

Q No. 12. What do you mean by investigation and audit. Explain the differences between audit and investigation?

Ans.

\* Investigation → In general, an effort made to find out the facts, behind a particular situation, to discover the truth is known as investigation.

For a business organisation implies that an organised, detailed and critical examination of the books of accounts and transaction record (both past and present) of any entry. Conducted for a specific purpose or to reveal a truth or to establish a fact with the help of evidence. The most common methods employed in the process of investigation are searching, observation, interrogation, inquiry, inspection, etc.

The process of investigation is performed by an expert team to prove a certain fact and conducted as per the requirements of the organisation; there is no specific period.

\* Auditing :— Auditing is an impartial and methodical examination of the financial statement of an entity to give an opinion on true and fair view. The word financial statement ~~at present~~ may include balance sheet with notes to accounts, income statement and cash flow statement. The term entity refers to any organisation whether it is profit making or a charitable institution. size and structure of the entity are also irrelevant.

The basic objective of auditing is to find out and report the degree of accuracy and reliability of the financial statements of an entity. Additionally, it ensures that whether the entity systematically maintains the books of accounts, documents and vouchers or not. The auditor perform the audit process. The auditor seeks the following three requisites of the financial statement —



- (i) The preparation of the financial statement is based on acceptable accounting policies and its consistent application.
- (ii) Relevant regulations are being followed while preparing them.
- (iii) All material facts are clearly disclosed in the financial statements.

\* Differences between audit and investigation: -

Audit is the inspection, examination or verification of a person, organization, system, process, enterprise, project or product. on the other hand, investigation is an inquiry, or the act of detail examination of activities so as to achieve certain objectives.

It is used to determine the authenticity and validity or to ensure that a process is being followed.

Also, an audit is mainly used in accounting to ensure the validity and reliability of information in the statements and that the information is free from material errors. An audit can be done anytime.

An investigation is the process of detailed examination of activities so as to achieve certain objectives. It is the act of investigating or is the study to enquiry about a particular thing.

It is an important factor in journalism for investigating various cases. It is the best method to tackle or identify the case. Investigation is made in suspected places.

In this, the main focus is on an inquiry into the accounts and financial matters of a business and to the overall aspects of it.

These are the key differences/comparison between audit and investigation are follow: -

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	Audit	Investigation
Description	Audit means the inspection, examination or verification of a person, organization, system, process, enterprise, project or product.	Investigation means an inquiry, or is the act of detail examination of activities so as to achieve certain objectives.
Owners	Audit is conducted on behalf of owners only and they make the appointment	Investigation may be conducted either by owner of the undertaking or by an outside.
Purpose	To determine the true and fair view.	Varies from business to business.
Process	Routine process	Investigation is not a regular process.
Scope	It includes only an examination of the accounts of a business	It covers an examination of the accounts but also covers an inquiry into other matter that are connected with the purpose for which it is undertaken.
Period	Year or six months	Many cover several years
Employee	Does not examine personally	may examine personally
Sequence	Usually conducted before investigation of accounts	Usually conducted after the audit accounts.
Person performing work	Audit is to be conducted by a chartered accountant.	Investigation may be take on even by a non-chartered accountant.
Legal objectives.	Audit is mandatory under law	There is no such legal obligations with regard to investigation

\* Conclusion:- Auditing is a general process which is common for all the organisation, as it is performed annually. It can be performed either the internal auditor or external auditor.

The investigation is quite rare, as it is not commonly performed in any organisation. An expert team is brought to the organisation to conduct it and report the relevant facts.