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**EXTERNAL AUDITING AND THE PERFORMANCE OF COM-
MERCIAL ENTERPRISES**

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ABSTRACT

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| <p>This topic covers the role of external auditing and the performance of commercial enterprises and how they have impact the growth internally and externally of the commercial enterprises. External auditors and commercial enterprises has face many problems of mordent systems of keeping information's and the control measures put in place by management to provide information's to auditor's when it is being needed before auditing. Because management may have play with fraud, embezzlement and financial misstatement which shareholders and owners of business are not happy and may lead to lose much money and confidence in the management of their investment.</p> <p>External auditors always put internal control measures in their client's company system in other to see the activities of the management and prevent frauds and mismanagement they also used expertise knowledge in the areas of auditing which they cannot do it by themselves. With the above method put in place by external auditor's commercial enterprise has greatly grown with great improvement internally and externally to the satisfactions of its stakeholders.</p> | | |
| | | |

Keywords. External Auditing, commercial enterprise, Financial statement, accounting and management. Fraud and errors, mistatment, assurance

LIST OF ABBREVIATIONS

ACCA: Association of certify chartered accountant

FS: Financial statement

FIMAC: Financial and management accountancy center.

GAAP: General accepted accounting principles

ISA: International Standard on Auditing

FRSA: Financial Reporting Standerd on Auditing

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1 INTRODUCTION

Commercial enterprises are business organizations that are involved in the buying and selling of goods and services with the aim of profit maximisation. They are not involved in the production of the goods they only buy goods which have been produced by other companies. There exist many types of commercial enterprises such as partnerships, financial institutions and universities. Any organisation that is operating for profit making market that is dealing in buying and selling of goods and services without transforming is a commercial enterprise. This study is about the role of external auditing on the performance of commercial enterprises case study financial and management accountancy centre Bamenda Cameroon. External audit is also known as financial audit and statutory audit, involves the examination of the truth and fairness of the financial statements of an entity by an external auditor who are independent of the organization in accordance with a reporting framework such as International Financial Reporting Standard (IFRS). Company law in most jurisdictions requires external audit an annual basis for enterprises above a certain size. These are usually individuals with the knowledge and experience in accounting who are taking the responsibility of analysing and scrutinising of financial statement of the client by reporting on the truth and fairness of the financial situation of the organization. (Kenji. 2015)

This study was limited on external audit which is usually called financial statement audit or statutory audit and it's also focuses mostly on commercial enterprises. During the research the writer saw that there are still some lapses and when it comes to external auditing and it is therefore out to look at those lapses and to propose solutions to those problems so that trust wealthy external auditing should be carry out which will help the commercial enterprise and others organizations to increase its revenues and avoid losing incomes through theft, errors and also leading to increase in salaries of reliable and honest personnel.

Many questions have run through the mind of the writer to keep asking the same questions such as what are the roles of external auditing on the performance of commercial enterprises?

The researcher tries to fine out the answer to the questions:

What is the impact of financial statement and assurance service on commercial enterprises by external auditors?

This thesis is divided into 5 chapters. The first chapter provides a general outline of this research. It includes the introduction, the scope of the topic, research questions. Theory on auditing is described in the second chapter and focusing on discoursing on auditing and accounting with external auditing background. In the third chapter presenting the case company of FIMAC and the products and services provided by FIMAC to its clients as an external auditing firm. Chapter four is the analysis of the case company and its activities carried out with its engaged clients during its auditing process and external auditors' responsibilities as presented on a diagram. Chapter five is the conclusions on the roles the external auditors play on the performance of commercial enterprises with the importance and benefit to commercial enterprises.

2 THEORIES ON AUDITING

There are several different theories that may explain the demand for auditing services. Some of them are well known in researches and some of them are based on perception. According to Hayes, (2005) which came out with four theories of auditing as we look deeper into it below. The policeman theory claims that the auditor is responsible for searching, discovering and preventing fraud in the early 20th century this was certainly the case. However, more recently the focus of auditors has been to provide reasonable assurance and verify the truth and fairness of the financial statement and which is the focus of external auditors. The dictation of fraud, is however, still a hot topic in the debate on the auditor's responsibilities, and typically after events where financial statement fraud have been revealed, the pressure increases on the increasing the responsibilities of the auditors in dictating fraud.

The leading credibility theory think that, the primary function of auditing is to add credibility to the financial statement. In this view the services that the auditors are selling to the client is credibility. An audited financial statement is seen to have elements that increase the financial statement user's confidence in the figures presented by the management. The users are perceived to gain benefit from the increased credibility which are typically considered to be that quality of investment decisions improve when they are based on reliable information.

