SIGNIFICANCE OF EXTERNAL AUDITOR'S ON THE EXAMINATION OF FINANCIAL STATEMENT (A STUDY OF FIRST BANK OF NIGERIA PLC)

BY

MAIGIDA, SIM ANTHONY
ACC/2009/539

DEPARTMENT OF ACCOUNTANCY,
FACULTY OF MANAGEMENT & SOCIAL SCIENCE,
CARITAS UNIVERSITY AMORJI – NIKE, ENUGU
ENUGU STATE.

AUGUST, 2013

TITLE PAGE

THE SIGNIFICANCE OF EXTERNAL AUDITOR'S ON THE EXAMINATION OF FINANCIAL STATEMENT (A STUDY OF FIRST BANK OF NIGERIA PLC)

BY

MAIGIDA, SIM ANTHONY
ACC/2009/539

RESEARCH PROJECT SUBMITTED TO THE DEPARTMENT OF ACCOUNTANCY, FACULTY OF MANAGEMENT & SOCIAL SCIENCE, IN PARTIAL FULFILLMENT FOR THE AWARD OF BACHELOR OF SCIENCE (B.SC) DEGREE IN ACCOUNTING CARITAS UNIVERSITY AMORJI – NIKE, ENUGU ENUGU STATE, NIGERIA

AUGUST, 2013

APPROVAL PAGE

This research project on the topic "The Significance of External Auditor's on the examination of financial Statement. (A study of first bank of Nigeria Plc. Enugu) has being approved and accepted in partial fulfillment of the requirement for the award of Bachelor of Science (B.Sc.) Degree in Accounting, Caritas University, Amorji – Nike, Enugu State, Nigeria.

------------------------------ ------------------------

Mr. Enekwe Chinedu **Date**

Project Supervisor

---------------------------- ---------------------------

Dr. Frank Ovute **Date**

Head of Department

----------------------------- ---------------------------

External Examiner Date

CERTIFICATION

This is to certify that this research project “The significance of External Auditor’s on the examination of Financial Statement” (A study of First Bank Nigeria Plc). Was Carried out by Maigida Sim Anthony with Registration Number ACC/2009/539 in the Department of Accounting, Faculty of Management and social sciences, Caritas University, Amorji –Nike, Enugu State.

------------------------------ ---------------------

Mr. Enekwe Chinedu **Date**

Project Supervisor

---------------------------- --------------------------

-

Dr. Frank Ovute **Date**

Head of Department

DEDICATION

This research work is dedicated to God Almighty who is alpha and Omega for his divine favour, mercies, protection, guidance and providence in the course of my academic pursuit. And also to my parents, family and friends who provided for me and shown me love to make this dream a reality.

ACKNOWLEDGEMENTS

I must express my profound gratitude to God almighty for his mercies, inspiration and favour bestowed on me in the course of my academic pursuit.

Special thanks goes to my supervisor Mr. Enekwe Chinedu Innocent for his kindness and directions and the time he took to read this work which made it a success.

I must express my heart felt gratitude to my HOD, Dr. Frank Ovute and the lecturers of Accounting Department whose names are mentioned here Prof. E.O Nwadialor, Mr. Desmond Obani and Ugwu James who inspired me and made my academic pursuit a success. Thank you very much.

Also recognizing the management and staff of First Bank of Nigeria, Plc, Enugu for their co-operation during the time of this project.

I owe also, a lot of thanks to my parents Mr. and Mrs. Maigida for their financial and moral support to ensure that my educational dreams come true and also this project becomes a success. May the good and everlasting Lord continue to bless and shower his blessings upon them and may you reap in thousand folds (Amen).

Lastly, before I drop my pen I want to appreciate my friends, Irene, Ijeoma, Mary, Peter, Samson and not to forget Dorcas and sweet others too much to mention may the Lord bless you all, Amen.

ABSTRACT

This study was to assess the significance external auditor's in the examination of financial statement of first Bank of Nigeria Plc., Enugu. The banking sector in Nigeria and elsewhere in recent times have become so diversified, challenging, highly competitive and has been characterized by persistent, fraud, errors and misappropriation of funds in the bank, the impact of which has undoubtedly shaken the whole economy of the nation. For this work to be effectively and efficiently carried out the use of primary and secondary methods was adopted for the collection of data, where in primary data, the researcher designed and advanced questionnaires to first Bank Enugu for collection of primary data while secondary data was gotten from textbooks, journals, manuals lecture notes, etc. the data collected from the questionnaire was analyzed in tables with simple percentage and interpreted for the understanding of the study the formulated hypothesis were tested using Z – test formula. The result of the study shows that, external auditors examination of first banks financial statement or records aids in checking and monitoring as well as stopping frauds errors, misappropriation of funds in the Banks. Recommendations were made to the management of First Bank of Nigeria Plc, Abuja.

TABLE OF CONTENTS

CHAPTER TWO

CHAPTER FIVE

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

It is obvious that enormous resources of money and material are being utilized by corporate organizations. In recent years the numbers and monetary values of public sector activities have increased substantially. This increase in activities have brought within an added demand for accountability.

Auditing is one of the elements of accountability. Shareholders and government are responsible for ensuring that appropriate audit are made and reports therefore acted upon. Financial auditing contributes to public account ability since it provide independent report or whether the financial information represent a true and fair view of the organization's financial stand, the internal controls and the compliances with laws and regulation.

As an external auditor, his auditing exercise embrace the examination of the financial report of the organization in order to see whether the account have been prepared in accordance or in compliance with general accepted accounting principle (GAAP) and applicable laws, ethics and regulations and in the process errors or fraud maybe detected (mill-champ 1990). Since huge monetary resources are utilized by the financial institutions of public organization, errors which tend to lead fraud may exist and is not disclose in the report may contain errors or mistakes that cause it to be deliberately misleading or the report may fail to disclose relevant information. All these maybe revealed through an audit work done by the external auditor since he is independent of management.

The responsibly of external auditors for ensuring high ethical standard with an organization as a lesser one than internal auditors, for the year only occasional visitors to the company and can only look at a fraction of numbers of transactions that internal auditor will not normally be directly involved in the establishment of the policies within an organization which would include policies of an ethnic nature.

Therefore, their ability to shape the ethnical nature of an organization is critically affected by the attitude of the management. If the management are prepared to establish procedures demanding the highest ethnical standard from employees, and demonstrates that themselves to these standard, then the ability of external audit to help enforce ethnical standards is greatly enhanced. Based on these factors, it interest the researcher to know the place of external auditors on the examination of the financial statement.

1.2 STATEMENT OF THE PROBLEM

The goal of every business is to make profit and profit is to be made when total revenue exceeds total operating cost and losses when the reverse is the case.

In view of the above, it is therefore necessary for firms to strive to manage their affairs effectively and efficiently in order to make profit achieve their objective; they do by setting various auditing systems to check mate these.

To reduce cost and at the same time impose quality service (product) and as well received in acceptance of the costumer, effective and efficiency control of asset inventory cash human resources as well as reduce the liabilities, financial abnormalities, misappropriation and embezzlement of money, and adequate external audit measures has been established in the bank to aid the management in curbing the above mentioned variables. Despite the existence of internal audit system the bank still experience some financial anomalies which prompt this research work to study the significance of external auditors on examination of financial statement in the bank.

1.3 OBJECTIVE OF THE STUDY

The main objective of the study is to determine the significance of external auditor on the examination of financial statement.

- To find out the significance of external auditors in examining the financial statement of the first bank Nigeria plc.
- To find out the modern techniques employed by the auditor management in reducing fraud, errors and misappropriation.
- To identify the problem associated with examination of financial statement.

1.4 RESEARCH QUESTIONS

The following research questions guided the study;

- What are the significance of external auditors in examining the financial statement o first bank Nigeria plc.

