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## TO STUDY OF OBJECTIVES AND IMPORTANCE OF AUDIT

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### **Abstract:**

A company audit is a systematic examination of a company's financial statements, accounting records, and other relevant documents and information. The purpose of a company audit is to provide an independent and objective assessment of the company's financial position and performance. Audits are typically conducted by external auditors who are independent of the company being audited.

A critical, scientific review of accounting records and systems by an independent, qualified person.

### **Introduction:**

A company audit is a systematic examination of a company's financial statements, accounting records, and other relevant documents and information. The purpose of a company audit is to provide an independent and objective assessment of the company's financial position and performance. Audits are typically conducted by external auditors who are independent of the company being audited.

The practice of auditing existed even in the Vedic period. Historical records show that Egyptians, Greeks and Roman used to get this public account scrutinized by an independent official. Kautilya in his book "Arthashastra" has stated that "all undertakings depend on finance, hence foremost attention should be paid to the treasury". Auditing as it exists today can be associated with the emerging a joint stock company during the industrial revolution. The company's act of 1956 gives regulations regarding the audit work. Meaning of Audit: The word audit is derived from the Latin word "AUDIRE" which means to hear. Initially auditor was a person appointed by the owners to check account whenever the suspected fraud, he was to hear explanation given by the person responsible for financial transactions.



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Emergence of joint stock companies changed the approach of auditing as ownership was pestered from management. The emphasis now is clearly on the verification of accounting date with a view on the reliability of accounting statement.

**Keywords:** Audit, Company, Financial Statements, Documents, Accounting Records

**Objectives of the Research Study:** To understand the Objectives and Importance of Audit.

**Research Methodology:**

The primary source of data collection in this research paper is the secondary data. The available information on **Audit** has been extensively used to complete the research paper. All the available Journals, Related books, Web, Articles, Publish and unpublished information and Papers provided necessary information to the finalize the research paper

**Definition:** “An examination of the books, accounts and vouchers of a business’s shall enable the auditor to satisfy himself whether or not the balance sheet is properly drawn up so as to exhibit a true and correct view of the state of affairs of the business according to his best of the information given to him and as shown by the book.

- Spicer and Peglar

**Objectives of an Audit**

The primary objectives of a company audit include:

1. **Verification of Financial Statements:** Auditors review the company's financial statements, including the balance sheet, income statement, and cash flow statement, to ensure that they present a true and fair view of the company's financial position and performance.
2. **Compliance with Accounting Standards:** Auditors assess whether the company has followed the relevant accounting standards and principles in preparing its financial statements. This ensures consistency and comparability in financial reporting.
3. **Detection of Fraud and Errors:** Auditors are responsible for detecting and reporting any instances of fraud or errors in the financial statements. This includes examining internal controls to assess the risk of fraud and implementing procedures to detect fraudulent activities.

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4. **Assessment of Internal Controls:** Auditors evaluate the effectiveness of the company's internal controls, which are measures put in place to safeguard assets, ensure accuracy in financial reporting, and promote operational efficiency.

5. **Statutory Compliance:** Auditors check whether the company has complied with various statutory requirements, such as tax laws and other regulatory obligations.

6. **Risk Assessment:** Auditors identify and assess the risks associated with the company's financial reporting and operations. This helps stakeholders understand the potential challenges and uncertainties facing the company.

After completing the audit, the external auditors typically issue an audit report, providing their opinion on the fairness of the company's financial statements. The report may include comments on any significant issues identified during the audit. It's important to note that audits play a crucial role in ensuring transparency, accountability, and trust in financial reporting, benefiting not only the company but also its investors, creditors, and other stakeholders.

### **Importance of Audits**

Company audits play a crucial role in the financial ecosystem and are important for various reasons. Here are some key points highlighting the significance of company audits:

1. **Financial Integrity and Accuracy** - Audits help ensure the accuracy and reliability of a company's financial statements. This is essential for maintaining the trust of investors, creditors, and other stakeholders in the business.

2. **Transparency and Accountability** - Audited financial statements provide transparency into a company's financial performance and position. This transparency is essential for building trust and confidence among shareholders, customers, suppliers, and the public.

3. **Compliance with Regulations** - Companies are often required by law to undergo audits, especially if they are publicly traded or operate in regulated industries. Compliance with auditing requirements ensures that the company follows applicable laws and regulations.

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4. **Investor Confidence** - Investors often rely on audited financial statements to make informed investment decisions. An independent audit opinion adds credibility to a company's financial information and contributes to investor confidence.

5. **Risk Assessment and Management** - Auditors assess the internal controls and risk management processes of a company. This helps identify potential risks and weaknesses in the company's operations, allowing for timely corrective actions.

6. **Fraud Detection and Prevention** - Audits are designed to detect and prevent fraud. Auditors examine financial transactions and internal controls to identify any irregularities, misstatements, or fraudulent activities.

7. **Creditworthiness** - Audited financial statements can enhance a company's creditworthiness. Lenders and creditors often require audited financials to assess the financial health of a business before extending credit or loans.

#### 8. **Decision-Making**

Management relies on audit reports for an independent assessment of the company's financial health. This information aids decision-making processes and helps management address any financial issues proactively.

9. **Stakeholder Communication** - Audited financial statements are an important communication tool with stakeholders. They provide a standardized and reliable format for presenting financial information to shareholders, employees, customers, and regulatory authorities.

10. **Market Competitiveness** - Companies that undergo regular audits may be perceived as more stable and trustworthy in the marketplace. This can contribute to the company's competitiveness and attractiveness to potential investors and business partners.

In summary, company audits are essential for maintaining financial integrity, promoting transparency, and building confidence among stakeholders. They serve as a critical tool for assessing a company's financial health, detecting risks, and ensuring compliance with legal and regulatory requirements.



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## Conclusion:

In conclusion, audits are essential for maintaining the financial integrity and operational effectiveness of companies across various sectors. By systematically examining financial statements, internal controls, and compliance with regulations, audits help ensure accuracy, transparency, and accountability. Each type of audit—whether internal, external, financial, IT, statutory, performance, or specialized forms like single or integrated audits—serves a distinct purpose but ultimately contributes to a holistic understanding of a company's health and performance. Understanding the nuances of different audits allows organizations to address potential risks, improve operations, and enhance stakeholder trust. For companies, regular audits are not just a regulatory requirement but a strategic tool for continuous improvement and risk management.

As businesses navigate an increasingly complex financial landscape, the insights gained from thorough and diverse audit processes become invaluable in achieving long-term success and sustainability.

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