The theory of inspired confidence (theory of rational expectation) this theory address both demand and supply for audit services. The demand for audit service is a direct consequence of the participation of third parties (stakeholders) they demand accountability from the management, in return for their investment in the enterprise. This accountability is realized through the issuance of a periodic financial report. However, since this information provided by management may be biased and outside parties have no direct means of monitoring an audit required to assure. (Hayes, 2005)

Agency theory suggests that the auditor is appointed in the interests of both the third parties as well as the management. A company is viewed as a web of contracts. Several groups (suppliers, bankers, customers, employees) make some kind of contribution to the company for a given price. The task of the management is to coordinate these groups and contracts and try to optimize them: low price for purchased supplies, high price for sold goods, low interest rates for loans, high share prices and low wages for employees. In these relationships, management is the agent, which tries to gain contributions from principals (bankers, shareholders, employees). (Watts, 1978, 1986a, 1986b)

Enterprises are owned by their shareholders, partners in a partnership business. Small enterprises can have a single shareholder, while very large and often publicly traded companies can have several shareholders. As a rule, the shareholders are only responsible for the payment of their own shares or contributions. As owners, the shareholders are entitled to receive the profits of the company, usually in the form of dividends. The shareholders also elect the directors of the company. The directors of the company are responsible for the day-to-day activities of the company. They owe a duty of care to the company and must act in its best interest. They are usually elected. Smaller companies can have a single director, while larger ones often have a board comprised of several directors. Except in cases of fraud or in some specific tax statutes, the directors do not have a personal liability for the company's debts. The directors or management of the company are the ones involved in the day to day running of the business and have their own interest which is different from that of the company, in this case there exists a conflict of interest between owners of the business and management. The management is different from the main goals of the organisation which is for making profit while shareholders want their return or interest from their investment (dividend), To strike of this, owners must bring in external auditors who are external firms and expert investigators to audit the financial statement to give the truth and fairness of the operations of the enterprise. (Shutank,2000)

2.1 Accounting and Auditing

Many people often confuse between the two words accounting and auditing as they are closely related to each other. Therefore, before we get into the area of auditing and its roles, we will find out first the relationship between accounting and auditing. The relationship between accounting and auditing from their definitions accounting and auditing have a close relationship although their natures are very different. They are both associated, but their relationship is not like ordinary relationship we know but just business associate. Accounting includes the collection, classification, summarization and communication of financial data. It involves the measurement and communication of business events and conditions as they affect and represent a given enterprise or other entity. Auditing on the other hand is not involved in any of the above activities of an accountant but its task is to review the measurements and communication of accounting for propriety. Auditing is more analytical, that is critical investigations which at the end give its report according to its findings that is true and faire of its findings.

The purpose of auditing is to certify a true and fair view of financial statements. Accounting requires an accountant to have accounting knowledge while auditing work required that an auditor must have accounting as well as auditing knowledge. Current data is the concern of the accounting. Kenji 2015

Different branches of accounting came into existence keeping in view various types of accounting information needed by a different class of people. owners, shareholders, management, suppliers, creditors, taxation authorities and various government agencies, etc. There are three main branches of accounting which include financial accounting, cost accounting and management accounting.

Financial accounting is based on a systematic method of recording transactions of any business according to the accounting principles. It is the original form of the accounting process. The main purpose of financial accounting is to calculate the profit or loss of a business during a period and to provide an accurate picture of the financial position of the business as on a date. The trial balances, profit & loss accounts and balance sheets of a company are based on an application of financial accounting. These are used by creditors, banks and financial institutions to assess the financial status of the company. Further, taxation authorities can calculate the tax based on these records only.

Cost accounting deals with the evaluating the costs of production or services offered. It calculates the costs by considering all the factors that contribute to the production of the output, both manufacturing and administrative factors. The objective of cost accounting is to help management in fixing the price

and controlling the costs of production. It also pin points any wastage, leakage and defect during management and marketing process.

Management accounting is a branch in accounting that provides information to management for better administration of the business. It helps in making important decisions and controlling of various activities of the business. The management can take decisions effectively with the help of various management information systems such as budget, project cash flow and fun flow statement, cost volume cost, analysis profit analysis reports, breaker even point calculations.

Auditing is a branch in accounting where an external certified public accountant known as auditor inspect and certify the account of a business for their accuracy and consistency. Sometimes internal audit is also practiced where an employee of the same company audits the account on a regular basis and help the management in keeping accurate record for audit purpose.

Beside the above-mentioned branches of accounting there are more which are still in practice such as: tax accounting, government accounting, forensic accounting, fund accounting and fiduciary accounting. (Frank, 1999)

2.2 External Auditing

Definition of the word “Audit” originates from the Latin word “audit” which means “to hear”. In the earlier days, whenever there is suspected fraud in a business organization, the owner of the business will promote a person to check the accounts and hear the explanations which are given by the person responsible for that account. That person now is called “auditor” and the tasks of checking and hearing is now called “auditing”. According to Montgomery (2009), a well-known author, auditing can be defined as a systematic examination of the books and records of a business or the organization to ascertain or verify and to report upon the facts regarding the financial operation and the result thereof. To explain Montgomery’s definition, auditing is a process of gathering and measuring the evidence about the measurable data of an account or a business record to report about the appropriate between those data with the settle standard. The process is implemented with a person who has knowledge in both accounting and auditing area, that person called “auditor.

