TALLY.ERP9 AUDIT TOOL

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STATUTORY AUDIT CONTENTS

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- Audit Dashboard
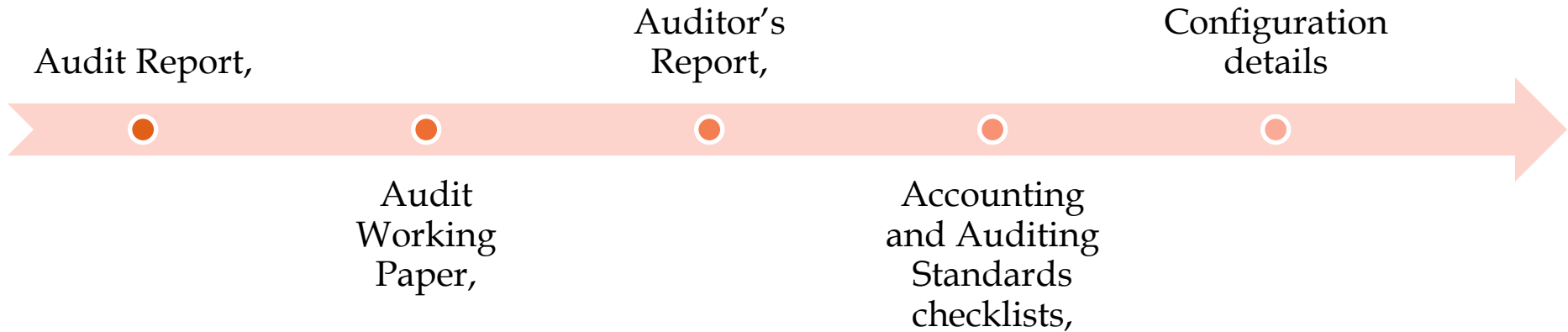- Configuration of Ledgers/Groups for Audit
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COMPREHENSIVE AUDIT DOCUMENTATION

Audit Report,

Auditor's Report,

Configuration details

Audit Working Paper,

Accounting and Auditing Standards checklists,

To plan, execute and control the audit process above features are used from the beginning to the end.

AUDIT DASHBOARD

❑ **The process of audit can be traced to know about its current status, whether it is classified as internal observation or it is sent to the client as external observation.**

❑ **We can obtain the details of**

   ❑ Audited

   ❑ Samples

   ❑ Altered transactions

CONFIGURATION OF LEDGERS / GROUPS FOR AUDIT

❖ Main requirements is to extract the required ledgers/groups for audit

❖ simplified by configuring the data with the inputs from the client

❖ gets the required data for audit

❖ configure MSME ledgers, Periodic payments/receipts, sampling of data, etc.

AUDIT TOOLS – FORENSIC TOOLS AND SAMPLING METHODS

✓ Detect erroneous transactions for rectification using CAAT (Computer Assisted Audit Techniques)

✓ To pull out transactions for Audit feature like RSF (Relative Size Factor), Cash Withdrawals/Deposits to Bank, etc. are being used.

✓ This Helps in analytical selection pattern

✓ Detecting Exceptions in Data - Opening Balance, etc.
  ✓ Exception management of accounting data is important step to define the audit scope.

AUDIT WORKING PAPERS

- **Vouching of Transactions**
    - The use of sampling techniques is important to select the required data for audit.
- **Simpler process of auditing**
    - The use of sampling techniques is important to select the required data for audit.
    - Options to enter the details of audit as a note
    - copy to the working paper,
    - create a working note for internal purpose-present and future use, etc
    - This can be used during peer review audit

REMOTE AUDIT

Auditors can capitalize the benefits of a good broadband connection to audit the clients' data remotely. Saves costs and time, provides more value to the clients.

ACCESS DEFAULT TALLY.ERP 9 FEATURES WITHIN AUDITOR EDITION

An auditor need not come out of the AE features to use the features of default Tally .ERP 9 product. The product is so designed that the accounting and inventory features of the product can be accessed within the AE

POWERFUL QUERY FACILITY RANGE AND VALUE

To support the audit findings, the auditor can generate reports using :

- query features like Range (Alt +F12)
- Value (Ctrl + F12).

