

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Government organizations have played a greater part in the economic growth of any economy, especially in the Nigerian economy. The contributions they have made so far cannot be overemphasized because their utmost aims of establishment is to provide some vital or essential services to improve the social and economic well being of the people.

These government organizations are mainly being funded either by the federal or state government through their budgetary allocations made to them yearly and they can also obtain loans or overdraft from commercial bank as well as subvention from government. These funds are expected to be utilized effectively and efficiently. But in most practices they are being misappropriated or embezzled by some government officials.

As a result of this mis-appropriation which has characterized most of the government organizations. Honestly and prudently managed. The audit is expect to

show whether proper principles of accounts and audit ethics have been adhered to and that financial statements prepared give a true and fair view.

1.2 Statement of the Problem

In any business Organization in which allocation and application of funds serves as a backbone for financial activities to be carried out the following are problems in which are bound to be encountered.

1. Embezzlement of fund by some government Officials
2. Failure to exercise due professional care and the appropriate level of professional skepticism.
3. Overreliance on inquiry as a form of audit evidence
4. Deficiency in confirming accounts receivable
5. Failure to recognize related party transactions and assuming internal control exist when they may not.

These and other factors contribute to problems of auditing in government organization.

1.3 Purpose of the Study

The purpose of studying this topic is to examine the importance, problems and prospects of auditing in government institution.

- To ascertain the problems encountered while auditing in government establishment.
- To know if auditors exhibit enough professional competence in conduct of their work.
- To know how effective auditing is in government establishment

1.4 **Research Questions**

This research work seeks to ask the following questions among others, deduced from the purpose of the study.

- Are auditors being threatened or intimidated during their audit work.
- Are auditors being faced with some problems during their audit work.
- Are vital documents needed for the audit of the organization being held from the auditors

1.5 **Research Hypothesis**

Based on the purpose, and research questions the following hypothesis are put forward.

Ho Financial reports submitted are not in consonance with the transactions carried out by the government establishment

H_I Financial report submitted are in consonance with the transactions carried out by the government establishment.

Ho Treats and intimidation do not positively affect the quality of auditors work in government establishment.

H_I Treat and intimidation positively affect the quality of auditors work in government establishment.

Ho Poor professional conducts by auditors do not affect the quality of work done by auditor in government establishment.

H_I Poor Professional conduct by auditors affects the quality of work done by auditors in government establishments.

1.6 **Significance of the study**

Where audit principles and procedures are carried out in government organizations the following benefits are derived of which these work will be beneficial to the following people and establishments:

- Government good audit work will prevent, expose fraud, errors and irregularities in government establishment.
- Auditors: will benefit by knowing the challenges facing them in their audit work and thereafter the prospects.
- Banks; will also benefit because it will give them insight on how to handle audit work successfully.
- Students and researchers will benefit by gaining knowledge on the audit challenges to banks and the prospects.

1.7 **Scope and limitation of the study**

This project would cover arrears such as audit principle(s) and procedures giving as in depth analysis on how audit work is carried out in government organizations.

Attempts have been made by the researcher to discuss in depth the various short comings behind this operational framework of auditing in government organization and also self investigation carried out.

Part of the constraint encountered by the researcher and limitations are as follows.

- Cost of carrying out the research
- Short duration of time limit dedicated on the project
- Distance and financial constraint.
- Restriction placed upon by some organization to have access to some vital documents.
- Secrecy maintained by some government officials by not revealing certain information which they term as “Keep government secrets secret”.

1.8 Definition of terms

Fraud: Is a mis-presentation of data with the intention to theft which is dishonest act involving the theft of assets and the falsification of accounting records and financial statements (Akpankpan, 2000.126)

Embezzlement: The fraudulent appropriation of property lawfully in one's custody, (Kohther, 1970:173)

Auditing or Audit: Is concerned with an independent examination of financial statements and accounting records by an independent certified or chartered accountant and expression of an opinion by the public accountant on the financial statements of an organization stating whether the finance; al statements present fairly by the financial position of the firm concerning the period covered by the financial statement.

Auditor: An auditor is the qualified accountant who is professionally licensed to audit or examin financial sttments or report of business or non-business organizations.

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CHAPTER TWO

Review of Related literature

2.1 Nature of Auditing

According to milichamp (1981) the term audit was derived from the latin word 'Audire' which means to hear. The origin of audit is dated back to the middle age where great land owners would not manager their own land but would appoint person to manage the land for them.

Similarly, today literate companies which are owned by their shareholders would not be managed by them but by director appointed by the shareholders. So also this public own central government resources, including the nationalized industries are managed by the government and persons appointed by the government.

All these gave birth to STEWARDSHIP ACCOUNTING. According to MILLICHAMP (1993), he explains this as the process whereby the managers of a business report or account to the owners of the business.

This report and accounting is usually done by the means of financial statement. The owners of the business

who have provided funds, delegate some of their members to act as board of directors, whose responsibility is to manage the affairs of the business and periodically prepare final account to owners of the business so that they can be aware of the state of affairs of the business.

It is very necessary that the owners of the business are presented with financial statements by the directors which all provide objective views of the state of affairs of the business and to enable the evidence regarding assertions about economic action and established criteria and communicating the results to interested persons. Another good definition and which is most accepted is that of (AICPA) Association of International certified public Accountant which states "Auditing is the process by which a competent independent person accumulates and evaluate audit evidence about quantifiable information related to specific economic entity for the purpose of determining and reporting on the degree of correspondence between the quantifiable information and established criteria.

This auditor report is embodied in an audit report which is addressed to the people who own the business such as employee's shareholders and the government at large which have commissioned the audit to the auditor to carry out their duties under the law.

2.2 Features of Auditing

Many people have been ignorant of what auditing is mainly concerned about that is its characteristics of detection of errors, irregularities and fraud in any business organization of public sector, but such idea is not the case because it is a duty which rest on the management of the organization. In auditing, auditors are not required to search for fraud specifically unless when desired by the statues or the item of their employment.

