# The audit community

Business

EnronCorporation was founded by Kenneth Lay in the year 1985. Lay merged Houston Natural gases and the Internorth. He hired Jeffrey Skilling to run the corporation as the CEO. Skilling hired staff that would be his accomplices in wrong accounting which had loopholes. Skilling hired a Chief Financial Officer, Andrew Fastow, who practiced poor financial accounting that led the corporation to fake huge profits that Enron was receiving. Andrew was receiving support from Skilling who was aware of the poor financial practices.

Enron's fall was caused by accumulation of illegal habits that went on for years until it was revealed. James Bodurtha argues that " the primary motivations for Enron's accounting and financial transactions seem to have been to keep reported income and reported cash flow up, asset values inflated and liabilities off the books." Enron was declared bankrupt in 2001 and saw Skilling and Andrew taken to court for their illegal acts. After the fall of Enron Corporation, several organizations and groups came up and tried to evaluate and analyze the fall of Enron. The SmartPros which includes the accountants, standard setters, investors formed an audit committee that sought to explain the scandal.

The Audit Committees have now become universal. They have passed a law that requires audit committees and national stock exchange should be made universal. This ensures transparency and any misappropriation of funds that are detected early enough before a major scandal is realized again. The requirements have been modeled by the Blue Ribbon Committee and it seeks to improve the effectiveness of corporate Audit Committees. The Audit Standards Board and the National Stock Exchange made new rules that were to be implemented immediately after.

The rules were made under the recommendations of Blue Ribbon Committee. The Audit Committee is expected to be updated about the financial and operational issues of the company. The information should be received on time and should be sufficient. Company’s information should not be kept by the internal auditors only. The Audit Committee should receive written information if the meetings coincide with the regular board meetings. This helps to avoid planned meetings that are meant to keep off the Audit Committee out of it.

The Audit Committee is allowed to ask probing questions about the company’s financial transactions and its internal controls (Albrecht, 2011). The Committee is also allowed to give suggestions about the improvement of the company financial and internal controls. The Audit Committee is expected to have a charter that will define its mission, responsibilities and goals. It should be able to plan an annual agenda, its findings and conclusions. The Audit Committee members should be trained very well in matters of potential fraudulence. This ensures that the Audit Committee will not be held liable for any failure of the company’s financial status.