Categories of external auditing have been categorized by functions which are divided in to 3 categories, but the author will limit it only on independent audit such as: Audit of financial statements is also

known as financial audit. It is a verification of the financial statements of a legal entity with a view to express an audit opinion. The purpose of financial audit is to provide reasonable assurance that the financial statements are presented fairly, in all material respects and/or give a true and fair view in accordance with the financial reporting framework. (International Standard on Auditing 2012). To be clearer, auditing of financial statements is the process of determining whether all financial statements of an organization which have been announced are in accordance with a specific standard or not. This is a process of checking the level of trustworthiness of the announced financial statement. The main statement that financial audit will concern are balance sheet, income statement, statement of cash flows and accompanying footnotes. Financial audit is usually performed by a firm practicing accountants who are experts in financial reporting.

Operational audit will examine a company's internal systems and procedures used to produce its goods and services sold to consumers. It also tests production operations for efficiency and effectiveness. Operational audit may be conducted by internal employees or external auditors with appropriate knowledge in the area. Operational audit is usually providing a deeper review of company operations than financial audit. The purpose of operational audit is to improve workflow or cost allocation processes and quicker turnaround times. (Osmand, 2012) Operational audit can be understood as the process to examine and measure the level of effectiveness and efficiency of an operation to find the way to improve the performance of that operation. Operational audit also reviews the procedure and method of any unit within organization to measure the current performance of that unit as well as suggest a solution to improve it. For example, operational audit can examine the level of efficiency of calculating salary software which is installed recently in an organization. (Luyen, 2009) In Operational audit, the standards for measurability are identified depending on each operation. There is no general standard. The selection of standard is done by the auditor and usually subjective. Operational audit can be performed by both internal and external auditors and the audited organization is the one that takes the advantages of the operational audit.

A compliance audit is a comprehensive review of an organization's legitimate. It is undertaken to confirm whether a firm is following the terms of an agreement (for example, a bond indenture), or the rules and regulations applicable to an activity or practice. What, precisely, is examined in a compliance audit will vary depending upon whether an organization is a public or private company and what kind of data it handles and if it transmits or stores sensitive financial data. (Rouse 2010) Compliance audit examines the level of executive law, policies or management standard of an organization. The standard used in compliance audit are those statements that are related with the organization such as tax, rule,

law and policy. Those statements are usually given by the government. Compliance audit is usually performed by external auditors and government's auditors and it serves the authority.

3 PRESENTATION OF CASE COMPANY

Financial and management accountancy centre (FIMAC) PO BOX 34 Bamenda, started as an evening school for students who are preparing to write the Association of certified chartered accountant (ACCA) examinations or Government examinations entrance into higher institutions of the locality of the city of Bamenda 2007 September. As such it started with a group of teachers Mr. Mbosi John as the director, Mr Giblet Ogene, Mr Kenji Chalse, Mr Kenji Daniel and Madam Njanto Emilia. With their professional and expertise knowledge they were able to give the students a good guide line and many professional youths in the Bamenda passed through Financial and management accountancy centre Bamenda. In 2012 FIMAC was made the examination centre in the writing of the ACCA exams in the North west Region of Cameroon which is also the heart of education in Cameroon. By early 2013 with the high performance of the students from the institution motivated them to start business consultancy and external Auditing work. Due to their high publicities and confidentiality in their past years of operations made them capture customers especially the commercial enterprises in Bamenda. FIMAC is the main auditing firm that audit the accounts of Apostolic church of Cameron and it missions schools in 2014 academic year in which I take path in the auditing process as I was on internship in FIMAC.

Financial and management accountancy centre with the good experience in accountancy and its expertise in management and auditing knowledge has been able to carry out most of its auditing work based on laws and regulations. Guidance regarding the responsibilities in laws and responsibilities to the auditing of financial statements which is provided in International Accounting Standard (IAS 250) of laws and responsibilities of external auditors to audit financial statements. Financial and management accountancy centre shares the responsibilities between the external audit firm and the managment of the client or the organizations in which the audit practice is to take place. (Source Company history)

Accoding to the laws of IAS 250 as it is being practice by FIMAC it is the responsibilities of management, with the oversight of those in charge to ensure that those entity's operations are conducted with the accordance with the laws of the IAS 250 especially those that report the direct amount and disclosure in the financial statement. On the other hand, the external auditing firms owing the responsibilities as set by the IAS 200 and which is been practiced by financial and management accountancy centre with its clients. External auditors are responsible for obtaining reasonable assurance that the financial statement taking, are free from material misstatement, whether caused by fraud or errors (IAS 200).

Therefore, in conducting an audit of financial statement the auditors must consider the applicable legal and regulatory framework.

The external auditors most perform specified auditing procedures to help identify for instance it non-complies are identified or suspected the auditor most the respond properly. In conclusion of the presentation of the case company, FIMAC used the laws and regulations of IAS 250 and 200 to be able to carry out its job with its clients usefully especially with the commercial companies in which they have gained the whole market in the North west region of Cameroon.

Financial and management accountancy centres offer verities of services to its client such as: FIMAC as an academic institution and as a centre accommodation for the writing of association of certified chartered accountant (ACCA). Auditing of financial statement service is currently the main operation of the firm. FIMAC is proud of their experience in auditing financial statements for over 50 clients working in commercial industries. In addition, being aware of the market's demand, FIMAC also provides services such as auditing operation, auditing compliance, performing internal audits and auditing financial information.