Barton (1997) explained the features expected of an auditor as follows:

a. To make sure checks, test and inquiries as are considered necessary to form an opinion as to the reliability of the records as a basis for maintenance of journal entries while the accounting contains the manner of presentation

and internal control way whereby fraud are minimized and checked.

b. To company, the profit and loss account and balance sheet with the order lying records to see whether they are in accordance therewith. This will ensure that figures obtained are correct.

c. It involves the making of tests checks and inquires which are necessary to form an opinion on reliability of the records presented in the final accounts. It entrails the auditors in scrutinized the internal control system of the organization.

d. Verification of assets and liabilities is very essential to ensure that all assets and liabilities are in the name of the client and to show that all account is well recorded. Before an auditor can involve himself in such an audit of an organization, he must take the following into consideration.

i. The auditor must be independent of the management who are responsible for the account and the owner of such accounts.

- ii. In company, the auditor must not be connected or related with either the shareholders or directors of such organization
- iii. The auditor must be independent of government agencies or other groups who may have contact with the business.
- iv. They should not also be subject to this director or control of any other authority or persons.

2.3 Auditor reports is the last stage of the auditors work. The report is audit of such organization can then be referred to as a small audit even though the business itself may be classified as a large business.

Auditing of government organization fall into same category of audit above, in that the auditor in most cases has a lot of documents to check before he can express his own opinion that the financial statements of the organization. Show a true and fair view of the state of affairs of the organization concerned.

2.4 **Types of audit**

The practice of auditing today can be divided into two main categories, which are private and statutory audit and

- Private audit is carried out at the request of the rested partners. It is based on the agreement between the owner of the business and the auditor. This type of audit is common to most sole traders, partnership, joint ventures. The objectives and mode of reporting is determined by the owner of the business.

- Statutory audit is an audit which is based in the provision of the statue. The objective and mode of carrying out the audit is spelt out by the statue.

In Nigeria situating, the statutory audit is being regulated by Companies and Allied Matter Act, 1990. As a result of this, every limited liability company is under a statutory obligation to have its accounts audit at the end of each financial year by an independent and qualified accountant. The scope of this type of audit is determined mainly by statue which directors, shareholder or the auditor of the company have no right to vary in any way. All incorporated

business, whether big or small are required by law to have a statutory audit, which unincorporated business are not so compelled. The appointment and removals of auditors are provided for in section 357 and 362 of the Companies and Allied Matter Act 1990.

Section 357 matter 1990:

Every company shall at each annual general meeting appoint an auditor to audit the financial statements of the company, and to hold office from the conclusion of that until the conclusion of the next annual general meeting. In the case of removal of an auditor, section 362 subsection (1) states that:

A company may by ordinary resolution remove an auditor before the expiration of his term of office notwithstanding anything in any agreement between it and him.

2.5 Duties of auditors

The duties of the auditor of limited liability companies are contained in the section 360 of the Companies and Allied Matter Act 1990. They are as follows.

(1) It shall be duties of the company's auditors, in preparing report to carryout such investigation as it may enable item to form an opinion as on the following matters whether –

(a) Proper accounting records have been kept by the company and proper returns adequate for their audit have received from branches not visited by them:

(b) The company balance sheet and profit and loss account are in agreement with accounting records and return.

(c) Proper accounting records have been received from branches not visited by them.

2. The duty of access at all times to the company's books ac

counts and vouchers and the duty to inquire from officers of the company information that will help the auditor.

3. The duty to state whether information given in the directors report for the year for which the account is prepared are consisted with these accounts, if not, they shall state the fact in their report.

2.6 **Objective of Auditing**

The companies Act of 1984 desired the objective of the auditing to be “The expression of professional and expert opinion on the truth and fairness of information contained in the auditing financial statement.

The act legislated specifically on the following auditing objectives:

- a. To report whether adequate and proper book of account was kept by the directors. This implies that it is the responsibility of the directors to establish adequate control in the system for prevention and detection of fraud error not the auditors.
- b. To report whether such books and records were in agreement with the company’s profit and statement and balance sheet.
- c. Whether in his opinion the statements give a true and fair view of the company’s profit and loss for the year and of its financial position at the end of the year.

Thus, according to MILLICHAMP (1993) who further explained the primary objectives of auditing as follows:-

- (i) The expression of opinion on the quality and quantity of accounting information in financial statement.
- (ii) The verification of the reliable data in which the information has been based.

Secondary objectives:- This includes the following:-

- To detect fraud and errors
- To prevent errors and fraud by the deterrent and moral effect of the audit.
- Provision of spin – off effects. The auditor will be able to assist his client with other books like taxation financial accounting and other problems apart from auditing.
- Ensure the reliability of the internal control system and advice and give suggestion in ways of strengthen the internal controls system if there should be weakness.

2.7 **Appointment of Auditing**

Section 357 of the companies and Allied Matters Act (CAMA) 1990 states that:

1. Every company shall at each annual general meeting appoint an auditor or auditors to audit the financial statements of the company, and to hold office from the conclusion of that. Until the conclusion of the next annual general meeting.
2. At any annual general meeting a retaining auditor however appointed, shall be re-appointed without any resolution being passed unless.
 - He is not qualified for re-appointment or
A resolution has been passed at that meeting appointing some other person instead of him or providing expressly that he shall not be re-appointed or
 - He has given the company notice in writing of his unwillingness to be re-appointed.

Provided that where notice is giving of an intended resolution to appoint some person or persons in place of a retiring auditor, and reason of death, in capacity or

disqualification of that person or of all those persons as the case may be the resolution cannot be proceeded with the retiring auditor shall not be automatically re-appointed by virtue of this subsection.

