

# [Enron company](https://assignbuster.com/enron-company/)

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EnronCompany was the latest victim of fraud and embezzlement of resources by its staff. The auditing report, undertaken by independent auditors revealed that Enron storm was brought about by the accounting firm Arthur Anderson. Anderson was both, Enron’s external auditor as well as their internal accountant and advisor. Enron was Anderson’s second biggest client. The year before its fall, it collected $25 million in audit fees, and even more for its accounting and advisory work. Anderson failed to raise the alarms regarding a number of accounting scandals, which inevitably brought the company to its knees.

Whilst Anderson denies any wrong doing, including the shredding of documents relating to Enron, is had admitted to “ an error in judgment” in its treatment of Enron’s off balance sheet vehicles which led to an overstatement of profits by more than $600 million between 1997 and 2000. In the tragic demise of America’s seventh largest corporation, there is no individual who is accountable. Auditors who had multiple and conflicting roles did not raise alarms about improper financial statements. Directors failed in their duty to, closely, question management and accountants, and thus failed to ferret out the accounting irregularities. Lawyers and company officers set up partnerships that concealed the true financial plight of the company.

Rating agencies yielded to the entreaties of management and only slightly downgraded credit ratings at a time when the company was failing. In addition, Wall Street analysts from companies such as Goldman Sachs continually recommended Enron stock, even as it plummeted. As those on the outside wonder in disarray how a company boasting such power and success could collapse in just 11 months, many on the inside are still amazed that the troubled empire remained as long as it did. In essence, the collapse was the result of a highly flawed vision—the consequences essentially inevitable. The public’s perception of Enron’s demise was inclined on the managerial skills and corruption that surrounds the company.

Internal auditors for the company were influenced by the organization’s managerial team. There was a need to for the company not to interfere with the functions of the auditor in an attempt to realize the company’s problems. Indeed, the external auditor was also coerced to issue a statement of financial position that did not depict true and fair view of the company’s financial status (Hooks, 2010). Most of the investors continued investing in Enron’s investment. In conclusion, integrated auditing of the company’s financial statement is vital for planning.

The auditors’ information can be used by the company in enacting strategies that will enhance continued performance of the company. Starbucksand Hewett-Packer should continue with their operations in order to guarantee the public on their financial stability, and attract potential investors. Demonstrating accountability in its operations will minimize the chances of the downfall of the companies; as it happened to Enron Company.