- What are the modern techniques employed by the auditors/management in reducing errors and misappropriation.
- How do we identify the problems associated with examination of financial statement

1.5 RESEARCH HYPOTHESES

Based on the stated problem as well as the need for the study, there is need for a set of hypothesis that will act as a guide for the work. Such hypothesis might be true but such a conclusion can only be made at the end of the study.

The hypotheses are,

Hypothesis one

H0: There is no relationship between the financial statement of the bank and audit examination.

H1: There is a relationship between the financial statement of the bank and audit examination.

Hypothesis two

H0: The auditor’s report does not represent a true and fair view of the performance of the organization.

H1: The auditor's report represents a true and fair view of the performance of the organization.

1.6 SIGNIFICANCE OF THE STUDY

This research would be of interest to the management and employees of first bank of Nigeria plc.

The study would serve as reference materials to other researchers who may want to carry out more research on this or related topic.

The study would broaden the researcher knowledge on the subject.

The study would serve as a requirement for the award ot bachelor of science in accounting.

1.7 SCOPE/LIMITATION OF THE STUDY

The researcher's project focuses on the significance of external auditors on the examination of financial statement in first bank Nigeria plc, in order to carryout an extensive study on this topic and ensure understanding. The researcher shall delimit this study by covering the following subject and areas. The meaning of external auditors, significance of external auditors, responsibilities of audit organizations, external auditors role in detecting fraud, extent of an auditors investigation and the relationship between external auditors on the examination of financial statement.

The researcher's effort towards a sound research output was limited by a number of factors. The researcher was limited by finance as the scholar has to finance the project with her meager financial resources, which prudently applied towards the successful completion of this project.

Another notable constraint is the uncooperative attitude of some staff of first bank Nigeria plc. Most of them were very reluctant to accept questionnaire addressed to them and where they did, some vital questions kept unanswered.

1.8 DEFINATION OF TERMS

The section offers some brief definition of the terms used in the research work.

AUDITING:

According to oxford advanced learners dictionary, auditing is defined as an official examination of business and financial records to see that they are true fair or an official examination of the quality on standard of something.

AUDITOR:

A person who officially examines the business and financial records of a company or organization.

EXTERNAL AUDITOR:

External auditor as a chartered accountant who is a public officer and is professionally qualified. Section 357 of CAMD 1990 talk on our auditor is appointed and he can also be appointed according to section 86 of the 1999 constitution of the federal republic of Nigeria.

PUBLIC SECTOR:

The part of the economy of a country or a statement that is owned or controlled by the government. It includes all organizations which are not privately owned but which are owned and operated by the general public.

FRUAD:

Fraud is defined as the crime of deceiving somebody in order to get money or goods illegally. Oxford Advanced Leaner's Dictionary.

FUNDS:

This is seen as an amount of money that has saved or has been available for a particular purpose.

FINANCIAL STATEMENT:

This is a record or books kept in an organization stating all the financial or monetary transactions of the organization. It is usually prepared within one year by the organizations accountant.

ACOUNTANT:

A person whose job is to prepare records or check financial account and also apply his professional competence or knowledge and still in presenting accounting information tp assist management decision making.

PIVATE SECTOR:

This is owned or managed by an individual person or an independent company rather than the state. Oxford advanced learners dictionary.

REFERENCE

Adenyi, A.A (2010)*: Auditing and Assurance Services*, Lagos: valve Analysis Consult.

Akuezutio, E.O. (1993): *Researcher Methodology and Statistic*. Akwa Ibom: nuel center (nig) Publishers.

Oxford Advanced Learners Dictionary.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 THE CONCEPT OF AUDITING

According to the free online dictionary gives the following definition of an auditor.

An auditor is an official whose job it is to carefully check the accuracy of business records. An auditor can be either an independent audit unaffiliated with the company being audited or a captive auditor, and some are public official. This term is sometime synonymous with 'comptroller' auditors are used to ensure that organizations are maintaining accurate and honest financial records and statements.

Auditors can work for any many different entities, such as the I.R.S or a state government. Auditors are also found in the private sector at accounting firms there both external and internal auditors, internal auditors are usually employees or contractors with the company they are auditing, while external auditors generally work either directly or conjunction with governmental agencies, external auditing is a chartered accountant who is a public officer and is professional qualified. Section 357 of CAMA 1990 talked on our auditors is appointed and he can also be appointed according to section 86 of the 1999 constitution of the federal republic of Nigeria.

What are the differences between internal auditing and external auditing? This is frequently asked question. Although the word 'audit' in both are similar, there are distinct differences between the two job functions .before directly answering the question, let's take a look at which each is and/or does.

Both are what we call assurance providers; they provide stakeholders with reasonable assurance that risks are appropriately militated. External auditor are primarily concerned with financial concerned with financial statement presentation. In other word, do reported 'numbers' of financial statements provide a fair representation of the organizations financial position? As a result, there is a lot to effort surrounding controls that impact revenue, expense income or liability line items.

Internal auditor also provides reasonable assurance that risk are appropriately mitigated. However, an internal auditor's scope extend beyond financial statements. The scope may include an organizations operations, information technology, strategic initiatives, fraud investigations process and control optimization and compliance

It is important to understand and similarities and recognize the differences between internal and external audit, internal audit share a common history with external audit and has grown out of the increasing focus on the need to have effective controls within an organization. The internal and external auditor should work closely together, in particular to coordinate activity and maximize effectiveness. However, there are a number of fundamental differences in their objectives, scope, and responsibility.

Internal auditor is to advise management on whether the organization has sound system of internal control to protect the organization against loss. While external auditor is to provide an opinion on whether the financial statements provide a true and fair view are presented fairly.

Internal auditing generally not a legal requirement. However the latest corporate governance advice recommends that if a listed company does not have an internal audit department, it should regularly assess the need for one. While external usually a legal requirement for large limited companies and most public bodies.

Auditing has a role to play in an organization that belongs to the public. This is, public limited liability company according to Millichamp (2005), because the problem which has always existed when managers reports to owners/publics: can be owner(report to owner/public believe the report). This report may:

Contain errors

Undisclosed fraud

Deliberately misleading

Failure to disclose relevant information.

Contain errors

According to Milli champ(2005),errors are unintentional mistakes in financial statement and underlying accounting records stated by SAA 15 of ALCPA errors that are not fraud are unintentional mistakes and Milli champ(2005)also stated that All errors that are not fraud but all fraud are errors and that errors can occur in any stage of business transaction; the report may contain errors such as errors transportation, errors of under casting of entity, errors of over cast of entry and such errors will influence the report of the organization.

Undisclosed Fraud

Fraud defined by international auditing guidelines (IAG) is a particular type of irregularity involving the use of criminal deception to obtain an unjust gain from the auditors point of view, “fraud may be broadly classified at deliberate steps by one or more individuals to deceive or mislead with the objective of misappropriating assets of business, distorting organizations apparent financial performance or strength, or other wise obtaining an unfair advantage”

It can be a result of alternation, falsification or manipulation of records or recording transactions without substance and be these acts may be covered up without disclosing it to the public and with this act, the report can’t be believed by the public.

Deliberately Misleading

The report can be deliberately misleading in a situation whereby the corporate executive and accountant and it their financial record to make their organization look more profitable that it really is. And because of this, therefore may mislead the public (Milli champ, 2005).

Failure To Disclose Relevant Information

According to international accounting standard (IAS) the accounting policies used must be disclosed and also international auditing standard (IAS) 5and the statement of standard accounting practiced(SSAP)2, states that all relevant information must be disclosed such as the depreciation etc. if the result does not disclose the relevant information needed, the public/shareholders may not believe the report and as such the need for the account to be audited will arise.

The solution to these problem of credibility in reporting an accounts lies in appointing and independent person called “An External Auditor” to investigate the reports and report on his findings for the report of the external auditor will make the public shareholders to believe that the auditors report is the expression on professional opinion or lack of opinion on the financial statement audited.

