CHAPTER ONE

1.1 INTRODUCTION

The need for the auditing of account for a business venture cannot be overemphasized, Even in the early 19th century, kings insisted that their steward read their account of stewardship to them orally which the kings listened to and acknowledge as having received. This was called “stewardship account”. With the large amount of business transaction that companies these days go into, which involves a huge chunk of their resources. There is need for the accounts of such companies to be properly audited so that monies and resources may not be fraudulently mismanaged and such mismanagement swept under the carpet. This gave rise to the need for the appointment of external persons outside the companies staffs and management to look into the final account and vouchers such companies, such person must be trained accountants called Auditors.

The functions includes

- To carryout detached review of financial statements
- To perform compliance test on the internal control Opinions and test accounting records
- To compare companies financial statement with existing accounting records to see that they agree.
- To report on the financial statements and in compliance with any relevant statutory obligation.

According to Cook and Winle (1976), the traditional audits were meticulous, and they involved defiled review of records designed to determine whether each transaction was properly recorded in the correct account and in the amount with main objective of detecting fraud and testing the trust of persons in fiduciary positions. But modern auditing pays more attention to the efficient working off the internal control system to reduce and prevent to a large extent errors and frauds rather than detailed and massive checking (vouching) of transactions and discovering of errors.

Hence the change by the English companies Act 1948 from the true and correct view" as was formerly practiced to true and fair view" in the opinion of the auditors. This makes the auditors opinion very essential for intending investors and regulatory authorities, so the procedure for the appointment and removal of the auditors by companies should be accorded a great deal of care so not to deviate from laid down laws and also respect the intensions of the shareholders who have a stake in the decisions of the company. Hence the change by the English companies Act 1948 from the true and correct view" as was formerly practiced to true and correct view" as was formerly practiced to true and fair view" in the opinion of the auditors. This makes the auditors opinion very essential for intending investors and regulatory authorities, so the procedure for the appointment and removal of the auditors by companies should be accorded a great deal of care so not to deviate from laid down laws and also respect the intensions of the shareholders who have a stake in the decisions of the company.

1.2 HISTORICAL BACKGROUND OF THE CASE STUDY

After working for the family Owned chemist shop, eastern industrial chemist, for 13 years, Sir Tony Eze Nna decided to establish his own pharmaceutical company, with the leadership and managerial skills acquired on the Job. The company, orange Drugs limited, was registered and incorporated on July 206th 1988 with No Re 115913. Its first office was in Ikenegbu, Owerri, Imo state in 1989 and in order to be among the leading pharmaceutical companies in Nigeria and compete with other companies in different parts of the world, the company later moved its base to Lagos.

The first corporate office was at 4B Okupe Estate Mende Mary Land, Lagos and in 2001, the company relocated to its present head office at 66168 town planning way, Lipeju, lagos with Braches in different parts of the country. Orange Drugs limited is a reliability company with an authorized fully paid share capital of N5million Naira involved in the marketing and distribution of well tested drugs, manufactured in Indonesia, Italy, India, company and the United States of America with the Nigerian

Consumer in mind.

Subsequently, orange Drugs limited founded the beauty care industries through the importation of saps, creams and other beauty products. By 2006, the company commended the local production of different brands of their soap in Lagos and this was aimed at boosting the Nigeria manufacturing sectors and also creating jobs for the populace. In other to meet up with the challenges in the global economy, Orange Drugs limited subsequently diversified its line of business by the establishment of Orange Kalbe Ltd and orange west Africa landed leading to the formation of orange groups

1.3 STATEMENT OF THE PROBLEMS

Owing to the importance of a company maintaining proper internal control systems in the administration of its affairs, the auditors has to be properly briefed on the workings of virtually every sector of its dealings and on its tangible and intangible assets based. So as to have a proper knowledge of the companies finances./ but over the years, the rate of collapse and distress of many companies has made people to ask such questions as

- Why do companies publish inaccurate financial records?
- Why should auditors and organization deceive the public through wrong information on their finances
- the impact of such wrong and unreliable business info ration to national economy and investment in general

The consequences of inaccurate business information to the public

These have head to widespread speculation among financial information users that auditors are part of the causes of such collapse as they are believed to have proper knowledge of the finances of companies and report credibly about then but still such companies collapse to the disbelieve or the public. This has even caused the Nigerian shareholders solidarity association to mobilize its members and the public to take closer looks at the role of the auditors in business failure over the last couple of years and their means of appointment.

AN EXAMINATION OF THE PROCEDURES FOR THE APPOINTMENT AND REMOVAL OF EXTERNAL AUDITOR BY PUBLIC LIMITED LIABILITY COMPANIES