

UNIVERSITY FOR DEVELOPMENT STUDIES, TAMALE

**AUDITORS RESPONSIBILITIES/ROLES AND THE EXPECTATION OF
PUBLIC SECTOR WORKERS: AN ANALYSIS OF VOLTA RIVER
AUTHORITY /NORTHERN ELECTRICITY DISTRIBUTION COMPANY
(VRA/NEDCo) STAFF**

BY

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**Thesis submitted to the Faculty of Law and Business Studies, in partial fulfillment
of the Requirements for the award of Master of Science Degree in Accounting**

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DECLARATION

Candidate' Declaration

I hereby declare that this thesis is my original research whose findings have not been presented for another degree in this university or elsewhere.

Candidate's Name: SAKA ABDULAI

Candidate's Signature

Date.....

Supervisors' Declaration

I hereby declare that I supervised the preparation and presentation of this thesis in accordance with the rules and regulations of the University for Development Studies (UDS).

Supervisor's Name: MR. PAUL BANGNIYEL

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Date.....



ABSTRACT

The study determine the expectation gap of public sector workers on the responsibilities of Auditors, as well as the role Auditors actually play in achieving the aims and objectives of Volta River Authority /Northern Electricity Distribution Company (VRA/NEDCo). The research adopted a survey and quantitative approach in carrying out the study. Primary and secondary sources of data were used for the research. Close ended Questionnaires were use in the collection of the primary data and sample size of 142 was selected based on appropriate sample technique. The data collected was analyzed using SPSS version 20. The study revealed that, 30.2% of Accounts/ finance staff view that auditors are not responsible for detecting all fraud, while 33.3% of the internal auditors believed that auditor is responsible for detecting all fraud. The study also reveals that 50.0 percent of the auditors agreed that auditors are responsible for preventing fraud in VRA/NEDCo. It furthered reveals that 35.2 percent of the respondents agreed that internal auditors are responsible for the soundness of the internal control structure of VRA/NEDCo. Thus, it is recommended that reasonable expectations of the staff could be ascertained through education about the role of the auditor and the auditing standards relating to their role, public education about the auditor's role should be facilitated through annual meetings and other events which are organized for the purposes of educating users of financial information. VRA/NEDCo management should also consider decentralizing its internal audit unit to the operational areas to enable staff understands and appreciate the work of auditors.



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DEDICATION

This piece of work is dedicated to my late Mother Madam Samata Alhassan.

UNIVERSITY FOR DEVELOPMENT STUDIES



LIST OF ACRONYMS

VRA – Volta River Authority

NEDCo – Northern Electricity Distribution Company

NED – Northern Electricity Department

ECG – Electricity Company of Ghana

AAA – American Accounting Association

ICAN – Institute of Chartered Accountants of Nigeria

ICAEW – Institute of Chartered Accountants in England and Wales

IIA – Institute of Internal Auditors

CEO – Chief Executive Officer

CFO – Chief Financial Officer

ISA – International Standard of Auditing

MDAs – Ministries Departments and Agencies

MMDAs – Metropolitan Municipal and District Assemblies

VFM – Value for Money

CPA – Chinese Certified Public Accountants

SOCPA – Saudi Organization for Certified Public Accountants

DANIDA – Danish International Development Agency

ACCA- Association of Certified Chartered Accountants

COSO - Committee of Sponsoring Organizations of the Treadway Commission



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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Accounting with regards to auditing are essential parts of any monetary undertaking. They have vital influence to the viability of the capital markets, business operations, and the economy all in all. This is done through the expansion of financial statements credibility (Lee, Azham and Kandalama, 2008). Take note that accounting monitors exchanges as reason for giving data avows through budgetary answering to clients of the data, audit on the other hand, communicates an assessment on the money related proclamations regarding whether it speaks to the presents genuine and reasonable perspective of a firm.

Numerous clients of financial statements don't appear to comprehend the setting of an unfit supposition as they trust that an inadequate feeling implies idiot proof money related reporting. Some surmise that examiners ought issue an assessment on budgetary articulations, as well as translate the monetary explanations in the reviewed money related answer to empower clients settle on basic choices.

It's said that when the auditor shows the examined reports without notes clarifying basic elucidations, there is said to be a gap made. This is upheld by Liggio (1974), who initially utilized the expression "audit expectation gap". In any case, various inquiries have been directed in an endeavors to recognize such gaps in better places on the planet. One worry of the clients of users of financial statements is the appalling execution with respect to auditors.





Audit Expectations Gap was introduced over the past twenty years. It was explained as the difference in expected performance as seen by the independent accountant as well as the user of financial statements. Changing roles is blamable for audit gap. It was restricted only to its primary objectives of detecting frauds. In the early parts of the twentieth century, a number of court cases such as the London and general Bank, 1895, the Kingston Cotton Mill of 1896 became the most important factors for explaining the role of audit, the scope of audit expanded gradually in the 1920s to ensure fair presentation of the financial statements.

The above requires review of internal control systems of enterprises to ensure that the entity use proper accounting principles and also to reduce material errors.

1.2 Statement of Problem

The crucial nature of auditing in ensuring the integrity and reliability of financial information cannot be overemphasized. It is for this reason that the canons of many countries require the attestation of financial statements by external auditors. It looks as if the users have a different idea of what auditing should be which in my view is one of the reasons for the vast audit gap. The existence of this gap has been caused by many factors.

The business environment is changing and this requires that the auditor's increase their fraud detection/prevention. For investment decision making purposes, most users need audited financial statements.

In recent times, a lot of attention has been given to control issues and systems so as to narrow the gap. However, the level of fraud and financial damages hasn't gone down (KPMG, 2009). According to KPMG (2009), it's difficult to identify fraud after it results.

In addition, Zikmund asserts that new regulations followed by auditors when carrying out their duties contain terms like “reasonable”, “material”, “professional skepticism”, who’s meaning differ from auditor to other (Zikmund, 2008). Moreover, the duties of auditing are misunderstood by users, as ‘users often believe that an unqualified opinion stands for foolproof financial reporting’ (Salehi & Rostami, 2009).

Singapore (Best, Buckby & Tan., 2001), Malaysia (Fadzly and Ahmed, 2004), Egypt (Dixon *et al.*, 2006), Nigeria (Adeyemi and Uadiale, 2011) and Ghana (Agyei et al, 2013), has confirmed the existence of audit gap as well. As empirically established, the above mentioned countries confirms the existence of the gap, it appears no studies have been conducted in a specific target institution in relation to Audit Expectation Gap. Therefore, the objective of this study is to assess the existence of the audit expectations gap in VRA/NEDCo in the Northern Sector of Ghana from the view point of both staff and internal Auditors.

1.3 Main Objective of the Study

The study determines the expectation gap of public sector workers on the responsibilities of Auditors, as well as the role Auditors actually play in achieving the aims and objectives of VRA/NEDCo in the Northern Sector of Ghana.

1.3.1 Specific Objectives

The specific objectives to guide the study include:

1. To obtain the opinion of staff on Auditors functions and responsibilities of VRA/NEDCo



2. To seek information from auditors on their functions and responsibilities in VRA/NEDCo
3. To examine whether there are differences on how staff of VRA/NEDCo think and what auditors actually do or responsible for in VRA/NEDCo.

1.4 Main Question of the Study

What are the expectation of public sector workers on the responsibilities of Auditors, as well as the role Auditors actually play in achieving the aims and objectives of VRA/NEDCo in the Northern Sector of Ghana?

1.4.1 Specific Questions

The specific questions to guide the study include:

1. What are the opinion of staff on Auditors functions and responsibilities of VRA/NEDCo?
2. What are the views of auditors on their functions and responsibilities in VRA/NEDCo?
3. Is there differences on how staff of VRA/NEDCo think and what auditors actually do or responsible for in VRA/NEDCo?

1.5 Significance of the Study

The motivation for carrying out this study in Volta River Authority/Northern Electricity Distribution Company in charge of electricity distribution in the Northern Sector of Ghana is that auditors are blamed for various failures and misunderstanding of the nature of auditing. The study will benefit in the following:



1. Users of Financial Information: will benefit from the results of the study. They will have a better understanding of the statutory objectives of both internal and external audit in order to reduce any unreasonable expectations from auditors.
2. Auditors who conduct audit will get the opportunity to understand the audit gap and be able to meet societal expectations.
3. The Profession will from time to time have to redefine the roles of auditors because of the dynamic nature of the business environment.
4. Scholars in Auditing, Forensic Accounting and Related Areas benefit from the study by developing research interests from the findings of the study. Also, they will have a broader understanding of the audit expectation gap in the Volta River Authority/Northern Electricity Distribution Company in charge of electricity distribution in the Northern Sector of Ghana context.
5. The study will enable management to close the audit expectation gap that may exist in the organisation. This would be inferred from the data gathered from the respondents, and the suggestions offered by the researcher. The study would among other things, serve as a pivot on which further research works in the area could take off.

1.6 Scope and Limitations of the Study

The main focus of this study is to identify the existence of an audit expectation gap in the VRA/NEDCo which is in charge of electricity distribution in the Northern Sector of Ghana. The determinants of the audit expectation gap are numerous. This study adapts the factors looked into by Best, Buckby and Tan (2001) in their study of audit expectation gap in Singapore which are responsibility factor (the external auditor's duties) and



reliability factor. Schelluch and Gay (2006) asserted that the meaning of audit report messages also contributes to an audit expectation gap. This factor will be looked into in the VRA/NEDCo in the Northern Sector of Ghana. An additional factor called independence threat will be looked into.

There is a wide range of users of the financial information of a company (Saha and Baruah, 2008:82). This study has been designed to cover the entire VRA/NEDCo in the Northern Sector of Ghana in charge of electricity distribution in the Northern Sector of Ghana. However, it has been limited to a sample size located in the VRA/NEDCo for proximity.

In the course of this study there were limitations due to time factor. As a result the objectives of the study were minimized to ensure the ability of the researcher to cover them. The scope of the study was limited to only VRA/NEDCo respondents. However, the researcher admits that a greater level of evidence may have been obtained using a larger number of respondents.

1.7 Definition of Terms

Audit: In this study ‘audit’ refers to statutory checks of financial records carried out by external auditors. It is an independent examination of the financial statements of a company.

Expectation: This word refers to the reason behind audit as perceived by the users of financial statements.

Gap: This is when auditors are able to meet the expectation of the users. In this study, the gap is caused by misunderstanding of the auditor’s role and duties, inadequate



understanding of the information passed by the audit report and expectations about auditor's independence.

Auditing: It is the independent inspection of, and expression of opinion on, the financial statements of an enterprise by an appointed auditor in fulfilment of that appointment and in compliance with any relevant statutory obligation (Adeniji, 2004).

1.8 Organisation of the Study

The study is divided into five chapters. Chapter one is an introductory part. It provides information on the main theme of the study which highlights the background to the study, problem statement, research objectives, research questions, significance of the study, and delimitation of the study. Chapter Two review the relevant literature to the area of study. The Method of Research is found in Chapter Three. The data gathered is reported, discussed and analysed in Chapter Four. Finally, the conclusion and recommendations is captured in Chapter Five.



CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The following literature review entails an examination of the factors contributing to an audit expectation gap in the Volta River Authority/Northern Electricity Distribution Company responsible for electricity distribution in the Northern Sector of Ghana. Following this introductory section, it looked at Definition and Concepts which entails review of previous literature associated with the history of auditing, role assigned to the auditor, notion behind auditing, improvement of the expectation gap concept, issues contributing to the audit expectation gap and tactics for closing the gap. The elements that are revised in this study are duties, reliability, nature and meaning of audit report messages and liberation of auditors, a conceptual framework of the audit expectation gap is established. This is followed by a theoretical framework and empirical evidence.

2.2 Definition and Concepts

2.2.1 Audit

Etymologically, the word ‘audit’ is gotten from the Latin word, ‘audire,’ which stand for ‘to hear’ (Chambers English Dictionary: 1988, 89). In the beginning, the word ‘audit’ was meant ‘to hear’ and auditor literally meant a “hearer”. The hearing function by the auditor was then intended to declaring that the accounts kept by the administration and the financial statements prepared by them were ‘true and correct’. The purpose of this was to give assurance against fraud and intentional mismanagement. Progressively, this hearing role of the auditor was changed into verifying task.





Hence the main essence of independent auditing now is to form an estimation on the precision, reliability and fairness of representations in the financial statements of organizations, and to make this statistics available to external users. Accordingly, the main reason behind audit is also transformed hence, making the auditor comment that the accounts prepared by the companies as shown by their financial statements were “true and fair.”

In the nineteenth century, the duties of auditors have been channeled to management’s stewardship function (Flint: 1971) with stewardship being viewed in the slight sense of honesty and integrity. But the proving function was on selection basis because of the burgeoning volume of business movement. The International Auditing Practices Committee (IAPC: 1980) defines auditing as “... the autonomous checking of financial information of an organization, whether profit oriented or not, regardless of its size or legal form, when such an inspection is conducted with the aim of airing a view thereon.” According to Chow (1982), moderating the rate of conflict of interests among managers of firms, shareholders and bondholders is the ultimate aim for engaging auditors.

Littleton (1933) was of the opinion that initially auditing was meant to verify the level of truth of persons in charge of fiscal, rather than official responsibilities. He categorized early audit in to two types; firstly, public hearings of the results of government official and secondly, the scrutiny of the charge-and-discharge accounts. “Both types of audit were designed to afford a check upon ‘accountability’ and nothing more. It was in effect a case of examining and testing an account of stewardship(Littleton, 1933).

In the nineteenth century, the duties of auditors was linked to management’s stewardship function (Flint, 1971) with stewardship being seen in the narrow sense of honesty and



integrity. But the verifying function was on sampling basis due to the burgeoning volume of business activity. This functional movement in auditing from 'true and correct view' to 'true and fair view' has resulted in a paradigm shift in the audit process (Salehi, 2008). This also caused a change in audit view from 'complete assurance' to 'reasonable assurance'. As observed by Chow (1982), controlling the conflict of interests among firm managers, shareholders and bondholders is a major reason for engaging auditors.

In essence, auditing is a self-governing function by means of an ordered and a well-planned series of steps, critically investigating the claims made by an individual or organization about economic activities in which they are involved and disseminate the results in the form of a report to the users. Many writers (Kell et al., 1986; Defliese et al., 1988; Cook and Winkle, 1988; Robertson and Davis, 1988; Gil and Cosserat, 1996; Pound et al., 1997; Gill et al., 1999; Gull et al., 1994; Gill et al., 2001) agree with the definition given by American Accounting Association (AAA) (1973), which defines auditing as "a systematic routine of objectively gathering and evaluating evidence regarding claims about economic actions and events to determine the degree of correspondence between those assertions and established criteria and communicating the results to interested users." Arens et al. (1997) define auditing as "the procedure by which a competent, independent person gathers evidence about valuable information in regards to a specific economic entity for the purpose of determining and reporting on the degree of correspondence between the valuable information and established criteria."

Mautz and Sharaf (1986) define auditing as being "... the verification of accounting information, with determining the correctness and reliability of accounting statements

and reports.” "A step by step process” reflects a logical and organized series of procedures.

Both these definitions identify auditing as a system which involves of inputs, processing and outputs, which are a set of logically structured and organized series of procedures to make sure that all detailed elements are addressed.

The definitions by AAA and Arens et al. (1997) include "objectively gathering and assessing evidence" and "capable independent person." The main concern is that the auditor must be qualified to comprehend the routine used and capability to know the types and amounts of evidence to gather for examination to reach proper conclusions as first part and must possess an independent attitude to objectively obtain and evaluate results without bias, or prejudice as the second part.

Established routines are standards against which the claims or management presentations are judged. Gill and Cosserat (1996) point out that "criteria should be specific rules set by a legislative body, budgets and other checks of performance set by management or an identified financial reporting framework established by the standard setting and regulatory organizations."

The audit procedure is to communicate to readers of the degree of correspondence between ascertainable information and established criteria. "Communicating the outcome to interested users" in AAA's definition and "the final aspect in the audit procedure is the audit report- the communication of the results to users" in the definition by Arens et al. (1997) means that the results with the audit discretion should reach those who use the auditors' report which involves shareholders, management, creditors, government agencies and the public. Finally, both definitions is geared towards the subject of audit



opinion from the viewpoint of “ascertainable information” and “economic actions and events to quantify the degree of correspondence between those claims and established criteria”.

2.2.2 History of Auditing

The origin of audit dates from ancient times when the landowners allowed tenant farmers to work on their land whilst the landowners themselves did not take part in the farming activities. Auditing is a process carried out by auditors to assure owners of a business that their resources are well managed by persons acting on their behalf. The landowners relied upon an overseer who ‘listened’ to the accounts of stewardship given by the tenants (Adeniji, 2004:1). Agents were responsible for keeping, managing and ensuring the safety of the property of others. Naturally, this gave rise to issues related to trust, integrity and competence (Institute of Chartered Accountants in England and Wales, 2005:8).

Similarly, merchants of Florence, Genoa and Venice employed auditors to verify riches bought by captains of sailing ships which were returning from the old world down to the Europe continent. Incidentally, Brown (1962) asserted that in these places, the purpose of audit was to detect fraud (Lee and Ali, 2008).

In addition, Lee and Ali (2008) explained that the ancient checking activities found in Greece (around 350 B.C.) appear to be closest to present day auditing. In the history of developed countries like England, audit of public accounts like Exchequer and Borough accounts took place in medieval times. Also, Gul et al (1994) discovered in his findings that, during the reign of Henry 1 (1100-1135) exceptional audit officers were recruited from the accumulating of state revenue and expenditure.





The role of auditors before 1840 was limited to performing detailed verification of each transaction through audit procedures that excluded sampling techniques. However, the Industrial Revolution discovered massive business development. There was a no regulation of the securities market and the likelihood that businesses would fail was high. Also, the progression of the securities market and credit granting institutions aided the development of the capital market and led to the increment and substantiality of companies. This reflected in separation of ownership from management (Lee and Ali, 2008). At this point, auditing was sought as a way to protect the shareholders/investors. Audit procedures were carried out by introducing sampling techniques and the effectiveness of internal control measures were tested.

The primary purpose of an audit between the 1920s and 1960s was viewed as adding respect to the financial statements rather than looking out for fraud and errors. (Lee and Ali, 2008). The users need a level of assurance that the financial information furnished is reliable, accurate, fairly presented and objective. Consequently, they require that financial statements be reviewed by an independent examiner who is called an auditor (Adeleke, 1996, Edun, 1999). Also, it has been argued that audit is needed because the financial statement prepared by the management may not actually represent the financial position of the company (Adeniji, 2004). Significantly, auditors began offering advisory services between 1960s and 1990s as a secondary objective (lee and Ali, 2008).

2.2.3 Who is an Auditor?

A person who is a professionally qualified accountant who has been given a license to carry out public practice is an auditor. An auditor is a liberated person chosen by the owners or shareholders of a company to inspect the financial statements formulated by

management (Izedonmi, 2000). Even though the primary duty of an auditor is to express a professional opinion on the financial statements, other services that an auditor can provide are accountancy, taxation, liquidation and receivership, investigation, management advisory services, financial advice and secretarial services. However, the fees for these other services do not form part of the audit fee.

The auditor is supposed to have integrity, be independent and objective, conform to confidentiality principles, maintain technical competence and conform to technical standard (Adeniji, 2004). Auditing is regulated by statutes (Company and Allied Matters Act, 1990 as amended), professional regulations in form of accounting standards and auditing standards delivered by Institute of Chartered Accountants of Nigeria (ICAN) and in most cases adapted from the ethics of some more developed countries. The Institute of Chartered Accountants in England and Wales (2005) noted that the mid nineteenth century company audits were carried out by persons (principals or others) whose independence from the managers of the company was not a matter of concern. However, due to information asymmetries and general lack of trust as depicted by the agency theory, principals began to appoint expert auditors and rely upon their work.

Information asymmetry as described by Scott (2003) is a situation whereby some parties to a business transaction may have an information advantage over others. To add to this, there are two types of information asymmetry which are known to be adverse selection and moral hazard. Adverse selection happens when management and other insiders have adequate information about the current happenings and future prospects of the firm than outside counterpart or investors. On the other hand, moral hazard happens due to the separation of ownership from management in running of the business in large companies.



In this study, our concern is adverse selection whereby investors have a dearth of information than company insiders. Auditing is therefore a tool to control adverse selection by reporting on the inside information to outsiders.

2.2.4 Responsibilities of an Auditor

The primary responsibility of an auditor is to inspect and verify whether the financial statements reflects a true and fair interpretation of state of affairs of the business or not and their secondary responsibility is to prevent and detect both deliberate and unintentional errors and either frauds. The primary responsibility for the prevention and detection of fraud and error lies with those in charge with governance and the entire management of a firm in spite of the fact that financial statements are the depictions of the management.

While executing their responsibilities in achieving these two audit objectives, there are several other responsibilities that emerge for the auditors to execute. There seems to be a negative link between responsibilities of auditors and audit expectation gap in that, the higher the responsibilities expected by the auditors, lower the audit expectation gap. Further, the empirical evidences on audit expectation gap have also come out with the fact that, one of the main causes for audit expectation gap in many countries is that there are differences in views about the duties and responsibilities of auditors with regard to accounting malpractice.

If echoes from the Failed Banks Tribunal set up by the Federal Government are anything to rely on, those arguing for the punishment of auditors consequent upon the failed banks saga should have a re-think over their stand (Archibong, 1996). This is because the inadequacy of auditors was not confirmed at the Failed Banks Tribunals (Asein, 1999).



Like any other professional field of endeavour, there are rules and regulations governing auditors. The Company and Allied Matters Act (1990) as amended specifies in Section 360(1) that:

It shall be the duty of the company's auditor's, in preparing their report to carry out thorough investigations as that may enable them to form an opinion as to the following matters whether-

- (a) Accurate accounting records have been kept by the organization and proper returns sufficient for their audit have been received from branches not visited by them;*
- (b) The company's balance sheet and (if not consolidated) its profit and loss account correspond with the accounting records and returns.*

This reveals that the primary duty of the auditor is not to detect fraud and other irregularities but this is what existing shareholders and potential investors expect from them (Archibong, 1996:15). This conflict between the statutory role and the expectation of the present and potential users of financial statement is what has led to the audit expectation gap. Asein (1999) affirmed that the lack of understanding of the statutory roles of the auditor in corporate governance (often referred to as the expectation gap) is the reason why persons call for the arrest and prosecution of auditors. In addition, Lee and Ali (2008) sounded that the public's perception of the present role of auditors remains at the 'traditional conformance' stage because of the public's refusal to recognize the shift in the auditing paradigm.

In 1896, Lord Lopes stated that the auditor is not a bloodhound but a watchdog. This judgment was given as a result of an event where an auditor relied upon managers' certificates without the auditor conducting a physical observation of the inventory or





taking measures to endorse valuation. Subsequently, Vaughan Williams J found that auditors and directors were liable for dividends paid from non-existent profits. Any damages sought against them in respect of subsequent insolvency on the basis of tort were denied. This judgment raised concern by the audit profession and the validity of managers' certificates was also questioned. In the Appeal Court, Lopes LJ mentioned that 'an auditor is not bound to be an investigator or as was said to approach his work with distrust or with a foregone conclusion that there is something wrong in keep the records. He is justified in trusting tried workers of the company in whom confidence is built in the operation of the company. This has been the source of the fraud detection and prevention debate in auditing (Ojo, 2006).

However, Lord Lopes proclaimed that it is the duty of an auditor to bring to bear on the work, he has to execute that skill, care and caution which a reasonable capable, careful and cautious auditor would use. The definition of reasonable care however relies on the particular instance of each case (Ojo, 2006). Fraud detection moved from being a primary to a secondary objective for audit during this period. Abroad, fraud detection became an issue subsequent to the criticisms as a result of the collapse of Johnson Matthey Bankers in 1984, triggering the establishment of a working class of the Institute of Chartered Accountants in England and Wales to consider issues relating to auditors' responsibilities in line with fraud. In addition, the government decided to carry out a duty to report fraud to the Bank of England upon auditors without the client organization's knowledge. The ICAEW argued that this was an imposition of statutory duty and suggested that instead, companies should be required to maintain an adequate system of internal control (Ojo, 2006).



