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THE RELEVANCY OF AUDITING ON ACCOUNTING AND FINANCIAL REPORTING

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ABSTRACT

The history of Accounting, stewardship and total separation of the roles of agents from principal beget Auditing history. This study adopted exploratory method by reviewing relevant extant literatures pertaining to accounting, financial reporting, and auditing. The study traced the history of auditing and evaluated the various dynamics of duties of auditors over the years. It was discovered that the duties of auditors have changed over time.

The original functions assigned to the auditors in the inception was to detect fraud and help ease the mind of the principal by ascertaining that the agents have shown the true financial situation of the business. Much later in history, this duty changed since auditors are not guarantors and there is no way they can ascertain 100% that the report prepared and presented by the agents are free from fraud. Therefore, the auditors were expected to give reasonable skill and care in giving their opinion on whether the financial statements faithfully represent the financial situation of the business.

The roles of auditors were seen to be changing due to changes in the business transactions around the world. This paper explored the relevancy of financial reporting in the evolution and development of auditing. The study concluded that the past indeed influenced the present and subsequently the future through the use of CAATs, therefore auditors should strive towards understanding their roles as these have been the main focus in audit history.

Key words: Auditing, Accounting, Evolution, CAATs, Agency theory.

1.0 INTRODUCTION

Financial reporting and auditing are closely related in the sense that one leads to other because the auditor will have nothing to audits and express an opinion if there is no financial reporting. Verifying and obtaining an expert opinion is the purpose of auditing and this is in human nature and judgmental. The history of auditing can be traced to history of accounting, which all began from the separation and segregation of the duties of agents from principal. Where the principal provides the fund, the agents use this fund (Agency theory) and prepare reports on how the fund was used (which is accounting) to the auditor who verifies the genuity of such reports and give his opinion before such is presented to the principal. Consequently, the agency theory, accounting theory and auditing theory are interlinked.

The significant aspect of the history of auditing theory is the role and functions of auditors. Saleem (2012) opined that their roles have not been well defined from the beginning. As perceived by Iuliana (2012) auditing has permanently evolved, answering to the changes and dynamics in the business environment and modifying its objectives starting from the middle age, passing through the industrial revolution up to the 21st century. The divergent gap between management and the business owner has made it necessary to develop a series of controls by means of which the business may be administered efficiently. The internal auditor perfects and completes each of these activities by providing on the-scene appraisal of each form of control.

Porter (1997) further explained that prior to twentieth century, one of the objectives of auditors was fraud detection, he explained that it was the auditor's responsibility to report to shareholders all dishonest acts which had occurred and which affected the propriety of the contents of the financial statements. However, the ever evolving and growing business world as a result of globalization makes it difficult for auditors to verify the accounts one after the other due to the volume of transactions involved and complexity of business. In the 1930s, Vanasco (1998) explained that it became generally recognized that the principal audit objective was the verification of accounts and the profession took the position that fraud detection was management's responsibility since management had a responsibility to implement appropriate internal control systems to prevent fraud in their organizations. He further explained that auditors were unable to uncover fraud that involved unrecorded transactions, theft and other irregularities.
In line with this, AbdulGaniyy (2013) traced the evolution of the auditing process from the stance point where armies of clerks checked and ticked everything in their client's books, to the transformation in the 1960s when, with the growing scale of clients auditing became more a matter of checking a client's systems rather than the records themselves. The changes in the 1980s are also documented when because of the growing pressure on audit fees from clients meeting the threat of global competition; auditors began to put their faith in risk assessment. Derek (2006) further emphasized that auditors also had to cope with the advent of computerization which robbed them of the audit trail. In the early 20th century, the reporting practice of auditors, which involved submitting reports of their duties and findings, was standardized as the "Independent Auditor's Report." The increase in demand for auditors led to the development of the testing process. Auditors developed a way to strategically select key cases as representative of the company's overall performance. This was an affordable alternative to examining every case in detail, audit required less time than the standard audit (Hasyudeen, 2009).
Financial reports are prepared by the managers and thereafter communicated to the users of these reports to make informed economic decisions. Nevertheless, there has been a heightened concern for quality reports as the public demanded the reports to be audited by the auditors and express an opinion about the reports if it actually shows a true and fair view and true state of affairs of the enterprise. This process is very crucial because misleading financial reports impair the decision of the users of such reports which will eventually negatively affect investment decision making process. Consequently, the auditing profession has passed through several processes to ensure that quality reports are prepared and presented as at when due and transactions faithfully represented as part of the qualitative characteristics it must possess.
The problem is that the public expects the auditor to detect all errors and fraud in the report being reported but as earlier stated that the dynamics of the environment and complexity of business transactions will not make the work of the auditor solely complete but however to a very reasonable extent will carry out the audit with professional care and skepticism.

