

Vouching – The backbone of Auditing

Dr. Rajnish Kumar,

M.Com, Ph.D., NET.

Abstract : Vouching refers to the verification of authenticity and accuracy of the transaction in the financial book with the help of available documentary evidence e.g., vouchers, receipts, bill, invoice, statement, agreements, minutes of the meeting, and other valid documents. In regard of vouching it is to be said that “vouching is the back bone of auditing”. In another words we can say that without vouching an auditor cannot perform his duty properly. The aim of auditing can be achieved by detecting and preventing errors and frauds. This paper tries to explore how vouching is helpful in getting main objectives of auditing and also why is it called backbone of auditing.

IndexTerms - Vouching, Vouchers, Test Checking, Routine Checking, Internal control.

I. INTRODUCTION

Auditing means a critical inquiry of books of account of an organization with help of documents, vouchers and other informations by an independent, honest, neutral and qualified person to give report that:

- The net profit or loss shown in income statement for a particular accounting period that is true or not.
- The assets and liabilities presented in position statement as on end date of particular accounting period that is true & fair or not.
- Books and accounts are prepared as per rules prescribed yes or not.

After analyzing above definition of auditing it is clear that without vouching it is not possible to attain the objectives of auditing. Vouching is the act of examining the vouchers. It is an important part of an auditor to certify as correct the transactions in the books of account. There should be no entry in the books of account without its supporting voucher. Every voucher must be recorded in the books. So, it may be said that the act of examining the documentary evidence in order to establish the accuracy and authenticity of entries in the books of account is called vouching.

II. FEATURES OF VOUCHING

(i) Part and parcel of Vouching:

Before examining the transactions with help of vouchers, verification of authenticity or validity of vouchers is a part and parcel of vouching.

(ii) Arrangement of Vouchers serially:

Vouchers are arranged in serial number according to the date of occurrence and the work of vouching is carried on accordingly.

(iii) Work of posting and Casting:

The work includes posting, casting, balancing of the working of primary entry and of final entry. This is important for vouching.

(iv) Whole work divides into two parts:

The whole work of vouching to be divided into two parts. The junior clerk may be assigned with those types of vouching where chances of committing frauds are little and the work of vouching is quite easy. Whereas the auditor himself or his senior clerks many carry on the work of couching there the possibility of fraud are great.

(v) Not confinement to the examination of vouchers:

The work of audit should not be confined to the examination of vouchers. He will examine thoroughly the books of prime entries and in that case if any suspicion arises he will investigate it more deeply.

(vi) Vouching depending on internal control and check:

The work of vouching depends largely on the system of internal control and check. If the system of internal control an internal check existing in the business is adequate and efficient, the task of vouching will become more easy and the risk of the auditor will be reduced, but it is always remember it does not reduce liability of an auditor.

III. OBJECTIVE OF VOUCHING

Vouching is very helpful in auditing. Its main objectives are follows:

- I. One of the principle objects of vouching is to ascertain not only that money has been actually paid away by the business but that the payment has been made in respect of a transaction relating to business.
- II. Second objects of vouching is to verify the accuracy and correctness of the accounts of book of original entry.
- III. The third objectives of vouching is to make auditor satisfy regarding completeness of account is books of original entries.
- IV. The fourth objectives of vouching is to find out whether any transaction which is not related to business is entered into books of account.
- V. The another objectives of vouching is:
 - All transactions relating to business have been entered in books of account.
 - Transactions not related to business are not entered in books.
 - All accounts are fully authorized.
 - All accounts are true and correct.
 - All are accounted properly as per the rules.