In recent times, regulators have come to accept the need for professional audit since auditors provide investors with an assurance that the information in the financial statements is not materially inaccurate, and follows established accounting conventions (Ogidan, 1999). The main aim is to ensure that the financial statements reflect a true and fair view of the state of affairs of a firm. Though some persons have argued that audit is not crucial in the present day corporate market, Ng (1978) pointed that if managers are penalized when they use non-GAAP reporting methods, with effective audit technology the probability that a manager would select non-GAAP reporting methods would decrease as compared to a situation in which no audit were to take place (Ogidan, 1999). More so, Archibong (1996) argued that auditors have prevented countless disasters but these were done in secret.

Interestingly, it has been argued by law and the accounting profession that management cannot be prevented from acting in their self-interest. But to ensure the credibility of financial reports there is need for external verification (Adams and Evans, 2004). In other words, external verification is a basis for checking accounting information. Self-interest is a characteristic of information asymmetry where insiders of a company may have more information than outsiders. By way of protecting the stakeholders in companies from unscrupulous activities of insiders and third parties, statutory audit is a mechanism through which the financial records are matched with the prevailing financial position of a company. In the words of Bricker and Chandar (1998) accounting is all about flow information and how they are organized, which are prime to the operation of business, managerial decision-making, and the nature and effectiveness of capital markets. In this

light, the very nature of accounting deals with ensuring the integrity of information produced in companies because the auditor is an independent agent.

The combinations and merger movement of the late nineteenth century resulted in the formation of several publicly held corporations (Bricker and Chandar, 1998). However, Hawkins (1963) noted that before that time financial information was inadequate, investors bought their securities primarily on the basis of confidence and trust in the investment firms marketing the securities. This period was the childhood of the accounting profession and auditing practices were still considered unusual. The function of public accountants and their reports was grossly misunderstood (Bricker and Chandar, 1998).

Presently, times have changed for the auditing profession as there is increased demand for auditors to detect and prevent fraud and errors in companies due to the corporate failures that have taken place especially in the financial sector worldwide (Asein, 1999). Some of these failures have been traced to fraud perpetrated by employees and management that were not escalated by the external auditor. Bologna and Lindquist (1995) argued that fraud has many definitions. It could be in form of a crime, tort corporate or management fraud. However, financial malpractice can easily be termed as dishonesty and deliberate misrepresentation of a material fact.

It was to reduce the misunderstanding of users that the Auditing Practices Board (APB) recommended that the audit report should contain some text outlining the auditors' roles with regards to fraud and error. Irregularities in form of material misstatements in financial reports are of particular interest to auditors because of their legal duty to report them (Krambia-Kapardis, 2002:266). Misstatement in form of misapplication of





accounting principles was identified in the case of Enron (an energy company that failed in 2002) after taking advantage of the United States accounting procedures which created the opportunity for companies to set up Special Purpose Entities (SPEs) to handle assets off balance sheet with the aim of spreading business risk. Aguolu (2003) observed that no single event brought about the fall of both Enron and Arthur Andersen (the auditors) but many events happened so close together, one leading to the other, hence resulting in the exit of the two organizations. Even though the rules for creating SPEs were different from the normal principle of consolidation, Enron's auditors Arthur Andersen approved of the transactions. When the company was made to restate its financial statements using the normal accounting principles, they ran into heavy loss. These events and many others that were revealed in the course of time led to the gradual loss of confidence in Enron's stakeholders (Deakin and Konzelmann, 2004).

2.2.5 The Meaning of Internal Auditing

Internal auditing is a liberal, objective assurance and consulting activity created to add value and sanctity to an organization's operations (IIA, 2002). According to Kwame Boasiako Omane Antwi, (March 2009), internal auditing is defined by Institute of Internal Auditors in 1978 as an independent appraisal function enacted within an organization to check and evaluate its activities as a service to the organization. The recent definitions of internal audit as defined by the international standards for the professional practice of internal auditing released in January, 2004, re-enforces the core role of internal audit as, an independent objective assurance and consulting activity designed to add value and to improve organizations operations.



Collier, et al, (1991), internal auditing helps an organization accomplish its objectives by bringing a systematic discipline approach to improve and evaluate the efficiency of risk management, checks and balances, and governance process. Internal audit is a vital part of the corporate governance structure within an organization, according to Institute of Internal Auditors (IIA), (1999). Corporate governance includes those unseen activities often done by the board of directors and audit committee to make sure the financial reporting process is of high integrity.

According to Gray and Manson, (2005) internal auditing is a liberal, objective assurance and consulting activity undertaken to add value and improve an organization's operation. It helps an organization to achieve its objectives by way of introducing a systematic, disciplined approach to ascertain and increase the effectiveness of risk management, control, and the process of governance.

2.2.6 Qualities of Internal Auditors:

According to Neil Amato (2013) the role of the internal auditor shifts through regulatory changes in a more volatile economy, so does the ability to do the job well is required. The skills shift is demonstrated by what is expected by companies of the internal audit function. According to him technical skills exhibited are prerequisite, but the exhibition of those skills alone are not sufficient as the job's scope broadens.

Integrity: Integrity is an important factor in any business environment and crucial in internal audit. In the presentation of internal auditor's report, internal auditors need to be honest, have confidence and resilience when faced with complicated problems.

- **Relationship building:** Credibility among each other must be built over time.

They are supposed to know each other right before the audit engagement. Trust

and collaboration are more likely to build between people who know each other very well.

- **Partnering:** when internal auditors are able to partner it enables in them to execute effectively, balance a customer service orientation with the main aim of meeting regulatory requirements.
- **Communication:** Concise, compelling reports are among the this skill, as well as the ability to listen attentively and to know the best criteria in which to present information.
- **Teamwork:** Working well with others is necessary in a collaborative environment. “I don’t want someone here if they cannot work with a team,” Karl Erhardt, senior vice president and general auditor at MetLife,
- **Diversity:** Internal auditors must be very vigilant on global trending and must have much knowledge of cultural norms.
- **Continuous learning:** Nonstop research and findings helps even the most experienced auditors’ gain new ideas. As business needs move from one point to the other, professionals should be proactive about increasing in the skills level in new areas of expertise. “If you want to be successful in your field of endeavor, you have to be willing and able to invest in yourself,” Chambers said, these attributes mainly fall into the type of soft skills, and more and more of those skills are required, not desired.



Independence

Ahmed and Taylor (2009), the duty of internal auditors clearly requires them to be independent. The International Standard for the Professional Practices of Internal Auditing (ISPPIA, 2006) defines “independence” in terms of freedom from advents that threaten objectivity and the appearance of objectivity. Independence means the freedom from depending on or not being ruled by another person or organization. In the theory of internal auditing, independence makes way for internal auditors to carry out their duties freely and objectively. This theory requires that internal auditors be sovereign of the activities they audit. Organizational status and objectivity is achieved through Independence.

The competence of the internal audit function to obtain desired objectives depends largely on the independence of audit personnel. Generally, the view of the auditor within the organizational structure of the institution, the reporting authority for audit results, and the auditor’s roles and responsibilities indicate the degree of auditor independence. The board should see to it that the audit department does not involve in activities that may compromise, or appear to compromise, its independence. These activities may include the preparation of reports or records, development of procedures, or performance of other operational duties normally assessed by auditors.

The auditor’s independence is also examined by analysing the reporting process and verifying that management has no influence on the findings and recommendations. For an effective program, the board should give the auditor the authority to:

- Assess all records and staff essential to conduct the audit, and



- Require management to answer back formally, and in a timely manner, to substantiate adverse audit findings by taking applicable corrective action.

Internal auditors should deliberate on their findings and recommendations occasionally with the audit committee or board of directors. Preferably, the internal auditor should pass on report directly to the board of directors or its audit committee with regards to both audit issues and administrative matters. On the other hand, an organisation may enact a dual reporting relationship where the internal auditor reports to the audit committee for audit matters and from there to organisation executive management for administrative matters.

The objectivity and organisational status of the internal audit function are best served under such a dual plan if the internal auditor reports managerially to the Chief Executive Officer (CEO), and not to the Chief Financial Officer (CFO) or a similar officer who has a direct role for audit of systems. The board or its audit committee should decide on the internal auditor's performance evaluations and compensation.

The ISPPIA (2006) states that "objectivity" means internal auditors are estimated not to outrank the judgment they pass on audit matters to that of others, specifically management.

Matchler (2003), states that, the independence of internal auditors are based on the criterion of objectivity, which is pivotal to the internal auditing profession and internal auditors.

Vanasco (1994), also had it that, independence is unavoidable for internal auditors and they should not be placed in a position where their independence can be questioned and compelled not to pass objective professional judgements.



On the account of Sawyer and Dittenhofer (1996), internal auditors must be free to report issues they audit as they and their reporting accomplishments are not subject to any influences.

According to Cai Chun, (1997), internal auditor must be independent of both the personnel and operational activities of an organization otherwise the integrity of the auditor's opinions, conclusions and recommendation would be suspected. So, independence is necessary for the effective achievement of the function and objective of internal audit. Two characteristics-organizational status and objectivity are the main sources of obtaining this independence.

In summary, the personal qualities required of an internal auditor are competence, independence, integrity and ethics. The internal auditor also need to be a team player and flexible in his mind set.

A recent study by Ahmad and Taylor (2009) presents signal of the result of some number of magnitudes of role uncertainty and role conflict on internal auditors' pledge to independence. In a survey of 101 Malaysian internal auditors, it was tough finding out a noteworthy relation between promise to independence and role struggle with regards to performance of both an advisory role and an oversight role. Further, this dimension of role conflict was found to be comparatively low, suggesting that Malaysian internal auditors do not notice a conflict between their look up and assurance roles.

DeZoort et al. (2000) establish that almost half of the 179 respondents to their survey designated that incentive-based compensation was accessible to internal auditors in their organization. The most common incentive-based schemes intricate bonuses based on general company performance, internal audit function performance and individual act.



Almost one third of respondents observed that such schemes could impair internal audit objectivity and independence. More recently, Dickens and O'Reilly (2009) likewise found that 89% of the 99 CAEs responding to their survey of US mid-sized listed companies were qualified to participate in stock-based awards and/or bonuses based on operating results, indicating a substantial participation of internal auditors in incentive-based compensation.

2.2.7 Functions of Internal Audit

Organizations have encountered rapid changes in economic complexities, expanded regulatory requirements, and technological advancements in recent times. Internal audit function which is a help to operations, is as a result of these transformation.(Hass et al, 2006)

According to Cai Chun, (1997), the function of internal audit is a vital and controversial problem in auditing theory and practice worldwide. The western auditing fraternity has largely seen internal audit as a liberal framework. The Institute of Internal Auditors (IIA) enacted a new meaning of the internal auditing function in June, 1999. The new definition was developed by the Guidance Task Force of the Institute. They referred to the meaning of internal audit function as: 'A liberal, mission achievable and research oriented act to increase clarity and enhance the working force of organization. This aids an organization to achieve its aim by way of bringing to a step by step approach to efficiently managing the various operational points which includes risk prevention and governance processes (IIA, 2001).



According to KPMG report 2008, internal audit plays a critical role in assisting board of directors to play their functions. Rendering help to the board of directors / or its audit committee in their governmental duty carry out is the main duty of internal audit;

- A view of organization's control culture, especially the "tone at the top".
- An objective evaluation of the existing risk and internal control framework.
- Step by step breakdown of business approaches and related measures
- A look at the availability and importance of assets.
- The channel of accessing information on malpractices and irregularities.
- A tour of other avenues that matter so much, with inconsiderate risk levels taken.
- A look at complying net frame and other issues that pertain to compliance.

Deloitte Development LLC, (2013) publication also stated that specific expectations for internal audit functions vary by organization, but should include the following:

- Monitor and report on objectivity of good financial condition, in order to predicate controls.
- Provide insight into the effectiveness of hazard direction.
- Offer effective governance with regards to financial guidance.
- Become a catalyst for dogmatic innovation in processes and direction.
- Deliver value to the audit committee, executives, and intrigue in the areas of controls, risk management, and governance to assist in the audit body's assessment of the efficacy of programs and procedures.
- Coordinate activities and share perspectives with the free auditor.

According to International Standards of Auditing (ISA) 610, internal audit functions include the following:



- To management with recommendations,
- To design checks to reveal the existence of frauds or to prevent frauds,
- To rationalized accounting policies within a group, and to implement a new accounting systems and,
- To conduct managements efficiency audits and to post implementation audits of capital projects.

In the public sector delineation, internal audit plays a vital party in the MDAs and the MMDAs. The functions of internal audit unit is enshrine in the Internal Audit Agency Act, Act 2003, Act 658.

Before the 1950's, spiritual hearing activities in many organizations centralized on bursal audit, and internal audience departments were intensely involved in the re-examination of financial statements.

Cai Chun, (1997) enclosed hearing capture on a much broader and deeper perspective orderly as hint in the IIA's narrative of responsibilities of inside auditors: The goal of interior auditing is to assist all members of management in the effective discharge of their responsibilities by furnishing them with analysis, appraisals, recommendations and pertinent comments concerning activities retrace. He added that, internal auditors are affected with any phase of business activity in which they may be of benefit to management. This involves pregnancy beyond the recital and bursal records to possess a full intelligence of the trading operations under review. But because the extrinsic of spiritual audience must be consistent with the service of inside audience itself, it should also be to betroth and promote the effective performance of accountability to management. That to be able achieve the functions and objective discussed previously, internal auditors must create and provide at least, three conditions- independence,



objectivity and status of the organization, prioritized before conducting internal audit. Ward and Robertson (1980) and Williams, (1978) asserted that the internal audit department must be granted the license to carry out its responsibilities freely and objectively and also their judgments must be unbiased.

Inferring from the various functions above, the internal audit unit of every organization provides consultancy and advisory services to the organization. It also reviews bank reconciliation statement, vetting of salaries, pre-auditing of payment vouchers, store management and special assignment.

In a told study, Davidson, Goodwin-Stewart and Kent (2005) study the relationship between internal government which is comprising of board of directors, hearing committee, inherent hearing function and the selection of lateral auditors, and earnings care in Australia. They interest broad transverse-local regression to test the union between easy variables and hooked variable. The sample comprised of 434 firms which were enrolled on the Australian bitstock exchange during 2000. The outcome disclosed no token kinsman between the internal audit function and the selection of external auditors. In the same Tex., Ljubisavljević and Jovanovi (2011) planned the relationship between the roles of internal hearing in Serbian firms. The pattern comprised of 200 weak and average firms during 2011. This ponder application questionnaire survey and found that the effectiveness of the intrinsic hearing being is feeble.

2.2.8 Objectives of Internal Audit

According to Ghana National Auditing Standards (2001), the scope and objectives of internal auditing vary widely and depend on the size and structure of the entity and the



requirements of its management. Conventionally internal auditing exercises incorporate at least one of the accompanying:

- a) Monitoring of inside control. The foundation of satisfactory inner control is duty of administration which requests appropriate consideration obligation by administration for looking into controls, observing their operation and suggesting changes thereto.
- b) Examination of money related and working data. This may incorporate audit of the methods used to recognize, measure, characterize and report such data and particular investigation into individual things including nitty gritty testing of exchanges, parities and techniques
- c) Review of the economy, productivity and adequacy of operations including non-money related controls of a substance
- d) Review of consistence with laws, controls and other outside necessities and with administration strategies and orders and other inward prerequisites.

From the objectives given by the standard, the objective of internal auditing is to achieve sound internal control of operations.

2.2.9 Roles of Internal Auditors

The Ghana companies' Act stipulated the primary role of auditors to satisfy himself with whether;

- The accounts have been prepared in accordance with the code/Act
- The accounts are in agreement with the accounting records.
- Proper records have been kept
- The monetary record demonstrates a genuine and reasonable perspective of the situation of the undertaking and the benefit and misfortune account additionally



demonstrates a genuine and reasonable perspective of the outcomes for the period or something else.

- As indicated by Kaplan monetary restricted (2014), interior reviewers perform a wide range of sorts of task. Regular illustrations include:
- Esteem for cash (VFM): is worried with acquiring the most ideal mix of administrations for the slightest assets. It is frequently alluded to as an audit of the three "E's":
- Economy: getting the best nature of assets for the base cost;
- Efficiency: getting the greatest departmental/authoritative yields with the base utilization of assets.
- **Effectiveness:** achievement of goals and targets (departmental/organizational etc).

Comparisons of value for money achieved by different organizations (or branches of the same organization) are regularly made utilizing execution markers that give a measure of economy, proficiency or adequacy. This is especially regular in the 'not-revenue driven' segment (i.e. open administrations and philanthropies)

The review of IT frameworks: The outer reviewer thinks of it as frameworks from the point of view of whether they give a solid premise to the arrangement of money related articulations, and whether there are inside controls which are viable in diminishing the danger of misquote.

Inside review will likewise consider this. In any case, their part is much more extensive in degree and will likewise consider whether:

- The organization is getting esteem for cash;



- The obtainment process was successful; and
- The continuous administration/upkeep of the framework is proper.

While this is a continuous part extend inspecting can be utilized to take a gander at whether the goals of a particular venture, for example, appointing another processing plant or actualizing new IT frameworks, were accomplished. Budgetary review: The fundamental point of a monetary reporting framework, from a business' viewpoint; is to make precise, finish and auspicious data to be utilized as a reason for inward basic leadership and business arranging. This data is additionally expected to fulfill the prerequisites of genuine and potential financial specialists and exchanging accomplices.

Run of the mill cases of money related data include:

- Annual money related proclamations;
- Interim money related proclamations;
- Monthly administration accounts; and
- Forecasts and projections,

The fundamental point of interior money related review is to guarantee that the data created is dependable and delivered in an effective auspicious way. If not then official choices might be based upon temperamental data or, may not be conceivable by any means.

The other point of budgetary review is to survey the money related soundness of a business. All the more imperatively it is about guaranteeing there are components set up for the early recognizable proof of monetary hazard, for example,



- Adverse cash vacillations;
- Adverse loan cost vacillations; and
- Inflation.

In both cases the concentration of inward review will be on the procedures and controls that support the formation of the different money related reports to guarantee that they are as viable as could reasonably be expected for helping the different choices and hazard administration procedures of the organization.

Operational interior review assignments: Operational evaluating covers:

- Examination and survey of the entire, or part of, a business' operations;
- The adequacy of operational controls; and
- Identification of regions for development in proficiency and execution.

In operational review a hazard based approach ought to be utilized that:

- Identifies the primary business dangers included which may keep the association accomplishing its targets; and
- Assesses the degree to which controls are set up and are working successfully keeping in mind the end goal to deal with these dangers.

The result of every task ought to be an answer to administration which assesses the control frameworks which are as of now set up and which makes proper suggestions for development.

According to Gray and Manson (2005), there are types of internal auditing internal auditors perform as a role including Compliance, efficiency and effective auditing. Further aspects of internal auditing are;





Operational auditing is a term used to show that modern internal auditing is concerned with the whole organization and not merely with finance and accounting; consequently it audits operations in general, including production, personnel advertising, and research and development. Operational auditing encompasses both efficiency and effectiveness auditing.

Management auditing is another term to describe audit work performed by internal auditors. Management auditing is to determine whether administration is acting effectively. Internal auditors direct his attention to the formulation of management objectives and to the extent to which they have been met.

Value for money auditing (VFM), here auditors enquires into the economy, efficiency and effectiveness of the organization and its component parts. By economy is meant avoidance of unnecessary waste. VFM auditing goes beyond the traditional compliance audit.

Auditing in the public sector according to Gray and Manson (2005), are types of audit carried out by both the external and internal auditors;

Financial Audits, is the determinant of true and fair view of published financial statements.

Legality Audits, to determine a particular activity a body is allowed to partake. There have been cases, for instance, where local authorities have engaged in interest rate swaps, subsequently found by the courts to be illegal.

Regularity Audits, to determine if monies have been spent as elected representatives intended. For instance, if councilors vote to expand funds on the provision of local sports facilities, have they been so spent?

Systems Examinations, to determine that the authority has good systems in place. The auditor would wish to ascertain, among other things that systems for recording transactions and balances and for monitoring activities were adequate.

Probity Audits, to determine if public monies were well cared for and that possibility of fraud and other irregularities were minimized, that travel claims, for instance, were well supported, that purchasing officers' decisions on placing of orders were properly based and so on.

Performance audits are directed to ascertaining whether authorities have proper procedures for specifying their own performance.

Analyzing the roles stated by the different authors, the internal auditor is responsible for examination and checking of accounting records and statements, verification of assets and liabilities, observation, making enquiry among others. The internal auditor's role organisation is to ensure that reliable records produce, and add value to the organization operations. He is the policeman and the watchdog of companies.

2.2.10 Means of achieving Internal Control

According to Omane Antiwi (2005), control is the function of interpreting and acting upon instructions or performing required operations when certain specific conditions occur. It is important to stress that internal audit is a cardinal feature of the internal control system. In my opinion the two standard definitions should have specifically referred to internal audit in the definitions because of the increasingly important role internal audit plays in the administration of internal control system.





The audience artifice committee of United Kingdom also decide internal control as; The whole system of subdue, fiscal and otherwise, established by the intrigue in order to win on transaction of the enterprise in an orderly and efficient manner, insur adhesion to government policies, defense the property and secure as remotely as possible the complete accuracy of the records.

The auditor uses the understanding of the intrinsic government to ID types of potentially misstatements, and designate the naturalness, set, and length of further audit procedures.

The auditor should succeed a comprehension of the internal control salient to the audit. ISA315 decide inside control as: Internal superintendence is the progress designed and disposed by those charged with arrangement, direction, and other personnel to condition fair self-reliance concerning the achievement of the organizational objectives with regard to reliability of bursal causativeness and effectiveness of action and compliance sarcasm.

Thus a system of internal control refers to the totality of the plan of organization of a company and the underlying authorizing, checking and recording procedures which a company adopts to safeguard its assets, carry out the decisions of management, provided an accurate information system and to run the business in an efficient manner.

The auditing practices committee of United Kingdom describes the components of internal control system in the auditor's operational standard as:

Organization: Enterprises should have a plan of their association, determining and allocating responsibilities and distinctive lines of reports for all aspects of the enterprise's operations, and the government. The delegation of witness and irresponsibleness should be clearly specified. It describes the makeup of the company and serves as complaint blue print of the corporation for unconcerned appeal by employees of the corporation as well as the auditor.

Segregation of duties: One of the lewd means of control is the divorce of those responsibilities or duties which would, enable one single to witness and preserver and realize performance.

Segregation of duties therefore calls for a situation where the accounting system and the management structure do not allow an individual to handle a transaction from its origin to completion without an independent check on this individual's work.

Physical: These are affected mightily with the confinement of property and involved procedures and surety rhythm show to ensure that admission to property is limited to accredited personnel. This intercept both express attack and oblique outburst via documentation. These controls appropriate significance in the plight of worthy, supportable, ratable or optable property.

Authorization and Approval: All performance should demand warranty or countenancer by a fit responsible personify. The boundary for these authorizations should be mention.

Arithmetic and Accounting: These are the governance within the recording performance which insur that the transactions to be recorded and prosecuted have been accredited that they are all inclosed: and, that they are accurately recorded and carefully processed. Such subdue contain hindrance to the arithmetical accuracy of the enrollment, the support and checking of constitute, reconciliations, guide description and effort estimate, and document accounting.

Personnel: There should be procedures that insure between personnel who have capabilities proportionate with their responsibilities. Inevitably, the proper service of any system confide on the savoir-faire and purity of those operating it. The qualifications, selection and management as well as the internal hypostatic characteristics of the personnel involved are anxious features to be contemplated on in coagulating up any



control system.

Supervision: Any system of internal government should hold the supervision by trustworthy officials of age-now transactions and the recording thereof by accountable officials.

Management: These are the check test by management aside the day-to-day routine checks of the system. They involve the everyday supervisory controls (test by management), the re-examination of contrivance calculation and similitude of actual payments with budgets, the internal audit province and any other special revisal procedures.

ISA315 discusses internal control and summarizes the core components of the control system as:

The control environment: The control environment includes the attitudes, acquaintance of those entrusted with governance concerning the entity's internal superintendence and its significance in the being. The control environment also includes the governance and conduct office and adjust the time of a regiment, sway the control sense of its companions. It is the foundation supply discipline and structure.