Comprehensive Audit Documentation

BENEFITS	FEATURES	HOW TO
• A well planned audit programme • Collection of audit evidence	• Audit documentation features consisting of audit programme, working papers, checklists for standards assist in production of evidence to support audit observations and findings.	• Gateway of Tally > Audit & Compliance > Statutory Audit > Audit Documentation

Audit Dashboard

BENEFITS	FEATURES	HOW TO
• Get details of exceptions to decide the scope of the audit • Perform audit of selected transactions, record observations for discussions with client and preparation of audit report	• The Data Analysis part consists of features that assist an auditor to check the quality of the data under audit by executing certain tasks, generate exceptions, perform analysis, forensic audits, etc. The Auditing part consists of sampling and vouching the transactions, related party, forex, etc.	• Gateway of Tally > Audit & Compliance > Statutory Audit > Audit & Analysis > Data Analysis/Auditing

Configuration of Ledgers/Groups for Audit

BENEFITS	FEATURES	HOW TO
• Configure ledgers/groups to generate exceptions for audit • Assists in forming the scope of the audit	• The configuration of the data is made through a Master Config (Ctrl + F9) button and the F12: Configure button. Both options enable the auditor to narrow down to the desired set of transactions for the audit. Examples of features to be configured are MSME transactions, sampling methods, related parties, etc. The F12: Configure option in each feature generates the required data for detecting exceptions for audit.	• Gateway of Tally > Audit & Compliance > Statutory Audit > Audit & Analysis > Data Analysis/Auditing > Ctrl + F9: Master Config/F12: Configure

Use of Forensic Tools

BENEFITS	FEATURES	HOW TO
• Detects erroneous/fraudulent transactions • Assists in 'cleaning' the data before audit	• The CAAT features' objective is to detect the data which have deviated from the norms. The focus is to detect control lapses and to protect client's assets.	• Gateway of Tally > Audit & Compliance > Statutory Audit > Audit & Analysis > Data Analysis/Auditing > Relative Size Factor (RSF)

Detecting Exceptions in Data – Opening Balances, etc.

BENEFITS	FEATURES	HOW TO
• Detects exceptions in data to determine the areas for audit (scope)	• The exceptions are generated based on the selected feature under Data Analysis. For e.g., the Verification of Balances generates exceptions relating to opening balances in the current year when compared with the previous year.	• Gateway of Tally > Audit & Compliance > Statutory Audit > Audit & Analysis > Verification of Balances

Vouching of Transactions.

BENEFITS	FEATURES	HOW TO
• Select transaction (s) based on some criteria (sampling methods/manual/random sampling) • Quick audit and selection of transactions without bias	• Different sampling methods like amount range, even/odd number, random numbers, etc. can be used to generate sample data for audit. • Saves audit time by focusing on a sample set of data	• Gateway of Tally > Audit & Compliance > Statutory Audit > Audit & Analysis > Verification of Vouchers> Alt+ S: Sampling Config • Gateway of Tally > Audit & Compliance > Statutory Audit > Audit & Analysis > Ctrl + F9: Master Config > Sampling Methods > Ctrl + R: Random Sampling

Simpler process of auditing transactions

BENEFITS	FEATURES	HOW TO
• Select transaction (s) for audit/verification • Include audit details in Audit Note and Audit Working Papers for audit report preparation	• Facility to audit at transaction level for each selected feature • Option to enter audit details for the audited transactions • Can audit more than one transaction at a time.	• Gateway of Tally > Audit & Compliance > Statutory Audit > Audit & Analysis > Verification of Vouchers > Ledger Vouchers > Alt+ F9: Audit

Remote Audit

BENEFITS	FEATURES	HOW TO
• Saves time and costs • Auditor can work at own pace from anywhere • Client with offices in different places (geographically dispersed) is benefited	• Use the internet facility to advantage by auditing remotely • Configuration of Auditor's ID in Control Centre	• Gateway of Tally > Audit & Compliance > Ctrl + K: Control Centre > Alt +U: User Management (to provide access rights to audit data remotely- Client's End) • Gateway of Tally > Audit & Compliance > F4: Connect (for connecting remotely- Auditor's End)