2.0 OBJECTIVE AND METHODOLOGY OF THE STUDY

The objective of this paper is to critically look at the relevance of auditing in accounting and financial reporting as well as the various functions of the auditor at various points till modern day accounting and auditing.

The methodology adopted is the exploratory research design. The literature relevant to accounting, financial reporting, and auditing were reviewed. Based on the information gathered in the literature reviewed, conclusion was drawn and recommendations were suggested.

3.0 THEORETICAL FOUNDATION OF THE STUDY

3.1 AGENCY THEORY

In the context of business entities, the need for accounting is often rationalized in terms of agency theory.
The main focus of the agency theory is the conflict that arises when ownership is different from management. Agency theory is concerned with resolving two problems that can occur in an agency relationship. The first problem arises when:
(a) the desires or goals of the principal and agent conflict; and
(b) it is difficult or expensive for the principal to verify what the agent is actually doing.
The problem here is that the principal cannot verify that the agent has behaved appropriately. The second problem is that of risk sharing when the principal and the agent have different attitudes towards risk and therefore prefer different actions. (Jensen & Meckling, 1976).
When a company is listed (quoted) on the stock exchange, control and ownership are separated. The company is controlled, at least on a day-to-day basis, by its management (the directors or management board) but owned by its shareholders (or proprietors). This involves obvious benefits for both parties but also risks. These risks may be controlled or reduced by various means: one of the most obvious, and widely used, strategies is for a requirement on management to provide regular accounts that are available to the shareholders. Financial statements therefore provide a key condition for the existence of a modern company: it is difficult to imagine how companies with widely held and traded shares would be managed if credible accounts were not generally prepared. A stewardship objective emphasizes this role of financial reporting as explained below. Shareholders, in their capacity as owners of the business, make decisions other than to buy, sell or hold. The other decisions include a consideration of whether they, as owners of the business, need to intervene in its management. The shareholders look to financial reporting to access information relating to management's stewardship of the business. Most accounts of agency theory stress the possibility of a divergence of interest between management and shareholders, both of which are assumed to be relentlessly pursuing their economic self-interest. The stress is on whether management have behaved properly and not for example, unjustly enriched themselves at the company's expense. If owners assign stewardship of their company to management, they wish to have the ability to oversee management behavior to ensure that:
• it is aligned to the owners' objectives;
• management are devising strategies aimed at making the best use of company assets; and
• no misappropriation of the company assets takes place.
The owners attempt to ensure alignment to their objectives by monitoring the company against some criteria e.g. at its simplest the increase in profits and net assets over the year. However, they also need information that enables them to review the company's performance in light of the risks management took in order to obtain the results and to assist them in making decisions about the future direction of the business. Company law in many jurisdictions also interprets what is now commonly known as agency theory as discussed above. Stewardship was originally the primary objective of financial reporting which is why company law initially sought to ensure that management provide an account of their performance over a given period and show how they have utilized the resources entrusted to them by the owners.
As a result, the main objective of financial reporting for these investors is stewardship. Such equity investors are interested in the following:
• how management have performed in the past so they can gauge their likely performance in the future;
• ability to gauge the extent to which transactions similar to those already undertaken might recur in the future; and
• how the management performance and transactions undertaken, including related party transactions, might affect the entity's performance.
Thus, stewardship is considered as a separate objective of financial reporting. In fact, an investor first assesses how an entity has performed in a given period, and secondly to make a judgment about how it is likely to perform in the

future (so that he can make resource-allocation decisions). One of the first assessments an investor makes is to take a view on stewardship and as such this should have equal prominence with the resource-allocation decisions. Therefore, the stewardship objective that financial reporting has is broader than the resource-allocation decision-usefulness objective.