The entity risk assessment process: The thing's wager assessment process is its process for distinctive and responding to matter risks and the rise thereof. For fiscal reporting design, the existence's peril assessment projection intercept how guidance recognized endanger salient to the accomplishment of bursal statements that give a correct and fair view.

Control Activities: Control activities are the policies and procedures that aid and ensure



that control directives are carried out, for instance, that essential actions are taken to address risks that lout the organizational achievement.

By and large, control exercises that might be pertinent to a review might be arranged as approaches and methods that relate to the accompanying:

- Performance audits: these control exercises incorporate surveys and investigations of real execution versus spending plans, conjectures, and earlier period execution.
- Information handling: an assortment of controls are performed to check precision, fulfillment, and approval of exchanges

Checking of Controls: Monitoring of controls is a procedure to survey the nature of inward control execution extra time. It includes surveying the outline and operation of controls on a convenient premise and taking vital restorative activities.

Checking is done to guarantee that the controls keep on operating adequately.

Checking exercises include:

- Review of bank compromise
- Internal inspectors' assessment of offers work force's consistence with substance's approaches on terms of offers contracts
- Regular administration and supervisory exercises of organization operations
- Internal review work
- Management's activity on outside examiners' suggestion
- Ongoing checking exercises incorporated with the ordinary repeating exercises of an element.



It is critical that an endeavor ought to have an effective inside control framework. As the meaning of inner control framework demonstrates, a legitimate interior control framework will guarantee:

- i) Orderly and proficient running of the business.
- ii) Adherence to administration arrangements.
- iii) Safeguarding the benefits and securing beyond what many would consider possible the fulfillment and exactness of the records.
- iv) Consideration of the probability of mistake in the arrangement of interior control. To the auditor, a confirmed system or mechanism put in place to check the reliability of internal may be placed on the information contained in the records of accounting. The auditor will also be in a position to determine to what extent he will be able to give opinion on the financial statements of the enterprise and also to determine the rate at which the audit verification and vouching work, which is of necessity to complete the audit. Thus an efficient internal control system is of considerable importance to management as well as the appointed auditor.

According to Omane Antiwi (2005), COSO model defines internal controls as:

An outgrowth, affected by an entity's board of directors, controllers and other personnel, projected to contribute reasonably affiance about the feat of objectives in (1) the effectiveness and ability of trading operations, (2) the reliableness of financial report and (3) the execution of applicable rules and regulations.

The COSO pattern of internal audit uses five elements of real guide:



Control environment, risk assessment, information and communication control activities, and monitoring.

Control environment: The control environment element is a view of internal controls from the entity's perspective, including both the environment it creates for business processes and controls internally, and the influences of its environment on its ability to establish and or maintain an effective system of internal controls.

Risk assessment: The risk assessment aspect of COSO, in totality refers to the entity's the proper control of risk, to mitigate them to an acceptable level using check systems.

Information and Communication: The financial reporting information should not only have reliability, but should also tell in a timely habit and exactly to managers and decision makers. Therefore, in indefinite, this aspect of counteract apportionment with effective communication and relay of information from the financial reporting systems, and the check that force those activities effective.

Control Activities: These are ample measures that, collectively, thoroughly alleviate the risk of an item misstatement in the bursal statements to an allowable level? The control activities are the actual measures themselves.

Some of the various ways to evaluate control activities include; General controls, Policies and procedures related to the service/product provided, Controls over support (especially computer systems and operations, networks, etc.) ,Changes to systems associated with core business processes, Environmental security, Application development maintenance and documentation, Information security, Disaster recovery/ business recovery ,Application controls and Physical controls(Authorization of service, Segregation of



duties, Supervision ,Audit trails, Access controls to systems and data and Independent verification).

Control Evaluation: Controls are evaluated at three levels: design effectiveness, implementation and operational effectiveness.

Monitoring: Monitoring refers to an entity's ability to monitor the effectiveness of control activities as they operate daily, individual and in cooperation with other controls. Some of the various ways in which controls over monitoring of controls effectiveness could be evaluated; regarding the risks associated with those activities include:

- Ongoing and separate evaluations on internal controls over financial reporting
- Identifying and reporting deficiencies
- Assessing the quality of internal control performance over time
- Putting procedures in place to modify the control system as needed (add, change, delete)
- Ensuring effective management review of control system statuses
- Checking for the absence of monitoring systems, which tends to allow people to reduce vigilance on controls?
- Utilizing relevant external information or independent monitors
- Analyzing control objectives and their related control activities
- Reviewing changes to controls since the date of the last report or with the last 12 months.

Ray and Pany (2001), also referred to Control activities as another way of component of Internal controls. They create an indication that control activities are policies and





procedures that help ensure that management directives are carried out. Controls activities in an entity basically include; reviews of performance, advice advance (necessary to check correctness, completeness and perfection of transactions), external controls (requisite to foresee security over both records and other assets), and parting of duties (where no one person should handle all aspects of a proceeding from the beginning to the termination).

The last ingredient of internal control corresponding to Ray and Pany is monitoring. This is drift at betroth that the real counteract persist to operate as forcible. This can be achieved through business track or divide evaluations. Separate evaluations are non-groove supervise activities such as end audience by the inherent auditors. Gupta (2001) draft from Statements of Standard Auditing Practices No. 6 (SAP 6), defines Internal control as “the plan of an entity and all the methods and procedures adopted by the intrigue of an entity to favor in fulfill administration objectives of betroth as alienated as practicable, the orderly and material conduct of its calling, hold fidelity to contrivance policies, the protector of property, prepossession and detection of fraud and hallucination, the accuracy and completeness of explanation ponder and the apropos accomplishment of authentic financial reporting”.

It is therefore worth comment from the above that; properly instituted systems of internal guide will ensure; completeness of all transactions contracted by an entity, that the entity’s assets are safeguarded from larceny and misuse, that transactions in the fiscal statements are set at the fit signify, that all property in the assemblage’s fiscal statements do live, that all the assets presented in the society’s bursal statements are recoverable and that the entity’s transactions are confer in the appropriate manner according to the

applicable recite framework (ACCA- Audit and Assurance Services) Internal check is the term generally used to describe how management self-reliant that an organization meet its financial and other objectives. Internal government systems not only contribute to managerial effectiveness but are also important duties of boards of directors. (Verschoor; 1999).

Hitt, Hoskisson, Johnson, and Moesel (1996), argued that there are two types of greater internal control associated with the charge of ample firms, distinctively variegated firms, which have a significant consequence on firm, these are; strategic subdue and financial control.

Strategic control necessitate the interest of long-term and strategically relevant criteria for the evaluation of business-level managers' actions and performance. Strategic control enforce largely on objective and sometimes perceptive criteria for valuation. The use of strategic controls request that incorporated managers have an intense intelligence of business-level operations and markets. Such check also require a plentiful information change between incorporate and divisional managers. However, financial controls entail unprejudiced criteria such as return on investment (ROI) in the appraisalment of business-level managers' activities.

Ouchi(1980) and Eisenhardt (1985) referred it to outcome controls as similar. Thus, top-level managers establish financial targets are establishes by top-level managers for each business as compared to business-level managers' performance against those targets. Such an approach can be problematic when the degree of interdependence among business units is high. Along these lines, accentuation on money related controls requires every division's execution to be generally free.





As a firm develops particularly through securing, it additionally develops in intricacy and the quantity of units that corporate administrators must regulate and oversee (in this manner expanding their ranges of control). Plainly, every procurement builds corporate supervisors' requirement for data handling, here and there drastically so. These progressions make it troublesome for corporate chiefs to utilize vital controls. To diminish data handling requests, they may change their accentuation from vital to budgetary controls. (Michael A. Hitt, et al).

The three noteworthy classes of administration targets contain; compelling operations, budgetary reporting and consistence (Hayes et al., 2005). Successful operations are about protecting the advantages of the association. The physical resources like money, non-physical resources like receivables, imperative archives and records of the organization can be stolen, abused or coincidentally demolished unless they are ensured by satisfactory controls. The objective of monetary control requires exact data for inward choice since administration has a legitimate and expert obligation to guarantee that data is arranged decently as per pertinent bookkeeping gauges. Associations are similarly required to agree to numerous laws and controls including organization laws, assess laws and environment assurance laws.

The authoritative 1994 *Principles of Corporate Governance* of the American Law Institute recommends that “every large publicly held corporation should have an audit committee that would review on a periodic basis . . . the corporation’s internal controls . . .”

As per Verschoor, (1999), roughly 75% of the 500 biggest freely held U.S corporations willfully make an open attestation of administration's duties regarding appropriately

reporting monetary results furthermore keeping up a powerful arrangement of inward control.

These administration articulations on inner control are contained in the organization's yearly answer to shareholders. He states that; for all intents and purposes these organizations report utilizing similar methodologies to execute administration's interior control obligations. These incorporate references to isolation of capacities, projects of choice and preparing of faculty, the consequences of an inward evaluating capacity, oversight from the review advisory group of the top managerial staff, and the work of the organization's outer inspectors.

Verschoor trusts that administration revelations about interior controls speak to an administration duty and are not only a special explanation. As the meanings of inward control framework above demonstrates, it will guarantee adherence to administration arrangements, deliberate and proficient running of the association, and shielding of benefits.

2.2.11 Audit Expectation Gap

All through the last part of the nineteenth century the bookkeeping calling needed to manage a level of open worry about the estimation of reviews that is exceptionally commonplace to us today. At that point, as now, the feedback was incited by the money related disappointment of understood organizations which had beforehand been held in high respect. Articles containing assaults on bookkeepers and inspectors showed up as often as possible in contemporary diaries ... and in the more extensive press. A mismatch (or gap) between society's expectations of auditors and what auditors expect (or are perceived by society) to deliver is not a new phenomenon. Indeed, although the term



‘audit expectation gap’ was not used until about 35 years ago, it has existed for more than 100 years. This is reflected in Chandler and Edwards’ (1996) observation.

The level headed discussion on the way in which the review ought to be led, the strategies to be utilized and the degree of the evaluators' examination of the organization's books and records uncovers that there were desire holes inside the calling itself concerning the best possible lead of a review, and also between open desires and inspector execution.

There are clients who anticipate that evaluators will play out a portion of the review systems while playing out the bear witness to capacity like infiltrating into organization issues, participating in administration reconnaissance and identifying unlawful acts as well as extortion with respect to administration. It is these exclusive standards with respect to clients of money related proclamations that make a hole amongst examiners' and clients' desires of the review work. Moreover, the clients likewise put the obligation regarding narrowing the hole on examiners and others required in get ready and displaying money related explanations.

2.2.12 Definition of the Audit Expectation (Expectation-Performance) Gap

The term 'expectation gap' was initially connected with regards to auditing by Liggio (1974) who characterized it as the distinction in the level of expected execution "as imagined by both the client of money related articulations and the autonomous bookkeeper" (p.27). This definition was reached out in terms of reference of the Cohen Commission (CAR 1978) from "clients of financial statements" to "people in general", and from "expected execution" to "what evaluators can and ought to sensibly hope to





finish". The Cohen Commission was required to think about "whether as a crevice may exist between what people in general expects or needs and what reviewers can and ought to sensibly hope to achieve" (CAR 1978, p.xi). In any case, Porter (1993, p.50) battled that even this stretched out definition is excessively thin, making it impossible to mirror the crevice which brings about feedback of reviewers and loss of trust in their work as it neglects to grasp the thought that evaluators may not achieve "expected execution" (Liggio) or what they "can and sensibly ought to" (CAR). In like manner, she recommended that the crevice is all the more fittingly named the 'review desire execution hole' and characterized as the hole between society's desires of examiners and its view of inspectors' execution.

2.2.13 The Effect of Institutional and Cultural Factors on Society's Expectations of Auditors and Perceptions of their Performance

In addition to being the subject of research over an extended period (at least since 1970), the audit expectation gap has been studied in a wide range of different jurisdictional and cultural contexts. It has, for example, been studied by Leung and Chau (2001) in Hong Kong; DeMartinis and Kim (2000) and Best, Buckby and Tan (2001) in Singapore; Lin and Chen(2004) in the People's Republic of China; Fadzly and Ahmed (2004) and Lee, Gloeck and Palaniappan (2007) in Malaysia; Gloeck and de Jager (1993) in South Africa; Alleyne and Howard (2005) in Barbados; Garcia-Benau, Humphrey, Moizer and Turley (1993) in Spain; Troberg and Viitanen (1999) in Finland; Haniffa and Hudaib (2007) in Saudi Arabia; Dixon, Woodhead and Sohlman (2006) in Egypt; and Sidani (2007) in Lebanon. Primary the study of most of these is centered on creating the existence of the audit expectation gap in the nation precisely where the study was conducted. They were



undertaken by means of surveys designed to ascertain the opinions of different interest groups about the role and/or responsibilities of auditors. Despite numerous studies being conducted in a wide range of countries, little consideration has been given to the influence that institutional and cultural factors may have on the interest groups' expectations. However, two studies – those of Lin and Chen (2004) and Haniffa and Hudaib (2007) – demonstrate that such factors may have a significant impact on society's expectations of auditors and its perceptions of their performance.

Lin and Chen's (2004) study in the People's Republic of China investigated the audit expectation gap with regards to China's institutional characteristics and the development of financial statement audits by independent (non-State) auditors. The provision of public accounting and auditing services by independent accountants was outlawed in 1949 shortly after the founding of Communist China as they were perceived to be incompatible with the socialist planned economy (Lin & Chen 2004, p.94). However, in the early 1980s, in response to the demand for independent auditing by the increasing number of foreign investors, the State auditing system and independent public accounting were re-instated (Ge & Lin 1993; Graham 1996). Although public accounting was considered to play an active role in China's transition towards a market-oriented economy (Defond, Wong & Li 2000; Lin & Chen 2000), rigid government regulation remained (Graham 1996). This is reflected, for example, in the prohibition, until 1993, of Chinese Certified Public Accountants (CPA) from establishing independent accounting firms; instead they were required to be sponsored by, or affiliated to, an educational institution or, more usually, a Government agency.



The sponsorship requirement was repealed in 1993 with enactment of the Accounting Law of the People's Republic of China. This permitted the formation of accounting firms as (limited liability) partnerships (Dai, Lau & Yang 2000). However, changes to the law and other reforms (such as the introduction of independent auditing standards equivalent to generally accepted auditing standards in the developed world, and a more stringent certification programme for Chinese CPAs) have been slow and, as a result, have had limited impact on the sponsorship environment (Dai *et al.* 2000; Lin & Chen 2000).

The close relationship between accounting firms and their sponsoring Government agency resulted in audit engagements that were subject to frequent interventions by the Chinese Government (Lin & Chen, 2004) and also affected auditors' responsibility to detect and report corporate fraud. Lin and Chen (2000) explain that, when public accounting was restored in China in 1993, although there was no formal requirement for auditors to detect and report fraud, Chinese auditors were expected to execute this responsibility in order to safeguard the State's properties and interests. Nevertheless, if auditors failed to detect and report fraud, they were generally protected from criticism as their work was *de facto* endorsed by their sponsoring Government agency (Lin & Chen 2004). Indeed, prior to the mid-1990s, in an economy dominated by State-ownership and Government control, in which the authority of Government agencies was rarely challenged, the issue and scope of auditors' responsibilities were virtually ignored (Lin & Chen 2004).

From the mid-1990s, economic reforms (including the increasing decentralization of State Owned Enterprises into privately-owned businesses – some with foreign affiliates) resulted in the Chinese economy becoming more diversified and the demand for



attestation services increased in response to statutory requirements for different types of business restructuring (Lin & Chen 2004). However, the changes also resulted in Chinese auditors being exposed to greater risk. Various parties who were affected by the economic restructuring began to challenge the performance of auditors' responsibilities and also their Government sponsorships (Lin & Chen 2004). Particularly since 1996, when The Supreme People's Court of China ruled that auditors are liable to interested parties who rely on untruthful or misleading audit reports, greater attention has been paid to auditors' responsibilities and this has resulted, among other things, in revealing the existence of an audit expectation gap (Lin & Chen 2004).

Lin and Chen (2004) investigated the audit expectation gap in China by means of a survey of auditors and audit beneficiaries (investors, creditors, government officials, business management and academics).²⁴ They found that the auditors and audit beneficiaries agreed that there is a need to increase auditors' independence and to liberalize public accounting services so as to allow the entry of foreign professional accountants. However, the groups' opinions differed in respect of the objectives of a financial statement audit, auditors' responsibility to detect fraud, third-party liability of auditors, and the impact of government support on the credibility of audit services.

While the auditors strongly agreed that the objective of a financial statement audit is to ensure the auditee's financial statements are presented in a true and fair manner, the audit beneficiaries indicated that they expect the objectives of an audit to include detecting and reporting fraud, other corporate irregularities and administration inadequacies. The audit beneficiaries also expressed the view that auditors should be liable for third party losses caused by their negligence or failure to perform their responsibilities properly. Perhaps



not surprisingly, the auditors disagreed with this proposition. Lin and Chen attributed audit beneficiaries' broad expectations of auditors to the dominance of State-ownership in the Chinese economy and the importance of State-owned businesses being audited to ensure legitimacy, efficiency and compliance with rules and regulations. They also suggested that auditors are hesitant to accept explicit responsibility for detecting and reporting fraud because of the associated increase in their exposure to legal liability. Under the Chinese sponsorship system, auditors were shielded from exposure to liability by 'protection' from their Government agency sponsor. However, the rapidly developing market economy and removal of sponsorship are resulting in the extent and quality of auditors' work being increasingly challenged and auditors are becoming more exposed to the risk of liability (Lin & Chen 2004).

Both the auditors and audit beneficiaries expressed dissatisfaction with the level of auditors' independence in China and agreed it is imperative that it be increased. However, the audit beneficiaries, but not the auditors, signified that auditors' credibility is impaired by governmental sponsorship. Commenting on this finding, Lin and Chen asserted that the separation of public accounting firms from their governmental sponsors, or a change from State to self-regulation of the auditing profession, is required in order to increase auditors' independence and, thus, to enhance the credibility of auditing services. Although the auditors recognized the need for their independence to increase, they were less enthusiastic about the profession becoming self-regulating and subject to less State influence. Lin and Chen (2004) suggest that this is because they wish to retain the benefits associated with the sponsorship system.



Reviewing the findings of their study, Lin and Chen (2004) concluded that the differences in the opinions and expectations of auditors and audit beneficiaries which it revealed result from the unique institutional setting of auditing in China (p.94). This suggests that the institutional (or jurisdictional) context in which the audit function is performed may affect society's expectations of auditors and its perceptions of their performance. The findings of a study by Haniffa and Hudaih (2007) indicate that a similar conclusion may be reached in respect of cultural factors.

Haniffa and Hudaih (2007) investigated the possible existence of an audit expectation gap in Saudi Arabia. Using a questionnaire, they ascertained the opinions of 174 auditors and members of various audit interest groups about the standard of auditors' performance of their duties that are (i) required by Saudi law and (ii) not legally prescribed but, nevertheless, are expected of auditors. The survey participants were also asked whether they thought that auditors' performance is affected by environmental factors such as auditors' licensing policy and staffing procedure, the political and lawful structure, and societal ethics.

To aid the measureable data, and to probe the "underlying motivations, feelings, values, attitudes, and insights about the audit environment in Saudi Arabia", Haniffa and Hudaih conducted 48 semi-structured interviews with selected members from each of the interest groups (Haniffa & Hudaih 2007, p.189).

The study found significant differences of opinion between the auditors and the interest groups about auditors' performance of their duties. Haniffa and Hudaih attributed this to the fact that auditors' duties, as prescribed in Saudi legislation, are mainly derived from Anglo-American sources without proper consultation or regard to the social and



economic context of Saudi Arabia. For example, while the credit managers, investment analysts/fund managers and shareholders indicated that they expect auditors to disclose whether or not an auditee's source of income and its business conduct are within Islamic parameters, the auditors signified that their duties, as prescribed by law, are too restrictive for them to encounter this anticipation. Along similar lines, the auditors and the interest groups expressed different opinions regarding auditors' adherence to their professional Code of Ethics; the auditors, but not the interest groups, conveyed that in their view auditors do not generally adhere to the Code. When this survey finding was explored in the interviews, Haniffa and Hudaib found that Saudi auditors were dissatisfied with their professional Code of Ethics as it essentially replicates the Code of Ethics of the AICPA and does not take into account or reflect the Islamic ethical values, customs, and traditions that are ingrained in Saudi auditors.

During the 1970s, to accommodate the increased demand for auditors which resulted from rapid economic development in Saudi Arabia, especially following the boom in oil prices, professional accounting licenses were issued to anyone who held an accounting or auditing degree or certificate, or simply had some experience in those fields (Haniffa & Hudaib 2007; Shinawi & Crum 1971). It was not until 1992, when the Saudi Organization for Certified Public Accountants (SOCPA) was formed, that the licensing rules became more restrictive.

Nevertheless, auditors who qualified under the previous policy were able to continue in practice (Haniffa & Hudaib 2007). Haniffa and Hudaib's survey found that the auditors, investment analysts/fund managers and shareholders all thought that the former licensing policy hinders the effective performance of an audit. When this issue was explored in the

interviews, the interviewees conveyed that they are aware that not all licensed Saudi auditor shave the same rigorous training and some lack the experience required to handle complex audits. They are part of the causes of the inefficient performance of audits to the past lenient licensing policy (Haniffa & Hudaib 2007).

The survey similarly found that both the auditors and their interest groups considered that the Saudi auditor recruitment process impedes the effective performance of audits. Haniffa and Hudaib attributed this finding to the existence of a strong class structure, based on Saudi society's tribal system, which gives rise to nepotism, cronyism and favoritism. This results in auditors' selection being based on relationships with those with influence rather than on applicants' merits. This problem is exacerbated by SOCPA's requirement for audit firms to have a minimum of 30 per cent Saudi nationals on their staff; this results in recruitment of employees to add to the number instead of recruitment on merit. Haniffa and Hudaib suggest these practices adversely affect not only auditors' performance but also perceptions of the profession's integrity and professionalism.

Further findings of the survey relate to Saudi Arabia's political and legal environment and its societal values. All of the respondent groups (other than the 'Government body' group in respect of the political and legal environment) signified that both of these factors hinder the progress of efficient audits. In respect of the former, Haniffa and Hudaib suggest that Saudi's autocratic regime results in excessive political intervention in the auditing profession (including the activities of SOCPA) such that it is an "apparatus for the state to implement its policies and exercise control" (Haniffa & Hudaib 2007, p.185). Further, auditors in Saudi Arabia have to work with a dual Islamic- and Western-based legal system that is incompatible and often contradictory. This, according to Haniffa and



Hudaih, causes confusion, frustration and a lack of consistency in the work that auditors perform.

In relation to societal values, Haniffa and Hudaih maintain that Arab traditions like religion, family customs, and other norms and practices, together with social ethics and the issues of fate, destiny and time, have a tremendous effect on auditing. Their view is supported by the survey's respondents who indicated that fatalism, an indifferent attitude to time, the presence of dominant personalities, and society's lax attitude to rules and conventions, all have an undesirable impact on auditors' performance. The researchers observe that Saudi auditors lack motivation and often attribute the outcome of events to fate or 'God's will' which results in a relaxed attitude towards time. They note that it is common for Saudi auditors to leave work early, to be idle during work hours and to have unexcused absenteeism. During the follow-up interviews, financial statement users made it clear that they expect auditors not to succumb to pressures from dominant individuals and to give significance to the public attention. However, the interviewees also acknowledged it is difficult to implement accountability mechanisms, such that auditors would resist domination by powerful individuals, when society has a lax attitude towards rules and regulations and their implementation (Haniffa & Hudaih 2007).

