

PDF - AUDITORS' LIABILITIES TO ORGANIZATIONS AND SOCIETIES IN GENERAL A CASE STUDY OF ENUGU AND ANAMBRA STATE RESPECTIVELY - researchcub.info

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

The origin of auditing is as a result of the separation of ownership from control. It is instituted to protect the interest of the owners by ensuring that financial statements are justifiable. Because of the separation of ownership from control, it becomes necessary for those managers entrusted with the owners' financial and economic resources to present their financial reports to their employer. The reports presented might contain errors, omission, and frauds or even refuse to disclose relevant information. For these reasons, the owners may hold some reservations about the credibility of the managers' reports.

For the owners to be satisfied and even for the managers to be justified to establish and maintain their integrity, it becomes necessary to invite an independent party, one who is not involved with either party to examine the reports for the purpose of expressing an opinion as to the truth and fairness of the reports. The independent party's duty is not just mere examination of the accounts from which the financial statements were prepared, rather, it includes collection of all relevant information thought necessary to satisfy section 360

(3) of companies and Allied Matters Decree (CAMD) 1990. It is obvious that the owners may not be skillful enough or have time to go through these reports in order to assure themselves that the report presented contains no errors or omissions. This independent party is known as AUDITORS or professional accountants. They go extra miles in order to ensure that the financial statement contains no errors, omissions or frauds or where it exists, they detect it. These become their statutory duties or liabilities to organization that invited them.

In the past, investors rely solely on the advice given to them by their financial consultants rather than analyzing the financial statements by themselves. Today there has been a great change in that direction. Many stakeholders including the Government focus on the financial statements as one of their most reliable source or instrument of assessing the viability or otherwise of companies. Below are some of the interested parties:

1. Owners or share holders of companies

Creditors and debenture holders.

Employees of organizations

Government agencies

Accountants and

The general public

One question which these managers seem to ask when they report to the owners is: can the owners believe the report? Since the report may contain errors, non-disclosure of frauds, and some omission, thereby misleading.

The panacea to this problem of misleading financial statements lies in appointing independent auditors to investigate the accounts and reports. It is therefore the responsibility of these auditors to ensure that they discharged their duties according to the law. Since it is a liability on the auditors, they should exercise reasonable care and skill to enable them form an unbiased opinion based on their findings.

Auditors are liable under different laws: the common law; the civil law; and the criminal law.

1.2 STATEMENT OF THE PROBLEM

The liability of an auditor appointed by the owners or shareholders of any organization is to ensure that the financial statement prepared from the books and records of that enterprise portrays the actual position of that entity. It is also the auditors' liabilities to report to the owners of the business whether the financial statement shows a true and fair view of that organization and also comply with the relevant laws, these liabilities / duties are spelt out by an Act governing the activities of companies in Nigeria. The Act is known as Companies and Allied Matters Decree (CAMD) 1990. Section 360(1) stated their duties as to investigate all relevant books and documents to enable them give an unbiased opinion. Section 360(3) gives them their rights of access to the documents, while section 368(2) gave enough clues as to what might be their punishments when they go astray.

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