

# [Role of audit systems](https://assignbuster.com/role-of-audit-systems/)

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## Impact of Audit System

The audit systems have impacts on the internal and external control of an organization. As a consequence where some reviews have alleged weakness in the effectiveness of the audit, some recommendations for the audit system are made, and the actual outcomes in the field have become crucial subjects for evaluation. The potential of system audit and corporate governance to influence some factors which are concerned with the internal and external audit are mostly asserted in the policy documents and professional literature. It hence becomes appropriate in considering the available evidence regarding the effects of the audit committees on the function of the audit in practice. The system of audit may tend to have some impacts on the content and the extent of the work in audit, the remuneration and removal of auditors and appointment. Other effects may include the independence of the auditor and the dispute resolution between the executive and auditors management (Adams, 1997 p. 125). To be considered as well are the evidence of the impacts of audit committees’ on the internal controls, risk management and the functioning of the internal audit. The system of audit can work towards strengthening the functioning of the internal audit which in turn can be an imperative result towards fulfilling its responsibilities. Therefore, the system of audit should be made responsible for overseeing the management’s assessment of the business risk and being able to strengthen the management ability in identification and assessment of both the external and internal risks. Hence, the potential opportunities and the challenges that face the entity in achievements of its financial, compliance goals and operating are cumbered.

The system audit and corporate governance can as well influence a company’s way of financial reporting, adherence and disclosure to practice of the standard upon the approval of the choice of the accounting policies that are put into practice (Marsh, 1989 p. 10). The system audit and corporate governance are expected in monitoring the reliability of a certain company’s accounting processes and the compliance with ethical standards and corporate legal that may include the maintenance of the preventive fraud controls (Allison, 1994 p. 51). Through corporate governance, the proxies for quality reporting are created which enhance proper financial reporting. Sometimes it seems to be a tenuous process of introducing a direct link company performance and corporate governance. But the recommended governance structures and management are the one intended in leading to better management practices and improved control. In turn, this could be associated with some positive improvements in the company’s performance on the investor’s behalf.

The corporate governance in organizations ensures the effective decision are usually made. It involves the organizations bringing together both the elements which are hard of corporate governance like processes and systems and the softer elements. The softer elements include accountability, integrity and openness which are involved in the provision of robust basis of decision-making. The organizations cannot be able to ensure contracts and partnerships are effective not unless they have an effective corporate governance (Beasley, M. S., 1996, p. 448). Those organizations which embrace good corporate governance always have the capacity required to maintain services of high quality and in delivering improvement. Poor corporate governance are associated with seriously bad services and financial failures.