3. Where at an annual general meeting, no auditors are appointed or re-appointed, the directors may appoint a person to fill the vacancy.
4. The company shall within one week of the power of the director under subsection (s) of this section becoming exercisable give notice of the fact to the commission and if a company fails to give notice as required by this subsection, the company and every officer of the company who is in default shall be guilty of an offence and liable to a fine.

2.8 Rights of an auditor

An auditor has certain rights accorded to him under the companies Allied Matter Act 1990. These rights cannot be varied by any resolution or other action of the director or share holders. The main rights accorded to the auditor

under section 363 of the companies and Allied Matter Act 1990 are:

- The auditor is entitled to attend any general meeting and to receive notice of all communication relating to Annual General meeting (AGM).
- An auditor of a company who had been removed shall be entitled to attend:
 - a. The general meeting at which it is proposed to fill the vacancy caused by his removal and to receive all notice of any other communications relating to such meeting.
 - b. The general meeting at which his term of office would otherwise have expired.

To be heard at any such meeting. Right to assess at any time to the company's books accounts, vouchers and entitled to enquire from company's officers such information as explainable which he thinks necessary for the performance of the auditors duty.

2.9 Classification Of The Study

According to GEYNNE (1980) says that audit is classified into two.

- Classification by nature
- Classification by approaches (procedures)

Classification by nature:-

- i. Statutory Audit:- These are audit that are compulsorily required by law, that is mandatory that it is carried out by all unlimited liability companies which of course is also a public limited company. Examples of these types of audit are audit carried out under companies and Allied matter Act of 1990 (CAMA 1990).
- ii. Private Audit: These are audits not undertaken as a requirement of legislation (CAMA 1990) but are conducted into a firm's affair by independent auditors because the owners desire it.
- iii. Internal Audit: It is an independent appraisal function within an organization for the review of the

system of control and the quality of performance, as a service to organization.

These are conducted by an employee of a business into any aspect of its affairs. Hence the internal auditor is timed and tired by the management.

Classification by Approach

- (i) Internal Audit: During the year under review, the auditor will visit his client and conduct an interim audit which will be the internal control evaluation stages involving the determination recording corroboration of record and compliance testing. The main advantage it has is that the auditor gets himself acquainted with the accounting and other control established by the management of the company.
- (ii) Continuous Audit: a continuous audit is one whereby members of the auditor's staff are occupied continuously on the accounts of the whole year round or where they attend at frequent, regular

intervals during the financial year. This would enable the auditor perform interim audit.

(iii) Final or completed Audit: This type of audit is not undertaken until after the end of the financial period and it is carried on until completed. It is usually adopted in this case it is rarely practicable in large organization. This is because the owners of the business are usually anxious for the audit to be completed as soon as possible after the financial year. The work performed include:

- (a) Completion of the compliance testing of the system. This is necessary so that the auditor can be assured that the system function satisfactorily in the period from the end of the interim audit to the end of the years.
- (b) Comparison of the final account with the underlying records
- (c) Verification of all assets and liabilities.
- (d) Critically reviewing the account to enable the auditor to determine that they give a true and fair view that may comply with the statutory and other requirement.

2.10 Advantages Of Auditing

According to HOWARD (1998), it states the various advantages acquired in auditing. The account of any organization, they arise in large or complex organization only, but it also applies to where there is no statutory requirement. Taking a limited liability company to consideration, the following can be obtained:

- i. It affords protection the investment of the shareholders in most cases and divorced from management.
- ii. Other stakeholder apart from shareholders can gain confidence from the accounts that have been independently audited.
- iii. New shareholders can easily be admitted because the financial stand of the business has already been obtained where all accounts have been audited.
- iv. Many organizations can obtain loans from banks, if supported by the auditor's reports to apply to bank for the purpose of raising funds.

- v. When the account of a limited liability company have been audited. There will be avoidance. If doubt on the financial position of the company because the audit will either qualified or not qualify the report.
- vi. The company's accounts which have been audited and best treated at the Inland Revenue with more authority than account not audited.
- vii. The auditor's presence is useful because of the service they render apart from the provision of financial reports needed. They act as arbitrator in the event of dispute a specific issue.

2.11 Nature/Definition of Government Organization and Auditing.

As outlined by the companies and allied matters act of 1990. Government Organization are government owned & established bodies set up by the government for the purpose of its participation in the economic activities of the country. While some of them are essentially for social services, other

are largely commercial operating generally like private corporation.

The government has to come into the provisions of some services in an economy and in country like Nigeria, we can see that these organizations have helped to improve the economy greatly. If the government has not come into the business community in providing certain services like pipe borne water, electricity, health service etc not all services needed in the society would be at the reach of every individual especially the poor ones. These organizations have monopolized their services because individual participation will be an exploitation of the poor.

Moreover, the individual citizens are not interested in a long-term capital project and the cost of providing the services is large.

Main difference relates to the audit organization and the scope of audit coverage. The aim of auditing in government organization is to make for the government independent examination into ways in which government organization discharges their financial responsibilities.

The audit department of any government organization is headed by an Auditor General or director of audit. As indicated by TEOGON (! (*#) volume” financial training public sector accounting and auditing” Government auditing is carried out at three levels, which are as follows:

LEVEL: Is a combination of basic financial and testing for compliance with existing laws and regulations.

LEVEL II: Is a review of operational control in order to determine whether funds have been spend wisely, efficiently and economically.

LEVEL III: Measures the effectiveness of programmers to determine whether the projects have achieved their goals.

This step does not make room for mismanagement of public funds. The financial responsibilities of government organization include proper administration of funds on the utilization of property and personnel only for authorized programmes activities in an effective, efficient and economical manner.

2.12 Audit Objectives with respect to government organization

The following are the general objective of auditing with respect to government organization.

- (a) To know whether the resources of the government organization such as funds proportions and personnel are perfectly utilized and controlled in an effective economical and efficient manner.
- (b) To ascertain whether all receipt and revenue arising from their operations which are under examination are collected properly accounted for.
- (c) To know whether the organizations are carrying out the authorized activities or duties of the government in a way it has been arranged or organized.
- (d) To ascertain whether proper internal control system being maintained by the organization and if any, effective is it.
- (e) To confirm it the accounting system complies with the principle, standards and related requirements as prescribed by the government or accounting body.

