

The cpa journal (auditing)

Finance



CPA journal The latest journal talks about the audit fees that are charged by the big four audit firms and the other audit firms that are not included in the big four. The journal also insists on the IAS 5 that deals with the remuneration of auditors. The big four audit firms include PWC, (price water house coopers), Delloitte, KPMG and earnest and Young. The firms are termed as the biggest audit firms as a result of a large customer base that they enjoy. Audit firms usually get credibility of their work as a result of the quality of the work that is done by the auditors in the audit firm. Quality in auditing is measured by the ability of an auditor to give an opinion that is fair and true. A fair and true opinion is usually beneficial to the stakeholders of the company because they are able to make sound decisions about a company as a result of the audit information given. That is a good thing to the company because a company would add on its credibility as a result of the information that is given in the audit report. The problem that is addressed in the journal is the issue of an audit firm receiving more that 10% of their income from a single client. That problem is not acceptable in the auditing world. This is to avoid some problems that may be associated with the issue. If an audit firm receives more that 10% of its income from a single audit firm, there would a case of prejudice or favoritism in the practice in the work area. That means that the large client may threaten to pull out of the customer list of the company if a certain thing is not done. That would jeopardize with the normal working of the company and that should be avoided so as to ensure that there are fair views in auditing. The journal states that the audit firms should avoid the overreliance on a single client because that would not be ethical. That can be done by the audit firms charging a standard fee that would be applied across all customers so as to

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maintain equality. The other way that the issues can be avoided is by the audit company serving a large customer base. A large customer base can be done by audit firms educating small businesses on the advantages of audited reports and the value gained from such reports. The introduction of small businesses would add on the customer base and that would increase the income of the audit firms and that would eventually reduce the reliance of the company's income from a single client. There were a number of critical issues that were addressed in the journal. The first issue was the reliance on a single client. The journal states that such an act should not take place because it would lead to a conflict in the execution of the duties of auditors. The auditing area is restricted by a number of laws that should be observed so as to ensure that the area of auditing is free and fair and that there is proper execution of duties. The other critical issue that is addressed is the payment of auditors that are found in the audit firms. The auditors should be fairly remunerated so as to ensure that there is no unfair practice done by the auditors. In most cases, there occur irregular practices on the side of auditor if they are not fairly remunerated. If a person has a good remuneration, it would be next to impossible to convince the person to execute his or her work in a manner that is not appropriate. The other critical issue is the issue of advertising. Audit firms are not allowed to advertise their services. That is an ethical practice and that should always be avoided in the auditing field. The auditors are also asked to observe their ethical requirements. The ethical requirements include the issue of confidentiality. Auditors should not rely client information not unless the client asks the auditor to do so, or there is a court order that insists that the information must be released. The other ethical issues are the fact that an auditor should

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not audit his or her own work. That means that an auditor should not serve as an accountant for a company and also as the auditor to the company. That would mean that there are no mistakes that would be discovered. The issues that are relevant include the practice that should be done in the audit field. The journal insists on ethical behavior of auditors and the way the auditors should carry out their operations. The audit area should be properly regulated because the area is one of the most important areas for shareholders. Shareholders usually rely on audited information in the making of investment decisions. Therefore, so as to avoid large losses, the information should be true and fair (Fredrick, 13). Work cited Fredrick, J. audit regulations. The CPA journal, 12-14. 2012. Print.