

**THE ROLE OF THE EXTERNAL AUDITORS
AND THE EXTENT OF THE AUDITOR'S
LIABILITY IN FRAUD MINIMIZATION**

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TABLE OF CONTENTS

	<u>Page</u>
ACKNOWLEDGEMENT	(ii)
ABSTRACT	(iii)
LIST OF TABLE	(v)
CHAPTER	
1 INTRODUCTION	
1.1 Introduction	1
1.2 Objectives of the study	5
1.3 Methodology	6
1.4 Scope and limitations of the study	7
2 LITERATURE REVIEW	8
3 DATA COLLECTION	12
4 FINDINGS	
4.1 Auditor's responsibilities	
(a) Legal responsibilities	14
(b) Ethical responsibilities	14
(c) Moral responsibilities	14
4.2 Auditor's liability under the law	15
4.3 Public's response on the auditor's role in fraud minimization	18
4.4 Auditor's response on the auditor's role in fraud minimization	24
4.5 Steps taken to date to minimize fraud	27
4.6 Summary of findings	34
5 RECOMMENDATIONS	37
6 CONCLUSIONS	43
BIBLIOGRAPHY	45
APPENDICES	
Appendix A : Sample of questionnaires given to the public.	47
Appendix B : Questions asked during interviews	51
Appendix C : International Auditing Guidelines 11	52

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ABSTRACT

Very often than not, when business failures were caused by fraud, auditors are the first to be blamed. Are the present duties of auditors too narrow and no longer practical for today's economic and business needs? This project paper attempts to study the role of external auditors and the extent of the auditor's liability in fraud minimization.

Collection of data were made both from the primary and secondary sources. Primary sources were gathered from questionnaires aimed at getting the public's response on the auditor's role in fraud minimization. In addition to this, interviews with selected auditors were also carried out in order to get their response on the auditor's role in fraud minimization. Secondary sources were gathered from accounting magazines, periodicals, books and the Companies Act 1965.

It was found that the auditor has three responsibilities. Namely they are the legal responsibilities, ethical responsibilities and moral responsibilities. An auditor can also be accused and subsequently held guilty of action in his audit work or related functions under the statutory provision in the

Companies Act 1965. It was also discovered that a majority percentage of the public did not hold the auditors responsible for the detection of fraud. Further, the auditors do not mind resuming the role of controlling and detecting fraud as long as they are paid for this extra role.