

# A STUDY ON AUDIT MANAGEMENT

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**Abstract** -This research paper explores the pivotal role of accounting analysts in Contemporary business landscape, delving into their responsibilities, Skills, and impact on financial decision-making. By examining the Evolving nature of accounting analysis, this study aims to provide Insights into how these professionals contribute to organizational Success, foster sound financial strategies, and navigate the dynamic Challenges of today's financial environments. The paper synthesizes Current literature, industry practices and case studies to offer a Comprehensive understanding of the multifaceted contributions of Accounting analysts in shaping robust financial frameworks for Businesses.

**Key Words:** Financial Reports, Data Analysis, Audit Support

## 1.INTRODUCTION:

An accounting analyst plays a crucial role in the financial health and decision making processes of an organization. Tasked with interpreting complex financial data, these professionals bridge the gap between raw numbers and strategic business decisions. Their responsibilities encompass financial statement analysis, budgeting, forecasting, and risk management. With a keen eye for detail and a solid understanding of accounting principles, accounting analysts contribute valuable insights that guide key stakeholders in making informed financial decisions. In this introduction, we will explore the pivotal functions, skills, and significance of accounting analysts in today's dynamic business landscape. Accounting analysts analyze financial data to provide insights and recommendation to improve business performance. They use accounting principles and software to prepare financial reports, track expenses and revenue, and identify trends in financial data. Accounting analysts may also be responsible for monitoring.

Audit management is the oversight process that establishes the standards of an audit program. Audits are composed of many different phases that progress

through the audit lifecycle, and the number of phases depends on the complexity of the audit program as well as the type of business being audited. While each audit management process is different, there are typically four phases that are included in every audit program.

## 2. Process of Audit Management Implementation:

The process of audit management implementation in an organization can be a large undertaking. Prior to implementing the audit program, its governance will be put in place. Once the governance is established, they will need to create an audit schedule to determine what areas of the company will go through an audit and when. Next, they need to determine the audit program, which includes the scope of work and how the various processes or controls will be tested. Finally, they will determine what audit tools are sufficient for a company of its size and complexity.

The board of directors will hire an independent consultant to conduct a management audit. The scope of the audit may be narrow, but in most cases, it is comprehensive including many key aspects of the responsibilities of a management team.

Depending on the scope of the exercise, a management audit could take weeks or months. The audit result would resemble a report card with high marks in areas where the management team excels and lower marks where improvements could be made. The board would take these recommendations into consideration and compel changes, wherever necessary, in the same way that the management team runs the company.

An accounting analysts evaluates public company financial statements. Public companies issue these annual financial statements as required by the security and exchange commission. The statements include the balance sheet, income statement, the statement of cash flows and the notes to the financial statements. Specifically, the notes to the financial statements contain considerable quantitative detail supporting the financial statements along with narrative information. The

accounting analyst is a fully qualified paraprofessional position requiring general ledger bookkeeping knowledge and skills. The position serves under general supervision and may exercise partial leadership over clerical staff engaged in processing accounting transactions. Works independently..

### 3. Objectives Of Management Audit:

- Verify Efficiency- It aims at increasing productivity at all the levels of management and execution of policies.
- Give the Recommendation to Increase Efficiency- The management audit marks the incapacities in various levels of management and provides suggestions to enhance the efficiencies.
- Evaluates the Potential of Policies and Planning- It audits and evaluates the policies and plannings structured by the management and judge if its appropriately implemented.
- Increase Profit- It helps to increase the profit margin by providing solutions to maximise the company's resources in a valuable way.

### 4. Implementing a Management Audit:

The goal of a management audit is to identify the weaknesses of the management team. The audit is most often carried out on a companywide basis but it can also be isolated to certain business segments. The goal is always to find out how effective management is and where it can improve. Areas that a management audit will cover but are not limited to include human resources, marketing, research and development (R&D), budgeting, operations, finance, information systems, and corporate structure. The Indian banking sector woke up to the world of technology in early 1990s. The banking sector in India dominated has been public sector bank which hold between then more the 80% of the total asset base. New private sector banks and foreign banks have tended to concentrate their efforts more on the top 23 centers, which house the cream of the country urban customers. These banks have taken the lead technology adoption and have succeeded in building up a substantial base of technology savvy, high end customers. Computerization of all branches, especially in semi-urban and rural areas, is still a far cry for public sector banks. "This calls for

huge investments and retraining of staff. I think these factors are inhibiting most of the banks to take technology to rural areas. But since IT is becoming an integral and inevitable part of the banking system, rural banks' computerization should also happen very soon," comments a senior official with Andhra Bank. Explains P.K. Seshadrinathan, CTO of SSI Technologies: "The key obstacles to introduction of IT are non-integration or non- networking of branches, and a lack of corporate network. Computerization has been introduced but each branch acts as an island. And, of course, cultural/social issues continue to pose problems. Overcoming these obstacles, therefore, would be the biggest challenge by itself."

The management audit will consist of interviews with management and employees, an analysis of financial statements and performance, a study of a company's policies and procedures, an evaluation of training programs, the hiring process, and many other areas within an organization.

When the audit is complete, the external audit company will not only provide its findings but will most often provide an entire plan for the board of directors to implement so that the company can operate at an optimal level.

In contrast to an internal audit, which is carried out by the internal audit department of a company, a management audit is conducted by outside companies with specific expertise. Well-known companies that conduct management audits include McKinsey & Company, Bain & Company, and the Boston Consulting Group.