The report is the final result of audit work audited and completed.

According to Millichamp (2005) he said that auditing has a role to play also in ensuring the conforming of financial records with the requirement of General Accepted Accounting Principle (GAAP) and to the Statement of Standard Account Practice (SSAP).

2.2 EXTENT OF AN AUDITORS INVESTIGATION

According to Okolo, (2006) says that it is not sufficient for an auditor merely to compare the balance sheet and profit and loss account with the books of accounts, but must go behind the books, errors of principle and fraud, as a rule, will not be discovered upon the surface, but will be detected only by investigators outside the actual books that part of the double entry system. The auditor therefore must use every reasonable care and precaution in order to satisfy himself that the books themselves are correct and include at the transaction that should be recorded there in. therefore the extent to which an auditors must carry out his investigation to a practical question of great importance, and of necessity it must depend largely upon the whole of the circumstance of each case. In a small business where there is no proper internal control, a prudent auditor will check and vouch a far greater proportion of the detail transaction that he would in the case of a large business where an efficient system of internal control was in forces.

2.3 RESPONSIBILITIES OF AUDIT ORGANIZATION

According to Ephraim (2006), Auditors are born and trained to have inquiring minds, as certain financial statements prepared by the management of an entity may actually not represent the true financial position of the organization.

To provide credibility to retorts and account therefore, auditors must examine records available through to detect errors, disclose fraud any from of irregularity or misleading report, evaluate the effectiveness or otherwise of the internal control system in place. Auditing enables the management and investors have correct and efficient information for decision making sufficient skill and experience. Bit his become unworkable when the number of contributors increase.

Auditing is been with us since the sixteenth century when the divorce between those who provided capital and those engaged in business activities began to grow. However, there arose a need for legislation to protect investors from the inefficiency and perhaps deceit of their directors. The mandatory, requirement for the audit of company account and for the presentation of the audit report to members was finally embodies in the companies acts by the twentieth century.

Njemunze (2000), view that the comprehensive nature of auditing carried out in accordance with standard highlight the important of auditors to clearly understand the audit to be conducted and the reporting requirements.

It places on the audit organizations the responsibility for ensuring that, the audit is conducted by personnel who collectively have the necessary skills.

Independence is maintained

Applicable standard are followed in planning and conducting audits and also reporting the result.

The audit organization has an appropriate internal control system in place also undergoes an external quality control review.

2.4 EVALUATING THE SIGNIFICANCE OF AN EXTERNAL AUDITORS

Extract from mill champ (2005) explained that the ultimate aim of auditing is to help in detecting errors irregulars' and noncompliance of the account with the laid down standards. And before this is achieved, there must be a demand to know what is actually happening in a given public limited organization.

To evaluate the significance of external auditors fairly, one must therefore look at its importance in meeting other goals such as making the report believable by the public and also in the disclosure of relevant information and probably among other things that the report of the organization is error free.

2.5 EXTERNAL AUDITORS ROLE IN DETECTING FRAUD

The auditors point of view, “fraud may be broadly classified as deliberate steps by one or more individuals to deceive or mislead with the objective of misappropriation assets of business, distorting organizations apparent financial performance or strength, or otherwise obtaining an unfair advantage”.

It may start as a genuine mistake, be successfully covered up and develop there after into a full fledged long term fraud.

Alternatively, it may be a “one time walking rip off” it ray engineering from within (i.e. employees or managers or both) or from outside (i.e. business contacts or the general public) or combination of two. This misappropriate of assets may involve the creation, alterative suppression of accounting records, vouchers and documents, or tampering with equipment (e.g. meter, files, containers) or the misuse of time, property or service. Fraud may occur because the responsibility for prevention is not allocated, because dishonesty is accept as inevitable, known cases of unpunished and the disease spread; because security is thought too expensive or covered by fidelity bonds.

The main factors contributing to today's increased level of fraud include.

- Growing complexity of organization.
- Ever increasing speed of modern commerce and computerization
- History of in attention
- Under staffing of internal audit functions
- Outdated and ineffective internal controls
- Aggressive accounting practices.
- Increasingly transient employees.

2.5.1 TYPES OF FRAUD.

- **False Accounting**

Some of the most dramatic corporate failures over the years have been characterized by false accounting.

I. The main aim of false accounting is to present the results and affairs of the organization in a better light than the reality.
II. This is often done by overstating assets or understanding liabilities to reflect a financially strong; the reasons for doing this are varied and include obtaining financing, supporting the share price, and attracting customers and investors.

- **Asset misappropriation:**

Any business asset can be stolen by employees or third parties, or by employees and third parties acting in collusion. Example of common employees and management fraud includes:

I. Direct theft of cash or realizable assets, such as stock or intellectual property, such as price or customer lists.
II. Make false expenses claim.
III. Payroll fraud diverting payments or creating fictitious employees.

- **Computer fraud:**

There is no such thing as “computer fraud” rather, a computer can be the object, subject or tool of a fraud. As technology evolves, so we see new of perpetrating fraud through computers such frauds have included:

I. Diverting funds from one bank account to another, having gained unauthorized access to the bank, perhaps by hacking.
II. Holding out to be legitimate business on the internet and obtaining payment for goods that are not delivered or a lower specification than that advertise.
III. Manipulating the share price of a company by publicizing invalid news items or claims on bulleting boards.

Each of these frauds could have been carried out without the use of computer. What computer and the internet in particular, have provide is access by connected parties, where previously an insider would need to have been involved. Computer also allow processing of large amount of data to be performed quickly, enabling the creating of password.

- **Insurance Fraud:**

Insurance fraud covers a number of areas are varies widely in its nature; it includes but is not limited to:

I. Overstated claims

II. False claims losses that never occurred

III. Multiple claims

IV. Obtaining property fraud

- **Intellectual Property Fraud**

Intellectual property includes items such as patents, design rights and customer lists, and is just as much a business assets as plant a machinery or stock like any other asset, intellectual property is therefore, susceptible to theft by staff and third parties, although it is not always apparent intellectual property right are being misappropriated or infringed.

Employee and management fraud could include direct theft of intellectual property, for example by departing employees using critical business information to set up in competition or through the sale of price lists or it by existing employees.

- **Theft or Infringement by Third Parties:**
    I. Deliberate under reporting of royalties by a party selling or manufacturing the product under license.
    II. Knowingly developing competing products and infringing design rights that have already been registered and protected by the creator.
    III. Passing off fake product as the genuine article, e.g. branded luxury goods, perfumes, CDs and computer software.
- **Corruption:**

General, bribery and corruption are off book frauds that occur in the form of:

I. Kicking back or commission
II. Bid rigging
III. Gifts or gratuities.

- **Investment Scheme Fraud:**

Investment scheme fraud can also be thought of as third party asset misappropriation. It involves taking money from customers on the promise of spectacular returns but using the cash from one's own purpose.

Such frauds result from a combination of motivational and situation factors in which the crucial element is the presence of both opportunity and motivation. Effective control structures, whether preventive or detection based, can serve to reduce or deny the opportunity to a potential fraudster. Others includes;

- **Financial Fraud:**

Cross-border fraud, charities fraud, Romance schemes, debt elimination Nigerian “4-1-9” scams.

It is not the auditor’s purpose in carrying out an audit to determine whether or not fraud. Or any kinds have been perpetrated by servants of his clients. Kingston cotton mill (2005) he auditor does not guarantee the discovery of all fraud.

The auditor’s duty is to assess whether or not the published accounts accurately represent the true state of his client’s business and to produce report addressed to the owner’s in which he expresses his opinion of the truth and fairness, and sometime other aspects of the financial statements. The phrase “true and fair” does not imply that the accounts are corrects in every detail and the presence of minor in accuracy would not invalidate the auditor’s opinion. It is however, obvious that if a material fraud has been perpetrated and is not reflecting the true state of the client's business.