- (f) To ascertain if the specification of returns, required to be filed by various, portions, their contents, frequency, number of copies destination and the deadlines for submission are duly followed.
- (g) Description of financial procedures and systems for safeguarding of assets (e.g the banking of cash, payment of way).
- (h) To know the procedures for reporting and investigating lessons on fraud etc.

2.13 Prospects of Auditing in government organization

As expand and further explained by EMILE (1994) indicated that a result of mismanagement of funds in government organization which have led to their recording of fraud running into hundreds of millions of naira, auditing has placed a magnificent role by curtailing it which are as follows:

- The existence of auditors in government organization will prove to be serving as a watch dog for the increments in the organization who mismanage the public funds any how this will be proved to be

successful, because the rate at which this act occur will be reduced considerably.

- Auditing will serve as a moral check in the government organization by making sure that the client staffs are vigilant at their work and take every reasonable care to avoid unnecessary mistakes. Also the auditor guides the client's staff by providing professional advice.
- Disputes which may occur between the government

2.14 **Historical development of federal mortgage bank**

The Nigerian building society was the mortgage institution to be established in 1956 to finance house building not necessity home ownership. It was financial by substantial equity by the colonial later common wealth development corporation (CIX) and the federal and regional government in the regions housing corporation were established, pretty to build and save or let estates. Housing and mortgage finance represents the third area where special intervention is made necessary by the shear magnitude of the problem.

The Federal Mortgage Bank of Nigeria (FMBN) was establish in 1977 as a fully owned federal government

housing development finance agency under the federal mortgage bank act No. 7 of 1977. This step followed the dissolution of the Nigeria building society (NBS) whose assets and liabilities were taken over by the FMBN. The Nigerian building society was self incorporated in December 1956 with a capital of N3.25m and jointly owned by the commonwealth development corporation (CDC) the federal government of Nigeria and the eastern Nigeria government in the proportion of 60 percent, 31 percent and 9 percent respectively. The federal military government however took over the (CDC) share of the time federal mortgage bank of Nigeria (FMBN) was established in 1977 was N20 million.

Infact, by mid-1980's FMBN has become virtually the only mortgage institution at both the state and national levels. As the flow of savings into the lending system suffered, the operations of the bank had relied significantly on government patronage.

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CHAPTER THREE

3.0 Research Methodology is defined by Donalds Tall and Del J. Hawkin as:-

The specification of procedures for collecting and analyzing the data necessary to help solve the problem at hand. Such that the difference between the cost of obtaining various levels of accuracy and the expected value of the information associated with each level of accuracy, accuracy is maximized.

3.1 Introduction:

The research is an investigation undertaken to get information about a problem and make recommendations for solving them. This is achieved through a systematic gathering, recording and analysis of data relating to problem.

Methodology employed in a research work is no less important than the data for such a study and thus a basic requirement for a good research work (AKPAKPAN 2987).

It is therefore the focus of this chapter to highlight the methodology adopted in this research work. To this end the chapter is divided into the following sub-headings

- Research design
- Area of study
- Population of study
- Sample and sampling techniques
- Sources of data
- Instrument for data collection
- Validity and reliability of instrument
- Method of data analysis

3.2 Research Design

A research design means the structuring of investigation aimed at identifying variables and their relationship to one another.

In this research study the survey research was used in reviewing the problems and prospects of auditing in government organization (federal mortgage bank Nig).

3.3 Area of study

In the area of study, the research is concerned with specification of the area covered by the researcher in course of carrying out the research work in terms of geographical location such as country, and like wise education, political administrative etc as the case may be.

The geographical area used for this research work is Abuja, Nigeria and the selected Organization/firm is federal mortgage bank Nigeria in Enugu.

3.4 Population of the study.

Population of the study can be defined as the entire uni items being studied or investigated. This is to say that it is the aggregate of persons from whom data are collected for the purpose of the research work.

The population of the study used in this research work by the researcher to draw up conclusion is the management and staff of federal mortgage bank of Nigeria in Abuja. This organization /firm was selected in order to get a proper study and a well being represented sample. But for the purpose of this work, the population size of 82 staffs in Federal Mortgage bank of Nigeria, Abuja.

3.5 Sample and sampling technique

In this research, the researcher used the random sampling method. Based on this a normal confidence level of 95% and an error tolerance of 5% was used. The sample size was devised from the total population of 82 staffs the sampling size was made up of middle and senior staff.

Number of copies of questionnaire distributed 82
Number of copies of questionnaire returned 50. the sample size was computed using Yaro Yamani formula which is thus:

$$n = \frac{N}{1 + N(e)^2}$$

Where n = sample size

N = Population size

I = Constant

e = Margin of error

source = Yaro Yamani "N" will be equal to the staff size which therefore is (82) eighty – two persons, "e" will be equal to 5%. The sample size for this research is calculated below.

$$n = \frac{82}{1+82(0.05)^2}$$

$$n = \frac{82}{1 + 82(0.0025)}$$

$$n = 8/1 + 0.205$$

$$n = 82/1.205$$

$$n = 68.04$$

∴ The sample size is 68

3.6 Questionnaire design and distribution

The research instrument used for this study was the questionnaire type. This method was used in order to minimize the problems associated with data collection and also to ensure that results from the study were as reliable as expected.

According to Taylor, the basic method of collecting primary data is by questionnaire and observation. Peter M. Chinali described questionnaire as:

“The method of obtaining specific information about a defined problem so that the data, after analysis and interpretation, result in a better appreciation of the problem”

The questionnaire method was also chosen because the data collected through questionnaire lend themselves to statistical analysis and correlation.