Construction Inspection and Verification, the provision of the services on inspection and verification of the finalized accounts of investment capital and construction works is one of the most successful activities of FIMAC. The outcome of this service will help the client complete many forms that need to get the approval of the authorities before implementing the construction. Besides that, the result of service will provide the client reliable information and figures and data to serve the purposes of strategic decision making, mortgaging, transferring, equitizing, depreciation, disposing and liquidating the businesses.

Project Management, with a professional team of engineers and auditors, FIMAC always satisfies the client's requests for project management at the highest efficiency. FIMAC consulting service with high efficiency has significantly contributed to increasing trust and satisfaction of clients for its services.

Consulting Services, financial and management accountancy centre possesses many consultants who have varied knowledge in law as well as practical experience which will provide the clients with the most optimal solutions. The firm is also willing to co-operate with other international professional organizations or State Authorities to enhance the quality and the efficiency of their services. This way of

operation has made FIMAC clients confident and satisfied with the services that they ordered. (oral history 20014).

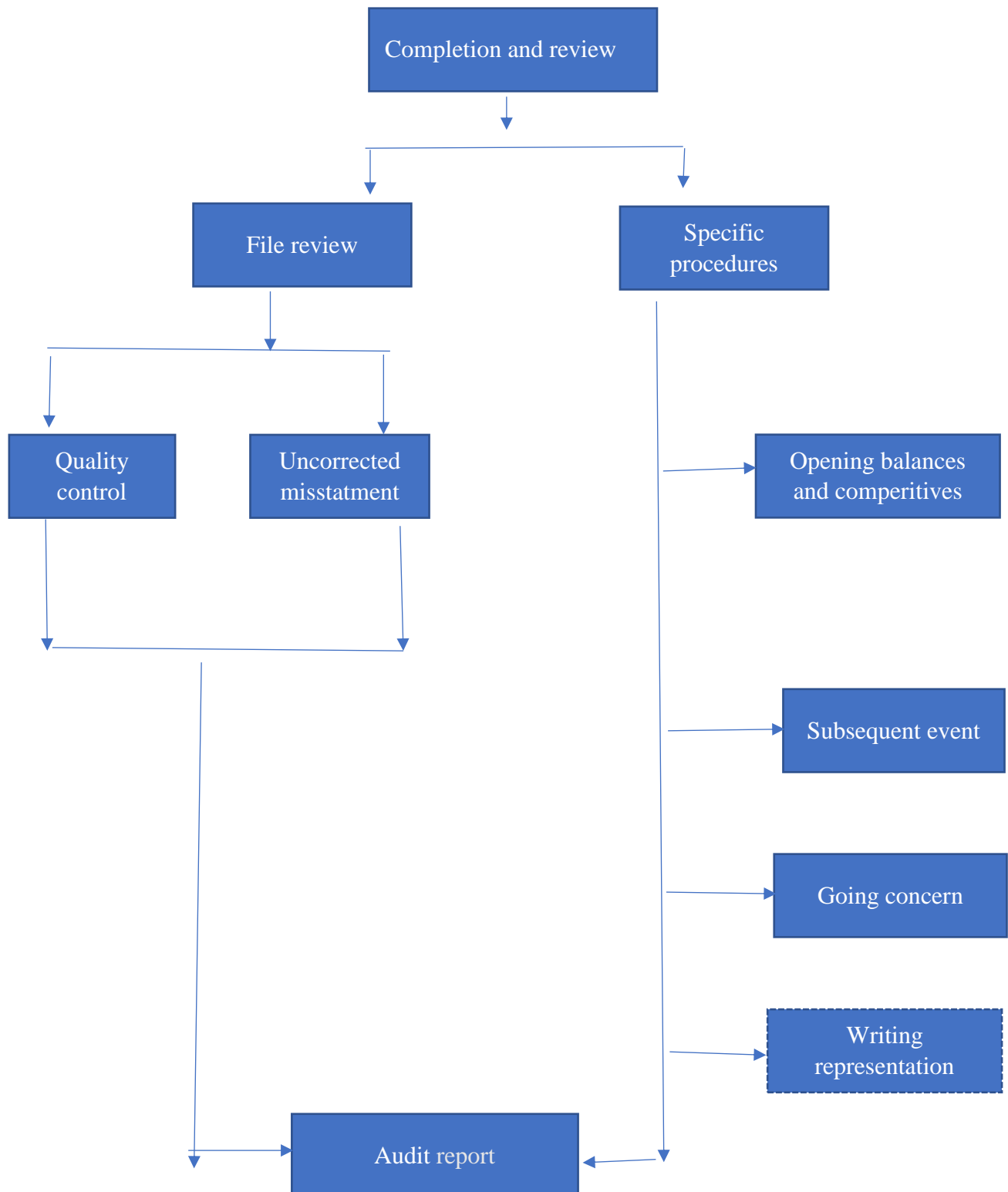
4 ANALYSIS OF CASE COMPANY

The financial and management accountancy centre carry out its work based on the international guide line or framework put in place by the world organizations that oversee Auditing rolls and regulations such as ISA, FRS. The writer will use audit evidence to explain what he went through and the activities carried out in the case company during the internship period in Financial and management accountancy centre Bamenda Cameroon.