Consequently, auditors makes a contribution to the detection of possible fraud even though "reliance on the auditors to detect fraud is misplaced" the first stage of an audit is designed if the accounting records are accurate and provide a reliable basis for the preparation of accounts. This objective can be achieve by checking all the routine transactions which took place during the financial year and this process might uncover fraud, except where fictitious evidence have been carefully created.

However, the cost of such an approach is prohibitive, fortunately, it possible to reduce the volume of test without greatly reducing the validity of opinion by using sampling technique using such an approach almost as likely to detect fraud, which would be found by far comprehensive examination. But even this approach is also be expensive. As a result, the auditors adopt a different method which relies extensively upon the organizations system of internal control and internal check. The essence of the approach is to analyze and evaluate the system and then to carry out tests establish that the controls are operating intended and constitutes a reliable basis for the preparation of the annual account and to determine the required substantive testing.

The examination of the system is usually done with the following fundamental consideration:

I. The possibility of defalcation/fraud, either permanent or temporary.
II. The possibility of fund discovered errors occurring
III. The possibility of accounts being deliberately distorted.

If the internal control is very weak, it may not be possible to express an opinion at all on the accounts presented. If on the other hand the internal control is strong, there could be a minimization of the amount substantive testing used in arriving at an opinion.

The second stage of an audit is much more likely to detect a major fraud. Here, substantive evidence is sought in support of all items appearing in the accounts. The evidence is required to show, inta alia that the asset actually exist, that the company has good title to them and that they as correctly shown as regard cost.

Evidence is also required in support of items appearing in the profit and loss accounts must evidence is derived from documents already in the possession of the company and subjected internal control, but other evidence is derived from physical inspection and direct from their parties.

In carrying out this process, the auditor in enviably concentrates of fib higher valve items and those, which are more easily susceptible to misappropriation?

At the final stage of an audit, the search for examination substantive evidence may contribute to a large extent in detection of fraud. The auditor in performing his duty aims it being thorough a systematic, but there is no double that some carefully planned and highly in genius schemes can defeat the most thorough and systematic of audits.

Thus quoting from justice hop in the Kingston cotton mill case of 2004:

> “Auditors must not be liable for not tracking out in genious and carefully laid schemes of fraud when there is nothing to arouse their suspicion, and when those frauds are perpetrated by tried servants of the company and are undetected for years by the directors.

> so to hold would make the position of an auditor in tolerable”.

Though the auditor in carrying out his work should exercise due professional care and reasonable skill but need not approach it with suspicion. However, if the (auditor) is put upon inquiring by any thing he discovers during the course of his checks, must investigate it until he reasonable satisfies himself as to the explanation. If material irregularities are discovered, he must report accordingly either to the directors or to the members as appropriate, it is convincingly clear however, that only irregularities (perhaps innocent) and fraud could arouse the auditors suspicion. The courts have had occasions to consider many cases where was held on the facts of those cases that the auditor ought to have been put on inquiry. Reference to some of these cases, which are in no way definitive, will indicate some of the factors which the auditor ought to consider. In brown and Wright V. Thompson, Puckett and co (2000) act 397, the auditor was held negligent in that on striking the trial balance in successive years, he discovered a deficiency of up to five thousand pounds which he put down to book keeping error rather than tracking down he real cause, namely fraud.

Other areas have been omissions, increasingly or unusually large cash balances, knowledge of dishonesty in a servant and entries made after relevant data which are deemed ought to have put the auditor upon inquiry. The auditor will normally be held liable if in the course of his checks he over looks some errors, omission or suspicious circumstance or fail properly to investigate the matter having detected it. If the overall program of his audit work is reasonable, it is likely that the auditor will be held liable if that program of work did not include the examination of some obvious errors on its face which even a most cursory examination must have uncovered. Where the fraud or error does not have effect upon the financial state of the business, it is double that whether the audit would be held liable where the details of the audit reasonable did not deal with the area of fraud or error. However, where the fraud or error has a material effect upon the financial statement of the business, the onus upon the auditor to show how he was acting reasonable in not discovering it will be heavy.

The internal auditing guideline (IAG) sees fraud as particular types of irregularity involving the use of criminal deception used may be through,

I. Alternative, falsification or manipulation of documents or records.

II. Suppressing or omitting transaction from record.

III. Recording transaction without substance

IV. Misapplication of accounting policies with intent to deceive.

V. Misappropriation of asset.

In the process of trying to do detect fraud in the organization, the auditor should be on alert for symptoms of fraud or circumstance conductive to perpetration of fraud and such symptoms may include;

2.5.2. WEAKNESS IN THE INTERNAL CONTROL SYSTEM AND LACK OF COOPERATION BY CLIENT STAFF.

According to Howlard, (2001) states that standard and guideline as the whole system of control, financial and otherwise establish by the management in order to assist in safeguarding assets and resources to ensure management adherence to accounting policies to see that the business of the enterprise is carried out in orderly manner and to ensure of far as possible, completeness an accuracy of the accounting records.

An internal control system is a common safeguard found in business today. This safeguard is broken down into parts: internal audit and internal controls. Internal audits are formal reviews by the business owners or employees.

They provide information on internal operations in employee performance. Internal control represents the manager and employees must follow in the business. Internal control systems have weakness that business owners must address.

Broad Application:

Internal control systems can be very broad in their application and this can create a weaker internal control system. Business owners should attempt to develop a system that focuses on specific business issues. Control systems that cover too many business department or functions may not produce the maximum benefit for companies.

Time Consuming:

Creating internal safeguard is often a time consuming process. business owners may also face the disadvantage of learning about control system while working in the business. Time consuming safeguards cause manager and employees to find ways of getting around the control the system. This weakness can create difficult management situation for owners attempting to maintain proper business practices.

Lack of knowledge:

Business owners may be unaware of the best internal control systems to implement in the company. The lack knowledge maker it difficult to create effective safeguard that protect business and financial information. Business owners should carefully consider how to create the best internal control systems for their company. To avoid this weakness, business owners may consult with a public accounting firm of management consultant.

If the internal control systems of an organization is not powerful or strong, there is bound to be existence of fraud as stated in mill champ,(2005), for instance, one person signing vouchers all the time and no other worker/employee is allowed to do the work that implies something can be wrong some where and it will be a clear indication to the auditor that the internal control system of the organization in weak or not as this will help him to detect the existence of fraud.

2.5.3 LACK OF MONITORING SYSTEM IN THE ORGANIZATION

The auditor is demanded by certified public accountants (cpa0 to check and know whether the organizations do have monetary systems that are programmed control working.

In an organization, where by one person opens transaction and end it, nobody else know about it as to check whether it is in accordance with accounting regulations and the laid down rules of organization, as nobody cross check whether the account is right or not ,this implies that there may be existence of fraud.

2.5.4 UNEXPLAINED DISCREPANCIES IN ACCOUNT

In an organization where by the manager/administration noticed or discovered unbalanced account which cannot be explained and instead of him to raise an alarm, he keeps quiet without the accountant being queried.

Therefore, the auditor should be in alert of symptom for unexplained discrepancies can be due to alternation or manipulation of figures among other things and the existence of the auditor need to investigation as demanded by the shareholder (Rines 2006).

2.5.5 TOLERANCE OF ACCOUNTING ERRORS AND DIFFERENCES

The external auditor need to find out whether the organization do tolerate accounting errors and differences as one of the symptoms that indicate the existence of fraud in the organization for instance a situation where the physical asset of an organization is twenty, but is being recorded as thirty, and even the manager raises an alarm; accounting errors and the auditor on finding out this symptoms will quickly know that there may be fraud being committed in that organization (Mill-champ,2005).

2.5.6 DOCUMENT OF UNIQUE RELIANCE ON THE STAFF

According to Mill-Champ(2005) States that an auditor trying to prepare his duty of detecting fraud in an organization, the auditor need to find out whether the management of the organization place unique reliance upon the integrity organization believe that the accountants always feels that everything he does is perfect and right even the manager depends solely on him.