The questionnaire was designed to sample the respondent views or opinions about the question asked, to determine with dichotomous alternatives in most cases (Yes or No) and multiple choice questions (with more than two alternatives) in others.

Questionnaire Assumption

The following assumptions were made regarding the questionnaires administered to the respondents:

- i) That the respondents are willing and able to communicate the desired information in writing on a questionnaire form.
- ii. That the information supplied by the respondents be free from external interference, that is without any aid.
- iii. That the responses depicted the perception of the participants on the question asked.

- iv. That the respondents sampled truly represented the population.
- v. That the respondents will honestly and voluntarily complete the questionnaires by themselves.

3.7 **Source of data**

The sources of data used in the study can be broadly categorized into two namely:

- primary source of data
- Secondary sources of data

- **Primary data** was sources using questionnaire, personal interview to back up questions not clearly answered.

- Secondary data was sourced through annual reports, journals, textbooks and seminar papes.

3.8 Instruments for data collection

The instrument for data collection adopted by the researcher includes both questionnaires and personal interviews. The questions were closed – ended. The questionnaires were designed into three sections. Section A consists of the personal data of the respondent and directed to the members of the general public. Section B was directed to the management and staff only then section C was directed to the shareholder.

The personal interviews were conducted in order to get more facts about the research topic.

3.9 Method of data analysis

The method of data analysis employed by the researcher is statistical analysis methods, which are stated below.

- Chi –Square

The Chi-Square test: The chi-square test is used to analyse data presented in the form of contingency tables. The chi-square test is used to analyse, it is the comparison of obtained sample frequency entered in defined data

categories are based on the assumption that the null hypothesis were true.

The formula for the chi-square with symbol

$$X^2 = \sum \frac{(f_o - f_e)^2}{f_e}$$

where X^2 = computed chi-square

f_o = Null or obtained frequency

f_e = expected frequency.

Σ = Summation

- Degree of freedom:- It was defined as: $df(r-1)(c-1)$

Where df = degree of freedom

r = No of rows

c = No of columns

And 0.05% level of significance was adopted by the researcher in testing the hypothesis.

- **Decision rules:**

The Chi-square characteristics were observed before decision was reached.

a) Accept H_0 (Null hypothesis) if computed $X^2 < X^2$ in table.

Reject H_1 (alternative hypothesis) if computed $X^2 > X^2$ in table critical value)

- b) The Chi-square test is always a critical test lying in the curve.
- c) Unless where $f_o = f_e$ (in which case $x^2 = 0$) x^2 will have a positive value as the difference between f_o and f_e increases.
- d) The f_o must be a whole number f_o may either be mixed, whole or fractioned.

3.10 Validity/reliability of Instrument

In constructing questionnaires, the validity of the questionnaires are very important knowing fully well that there are two important variable affecting their validity and the rate of response. The researcher thereby tried to enhance the validity of the questionnaire by constructing the question in a simple concise and unambiguous manner to enhance content, validity, consistency and interest. The reliability of the instrument was done through the test and retest method. It involves the administration of

questionnaires to some staff, categories of the people in the firm and members of the community.

CHAPTER FOUR

4.0 Data Analysis

Since the data used in this work were mostly collected through questionnaires (primary source) from eighty-two questionnaires administered to various levels of workers of Federal Mortgage bank Nigeria.

The questionnaire is divided into 2 sections. The first section contains general questions. Section 2 contains questions for the management and staff of the company.

An attempt is made to present and critically analyses the response to the question raised in the questionnaire of the eighty-two questionnaire questionnaires administered, fifty has been received as at the time of this analysis. The fate of the remaining thirty-two not yet returned is unknown.

However, the researcher's analysis is based on the completed and returned questionnaires and information done under the following headings.

- Presentation and analysis of data

- Testing of hypotheses
- Findings

4.1 Presentations and Analysis of Data

As already stated, eighty-two questionnaires were administered out of which fifty were completed and returned thus, putting the return rate at about 61%.

Analysis of data: Personal data.

Sex distribution table

Option	No of respondents	Percentage
Male	38	76
Female	12	24
Total	50	100

This table reveal that most of the respondent were male, having a greater percentage value (76%) than women.

4.1.2 Marital Status Table

Option	No of respondents	Percentage
Married	41	82%
Single	9	18%

Total	50	100
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The table above shows that most of the respondents were married. That is the percentage of married respondents is higher than that of the single ones.

4.1.3 Age Distribution Table

Option	No of respondents	Percentage
0 – 20 yrs	-	0%
20 – 40 yrs	35	70%
40 and above	15	30%
Total	50	100%

The table above shows that the respondents between the ages of 20-40 give the highest percentage.

4.1.4 Educational Qualification

Option	No of respondents	Percentage
O'Level	2	0%
OND/1 ST Degree	15	70%
HND/B.SC/BA	30	30%
M.Sc/PHD	3	

TOTAL	50	100
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The table above show that the respondents with HND/B.Sc/BA has the highest percentage.

4.1.5 **Work Experience**

Option	No of respondents	Percentage
1- 5yrs	11	22%
5- 10rs	320	40%
above 10yrs	19	38%
Total	50	100%

They all stated that they have worked with the bank for various length of years of which those who have worked between 5-10 yrs give the highest percentage.

Question eight sought to know if auditors are truly independent in carrying out their audit work.

Table 4.1.6 show the distribution of the responses

Response	No of respondents	Percentage
Yes	15	30%
No	35	30%

Total	50	100%
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It can be interpreted to mean that 35 to of 50 respondents (70%) are of the view that the auditors are not truly independent in carrying out their audit work while 15% are f the view that auditors are truly independent in carrying out their audit work.

Tables 4.1.7 shows the distribution of the respondents to question 9 which sought to know if auditors are been by treated and intimidated when carrying out their audit work.

