

VERIFICATION

In general, Verification refers to the establishment of fact or truth. In the context of auditing, Verification is a procedure of examining and confirming the ownership, actual existence, valuation and possession of the assets and liabilities appearing in the Balance Sheet. It is conducted at the end of the accounting period.



The major objective of verification is to authenticate the correlation of actual details with those represented in the Statement of Financial Position. Further, the auditor may check:

- The accuracy and reliability of the annual accounts.
- The transactions are authorized or not.
- The assets and liabilities are recorded properly.
- Valuation of assets is done in a proper way.
- The ownership, cost, and possession of the asset.
- Proper disclosures are made or not.
- Detection of fraud and error.

VOUCHING v/s VERIFICATION

Vouching is the soul of Auditing because it forms a base for an effective audit procedure. Vouching means “to vouch” i.e. examine the vouchers.

On the other hand, **Verification** means “to verify” the assets and liabilities of the business.

Both the two terms are the first two steps of Auditing, infact vouching helps in the process of verification.

VOUCHING v/s VERIFICATION

BASIS FOR COMPARISON	VOUCHING	VERIFICATION
Meaning	Vouching means checking the accuracy of the transactions recorded in the books of accounts.	Verification means a process to substantiate the validity of assets and liabilities appearing in the Balance Sheet.
Basis	Documentary Evidence	Observation and Documentary Evidence
Examination of	Items of Profit & Loss account	Items of Balance Sheet
Carried out by	Audit clerks	Auditor
Time Horizon	Year-round	At the end of the financial year.
Objective	To examine the correctness, validity and completeness of the transactions.	To confirm the ownership, possession, existence, valuation and disclosure of the items appearing on the Balance Sheet

Key Differences Between Vouching and Verification

The following are the major differences between vouching and verification

- Vouching is to check the vouchers, which are in support of the accounting entry. Verification means to validate the resemblance of facts regarding the assets and liabilities, with those appearing in the Balance Sheet.
- Vouching is done on the basis of documentary evidence i.e. vouchers, invoices, bills or statements. On the other hand, thorough analysis and documentary evidence, are the pre-requisite of Verification.
- In vouching, items of Income Statement are examined while verification is carried out for Balance Sheet items.
- Vouching is performed throughout the year, but Verification is done only at the end of the financial year.
- In general, Vouching is carried out by Audit Clerks or Audit Assistant whereas Verification requires deep observation and that is why auditor himself conducts it.
- Vouching aims at testing the accuracy, completeness, and authenticity of transactions. Conversely, Verification focuses on confirming the ownership, possession, valuation and disclosure of the assets or liabilities.
- Vouching considers incomes and expenses. As opposed to Verification, which is done for assets and liabilities.

Vouching is the most basic function performed by the auditors to test the validity of vouchers in relation to the transactions represented in the Income Statement.

Verification is a little different as well as difficult process; it requires in-depth examination and observation of the annual accounts to know the authenticity of the items appearing in the Balance Sheet.

The auditing procedure starts with vouching and the next step for the same is verification.