4.0 LITERATURE REVIEW

The word “audit” comes from the Latin word audire, meaning “to hear” “to listen”. According to Flint (1988), audit is a social phenomenon which serves no purpose or value except of its practical usefulness and its existence is wholly utilitarian. Wang (2004) explained financial audit to mean the process of reconfirming of self-identity, self-measurement and self-edit on financial accountability of management. Cañibano (1993) defines audit as being, in general terms, to examine and check information, check information, register, processes, circuits, having as an object to express an opinion. Audit is a way of improving patient by looking at what you do, to see if you can do it better.

According to Power (1999), auditing refers to a systematic and independent examination of books, accounts, documents, and vouchers of an organization to ascertain how far the financial statements present a true and fair view of the concerned organization. Auditing is a systematic process of objectively obtaining and evaluating evidence regarding assertions about economic actions and events to ascertain the degree of correspondence between those assertions and established criteria and communicating the results to interested users (Raffa, 2003).

Auditing has its history to a large extent determined by the history of accounting, as the latter grew and became widely accepted with the development of the world economy (Tanko, 2011). Salehi (2008) observed that although ancient cultures of Mesopotamia, Egypt, Greece, and Italy show evidences of highly developed economic systems, yet the economic fact during these periods were limited to the recording of single transactions. Salisu (2011) observed that archeological artifacts and findings revealed that writing was in fact developed by accountants. Iuliana (2012) traced the history of auditing to the pre-historical period. He explained that the auditing processes can be linked to the fundamental behavior of human beings in life situations included in the way we listen and communicate in order to analyze, observe and make the best decision.

In ancient past about 5000 years B.C., there was evidence of first writings, developing new forms of organization, new socio-economic formations, philosophical, and cultural ones. These have necessitated the needs for improving the economic situation of the tribes or kingdoms. Therefore this task has been given to a member of the community, who knew how to write and dominated the numbers to realize activities of organizing the data and figures, which would allow an evaluation of the economic situation to make appropriate decisions. Thus, the auditing process was said to have begun by about the 400 BC where the ancient Egyptians and Babylonians had auditing systems for checking movement in and out of storehouses, including oral "audit reports", resulting in the term "auditor". Iuliana (2012) further emphasized that from the Roman period the first real accounting registers “Codex Tabulae”, which on one side were registering the cashing “aceptum” and on the other side the expenses “expesum”. After 235 A.D. the accounting was highly important in the Roman Empire. He observed that the running of a Register for house operations“el Adversaria” and a register for all the other operations “el Codex”, by whose help the Romans have a precise control on the estate. The bankers from this period have been the ones who have developed mostly the techniques of the accounting.

During the Middle Ages appears a new economic system of organization, spiritual and social one in which a great importance for the development of the accounting has had the Catholic Church which in the 800 AD was leading documents of annual inventory of the estate. In Italy and France the accounting activity became a prestige profession, made by the intellectuals “escribanos”, developing essential values for the professional ethics – such as honesty and correctitude. The publication of “Summa de Aritmetica, Geometricaproportioni et proportionalita” in 1494 in the Venice, by Luca Paciolo signified the beginning of book keeping and accounting. Lee (1994) observed that generally, the early historical development of auditing is not well documented. Auditing in the form of ancient checking activities was found in the ancient civilizations of China (Lee, 1986), Egypt and Greece (Boyd, 1905). The ancient checking activities found in Greece (around 350 B.C.) appear to be closest to the present-day auditing. Similar kinds of checking activities were also found in the ancient Exchequer of England. When the Exchequer was established in England during the reign of Henry 1(1100-1135), special audit officers were appointed to make sure that the state revenue and expenditure transactions were properly accounted for (Gul et al., 1994).