This can go along way by letting him know that there maybe existence of fraud and to detect the fraud.

2.5.7 CHAOTIC ACCOUNTING SYSTEM.

According to Paul and Attwood, (2000).States that in the course of trying to detect fraud in an organization, the auditor would need to satisfy the financial records of the organization carefully if he finds it so difficult to understand the accounting used by the organization, the auditor in his own perspective will know that with this chaotic accounting, system, that fraud has been committed in the organization, are prepared in such a way that cannot be properly understand and as such he will carry out an investigation to detect the fraud.

2.6 EXTERNAL AUDITOR ROLE IN ENSUREING KEEPING OF ACCOUNTS

According to Paul and Attwood (200), states that every successful company must keep proper accounting records to monitor its activities of enhance adequate control for the progress of the organization. Account must be designed in such a way as to show and explain the transaction of the company. It should be able to disclose with accuracy, the financial position of a company. It should ensure that financial statement prepared comply with the provisions of the enabling act of the company it should have the detail of asset and liabilities of the company.

It is the responsibility of the auditors to investigate and confirm whether proper books of account has been kept by the organization as demanded by the accounting principles and also that proper returns is adequate for the purpose of their audit have been received from sectors not listed by them (Paul and attwood,2000).

Auditors are required by section 14(3) of the companies act 2000 to state expressly whether in their opinions, the account on which they are reporting, give a true and fair view. Therefore, as a matter of fact , the auditor need to investigate and confirm whether the financial accounts, the organization presented, represent a true and fair view of the financial position of the report.

Also, the independent auditor must ensure must ensure that the accounts are in agreement with the books of accounts and returns.

2.7 THE SIGNIFICANCE OF EXTERNAL AUDITORS IN REPORTING TO THE SHAREHOLDERS (PUBLIC LIMITED COMPANIES)

The external auditor is responsible to report what has investment or examined to the shareholder/public. The auditor has a role of his investigation of an organization. This report is usually brief and is an expression or otherwise of the financial statement he has audited, and the content of audit report is governed by the statue section 88(3) of the 1999 constitution and auditing standards.

The auditor need to state and his opinion whether the accounts give true and Fairview and comply say that in his opinion the financial statement show true and fair view. The user of the financial statement would base his decision on whether or not to rely on the auditor's opinion on knowledge of the auditor's independence, honestly and competence, the professional rules and ethnic constrain the auditor to expire an independent opinion on the financial statement of his client.

REFERENCE

Anyanwu, A.(2004): *Data Collected and Analysis* Okwe, Auan Global Publication

Alvin, A.S & James, K.L (2002): *Auditing and Investigation Approach*. Longman Group Limited, London.

Ephramin, E.U (2006): *Principle of Auditing*, Ibandon, Clean Hands production.

Horby, A.S (2001): *Oxford Advance Learning Dictionary* London, Special Price Edition Oxford University Press

Howlard, R (2001) *Auditing* Served Edition, Macdonald and Evans Limited, London.

Milli-Champ A.H (2005): *Auditing* Eight Edition *Continuum* Tower Building New York.

Njemunze (2000); *Auditing Standard and Guideline*.

Okolo, J.U.T. (2002): *Auditing Concepts and Application Educational* Books and Investment Lagos State, God’s Own Publication.

Paul F.C and Attwood, F.A (2000): *Auditing Principles and Practice*, Pancer Street London, Pitman Publishing Ltd.

Uremandu, S.O (2000): *Modern Public Financial Theory and Practice*, Benin Minder Press.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 RESEARCH DESIGN

Research, design is a general plan of how you will go about answering your research question. According to Sauder and Philip (2012). It can also be described as a number of decisions which need to be taken regarding the collection of data. A research design is the overall operational pattern of frame work of the research work.

The research design for this project is to know the significance of external auditor in the methodology was used for proper analysis of the research topic.

3.2 SOURCES OF DATA

This refers to where the information originated from. In carrying out the research, the two basic source were employed,

i. Primary Data

ii. Secondary Data

3.2.1 Primary Data

Primary data refers to the data gathered as a result of direct interaction with the respondents. Primary data are gotten by the researcher. In the study through questionnaire, oral interview and personnel observation.

(a) Questionnaires: This is the major instrument of measurement used for the collection of primary data. It is formalized schedule for obtaining and recording specified and relevant information with tolerable accuracy and completeness. It contains series of written question on the significance of external auditor in the examination of financial statement in First Bank Nigeria Plc. The questions are fifteen in numbers and were administered to a statistically determined sample size.

The questionnaire contain simple structure question using closed – ended questions five Scale method of strongly agree (SA) Agree (A), Disagree (D), Strongly disagree (SD), & Undecided (D).

(b) Interview

Oze (2007) define interview as a mechanism through which an oral information is collected from an individual. It is a verbal interaction between the person seeking information (interviewer). This method served a very useful purpose in obtaining certain facts and information that could not be possible through the questionnaire method.

3.2.2 Secondary Data

The secondary sources of data obtained second hand from published or recorded sources and used for a purpose of different from that of the agency that initially collected and published the data. Theses are data gotten from reports financial statement, account and budget plans, magazines etc. in this case, the information was from official document.

3.3 RESEARCH INSTRUMENT

A research instrument is an device constructed for recording of measuring data. It is the means for generating pertinent information to be used for solving the research problems. The researcher mad use of the following instrument in obtaining the needed information; questionnaire, personal interview and direct observation of financial statements.

Questionnaire was designed and administered to the employees of first Bank of Nigeria plc. In order to obtain valuable data for analysis, interpretation of this project. In the set of question naira structure question, multiples choice (close – ended) questions were used.

3.4 RELIABILITY AND VALIDITY OF RESEARCH INSTRUMENT

The validity of measuring instrument has be defined as the extent to which in scores on. It reflects true differences among individual on the characteristic that we seek to measure rather than constant or random errors. Therefore in order to make sure that the instruments were valid, the researcher made sure that the data contained in the questionnaires were collected from the respondents after they had been duly responded to. These data collected were further reduced into quantified form in order to analyze the information very well, hence, its validity and reliability are of no doubt still used by other researchers.

Reliability is the degree to which a measuring instrument produces outcomes when it is repeated. Reliability of instrument used is based on the statistical tool employed for data analysis.

3.5 POPULATION

Oze (2007) states that population is the totality of individual or object being considered. The population of the study consist of employees of the bank. They are 60 in number.

These department were as follows:

S/No	Department	No. of Staff
1	Accounting/Auditing	20
2.	Marketing	17
3.	Security	13
4.	Budgeting/Planning	10
	Total	60

Sources Field Survey, 2013

3.6 SAMPLE SIZE AND SAMPLE TECHNIQUES

Sample size is given number or any portion of a population studied for generalization.

The sample technique used for this research work is “Sample Random simple technique. This is a means whereby all the staff of the bank has a chance of being selected but more of those who have full knowledge about external examination of the bank. To ensure the determination of accurate sample size that statistical formula derived by Yaro Yameni (2000) was employed .

The formula states thus:

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

Where:

n = Sample Size

N = Population Size

e = Level significance Figure of 5%

I = a constant Number

For the purpose of this research works our level of significance (e) 5% or 0.05 that is a 95% confidence limit.

Since n = 7

N = 60

e = 5% or 0.05

Substituting the above values into the formular we have that:

$$n = \frac{60}{1 + 60\ (0.05)^2}$$

$$n = \frac{60}{1 + (0.0025)}$$

$$n = \frac{60}{1 + 0.2} = 1.2$$

$$n = \frac{60}{1.2}$$

$$= 50$$

The sample size of the population is 50 and the researcher issue the sample questionnaire to the staff to response in the study.