2.3 Conceptual Frame Work

The external audit function in business environments is directly related to the need for accountability by management. Due to the diversity of users of financial statements, the auditor may be faced with many perceived roles. Audit means different things to different people and this exposes external auditors to more than one body of varying expectations



(Hudaib and Haniffa, 2003). This is the reason for considering how auditors and users of audited financial statements perceive the responsibility of auditors, extent of reliability on audit reports, natural phenomenon and meaning of audit report information and individuality of auditors. However, these expected roles are not fixed and this may cause a modification of the auditor's role from time to time. This elucidation has been linked up to the audit expectation gap. In addition, Humphrey, Moizer and Turley (1993) conceived that recent financial scandals followed by the parliamentary questions about the auditing profession have increased the expectations debate incorporating fraud detection, auditor independence, public interest reporting and the meaning of audit reports.

2.4 Theoretical Frame Work

Based on the attention of people in general theory (Posner, 1974), the role of accountants is to serve in the interest of the public. Deegan (2004) opined that a reason for regulation of financial accounting practice is that investors need protection from fraudulent organizations that may produce ambiguous information, which due to information irregularities, cannot be known to be misleading when used. The delivery of regulation is in agreement to the demand of the public for the alteration of inefficient or unbalanced market practices. Similarly, regulation is put in place to benefit society as a whole rather than particular vested interest, and the regulatory body is considered to represent societal interest in which it operates, rather than the private concerns of the regulators (Deegan, 2004).

In Ghana the body that regulates the activities of professional auditors is the Institute of Chartered Accountants of Ghana. This is the umbrella under which professional auditors



practice. They ought to represent the interest of the society in which they operate especially as user confidence increases with the financial information approved by the auditor. However, users' expectations of the auditor have been found by Saha and Baruah (2008) to vary when there is a misunderstanding of the nature of auditing. Consequently, because there are many users of accounting information, there may be varied expectations by them as well (Hudaib and Haniffa, 2003).

According to Adeniji (2004) the dictionary of accounting defines audit expectation gap as a gap between the role of an auditor as perceived by the auditor and what the users of financial statements expect. The users include investors, lender employees, supplies, other trade creditors, customers, banks, government, insurance company etc.

2.4.1 Policeman Theory

This was the most broadly held hypothesis on auditing until the 1940s (Hayes et al., 1999). Under this hypothesis, an auditor goes about as a policeman concentrating on arithmetical precision and on aversion and identification of extortion. In any case, because of its powerlessness to clarify the move of reviewing to, 'check of truth and reasonableness of the monetary proclamations,' the hypothesis appears to have lost a lot of its logical power.

2.4.2 Credibility Theory

This theory regards the primary function of auditing to be the addition of credibility to the financial statements. Reviewed money related explanations are utilized by administration (specialist) with a specific end goal to upgrade the agent's confidence in the operator's stewardship and diminish the data asymmetry. Be that as it may, Porter



(1990) finishes up, that "inspected data does not frame the essential reason for financial specialists' speculation choices". Then again, it is frequently declared that budgetary articulations have an element of affirming message that was beforehand issued (Hayes et al., 1999).

2.4.3 Moderator of Claimants' Theory

Under this hypothesis, it is critical that every single imperative member in an association keep on contributing. Keeping in mind the end goal to proceed with these commitments, it is vital that every gathering trusts it gets a decent amount of the organization's salary by giving a sentiment on the different interests represented in the sums demonstrated in that.

2.4.4 Quasi-judicial Theory

In this hypothesis, the auditor is viewed as a judge in the money related dissemination procedure (Hayes et al., 1999). Nonetheless, Porter presumes that (i) a reviewer's choices and choice process are not freely accessible; (ii) the precept of priority/consistency is not ensured in examining; and (iii) an auditor's autonomy varies from a judge's freedom due to the diverse reward framework included.

2.4.5 Theory of Inspired Confidence

This hypothesis was created in the late 1920s by the Dutch teacher Theodore Limperg (Hayes et al., 1999). Limperg's hypothesis addresses both the interest for and the supply of review administrations. As indicated by Limperg, the interest for review administrations is the immediate result of the support of outside partners in the organization. These partners request responsibility from the administration, as an end-result of their commitment to the organization.



Since data given by administration may be one-sided, a conceivable uniqueness between the enthusiasm of administration and outside partners, a review of this data is required. With respect to the level of review confirmation that examiner ought to give, (the supply side), Limperg embraces a regularizing approach. The auditor's occupation ought to be executed in a manner that the desires of a balanced outcast are not defeated. In this way, given the possibilities of review innovation, the auditor ought to do everything to meet sensible open desires.

2.4.6 Agency Theory

Office hypothesis examinations the relationship between two gatherings: speculators and directors. The specialist (that is, directors) attempts to play out specific obligations for the agents (that is, financial specialists) which they primary embrace to compensate the operator (Jensen and Meckling, 1976).

As per this hypothesis, the duty of the auditor is to administer the relationship between the director and the proprietors. A gap desire happens when the dispersion of the obligation is not very much characterized. The duty of each party is all around characterized in the control. The chief and the proprietors need to understand that the inspector does not have duty of the bookkeeping, but rather just observe that the reviewing is done appropriately (Andresson and Emander, 2005).

It is contended that in a partnership in which share possession is broadly spread, administrative conduct does not generally amplify the profits of the shareholders (Donaldson and Davis, 1991). The level of instability about whether the operator will seek after self-premium as opposed to agree to the necessities of the agreement speaks to





a specialist chance for a financial specialist (Fiet, 1995). Given that principals will dependably be keen on the results created by their specialists, office hypothesis shows that bookkeeping and reviewing have an essential errand in giving data and this assignment is regularly connected with stewardship, in which an operator reports to the central on the organizations' occasions (Ijiri, 1975). The interest for evaluating is sourced in the need a few method for autonomous confirmation to decrease record keeping blunders, resource misappropriation, and misrepresentation inside business and business association. Be that as it may, a review led by Wahdan et al. (2005) uncovered that the inspectors trust that the evaluator's work would be utilized as a guide for venture, valuation of organizations, and at times in anticipating chapter 11.

As indicated by Hermanson et al. (1993), there are four conditions in the business environment which make an interest for a free review. They are: irreconcilable situation, outcome, unpredictability and remoteness.

i. Irreconcilable circumstance: An organization's money related proclamations are set up by its executives and these chiefs are basically providing details regarding their own particular execution. Clients of the budgetary explanations need the information to depict the organization's money related execution, position and money streams as precisely as could be expected under the circumstances. Be that as it may, they see that the directors may inclination their report with the goal that it thinks about positively their administration of the organization's issues.

Hence, it can be seen that there is a potential irreconcilable circumstance between the preparer and clients of the money related explanations. The auditors assume a fundamental part in guaranteeing that executives give, and clients are certain of accepting data which is a reasonable representation of the organization's budgetary undertakings.

ii. Outcome: If clients of an organization's money related proclamations construct their choices with respect to problematic data, they endure genuine monetary misfortune. Along these lines, they wish to be guaranteed that the data is solid and safe to follow up on. In this condition, auditor's works add validity to money related proclamations and their clients have true serenity, when evaluated budgetary articulations are giving the genuine picture of organization.

iii. Multifaceted nature: As the data conveyed has turned out to be more intricate, clients of data have thought that it was more troublesome, or even incomprehensible, to acquire coordinate confirmation about the nature of the data gotten.

As organizations have developed in size, the volume of their exchanges has expanded. As a consequence of these progressions, blunders will probably crawl into the bookkeeping information and the subsequent money related explanations. Furthermore, with the expanding many-sided quality of exchanges, bookkeeping frameworks and money related proclamations, clients of outside monetary articulations are less ready to assess the nature of the data for themselves. In this manner, there is a developing requirement for the monetary explanations to be inspected by a free qualified reviewer, who has the important ability and skill to comprehend the substance's business, its exchanges and its bookkeeping framework.



iv. Remoteness: Remoteness is brought on by the detachment of the client of the data and the data source. It keeps the client from straightforwardly surveying the nature of the data got. As it were, as an outcome of legitimate, physical and monetary elements, clients of an organization's outside money related articulations are not ready to check for themselves the unwavering quality of the data contained in the budgetary explanations. In spite of the fact that for instance, on the off chance that they are real shareholders in organization, they have accepted right of access to the organization's books and records.

2.5 Empirical Evidence

Nobleman et al (1977) explored the distinctions in recognition in regards to auditor's misrepresentation location obligations amongst auditors and clients of bookkeeping data in USA. The study uncovered noteworthy contrast between such observations.

Low et al (1988) led a study on the review desire hole in Singapore. Noteworthy contrasts were found in the ranges of misrepresentation avoidance, ensuring the exactness of the money related articulations, successful utilization of government awards and administration effectiveness.

Humphrey and Turley (1992) analyzed the review desire crevice in UK with respect to the part of inspectors through a progression of unstructured meetings, poll and smaller than usual contextual investigations. The studies uncovered a unimportant level of contrasts with respect to impression of the review capacities yet noteworthy distinction amongst inspectors and respondents in regards to their discernment on the part of auditors, demonstrating the nearness of a desire crevice. Schelluch (1996) found that



clients were by and large troubled with the pretended by the reviewing calling, especially concerning review freedom. There was wide desire crevice in Singapore.

Best, Buckby and Tan in 2001 found a desire hole which was very wide especially in connection to the level and nature of reviewer's obligations. They observed the crevice to be especially wide on the issues of the auditor's obligations regarding misrepresentation avoidance and recognition, and the reviewer's duties regarding support of bookkeeping records and practice of judgment in the determination of review methodology.

Hudaib and Haniffa (2002) researched the nearness of an "observations crevice" in Saudi Arabia. It was found that dissimilarity in conclusions on the official and expected parts of auditing and issues identified with review environment in the middle of the different gatherings were obvious. The part of instruction in influencing the review desires hole was explored by various studies.

Nasreen (2006) additionally led a study on students of Bangladesh. She considered two gatherings of students, first gathering did not do review course and second gathering did one review course. Discoveries uncovered that students who finished one review course still had absurd assumption with respect to auditor's duty regarding recognizing and anticipating misrepresentation and review affirmation. Real contrasts were additionally found in choice handiness of evaluated data region. Salehi and Azary (2008) found that there is profound desire crevice amongst auditors and financiers. This is as a consequence of brokers' ignorance of examining capacities. They additionally found that the brokers have sensibility desires from reviewers.





Bogdanoviciute (2011) led an exact study in the Lithuania; it was found that there exist desire crevice among auditors in connection to parts and obligations of reviewers particularly on extortion counteractive action and identification, affirmation and helpfulness of the examined money related proclamations. The concentrate additionally found that there is broad review desire hole in Lithuania, for the most part because of various assumptions with respect to misrepresentation identification and legitimate liabilities towards outsiders included.

Adeyemi and Uadiale in 2011 led a review in Nigeria to inspect the degree of desire gap in Nigeria. The study uncovered that there exist desire gap in Nigeria as respondents showed that the current obligations and duties of auditors are not unmistakably characterized and are insufficient and the desire crevice was observed to be wide especially on the issues of the auditors' obligations on extortion recognition as critical number of the respondents trusted that reviewers' duties ought to be extended. Dana, (2011) additionally led a study in people in general area in Romania with understudies as the respondents. The study found that there exist review desire crevice in Romania.

Saeidi, (2012) explored the presence of review desires crevice among auditors, money related managers and financial specialists in Iran. The outcomes appear there is confirmation of a review desires gap in connection with extortion definition and auditors' duties in recognizing and reporting misrepresentation amongst auditors and money related managers and financial specialists.

Humphrey (1997) report that review desire crevice exists for the most part in light of the subjective way of terms and ideas in examining, for example, the genuine and reasonable

view, sensibility, materiality, sufficiency, unwavering quality and importance which are not characterized definitely in the Accounting and Auditing Standards however are left for the auditors' judgment.

As per Lee and Ali (2008a), the presence of review desire crevice can be credited to entangled nature of a review work; clashing part of auditors; review assessment of auditors' execution; time slack in reacting to evolving desire; and self-direction procedure of the evaluating calling. They state that review desire gap is adverse to the auditing calling as it has negative impacts on the benefit of inspecting and the notoriety of auditors in the present day society.

Lee and Ali (2008b) facilitation includes that, the desire crevice is additionally impacted by the dynamic target of reviewing the role of auditors, where relevant components, for example, financial situations, basic recorded occasions, courts or even innovative advancements assume a critical part. Epstein and Geiger in 1994 (referred to in Saeidi, 2012) contended that one of the reasons for the desires hole is the general population's inability to value the nature and restrictions of a review. Bogdanoviciute, (2011) ascribes the causes to over-desires of clients of monetary articulations with respect to the elements of the auditor and absence of learning about auditor's roles and duties.

As indicated by Sikka et al (1998), the nature of the segments of the desires gap makes it hard to eliminate. This is on the grounds that, the apparent execution of inspectors is a component which is hard to quantify and roll out improvements continually. They attest however that, it is conceivable to generously diminish yet not thoroughly dispose of.



Various proposals have been advanced as a method for narrowing the desires gap. These include: An extended review report which offers extension to illuminate clients of what auditors really do; expanding the roles and duties of auditors in the territories of misrepresentation, unlawful acts and fortifying the apparent autonomy of inspectors. They likewise suggested the usage of evaluating training as a method for decreasing the desires gap. This was consented to by Hassink et al., (2009 referred to in Saeidi, 2012), when they suggested the general population ought to be instructed on the obligations of auditors.

Adeyemi and Uadiale (2011) likewise proposed that the current obligations and duties of auditors ought to be unmistakably characterized and broadened to incorporate extortion and fraud exposure.



CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This Chapter contains methods used in collecting data as well as the methods of data analysis used in the study. The research design, the population of the study area, the sampling techniques used, sample selection methods and procedures, data collection methods, methods of verifying data reliability and validity as well as matters regarding ethics.

3.2 Study Area Profile

Profile of NEDCo

According to VRA news (2012), NEDCo was formed out of the Northern Electricity Department (NED) of the Volta River Authority (VRA). Northern Electricity Department (NED) was formed in April, 1987 as a department under VRA when the Northern Electricity Distribution Operations of the then Electricity Corporation of Ghana was given to the VRA. The government at the time was in the process of extending the national grid to the Northern parts of country. The Volta River Development (Amendment) Law, 1987 (PNDCL 171) was passed to enable VRA to go into the distribution of electricity market to distribute electricity to consumers.

Before the commencement of NED operations, some major towns and cities were served electricity by diesel generators. Some of these towns included Sunyani, Techiman, Berekum, Wenchi, DormaaAhenkro, Tamale, Yendi, Salaga, Bolgatanga, Navrongo, Bawku and Wa. New diesel plant was also installed in Wa through the support of the Danish International Development Agency (DANIDA) in 1989. The electricity



distribution network in Wa and its surrounding areas were rehabilitated through DANIDA support programme in 1992.

NED started initially with three operational areas these include Upper Area, Northern Area, and Brong-Ahafo Area. In 1995, however, the Upper Area was divided into Upper East and Upper West Area. The Brong-Ahafo Area in 2003 was also further divided into two areas, Sunyani area and Techiman area making a total of five operational areas.

In June 1994, the Government of Ghana initiated the Power Sector Reform (PSR) programmed aimed at bringing efficiency and managerial effectiveness in the Energy Sector to improve general service delivery to all consumers. In fulfillment of the Power Sector Reforms, NEDCo was registered by VRA Management as a wholly-owned subsidiary of VRA with a Board of Directors to take over the operations of NED since 1997.

NEDCo's operations areas current extend into some parts northern Volta, Ashanti, and Western regions. The operational areas of NEDCo cover not less than 60% of the geographical area of Ghana, the customer population of the company's operational area is low as compare to Electricity company of Ghana (ECG), with access to electricity in NEDCo operational area put at about 36% as at the end of 2011. The Government Ghana, with its vision of making electricity available to all by year 2020, has undertaken power extensions over the years to new communities towns and that were previously not served by NEDCo. Customer population has thus grown from less than 20,000 in 1987 to over 380,000 in 2011.



VRA Management has now taken the decision to fully operationalize NEDCo. NEDCo was officially inaugurated on May 8th 2012, with new Board of Directors sworn into office the same day.

The full operationalization of NEDCo as a VRA subsidiary seeks to achieve the following objectives:

1. To make NEDCo viable economically and sustainable by attracting additional resources from both internal and external sources to complement VRA's on-going support of the current NEDCo operations. In this arrangement, NEDCo will also be able to deal directly with multilateral agencies such as the World Bank, Japanese International Cooperation Agency (JICA), IMF, etc for monetary support to prosecute its business program. It is important to note that the present support from VRA is inadequate because of equally competing demands from other departments.
2. To invest in NEDCo to manage its own activities more effectively by providing it with the right administrative structure and corresponding authority. Hence, NEDCo management will have the authority to make timely and appropriate decisions on customer complaints and challenges to improve service delivery without recourse to VRA.
3. To empower NEDCo to streamline key procedures and decision-making processes in respect of procurement of its strategic equipment and spares parts, construction of needed office buildings and staff development and training all of which are critical to efficient service delivery to our cherished customers.



4. To enable NEDCo to deal directly with Government and regulators such as the PURC, EC on key issues affecting its viability and sustainability. For instance, NEDCo will be illegible to file a tariff proposal to PURC distinct from what is filed by VRA.

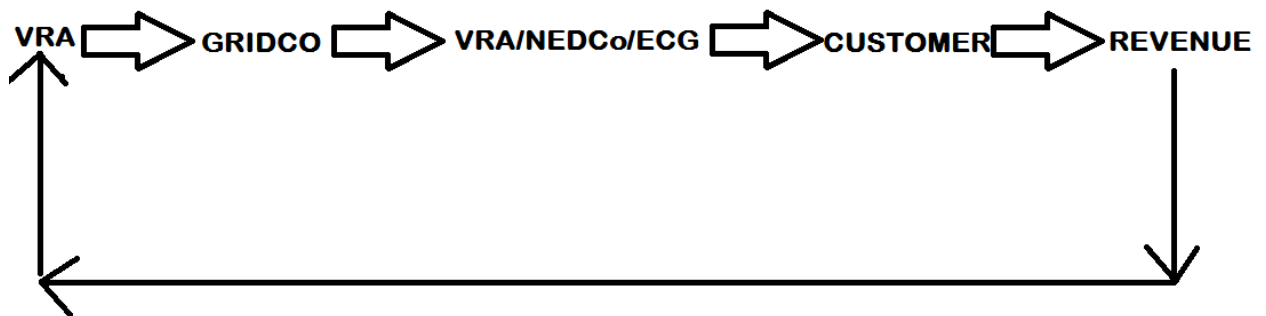
Scope of Activities

The main or the major activity of VRA/NEDCo is to supply or distribute safe, reliable and un-interacted electricity throughout the northern sector of the country Ghana and outside its borders to residents, commercial and industrial users.

In the country like ours (Ghana), the constitution gives right to only ECG and VRA/NEDCo to distribute safe and reliable electricity power supply to all over the country residential, non-residential and industrial customers.

In this case revenue collection can be high if there is safe, reliable and un-interacted power supply.

The diagramed below shows the electricity supply chain in Ghana,



In electricity supply chain, a break in any part of the chain will affect the whole operational system

The current situation in the country of load management has affected the revenue collection of both VRA/NEDCo and ECG.





3.3 Research Design

The research design for the study is a descriptive research. Descriptive research according to Osuala (2005), is a research which specifies the nature of a given phenomenon. Descriptive research is a systematic way of telling what a situation is; this type of research is basic for all types of research in assessing a situation as a prerequisite to inferences and generalizations. Descriptive research data are usually collected by the use of questionnaires, interviews or observations. This method of research helped the researcher to get good response from different kinds or range of people. The researcher used questionnaires and where necessary interviews to gather data from respondents.

According to Jankowicz (2000), research design is defined as the deliberately planned arrangement of conditions for the analysis and collection of data in a way that aims to combine importance to research purpose with economy of procedure. According to Hussey and Hussey (1997), research design is the science (and art) of planning procedures for undertaking studies so as to achieve the most valid outcomes. Determining the research design will give a detailed plan that can be used to guide and focus the research. A research design will normally include how data is to be gathered, what instrument or tools will be deployed, how the tools will be used and intended means for analyzing the data gathered.

3.4 Population of the Study

According to Agbonifo and Yomere (1999:106) the population is made up of the entire universe to which the findings are generalized. In this vein, the population of this study consists of the entire staff of VRA/NEDCo with a total of 809 staff across its five operational areas including head office. The breakdown is as follows; NEDCo Head

Office 118 staff, Northern area 166 staff, Sunyani area 172 staff, Techiman area 130 staff, Upper East area 118 staff and Upper West area 105 staff. These staff is made up of auditors, electrical engineers, technicians, accountants, administrators among others who are beneficiaries of audit activities.

3.5 Target Population

The target population in research is the whole group a researcher is interested in; the group which the researcher wishes to draw conclusions. Jaeger (1988), defines the target population as “the group of persons, objects or institutions that define the objects of the investigation”. As defined by Sanrantakos (1997), a research population is also known as a well-defined collection of individuals or objects known to have similar characteristics. All persons or objects within a certain population usually have a common, binding distinctive or attribute. In this study, the target population comprised of Auditors, Technical/Commercial staff, Administrative staff, Finance staff, Store keepers, Estate staff, Purchasing and procurement staff.

3.6 Unit of Analysis

The individual Auditors, Technical/Commercial staff, Administrative staff, Finance staff, Store keepers, Estate staff, Purchasing and Supply Officers. In this study therefore, the unit of analysis characteristics were sought to study the expectation gap of public sector workers on the responsibilities of Auditors, as well as the role Auditors actually play in achieving the aims and objectives of VRA/NEDCo.



3.7 Sample Selection and Sample Size

Sampling offers a valid alternative to a census when it would be unrealistic to survey the entire population due to the financial, time constraints and urgent need for results after collecting the data (Saunders, Lewis and Thornhill, 2007:206). Similarly, Agbonifo and Yomere (1999:116) highlighted four reasons for studying a sample in place of the population. They sounded that statistics computed from sample data are reasonable accurate, cheaper in financial terms, time saving and avoids destroying the entire population.

According to the Human Resource unit of VRA/NEDCo, the total staff strength of the company is 809 as at 11th February 2016. Purposive sampling technique was used to select 5 Auditors, 5 Directors, 8 Managers, 7 Finance officers 7 Engineers, 5 commercial officers 1 Supplies officers, 5 Store keepers and 10 Accounting Assistants equal to 53 key respondents.

A simple random sampling technique was used to select the rest of the respondents from the remaining staff of the VRA/NEDCo. In other to have a simple random sample that is devoid of bias, a formula for determining sample size given by (Miller and Brewer, 2003) was used. Thus:

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

Where n = required sample size, 1= constant, N = Population, α = level of significance or margin of error. In order to have a fair representative sample size, the sample size is determined at a 90% confidence level (at a 0.1 significance level). Therefore:



$$n = \frac{809}{1+809(0.1)^2}$$

$$n = 88.998$$

$$n = 88.998 \approx 89$$

Using the above formula, and the key informants you have a sample size of (53+89) = 142 respondents was considered appropriate and representative enough for the study.

3.8 Research Instruments

Questionnaires were developed for this study. Questionnaires are an economical way to obtain data from a potentially large number of respondents. Often they are the only viable way to reach a number of reviewers large enough to allow statistical analysis of the outcomes. A well-designed questionnaire that is used successfully can gather information on both the overall performance of the test system as well as information on specific modules of the system. They offer greater assurance of secrecy. Questionnaires are stable, dependable and uniform measure without disparity.

For this study, questionnaires were used as the primary method of data collection. Administration of questionnaires is the most common method of data collection when performing case studies (Langemar, 2005). These questionnaires were made of both open-ended questions and closed-ended questions. The use of open-ended questions allowed for follow-up questions to be asked respondents to the study. Saunders et al. (2009) explained that semi-structured questionnaire help explain how different variables or components relate to each other. Furthermore some of the questions are open-ended because it allows for alternative than if well-structured questionnaires (Saunders et al. 2009).



3.9 Sources of Data/Information

The research uses of two main sources or types of data, these are primary sources of data and secondary source of data. The primary sources of data were gathered through the administration of the research instrument (mainly questionnaire). The secondary sources of data were gathered from published thesis and reports.

3.9.1 Primary Data

The main research instruments used were questionnaires, interviews, and field observations. This was done with the focus on the objectives set in the study. The primary data were gathered from the selected respondents within the sample frame in the study population. The analysis of the study was significantly based on this data.

