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**CORE CONCEPT OF
PRINCIPLE OF AUDITING**

Routine Checking, its Objectives, Advantages and Disadvantages

The term 'routine checking' means

- (a) The checking of casts, sub-casts, carry forwards, extensions and other calculations in the books of original entry;
- (b) The checking of postings into ledgers, and
- (c) The checking of ledger accounts, as regards their casts, balancing the carrying forward of balances and the transfer of balances and the transfer of balances to the Trial Balance.

For this purpose, Auditors usually employ ticks of different kinds. Very often coloured pencils are used to distinguish one type of ticks from other.

Objectives:

1. Verification of the arithmetical accuracy of the original books;
2. Ascertainment of postings from books of original entry to the correct accounts in the ledgers;
3. Ensuring, by special ticks, that no figures are altered after they have been checked.

Contrary to this the objects of vouching are much wider in their scope. In addition to the objects of routine checking discussed above, auditor undertakes the work of vouching with the object of going behind the books and to completely satisfy himself that the transactions recorded in the books are (i) properly authorised and (ii) correctly entered into. His attempt would be in the direction of finding out facts behind the figures. Careful and intelligent vouching would help an auditor to a very great extent in detecting frauds. The extent of vouching to be performed by an auditor would depend upon the systems of book-keeping and internal check in operation in the business.

Advantages Of Routine Checking

Following benefits can be obtained from the routine checking:

1. All the original entries will be checked; so all the errors and frauds can be detected easily.
2. All the entries and posting will be tested.
3. Routine checking helps to conduct final audit because all the balancing and totals have already been checked.
4. Separate and specific staffs are not needed because it is a regular process.

Disadvantages Of Routine Checking

Followings are the limitations of routine checking:

1. Routine checking is a mechanical test, so the staff who performs this work does not have inspiration. So, there are chances of leaving errors and frauds.



2. Routine checking can only detect small errors and frauds but not the planned frauds.
3. Routine checking is not needed where self balancing system is applied.
4. Routine checking cannot detect principle and compensating errors.

Appointment of Auditor

The provisions regarding appointment of auditor are contained in Section 224 of the Companies Act.

Auditor's appointment:

1. First auditor
2. Subsequent auditor
3. Appointment by Central Government
4. Appointment against the casual vacancy
5. Appointment by special resolution
6. Appointment of auditor of Government or certain other companies

1. First Auditor:

The appointment of first auditor should be done by the Board of Directors within the one month of the date of registration of the company. The appointed auditor shall hold the office till the conclusion of the first annual general meeting.

But the company in general meeting can remove such an auditor and can appoint another in his place.

2. Subsequent Auditor

This auditor is appointed every year by the shareholders in annual general meeting by passing an ordinary resolution. If the auditor so appointed doesn't accept the appointment, the vacancy can neither be treated as casual nor a vacancy by resignation.

3. Appointment by Central Government

If no auditor is appointed at an annual general meeting then the Central Government may appoint the auditor to fill the vacancy.

4. Appointment against a casual vacancy

If the casual vacancy of auditor arises due to death, insanity or insolvency etc. the Board of Directors can fill the vacancy under the Section 224 (6).

5. Appointment by special resolution

In Companies Act, 1974 Section 224A, provides that if 25% or more of the subscribed capital is held whether individually or collectively by:

- 1) A public financial institution or government company or any other state government
- 2) Any financial institution in which state government holds not less than 51% of the subscribed capital
- 3) A nationalised bank or any insurance company carrying on general insurance business

The appointment of auditor shall be made by special resolution.

6. Appointment of auditor of Government or certain other companies

Section 619 provides that auditor of Government company shall be appointed by the Central Government.