Table 4.1.7 If treat and intimidation affect auditors

Response	No of respondents	Percentage
Yes	34	68%
No	16	32%
Total	50	100%

From the table above 68% of the respondent view that treat and intimidation does not negatively affect while the remaining 32% think otherwise and these will be used in hypotheses

Question 10 was put forth to know if any person has been prosecuted following audit report. Table 4.1.8 show the response.

Response to know if any person has been prosecuted.

Response	No of respondents	Percentage
Yes	9	18%
No	41	82%
Total	50	100%

It shows that 82% of the respondents believe that no persons have been prosecuted which 18% says yes some persons has been prosecuted.

Then question 12 sought to know if accounts personnel are skilled enough for their job .

Table 4.1.8 shows the response

Degree of skills	No of respondents	Percentage
Yes	6	12%
No	44	88%
Total	50	100%

It can be interpreted to mean that 6 out of 50 respondents (12%) are of the view that the accounts personnel are skilled enough while 44 respondents (88%) state that the personnel's being employed for accounting work are not.

Tables 4.1.9 Shows the distribution of the respondents to question 13 which sought to know if the accounts personnel have accounting knowledge.

Table 4.1.9 If personnel have accounting knowledge

Response	No of respondents	Percentage
Yes	12	24%
No	38	76%
Total	50	100%

From the table above 12 (24%) respondents says that the accounts personnel have knowledge of accounting while 38(76%) says they don't

Question 14 sought to know if poor professional conduct by auditors do not affect the quality of work done by auditors in government establishment.

Table 4.1.10 **Exhibit enough professional competence**

Response	No of respondents	Percentage
Yes	40	80%
No	10	20%
Total	50	100%

From the table above 40 respondents out of 50 states that poor professional conduct by auditors do not have positive effect while 10 out of 50 respondents state that poor professional conduct has positive effect on the quality, of work done by auditors in government establishment.

Question fifteen sought to know in the respondent opinion if payment vouchers are properly kept through out the accounting period.

Table 4.1.11 reflects the response.

Response	No of respondents	Percentage
Yes	36	72%
No	14	28%
Total	50	100%

From the table 72% of the respondents agree that payment vouchers are properly kept while the remaining 28% thought otherwise.

Question sixteen sought to know if records of payments are properly maintained and always checked by an independent person.

Table 4.1.12 shows the response of payments are properly maintained

Response	No of respondents	Percentage
Yes	45	90%
No	5	10%
Total	50	100%

From the table 45 (90%) respondents says yes while the remaining 5(10%) says No.

Question seventeen sought to know if there are limits to the amount that can be paid through petty cash account.

Table 4.1.13

Response	No of respondents	Percentage
Yes	17	34%
No	33	66%
Total	50	100%

From the table 17(34%) respondents says there are limits to the amount paid through petty cash account while 33(66%) says there are no limits.

Question eighteen (18) sought to know if all petty cash payments are always backed up with properly authorized and approved vouchers.

Table 4.1.13

Response	No of respondents	Percentage
Yes	3	6%
No	47	94%
Total	50	100%

From the table 3 (6%) respondents says yes while 47(94%) says No.

Question Nineteen (19) was directed to employees to know if acquisition and disposal of fixed assets are properly authorized.

Table 4.1.14

Response	No of respondents	Percentage
Yes	19	38%
No	31	62%
Total	50	100%

From the table above 19(38%) of the respondents says yes while the remaining 31 (62%) says No.

Question twenty (20) sought to know if registers are kept in respect to fixed assets.

Table 4.1.15

Response	No of respondents	Percentage
Yes	29	58%
No	21	42%
Total	50	100%

From the table above the no of respondents who said yes is higher than those who said No.

Question twenty-one (21) sought to know if vital documents needed for the audit work are hidden from the auditors

Table 4.1.16

Response	No of respondents	Percentage
Yes	47	94%
No	13	6%
Total	50	100%

From the table above 47(94%) says that vital documents needed for the audit work are sometimes being held from the auditors while 3 (6%) says that no information is being held from them.

4.2 **Testing of Hypothesis Table of Relationship of Questions to Hypothesis Table.**

HYPOTHESIS	QUESTION
I	6
II	9
III	14

Each of the hypothesis will be tested by using responses from questionnaires collected.

Hypothesis I:

Ho: (Null hypothesis): Financial reports submitted are not in consonance with the transactions carried out by the government establishment.

Hi: (Alternative hypothesis): financial reports submitted are in consonance with the transactions carried out by the government establishment.

Table showing how many people agreed for yes & how many for no.

Accountants	Auditors	Directors	Other bank officers
10	20	5	15

Responses	Accountants	Auditors	Directors	Other bank	total
Yes	8(7.4)	15(14.8)	2(3.7)	12 (11.1)	37
No	2 (2.6)	5 (5.2)	3 (1.3)	3 (3.9)	13
Total	10	20	5	15	50

Using chi-square analysis in calculating the expected value.

$$1. \quad \frac{37 \times 10}{50} = 7.4$$

$$\frac{37 \times 20}{50} = 14.8$$

$$\frac{37 \times 5}{50} = 3.7$$

$$\frac{37 \times 15}{50} = 11.1$$

$$\frac{13 \times 10}{50} = 2.6$$

$$\frac{13 \times 20}{50} = 5.2$$

$$\frac{13 \times 5}{50} = 1.3$$

$$\frac{13 \times 15}{50} = 3.9$$

Using the notation $\sum (o_{ij} - e_{ij})^2$

Eij

$$\frac{(8 - 7.4)^2}{7.4} + \frac{(15 - 14.8)^2}{14.8} + \frac{(2 - 3.7)^2}{3.7} + \frac{(12 - 11.1)^2}{11.1}$$

$$\frac{(2 - 2.6)^2}{2.6} + \frac{(5 - 5.2)^2}{5.2} + \frac{(3 - 1.3)^2}{1.3} + \frac{(3 - 3.9)^2}{3.9}$$

$$= \frac{.36}{7.4} + \frac{0.04}{14.8} + \frac{2.89}{3.7} + \frac{0.81}{11.1}$$

$$= \frac{36}{2.6} + \frac{0.04}{5.2} + \frac{2.89}{1.3} + \frac{0.81}{3.9}$$

$$\begin{aligned}
&= 0.049 + 0.003 + 0.781 + 0.073 \\
&= 0.138 + 0.008 + 2.223 + 0.208 \\
X^2 &= 3.483
\end{aligned}$$