The person who was responsible for the examinations of accounts was known as the "auditor". The aim of such examination was to prevent fraudulent actions (Abdel-Qader, 2002). Likewise, the existence of checking activities was found in the Italian City States. The merchants of Florence, Geneo, and Venice used auditors to help them to verify the riches brought by captains of sailing-ships returning from the Old World and bound for the European Continent. Brown (1992) examined the audit found in the City of Pisa in 1394 and concluded that it was somehow similar to those found in the Italian City State which was meant to test the accounts of government officials to determine whether or not defalcation had taken place

4.1 FUNCTIONS OF THE AUDITOR

Before 1840's

The activities of the auditors can be summarized in this period as follows:

(1) There was no structured business and as such no formal internal control was established

(2) Lee and Azham (2008) observed that the auditing at the time was restricted to performing detailed verification of every transaction. Thus, the concept of testing or sampling was not part of the auditing procedure.

(3) Fitzpatrick (1939) opined that the audit objective in the early period was primarily designed to verify the honesty of persons charged with fiscal responsibilities.

(4) The sole duty of auditors was to detect fraud. He was seen as a detective and not a watchdog (Police man theory)

1840's – 1920's

The Industrial Revolution of the United Kingdom was between this period and it contributed immensely to the expansion of businesses and subsequently evolution of the role of auditors. The contributions of this period to the field of auditing are summarized as follows:

(1) The Joint Stock Companies Act was passed in UK in the year 1844 providing for the appointment of auditors to check the account of companies.

(2) Porter, Simon, and Hatherly (2005) observed that the duties of auditors during this period were influenced by the decisions of the courts

(3) Leung, Coram, Cooper, Cosserat, and Gill (2004) explained the objectives of auditing in accordance with the book of Dicksee (1892) as: (i) the detection of fraud; (ii) the detection of technical errors, and (iii) the detection of errors of principles

1920's – 1960's

During this period, Porter(2005) explained that as companies grew in size, the separation of the ownership and management functions became more evident. Thus, agency theory was evident. The following are the main activities of this period:

(1) Internal control functions of the organization started as a result of inflow of funds from investors to companies, and the existence of functioning financial markets.

(2) The audit function was mainly to provide credibility to the financial statements prepared by company managers for their shareholders. Hence, lending credibility theory was developed and the primary objective of an audit function changed to adding credibility to the financial statement from the detection of fraud and errors.

(3) Queenan (1946) explained that the concept of materiality was used in this period. Also, Brown (1962) observed that sampling techniques were used in auditing during this period due to the voluminous transactions involved in the conduct of business by large corporations operating in widespread locations. It was no longer practical for auditors to verify all the transactions.

(4) Porter et al. (2005) highlighted the major characteristics of the audit approach during this period, among others, to include: (i) reliance on internal control of the company and sampling techniques were used; (ii) audit evidence was gathered through both internal and external source; (iii) emphasis on the truth and fairness of financial statements; (iv) gradually shifted to the audit of Profit and Loss Statement but Balance Sheet remained important; and (v) physical observation of external and other evidence outside the "book of account"

1960's – 1990's

According to Davies (1996), auditing had undergone some critical developments in this period. He explained that in the earlier part of this period, a change in audit approach can be observed from "verifying transaction in the books" to "relying on system". Such a change was due to the increase in the number of transactions which resulted from the continued growth in size and complexity of the companies where the auditors play more roles than verifying transactions. As a result, Lee and Azham (2008) explained that auditors in this period had placed much higher reliance on companies' internal control in their audit procedures. Furthermore, auditors were required to ascertain and document the accounting system with particular consideration to information flows and identification of internal controls. When internal control of the company was effective, auditors reduced the level of detailed substance testing.