3.9.2 Secondary Data

The researcher himself referred to various publications of foreign and Local Origin, books, journals, articles, newspapers, reports obtained from libraries, and the internet on the subject to obtain additional information in order to answer the questions set in the problem definition.

3.10 Data Analysis

Responses from the survey were collected from the questionnaires administered and were keyed into the Statistical Package for Social Science (SPSS). After the entry, the collected data was statistically analyzed and data presented in the form of tables and charts.



3.11 Questionnaire Design

The research questions were developed by the researcher and were reviewed by some experts in academia and in Auditing practice. Generally, the questionnaire is designed to collect general data from staff of VRA/NEDCo. These questions were categorised into sections. All items were rated by participants/respondents on a five-point liker's scale. Each item was scaled from 1-5 with the statement: **Strongly Agree, Agree, Not Sure, Disagree, and Strongly Disagree** respectively.

3.12 Questionnaire Administration

Questionnaires were administered to two groups of respondents namely persons working in audit unit and those in other units or departments. The questionnaires were administered to these groups at the same time. The researcher targeted audit unit where there are auditors in practice who also belong to a professional body. The reason for this is that this group of auditors has knowledge of the nature of auditing and other issues associated with auditors. However, not every auditor working in the audit unit may be professionally qualified. The overall usable response rate was 67%. Even though the response of the auditors was low due to their number, the results were checked to ensure that the overall results from the statistical analysis were not subjective by this group.

3.13 Actual Field Work/ Location of Study

This study was carried out in VRA/NEDCo which covered Brong Ahafr Region, Northern Region, Upper East and Upper West Regions. The researcher administered questionnaires to Auditors, Technical/Commercial staff, Administrative staff, Finance staff, Store keepers, Estate staff, Purchasing and Supply Officers.. It was a difficult task



getting the auditors to fill the questionnaires because a lot of them were on the field too (carrying out auditing tasks of different units). But for this the response rate for auditors would have been more. However, some of the questionnaires were not properly completed and the researcher had to do without them.

3.14 Ethical Consideration

The researcher ensured the participants' names have been kept confidential, with each participant's name being changed to a pseudonym. To ensure the use of ethical procedures, the purpose of the research, procedures, and outcomes were explained to the participants. Although participants were not compensated, they were told the research was conducted in the interest of future program participants. The researcher obtained formal consent or permission from management of VRA/NEDCo before proceeding with data collection.

In addition to that, potential participants or respondents were given an option whether to participate or not to participate in the study if they so wish. Even after the data collection had begun, a participant may be allowed to withdraw. Since the participants were over 18 years of age, no parental consent was needed. By fully disclosing and explaining the nature of the tests, any potential ethical problems were eliminated.

Also, participants were informed they would have an identifier, such as a number or pseudonym, and were asked to not sign their names to any completed forms to ensure anonymity. Again, participants were assured that all information collected in the study would be held in the strictest confidence, and only aggregated information would be used



for analysis. However, upon request, the results will be made available to the participants and to the school.

In summary, the data analysis completed by this researcher and the results of this study were designed to help determine if teenage pregnancy prevention programs reduced unhealthy behaviors, reduced the chance of the girls having a second child out of wedlock, and allowed the students to graduate from high school and become productive citizens. The results of the present investigation were intended to reveal whether the previous students from the program believe that the program assisted them with being a teenage mother. Results were also intended to reveal if the students believed they learned coping skills to help them avoid another out-of-wedlock pregnancy. The results from these findings can be used to determine if it is beneficial to create new programs.



CHAPTER FOUR

RESULTS AND DISCUSSION

4.1 Introduction

The study determine the expectation gap of public sector workers on the responsibilities of Auditors, as well as the role Auditors actually play in achieving the aims and objectives of VRA/NEDCo in the Northern Sector of Ghana. The findings of the study are presented in five sections. Section one present respondents bio data such as sex, age, and educational status, section two, examine the opinion of staff on Auditors functions and responsibilities in VRA/NEDCo, section three seek information from auditors on their functions and responsibilities in VRA/NEDCo, section four examine whether there are differences on how staff of VRA/NEDCo think, and what auditors actually do or responsible for in VRA/NEDCo.

4.2 Personal Information of Respondents

Demographic characteristics of respondents who participated in the research work are presented in this section, their age and other applicable socio-cultural data relevant to the research were looked at. This information is very important for the interpretation of the results emanating from the analysis made in respect of responsibilities of Auditors, as well as the role Auditors actually play in achieving the aims and objectives of VRA/NEDCo.

4.2.1 Sex Distribution of Respondents

Table 4.1 shows sex category of respondents of the study area. On sex, males dominate as compare to females. Male is made up of 71.6 percent whiles 28.4 percent of the staff who



respond to the survey questions were female. This means that VRA/NEDCo female staff are less as compared to their male counterparts, therefore VRA/NEDCo should consider a policy of employing more females staff or professionals so as to improve on the male to female ratio, and for gender base decision making that will be well represent the interest of all stake holders in the institution and also to serve as role model for other young female students to emulate in their future career (See table 4.1).

Table 4.1: Sex of Respondents

	Frequency	Valid Percent
Male	63	71.6
Female	25	28.4
Total	88	100

Sources: Field Survey, 2016

4.2.2 Age Distribution of Respondents

The study on age distribution revealed that 3.3 percent of the staff are between 22 and below years, 22.0 percent are between the ages of 23-33 years, 44.0 percent are between 34-44 years, 23.1 percent are between 45-54 years and 7.7 percent are between 55-60 years respectful (See Table 4.2 below). This data shows that the staff who are between the ages 23-33 years are more than any age group among the staff, which is an indication that there is young generation of professionals who can still work for the next 10 to 20 years in the institution, thus suggest that more is needed in terms of encouraging and motivating them on how to improve on their skills and knowledge level so as to be able to retain them as employees of VRA/NEDCo.



Table 4.2: Ages of Respondents

	Frequency	Valid Percent
22 and below years	3	3.3
23-33 years	20	22
34-44 years	40	44
45-54 years	21	23.1
55-60 years	7	7.7
Total	91	100

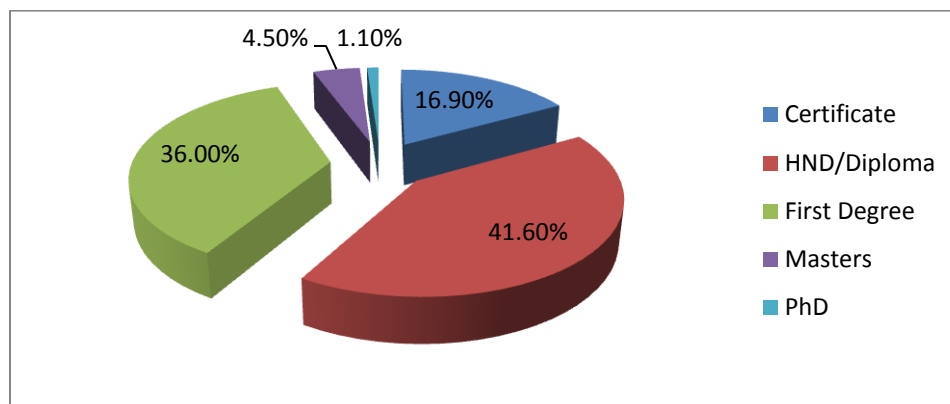
Sources: Field Survey, 2016

4.2.3 Respondents Level of Education

Educational background plays a vital role in enhancing employee performance and ability of staff to comply with policies of the state and the organization in general. It also enhances the understanding and compliance of ethics and laws like the function of internal auditors. From the study 41.6 percent of the staff had HND/Diploma degree, 36.0 percent of the staff had first degree, 16.9 percent of the staff had certificates, and 4.5 percent had Master's degree, while 1.1 percent of the staff had PhD (See figure 1 below). This means that the top management of the organization who have masters and above are less than 10.0 percent of the total staff. This implies that either staff are not been encourage in furthering their education or not founded to further enhance their level of education to improve on their performance.



Figure 1: Level of Education of Respondents



Sources: Field Survey, 2016

4.2.3 Length of Service of Employees

The study also looked at the period under which staff worked in the organization, 31.9 percent of the staff worked in the organization between 9-12 years, 27.5 percent of the staff worked in the organization between 5-8 years, 22.0 percent of the respondents worked in the organization between 1-4 years, 6.6 percent of the respondents each worked between 13-16 years and 21+ years respectively, while 5.5 percent of the staff had worked between 17-20 years in the organization. The finding means that the staffs have enough experience in terms of length of service in the organization, which can help in decision making with regards to management of the various units and departments. At least no staff in the institution has worked in the institution for less than 1 year (See table 4.3).



Table 4.3 Length of Service of Employee

Length of Service	Frequency	Valid Percent
1-4 years	20	22.0
5-8 years	25	27.5
9-12 years	29	31.9
13-16 years	6	6.6
17-20 years	5	5.5
21+ years	6	6.6
Total	91	100

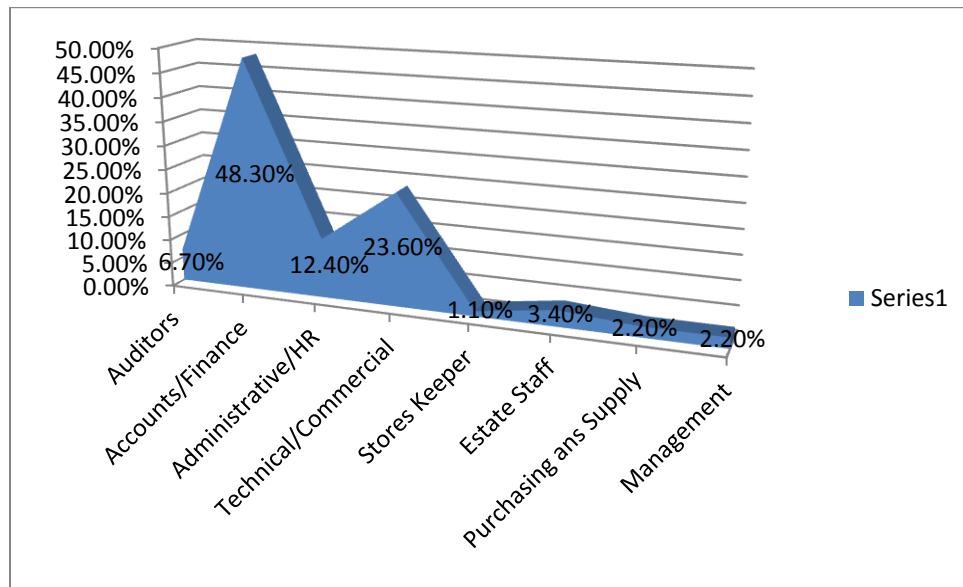
Sources: Field Survey, 2016

4.2.4 Profession of employee of VRA/NEDCo

On the issue of the professions of the staff, the study reveal that 48.3 percent of the staff are Accounts/Finance officers, 23.6 percent of the staff are Technical/Commercial officers, 12.4 percent of the staff are Administrative/Human Resource officers, 6.7 percent of the staff are Audit officers, 3.4 percent of the staff are Estate officers, while 2.2 percent each of the staff are Purchasing/Supply officers, and Management respectively (See figure 2). Majority of the staff are Accounts/Finance officers indicating how the organization place important in it revenue management and collection. This also means that VRA/NEDCo use accounts/finance officers in all the areas and departments.



Figure 2 Professions of Staff of VRA/NEDCo



Sources: Field Survey, 2016

4.3 Opinion of Staff on Auditors Functions and Responsibilities of VRA/NEDCo

On the opinion of staff of VRA/NEDCo as to the internal auditor is responsible for the soundness of the internal control structure of the organization. It reveals that 35.2 percent of the respondents agreed that internal auditors are responsible for the soundness of the internal control structure of VRA/NEDCo, 28.6 percent of the respondents strongly agreed that internal auditors are responsible for the soundness of the internal control structure of VRA/NEDCo, 19.8 percent of the respondents were not sure that internal auditors are responsible for the soundness of the internal control structure of VRA/NEDCo, 11.0 percent of the respondents disagreed that internal auditors are responsible for the soundness of the internal control structure of VRA/NEDCo, and 5.5 percent of the respondents strongly disagreed that internal auditors are responsible for the



soundness of the internal control structure of VRA/NEDCo (See table 4.4). This means that auditors are in charge of the internal control structure where proper laydown procedures and process are followed to insure that the organization will be free from any fraud activities and any other mismanagement of resources that run down the organization. This finding is in line with Cai Chun, (1997) who in his view the function of internal auditors are concerned with any phase of business activity in which they may be of service to management. This encompasses going beyond the accounting and financial records to acquire a full understanding of the operations, processes and procedures of business structure under review, and must be consistent with the function of internal audit itself which ensure effective performance of accountability to management.

Table 4.4 Auditor is Responsible for the Soundness of the Internal Control Structure of VRA/NEDCo

Response	Frequency	Valid Percent
Strongly Disagreed	5	5.5
Disagreed	10	11.0
Uncertain	18	19.8
Agreed	32	35.2
Strongly Agreed	26	28.6
Total	91	100

Sources: Field Survey, 2016

Internal auditors plays vital role in the control and safe guiding the spending of agencies and institutions. In line with the function of the internal auditors the study looked at auditors been responsible for detecting all frauds in VRA/NEDCo, findings from the study reveals that 31.1 percent of the respondents agreed that auditors are responsible for detecting all frauds in VRA/NEDCo, 23.3 percent of the respondents strongly agreed and disagreed that auditors are responsible for detecting all frauds in VRA/NEDCo



respectively, 12.2 percent of the respondents were not sure that auditors is responsible for detecting all frauds in VRA/NEDCo, and 10.0 percent of the respondents strongly disagreed that auditors is responsible for detecting all frauds in VRA/NEDCo (Table 4.5). Staffs are of the view that the function of an auditor, is to detect all frauds in the organization. This finding is similar to the views of Deloitte (2013) internal audit functions include the review of control system and to identify weaknesses, breakdown and to report to management with recommendations or design checks to reveal the existence of frauds.

Table 4.5 Auditor is Responsible for detecting all Frauds in VRA/NEDCo

Response	Frequency	Valid Percent
Strongly Disagreed	9	10.0
Disagreed	21	23.3
Uncertain	11	12.2
Agreed	28	31.1
Strongly Agreed	21	23.3
Total	90	100.0

Sources: Field Survey, 2016

Financial statement spelt out the detail of various transaction of an institution for stakeholders to be informed on the current standing of the institution. As to the role of the internal auditor in producing financial statement, the study reveals that 35.2 percent of the respondents strongly disagreed that auditor has the responsibility of producing the financial statement of VRA/NEDCo, 33.0 percent of the respondents disagreed that auditor has the responsibility of Producing the financial statement of VRA/NEDCo, 16.5 percent of the respondents were not sure that auditor has the responsibility of preparing financial statement for VRA/NEDCo, 8.8 percent of the respondents agreed that Auditor has the responsibility of Producing the Financial Statement of VRA/NEDCo, and 6.6



percent of the respondents strongly agreed that Auditor has the responsibility of Producing the Financial Statement of VRA/NEDCo (See table 4. 6). This means that staff of VRA/NEDCo are of the view that auditor is not responsible for producing financial statement of the organization. Their view is not in line with the functions of internal audit unit as enshrine in the Internal Audit Agency Act, Act 2003, Act 658 which added that auditors should make sure that financial, managerial and operating information are reported internally and externally and should be accurate, reliable and timely.

Table 4.6 Auditor has the responsibility of Producing the Financial Statement of VRA/NEDCo

Response	Frequency	Valid Percent
Strongly Disagreed	32	35.2
Disagreed	30	33.0
Uncertain	15	16.5
Agreed	8	8.8
Strongly Agreed	6	6.6
Total	91	100.0

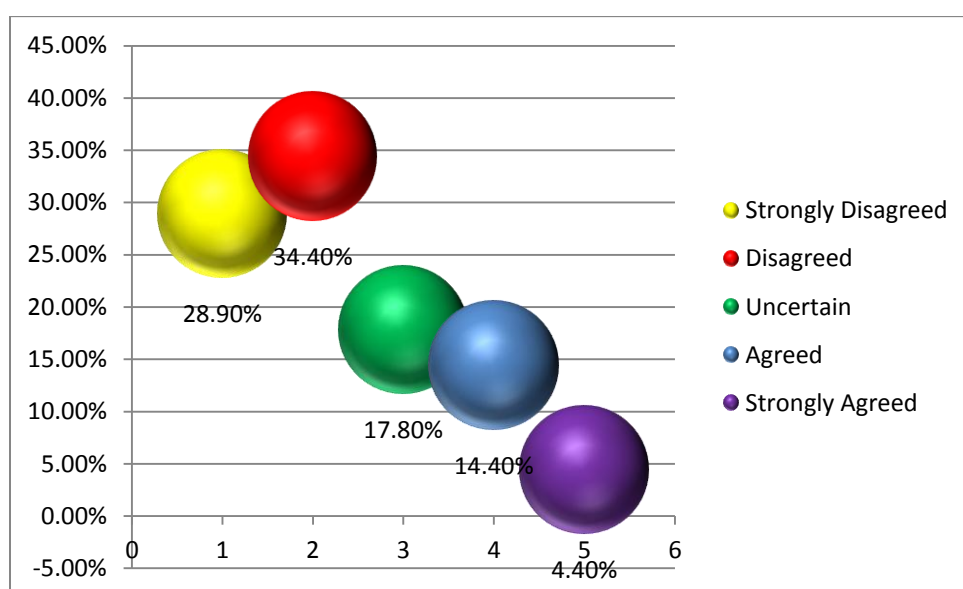
Sources: Field Survey, 2016

Data from figure 3 also reveals that 34.4 percent of the respondents disagreed that auditor is responsible for maintaining accounts records in VRA/NEDCo, 28.9 percent of the respondents strongly disagreed that auditor is responsible for maintaining accounts records in VRA/NEDCo, 17.8 percent of the respondents were not sure that auditor is responsible for maintaining accounts records in VRA/NEDCo, 14.4 percent of the respondents agreed that auditor is responsible for maintaining accounts records in VRA/NEDCo, and 4.4 percent of the respondents strongly agreed that auditor is responsible for maintaining accounts records in VRA/NEDCo. The finding also means that maintaining of accounts records is not the function of an auditor in VRA/NEDCo in the view of the staff. This finding is not in line with the Ghana companies' Act which



stipulated that the primary role of auditors is to satisfy whether, the accounts of an organization have been prepared in accordance with the code, whether the financial statements are agreed with the financial records, whether proper accounting records have been kept and whether the financial position or balance sheet shows a true and fair view of the state of affairs of the entity and the income statement or profit and loss account also shows a true and fair view of the results for the period or otherwise.

Figure 3 Auditor is Responsible for Maintaining Account Records



Sources: Field Survey, 2016

The study further looked at judgment in the selection of audit procedures, findings from the study reveals that 24.7 percent of the respondents each strongly disagreed and disagreed that Auditor does not Exercise Judgment in the Selection of Audit Procedures in VRA/NEDCo, 22.5 percent of the respondents agreed that Auditor does not Exercise Judgment in the Selection of Audit Procedures in VRA/NEDCo, 16.9 percent of the respondents strongly agreed that Auditor does not Exercise Judgment in the Selection of Audit Procedures in VRA/NEDCo, while 11.2 percent of the respondents were not sure



that Auditors in VRA/NEDCo does not Exercise Judgment in the Selection of Audit Procedures (See table 4.7). If staff judgment of internal auditors in VRA/NEDCo as not exercise judgment in the selection of audit procedures, then it means auditors audit on their own discretion and there is no proper underline factors guiding their principles and procedure of auditing.

Table 4.7 Auditor does not Exercise Judgment in the Selection of Audit Procedures

Response	Frequency	Valid Percent
Strongly Disagreed	22	24.7
Disagreed	22	24.7
Uncertain	10	11.2
Agreed	20	22.5
Strongly Agreed	15	16.9
Total	89	100.0

Sources: Field Survey, 2016

As to the confidence of staff of VRA/NEDCo, the study reveals that 27.3 percent of the respondents agreed that Staff can have Absolute Assurance that the Financial Statement of VRA/NEDCo contains no Material Misstatements, closely follow is 26.1 percent of the respondents disagreed that Staff can have Absolute Assurance that the Financial Statement of VRA/NEDCo contains no Material Misstatements, in line is 22.7 percent of the respondents indicating that they are uncertain as to the Absolute Assurance of the Financial Statement of VRA/NEDCo contains no Material Misstatements, 19.3 percent of the respondents strongly agreed that Staff can have Absolute Assurance that the Financial Statement of VRA/NEDCo contains no Material Misstatements, while 4.5 percent of the respondents strongly disagreed that Staff can have Absolute Assurance that the Financial Statement of VRA/NEDCo contains no Material Misstatements (See table 4.8).



Table 4.8 Staff can have Absolute Assurance that the Financial Statement contains no Material Misstatements

Response	Frequency	Valid Percent
Strongly Disagreed	4	4.5
Disagreed	23	26.1
Uncertain	20	22.7
Agreed	24	27.3
Strongly Agreed	17	19.3
Total	88	100.0

Sources: Field Survey, 2016

On the issue of staff having absolute assurance that the entity is free from fraud, the study reveals that 34.4 percent of the respondents agreed that staff of VRA/NEDCo have absolute assurance that the entity is free from fraud, 24.4 percent of the respondents disagreed that staff of VRA/NEDCo have absolute assurance that the entity is free from fraud, as high as 22.2 percent of the staff are not sure that VRA/NEDCo as entity is free from fraud, 13.3 percent of the respondents strongly agreed that VRA/NEDCo as an entity is free from fraud, while 5.6 percent of the respondents strongly agreed that VRA/NEDCo as an entity is free from fraud (See table 4.9).

Table 4.9 Staff have Absolute Assurance that the Entity is free from Fraud

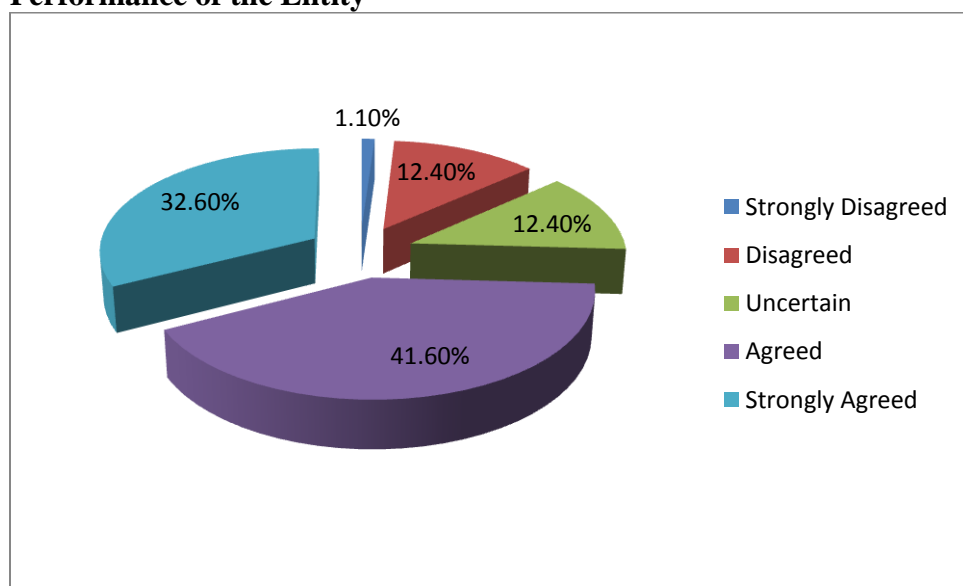
Response	Frequency	Valid Percent
Strongly Disagreed	5	5.6
Disagreed	22	24.4
Uncertain	20	22.2
Agreed	31	34.4
Strongly Agreed	12	13.3
Total	90	100.0

Sources: Field Survey, 2016



Also on the function of the internal auditor, a question was asked to indicate whether the audited financial statements provide an assurance regarding the performance of VRA/NEDCo. The study reveals that 41.6 percent of the respondents strongly agreed that audited financial statements provide an assurance regarding the performance of the VRA/NEDCo, 32.6 percent of the respondents strongly agree that audited financial statements provide an assurance regarding the performance of the VRA/NEDCo, 12.4 percent of the respondents strongly agree that audited financial statements provide an assurance regarding the performance of the VRA/NEDCo, 12.4 percent of the respondents each disagreed and uncertain that audited financial statements provide an assurance regarding the performance of the VRA/NEDCo, while 1.1 percent of the respondents strongly disagreed that audited financial statements provide an assurance regarding the performance of the VRA/NEDCo (See figure 4).