Critical value of degree of freedom V

$$\begin{aligned}
&= (r-1) \times (C - 1) \\
&= (2-1) \times (4 - 1) \\
&= 3
\end{aligned}$$

$$\text{At 2\% error} = 0.02$$

$$(3,0.02) = 4.64$$

Decision rule: reject Null hypothesis if calculated chi-square value is greater than table value. The calculated value of 3.48 is less than the table value of 4.64 therefore we accept the Null hypothesis which states that the financial report submitted are not in consonance with the transaction carried out by the government establishment.

Hypothesis II

Ho - (Null hypothesis) :- Treats and intimidation by government officials positively affect the quality of auditors work in government establishment.

Hi- (Alternative hypothesis):- Treats and intimidation by government officials positively affected the quality of auditors work in government establishment.

Table showing how many people went for yes and how many for No.

Accountants	Auditors	Directors	Other bank officers
14	10	5	21

Responses	Accountants	Auditors	Directors	Other bank	total
Yes	8(9.5)	6(6.8)	2 (3.4)	18 (14.3)	34
No	6 (4.5)	4 (3.2)	3 (1.6)	3 (6.7)	16
	14	10	5	21	50

$$\frac{34 \times 14}{50} = 9.5$$

50

$$\frac{34 \times 10}{50} = 6.8$$

50

$$\frac{34 \times 45}{50} = 3.4$$

$$\frac{34 \times 21}{50} = 14.3$$

$$\frac{16 \times 14}{50} = 4.5$$

$$\frac{16 \times 10}{50} = 3.2$$

$$\frac{16 \times 5}{50} = 1.6$$

$$\frac{16 \times 21}{50} = 6.7$$

Using the notation $\frac{\sum (o_{ij} - e_{ij})^2}{e_{ij}}$

$$\frac{(8 - 9.5)^2}{9.5} + \frac{(6 - 6.8)^2}{6.8} + \frac{(2 - 3.4)^2}{3.4} + \frac{(18 - 14.3)^2}{14.3}$$

$$\frac{(6 - 4.5)^2}{4.5} + \frac{(4 - 3.2)^2}{3.2} + \frac{(3 - 1.6)^2}{1.6} + \frac{(3 - 6.7)^2}{6.7}$$

$$= \frac{2.25}{9.5} + \frac{+0.64}{6.8} + \frac{1.96}{3.4} + \frac{13.69}{14.3}$$

$$= \frac{2.25}{4.5} + \frac{+0.64}{3.2} + \frac{1.96}{1.6} + \frac{13.69}{6.7}$$

$$= \frac{2.25}{4.5} + \frac{+0.64}{3.2} + \frac{1.96}{1.6} + \frac{13.69}{6.7}$$

$$= 0.24 + 0.1 + 0.6 + 1.0$$

$$= 0.5 + 0.2 + 1.23 + 2.04$$

$$X^2 = 5.91$$

Critical value of degree of freedom v

$$= (r-1) \times (c-1)$$

$$= (2-1) \times (4-1)$$

$$= 3$$

$$\text{At 2\% error} = 0.02$$

$$(3, 0.02) = 4.64$$

Decision rule: reject Null hypothesis if calculated chi-square value is greater than table value.

The calculated value of 5.91 is greater than the table value of 4.64 therefore we reject the Null hypothesis which

states that treats and intimidation do not positively affect the quantity of auditors work in government establishment.

Hypothesis III

Ho: (Null hypothesis) Poor professional conduct by auditors do not have positive effect on the quality of work done by auditors in government establishment.

H_I (Alternative hypothesis): Poor professional conduct by auditors affect the quality of work done by auditors in government establishment.

Table showing how many people agreed for yes and how many for No.

Accountants	Auditors	Directors	Other bank officers
18	10	5	17

****Responses:

Responses	Accountants	Auditors	Directors	Other bank	total
Yes	15(14.4)	8(8.0)	3 (4.0)	14 (13.6)	40

No	3(3.6)	2 (2.0)	2 (1.0)	3 (3.4)	10
	18	10	5	17	50

Using chi-square analysis in calculating the expected value.

$$\frac{40 \times 18}{50} = 14.4$$

$$\frac{40 \times 10}{50} = 8.0$$

$$\frac{40 \times 5}{50} = 4.0$$

$$\frac{40 \times 17}{50} = 13.6$$

$$\frac{10 \times 18}{50} = 3.6$$

$$\frac{10 \times 10}{50} = 2.0$$

$$\frac{10 \times 5}{50} = 1.0$$

$$\frac{10 \times 17}{50} = 3.4$$

Using the notation $\sum \frac{(o_{ij} - e_{ij})^2}{e_{ij}}$

$$\frac{(15 - 14.4)^2}{14.4} + \frac{(8 - 8.0)^2}{8.0} + \frac{(3 - 4.0)^2}{4.0} + \frac{(14 - 13.6)^2}{13.6}$$

$$\frac{(3 - 3.6)^2}{3.6} + \frac{(2 - 2.0)^2}{2.0} + \frac{(2 - 1.0)^2}{1.0} + \frac{(3 - 3.4)^2}{3.4}$$

$$= \frac{0.36}{14.4} + \frac{0.0}{8.0} + \frac{1}{4.0} + \frac{0.16}{13.6}$$

$$= \frac{0.36}{3.6} + \frac{0.0}{2.0} + \frac{1}{1.0} + \frac{0.16}{3.4}$$

$$= 0.03 + 0 + 0.3 + 0.01$$

$$= 0.1 + 0 + 1 + 0.05$$

$$X^2 = 1.49$$

Critical value of degree of freedom v

$$= (r - 1) \times (c - 1)$$

$$(2 - 1) \times (3 - 1)$$

$$= 3$$

At 2% error = 0.02

$$3, 0.02 = 4.64$$

Decision rule: reject Null hypothesis if calculated chi-value is greater than table value.