Ethics and acceptance of appointment was one of the fundamental rule which I was made to understand in the performance of external auditing to carry out its work as professionals with it client. The purports of assurance engagement is to increase the confidence of the end users of information by reducing their level of risk. Its therefore follows that the users' needs to trust the professionals external Auditors who is providing them with the assurance. In order to be trusted the external auditors need to be independent of their client. This means that freedom from situation and relationships where objectivity will be perceived to be impaired by a reasonable and inform third party. The external auditors need to understand the environment in which the clients operate in other for them to be able to get good source of information to analyse when presenting their audit report to the persons concerned. This is often referred to as the Knowledge of the Business (KOB). The nature of the client business to be understood include: Its operations, its ownership and governance structure, the types of investment it has been involved in and it structure and means of its finance and the measurement and the method of reviewing its financial performance.

FIMAC is always putting the ISA 315 in practice when carrying out its work with clients which state the accessing the risk and material misstatement. This is to access the risk that the business is exposed to and how this risk is related to the material misstatement in the financial statement.

4.1 Graphical presentations of competitions and review of external audit work by FIMAC



(Kenji, 2015, 197)

After an external auditor has gathered evidence there are still many procedures needed to be completed before they can sign the audit report which includes the considerations of opening balances and com-

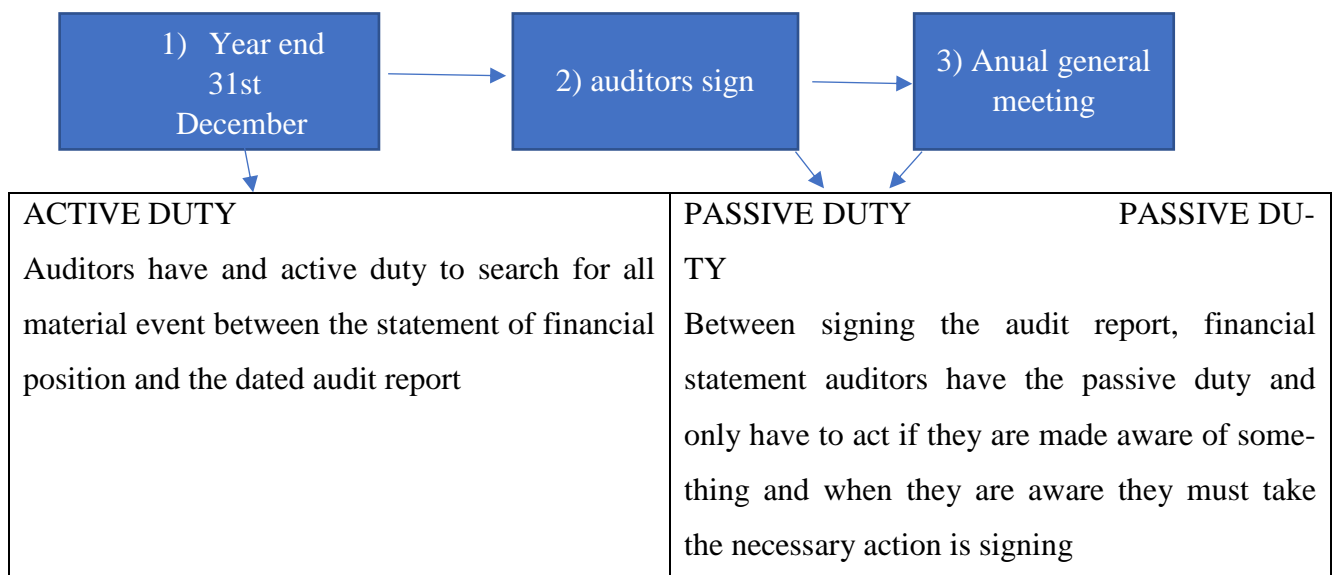
paratives, the subsequent review, the going concern review, obtaining writing management representations, considerations of misstatement and audit file review.

Subsequent review events are event occurring and facts discovered between the period and the date the financial statement is authorized for issue. External auditors usually make sure that such event is properly reflected in the financial statement and this is done by event after the reporting period.

The going concern in tires with the IAS1 state that financial statement should be prepared on the basis that the business is a going concern unless it is inappropriate to do so.

Writing representation is a writing statement by management provided to the auditors to confirm certain matters or to support others audit evidence (ISA 580)

4.2 External Auditors responsibility



(Kenji, 2015)

External auditors must hold an annual general meeting with the management asking them to review financial statement. If clients update the financial statement, the auditors can give a clean audit report and if they refuse to change the financial statement the auditor's report will need to be qualified.

Discusses with management review the financial statement to ensure and redraft the audit report and if clients refuse, seek legal advice, attain annual general meeting or resign, discusses with management

and the director will have to redraft the financial statement by reviewing to ensure and to redraft the audit report.

The auditors have done the subsequent event review and has found material event there are two types. Adjusting event providing additional evidence relating to conditions existing at the balance sheet date and therefore need adjustment in the financial statement. Example trade receivables going bad, credit note relating to sale invoice in the year end and inventory at the yearend sold lower than cost. Non-adjusting event concerning conditions which arose after the statement of financial position date, but which may be of such materiality that their enclosure is required to ensure that the financial statement is not misleading. Example take over, legal issuers after the year end, a fire happening after the balance sheet date which must impact on the inventory because it was sold prior to the fire.