Figure 4 Audited Financial Statements Provide an Assurance Regarding the Performance of the Entity



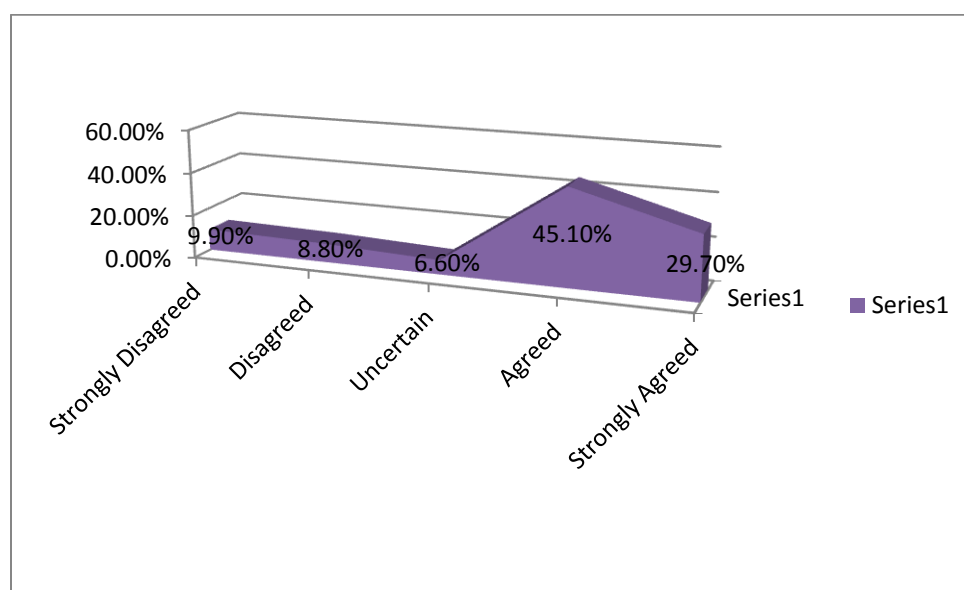
Sources: Field Survey, 2016

Further enquiry on the function of the internal auditor as he/she is responsible for maintaining public confidence in a company, findings from the research shows that 45.1 percent of the respondent agreed that auditor is responsible for maintaining public



confidence in VRA/NEDCo, 29.7 percent of the respondents strongly agreed that auditor is responsible for maintaining public confidence in a company, 9.9 percent of the respondents strongly disagreed that auditor is responsible for maintaining public confidence in a company, 8.8 percent of the respondents disagreed that auditor is responsible for maintaining public confidence in a company, 6.6 percent of the respondents uncertain as to whether auditors are responsible for maintaining public confidence in a company, and 45.1 percent of the respondents agreed that auditors are responsible for maintaining public confidence in a company (See figure 5).

Figure 5 Auditor is Responsible for Maintaining Public Confidence in a Company



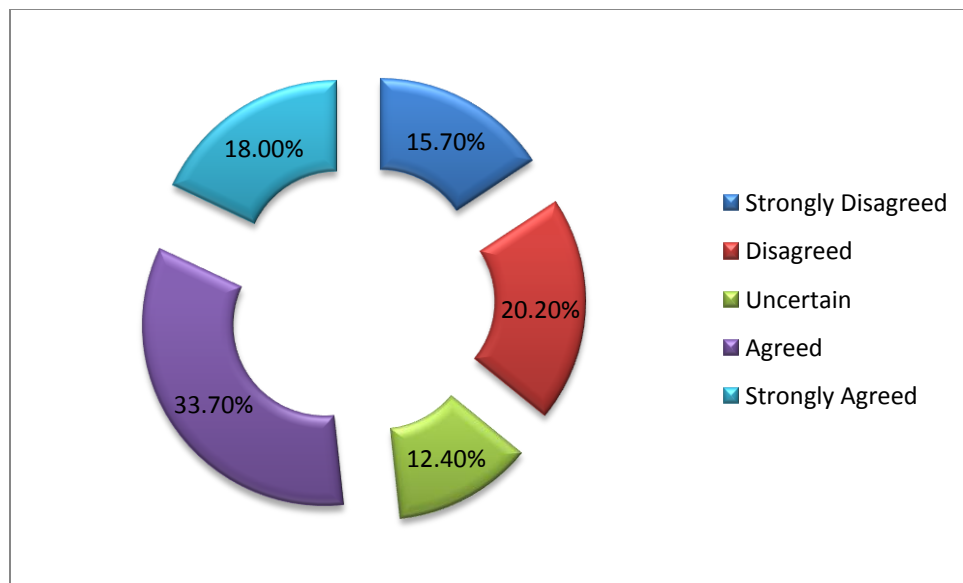
Sources: Field Survey, 2016

On the issue of unqualified audit report means that the financial statements is free from fraud, 33.7 percent of the respondents agreed that unqualified audit report means that the financial statements is free from fraud, 20.2 percent of the respondents disagreed that unqualified audit report means that the financial statements is free from fraud, 18.0 percent of the respondents strongly agreed that unqualified audit report means that the financial statements is free from fraud, 15.7 percent of the respondents strongly disagreed



that unqualified audit report means that the financial statements is free from fraud, and 12.4 percent of the respondents were not sure whether unqualified audit report means that the financial statements is free from fraud and material misstatements (See figure 6).

Figure 6 Unqualified Audit Report means that the Financial Statements is free from Fraud

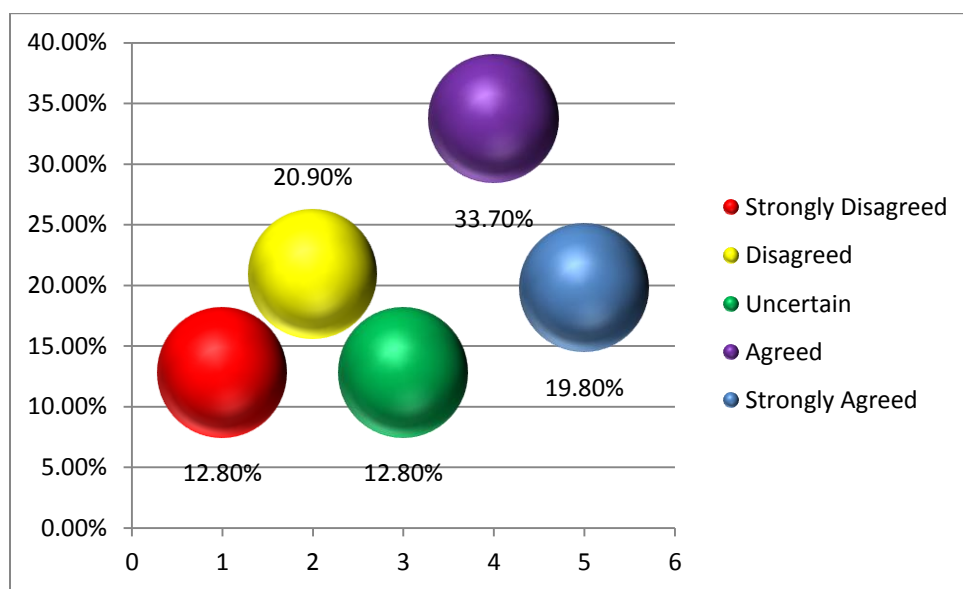


Sources: Field Survey, 2016

More so the study reveals that 33.7 percent of the respondents agreed that unqualified audit report means that the financial statement is free from material misstatements, 20.9 percent of the respondents disagreed that unqualified audit report means that the financial statement is free from material misstatements, 19.8 percent of the respondents strongly agreed that unqualified audit report means that the financial statement is free from material misstatements, 12.8 of the respondents strongly disagreed and not sure that unqualified audit report means that the financial statement is free from material misstatements (See figure 7).



Figure 7 Unqualified Audit Report means that the Financial Statement is free from Material Misstatements



Sources: Field Survey, 2016

On the issue of unqualified audit report can be relied upon to make by management to make decisions, 28.9 percent of the respondents agreed that unqualified audit report can be relied upon to make decisions by management, 26.7 percent of the respondents strongly agreed that unqualified audit report can be relied upon to make decisions by management, 16.7 percent of the respondents strongly disagreed that unqualified audit report can be relied upon to make decisions by management, 14.4 percent of the respondents disagreed that unqualified audit report can be relied upon to make decisions by management, 13.3 percent of the respondents were not sure that unqualified audit report can be relied upon to make decisions by management (See table 10).



Table 4.10 Unqualified Audit Report can be relied upon to make Decisions by Management

Response	Frequency	Valid Percent
Strongly Disagreed	15	16.7
Disagreed	13	14.4
Uncertain	12	13.3
Agreed	26	28.9
Strongly Agreed	24	26.7
Total	90	100.0

Sources: Field Survey, 2016

Table 4.11 also reveals that 32.6 percent of the respondents agreed that auditors are meant to forecast financial profile of VRA/NEDCo, 24.7 percent of the respondents disagreed that auditors are meant to forecast financial profile in VRA/NEDCo, as high as 22.5 percent of the respondents were not sure as to auditors are meant to forecast financial profile in VRA/NEDCo, 18.0 percent of the respondents strongly disagreed that auditors are meant to forecast financial profile in VRA/NEDCo, while 2.2 percent of the respondents strongly agreed that auditors are meant to forecast financial profile in VRA/NEDCo.

Table 4.11 Auditors are meant to Forecast Financial Profile

Response	Frequency	Valid Percent
Strongly Disagreed	16	18.0
Disagreed	22	24.7
Uncertain	20	22.5
Agreed	29	32.6
Strongly Agreed	2	2.2
Total	89	100.0

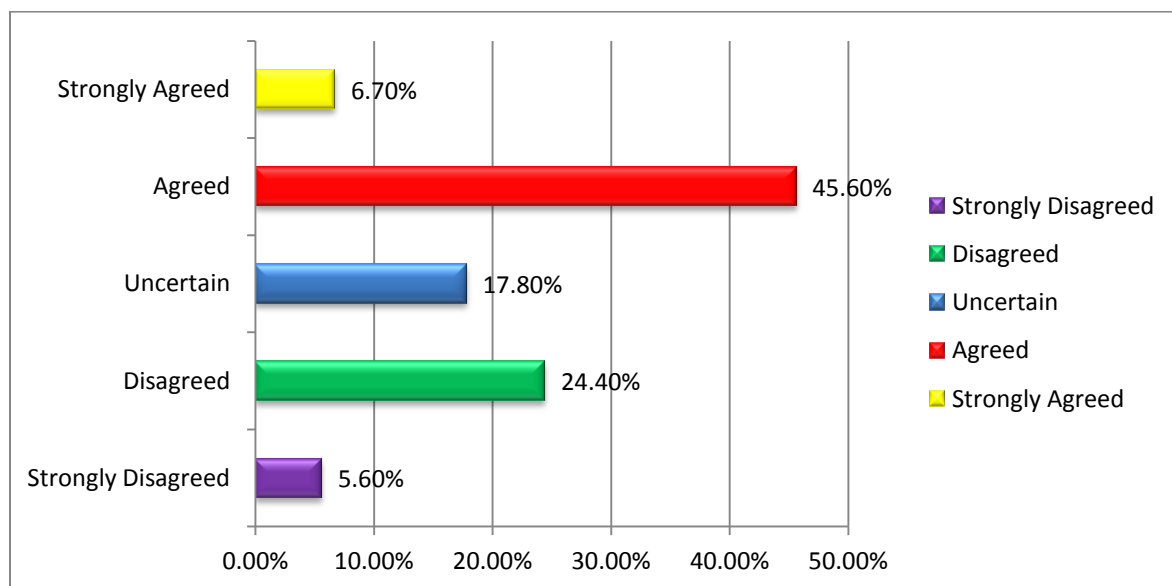
Sources: Field Survey, 2016

Additionally, 45.6 percent of the respondents agreed that audit report contain more information about financial forecast, 24.4 percent of the respondents disagreed that audit



report contain more information about financial forecast, 17.8 percent of the respondents were not sure that audit report contain more information about financial forecast, 6.7 percent of the respondents strongly agreed that audit report contain more information about financial forecast, and 5.6 percent of the respondents strongly disagreed that audit report contain more information about financial forecast (See figure 8).

Figure 8 Audit Report Contain more Information about Financial Forecast

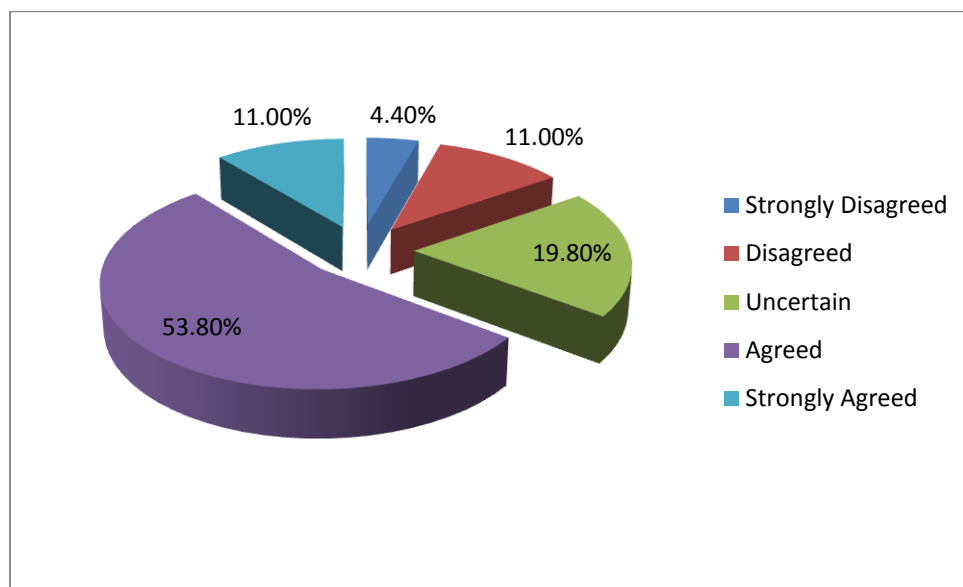


Sources: Field Survey, 2016

Also on the perception of staff on the function of auditors, the study reveals that 53.8 percent of the respondents agreed that the extent of assurance given by an auditor is clearly indicated in audit report is a function of the auditor, a significant 19.8 percent of the respondents were not sure that the extent of assurance given by an auditor is clearly indicated in audit report is a function of the auditor, 11.0 percent of the respondents each strongly disagreed and disagreed that the extent of assurance given by an auditor is clearly indicated in audit report is a function of the auditor (See figure 9).



Figure 9 The Extent of Assurance given by an Auditor is clearly indicated in Audit Report



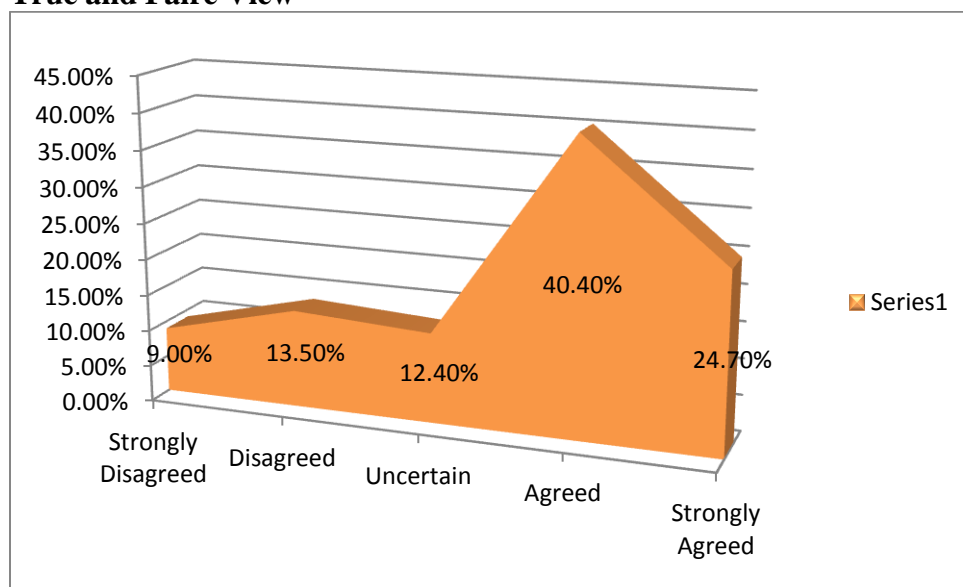
Sources: Field Survey, 2016

An audit report is the reflection of the true state of an institution financial and non-financial transaction which thus indicates the expenditure and budgeted component of the institution where comparative analysis is been made to ascertain what actual have been spend and not spend. Linking this to the perception of staff of VRA/NEDCo, the study reveals that 40.4 percent of the respondents agreed that an unqualified audit report shows that the financial statements shows a true and faire view, 24.7 percent of the respondents strongly agreed that an unqualified audit report shows that the financial statements shows a true and faire view, 13.5 percent of the respondents disagreed that an unqualified audit report shows that the financial statements shows a true and faire view, 12.4 percent of the respondents were not sure that an unqualified audit report shows that the financial statements shows a true and faire view, while 9.0 percent of the respondents strongly



disagreed that an unqualified audit report shows that the financial statements shows a true and faire view (See figure 10).

Figure 10 An Unqualified Audit report shows that the Financial Statements shows a True and Faire View



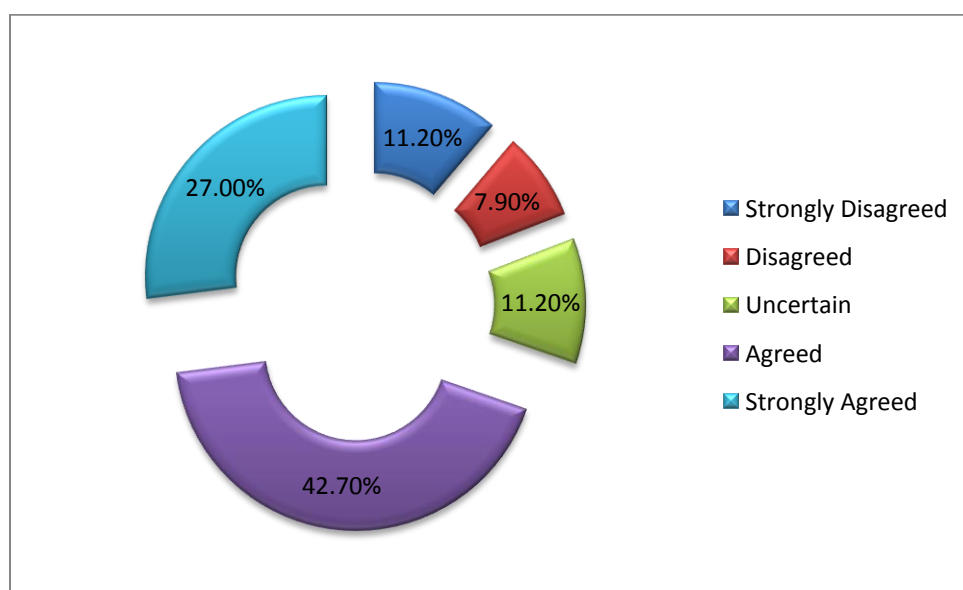
Sources: Field Survey, 2016

The independence of any institution, organization, agency or any mandated body task to handle issues regarding financial and non-financial transaction is paramount to the success of such a body. This gives them the impetus to perform without fear or favor and to deliver effective and efficient reports that reflect the situation on grounds. Coming from this background the study reveals that 42.7 percent of the respondents agreed that the audit independence influence the performance of audit services as a function of the auditor, 27.0 percent of the respondents strongly agreed that the audit independence influence the performance of audit services as a function of the auditor, 11.2 percent of the respondents strongly disagreed and are not sure that the audit independence influence the performance of audit services as a function of the auditor, and 7.9 percent of the respondents disagreed that the audit independence influence the performance of audit



services as a function of the auditor (See figure 11). This implies auditors are independent in performing their duties as expected in VRA/NEDCo. This finding is in line with Vanasco (1994) who indicated that independence is unavoidable for internal auditors and they should not be placed in a position where their independence can be compromise, questionable and feel unable to make objective and professional judgment. Sawyer & Dittenhofer (1996) added that internal auditors must be free to report matters they audit as they are and their reporting activities are not subject to any influences.

Figure 11 Audit Independence influence the Performance of Audit Services



Sources: Field Survey, 2016

The study further reveal that 28.1 percent of the respondents each strongly disagreed and disagreed that auditors are more concerned with pleasing management in VRA/NEDCo, 18.1 of the respondents are uncertain that Auditors are more concerned with Pleasing Management in VRA/NEDCo, 15.7 percent of the respondents agreed that Auditors are more concerned with Pleasing Management in VRA/NEDCo, while 10.1 percent of the



respondents strongly agreed that Auditors are more concerned with Pleasing Management in VRA/NEDCo (See table 4.12).

Table 4.12 Auditors are more concerned with Pleasing Management in VRA/NEDCo

Response	Frequency	Valid Percent
Strongly Disagreed	25	28.1
Disagreed	25	28.1
Uncertain	16	18.1
Agreed	14	15.7
Strongly Agreed	9	10.1
Total	89	100.0

Sources: Field Survey, 2016

Data from the study also shows that 42.9 percent of the respondents agreed that provision of audit services by an individual or a group of persons consistently for a long period of time may lead to familiarity threat, 18.7 percent of the respondent were uncertain that provision of audit services consistently for a long period of time may lead to familiarity threat, 17.6 percent of the respondents agreed and disagreed each that provision of audit services consistently for a long period of time may lead to familiarity threat, while 3.3 percent of the respondents strongly disagreed that provision of audit services consistently for a long period of time may lead to familiarity threat (See table 4.3).

Table 4.13 Provision of Audit Services Consistently for a Long Period of time may lead to Familiarity threat

Response	Frequency	Valid Percent
Strongly Disagreed	3	3.3
Disagreed	16	17.6
Uncertain	17	18.7
Agreed	39	42.9
Strongly Agreed	16	17.6
Total	91	100.0

Sources: Field Survey, 2016



Also the researcher asked respondents whether auditor is responsible for verifying every accounting transaction undertaken by VRA/NEDCo. The research reveal that 39.6 percent of the respondents agreed that auditor is responsible for verifying every accounting transaction undertaken by VRA/NEDCo, 23.1 percent of the respondents strongly agreed that auditor is responsible for verifying every accounting transaction undertaken by VRA/NEDCo, 15.4 percent of the respondents disagreed that auditor is responsible for verifying every accounting transaction undertaken by VRA/NEDCo, 13.2 percent of the respondents were not sure that auditor is responsible for verifying every accounting transaction undertaken by VRA/NEDCo, and 8.8 percent of the respondents strongly disagreed that auditor is responsible for verifying every accounting transaction undertaken by VRA/NEDCo (See table 4.14).