Salehi (2007) observed that in the early 1980, there was a readjustment in auditors' approaches where the assessment of internal control systems was found to be an expensive process and so auditors began to cut back their systems work and make greater use of analytical procedures. An extension of this was the development of risk-based auditing during the mid-1980s (Turley & Cooper, 1991). Risk-based auditing is an audit approach where an auditor will focus on those areas which are more likely to contain errors. To adopt the use of risk-based auditing, auditors are required to gain a thorough understanding of their audit clients in term of the organization, key personnel, policies, and their industries (Porter, et al., 2005) Hence, the use of risk-based auditing had placed strong emphasis on examining audit evidence derived from a wide variety of sources, that is both internal and external information for the audit client.

1990's – date

This period is characterized by the following:

(1) Adoption of the business risk approach in turn enhances auditor's ability to fulfill these responsibilities (Porter, et al., 2005).

(2) The ultimate objective of auditing is to lend credibility to financial and non-financial information provided by management in annual reports;

(3) Audit firms also provide consultancy services to businesses whereby; investigative arm of audit was separately done which gave rise to the birth of forensic accounting.

(4) Introduction of Computer Assisted Audit Techniques (CAATs) that facilitated data extraction, sorting, and analysis procedures (Lanza, 1998).

4.2 ENRON'S CASE AND EVOLUTION OF AUDITING

The Enron scandal, revealed in October 2001, eventually led to the bankruptcy of the Enron Corporation, an American energy company based in Houston, Texas, and the dissolution of Arthur Andersen, which was one of the five largest audit and accountancy partnerships in the world. In addition to being the largest bankruptcy reorganization in American history at that time, Enron undoubtedly is the biggest audit failure. Enron was formed in 1985 by Kenneth Lay after merging Houston Natural Gas and InterNorth. Several years later, when Jeffrey Skilling was hired, he developed a staff of executives that, through the use of accounting loopholes, special purpose entities, and poor financial reporting, were able to hide billions in debt from failed deals and projects. Chief Financial Officer Andrew Fastow and other executives were able to mislead Enron's board of directors and audit committee of high-risk accounting issues as well as pressure Andersen to ignore the issues (Thibodeau & Freier, 2009).

Enron's stock price, which hit a high of US$90 per share in mid-2000, caused shareholders to lose nearly$11 billion when it fell to less than $1 by the end of November 2001. The U.S. Securities and Exchange Commission (SEC) began an investigation, and Dynegy offered to purchase the company at a fire sale price. When the deal fell through, Enron filed for bankruptcy with assets of $63.4 billion, it was the largest corporate bankruptcy in U.S. history until WorldCom's 2002 bankruptcy. Many executives at Enron were indicted for a variety of charges and were later sentenced to prison. Enron's auditor, Arthur Andersen, was found guilty in a United States District Court, but by the time the ruling was overturned at the U.S. Supreme Court, the firm had lost the majority of its customers and had shut down (see Arthur Andersen LLP v. United States). Employees and shareholders received limited returns in lawsuits, despite losing billions in pensions and stock prices (Thibodeau & Freier, 2009).
During the latter half of the twentieth century, as more professional accountants were recruited into the commercial sector from the professional auditing and accounting firms that had trained them, auditing firms came under dramatically increasing competitive pressure to reduce or discount their audit fees, or lose the work to other competing audit firms. As the published product of the audit (the audit opinion) was limited by statute to the issuance of a standard text, the audit came to be seen as an undifferentiated product where the only concrete means for the audit firm to distinguish its service offering was either to reduce its fees below that of its competitors or to offer services additional to the audit. The audit firms' rational economic reaction to dealing with increasing price competition was to develop, offer and deliver higher-margin non-audit services on the back of existing audit relationships (Thibodeau & Freier, 2009).
In this regard, Andersen was most successful at Enron. When Enron's difficulties became well known, Andersen's success in cross-selling its services to Enron caused its independence as auditor to be called into question. It may be that Andersen would not have considered the risks it apparently perceived it was running in its auditing relationship with Enron to have been worthwhile without the incentives of the rewards generated by the other, more profitable, service offerings it was providing. It may be the case that, if Andersen had been precluded from providing non-audit services to Enron, the only remedy would have been either to increase substantially the audit fee, or to resign the audit mandate. As a consequence of the scandal, new regulations and legislation were enacted to expand the reliability of financial reporting for public companies (Dembinski, Lager, Cornford, & Bonvin, 2006).
One piece of legislation, the Sarbanes-Oxley Act of 2002, expanded repercussions for destroying, altering, or fabricating records in federal investigations or for attempting to defraud shareholders. The Act also increased the accountability of auditing firms to remain objective and independent of their clients. In response to the fall of Enron the Sarbanes-Oxley Act of 2002 was implemented. It outlines the rules on auditor independence, for example, the control of audit quality, and the rotation of audit partners as well as the prohibition of conflict-of-interest situation. Furthermore, the Act also requires auditors to report to the audit committee on those significant matters. The Public Company Accounting Oversight Board which oversees audit firms and their procedures and the enforcement of accounting standards is also established as a result of this Act. The Sarbanes-Oxley Act of 2002 extended the duties of auditor to audit the adequacy of internal controls over financial reporting and provide a report on it under Section 404 of the Act. This is in view of the fact that a number of commissions recognized the importance of internal control in preventing financial statement misstatement (Thibodeau & Freier, 2009).