The sample technique used in this study is the probability sampling. Probability sampling can be simple random or stratified random. The sample random sampling allow for generalization to take place.

The researcher used Bowley's proportional formular to indicate the number of individual chosen for the sample size from each staff.

$$Nh = \frac{n \times Nh}{N}$$

Where

Nh = number of questionnaire allocated to each staff.

N = Total sample size

Nh = Number of employees in each section of the population

N = Population size.

(1) Accounting/Auditing

$$nh = \frac{50 \times 20}{60} = \frac{1000}{60} = 17$$

(2) Marketing

$$nh = \frac{50 \times 17}{60} = \frac{850}{60} = 14$$

(3) Budgeting/planning

$$nh = \frac{50 \times 10}{60} = \frac{1000}{60} = 8$$

Table Shown Below:

Department	No. of Staff	No. of Sample
Accounting/Auditing	20	17
Marketing	17	14
Security	13	11
Budgeting/Planning	10	8
	60	50

Sources Field Survey, 2013

3.7 ADMINISTRATION OF RESEARCH INSTRUMENT

The researcher personally administered questionnaires to the member of staff of First Bank of Nigeria Plc. The questionnaires were administered through self and hand delivery to the selected respondents of each staff. The researcher made sure that each section gets the complete number of questionnaire, in each section that were systematically selected and of which questionnaire was delivered and retrieved to the researcher.

3.8 METHOD OF DATA ANALYSIS

Data collected and information gathered were presented and analyzed in tabular forms to the use of sample percentage distribution for data analysis and interpretation.

Z – test method is used to test the null hypothesis formulated in chapter one

The formula is given below

$$Z = \frac{\bar{X} - \bar{X}2}{\sqrt{\frac{(SDI)^2}{n1} + \frac{(SD\ 2)^2}{n2}}}$$

Where:

Z = Test Statistic

$\bar{X}1$ = Mean of sampled 1

$\bar{X}2$ = Mean of sampled

SDI = Standard deviation for sample 1

SD2 = Standard deviation for sample 2

n^1 = Sample Size for sample 1

n^2 = Sample size for sample 2

3.9 DECISION CRITERION FOR VALIDITY OF HYPOTHESIS

Reject the null hypothesis (Ho) and uphold alternative hypothesis (Hi) if the Z calculated value exceeds the Z critical value other wise do not reject the null hypothesis.

CHAPTER FOUR

4.1 DATA PRESENTATION AND ANALYSIS

The presentation and analysis of data for clarity purpose. This presentation and analysis of data were based on the response gotten from the intended respondent these respondents are individual in different department such as Accounting/Auditing, marketing security and Budgeting. These classes of respondents are suitable and knowledgeable in this topic.

The data collected though the aid of questions, supported by oral interview were processed using table and computed to find out the percentage to evaluate result, 50 questionnaire was distributed but only 46 was retrieved.

The analysis of the questionnaire distributed is stated below:

4.1 Distribution and Return of Questionnaire

	Staff of First Bank Nigeria Plc. Section/Department	**No. of questionnaire Distributed**	**Number Returned**	**Percentage %**
a.	Accounting/Auditing	16	14	30
b.	Marketing	14	13	28
c.	Security	10	10	22
d.	Budgeting/planning	10	9	20
	Total	**50**	**46**	**100**

Sources Field Survey, 2013

QUESTION 7: THE ROLE PLAYED BY EXTERNAL AUDITOR'S HELP TO CHECK, MONITOR AND CONTROL FINANCIAL RECORDS OF AN ORGANIZATION.

	Response Option	**Number of Response**	**Percentage %**
a.	Strongly agreed	35	76
b.	Agreed	10	22
c.	Strongly disagreed	1	2
d.	Disagreed	-	-
e.	Undecided	-	-
	Total	**46**	**100**

Sources Field Survey, 2013

The above tables shows that 76% representing 35 respondents strongly agreed that the role played by external help to chock, monitor and control financial records or statement of an organization 22% representing 10 respondent agreed, 2% representing I respondents strongly I respondents strongly agreed, no option from disagreed and undecided.

QUESTION 8: AN ORGANIZATION HAVE NEED FOR AN AUDITOR.

	Response Option	Number of Response	Percentage %
a.	Strongly agreed	30	65
b.	Agreed	10	2
c.	Strongly disagreed	5	22
d.	Disagreed	1	2
e.	Undecided	-	-
	Total	**46**	**100**

Sources Field Survey, 2013

The table above shows that 60% respired ending 30 responded strongly agreed, that organization have need for an auditor 22% representing 10 respondent agreed, 11% response ting 5 respondent strongly disagreed, 2% representing 1 respondent disagreed, no option from undecided.

QUESTION 9: PROBLEMS SUCH AS DELAY ORRUFUSAL ON SUPPLYING INFORMATION/ RECORDS TO EXTERNAL AUDITOR, TIME FACTOR, FINANCIAL PROBLEM ETC, MILITATE AGAINST PROPER EXAMINATION OF FINANCIAL STATEMENT OF THE BANK.

	Response Option	Number of Response	Percentage %
a.	Strongly agreed	29	63

b.	Agreed	11	24
c.	Strongly disagreed	5	11
d.	Disagreed	1	2
e.	Undecided	-	-
	Total	**46**	**100**

Sources Field Survey, 2013

The table above show that 63% representing 29 respondents strongly agreed that the problem such as delay or refusal on supplying information/records to external auditor, time factor, financial/ problem etc militate against proper examination of financial statement of the bank, 24% representing 11 respondent, Agreed, 11% representing 5 respondent strongly agreed and no option from undecided.

QUESTION 10 THE AUDITOR'S REPORT REPRESENT A TRUE AND FAIR VIEW OF THE PERFORMANCE OF THE ORGANIZATION.

	Response Option	Number of Response	Percentage %
a.	Strongly agreed	26	57
b.	Agreed	15	33

c.	Strongly disagreed	3	6
d.	Disagreed	2	4
e.	Undecided	-	-
	Total	**46**	**100**

Sources Field Survey, 2013

The above table shows that 57% representing 26 responded strongly agreed, that auditor report representing true and fair view of the performance of the organization, 33% representing 15 respondents 4% reprinting 2 respondent disagreed, no option from undecided.

QUESTION 11: THERE IS A RELATIONSHIP BETWEEN THE FINANCIAL STATEMENT OF THE BANK AND AUDIT EXAMINATION.

	Response Option	**Number of Response**	**Percentage %**
a.	Strongly Agreed	36	78
b.	Agreed	5	11
c.	Strongly disagreed	2	4
d.	Disagreed	3	7
e.	Undecided	-	-
	Total	**46**	**100**

Sources Field Survey, 2013

The above table shows that 78% representing 36 respondents strongly agreed that the various ways of presenting financial statement of the bank and audit examination, 11% representing 5 respondents agreed, 4% representing 2 respondents strongly disagreed 7% representing 3 respondent disagreed and no option from undecided.

QUESTION 12: PROPER FINANCIAL RECORDS AND INTERNAL CONTROL SYSTEM AIDS IN DETECTING AND ELIMINATING FRAUD, ERRORS, EMBEZZLEMENT OF PEOPLE'S FUNDS FINANCIAL ABNORMALITIES IN THE BANK

	Response Option	**Number of Response**	**Percentage %**
a.	Strongly agreed	20	43
b.	Agreed	15	33
c.	Strongly disagreed	6	13
d.	Disagreed	5	11
e.	Undecided	-	-
	Total	**46**	**100**

Sources Field Survey, 2013

The table above shows that 43% representing 20 respondent strongly agreed that proper financial records and internal control system aids in detecting and eliminating fraud, Errors, embezzlement of people funds financial abnormalities in the bank, 33% representing 15 respondent agreed, 13% representing 6 respondents strongly disagreed 11% representing 5 respondent disagreed and no option from undecided.

