SHOULD PRIVATE LIMITED COMPANIES BE AUDITED ?

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PREFACE

The relevance or otherwise of independent audit for small companies has over recent years, been a regular topic for debate within the profession. This paper put forward the arguments for and against the audit requirements for small companies.

I am aware that those who argue for and against present audit requirements hold strong views as to the merits of their respective cases. Those arguments are therefore set out without commenting on the validity of such arguments.

The main subject discussed by this paper is the practicality of statutory audit in small companies. This paper also intended to stimulate discussion on a current concern to accountants, to holders of shares in small companies and to others who use their financial statements.

This paper may not give enough coverage but I hope that it will at least be a contribution to the wider debate on the matter and will prompt comment from interested parties in Malaysia.

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1.0 INTRODUCTION

The audit requirement as set out in the Companies Act 1965, requires all companies to have their accounts audited. No distinction is made between large and small companies with regard to audit requirements. The primary objective of an audit is to assure the proprietors that the stewardship of their companies was effectively and honestly carried out. The external auditor has a statutory responsibility to report on the truth and fairness of the accounts of the company and whether proper accounting records and registers have been kept.
The auditor should report, as soon as practicable, significant weaknesses in internal controls which come to his attention during the course of an audit, to the management of the companies.

This paper aims at analysing the practicality of audit practice for a few private limited companies selected as models, which are generally small. In reality what passes as audit for many such companies, generally comprises the preparation of the accounts