



MONITORING THE PERFORMANCE OF FINANCIAL AUDITORS

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ABSTRACT

In the present economy, accountability and information have assumed an integral role in society. Consequently, independent audit of an institution has increasingly becomes vital to the financial statement users, such as the creditors, investors, as well as other participants in the economy. Auditors are known to communicate the audit results in a standardized format to ensure that the process of financial reporting follows the rules and regulations set by the International bodies guiding auditing. This study explores the monitoring process of the performance of financial auditors.

Keywords: Financial auditing, Financial reporting, Financial Auditors.

INTRODUCTION

Performance audit is an integral practice that companies must heavily invest in if they are to deal with issues of financial improprieties. Through performance audit, it is possible to determine with certainty the performance of programs and projects, as well as whether the financial reporting was done based on the available standards. The fundamental aim for conducting a performance audit is to unearth recommendation on the financial performance of the company. The monitoring processes are integral in ensuring that companies adheres to the set standards guiding financial reporting. The financial monitoring process entails

continuous, as well as systematic follow up of the company's activities and processes. This research study explores the methods for monitoring performance of financial auditors

RESEARCH METHODOLOGY

Research methodology describes the process used in the collection of data for purposes of developing the study. There are two major methods often used in the collection of data. They include the primary and secondary methods. The primary methods are techniques used in the collection of first hand information about the study, and include data collected through the interview and survey

questionnaires (Khan, 2011). On the other hand, secondary data collection methodologies depend on the already developed information which can be acquired through online libraries or even electronic databases, such as the Google scholar and Science direct among others. The primary objective of this study was to ascertain the methods used in monitoring the performance of the financial auditors (Panneerselvam, 2014). In this respect, the author has extensively employed the use of secondary data for purposes of developing this study.

RESULT AND DISCUSSION

The Need for auditing and the methods used in Monitoring Performance of Auditors

Undeniably, Internal and in particular external auditing process often ensure that the financial statements are accurate and, therefore, capable of communicating precise information to the financial users, including banks, creditors, and the investors (Panneerselvam, 2014). External financial reporting for both public and private organizations is geared towards providing information in respect to management stewardship (McCarthy, Shelmon, & Mattie, 2012). Additionally, information about the financial statement provides the foundation upon which the investors make decision regarding whether

to sell or buy securities. To the banks, financial statements provides pertinent information regarding whether to led or not to lend money, to the creditors, it explores the credit worthiness of the business organizations, and to the investors on the best entity worth investing in.

Financial auditors play a noble role in ensuring that companies comply with the rules and regulations guiding financial reporting. Considering the fraudulent activities that sometimes characterize the financial reporting process auditing has emerged as an important tool for a number of organizations and management. There are two form of auditing, including internal auditing and external auditing process, all of which are geared towards ensuring prudent management of financial resources. According to Pickett (2013), internal auditing can be defined as an independent practice, consulting activity and objective assurance that is solely designed to not only add value, but also enhance the operations of the organization.

Auditing specifically helps organization accomplish their goals and objective through embracing disciplined and systematic approach to assessing and enhancing the efficaciousness of risk control, management, and the governance process (Fountain, 2016). According to Moeller (2015), internal auditing catalyses

organizational operations by enhancing risk management, governance, as well as management control by offering insight and recommendations based on assessments and analysis of the business process and data. By remaining committed to accountability and integrity, internal auditing process play a pivotal role in the provision of value to senior management and the governing bodies as a source of independent advice.

The internal auditing scope is relatively broad and sometimes entails topics, including risk management, governance of the organization, and management control among many others (Pickett, 2011). These areas are extremely critical as far as the success of the organization is concerned. Admittedly, auditing provides a proactive fraud to ascertain the potentiality of fraudulent acts as a result of engaging in fraudulent investigations, as well as conducting pots investigations to ascertain whether financial misappropriation or fraud has occurred.

Despite the significance of the internal audit in ascertaining the soundness of the financial statements, auditing process, more so the internal auditing have been marred with problems threatening its efficacy. This has compelled the relevant bodies to consider exploring ways through which the problems involved with internal

auditing can be achieved. Based on the International Standards for the Professional Practice of Internal Audit, the chief audit executive have been tasked with the sole responsibility of not only developing, but also maintaining quality assurance coupled with enhancement programs covering the different facets of the internal auditing (IIA, 2008). Therefore, based on the provisions of the IIA, the executive auditor has the sole objective of ensuring that the due diligence is followed.

Plethora of studies conducted, including PriceWaterhouseCoopers (2010), Deloitte, 2010, and Pop and Boța-Avra, 2009 have stressed the need to rethink the new strategy that can be used to enhance the internal auditing process. This is majorly because many people use the outcome for such process for business strategic reason justifying the need to ensure that the process is done precisely. This can only be achieved through constant monitoring of the processes and activities involved in internal auditing.

According to Gramling, Rittenberg and Johnstone (2012), the auditing committees are required to make sure that they supervise the management of the operational risks, besides remaining accountable to the many users of financial statements. Njunga unearths the various stakeholders, including the regulators,

insurance companies, customers, potential investors, and employees as being critical users of the financial statements. In this respect, they must be assured through continuous monitoring of the audit process that the outcome reflects a true view of the financial position of the company at hand (Mathur, 2011).

The audit committee plays an important role in ensuring that the entire auditing process is done in a fair manner and reflects the true financial position of the company at hand. Therefore, the audit committee to some extent plays the role of monitoring the performance of the financial auditors to ensure that they are accurate. The figure documented below shows the responsibility and accountability of the audit committee while at the same time unearthing the position of the audit committee within an organization.

