to financial information. It has gained much importance and entered into almost every facet of human life. It is not only dealing with particular unit, area or nation but also going to deal with the universe that is through environmental audit, human rights audit and world peace commitment audit. The all pervasiveness of audit can be grasped if it can be defined in the following manner:

An audit is an examination by the auditor of the relevant documents, system, function, commitment, standard, performance and situation in the form of investigation and/or exercise for the purpose of drawing an expert opinion to report on the matter of audit on the basis of generally accepted principles, rational judgement, standard ethics, standard customs and legal pronouncement.

AUDIT INFORMATION USERS:

Normally the information users refer to the persons or the group of persons who use the audit information for the purpose of their decision making. The traditional information users are the organisation itself, shareholders and the Government. But with the growing importance of stake holder theory, almost all

the members of the society are now information users. And in the era of environment protection, human rights and consumer protection the society as a whole and universe at large are the users of audit information. The concept has gained much complexity on corporate being global giants with the advent of globalisation and free trade and outsourcing.

OBJECTIVES OF AUDIT

Where there are activities there should be an audit. It has to establish its efficiency in every known field of human action. It has got its significance in every sphere of life. It should be directed towards minimising, reducing and/or preventing wastage of anything and every thing of a society. There are various objectives of audit with reference to organisation and the society. Some of them are sited below:

- 1.Detection of errors, frauds and manipulation
- 2.Prevention of errors, frauds and manipulation
- 3.Maintaining efficiency standard
- 4.Promoting ethical standard
- 5.Ensuring healthy relations
- 6.Social objectives – what the society expects from the audit.

My discussion attempts to throw light on what the audit should be and should contribute to the society. More specifically how the various component members of the society can get the fruits of audit. In this connection it is to be kept in mind that my objective is not only make more efficient and effective but making audit more extensive. That is broadening the areas of audit. All the areas where of human intervention should be brought under audit. The concept will be clear from the table at the end.

Now I shall discuss social objectives of audit with reference to users and areas of audit in the following paragraphs.

SHARE HOLDERS/OWNERS:

In case of companies there exists separation of management from ownership that leads to importance of protection of interest of shareholders like a member of the society. The main objective of the shareholders is to have health of the company and thereby maximising their wealth. The audit should ensure protection of their interest in the form of proper reporting of the true and fair view of the state of affairs through the Balance sheet and preventing the company to show paper profit and distribution of dividend all most all types of audit provide useful information to the shareholders.

GOVERNMENT:

The Government is also interested to get the right amount of taxes collected from the organization. The Tax Audit can make Government sure of collection of right amount of taxes from the assesses. The amount of tax revenues collected in term expended for the cause of the nation building. Therefore audit can play a very important role in preventing erosion of tax. It can also play a very positive role in discouraging the evasion of tax.

ORGANISATION ITSELF:

To sustain effective existence of an organisation the maintenance of capital is a very important consideration. Every organisation should always be vigilant regarding erosion of capital. Proper audit can provide an useful check on erosion of capital. The various types of audit such as Management Audit, Operational Audit, Cost Audit, Efficiency Audit, Approval Audit, Responsibility Audit, Performance Audit and the Propriety Audit can Pin Point and Prevent the erosion of capital. And thereby it can save an organisation from untimely closers or from becoming handicapped.

WORKERS:

The wage earners want to get a fair price for their labour. Though it is not under general objects of audit but it should come under the social objects of audit. Audit should ensure payment of fair wages to the labourers. Fair Wages Audit and Utilisation audit may be introduced to analyse and assess the fair wages of the workers in an organisation. Unless fair wages are provided to the workers, a responsible nation cannot be built up.

CONSUMERS:

Consumers are the building block of service of an organisation. If they are deceived, the organisation cannot sustain. Every organisation should try to provide at least a reasonable justice to its consumers in the term of charging fair prices. Most of the organisations try to exploit the fine sentiments of consumers for earning super profit. Consumer Exploitation Audit can amply provide the consumer exploitation status of an organisation and can thereby ensure provision of fair prices to consumers.

INVESTORS:

Investors are the supplier of various funds to an organisation. They expect fair justice in the form

of fair ration on their investments. Return to investors mostly depends on the judicious use of capital structure and risk management of an organisation. Though we expect from our audit to ensure fair justice and return to the investors but it is a new area of audit in the form of Capital Structure audit and Risk Management audit. They can amply ensure fair return and justice to the investors.

SOCIETY AND UNIVERSE AT LARGE:

In our common partners, some investor groups of the society are interested in a particular organisation. But in E- Era, every member of the society and the universe as a whole is interested in the functioning of an organisation. In early ages of development of audit there was no place for social objects of audit. Overtime, the concept of audit and the audit itself gained its importance through its efficiency and effectiveness over the society. And the concept of SOCIAL AUDIT comes.

