

Investigation

Investigation Vs Auditing

Difference Between Auditing and Investigation

Auditing is the process of reviewing the book of accounts of a certain entity and reporting on it. An investigation is considered to be an enquiry which is conducted for establishing a specific truth or fact about that entity. The difference between auditing and investigation is explained vividly in the below table -

Basis for Comparison	Auditing	Investigation
Nature	General Investigation	A critical and in-depth investigation
Evidence	The nature of the evidence is persuasive	The evidence is unquestionable
Time Horizon	Annually	As per requirement
Performed by	Chartered accountant	Experts
Reporting	General-purpose	Confidential
Obligatory	Yes	No
Appointment	The shareholders of the company appoint an auditor.	The management or investors or a third party appoints an investigator.
Scope	Seeks to form an opinion on the financial report.	Seeks to answer the questions in the engagement letter.

These were the differences between investigation and auditing.

Auditing

Auditing is an unprejudiced and efficient assessment of the financial statement of a substance to offer input on an evident and reasonable view.

The word financial statement may incorporate Balance Sheets with Notes to Accounts, Income Statement and Cash Flow Statement. The term element alludes to any association whether it is profit-making or a magnanimous organization. Size and structure of the element are likewise unessential.

The essential goal of auditing is to discover and report the level of precision and dependability of the financial statements of an element. Moreover, it guarantees that whether the substance methodically keeps up the books of records, documents and vouchers or not. The auditor plays out the audit procedure. The auditor looks for the accompanying three imperatives of the fiscal summaries:

- The arrangement of the financial statement depends on acceptable accounting approaches and its reliable application.
- Important Regulations are being followed while setting them up.
- Every material, in reality, is unmistakably unveiled in the financial statement.
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Investigation

An exertion made to discover the realities behind a specific circumstance to find the fact of the matter is known as Investigation.

For a business association, auditing and investigation go hand in hand. Investigation infers that a composed, detailed and basic assessment of the books of records and transaction records (over a wide period) of a substance, directed for a particular reason or to uncover a reality or to build up reality with the assistance of proof. The most widely recognized strategies utilized during the time spent investigating are searching, perception, cross investigation, inquiry, investigation, and so on.

Investigation in Auditing

Investigation in Auditing comprises the counteraction, recognition and measurement of extortion, tax evasion, dread account and debasement. Investigation in Auditing includes the assessment of records and the utilization of bookkeeping techniques to find money-related inconsistencies and to follow the movement of assets and funds all through associations.

Types of Investigation in Auditing

Some of the common types of investigation in auditing are:

- Acquisition of companies
- Purchase of business
- Prospective investments
- Admission of new partners
- Fraud
- Systems breakdown
- Prospective lending
- Company Acts Investigation

There are certain procedures for conducting these types of investigation in auditing which are:

- 1. Determination of Nature and Scope:** The directions of the clients in regards to nature, degree and objective ought to be acquired in certain and unambiguous terms. If the directions are unclear, they may make disarray and issues during the investigation. The directions should cover the territory of the investigation, the motivation behind the investigation and the period to be researched.
- 2. Formulation of Investigation Programme:** The finding of the previous steps will choose the further course of the investigation. While figuring the auditing and investigation programme, the wide degree and limits are to be resolved. The rundown of records and reports to be confirmed are to be resolved at this stage keeping the goal and motivation behind the investigation intact.
- 3. Conduct of Investigation:** An intensive investigation, i.e., assessment of different records and archives and assessment of different people of the worry, identifying with the investigation region are to be directed. At each stage, the agent may choose the further course of investigation dependent on the conditions and different discoveries.
- 4. Investigation Report:** The investigator may respond to every one of his discoveries, break down all the supporting reports and explanations, completely look at the investigation records and make inferences. At the same time, he should have a receptive outlook, free from pre-imagined thoughts.

Main Differences between the Process of Auditing and Investigation

- Auditing refers to the process of inspecting the financial statement of an entity and then giving an independent opinion on it. While, in an investigation, a detailed study of the account books is carried out to discover the truth of the matter. Thus auditing can be said to be a general examination in nature, while the investigation is a critical process.
- The evidence that one receives during an audit process is persuasive. On the other hand, the nature of evidence obtained from the Investigation process is conclusive.
- Auditing is generally conducted on a yearly basis, but Investigation is conducted for specific concerns and needs of a company.
- Auditing is performed by the auditor of the firm, whereas an expert team (unbiased nature) is constituted for the purpose of an investigation.
- Auditing is compulsory for every organisation. Whereas, the investigation process is discretionary in nature. The act of auditing verifies the truth and presents an unbiased perspective of the financial statement of the organisation whereas Investigation is performed to establish a fact.
- The appointment of an auditor for auditing purposes is made by the mutual decisions of the shareholders of the company. However, an investigator is solely appointed by the owners/management or through the involvement of one-third party.
- The scope of auditing is broad, as it attempts to give opinions on various aspects concerning the general financial statement of the firm. Contrary to this, the scope of the investigation is limited as it attempts to answer only those questions whose answers are being actively searched for, by the company through its engagement letter.

Conclusion

We can now conclude that auditing is a general annually performed process, common for all organisations. Auditing can be performed with the help of an internal auditor or an external auditor. The internal auditor is himself an employee of the company who is appointed by the management while the government appoints the external auditor.

Investigative processes are quite rare, as it is not commonly performed in any organisation. For an investigation, an expert team must be constituted from outside of the organisation to conduct and report its investigative findings.

