

ROLE AS AN AUDITOR

In this article, a verbatim of Miss Sivabhogam's speech delivered during the *First Conference of Chartered Accountants of India* in April 1954, the author analyses the conduct and functions of an auditor with special reference to four specific domains of existence—office, professional colleagues and Institute, clients and public. Some of the suggestions may appear trivial to our readers at surface, but these are fundamentally important, practical and inspiring. A must read, indeed.



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(The author was a member of the Institute. She also contributed to the Southern Indian Regional Council as its Chairperson for three successive terms.)

When I was a young girl studying in school, my school motto was satyam vada, i.e. speak the truth. My College motto was Common Sense and Consideration. Now that I have taken the profession of a chartered accountant, I find how indispensable are the two mottos to an auditor, more so when they are read together with our Institute's motto *ya yeshu supthesu jagarathi* (This is He that is awake in those who sleep).

The Oxford dictionary gives the meaning of 'Role' as one's functions, what one is appointed or expected or has undertaken to do, and 'Auditor' as one who examines officially. It goes to mean that auditing is a profession and not a business. In a business the primary object is money or profit, whereas in the case of a profession the primary object is service, imparting knowledge to others, subordinating the element of profit which may be incidental.

I wish to analyse the role of an auditor under four main heads:

1. An auditor in his office
2. An auditor with other co-auditors and the Institute
3. An auditor with his clients
4. An auditor with the public.

An Auditor in his Office: He has several obligations to his articulated and audit clerks. The Regulations and the Articles of Agreement define the duties and the obligations. Besides what are constitutionally defined, I feel an auditor must possess amiable qualities to make himself a successful auditor. He must have direct contact with his staff. He must first of all impress on them the

necessity and the importance of cheerful appearances. He must teach them how to keep an office tidy, answer a phone call, take a telephone message, answer an enquiry in the office, speak courteously with a visitor or a client...

The auditor should meet his staff at regular intervals, say, over a cup of tea and instruct them regarding their work. He must give opportunities to apply theory into practice. They should be taught the 'ticks' peculiar to the auditor in whose office they are undergoing practical training. He must at first make them do routine work and then, step by step, teach them how to do more responsible work like vouching, checking of bank statements, scrutiny of subsidiary ledgers, general ledgers, etc. When he is satisfied that they are able to follow the regular work, he should teach them how to verify the assets and liabilities of a company, go through the minutes book and draft the account statements. He should instruct them that they should have no discussion whatsoever with the clients except it be to enquire about missing vouchers or any information or explanations of items which they do not follow. The auditor must so organise the professional side of his office that the work which he delegates to others is done as he would wish to do it himself.

The clerks should be taught to write up diaries every day and what queries to be written in the audit note-book and how those queries should be solved subsequently. Though in my own office when I was an articled clerk my master had drilled into my head times without number the importance of maintaining audit note-books and diaries, I could realise the seriousness of the same only when I happened to attend a disciplinary case against a member of our Institute and how the diaries and the audit note-books, which were exhibited in the court, were responsible to save the member from being convicted.

The diaries and the audit note-books are the most important documents to an auditor. The clerks should be taught that while writing diaries they should note down the times taken to do each work. This enables the auditor to have an idea of the time taken to do each audit. The time basis is very important especially when the auditor has to give the schedule of fees as per time-sheet with regard to court investigation work. Where he accepts engagements with a proprietary concern or a partnership, it enables him to quote his fees.

While being articled clerks they should be taught to file letters, despatch letters by post and personal delivery, to send telegrams, registered letters, insured posts, to despatch parcels and to receive parcels, in other words, all the routine work conducted in the office. These points may be very elementary, but these small things go a long way to make a successful auditor.

An Auditor with other Co-Auditors and the Institute: The auditors, as a class, should be devoid of pettiness, envy and jealousy. Live and let live should be his attitude. A senior auditor has duties towards a junior auditor and *vice versa*. He must take genuine interest in them, see that they are financially well off, pass on any small audits that come in his way and recommend them to small clients. He must apprise them of his varied experiences and see that they do not commit the same mistakes that he himself had committed. He must be a ready reckoner to his juniors, almost a walking encyclopaedia, must be up-to-date with all the information of the laws and by-laws of our constitution and the interpretation of the same. He must be in touch with the modern trends in the presentation of accounts and all current thoughts on these subjects.

A junior auditor need not feel shy of his inexperience and ignorance. He could freely converse with a senior and do all the work most cheerfully and willingly entrusted by the senior.

An auditor must be in constant touch with the co-members and also the new entrants to the profession. He must feel it his duty to deliver a series of lectures to the members and the students on the ethics of our profession. He should impress upon them the dignity and the prestige of our profession and that there should be no canvassing or undercutting. Advertisement in any form or of any kind should be strictly forbidden. The field is so vast that there is work for every member who is honest, trustworthy and painstaking.