QUESTION 13: AUDITORS DO HAVE AN AUDIT PROGRAMME IN YOUR ORGANIZATION.

	Response Option	**Number of Response**	**Percentage %**
a.	Strongly agreed	13	28
b.	Agreed	10	22
c.	Strongly disagreed	15	33
d.	Disagreed	5	11
e.	Undecided	3	6
	Total	**46**	**100**

Sources Field Survey, 2013

The above table shows that 28% representing 13 respondents, strongly agreed, 22% representing 10 respondent agreed, 33% representing 15 respondents strongly disagreed that auditors do have an audit programme in your organization, 6% represent 3 respondents undecided.

QUESTION 14: EXTERNAL AUDITOR HAVE SUPPORTIVE STAFF WHICH HE WOULD DELEGATE RESPONSIBILITIES TO

	Response Option	**Number of Response**	**Percentage %**
a.	Strongly agreed	20	43
b.	Agreed	12	26
c.	Strongly disagreed	10	22
d.	Disagreed	4	9
e.	Undecided	-	-
	Total	**46**	**100**

Sources Field Survey, 2013

The above table shows that 43% representing 20 respondent strongly agreed that external auditor have supportive staff which he would delegate responsibilities to, 26% representing 12 respondent agreed 22% representing 12 respondent agreed, 22% representing 10 respondent strongly disagreed, 9 representing 4 respondent disagreed no option from undecided.

QUESTION 15: ORGANIZATION DELAY IN PAYING DIVIDEND TO ITS SHARE HOLDERS

	Response Option	Number of Response	Percentage %
a.	Strongly agreed	27	59
b.	Agreed	13	28
c.	Strongly disagreed	5	11
d.	Disagreed	1	2
e.	Undecided	-	-
	Total	**46**	**100**

Sources Field Survey, 2013

The above table shows that 59% representing 27 respondent strongly agreed that organization delay in paying dividend to its share holders 28% representing 13 respondents agreed, 11% representing 5 respondents strongly disagree, no option from undecided.

4.2 TESTING OF HYPOTHESIS

For the purpose of testing the two hypothesis stated in chapter one, was shall relate each of the items in the questionnaire to the restaurant hypothesis to be tested and finally use the z-test technique to test for reliability and validity.

$$Z = \frac{\bar{X}1 - \bar{X}2}{\sqrt{\frac{(SDI)^2}{n1} + \frac{(SD2)^2}{n2}}}$$

Where:

Z = Test statistic

$\bar{X}$=Mean of sample (i.e. group of respondent that agreed)

$\bar{X}2$ = Means of sample 2 (i.e. group of respondent that disagreed)

SD1 = Standard deviation for sampler 1

SD2= Standard deviation for sample 2

n1 = Sample size for sample 1

n2 = sample size for sample 2

4.2.1 TEST OF HYPOTHESIS ONE

Ho: There is no relationship between the financial statement of the bank and audit examination.

Hi: There is a relationship between the financial statement of the bank and audit examination.

Analyzing the data in table using Z test model thus

$$Z = \frac{\bar{X}1 - \bar{X}2}{\sqrt{\frac{(SDI)^2}{n1} + \frac{(SD2)^2}{n2}}}$$

TABLE 4.2.1

	Staff	Number of Respondent	Group that agree ($\bar{x}1$)	Group that Disagree ($\bar{x}2$)
a.	Accounting / auditing	14	13	1
b.	Marketing	13	11	2
c.	Security	10	10	0
d.	Budgeting / planning	9	9	1
	Total	**46**		**100**

Sources Field Survey, 2013

The Z – Test

$$Z = \frac{\bar{X}1 - \bar{X}2}{\sqrt{\frac{(SDI)^2}{n1} + \frac{(SD2)^2}{n2}}}$$

$$Z = \frac{11-1}{\sqrt{\frac{(4.24)^2}{4} + \frac{(0.83)^2}{4}}}$$

$$Z = \frac{-10}{\sqrt{\frac{18}{4} + \frac{0.68}{4}}}$$

$$Z = \frac{10}{\sqrt{4.5+0.17}}$$

$$Z = \frac{10}{4.67}$$

Z = 2.14

NOTE

i. The level of significance is 0.05

ii. Decision rule states that the Ho (i.e. null hypothesis)should be accepted if the Z calculated valve is tests than the critical valve of (+ 1.96) and the alternative hypothesis should be reject if is greater than the critical valve (1.96).

iii The (+1.96) is the critical valve of 2 for the two tail test at 0.05 level of significance to compare the critical valve and the calculated valve.

Critical valve = (±1.96)

Computed vale = 2.14

Decision on the acceptance / rejection of Ho and Hi: since the calculated valve Z calculated is greater than the codicil valve, we shall reject the null hypothesis and uphold the iterative hypothesis therefore there is a relationship between the financial statement of the bank and audit examination.

4.2.2 TEST OF HYPOTHESIS TWO

Ho: The auditors report does not represent a true and fair of performance of the organization.

Hi: The audio's report represents true and fair view of the performance of the organization

$$Z = \frac{\bar{X}1-\bar{X}2}{\sqrt{\frac{(SDI)^2}{n1}+\frac{(SD2)^2}{n2}}}$$

TABLE 4.2.2

	Staff	**Number of Response**	**Group that agree ($\bar{X}$1)**	**Group that disagree ($\bar{X}$2)**
a.	Accounting / auditing	14	4	10
b.	Marketing	13	3	10
c.	Security	10	1	9
d.	Budgeting / planning	9	2	7
	Total	**46**		**100**

Sources Field Survey, 2013

The Z – Test

$$Z = \frac{x1-x2}{\sqrt{\frac{(SDI)^2}{n1}+\frac{(SD2)^2}{n2}}}$$

$$Z = \frac{2.5-9}{\sqrt{\frac{(1.26)^2}{4}+\frac{(1.41)^2}{4}}}$$

$$Z = \frac{-6.5}{\sqrt{\frac{1.58}{4} + \frac{1.98}{4}}}$$

$$Z = \frac{-6.5}{\sqrt{0.39+0.49}}$$

$$Z = \frac{-6.5}{1.39}$$

$$Z = -\frac{6.5}{1.17}$$

$$Z = 5.55$$

NOTE

To compare the critical valve and the calcites valve

Critical valve = (±1.96)

Computed vale = 5.55

Decision on the acceptance / rejection of Ho and Hi: since the calculated valve Z calculated is greater uphold the iterative hypothesis therefore the auditor repot represent a true and fair view of the performance of the organization.

CHAPTER FIVE

SUMMARY OF FINDINGS CONFUSIONS AND RECOMMENDATION

5.1 SUMMARY OF FINDINGS

The researcher finds out the following after the analysis of data.

- External Auditing as part of the internal control system is an essential management technique for forestalling inefficiencies in the use of organizational resources at the first bank of Nigeria Plc. Hence, the common references to the external auditing as "the hub on which in central control involves.
- The existence of external audit unit at the first bank creates an environment where all forms of irregularities at the bank were eliminated.
- All respondents agreed that the auditor's role in examining the financial statement is indispensible as this becomes an established fact to say that all organizational need an "external auditor's".
- External auditing function being present at first Bank Nigeria Plc enhanced management's knowledge of daily operation in

view of this, first Bank's management has been convinced that this is one of the effective controls to be employed to satisfy their responsibilities to the share holders.

- The definition of what an audit programme should be is not dear to majority of persons wording in the organization.

5.2 CONCLUSIONS

Based on the result of the findings, the following conclusions are made:

- That External auditors play an important rote in any public limited liability companies since it determine the true and fair view of the financial statement of an organization.
- These roles played by external auditor's help to deck monitor and control the financial records or statement of an organization to avoid fraud, errors, misappropriation, embezzlement of people's fund, financial anomalies tec. In the organization.
- These problems could be solve if proper and adequate payment of dividend are made to the shareholders and reasonable rate of parentage paid to the customers

(depositors) of both savings accountholders and fixed or time depositor.