The calculated value of 1.49 is less than the table value of 4.64 therefore we accept the Null hypothesis which states that poor professional conduct by auditors do not have positive effect on the quality of work done by auditors in government establishment.

CHAPTER FIVE

5.0 Summary of findings, conclusion and recommendation

In this chapter, a summary of finding is given, conclusion drawn on the findings and necessary recommendations on the findings made.

5.1 The major findings on the problems and prospects of auditing in government establishments include the following:

- Financial reports submitted are not in consonance with the transactions carried out in government establishment.
- Auditors are usually intimidated when carrying out their audit work.
- threat and intimidation by government officials do not positively affect the quality of auditors work in government establishment.
- Due to the above findings (10) no person have been prosecuted following the audit work.
- Accounts personnel's employed do not have adequate knowledge of accounting.

- Payment vouchers are properly kept through out the accounting period.
- Poor professional conduct by auditors do not have positive effect on the quality of work done by auditors in government establishment.
- Records for payments are properly maintained and always checked by an independent person.
- All petty cash payment are not backed up with properly authorized and approved voucher
- Acquisition and disposal of fixed assets are not properly authorized.
- Registers are always kept in respect of fixed assets.
- Vital documents needed for the audit work are with held from the auditors.

5.2 **Conclusion:**

From the result of the findings gathered through the use of questionnaires and personal interview with the audit personnel's in Federal Mortgage bank Enugu State visited, the following conclusions can be drawn from the major findings.

The problems of payments being made without being backed with properly authorized and approved vouchers can lead to lack of vital documents, necessary for supplying of relevant information concerning the affairs of the organization. The auditor will also be handicapped in analyzing the various expenses incurred during the accounting period.

The act of vital documents needed for the audit work being withheld from the auditors is another problem noticed in government establishment of which it has to be tackled because these vital document is what enable the auditors to be able to detect fraud and errors in the establishment.

Financial reports being submitted are not in consonance with the transactions carried out in the government establishment of which these is not mean to be therefore it should be looked into in order to reduce fraudulent activities going on in government organizations.

In the area of knowing if any person has been prosecuted following audit report, it has been noticed that no person has been prosecuted which is not mean to be, &

government should make sure that whenever audit report is given and some people/ persons have been found guilty these persons should be punished in order to reduce the act of fraud going on in government establishment.

Government establishments do not keep proper books of account because they lack accounting personnel which can carry out the rudiment of double entry. They lack these personnel because they are unwilling to spend much on salaries and wages, instead of this they go for cheap labour in which they would not spend much.

5.3 Recommendation

After having through under study of the problems and prospects of auditing in government organization necessary to give useful recommendations based on the findings of the research. These recommendations will be of great benefits to both the auditors and the government, if they are properly implemented.

The auditor should maintain his position of independence as much as parties rely on the statement being certified by him, to show the true and fair view of the

position of the establishment at the end of the accounting period, he must bear in mind that he owes an obligation to an outside party who he may suffer a substantial loss as a result of acting with reliance on the statement certified by him. (that is, if he certifies a statement which contains matters which are untrue).

The auditor should not fail to mention in his report of any restriction imposed on him, that may prevent him from carrying out an adequate audit. He should also maintain those items in the financial statement which could not adequately be touched by him during the audit of the organization. This is to prevent him from being liable. If he should be sued for negligence or breach. If exercising duty of care when carrying out his duty as an auditor.

I also recommend that detection of fraud and error should be part of auditors duties of which when they are carrying out their duty they should pay attention on their work so as to be able to detect fraud if any.

The government on her own part should make sure that whenever auditors fish-out persons involved in

fraudulent activities the government should make sure that they are penalized so as to help auditors reduce fraud and errors in government establishments.

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Questionnaire

Section A

1. Sex:
(a) Male (b) Female
2. Marital status:
(a) Single (b) Married
3. How old are you?
(a) Below 20yrs
(b) Between 20 and 40
(c) Above 40
4. What is your level of Education?
(a) O'Level
(b) OND/1ST Degree
(c) HND (B.Sc/Ba.D) M.Sc/PHD E)
(d) Others specified
5. How long have you been working here
(a) Below 5yrs
(b) Between 5-10 yrs
(c) Above 10 yrs

6. Financial report submitted are not in consonance with the transactions carried out by the government establishment

(a) Yes (b) No

7. What is the total number of staff?

8. Are auditors truly independent in carryout their work

(a) Yes (b) No

9. Threat and intimidation do not negatively affect the quality of auditors work in government establishment.

(a) Yes (b) No

10. Do you know of any person being prosecuted following audit report.

(a) Yes (b) No

11. Are the accounts personnel skilled enough for their job

(a) Yes (b) No

12. Do the accounts personnel have knowledge of accounting?

(a) Yes (b) No

13. Poor professional conduct by auditors do not affect the quality of work done by auditors in government establishment

(a) Yes (b) No

14. Are payment vouchers properly kept through out the accounting period.

(a) Yes (b) No

15. Are records for payments properly maintained and always checked by an independent person?

(a) Yes (b) No

16. Are there always limits to the amount that can be paid through petty cash account

(a) Yes (b) No

17. Are all petty cash payments always backed up with properly authorized and approved vouchers.

18. Acquisition and disposal of fixed assets are properly authorized

(a) Yes (b) No

19. Do they always keep register in respect of fixed assets

(a) Yes (b) No

20. Are vital documents needed for the audit work being hidden from the auditors?

(a) Yes (b) No