The Institute is our *Alma Mater* and hence, the auditor should have a sense of duty towards it and zealously guard its interests. The first and the foremost aim should be to live in strict conformance with the rules and regulations and maintain the discipline himself. He should take interest in the various activities of the Institute and set apart some time for the work of the Institute. He should go through the curriculum and suggest all possible improvements. He should study the Act and the Regulations and see that our rights and privileges are properly safeguarded.

An Auditor with his Clients: It is here that the significance of our motto comes in. Sri Ramakrishna says, 'No thief can enter the house when the master is awake'. The auditor is always alert. Sir Harold Howitt in one of his lectures on "Training for Accountancy" says that the qualities required for a professional auditor are "integrity, ability, hard work, tact, common sense, balanced judgment, clear reasoning together with ability to be concise and lucid both orally and in writing." He should carry out his work in a most dispassionate manner and if there is anything to report, he should say it without fear or favour. He must be skilled in his work and should have a thorough grasp of the subject.

A knowledge of the psychology of human nature is most essential. He must help to solve their difficulties. He must not frighten them away with his destructive criticism. He must infuse confidence in them so that the clients themselves disclose all the material facts. It is here that he requires lot of tact and diplomacy. The criticism should be so very constructive as to make the client feel that the concern has been benefited by the auditor.

As an auditor to a joint-stock company his duties and functions are defined in the Companies Act. In preparing the final accounts and drafting the accounts statements, the auditor has to direct his clients to disclose the correct position for the period covered, and that the fixed, floating and nominal assets are represented at their proper value. If there is any heavy secret reserve created either by undervaluation of assets or overstatement of liabilities, such facts should be disclosed. The profits available for distribution of dividends must be indicated by taking away from the profit and loss account surplus resulting from unrealised capital appreciation. Any unusual or non-recurring sources of income must be indicated in the profit and loss account under separate heads so that the real business profits will be disclosed at their proper figures...

Though an auditor is a trustee of the shareholders, he has got equal obligations, moral and ethical, to some extent though not strictly legal to the creditors, debenture-holders, etc. The interest of the creditors, particularly loan creditors, must be safeguarded. The terms of the loan must be strictly adhered to, and as far as possible the liabilities should be properly, clearly and correctly disclosed.

An auditor should be a good report writer also. He should have good command over the language. A well-conducted investigation audit may sometimes lose its significance without a proper report accompanying it. The points to be reported should be clearly expressed and in good language. "Give unto Caesar what is due to Caesar and give unto God what is due to God" should be his frame of mind. He should distinguish between his report to the directors and that of the shareholders. He has peculiarly an enviable position in that he is supremely independent. In giving out his report boldly and fearlessly, he may lose some audits; but it should not matter. He must put duty before self and in the long run it will pay him to be truthful.

Though an auditor has no contractual obligations with any department of Government, the accounts prepared by him must be relied upon by them so that the Government may make necessary adjustments to arrive at the figures they want. If the auditor undertakes a work in relation to the taxation authorities or any other department of Government, the role of the auditor is

expanded and he will be obliged to observe all the rules and regulations framed by the department concerned and prepare the accounts accordingly. If there are any controversial points, the facts must be represented clearly and the reasons underlying the decisions taken by the auditor may be given. Under no circumstances should any item be suppressed to be found out by the departments under their scrutiny.

An Auditor with the Public: The status of an auditor has been increasing by leaps and bounds and the public have always looked upon an auditor with high esteem and regard. An auditor has to be a public servant and a trustee of the people. The Chief Minister of Madras, while inaugurating the First Annual General Meeting of the Chartered Accountants of the Region, said, "Good and correct accountancy was essential to the administration of public or private affairs. You hold certainly a very responsible position in society. You can make or mar the fortunes of traders and other business men. The ethics of your profession are well known. You are the agents of the nation and not of the firm that employs you. You must be just, upright and fearless. At the same time you should be humane. Your examination should be thorough and you must come to conclusions only after such an examination. You must be men of good conduct. You should not be persuaded to do things by others; but you must be independent. You should not be harsh and take pleasure in giving pain and distress to others. All the time you must be attached to *dharma*. You must be upright and have a love for uprightness."

The public expect an auditor to be above board. He is closer to the industrial and commercial world in his profession than any other. He has an admirable opportunity to assess and pronounce upon the various problems which perplex the business world and any such pronouncement by him will be accepted by the people as a balanced one, because it would be based not only on experience but on complete independence. The vast growth in industrial organisation, the expansion of the affairs of State and the keen competition of the modern world demand men of financial skill, integrity and sound business training.

An auditor should not confine himself to his profession alone. He should come out to do public service. When called upon by the state or public bodies to serve on the various committees, to give expert evidence, to advise on problems affecting industry, commerce and finance, to conduct investigations and similar other public work, he should accept them with a feeling of gratitude that such opportunities have been given him to be useful and serviceable. Even though the services may be honorary, he should sacrifice for the sake of public cause. ■