Access Default Tally.ERP 9 features from Audit Tools

BENEFITS	FEATURES	HOW TO
• Access the default product features without having to leave AE	• Click F9: Inv Reports and F10: Acc Reports buttons to access the default product features	• Gateway of Tally > Audit & Compliance > Tax Audit/Statutory Audit > F9: Inv Reports/ F10: Acc Reports

Powerful query facility – Range and Value

BENEFITS	FEATURES	HOW TO
• Additional reports/features that supports audit findings and observations	• Click Alt+ F12: Range and Ctrl + F12:Value to generate reports based on inputs	• Gateway of Tally > Audit & Compliance > Verification of Balances > Group/Ledger level > Alt + F12: Range /Ctrl + F12: Value

CASE STUDY

XYZ is a company whose accounts are audited by M/s. **Audit & Co**, a firm of Chartered Accounts. The **Auditor** is deputed by the firm to perform the audit of **XYZ**. The firm has purchased Tally.ERP 9 AE license and wants to use the tool to automate its audit activities. Before leaving to the client site, he has a discussion with the Senior Auditor on the manner the audit to be performed. Senior Auditor designs a plan to perform the audit.

The plan of audit is as follows:

 The Auditor to study the previous year's audit report and its findings to plan work accordingly

 Prepare an audit programme consisting of:

1. Verify if the closing audited balances have brought forward correctly

2. Find the details of those accounts (ledgers) which are squared off

3. Find if any stock items have negative closing balances

4. Find through analysis the highest change in indirect expense account

5. Sample those payment vouchers whose amounts exceeds Rs.10000

CASE STUDY

Preparatory work

- The Auditor reads the previous year's audit report and makes important noting on the findings. Thus he has inputs from the previous year audit relating to the client, its systems and operations. He also undergoes a brief training on the use of Tally.ERP9 Audit Tools and familiarises himself on the features required to carry out the current audit as per the plan. The Auditor is now ready to audit as per the plan approved by his senior.

- **Preparation of audit programme**: To prepare a programme for the audit he executes the following steps.
    - Go to Gateway of Tally > Audit & Compliance > Audit Documentation > Audit Programme.
    - He now enters the necessary details of the client and auditor, areas of audit, time and people to work on the audit.

CASE STUDY

Audit steps

1.Verification of Opening Balances: In the beginning, the Auditor loads the current year data (present in separate folders).

Steps to perform are:
- **Company Info. > Select Company**
- Select the current year Company (**XYZ**)
- Type values **for Name of User** and **Password**
- Press **Enter** to go to the **Gateway of Tally** screen

CASE STUDY

Audit steps

The Auditor now accesses the **Audit & Analysis** screen by executing the following steps:

• **Gateway of Tally > Audit & Compliance > Audit & Analysis**

Steps to load previous year's data:
• Click **Ctrl + F3**: **Compare Cmp**
• Select the previous year Company (**XYZ**)
• Type value for field **Password**
• Press **Enter** to go to the **Audit & Analysis** screen

CASE STUDY

Audit steps

To ascertain the carry forward of correct opening balances, the **Auditor** clicks the **Verification of Balances** feature under **Audit & Analysis** menu. The steps to execute are:

- Go to **Gateway of Tally > Audit & Compliance > Audit & Analysis > Verification of Balances**

He extracts the report of differences between the current year's opening balances and the previous year's closing balances by executing this step.
- Click **Alt + X**: **Exceptions**

Now CA Auditor will find the reasons for the difference and recommend the client to rectify them.

CASE STUDY

Audit steps

2.Accounts squared off during the year:

The Auditor now proceeds to find those ledger accounts that escape appearing in the final accounts (squared off). Squared off ledgers have nil opening and closing balances but the debit and credit amounts are equal.

He executes these steps:

• Go to **Gateway of Tally > Audit & Compliance > Audit & Analysis > Verification of Chart of Accounts > Accounts squared-off during the year**
A list of squared–off ledgers is displayed for the Auditor to verify. He performs the verification and enters the required details.

CASE STUDY

Audit steps

3.Stock items with negative closing balances: The Auditor further wants to find those stock items with negative closing balances.