4.3 DEVELOPMENT OF AUDIT IN NIGERIA

AbdulGaniyy (2013) observed that prior to independence in 1960, audit practice in Nigeria followed the British style; the early accountants in the country were British trained. All the pre-independence Company Ordinances in Nigeria only placed statutory demand on Companies to appoint auditors but did not provide for the qualification of auditors to relate to any professional body of accountants. This was obviously due to lack of any professional accounting body during that period. Consequently, it was not all the auditors in the country at that time that was even British qualified professional accountants. However, the proportion of those that were qualified by the British standard, being chartered accountants (either of England and Wales or Scotland) was very popular. Akintola

Williams & Co. (Now Akintola Williams Deloitte) is the oldest indigenous accounting firm in Nigeria, established in 1952.

Through astute management the firm has grown in size and scope of services to become the largest professional services firm in Nigeria. The firm started operations in Nigeria as Akintola Williams & Co in 1952. Between April 1999 and May 2004, two mergers with existing accounting firms were consummated which resulted in its being the largest professional services firm in Nigeria with a staff of over 600. The firm adopted the business name "Akintola Williams Deloitte" on July 30, 2004.

Over the years, Deloitte has built up a strong representation in several major African cities and has successfully undertaken a variety of business advisory and consulting assignments for clients in Nigeria and elsewhere in Africa. With the potent combination of extensive local knowledge, countrywide representation and international expertise, the company is able to offer our clients the best services and solutions to meet their needs. Akintola Williams Deloitte is a member firm of Deloitte Touche Tohmatsu Limited and also a part Deloitte Africa practice which has presence in 34 countries in Africa. Deloitte Africa is clustered in English, French and Portuguese speaking areas to better facilitate service delivery to their clients. The Nigerian member firm is part of the English speaking cluster spread across 15 countries in East, Central, Southern, and West Africa. Immediately after independence, the idea of establishing a professional body of accountants for regulation of accounting and audit practices became an issue. The British trained accountants coordinated their effort together and formed The Association of Accountants in Nigeria (AAN) which was incorporated in 1960 (Ajayi, 1997).

In 1965, the Association's effort to obtain statutory recognition was achieved when the Institute of Chartered Accountants of Nigeria (ICAN, 1965) was established by an Act Parliament (No. 15) with 250 members. By May 2011, it has 32,722 members both within and outside Nigeria. Until 1993, only the members of the Institute were entitled to practice as accountants and statutory auditors in the country. The Association of National Accountants (ANAN) was formed in 1979 and incorporated in September, 1983. By December 2010, its membership had grown to 16,207 (ANAN, 2008). These two bodies ICAN and ANAN are now charged with the regulation of audit practice in Nigeria.