ISA 560 Subsequent event details the responsibilities of the auditors with respect to subsequent event and the procedures they can use. As can be seen in the above, auditors are responsible for performing these procedures right up until they sign the audit report. This subsequent event review depends on many variables such as the nature of transactions, events and the availabilities and data and report such as enquiring into management procedures or system for the identifications of a subsequent event not forgetting the inspections of minutes of members in directors meeting and reviewing account record and budget, forecast and interim information.

The intern was among the team that carry out an audit work during his internship period with the case company and gather the following performance such as testing of controls since commercial enterprise mostly deal in the buying and selling of goods and service they do not produce them. Test of control is the operative effectiveness in preventing, detecting or correcting material misstatement. It is very important to external auditors to test control to ensure their initial understanding when assessing the control environment and internal control is appropriate. With this test of control external auditors are being allowed to identify and asses the risk of material misstatement in the financial statement and to determine to what extent to rely on the internal control system during the audit. Payroll system and test of control. strength in the control environment at the Hotel respect of pay roll are set out in the

TABLE 1.

TABLE 1. External auditor's responsibility.

| Strength | Explanations | Test of control |
|---|--|---|
| All staff are assigned a unique ID card by the personnel department to record hours work. | Segregations of duties between allocating the card and processing payroll will reduce the risk of the creation of ghost employees by the payroll department. | Ask the sample from the employee to confirm who provide them with the unique ID card of joining the business. |
| Hours work are introduced by the divisional heads | There is a reduce risk that hours are over stated as the divisional heads can easily identify errors and abnormalities in the departments. | Inspect the emails send by the divisional heads for a sample of months and agree to the employs hours recorded on the payroll system. |
| This payroll system must be password protected with an alphanumerical password. | | |

(Kenji, 2015)

4.3 Professional responsibilities and liabilities

According to ISA 250 which clearly state that it is the responsibility of management, with the oversight those charged with governance, to ensure that the entities operations are conducted in accordance with relevance laws and regulations, particularly those that determined the reported amount and disclosure in the financial statements. On the other hand, the auditor is responsible for obtaining reasonable assurance that the financial statement taking, are free from financial statement taking, are free from material misstatement Whether caused by fraud or error (IAS 200). Therefore, in concluding financial statement audit the auditors must consider the applicable legal and regulatory framework. More specifically the auditors must obtain sufficient, appropriate evidence regarding compliance with laws and regulations generally recognize to have direct effect on the determination of the material amount and

disclosures in the financial statements. The auditors must also specify audit procedure to help identify instances of non-compliance with those laws and regulations that may have a material impact on the financial statements. If non-compliance is identified (suspected) the auditor must respond appropriately.

Fraud and error, misstatement and irregularities are the collective term fraud, error breach of laws and regulations, and deficiencies in the design or operating effectiveness of controls. An irregularity may or may not result in a misstatement in the financial statements. On the other hand, misstatement is defined by the ISA 450 as a difference between the amount, classification, presentation or disclosure of reported financial statement item and the amount that is required for the item to be in accordance with the applicable financial reporting framework. In ISA 240 the auditor responsibilities relating to fraud in an audit of financial statement, it states that misstatement in the financial statements can arise from fraud or errors. The distinguishing factor between the fraud error is whether the underlying action that results in the misstatements is intentional. Therefore fraud is an intentional act involving the use of deception to obtain an unjust or illegal advantage. It may be perpetrated by one or more individuals among management, employees or third parties. ISA 240 has identified two categories of fraud which are "fraudulent reporting and misappropriations of assets." Example of financial statement fraud could include the creation of dummy supply or ghost employees to divert company funds into a personal bank account or the intentional concealment of company's loans within complex network special purpose entities so that they do not appear on the statement of financial position.

4.4 Research questions

What is the role of external auditing on the performance of a commercial enterprise?

What is the impact of external auditing on the operations of a business?

What is the impact of financial statement and assurance services on a commercial enterprise?

A questionnaire survey was conducted among the clients engaged by FIMAC during the period of the writer's internship. The questionnaires were sent to 100 of the employees of commercial enterprises engaged by FIMAC a total of 100 gave their feedback with a response rate of 100 %. The questionnaire was sent to the employees of the engaged clients and the questions are listed below. The purpose of this questionnaire survey was to know the roles external auditors play on the performance of commercial enterprises, addition to providing some importance and benefit of external auditing to com-

mercial enterprises. A total of 100 questionnaire feedbacks were received, 60 of which were from males and 40 from females with different age groups and occupation.

