

AUDITING

B.Com. Honours Part-1 Paper-2

Topic – Audit Note Book

By- Dr. Jitendra Kumar

P.G. Dept. of Commerce & Business Management

H.D. Jain College, Ara, Bhojpur, Bihar- 802301

Audit Note Book

During the course of any audit work, an audit staff keeps a book for the purpose of record of his observation. He also notes down the important points and enquiries which he has to refer to officials of his client or to discuss with his senior or the auditor himself. This book is known as Audit Note Book.

In other words, audit note book is a diary in which auditor staff notes down all important inquiries to avoid the possibility of unmentioned material facts. This is also known as Remembrance Book.

The audit note book has also a great evidentiary value in case any charge of negligence or impropriety is brought against the auditor by the client. Thus, the audit note book has become important to keep an exhaustive record of enquiries made, replies received, correspondence, etc.

Contents

The main contents of the Audit Note Book are as follows—

1. Name and address of the business,
2. List of books of accounts provided by the employer.
3. Technical details about the business,
4. Organisational structure of an enterprise.
5. Provisions of Memorandum and Articles of Association.
6. Accounting methods followed by the organisation.
7. Details of officials and their rights, duties and responsibilities.
8. Technical terms used by business.
9. Instructions from the management having relevance to the audit.
10. Errors and fraud as discovered.
11. Any irregularities in the observance of laws and regulations applicable to the business.
12. Information to be needed in future.

13. Record of all important correspondence.
14. Matters requiring clarification and explanation.
15. Bank reconciliation statement.
16. List of missing vouchers and receipts.
17. Weakness of the internal control systems.
18. Totals and balances of important accounts.
19. Dates of commencement and completion of an audit.
20. Names of officials who certify liabilities, depreciation, etc.
21. Points to be included in the audit report.
22. Record of suggestions provided by the staff.

Advantages

The advantages of Audit Note Book are as below —

1. The auditor can produce the audit note book as a documentary evidence in a suit filed against him for negligence or impropriety.
2. It provides the knowledge and information regarding progress of audit work.

- 3. It is very useful for drawing the audit programme.
- 4. This book is also helpful in increasing memory power.
- 5. It assists in the preparation of audit report.
- 6. It is also helpful for audit work in future.
- 7. It provides a key to evaluate the efficiency of the audit staff.

Disadvantages

Following are the disadvantages of Audit Note Book —

- 1. Dependence of the audit staff upon the client's staff for its preparation is not good.
- 2. It ~~develops~~ develops a fault finding attitude in the minds of the audit staff.
- 3. Very often, it creates misunderstanding between the client's staff and the audit staff.
- 4. Negligently prepared audit note book can misuse as an evidence of negligence in the court of law.