4.4 OBJECTIVES OF FINANCIAL REPORTS

The objective of a general purpose financial report is to provide financial information about the reporting entity that is useful to present and potential investors and creditors in making decisions in their capacity as capital providers. The objective refers to financial reporting as whole, not just financial statements. The objective of financial reporting is focused on meeting the information needs of the primary user group. The primary user group is made up of those who have a claim (or potentially may have a claim) on an entity's resources – its present and potential equity investors, lenders, and other creditors (capital providers).The primary user group is interested in financial information because that information is useful in making decisions that equity investors, lenders, and other creditors make in their capacity as capital providers. The decisions made by capital providers include whether and how to allocate their resources to a particular entity and how to protect or enhance their holdings. When making these decisions, capital providers are interested in assessing an entity's ability to generate net cash inflows and management's stewardship

4.5 QUALITATIVE CHARACTERISTICS

Relevance. Relevant information is capable of making a difference to a financial statement user's decisions. Relevant information has *predictive value*. It helps users to evaluate the potential effects of past, present, or future transactions or other events on future cash flows, and *confirmatory value*, in other words, it helps to confirm or revise their previous evaluations (IASB, 2008).

Faithful representation. To be useful in financial reporting, information must be faithful representation of the economic phenomena that it purports to represent. Faithful representation is attained when the depiction of an economic phenomenon is complete, neutral, and free from material error. Financial information that faithfully represents an economic phenomenon depicts the economic substance of the underlying transaction, event, or circumstance, which is not always the same as its legal form (IASB, 2008).

Completeness. A depiction of an economic phenomenon is *complete* if it includes all information that is necessary for faithful representation of the economic phenomena that it purports to represent. An omission can cause information to be false or misleading and thus not helpful to the users of financial reports (IASB, 2008).

Neutrality. This is the absence of bias intended to attain a predetermined result or to induce a particular behavior. Neutral information is free from bias so that it faithfully represents the economic phenomena that it purports to represent. Neutral information does not color the image it communicates to influence behavior in a particular direction. Financial reports are not neutral if, by the selection or presentation of financial information, they influence the making of a decision or judgment in order to achieve a predetermined result or outcome. However, to say that financial reporting information should be neutral does not mean that it should be without purpose or that it should not influence behavior. Completeness and neutrality of estimates are desirable; however, a minimum level of accuracy also is necessary for an estimate to be a faithful representation of an economic phenomenon (IASB, 2008).

Comparability. This quality of information enables users to identify similarities in and differences between two sets of economic phenomena. Consistency refers to the use of the same accounting policies and procedures, either from period to period within an entity or in a single period across entities. Comparability is the goal; consistency is a means to an end that helps in achieving that goal. The essence of decision making is choosing between alternatives. Thus, information about an entity is more useful if it can be compared with similar information about other entities and with similar information about the same entity for some other period or some other point in time. Comparability is not a quality of an individual item of information but, rather, a quality of the relationship between two or more items of information. Comparability should not be confused with uniformity. For information to be comparable, like things must look alike and different things must look different (IASB, 2008).

Verifiability. This quality helps assure users that information faithfully represents the economic phenomena that it purports to represent. Verifiability implies that different knowledgeable and independent observers could reach general consensus, although not necessarily complete agreement, that either:

(a) the information represents the economic phenomena that it purports to represent without material error or bias; or

(b) an appropriate recognition or measurement method has been applied without material error or bias.

Timeliness. Information should be available to decision makers before it loses its capacity to influence decisions. Having relevant information available sooner can enhance its capacity to influence decisions, and a lack of timeliness can rob information of its potential usefulness. Some information may continue to be timely long after the end of a reporting period because some users may continue to consider it when making decisions. For example, users may need to assess trends in various items of financial reporting information in making investment or credit decisions (IASB, 2008).