TABLE 2. Presentation according to gender of the client's employees.

| Gender | Frequency | Percentage |
|--------|-----------|------------|
| Male | 60 | 60 % |
| Female | 40 | 40 % |
| Total | 100 | 100 % |

TABLE 3. Presentation according to the age of client's employees.

| Gender | Frequency | Percentage |
|----------|-----------|------------|
| 18 – 25 | 10 | 10 % |
| 25 – 40 | 40 | 40 % |
| 40 above | 50 | 50 % |
| Total | 100 | 100 % |

TABLE 4. Presentation according to the specialization of our client's employees.

| Response | Frequency | Percentage |
|-----------------|-----------|------------|
| Store keepers | 5 | 5 % |
| Security guards | 20 | 20 % |
| Drivers | 20 | 20 % |
| Accountants | 30 | 30 % |
| Managers | 25 | 25 % |
| Total | 100 | 100 % |

TABLE 1 to 3 show the gender of the customer that responded to questionnaire their age and occupations. From the above tables it shows that males are more employers in the commercial enterprises than females, the second TABLE show the age group taking to the fact most of the employees are adult. Lastly the table shows the specialty of the respondents proving that majority of them are occupying top positions in the commercial enterprise.

How likely are you to recommend FIMAC to Friends, Families and Colleagues?

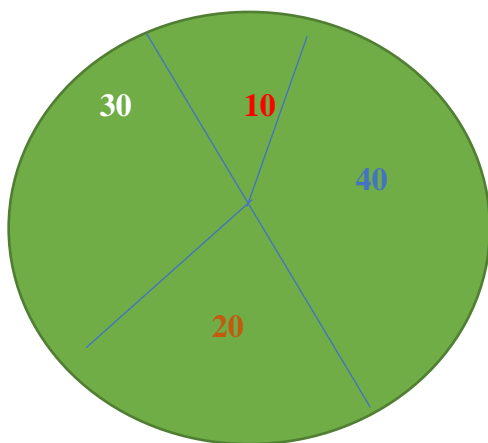
TABLE 5. How long have you been working with our client?

| Responds | Frequency | Percentage |
|--------------------|-----------|------------|
| A month | 25 | 25 % |
| Less than one year | 15 | 15 % |

| | | |
|----------------------|-----|-------|
| | | |
| 1-2 years | 20 | 20 % |
| 1-2 years | 20 | 20 % |
| 1 years and above 15 | 40 | 40 % |
| total | 100 | 100 % |

TABLE 4 shows how long the customer who responded to the questionnaire have stead with our clients from the above it shows that 25 % of the respondent are new comers,15 % have been there for less than a year, 20 % have been there from 1 to 2 years 15 % being the majority of those who have been there for more than 3years showing to the fact the response they gave was sincere and actually they were somehow satisfied with the product and services if they have been there for such a long time.

How satisfied are you with the product and services of FIMAC?

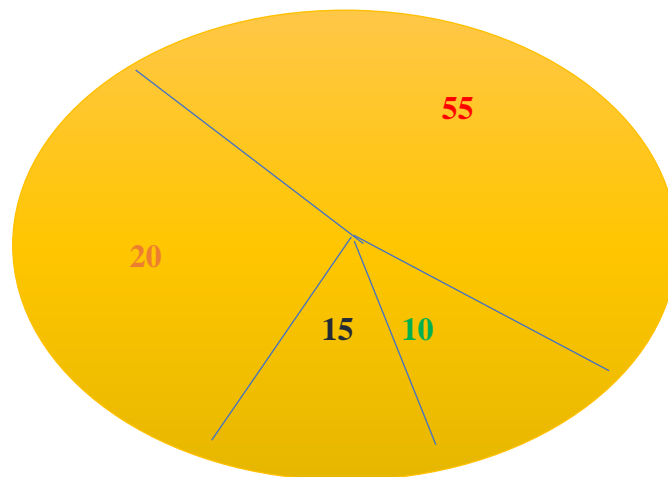


GRAPH 1. How satisfied are you with the product and services of FIMAC?

GRAPH 1 shows that 10 % of the client's employees are not satisfied at all, 20 % are either satisfied or dissatisfied, 30 % are likely satisfied 40 % out of 100 % are extremely satisfied with the product and

services offer by FIMAC, with the introduction of new and reliable product introduce almost every day, this will increase the performance of commercial enterprises.

How likely are you to recommend FIMAC to Friends, Families and Colleagues?



GRAPH 2. How likely are you to recommend the bank to friends, families and colleague?

From the GRAPH 2 its showed that 10 % of the respondents are not at all likely to recommend the external audit firm to others, this can be from some weaknesses they might have encounter with them, 15 % are likely to recommend while 20 % are very likely, that is they can do it but at their own. Most of the respondents 55 % are extremely likely to recommend the FIMAC this percentage it show that the firm is somehow able to play an important role on the performance of commercial enterprises.

TABLE 6. Has FIMAC been able to meet your demands?

| Respondent | frequency | Percentage |
|------------|-----------|------------|
| Yes 60 % | 60 | 60 % |
| Somehow | 35 | 35 % |
| No | 15 | 15 % |

From TABLE 5 above it shows that 15 % of the respondent are not satisfied with the services of the external auditing, 35 % are somehow satisfied and 60 % which is the majority are very satisfied with FIMAC services and the firm has been able to meet up with their demand.

Lastly our client's employees with problems usually do not react and only about 20 % of them complained, normally a person with problem tells 10 other people about it, while satisfied customers of FIMAC services tell 5 other people about their good experience. Keeping a current customer is less costly than acquiring a new one same as retaining a current employee cost one tenth of hiring and training a new one. In creating the questionnaire, the researcher made use of both quantitative and qualitative research. The researcher was able to send some questionnaire and got replies from customers on their point of view on the role they play on the performance of commercial enterprises.