Irrespective of the type of nature of the institution, the fact remain that all entities or organizations employ the use of economic resources with the sole objective of pursuing their objectives and goals. Business organizations require financial statements because of one reason or the other. This is because financial statements are regularly used by organizations to provide helpful information regarding the financial position of a given organization in time. Internal and in particular external

auditing process often ensure that the financial statements are accurate and, therefore, capable of communicating precise information to the financial users, including banks, creditors, and the investors (Panneerselvam, 2014).

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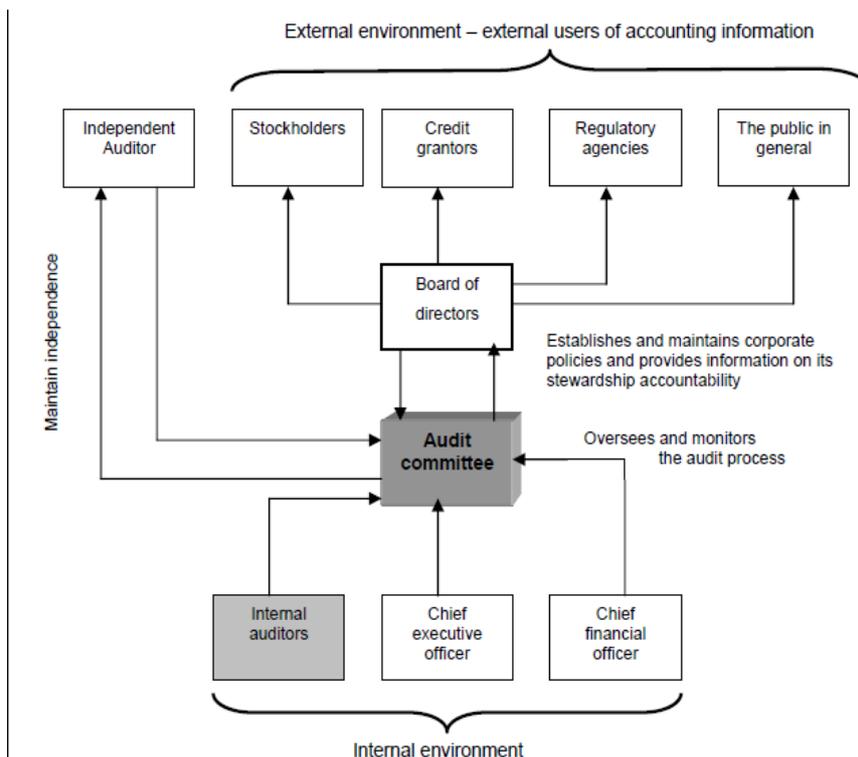
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Methods in Monitoring Performance of Financial Auditors

There are a number of methods that can be used in the measurement of the performance of financial auditors. They include continuous auditing, the use of another body of auditors to review the authenticity of the auditing done, and finally, reviewing the audited financial documents against the set standards governing the auditing procedure. Doing the afore-mentioned is critical because they help in monitoring the authenticity of the auditing process.

Continuous Auditing

The increase in the number of financial flaws by financial auditors has compelled many organizations to consider employing the use of Continuous Auditing process to avoid jeopardizing their corporate image. Continuous Auditing process is defined as the process involved in the transformation of the external and internal auditing using modern information technology. Organizations, such as BIPOP and Canadian Mounted Police are increasingly developing practices and tools capable of bringing assurance closer to transaction while at the same time lessening the cost of auditing through automation. The continuous assurance (CA) is a technological enabled process that simultaneously produces the auditing results within a short time frame.

Compared to conventional auditing process, Continuous Assurance is known to be highly comprehensive, timely, accurate, and for the above all less costly. Therefore, continuous auditing through continuous assurance is a crucial monitoring tool that can be used to progressively monitor the performance of the financial auditors.

Reviewing the audited financial documents against the set standards governing the auditing procedure

There are set standards that should be followed while auditing organizational financial statements. Following the procedures is critical to ensuring a credible process. However, in some circumstances, financial auditors fail to consider the set process and procedures required while conducting auditing. Therefore, to the organization can monitor the performance of the financial auditors by employing an independent body to review the auditing process followed to ascertain whether the set standards have been followed.

There are different domains used in measuring the effectiveness of the internal auditing procedures or outcomes (Protivi Knowledgeleader, 2010). Therefore, the CEA s documents the following as critical areas used in the measurement of effectiveness of the auditing procedure.

Performance areas
Auditor quality
Standing with audit committee
Management satisfaction
Quality of findings
Auditor quality
Audited relations
Quality of findings
Audit resources
Standing with audit committee
Organizational status
Audit committee effectiveness
Audited relations
Management satisfaction
Management satisfaction
Auditor quality
Quantity of findings
Quality assurance
Audit committee effectiveness
Audit mix
Auditor quality

In respect to the research problem, it is clear that methods, such as continuous auditing, the use of another body of auditors to review the authenticity of the auditing done, and finally, reviewing the audited financial documents against the set standards governing the auditing procedure. For instance, conducting continuous auditing using different independent bodies help to ensure that the previous auditing processes represents the true view of the financial position of the company. Additionally, where the organization is in doubt of the auditing results, they can consider using another independent body to confirm the effectiveness of the financial auditors based on the instructions provided. These processes are critical in ascertaining the authenticity of the auditing outcomes and therefore, providing a good ground for

investors to determine the viability of investing in a given company.

CONCLUSION

In conclusion, it is auditing process play a vital role in the determination of the authenticity of the financial reporting. In this regard, it is prudent that this process is done accurately and precisely to ensure that the information communicated reflects the true view of the company justifying the need for continuous auditing as a method of monitoring the performance of the financial auditors.

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