Understandability. This quality of information enables users to comprehend its meaning. Understandability is enhanced when information is classified, characterized, and presented clearly and concisely. Comparability also can enhance understandability. Although presenting information clearly and concisely helps users to comprehend it, the actual comprehension or understanding of financial information depends largely on the users of the financial report. Users of financial reports are assumed to have a reasonable knowledge of business and economic activities and to be able to read a financial report. In making decisions, users also should review and analyze the information with reasonable diligence. However, when underlying economic phenomena are particularly complex, fewer users may understand the financial information depicting those phenomena (IASB, 2008).

5.0 CONCLUSION

The roles of auditors are interlinked with the evolution of the auditing theory itself, as auditing evolved based on circumstances the evolution directly influence the functions and the entire practice of auditors. This paper traced history of auditing to the history of accounting and financial reporting. The functions of auditors have somewhat changed over the years unlike its antecedent "accounting". Firstly, they were given the duty to detect fraud and help ease the mind of the principal by ascertaining the agents have shown the true financial situation of the business. Much later in history, this duty changed since auditors are not guarantors and there is no way they can ascertain 100% that the report prepared and presented by the agents are free from fraud, therefore, the auditors were expected to give reasonable skill and care in giving their opinion on whether the financial statements faithfully represent the financial situation of the business. The roles of auditors were seen to be changing due to changes in the business world at large as such this paper evaluated the effect of fraud cases on the evolving auditing roles.

Subsequently, auditing tomorrow and in the future will be defined by more sophisticated software with the same functions as the CAATs and many more functions to eliminate completely the use of paper tray and focus more on systems audit. The Byrnes et al. (2012) white paper emphasized a main deficiency in the current CAATs. It was discussed that they do not work with real-time or close to real-time data streams and, thus, are not able to address questionable events such as potential fraud or irregularities in an optimized fashion. As observed by Cangemi (2010), given the recent advances in business technologies, the continuing emphasis on the backward looking audit is simply an outdated philosophy. Instead, he believes that real-time solutions are needed. As such, firms that successfully experiment with the CAATS should give eventual consideration to more advanced programs which contain functionalities resembling the audit of the future and provide a higher level of assurance. In general, the programs in this category contain the capabilities to continuously capture exceptions and outliers in data sets from disparate systems, provide information and alerting mechanisms to relevant personnel in an ongoing manner, and essentially confront issues such as fraud, errors, and misuse of resources in real-time. Furthermore, these programs may assist in optimizing the audit function by analyzing all financial transactions as they occur.

The audit of the future will be more concerned with the uniqueness of an organization's data set in selecting the auditing procedures to use as more manual data an entity maintains, the less it might initially benefit from audit automation. However, the extent to which data, controls, and processes are automated must be considered and discussed with the client as auditors, for example a company that is overburdened by manual audit processes will need to confront this issue at some point if the objective is to yield optimal benefits from the future audit.

With this in mind, one could argue that the traditional manual and retrospective audit is becoming an untenable position. Also, it could be argued that the use of rudimentary CAATS will eventually be questioned in terms of audit utility. Fortunately, the idea of the future audit is not a recent phenomenon and there are a variety of methodologies that have been proposed to reach this height, such as: Embedded Audit Modules (EAM), Monitoring and Control Layer (MCL), Audit Data Warehouse (ADW), and Audit Applications Approach. Conclusively, the past indeed influenced the present and subsequently the future will entail more sophisticated software therefore auditors should strive towards understanding their roles as these have been the main focus in audit history.

6.0 REOMMENDATION

Having considered the evolution of auditing and its relevancy in accounting and financial reporting it will suffice to recommend that auditing has become global acceptance and therefore auditing standards need to be adhered to strictly as this will positively affect the quality of auditing and promote public confidence. The auditors should also develop and train themselves in the auditing technologies that are needed to perform auditing in today's technology driven economy.

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