



National Financial Reporting Authority

“Creating a Better Financial Reporting Ecosystem”

Inaugural Address by Shri Nitin Gupta, Chairperson, NFRA

Webinar On

“Inventory Physical Verification – Audit Procedures & Audit Evidence”

Monday, 23rd March 2026 ⌚ **4:00 PM – 5:30 PM**

Technical Sessions by:-



CA Amit Gupta
Audit Professional



CA Rishabh Kumar
Audit Professional



CA Shankar Srinivasan
Audit Professional

Industry Specific Technical Sessions:



4:00 – 4:15 PM

4:15 – 4:35 PM

4:35 – 4:55 PM

4:55 – 5:15 PM

5:15 – 5:25 PM

5:25 – 5:30 PM

Inaugural Address
by Chairperson,
NFRA

Iron & Steel

Consumer & Retail

Pharmaceutical

Q&A

Vote of Thanks

Registration Link- <https://nfra.webex.com/weblink/register/rcd3cb68a8b514e98347a7e557eab0f9d>

Views expressed in the webinar will be those of presenters/speakers and not necessarily those of NFRA or Executive Body

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Inventory Physical Verification by Auditors – Evolving Roles & Responsibilities

1896 Kingston Cotton Mills Company, UK	1940 McKesson & Robbins, Inc., U.S.	21 st Century SA 501, Audit Evidence – Specific considerations for selected items
<p>Lindley L.J. “..It is no part of an auditor's duty to take stock. No one contends that it is...”</p> <p>Lopes L.J. “..It is not the duty of an auditor to take stock; he is not a stock expert; there are many matters in respect of which he must rely on the honesty and accuracy of others. He is a watch-dog, but not a bloodhound... If there is anything calculated to excite suspicion he should probe it to the bottom; but in the absence of anything of that kind he is only bound to be reasonably cautious and careful..”</p> <p>Kay L.J. “...Upon the best consideration I can give to the case, I come to the conclusion that this was not their duty;..”</p>	<p>“..XYZ & Co. in common with a substantial portion of the profession, took the position that the verification of quantities, quality, and condition of inventories should be confined to the records. There was, however, a substantial body of equally authoritative opinion which supported the view, which we endorse, the auditors should gain physical contact with the inventory either by test counts, by observation of the inventory taking, or by a combination of these methods. Meticulous verification of the inventory was not needed in this case to discover the fraud..”</p>	<p>Count to Confirm: Attend physical stock count when inventory is material.</p> <p>Watch • Check • Test: Observe count procedures, inspect inventory, perform test counts.</p> <p>Reality vs Records: Ensure physical count = inventory records.</p> <p>Missed the Count? Compensate: Perform alternative procedures or risk modified opinion.</p> <p>Stock held with Others? Verify: Confirm or independently inspect third-party inventory.</p>

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Snapshot of Audit Life Cycle: Risk-based Approach