Table 4.14 Auditor is Responsible for Verifying Every Accounting Transaction Undertaken by VRA/NEDCo

Response	Frequency	Valid Percent
Strongly Disagreed	8	8.8
Disagreed	14	15.4
Uncertain	12	13.2
Agreed	36	39.6
Strongly Agreed	21	23.1
Total	91	100.0

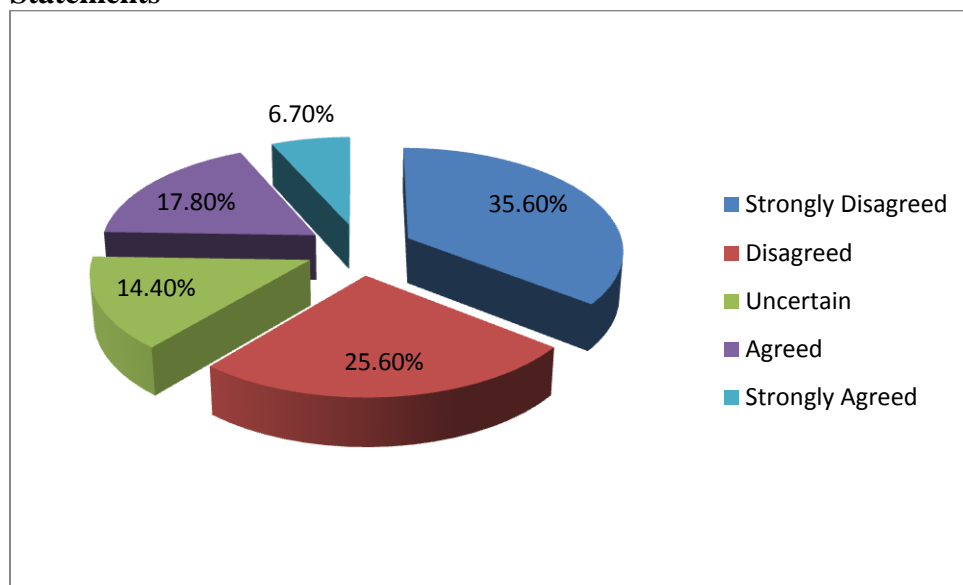
Sources: Field Survey, 2016

Furthermore, the study reveals that 35.6 percent of the respondents strongly disagreed that Auditors are Responsible for the Preparation of VRA/NEDCo Financial Statements, 25.6 percent of the respondents disagreed that Auditors are Responsible for the Preparation of VRA/NEDCo Financial Statements, 17.8 percent of the respondents agreed that Auditors are Responsible for the Preparation of VRA/NEDCo Financial Statements, 14.4 percent of the respondents were uncertain that Auditors are Responsible



for the Preparation of VRA/NEDCo Financial Statements, while 6.7 percent of the respondents strongly agreed that Auditors are Responsible for the Preparation of VRA/NEDCo Financial Statements (See figure 12).

Figure 12 Auditors are Responsible for the Preparation of VRA/NEDCo Financial Statements



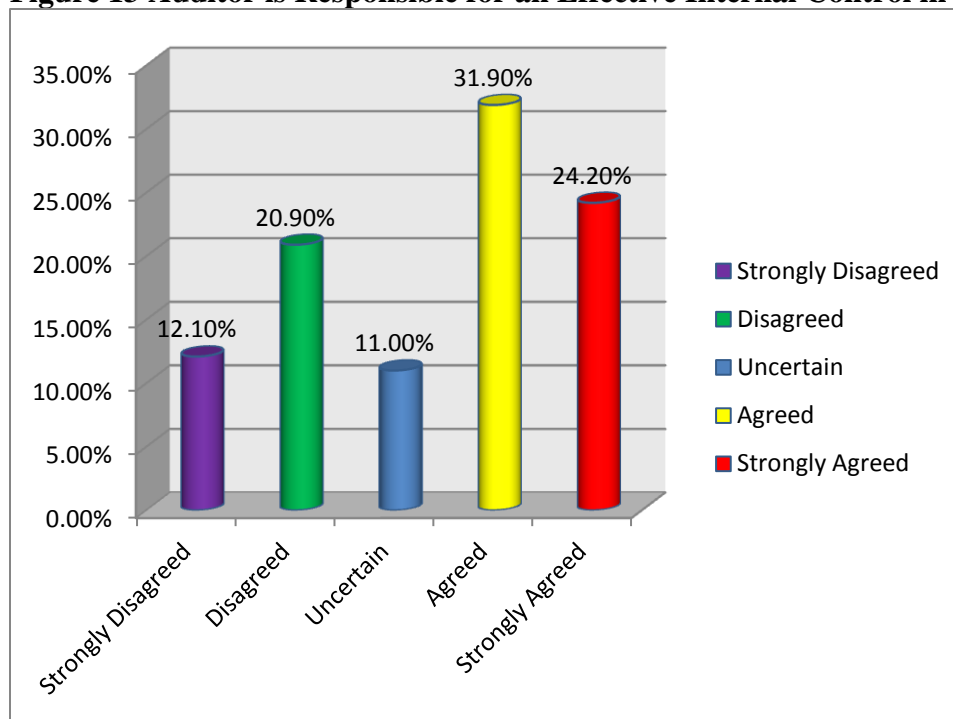
Sources: Field Survey, 2016

Internal control of every organization helps organize and direct employees to perform their duties in accordance with ethics, rule and regulation surrounding the organization. Thus this action and inaction from the view of staff may constitute the function of the auditor. The study reveals that 31.9 percent of the respondents agreed that auditor is responsible for an effective internal control in VRA/NEDCo, 24.2 percent of the respondent strongly agreed that auditor is responsible for an effective internal control in VRA/NEDCo, 20.9 Percent of the respondents disagreed that auditor is responsible for an effective internal control in VRA/NEDCo, 12.1 percent of the respondents strongly disagreed that auditor is responsible for an effective internal control in VRA/NEDCo, and



11.0 percent of the respondents were not sure that auditor is responsible for an effective internal control in VRA/NEDCo (See figure 13).

Figure 13 Auditor is Responsible for an Effective Internal Control in VRA/NEDCo



Sources: Field Survey, 2016

Table 4.15 also reveals that 45.1 percent of the respondents agreed that Auditor is responsible for expressing an independent opinion on the financial statements based on their audit, 40.7 percent of the respondents agreed strongly that Auditor is responsible for expressing an independent opinion on the financial statements based on their audit, 4.4 percent of the respondents each disagreed and strongly disagreed that Auditor is responsible for expressing an independent opinion on the financial statements based on their audit, 5.5 percent of the respondents were not sure that Auditor is responsible for expressing an independent opinion on the financial statements based on their audit.



Table 4.15 Auditor is Responsible for Expressing an Independent Opinion on the Financial Statements Based on their Audit

Response	Frequency	Valid Percent
Strongly Disagreed	4	4.4
Disagreed	4	4.4
Uncertain	5	5.5
Agreed	41	45.1
Strongly Agreed	37	40.7
Total	91	100.0

Sources: Field Survey, 2016

Also on the perception of staff about the function of an Auditor, the study reveals that 46.7 percent of the respondents agreed that Auditor is responsible for disclosing whether any theft occurred during the financial year, 20.0 percent of the respondents strongly agreed that Auditor is responsible for disclosing whether any theft occurred during the financial year, 15.6 percent of the respondents disagreed that Auditor is responsible for disclosing whether any theft occurred during the financial year, 8.9 percent of the respondent each strongly disagreed and not sure that Auditor is responsible for disclosing whether any theft occurred during the financial year (See table 4.16).

Table 4.16 Auditor is Responsible for Disclosing whether any theft occurred During the Financial year

Response	Frequency	Valid Percent
Strongly Disagreed	8	8.9
Disagreed	14	15.6
Uncertain	8	8.9
Agreed	42	46.7
Strongly Agreed	18	20.0
Total	90	100.0

Sources: Field Survey, 2016



4.4 To Seek Information from Auditors on their Functions and Responsibilities in VRA/NEDCo

As a professional, you need to know your functions and responsibilities that will help you perform to the maximum, thus to meeting your targets as assign to you by your line manager. This section of the report looked at how informed auditors are with regards to their responsibilities and functions as professionals in VRA/NEDCo.

On the views of various auditors in VRA/NEDCo cross tabulated with the various question and the research reveals different views as to the function of an auditor. The findings from the study reveals that 33.3 percent or more of auditors are identified with agreed, which means that auditors are responsible for detecting all frauds in VRA/NEDCo (See table 4.17). Also in table 4.19 the study find out that 50.0 percent more of auditors were identified with agreed, indicating that auditor is responsible for preventing fraud in VRA/NEDCo. It further reveals that 50.0 percent more of auditors were identified with agreed, indicating that Auditor is responsible for maintaining public confidence in VRA/NEDCo (See table 4.22). However, 50.0 percent more of auditors were identified with disagreed, indicating that auditors are not meant to forecast financial profile in VRA/NEDCo (See table 4.25), more so 66.7 percent more of the auditors were identified with disagreed, indicating that Auditor is not responsible for verifying every accounting transaction undertaken by VRA/NEDCo (See table 4.27).



4.5 To Examine whether there are Differences on how Staff of VRA/NEDCo think and what Auditors actually do or Responsible for in VRA/NEDCo

This section of the analysis uses cross tabulation to seek the views of staff perception on the function of auditors in VRA/NEDCo. It thus looked at the differences on how staffs think and what actual auditors do in the organization.

On the views of various professional groups of all employees in VRA/NEDCo cross tabulated with the question “an auditor is responsibility for detecting all frauds” 33.3 percent of more of auditors are identified with agreed, which means that auditors is responsible for detecting all frauds in the organization. Also for Account/Finance officers identification, the study find out that 30.2 percent more of the Accounts/Finance officers identified with disagreed, which implies auditor is not responsible for detecting fraud in VRA/NEDCo. In an identification of administrators/HR, data from the study reveals that 27.3 percent were identified with strongly agreed, which means that auditor is responsible for detecting fraud in VRA/NEDCo. For Technical/Commercial professionals, 52.4 percent were identified with agreed, it thus implies that auditor is responsible for detecting fraud in VRA/NEDCo. Additionally, for store keepers and Estate staffs, 100.0 percent of both professions were identified with strongly agreed, meaning auditor is responsible for detecting fraud in VRA/NEDCo, and finally, for management, 50.0 percent were identified with strongly disagreed, indicating that auditor is not responsible for detecting fraud in VRA/NEDCo (See table 4.17).



Table 4.17 Profession of Employee and Auditor is Responsibility for detecting all Frauds

		Auditor is responsible for detecting all frauds					Total
		Strongly disagree	Disagree	Uncertain	Agree	Strongly agree	
Profession of employee	Auditor	1 16.7%	1 16.7%	2 33.3%	2 33.3%	0 0.0%	6 100.0%
	Accounts/Finance	5 11.6%	13 30.2%	4 9.3%	11 25.6%	10 23.3%	43 100.0%
	Administrative/HR	1 9.1%	2 18.2%	2 18.2%	3 27.3%	3 27.3%	11 100.0%
	Technical/Commercial	1 4.8%	3 14.3%	2 9.5%	11 52.4%	4 19.0%	21 100.0%
	Store keeper	0 0.0%	0 0.0%	0 0.0%	0 0.0%	1 100.0%	1 100.0%
	Estate staff	0 0.0%	0 0.0%	0 0.0%	0 0.0%	3 100.0%	3 100.0%
	Purchasing and supply offices	0 0.0%	0 0.0%	1 50.0%	1 50.0%	0 0.0%	2 100.0%
	Management	1 50.0%	1 50.0%	0 0.0%	0 0.0%	0 0.0%	2 100.0%
Total		9 10.1%	20 22.5%	11 12.4%	28 31.5%	21 23.6%	89 100.0%

Sources: Field Survey, 2016

On the views of various professional age groups of all employees in VRA/NEDCo cross tabulated with the question “and auditor is responsibility for detecting all frauds” to identified age groups views on the function of auditors. Data from the cross-tabulation shows that 66.6 percent more of age group 22 and below years were identified with strongly agreed, implying that auditor is responsible for detecting fraud in VRA/NEDCo. For age group 23-33 years, 31.6 percent more were identified with strongly agreed that



auditor is responsible for detecting fraud in VRA/NEDCo. Also for age group 34-44 years, 37.5 percent were identified with strongly agreed, indicating that auditor is responsible for detecting fraud in VRA/NEDCo. Additionally, for age group 45-54 years, 33.3 percent more were identified with agreed, which does shows that auditor is responsible for detecting fraud in VRA/NEDCo and final for age group 55-60 years, 31.1 percent were identified with agreed, which means that auditor is responsible for detecting fraud in VRA/NEDCo.

Table 4.18 Age of Respondents and Auditor is Responsible for detecting all Frauds

		Auditor is responsible for detecting all frauds					Total
		Strongly disagree	Disagree	Uncertain	Agree	Strongly agree	
Age of Respondents	22 and below years	1 33.3%	0 0.0%	0 0.0%	1 0.0%	1 66.6%	3 100.0%
	23-33 years	2 10.5%	6 31.6%	1 5.3%	4 21.1%	6 31.6%	19 100.0%
	34-44 years	3 7.5%	9 22.5%	3 7.5%	15 37.5%	10 25.0%	40 100.0%
	45-54 years	3 14.3%	4 19.0%	3 14.3%	7 33.3%	4 19.0%	21 100.0%
	55-60 years	0 0.0%	2 28.6%	4 57.1%	1 14.3%	0 0.0%	7 100.0%
Total		9 10.0%	21 23.3%	11 12.2%	28 31.1%	21 23.3%	90 100.0%

Sources: Field Survey, 2016

Further research on the views of various professional groups of all employees in VRA/NEDCo cross tabulated with the question “auditor is responsible for preventing fraud”, For accounts/finance, 34.2 percent more were identified with agreed, meaning that auditor is responsible for preventing fraud. Additionally, 38.1 more of Technical/Commercial professionals were identified with agreed, implying that auditor is



responsible for preventing fraud. More so for store keepers, 100.0 percent were identified with uncertain, meaning they are not sure whether auditor is responsible for preventing fraud. For estate offices, 66.7 percent more were identified with agreed, indicating that auditor is responsible for preventing fraud. Also for Purchasing and supply offices, 100.0 percent more were identified with agreed, implying that auditor is responsible for preventing fraud. For management, 50.0 percent each more were identified with strongly disagreed and uncertain, meaning that half of management said auditor is responsible for preventing fraud and half indicate that they are not sure whether auditor is responsible for preventing fraud (See table 4.19).

Table 4.19 Profession of Employee and Auditor is Responsible for Preventing Fraud

		Auditor is responsible for preventing fraud					Total
		Strongly disagree	Disagree	Uncertain	Agree	Strongly agree	
Profession of Employee	Auditor	0 0.0%	2 33.3%	0 0.0%	3 50.0%	1 16.7%	6 100.0%
	Accounts/Finance	7 17.1%	11 26.8%	0 0.0%	14 34.2%	9 22.0%	41 100.0%
	Administrative/HR	1 9.1%	2 18.2%	3 27.3%	4 36.4%	1 9.1%	11 100.0%
	Technical/Commercial	4 19.0%	3 14.3%	2 9.5%	8 38.1%	4 19.0%	21 100.0%
	Store keeper	0 0.0%	0 0.0%	1 100.0%	0 0.0%	0 0.0%	1 100.0%
	Estate staff	0 0.0%	0 0.0%	0 0.0%	1 33.3%	2 66.7%	3 100.0%
	Purchasing and supply offices	0 0.0%	0 0.0%	0 0.0%	2 100.0%	0 0.0%	2 100.0%
	Management	1 50.0%	0 0.0%	1 50.0%	0 0.0%	0 0.0%	2 100.0%
Total		13 14.9%	18 20.7%	9 10.3%	30 34.5%	17 19.5%	87 100.0%

Sources: Field Survey, 2016



Additionally, views of various professional age groups of all employees in VRA/NEDCo cross tabulated with the question “auditor is responsible for preventing fraud” to identified age groups views on the function of auditors. Data from the cross-tabulation shows that 66.7 percent more of age group 22 and below years were identified with strongly disagreed, implying that auditor is not responsible for preventing fraud in VRA/NEDCo. For age group 23-33 years, 35.0 percent more were identified with agreed that auditor is responsible for preventing fraud in VRA/NEDCo. Also for age group 34-44 years, 33.3 percent were identified with disagreed, indicating that auditor is not responsible for preventing fraud in VRA/NEDCo. Additionally, for age group 45-54 years, 42.9 percent more were identified with agreed, which does shows that auditor is responsible for preventing fraud in VRA/NEDCo and final for age group 55-60 years, 66.6 percent more were identified with agreed, which means that auditor is responsible for preventing fraud in VRA/NEDCo.

Table 4.20 Age of Respondents and Auditor is Responsible for Preventing Fraud

		Auditor is responsible for preventing fraud					Total
		Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree	
Age of Respondents	22 and below years	2 66.7%	0 0.0%	0 0.0%	1 33.3%	0 0.0%	3 100.0%
	23-33 years	2 10.0%	3 15.0%	4 20.0%	7 35.0%	4 20.0%	20 100.0%
	34-44 years	3 7.7%	13 33.3%	3 7.7%	11 28.2%	9 23.1%	39 100.0%
	45-54 years	5 23.8%	3 14.3%	0 0.0%	9 42.9%	4 19.0%	21 100.0%
	55-60 years	1 16.7%	0 0.0%	0 0.0%	4 66.6%	1 16.7%	6 100.0%
Total		13 14.6%	19 21.3%	9 10.1%	30 33.7%	18 20.2%	89 100.0%

Sources: Field Survey, 2016



Also views of various professional groups of all employees in VRA/NEDCo cross tabulated with the question “auditor is responsible for preventing fraud” to identified different level of education groups views on the function of auditors. The study reveals that for Certificate, 33.3 percent more were identified with agreed, which means that auditor is responsible for preventing fraud in VRA/NEDCo. For HND/Diploma, 41.7 percent were identified with agreed implying that which means that auditor is responsible for preventing fraud in VRA/NEDCo. On first degree holders, 40.6 percent more were identified with agreed indicating that which means that auditor is responsible for preventing fraud in VRA/NEDCo. Also for master degree holders, 66.7 percent were identified with agreed, which means that which means that auditor is responsible for preventing fraud in VRA/NEDCo, and final for PhD, 100.0 percent more were identified with agreed, implying that which means that auditor is responsible for preventing fraud in VRA/NEDCo (See table 4.21).

Table 4.21 Level of Education and Auditor is Responsible for Preventing Fraud

		Auditor is Responsible for Preventing Fraud					Total
		Strongly disagree	Disagree	Uncertain	Agree	Strongly agree	
Level of Education	Certificate	3 20.0%	1 6.7%	2 13.3%	5 33.3%	4 26.7%	15 100.0%
	HND/Diploma	7 19.4%	7 19.4%	0 0.0%	15 41.7%	7 19.4%	36 100.0%
	First Degree	3 9.4%	11 34.4%	0 0.0%	13 40.6%	5 15.6%	32 100.0%
	Masters	0 0.0%	0 0.0%	0 0.0%	2 66.7%	1 33.3%	3 100.0%
	PhD	0 0.0%	0 0.0%	0 0.0%	1 100.0%	0 0.0%	1 100.0%
Total		13 14.9%	19 21.8%	9 10.3%	29 33.3%	17 19.5%	87 100.0%

Sources: Field Survey, 2016



Also on the views of various professional groups of all employees in VRA/NEDCo cross tabulated with the question “Auditor is responsible for maintaining public confidence in VRA/NEDCo”, 50.0 percent more of auditors were identified with agreed, indicating that Auditor is responsible for maintaining public confidence in VRA/NEDCo. For Accounts/finance, 44.2 percent more were identified with strongly agreed, meaning that Auditor is responsible for maintaining public confidence in VRA/NEDCo. Furthermore, 66.7 percent more of Technical/Commercial professionals were identified with agreed, implying that Auditor is responsible for maintaining public confidence in VRA/NEDCo. More so for store keepers, 100.0 percent were identified with uncertain, meaning they are not sure whether Auditor is responsible for maintaining public confidence in VRA/NEDCo. For estate offices, 66.7 percent more were identified with strongly agreed, showing that Auditor is responsible for maintaining public confidence in VRA/NEDCo. Also for Purchasing and supply offices, 100.0 percent more were identified with agreed, implying that Auditor is responsible for maintaining public confidence in VRA/NEDCo. For management, 50.0 percent each more were identified with disagreed and agreed, meaning that half of management said Auditor is responsible for maintaining public confidence in VRA/NEDCo and half also accepted that Auditor is responsible for maintaining public confidence in VRA/NEDCo (See table 4.19).



Table 4.22 Profession of Employee and Auditor is responsible for maintaining public confidence in VRA/NEDCo

		An auditor is responsible for maintaining public confidence in a company					Total
		Strongly disagree	Disagree	Uncertain	Agree	Strongly agree	
Profession of employee	Auditor	2 33.3%	1 16.7%	0 0.0%	3 50.0%	0 0.0%	6 100.0%
	Accounts/Finance	3 7.0%	2 4.7%	3 7.0%	16 37.2%	19 44.2%	43 100.0%
	Administrative/HR	2 18.2%	3 27.3%	2 18.2%	2 18.2%	2 18.2%	11 100.0%
	Technical/Commercial	2 9.5%	1 4.8%	0 0.0%	14 66.7%	4 19.0%	21 100.0%
	Store keeper	0 0.0%	0 0.0%	1 100.0%	0 0.0%	0 0.0%	1 100.0%
	Estate staff	0 0.0%	0 0.0%	0 0.0%	1 33.3%	2 66.7%	3 100.0%
	Purchasing and supply offices	0 0.0%	0 0.0%	0 0.0%	2 100.0%	0 0.0%	2 100.0%
	Management	0 0.0%	1 50.0%	0 0.0%	1 50.0%	0 0.0%	2 100.0%
Total		9 10.1%	8 9.0%	6 6.7%	39 43.8%	27 30.3%	89 100.0%

Sources: Field Survey, 2016

Also level of education of all employees in VRA/NEDCo cross tabulated with the question “An auditor is responsible for maintaining public confidence in VRA/NEDCo” to identified different level of education groups views on the function of auditors. The study reveals that for Certificate, 46.7 percent more were identified with agreed, which means that an auditor is responsible for maintaining public confidence in VRA/NEDCo. For HND/Diploma, 37.8 percent were identified with agreed implying that an auditor is responsible for maintaining public confidence in VRA/NEDCo. On first degree holders, 46.9 percent more were identified with agreed indicating that an auditor is responsible for maintaining public confidence in VRA/NEDCo. Also for master degree holders, 100.0



percent were identified with agreed, which means that an auditor is responsible for maintaining public confidence in VRA/NEDCo, and final for PhD, 100.0 percent more were identified with strongly agreed, implying that an auditor is responsible for maintaining public confidence in VRA/NEDCo (See table 4.21).

Table 4.23 Level of Education and An auditor is responsible for maintaining public confidence in VRA/NEDCo

		Auditor is responsible for maintaining public confidence in a company					Total
		Strongly disagree	Disagree	Uncertain	Agree	Strongly agree	
Level of Education	Certificate	0 0.0%	2 13.3%	1 6.7%	7 46.7%	5 33.3%	15 100.0%
	HND/Diploma	6 16.2%	4 10.8%	3 8.1%	14 37.8%	10 27.0%	37 100.0%
	First Degree	3 9.4%	2 6.3%	2 6.3%	15 46.9%	10 31.3%	32 100.0%
	Masters	0 0.0%	0 0.0%	0 0.0%	4 100.0%	0 0.0%	4 100.0%
	PhD	0 0.0%	0 0.0%	0 0.0%	0 0.0%	1 100.0%	1 100.0%
Total		9 10.1%	8 9.0%	6 6.7%	40 44.9%	26 29.2%	89 100.0%

Sources: Field Survey, 2016

Further research looked at the various professional age groups of all employees in VRA/NEDCo cross tabulated with the question “Auditor is responsible for maintaining public confidence in VRA/NEDCo” to identified age groups views on the function of auditors. Data from the cross-tabulation shows that 66.7 percent more of age group 22 and below years were identified with strongly agreed, implying that Auditor is responsible for maintaining public confidence in VRA/NEDCo. For age group 23-33 years, 40.0 percent more were identified with agreed that Auditor is responsible for maintaining public confidence in VRA/NEDCo. Also for age group 34-44 years, 50.0



percent were identified with agreed, indicating that Auditor is responsible for maintaining public confidence in VRA/NEDCo. Additionally, for age group 45-54 years, 47.6 percent more were identified with agreed, which does shows that Auditor is responsible for maintaining public confidence in VRA/NEDCo and final for age group 55-60 years, 57.1 percent more were identified with agreed, which means that Auditor is responsible for maintaining public confidence in VRA/NEDCo.