IV. IMPORTANCE OF VOUCHING

Vouching is very important work in the process of auditing. It may be said that the basic objectives of auditing is to be determined the truth and fairness of the final accounts and the balance sheet of the concern under audit to certify whether the profit or loss and the financial position of the concern have been properly reflected through it. Preparation of final accounts and balance sheet is done on the basis of transactions recorded in the books of account. So, if transactions have been recorded properly and correct the final accounts and balance sheet prepared on the basis of these transactions, may be called true and fair. But if the transactions are not correct. The final account also may not be correct and true. For this it is necessary to verify the accounting transactions recorded in the books of account with proper evidences that the transaction have really taken place, those are properly authorized by the proper authority and those have been properly and accurately recorded in the books of account. This work can be well done with the help of vouching only. So, here the importance of vouching can be easily realized. That is why vouching is called the essence of auditing or backbone of auditing.

The auditor should not be satisfied with seeing that the transactions have been recorded in the books of account. Apparently the entries relating to transactions may appear to be innocent. For instance Rs. 200 is paid to a travelling salesman for travelling expenses and for this he give a proper receipt. This transactions may seem to be correct outwardly. But, in order to make vouching of this transaction the auditor should go beyond this. He is required to be satisfied whther the travelling expenses paid to salesman is adequate, whether he is

entitled to go get such allowances and whether that has been authorized by the proper authority. He is also to verify whether any condition has been imposed on receiving such allowances. In order to conduct such investigation the auditor has to conduct the examination beyond the examination of books of account.

If the auditor takes the vouchers and evidences blindly as correct and genuine without examining its authenticity, he will not be relieved of his responsibilities. The auditor may be held liable for not detecting the errors and frauds on account of such types of performance. The auditor should go behind the books of account and trace the entries of their sources and it is in this way alone that he can ascertain the full meaning and circumstances of the various transactions.

V. IMPORTANT CONSIDERATION FOR VOUCHING

The following point should be taken into account by the auditor while conducting the work of vouching.

- Transactions must be consecutively numbered.
- All the voucher should be in the name either of the client or of the organization itself and they should be properly authorized by the higher authority.
- The inspected vouchers should be cancelled by a stamp,
- Vouchers should not made in personal name.
- Vouchers must be related to nature of business.
- Test – checking may be recorded if the auditor is satisfied,
- Investigate the amount in figure and words,
- Vouchers must be passed by responsible officers.
- Auditor should examine proper classification of capital and revenue expenditure.

VI. CONCLUSION

The importance of vouching in the work of audit cannot be over – emphasized. It has been rightly said that it is the backbone or main pillar of auditing. The success of organization depends to a great extent successful implementation of vouching work. It is fundamental to all audit procedure followed by an auditor. It protects the business against falsification and manipulation of accounts. Many people have conceived the idea that the work of vouching ends with verification of the entries in the books of account with the available documentary evidence. But this conception is completely wrong. Because, its objective extend to a wide scale. In order to conduct the vouching with the evidence, the auditor will be satisfied after verifying that with reference to all the documents, records, contracts, etc. the work of transactions has been properly done has been directed in a proper way all the directions have been complied with and has recorded properly in the books of account. So, finally we can say vouching is backbone of auditing or essence of Auditing. The success auditing depends upon proper and depth vouching.

REFERENCES

- [1] Principals and practices of Auditing – P.L GANGOPADHYAY
- [2] Auditing – O.P. GUPTA Dr. B.N. OJHA, Dr. B.K. Singh.
- [3] Auditing- Dr. B.K Mehta
- [4] Statement of auditing standard, American Institute of Cetified Public Accountant.
- [5] Fundamental of Auditing – R.K. Mautz
- [6] Philosophy of Auditing – H.A. Saraf
- [7] Auditing Theory and Practice_ Ronald Irish
- [8] Principles of Auditing – Taylor and Perry
- [9] Principles of Auditing F.R.M. de Paula
- [10] Auditing- L R Dicksee

- [11] Practical Auditing – Spicer and Peglar
- [12] Auditing: Principles and procedures – Holmes
- [13] Principles and practices of Auditing – Joseph Lancaster
- [14] Principles of Auditing – W.B. Meigs.