5 CONCLUSIONS

From the topic the role of external auditing on the performance of commercial enterprise. Commercial enterprises are business entities which are only involve in the buying and selling of good or services with the aim of profit making. They do not involve in the production of the good they sell to customers. Example of commercial enterprise is a supper market and a private university.

External auditing has played a greater role on the performance of commercial enterprise as stated by (Hayers, 2005) in one of his theory on external auditing the leading credibility theory and which most external auditors have been basing their minds without noticing how the world of technology is evolving, but rather basing their mind that the primary functions of auditing is to add credibility to the financial statement without putting the impact of financial statement and assurance service on commercial enterprise. The writer is therefore subjecting that an engagement in which a practitioner expresses a conclusion designed to enhance of confidence of the intended users other than the responsible party about the outcome of the evaluation or measurement of a subject matter against criterial. In simple terms when adequate information is being provided with the knowledge that the risk of the information being incorrect is reduced.

The second worries of the writer are the impact of external auditing on the operations of business which many auditors have always base on the theory of rational expectations by Hayes P 2005 which addresses both demand and supply of audit service. This demand is the direct consequences of the participations of the third parties (stakeholder) they demand accountability from management, in return for their investment in the enterprises. The writer is therefore adding more point to this theory by applying that financial reporting standard should be used. That is management prepares the subject matter (financial statement). Auditors will review the financial statement with procedures to obtain sufficient information's to report fairly in their opinion to the satisfactions of the stakeholders.

Providing an Opinion on Financial Statements some managers assume external auditing firms will create their financial statements when that is the job of company managers. The writer is therefore thinking that external audit firms which are responsible for providing reasonable assurance that the financial statements are free from material misstatements should most have put together some control measures tools prepared according to an accounting framework in the management system with constant check on how it is providing absolute assurance of perfect financial statements; they most test enough data to provide reasonable assurance.

Obtaining sufficient evidence to form an opinion external auditor should base a huge portion of their opinion on the evidence they examine during the audit. And to ensure they have collected the enough evidence, auditors should rate the riskiness of the client. The higher risk the client has the more evidence they should collect before issuing an opinion. The quality of evidence should also crucial. Some evidence must be obtained from reliable third-party sources, such as banks and lenders, to corroborate the client's financial information.

Independence, the audit firm should be responsible for maintaining an independent attitude an appearance of independence from the client. Lacks in independence means that the auditor will fail to address audit problems, which will lower the credibility and assurance of an external audit. The auditor should not serve as an officer for the client or participating in management of the client's company. Audit firms also shouldn't have any sort of financial interest in the client. An Audit firm partners should ensure that none of their auditors have joint ventures or significant investments in the client before auditing the client.

Ensuring compliance external auditors should help determine whether your small business follows all applicable Internal Revenue Service rules. An external auditor is not affiliated with your company and thus can redirect your company's behaviour without fear of repercussions if you do not like what he has to say. An external auditor can catch small problems before they become serious and help your business get back on track.

Internal auditors may be too close to the business because of their positions within the company. Some internal auditors also do not have enough accounting experience to accurately audit their company's financial statements. External auditors can look at the same factors as internal auditors and double-check their work. They can also train internal auditors in accounting principles by explaining how their analysis differs from the analysis the internal auditor performed.

Critique Internal Processes. internal auditors cannot effectively critique the company's internal processes because they are part of the company. External auditors, however, can observe operations from the outside and determine where the company is wasting time or money. External auditors often critique accounting practices and general operations. They can recommend behaviours to the company to reduce waste or promote greater efficiency in general as well as tighten accounting practices.

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APENDIX 1

Questionnaire

Thank you for granting me the opportunity to communicate with you, I sincerely appreciate your time and answers you will give. The information that will be collected will only be used for my bachelor's thesis work, so your response and the entire questionnaire will be treated confidential and anonymously. Your participation will be appreciated. Please, fill in this questionnaire by indicating the most appropriate choice from your point of view.

- 1) What is your gender? a) Male b) Female
- 2) How old are you? a) 0 to 20 b) 21 – 35 c) 36 - 50 d) 50 above
- 3) What is your income level? a) bellow 15000frs b) 15000 – 35000frs c) 35000 – 40000frs d) 40000 FRS above.
- 4) What specialty are you in our client company? A) Store keeper b) Security guard c) Accountant d) manager.
- 5) How long have you been a worker to our client? A) a month b) less than a year c) 1 – 3years d) 3years above.
- 6) How likely are you to recommend FIMAC to your friends, family members and colleague?
Not at all likely, b) likely c) very likely d) extremely likely
- 7) How satisfied are you with the FIMAC and its products and services? A) Not satisfied b) Satisfied c) Very satisfied d) extremely satisfied
- 8) Which of our product do you enjoy using most? A) Auditing services b) Construction inspection services c) Management consulting services d) project management.
- 9) Do our product and services meet your need? a) Not at all b) yes
- 10) How responsive have we been to your question concerning FIMAC services, product and services and any challenges you have ever face operating with us? A) Not all-responsive b) very responsive c) extremely responsive.