Table 4.24 Age of Respondents and Auditor is responsible for maintaining public confidence in VRA/NEDCo

		Auditor is responsible for maintaining public confidence in a company					Total
		Strongly disagree	Disagree	Uncertain	Agree	Strongly agree	
Age of Respondents	22 and below years	0 0.0%	1 33.3%	0 0.0%	0 0.0%	2 66.7%	3 100.0%
	23-33 years	2 10.0%	0 0.0%	3 15.0%	7 35.0%	0 40.0%	20 100.0%
	34-44 years	4 10.0%	3 7.5%	2 5.0%	20 50.0%	11 27.5%	40 100.0%
	45-54 years	3 14.3%	1 4.8%	1 4.8%	10 47.6%	6 28.6%	21 100.0%
	55-60 years	0 0.0%	2 28.6%	0 0.0%	4 57.1%	1 14.3%	7 100.0%
Total		9 9.9%	8 8.8%	6 6.6%	41 45.1%	27 29.7%	91 100.0%

Sources: Field Survey, 2016

Also on the views of various professional groups of all employees in VRA/NEDCo cross tabulated with the question “Auditors are meant to forecast financial profile in VRA/NEDCo”, 50.0 percent more of auditors were identified with disagreed, indicating that auditors are not meant to forecast financial profile in VRA/NEDCo. For Accounts/finance, 29.3 percent more were identified with disagreed and agreed, meaning



that auditors are not meant to forecast financial profile in VRA/NEDCo and vice visor. Furthermore, 42.9 percent more of Technical/Commercial professionals were identified with agreed, implying that auditors are not meant to forecast financial profile in VRA/NEDCo. More so for store keepers, 100.0 percent more were identified with uncertain, meaning they are not sure whether auditors are not meant to forecast financial profile in VRA/NEDCo. Also for estate offices, 66.7 percent more were identified with agreed, showing that auditors are meant to forecast financial profile in VRA/NEDCo. For Purchasing and supply offices, 100.0 percent more were identified with uncertain, implying that they were not sure that auditors are meant to forecast financial profile in VRA/NEDCo. For management, 50.0 percent each more were identified with strongly disagreed and agreed, meaning that half of management said auditors are not meant to forecast financial profile in VRA/NEDCo and half also accepted that auditors are meant to forecast financial profile in VRA/NEDCo (See table 4.19).



Table 4.25 Profession of employee and Auditors are meant to forecast financial profile in VRA/NEDCo

		Auditors are meant to for cast financial profile					Total
		Strongly disagree	Disagree	Uncertain	Agree	Strongly agree	
Profession of Employee	Auditor	0 0.0%	3 50.0%	2 33.3%	1 16.7%	0 0.0%	6 100.0%
	Accounts/Finance	8 19.5%	12 29.3%	7 17.1%	12 29.3%	2 4.9%	41 100.0%
	Administrative/HR	3 27.3%	2 18.2%	2 18.2%	4 36.4%	0 0.0%	11 100.0%
	Technical/Commercial	3 14.3%	4 19.0%	5 23.8%	9 42.9%	0 0.0%	21 100.0%
	Store keeper	0 0.0%	0 0.0%	1 100.0%	0 0.0%	0 0.0%	1 100.0%
	Estate staff	1 33.3%	0 0.0%	0 0.0%	2 66.7%	0 0.0%	3 100.0%
	Purchasing and supply offices	0 0.0%	0 0.0%	2 100.0%	0 0.0%	0 0.0%	2 100.0%
	Management	1 50.0%	0 0.0%	0 0.0%	1 50.0%	0 0.0%	2 100.0%
Total		16 18.4%	21 24.1%	19 21.8%	29 33.3%	2 2.3%	87 100.0%

Sources: Field Survey, 2016

For level of education of all employees in VRA/NEDCo cross tabulated with the question “Auditors are meant to forecast financial profile in VRA/NEDCo” to identified different level of educational categories views on the function of auditors. The study reveals that for Certificate, 50.0 percent more were identified with agreed, which means that an Auditors are meant to forecast financial profile in VRA/NEDCo. For HND/Diploma, 30.6 percent were identified with agreed implying that Auditors are meant to forecast financial profile in VRA/NEDCo. On first degree holders, 44.4 percent more were identified with disagreed indicating that Auditors are not meant to forecast financial profile in VRA/NEDCo. Also for master degree holders, 50.0 percent were identified with



disagreed, which means that Auditors are not meant to forecast financial profile in VRA/NEDCo, and final for PhD holders, 100.0 percent more were identified with disagreed, implying that Auditors are meant to forecast financial profile in VRA/NEDCo (See table 4.21).

Table 4.26 Level of Education and Auditors are meant to forecast financial profile in VRA/NEDCo

		Auditors are meant to for cast financial profile					Total
		Strongly disagree	Disagree	Uncertain	Agree	Strongly agree	
Level of Education	Certificate	2 14.3%	1 7.1%	4 28.6%	7 50.0%	0 0.0%	14 100.0%
	HND/Diploma	8 22.2%	6 16.7%	9 25.0%	11 30.6%	2 5.6%	36 100.0%
	First Degree	5 15.6%	11 34.4%	6 18.8%	10 31.3%	0 0.0%	32 100.0%
	Masters	1 25.0%	2 50.0%	1 25.0%	0 0.0%	0 0.0%	4 100.0%
	PhD	0 0.0%	1 100.0%	0 0.0%	0 0.0%	0 0.0%	1 100.0%
Total		16 18.4%	21 24.1%	20 23.0%	28 32.2%	2 2.3%	87 100.0%

Sources: Field Survey, 2016

Additionally, on the views of various professional groups of all employees in VRA/NEDCo cross tabulated with the question “Auditor is responsible for verifying every accounting transaction undertaken by VRA/NEDCo”, for auditors 66.7 percent more were identified with disagreed, indicating that Auditor is responsible for verifying every accounting transaction undertaken by VRA/NEDCo. For Accounts/finance, 44.2 percent more were identified with agreed that Auditor is responsible for verifying every accounting transaction undertaken by VRA/NEDCo and vice visor. Furthermore, 52.4 percent more of Technical/Commercial professionals were identified with agreed, implying that Auditor is responsible for verifying every accounting transaction



undertaken by VRA/NEDCo. More so for store keepers, 100.0 percent more were agreed, meaning Auditor is responsible for verifying every accounting transaction undertaken by VRA/NEDCo. Also for estate offices, 66.7 percent more were identified with strongly agreed, showing that Auditor is responsible for verifying every accounting transaction undertaken by VRA/NEDCo. For Purchasing and supply offices, 50.0 percent more were identified with uncertain, and agreed, implying that they were not sure that Auditor is responsible for verifying every accounting transaction undertaken by VRA/NEDCo. For management, 50.0 percent each more were identified with strongly disagreed and strongly agreed, meaning that half of management said Auditor is responsible for verifying every accounting transaction undertaken by VRA/NEDCo and half also accepted that Auditor is responsible for verifying every accounting transaction undertaken by VRA/NEDCo (See table 4.19).



Table 4.27 Profession of employee and Auditor is responsible for verifying every accounting transaction undertaken by VRA/NEDCo

		Auditor is responsible for verifying every accounting transaction undertaken by VRA/NEDCo					Total
		Strongly disagree	Disagree	Uncertain	Agree	Strongly agree	
Profession of employee	Auditor	0 0.0%	4 66.7%	1 16.7%	1 16.7%	0 0.0%	6 100.0%
	Accounts/Finance	4 9.3%	7 16.3%	4 9.3%	19 44.2%	9 20.9%	43 100.0%
	Administrative/HR	1 9.1%	1 9.1%	5 45.5%	2 18.2%	2 18.2%	11 100.0%
	Technical/Commercial	1 4.8%	2 9.5%	1 4.8%	11 52.4%	6 28.6%	21 100.0%
	Store keeper	0 0.0%	0 0.0%	0 0.0%	1 100.0%	0 0.0%	1 100.0%
	Estate staff	0 0.0%	0 0.0%	0 0.0%	1 33.3%	2 66.7%	3 100.0%
	Purchasing and supply offices	0 0.0%	0 0.0%	1 50.0%	1 50.0%	0 0.0%	2 100.0%
	Management	1 50.0%	0 0.0%	0 0.0%	0 0.0%	1 50.0%	2 100.0%
Total		7 7.9%	14 15.7%	12 13.5%	36 40.4%	20 22.5%	89 100.0%

Sources: Field Survey, 2016

On various level of education of all employees in VRA/NEDCo cross tabulated with the question “Auditor is responsible for verifying every accounting transaction undertaken by VRA/NEDCo” to identified different level of educational categories views on the function of auditors. The study reveals that for Certificate, 46.7 percent more were identified with agreed, which means that an Auditor is responsible for verifying every accounting transaction undertaken by VRA/NEDCo. For HND/Diploma, 32.4 percent were identified with agreed implying that Auditor is responsible for verifying every accounting transaction undertaken by VRA/NEDCo. On first degree holders, 40.6 percent



more were identified with agreed indicating that Auditor is responsible for verifying every accounting transaction undertaken by VRA/NEDCo. Also for master degree holders, 50.0 percent were identified with agreed, which means that Auditor is responsible for verifying every accounting transaction undertaken by VRA/NEDCo, and final for PhD, 100.0 percent more were identified with agreed, implying that Auditor is responsible for verifying every accounting transaction undertaken by VRA/NEDCo (See table 4.21).

Table 4.28 Level of Education and Auditor is responsible for verifying every accounting transaction undertaken by VRA/NEDCo

		Auditor is responsible for verifying every accounting transaction undertaken by VRA/NEDCo					Total
		Strongly disagree	Disagree	Uncertain	Agree	Strongly agree	
Level of Education	Certificate	0 0.0%	1 6.7%	4 26.7%	7 46.7%	3 20.0%	15 100.0%
	HND/Diploma	7 18.9%	7 18.9%	6 16.2%	12 32.4%	5 13.5%	37 100.0%
	First Degree	1 3.1%	6 18.8%	1 3.1%	13 40.6%	11 34.4%	32 100.0%
	Masters	0 0.0%	0 0.0%	1 25.0%	2 50.0%	1 25.0%	4 100.0%
	PhD	0 0.0%	0 0.0%	0 0.0%	1 100.0%	0 0.0%	1 100.0%
Total		8 9.0%	14 15.7%	12 13.5%	35 39.3%	20 22.5%	89 100.0%

Sources: Field Survey, 2016

Further research looked at the various professional age groups of all employees in VRA/NEDCo cross tabulated with the question “Auditor is responsible for verifying every accounting transaction undertaken by VRA/NEDCo” to identified age groups views on the function of auditors. Data from the cross-tabulation shows that 100.0 percent more of age group 22 and below years were identified with uncertain, implying



they are not sure that Auditor is responsible for verifying every accounting transaction undertaken by VRA/NEDCo. For age group 23-33 years, 45.0 percent more were identified with agreed that Auditor is responsible for verifying every accounting transaction undertaken by VRA/NEDCo. Also for age group 34-44 years, 45.0 percent were identified with agreed, indicating that Auditor is responsible for verifying every accounting transaction undertaken by VRA/NEDCo. Additionally, for age group 45-54 years, 33.3 percent more were identified with agreed and strongly agreed, which does shows that Auditor is responsible for verifying every accounting transaction undertaken by VRA/NEDCo and final for age group 55-60 years, 28.6 percent more were identified with agreed and strongly agreed, which means that Auditor is responsible for verifying every accounting transaction undertaken by VRA/NEDCo.

Table 4.29 Age of Respondents and Auditor is responsible for verifying every accounting transaction undertaken by VRA/NEDCo

		Auditor is responsible for verifying every accounting transaction undertaken by VRA/NEDCo					Total
		Strongly disagree	Disagree	Uncertain	Agree	Strongly agree	
Age of Respondents	22 and below years	0 0.0%	0 0.0%	3 100.0%	0 0.0%	0 0.0%	3 100.0%
	23-33 years	1 5.0%	3 15.0%	1 5.0%	9 45.0%	6 30.0%	20 100.0%
	34-44 years	3 7.5%	8 20.0%	5 12.5%	18 45.0%	6 15.0%	40 100.0%
	45-54 years	4 19.0%	1 4.8%	2 9.5%	7 33.3%	7 33.3%	21 100.0%
	55-60 years	0 0.0%	2 28.6%	1 14.3%	2 28.6%	2 28.6%	7 100.0%
Total		8 8.8%	14 15.4%	12 13.2%	36 39.6%	21 23.1%	91 100.0%

Sources: Field Survey, 2016



CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter contains the summary of major findings of the study, conclusions and recommendations of the study. The study determine the expectation gap of public sector workers on the responsibilities of Auditors, as well as the role Auditors actually play in achieving the aims and objectives of VRA/NEDCo. Firstly the study examines the opinion of staff on Auditors functions and responsibilities of VRA/NEDCo. Secondly, the study assesses the information from auditors on their functions and responsibilities in VRA/NEDCo. It further examine whether there are differences on how staff of VRA/NEDCo think and what auditors actually do or responsible for in VRA/NEDCo.

5.2 Summary

5.2.1 Opinion of Staff on Auditors Functions and Responsibilities in VRA/NEDCo

On the issue of staff of VRA/NEDCo perception on function of the auditor, the study shows that 35.2 percent of the respondents agreed that internal auditors are responsible for the soundness of the internal control structure of VRA/NEDCo, also 31.1 percent of the respondents agreed that auditors are responsible for detecting all frauds in VRA/NEDCo, additionally, 33.7 percent of the respondents agreed that internal auditor is responsible for preventing fraud in VRA/NEDCo. Similarly, the study reveals that 34.4 percent of the respondents disagreed that auditor is responsible for maintaining accounts records in VRA/NEDCo, 45.1 percent of the respondent agreed that auditor is responsible for maintaining public confidence in VRA/NEDCo, 32.6 percent of the respondents agreed that auditors are meant to forecast financial profile in VRA/NEDCo and final 39.6



percent of the respondents agreed that auditor is responsible for verifying every accounting transaction undertaken by VRA/NEDCo.

However, 35.2 percent of the respondents strongly disagreed that auditor has the responsibility of producing the financial statement of VRA/NEDCo, 24.7 percent of the respondents each strongly disagreed and disagreed that Auditor does not Exercise Judgment in the Selection of Auditor Procedures in VRA/NEDCo.

5.2.2 Information from Auditors on their Functions and Responsibilities in VRA/NEDCo

The study finds out that 33.3 percent or more of auditors are identified with agreed, which means that auditors are responsible for detecting all frauds in VRA/NEDCo. The research also reveals that 50.0 percent more of auditors were identified with agreed, indicating that auditor is responsible for preventing fraud in VRA/NEDCo, It further reveals that 50.0 percent more of auditors were identified with agreed, indicating that Auditor is responsible for maintaining public confidence in VRA/NEDCo, however 50.0 percent more of auditors were identified with disagreed, indicating that auditors are not meant to for cast financial profile in VRA/NEDCo and 66.7 percent more of the auditors were identified with disagreed, indicating that Auditor is not responsible for verifying every accounting transaction undertaken by VRA/NEDCo.

5.2.3 Examine whether there are differences on how staff of VRA/NEDCo think and what auditors actually do or responsible for in VRA/NEDCo

With the differences on how staff think and what actually auditors do, the study finds out that all professional officers identified with disagreed, which implies auditor is not responsible for detecting fraud in VRA/NEDCo, Also considering age groupings and their views, 66.7 percent more of age group 22 and below years were identified with



strongly disagreed, implying that auditor is not responsible for preventing fraud in VRA/NEDCo. However, for age group 23-33 years, 35.0 percent more were identified with agreed that auditor is responsible for preventing fraud in VRA/NEDCo, age group 45-54 years, 42.9 percent more were identified with agreed, which does shows that auditor is responsible for preventing fraud in VRA/NEDCo and final for age group 55-60 years, 66.6 percent more were identified with agreed, which means that auditor is responsible for preventing fraud in VRA/NEDCo.

Different level of educational background views on the function of auditors reveals that all educational background were identified with agreed, which means that auditor is responsible for preventing fraud in VRA/NEDCo. The findings of the study further reveal that all age groups in the study were identified with agreed, implying that Auditor is responsible for maintaining public confidence in VRA/NEDCo.



5.3 Conclusions

The study concluded on the following issues discussed as follows:

5.3.1 Obtain the Opinion of Staff on Auditors Functions and Responsibilities in VRA/NEDCo

It was established through the research, perception of the function of an auditor as auditors are responsible for the soundness of the internal control structure of VRA/NEDCo, auditors detecting all frauds in VRA/NEDCo, auditor is responsible for preventing fraud in VRA/NEDCo, auditors are meant to forecast financial profile in VRA/NEDCo. It further concluded that, auditor is responsible for maintaining accounts records in VRA/NEDCo and, auditors do have responsibility of producing the financial statement of VRA/NEDCo, Auditor does not Exercise Judgment in the Selection of Auditor Procedures in VRA/NEDCo.

5.3.2 Information from Auditors on their Functions and Responsibilities in VRA/NEDCo

It can be concluded that auditors also share similar views as they are responsible for detecting all frauds in VRA/NEDCo, it further concluded that auditor is responsible for preventing fraud in VRA/NEDCo. Additionally the study concluded that Auditor is responsible for maintaining public confidence in VRA/NEDCo. However, auditors are not meant to forecast financial profile in VRA/NEDCo and also Auditor is not responsible for verifying every accounting transaction undertaken by VRA/NEDCo.

5.3.3 Examine whether there are Differences on how Staff of VRA/NEDCo think and what Auditors Actually do or Responsible for in VRA/NEDCo

The study also concluded that there are difference in how staff think and what auditors actually do or responsible, and this stem from the fact that, 30.2% Accounts/ finance staff



view that auditors are not responsible for detecting all fraud, while 33.3% of the internal auditors believed that auditor is responsible for detecting all fraud. It further concluded that on different level of educational background, auditors are responsible for preventing fraud in VRA/NEDCo.



5.4 Recommendations

On the basis of the above conclusion, the following recommendations are proposed for the consideration of VRA/NEDCo management, internal Audit unit of VRA/NEDCo, Institute of Internal Auditors, Internal Audit Agency and other relevant agencies.

Clearer definitions should be provided to give the auditor a better understanding about his duties and also being responsible for setting standards and ethical guidelines on objectivity, integrity and independence to provide more consistency and improve the standard setting process and the way there are interpreted.

Realistic expectations of the staff could be established through schooling of staff about the auditing standards and the role of the auditor. Public education about the auditor's role could be facilitated through annual stakeholders' meetings and other events which are organized for the purposes of educating financial information users.

Adequate and sufficient processes should be put in place to guard against the independence of auditor's which will help reduce the threat of widening the expectations gap. More work is also needed to ensure that the role of the auditor is better well-defined and that the opportunity of unnecessary liabilities and risks are circumvented.

As to the problem of independence in auditing, the most appropriate solution is that auditors should avoid performing other duties such as offering management advisory and other services to the departments and agencies. It is realistic to expect that this practice could create a close relationship with auditees and therefore, impair auditor's integrity, objectivity and independence.



Education may also play a role in addressing the expectations gap in relation to unreasonable/misunderstanding of the differences, which was found in this study. The inability of some participants to answer questions related to the performance audit was a result of their lacking knowledge of the performance audit. Therefore, VRA/NEDCo should offer programmes or publicities to generate greater awareness on the performance audit.

VRA/NEDCo management should also consider decentralizing its internal audit unit to the operational areas to enable staff understands and appreciate the work of auditors.

Finally, it is recommended that VRA/NEDCo should establish formal communication mechanisms such as organizing forums and dialogue to obtain feedback from user groups such as staff and management on the conduct of both internal and external audits. This formal communication channels would allow auditors to identify users' information needs which in turn would enable them to fulfill their reporting responsibilities more efficiently and effectively.



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Appendix I

UNIVERSITY FOR DEVELOPMENT STUDIES, TAMALE

Dear Respondent,

This questionnaire is on the *expectation gap of public sector workers on the responsibilities of Auditors, as well as the role Auditors actually play in achieving the aims and objectives of VRA/NEDCo*. The research is strictly for academic purpose and I pledge to treat any information provided on this questionnaire with strict confidentiality.

Your responses to this questionnaire would be much appreciated and help me complete my dissertation. Thank you.

Please provide answers to the questions that follow by ticking [☐] or filling the gaps appropriate.

Section A: Bio Data

1. Sex: 1. Male [☐] 2. Female [☐]

2. Age: [☐] 22 and below [☐] 23 – 33years [☐] 34 - 44years [☐] 45 – 54years [☐] 55-60

3. Marital status [☐] Single [☐] Married [☐] Divorced [☐] Widowed (Optional)

4. Which of the following best describes your level of education? (Optional)

Certificate [☐] HND/Diploma [☐] Degree holder [☐] Postgraduate [☐] PhD [☐]

5. How long have you been working in this institution?

1-4 years [☐] 5-8 years [☐] 9-12 years [☐] 13- 16 years [☐] 17-20 years [☐] 21+ years [☐]

6. Profession of Employee Auditor [☐] Accountant [☐] Administrative staff [☐]

Technical Officer [☐] Management [☐]

7. Department/ Unit you are working.....



Section B: Opinion of Staff on Auditors Functions and Responsibilities of VRA/NEDCo

Please indicate your agreement with the following statements by ticking the appropriate cell in line with the question (1) strongly disagree; (2) disagree; (3) uncertain; (4) agree; (5) strongly agree.

Pos	Questions	Response rating				
		1	2	3	4	5
1	The auditor is responsible for the soundness of the internal control structure of the entity.					
2	The auditor is responsible for detecting all frauds.					
3	Auditor has responsibility for producing the financial statements.					
4	The auditor is responsible for preventing fraud.					
5	The auditor is responsible for maintaining account records.					
6	The auditor is unbiased and objective.					
7	The auditor does not exercise judgment in the selection of auditor procedures.					
8	Staff can have absolute assurance that the financial statements contain no material misstatements.					
9	Staff can have absolute assurance that the entity is free from fraud.					
10	The audited financial statements provide an assurance regarding the performance of the entity.					
11	An auditor is responsible for maintaining public confidence in a company					
12	An unqualified audit report means that the financial statement is free from fraud.					
13	An unqualified audit report means that the financial statement is free from material misstatements.					
14	An unqualified audit report can be relied upon to make decisions by management					
15	Auditors are meant to forecast financial profile					
16	An unqualified audit report means that					



	VRA/NEDCo is a safe investment haven					
17	An unqualified audit report means that VRA/NEDCo is well managed					
18	Audit reports should contain more information about financial forecast					
19	The extent of assurance given by an auditor is clearly indicated in audit reports.					
20	An unqualified audit report shows that the financial statements show a true and fair view.					
21	Auditor independence can influence the performance of audit services.					
22	Auditors are more concerned with pleasing management in VRA/NEDCo					
23	Provision of audit services consistently for a long period of time may lead to familiarity threat					
24	When an auditor engages in provision of non-audit and audit services at the same time, objectivity may be impaired.					



Section C: Information from Auditors on their Functions and Responsibilities in VRA/NEDCo

Please indicate your agreement with the following statements (1) strongly disagree; (2) disagree; (3) uncertain; (4) agree; (5) strongly agree

Pos	Questions	Response Rating				
		1	2	3	4	5
1	The auditor is responsible for verifying every accounting transaction undertaken by VRA/NEDCo					
2	The auditor is responsible for detecting all fraud in VRA/NEDCo					
3	The auditor exercises judgment in selection of audit procedures					
4	Auditors are responsible for the preparation of VRA/NEDCo financial statements.					
5	The auditor is responsible for an effective internal control in VRA/NEDCo					
6	The auditor is responsible for expressing an independent opinion on the financial statements based on their audit.					
7	The auditor should take on additional responsibility for evaluating whether VRA/NEDCo is a going concern.					
8	The auditor should take on additional responsibility for communicating whether VRA/NEDCo is a going concern.					
9	The auditor is responsible for disclosing whether any theft occurred during the financial year.					
10	Auditors should be made to pay a fine when they do not exercise diligence in handling the accounts of VRA/NEDCo					
11	The audited financial statements are useful in monitoring VRA/NEDCo performance.					
12	The audited financial statements can be used in making decisions in VRA/NEDCo					
13	Auditors are not independent in the Auditors are more concerned with pleasing management in VRA/NEDCo business environment					