He executes these steps:

•Go to **Gateway of Tally > Audit & Compliance > Audit & Analysis > Verification of Stock Items > Negative Stock**

A list of those stock items which have negative closing balances is displayed. Now CA Auditor can select any stock item and review its transactions (Stock Vouchers) to know the reasons for the negative balances. The verification of the stock item can be performed by clicking **Alt + F9**: **Verify** button after review of its transactions.

CASE STUDY

Audit steps

4.Change in indirect expense accounts: To ascertain which expense account had the highest change in percentage terms, CA Auditor used the **Analytical Procedures** feature.

The steps performed are:

• Go to **Gateway of Tally > Audit & Compliance > Audit & Analysis > Analytical Procedures > Comparison between Sales Accounts and Indirect Expenses**

CA Auditor finds one head of expense: **Business Promotion Expenses** recorded a change above 200% in relation to the change in Sales values for the two years (Current and Previous). He can look into the matter and ascertain the reasons for the change.

CASE STUDY

Audit steps

5.Sample those payment vouchers whose amounts exceed Rs.10000: CA Auditor wants to employ a sampling method to extract 20 payment vouchers whose amounts exceed Rs.10000/-.

To achieve this end, CA Auditor executes the following steps:

• Go to **Gateway of Tally > Audit & Compliance > Audit & Analysis > Verification of Vouchers > Payment > Alt + S: Sampling Config > Amount Range**

He then provided the minimum and maximum amounts as shown:

• **Minimum Amount**: 10000
• **Maximum Amount**: (**blank**)

A list of the vouchers which carry amounts more than Rs.10000 is displayed for audit. CA Auditor after conducting the audits as per the audit programme, prints the audit working paper as an evidence to discuss with the Senior Auditor and later with the Client.

FAQs

1.   **I want to prepare an audit programme. How do I prepare it?**

You can prepare the audit programme in the Audit Tool by clicking Audit Documentation feature (Gateway of Tally > Audit & Compliance > Audit Documentation > Audit Programme)

2.   **What are the features that require configuration? How do I configure the data before audit?**
You can configure the data under the four heads of:
- MSME (Micro, Small & Medium Enterprises)
- Periodic Payments and Receipts
- Related Party
- Sampling Methods

FAQs

Configuration of the above transactions is an easy task in the audit tool.
Go to **Gateway of Tally > Audit & Compliance > Ctrl + F9 >** select the feature for configuration.

For example, if you select and click MSME, the MSME Configuration screen is displayed. Select the ledger(s) by pressing the **Spacebar** and click **F5**: **Update** button and exit. The selected ledgers are displayed under the feature, MSME Transactions for audit.

FAQs

3. **How do I find the exceptions in the Chart of Accounts in the current year's data?**

The **Verification of Chart of Accounts** is the feature when selected and clicked displays the exceptions related to the Chart of Accounts.

Path: **Gateway of Tally > Audit & Compliance > Audit & Analysis > Verification of Chart of Accounts**.

You can now proceed to select any sub-feature, say, **Accounts Squared-off during the year** and check for the details. You can record the observations relating to the selected ledger. If you want to refer to the accounting data before making an observation, you may click **F10**: **Acc Reports**.

FAQs

4. **Can the Tally.ERP9 AE assist me in detecting postings to wrong ledgers, errors in postings, etc.?**

The errors due to wrong amount postings, postings to wrong ledgers, etc., can be detected by using the feature, **Relative Size Factor** (**RSF**).

Select the feature under **Data Analysis** and drill down to the ledger voucher level to view its individual RSF. The RSF is the ratio of the highest amount debited/credited to the ledger to the next highest amount. If the ratio is unusual, you can investigate the reasons for the deviations. The reasons may be wrong postings of amounts, amounts to wrong ledgers, etc.

5. **My accounting data is large. I want to audit a sample of it. Is it possible?**

Yes. In the Tally.ERP9 AE, we have provided methods for you to draw the sample from a large population. The sampled vouchers can be audited.