5.3 RECOMMENDATION

Based on the finding of this project, the following recommendations are made to the management of first bank of orderly Plc.

- The Bank should ensure that, they follow the guide line; accounting principles and standard in prospering and recording of financial statement to help in controlling the recording of all day to day transactions of the bank in order to avoid omission of figures and other relevant financial transactions.
- The management of first bank should ensure that they poly the services of professional accountants who will help to prepare and record all financial transactions in the bank.
- The Bank should employ a professional accountant as internal auditor to help in carrying out internal audit and set out internal control system to aid in monitoring internal

actives of the bank before the examinations by the external auditor.

- The bank should endeavour to publish their annual accounts for their various of such information and show all necessary and relevant information to those who needs them.
- The bank should ensure adequate payment of dividend to their shareholders and on time, proper payment of reasonable rate of percentage to their customers and when due.

BIBLIOGRAPHY

Adenyi, A. A. (2010). *Auditing and Assurance Services*. Lagos: Uavle Analysis Consult.

Akuezutio, E. O. (1993). *Research Methodology and Statistics*. Akwalbom: Nuel Centi (Nig) Publishers.

Ephraim, E. U. (2006). *Principle of Auditing*, Ibadan: Clean Hands production.

Ephraim, N.C. (2005). *Public Sector Accounting and Auditing* (Principles and Practice). Enugu State: Jic Publishers.

Horby, A. S. (2001). *Oxford Advance Learning Diction,* London: special Price Edition Oxford University Press.

Howlard, R. (2001). *Auditing, (*7th Edition). London: Macdonald and Evans Limited.

Milli-Champ, A. H. (2005). *Auditing, (*8th Edition). New York: Continuum Tower Building.

Ngagi, J. I. (1999), *Essentials of Research Methodology for Educators.* Ibadan*:* University Press Plc. Ibadan.

Okolo, J. U. T. (2002). *Auditing Concepts and Application Educational Books and Investment*. Lagos State: Gods Own Publication.

Omorokpe, R. O. (2003). *Dictionary of Financial Accounting Terms*. Benin city: Mindex publishing company limited.

Paul, F. C., & Attwood, F. A. (2000). *Auditing Principles and Practice.* London: Pitman Publishing Ltd.

Pratt, M. J. (1982). *Auditing Longman Group Limited. London:* Pitman Publishing Ltd.

Saunders, Lewis, & Theornhell, (2012). *Research Method, for Business Student England*: Person Education Ltd.

Uremandus, S. O. (2000). *Modern Public Financial Through and Practice*. Benin: Minder Press.

APPENDIX A

HYPOTHESIS ONE

a. Determining the mean for the two group

$$\bar{X} = \frac{Ex1}{Ni} = \frac{42}{4} = 10.5$$

$$\bar{X}2 = Ex2 = \frac{4}{4} = 0$$

b. Determining the standard divination for the two group

Group1(SD1) **Group2(SD2)**

$\bar{X}1$	$X1-\bar{X}1$	$(X1-\bar{X}1)^2$	X2	$X2-\bar{X}2$	$(X2-\bar{X}2)^2$
13	2.5	6.25	1	1	1
11	0.5	0.25	2	2	4
10	-0.5	-1	0	0	0
9	-1.5	-3	1	1	1
		2.5			6

GROUP 1 (SDI)

$$SD1 = \sqrt{\frac{(X1-\bar{X}1)^2}{n-1}}$$

$$SD1 = \sqrt{\frac{2.5}{4-1}}$$

$$SD1 = \sqrt{\frac{2.5}{5}}$$

$$SD1 = \sqrt{0.833}$$

SD1 = 0.83

GROUP 2

$$SD2 = \sqrt{\frac{(X1-\bar{X}2)^2}{n1-1}}$$

$$SD2 = \sqrt{\frac{6}{4-1}}$$

$$SD2 = \sqrt{\frac{6}{3}}$$

$$SD2 = \sqrt{2}$$

SD2 = 4

HYPOTHESIS TWO

a. Determining the mean for the two group

$$\bar{X} = \frac{Ex1}{N1} = \frac{10}{6} = 2.5$$

$$\bar{X}2 = \frac{Ex2}{n2} = \frac{36}{4} = 9$$

b. Determining the standard divination for the two group

GROUP 1 (SDI) **GROUP 2(SD2)**

X1	**X1-$\bar{x}$1**	**(x1-$\bar{x}$1)**	**X2**	**X2-$\bar{x}$2**	**(x2-$\bar{x}$2)^2**
4	1.5	2.25	10	1	1
3	0.5	0.25	10	1	1
1	-0.5	-3	9	0	0
2	-0.5	-1	7	-2	4
		-1.5			6

$$SD1 = \sqrt{\frac{(X1-X1)^2}{n-1}}$$

$$SD_F = \sqrt{\frac{2.5}{4-1}}$$

$$SD1 = \sqrt{\frac{2.5}{3}}$$

$$SD1 = \sqrt{0.5}$$

SD1 =0.25

$$SD2 = \sqrt{\frac{(X1-X2)^2}{n1-1}}$$

$$SD2 = \sqrt{\frac{6}{4-1}}$$

$$SD2 = \sqrt{\frac{6}{3}}$$

$$SD2 = \sqrt{2}$$

SD1 =4

Faculty of Management and Social Science
Department of Accountancy
Caritas University
Amorji-Nike, Emene,
Enugu State

Dear Sir/Madam,

I am a final student of the above named institution and department. I am conducting a research on the topic, the significance of external auditors on the examination of financial statement of which this bank is a case study. This research work is in partial fulfillment of the award of Bachelor of Science (Hons) Degree in Accounting.

I am therefore soliciting your cooperation and assistance in answering the question hereby attached an information provided will be treated with utmost confidentiality and with be used solely for the academic exercise.

Thanks

Yours faithfully

Sim Maigida

PART ONE

INSTRUCTION

Please tick (√) in the appropriate response column in this part.

1. Sex [ ]

   Female [ ]

2. Age

   20-30 years [ ]

   30-40 years [ ]

   40 and above [ ]

3. Indicate your academic qualification

   a. FSCE [ ] b. SSCE/GCE [ ]

   c. HND/B.Sc [ ] d. OND/NCE [ ]

   e. HND/B.Sc [ ]

4. Years of wording experience

   a. 5 years and below [ ] b. 21-30 years [ ]

   c. 6-years [ ] d. 11-20 years [ ]

   e. 31-40 years [ ]

5. Indicate your department

   a. Accounting/auditing [ ] b. Marketing [ ]

   c. Security [ ] d. Attached staff [ ]

   e. Contract staff [ ]

6. Indicate yours rant

   a. Management staff [ ]

   b. senior staff [ ]

   c. Junior staff [ ]

   d. Counteract staff [ ]

   e. Attached staff [ ]

PART TWO

Response SD= strongly disagree, D = disagree, A=Agree SA= strongly agree and UD = undecided.

S/N	QUESTION	SD	D	SA	A	UD
1	The role played by external Auditors help to check, monitor And control financial records of an Organization.					
2	An organization have need for an auditors					
3	Problems such as delay or refusal on supplying information / records to external auditor, time factor, financial problem etc militate against proper examination of financial statement of the bank					
4	The auditor's report represents a true and fair view of the performance of the organization.					
5	There is a relationship between the financial statement of the bank and audit examination.					
6	Proper financial records and internal control system aids in detecting and eliminating in detecting and eliminating fraud, errors, embezzlement of people funds financial abnormalities in the bank.					

7	Auditors do have an audit programme in your organization					
8	External auditor have supportive staff which he would delegate responsibilities to					
9	Organization delay in paying dividend to its shareholders					
10	The auditor's examination of firs bank financial statement and reporter significantly the same as that of other boasts.					