The time has come to look into the dimensions of audit and various extensions can well be made to various fields. Various new concepts / types of audits can be introduced to provide the society and the universe at large, a justice. There are certain areas of the society which badly need expert opinion / appraisal which can very well said to be audit. Here I shall discuss some forecast areas of audit, which require special attention of the time. Since Cost Audit and Social Audit are already in operation, though not compulsory in all cases, I am discussing the other areas. The objects of such audits are protection of society and environment.

ENERGY AUDIT:

It is a need of the hour at times of gradual decline of traditional energy resources due to use, now it is the prime time to conserve them through utilisation of the same in most important areas and using alternative resources such as husk it. The audit can ensure whether an organisation is efficiently using energy and/ or utilisation of alternative source of energy. It can prevent wastage of resources to a great extent.

ENVIRONMENT AUDIT:

It is a very vital audit the present day society and the universe at large. It is an audit of measurement of effect of an organisation on the environment. What is the contribution and exploitation to and from environment? This audit can very well prevent or at least minimize the environmental degradation caused by an organisation.

MEDICAL TREATMENT AUDIT:

It is a cry of the time of the medical negligence occurring in the society. An audit may be introduced in the form of a check / examination of medical treatment by another expert simultaneously to determine whether there is any medical negligence. It is also very important to judge whether there is any disguised negligence in medical in treatment by doctors or by any institution providing medical facilities.

COURT JUDGEMENT AUDIT:

It is convinced that judgements can be purchased now-a-days. The judgement system is not free from flaws and above criticisms. Serious complains are being raised against the judgements recently. A proper and fair judgement is the cry of the society. Though judicial activism is seen working recently yet there is a need to establish a system of check on the judicial system and on the Judiciaries. An inevitable check/audit should be placed on the court judgements.

OPPORTUNITIES UTILISATION AUDIT:

Though it is a complicated thing it aims to ensure first the use of the available opportunities / resources for the good of the society as a whole. It is the audit of opportunities / resources in a given condition and has been efficiently utilized by the organisation and the state. It can improve the standard of living and prevent miss-utilisation of opportunities.

PERSONAL AUDIT:

Though it is difficult to implement such type of audit it is very much necessary at present time. Every person should behave rationally specially in the area of economic activities and generally in other activities also. This audit can ensure whether a particular person behaves rationally or not. In my opinion, in the age of transparency, a person should get himself evaluated of his rationality of behaviour.

EDUCATIONAL AUDIT:

In the age of globalisation especially in education, an appraisal audit of various educational institutions is badly needed. It aims to check whether the curriculum design of a particular course / programme has been meticulously and effectively followed at times of imparting education. This audit should not be confused with financial audit of an educational institution. It also aims to judge how efficiently the education and training that are being imparted by the institution.

There are various areas where, a successful audit can be introduced such as Human Resource Utilisation Audit, Audit of Social Sickness of an Organisation, Audit of Legal / Court Judgements, Audit of

Medical Examination.

CONCLUSION:

Audit should provide what the society needs. The audit should not be supposed to stay at the administrative buildings. It should go to the kitchen. It should not be confined to financial areas but should enter into the non-financial areas also. The concept of audit has much and many more to contribute to the betterment of the society. Now-a-days, audit is not a MICRO concept but it is very well a MACRO concept. Audit has to work in real sense of the term "Promoting Efficiency and Preventing Wastage".

The time has come for auditing to be more Intelligent and Analytical Exercise in every sphere of human intervention. It may be said that the society needs Auditing Activism at least in the form of [Social Activism of Audit] Protection of Social Interest.

TABLE SHOWING THE COMPONENTS OF SOCIETY AND THEIR NEEDS OF AUDIT INFORMATION

OBJECTIVES OF AUDIT

1. ORGANISATIONAL OBJECTIVES:

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|-------------------------------------|--------------------------------|
| a) Management Needs | b) Legal Needs |
| i) Decision making. | i) Meeting Legal Requirements. |
| ii) Controlling. | |
| iii) Co-ordination. | |
| iv) Detection of Errors and Frauds. | |
| v) Prevention of Errors and Frauds. | |
| vi) Corrective Action. | |
| vii) Future Expansion | |

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2. SOCIAL OBJECTIVES:

SOCIAL COMPONENTS	OBJECTIVES	AUDIT NEEDS / AUDIT TYPE
Government	To stop evasion of taxes	Tax Audit. Cost Audit.
Organisation itself	Maintenance of Capital	Management Audit, Operational Audit, Cost Audit, Efficiency Audit, Appraisal Audit, Propriety Audit, Responsibility Audit, Performance Audit, System Audit
Workers	Fair wages & less Exploitation	Fair Wages Audit, Labour Utilisation Audit, Labour Exploitation Audit.
Consumers	Fair & Reasonable Price Quality goods & services	Social Audit, Consumer Exploitation Audit, Cost Audit, Efficiency Audit.
Investors	Fair Return & Justice	Capital Structure Audit, Statutory audit, Risk Management Audit.
Society & Universe	Protection of Society & Environment As a Whole	Social Audit, Energy Audit, Cost Audit, Environment Audit, Medical Treatment Audit, Court Judgement Audit, Opportunity Utilisation Audit, Personal audit, Legislative Audit