Path:

1.Gateway of Tally > Audit & Compliance > Audit & Analysis > Verification of Vouchers > Alt + S: Sampling Config

2.Gateway of Tally > Audit & Compliance > Audit & Analysis > Ctrl + F9: Master Config > Ctrl + R:Random Sampling

The audit tool provides 8 different sampling methods. A few sampling methods are:

- All Vouchers (100% audit)
- Amount Range
- Benford Analysis
- Even Numbered Vouchers
- Random Sampling…

FAQs

6.   **We wish to audit the interbank transaction between our bank accounts. We would like to know if the delays in banking of Cheques/DDs between various banks can be found out by your audit tool.**

We have a feature, **Inter Bank Transactions** under the heading, **Other Analysis**. This feature will provide you details of:
- Accounting date
- Instrument date
- Bank date (date of credit as provided by the receiving bank statement)
- Delays in terms of days

Now you can verify further the reasons for the delay in crediting the amount. We also provide the option (**F5**: **Reconcile**) to reconcile the entries in your bank book with the bank pass statement.

Path: **Gateway of Tally > Audit & Compliance > Audit & Analysis > Other Analysis > Inter Bank Transactions**

FAQs

7. **Can your audit tool assist me to confirm sundry ledgers'/sundry creditors' balances with respective parties?**

External Confirmation (**Third Party Confirmation**) is a new feature in the audit tool. You can mark accounts for confirmation (**F6**: **Mark for Confirm**). You can mark accounts for confirmation (**F6: Mark for Confirm**). You can confirm the ledgers remotely through internet or use your ID in the authenticating mode.
The ledgers marked for confirmations are reflected when the client logs in to the system.

FAQs

Path:

Gateway of Tally > Display > Statement of Accounts > Audit and Compliance Info > Statutory Audit Info > External Confirmation (Third Party Confirmation)

The Client can print or email to the selected parties requesting them to confirm directly to the auditor.

The confirmation from the parties can be received by the Auditor through XML import or as physical documents for review.

There are two ways of confirming the balances as reported by parties, by the Auditor.

☐Select a ledger (party's A/c) and click **Enter** (single party)

☐Click **Alt + F6**: **Confirmed Bal** for confirming the balances received from multiple parties (more than 1 party)

For confirming the balances received through a XML file, you can click **F5**:**A/c Reconcile button**.

FAQs

8. **What are the different components of the Dashboard under the Auditing section?**

There are 5 components under the **Auditing** section that provide you with the necessary information about the progress of an audit.

1.**Sampled**: These are the number of vouchers that have been sampled by applying the different methods of sampling. You can also select a voucher manually for audit.

2.**Audited**: The number of vouchers audited from the sampled lot.

3.**Internal Observation**: The number of vouchers that are referred internally to the audit senior/chartered accountant to seek clarifications. These are further classified as pending or clarified.

4.**External Clarification**: The number of vouchers that are referred to the client for clarifications. These are further classified as pending or clarified.

5.**Altered**: These are the vouchers that are altered after audit. They have to be re-audited.

FAQs

9. **Can you please explain the process of auditing a voucher transaction or multiple transactions?**

The auditing process in Tally.ERP9 is a simple and easy to perform.

☐Select any feature, for example, **Verification of Vouchers** by pressing the **Spacebar**

☐Drill down to the **Voucher Register** report

☐Select any voucher and press **Enter**

☐Select/type the details in the **Audit Details** window

☐Save the details

If you want to audit more than one voucher:

☐Select the vouchers to be audited by pressing the **Spacebar/Ctrl + Spacebar**

☐Click **Alt + F9**:**Audit**

☐Select/Enter the details in the **Audit Details** window

☐Save the details

FAQs

10.   **If I have completed the verification under Data Analysis and vouching under Auditing, how do I indicate them on the Dashboard?**

After you have completed the verification activity, select the required feature(s) and click **Alt + F9**: **Verify** button.

Similarly after the vouching activity is completed, click **Alt + V**: **Vouching Done** button.

Professionalism has this difficulty:
To be professional is to be dependable, to be dependable is to be predictable, and predictability is esthetically boring - an anti-virtue in a field where we hope to be astonished and startled and at some deep level refreshed. - John Updike

THANK YOU

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