### 5. REVIEW OF LITERATURE:

International scholars mainly select the financial indicators reflecting the company's financial ability, such as profitability, solvency, asset operation and management ability, to test the impact of the indicators on the non-standard audit opinion. The conclusion is relatively consistent: the company's financial situation has a significant impact on the audit opinion. Clive Lennox (2002) had studied and proved that the probability of enterprises receiving non-standard audit opinions is positively related to financial leverage, and negatively related to their cash flow.

The common conclusion of De Angelo (1981) and Dye (1993) is that the larger the accounting firm is, the higher the audit quality it provides. De Angelo (1981) found that the larger the size of the firm, the higher the reputation, so as to maintain a high degree of independence and professional judgment. A large-scale firm can reduce its economic dependence on a certain customer and provide non-standard audit opinions. If the audit failure leads to the loss of the firm, the larger the scale, the greater the loss, that is to say, “deep pocket” effect. These reasons make the large-scale firm more cautious, and will issue more non-standard audit opinions, which means the higher the audit quality.

## 6. Types of Audit:

**1. Financial Audit:** This audit provides opinions on financial statements.

**2. Tax Audit:** This audit is used to figure out the tax compliances of a business entity.

**3. Operational Audit:** This involves an audit for the efficiency and review of the economy of operations.

**4. Compliance Audit:** This audit checks procedures in compliance with the standards of functioning of a business firm.

**5. Information System Audit:** This audit is done to generate information and check on data about tangible and non-tangible elements of a business entity.

**6. Investigative Audit:** This audit is conducted to find irregularities in the business's financial and operational functioning.

## 7. Advantages of Audit Management:

**1. Assurance to Stakeholders:** This comes as one of the biggest advantages of auditing is that the final report of the audit is accepted by all and provides a clear picture of the business's position. The owners or investors get a proper idea of the accuracy of the books of accounts and, eventually, the performance of the business. This also provides them with satisfaction about the functioning of their employees and various departments. They get an idea about the overall

profitability and efficiency of the business; this helps them be assured of their stake holding.

**2. Fair Evaluation:** This process helps a business' evaluation be done fairly without any chance of manipulation as the auditor responsible for examining the books of account gives their viewpoint as an independent authority. The audit officer's remark is much valued among the owners and investors of the business entity. All the documents, financial statements, and inventory inspections are closely inspected and verified for getting a fair report and do not involve any biasness.

**3. Fraud Identification:** Fraud is intentional misconduct on the part of the individual. At the same time, there is always a chance of unintentional mistakes by an individual. Both situations can be easily noticed after an audit, and accountability can be sought in both cases. Employees taking care of them might get examined for any of these cases. So, this creates a responsibility among them to do their tasks honestly and efficiently. The auditing process decreases the chance of committing fraud and errors in the functioning of the business entity.

**4. Moral Policing:** This process does the task of teaching a sense of moral accountability towards the firm in the employees. They know their mistakes will be discovered, so this generates the responsibility for being honest and always avoiding irregularities and irresponsibility in their work.

**5. Credibility:** Audit of the books of a firm allows their stakeholders, like creditors, investors, banks, and debenture holders, to have more confidence in them. These are important connections of a business entity as they help raise money, loans, and capital accumulation, a much-needed resource for their growth. As the auditing body has no agenda or biasness, the reports thus produced after analysis of the financial statements, accounts, etc., have high credibility for the stakeholders.

**6. Overall Improvement:** An audit is the best way to get an idea about the functioning of the sustaining system and opportunities that can be grabbed for more development and business performance. Auditing also helps implement changes in the present situation as regular reports are obtained with overall performance.

## 8. Disadvantages of Audit:

**1. Expensive:** This process puts a heavy monetary cost on a firm for execution. This requires a cost of examination of all financial statements and records, which may include duplication of records for easy access and availability, by an auditor. Auditing firms charge a high fee for their services.

**2. Not Suitable for Small Businesses:** An audit may not turn out to be of use for small-scale organizations, which include very limited business transactions.

**3. Chances of Uncertainty in the Report:** There can be cases where errors can be found in audit reports if the staff involved is not careful or inexperienced and biased. The report helps in the future planning for the business entity, so any mistake may turn out to be a disaster.

**4. Lack of Certainty in Standards:** There are no rules or general standards followed in the audit process. For every other firm, there must be a newly defined audit plan.

**5. Lack of Participation:** The planning of an audit program does not include participation in terms of suggestions by efficient and competent staff. So this prevents their application of knowledge and caliber. Instead, turns into their harassment in a way.

**6. Ignorance of Technology:** In modern times, the use of technology has been introduced in the process of accounting. The audit process still depends on manual examinations and ignores the internal control based on the particular technology used in the firm. The difference in technology creates a problem, but this audit system does not include prevention measures for these issues.

**9. FINDINGS AND SUGGESTION:** There was a tremendous change in the use of core banking by State Bank of India. Due to the evolution of technology and to withstand competition from private banks they started to implement the need for technology development. A rise in percentage of usage was denoted as 60% in 2010. Total deposits had a tremendous change from RS.72 to Rs121.9 in the year 2010. Employees worked less compared to the normal traditional working hours. The batch processing of loans at the end of the month took 1 hour & 5 minutes. The working of core banking

system is complicated to understand without proper guidance.

**9. CONCLUSION:** The accounting conclusion should be based on through analysis of available data and information, ensuring that it aligns with accounting standards and principles. It's crucial for accuracy and reliability in financial reporting, decision-making and compliance with regulatory requirements.

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