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THE ROLE OF AUDITORS IN BANKS FINANCIAL STATEMENT

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Abstract

The banking sector in Nigeria and elsewhere in recent times have become so diversified, challenging, highly competitive and have been characterized by persistent frauds, errors and misappropriation of funds in the past, the impact of which has undoubtedly shaken the whole economy of the nation. This study was carried out using primary and secondary methods in the collection of data, where in primary data, the researcher designed and advanced questionnaires. The data collected from the questionnaire was analyzed in tables with simple percentage and interpreted for the understanding of the study. The analysis tool that was used in testing the hypothesis was the chi-square (X^2). After the presentation and analysis carried out, it was found out there is an effect of external auditors on the examination of financial statements and that there are problems associated with financial statements. The study, recommendations was that external auditors with qualities based on training and experience should be engaged in those firms that do not have auditors because the absence of external auditors and the roles they play in so many firms are very important and that management should establish internal audit department to reduce fraud in banks.

Key words: Banking sector, Frauds, Financial Statement and National Economy

INTRODUCTION

Auditing as a profession came into existence primarily because of separation in the ownership from the administration of the company, therefore must employ a professional manager whose responsibility is to utilize the shareholders resources and produce a quantitative statement. This statement is referred to as a stewardship account. In order to make the owners of the business place reliance any member of management as regards to the true and fair view of the financial statement, the shareholders appoint an auditor to verify the activities and produce an audit report.

According to Millichamp (2002), the Auditing standard define an audit as the independent examination and expression of opinion on the financial statements of an enterprise by an appointed auditor in pursuance of that appointment and in compliance with any relevant statutory obligations. An audit can also be defined as the totality of steps taken in examining the financial statement and ascertainment of underlying transactions with a view to establishing authenticity of the financial statement Akerele (2008). Audit report is very essential and important in any organization or firm. It helps to state the true and fair view of the financial position of the company.

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

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

As an external auditor, his auditing exercise embrace the examination of the financial report of the organization in order to see whether the account have been prepared in accordance or in compliance with

General Accepted Accounting Principle (GAAP) and applicable laws, ethics and regulations and in the process errors or fraud may be detected (Mill Champ 1990). The responsibility of external auditors for ensuring high ethical standard with an organization as a lesser one than internal auditors, for the year only occasional visitors to the company and can only look at a fraction of numbers of transactions that internal auditor will not normally be directly involved in the establishment of the policies within an organization which would include policies of an ethnic nature.

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

The goal of every business is to make profit and profit is to be made when total revenue exceeds total operating cost and losses when the reverse is the case. In view of the above, it is therefore necessary for firms to strive to manage their affairs effectively and efficiently in order to make profit, achieve their objective, they do by setting various auditing systems to check mate these. To reduce cost and at the same time impose quality service (product) and as well received in acceptance of the customer, effective and efficiency control of asset inventory, cash human resources as well as reduce the liabilities, financial abnormalities, misappropriation and embezzlement of money, and adequate external audit measures has been established in the bank to aid the management in curbing the above mentioned variables. Despite the existence of internal audit system the bank still experience some financial abnormalies which prompt this research work to study the significance of external auditors on examination of financial statement in the bank.

Objectives of the Study

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

(i) To determine the effect of external auditors on the examination of financial statements.

(ii) To investigate the modern techniques employed by the auditor management in reducing fraud, errors and misappropriation of funds.

(iii) To determine the problems associated with examination of financial statement.

Research Questions

The following research questions guided the study;

(i) What are the effect of external auditors on the examination of financial statements?

(ii) What are the modern techniques employed by the auditors/management in reducing errors and misappropriation of funds?

(iii) How do we investigate the problems associated with examination of financial statements?

Research Hypothesis

Based on the stated problem as well as the need for the study, there is no need for a set of hypothesis that will act as a guide for the work. Such hypothesis might be rue but such a conclusion can only be made at the end of the study.

The hypothesis are;

Hypothesis One

H_o: There are no effect of external auditors on the examination of financial statements.

H_i: There are significance of external auditors on the examination of financial statements.

Hypothesis Two

H_o: The modern techniques employed by the auditors/management does not reduce errors and misappropriation of funds.

H_i: The modern techniques employed by the auditors/management do reduce errors and misappropriation of funds.

Hypothesis Three

H_o: There are some problems associated with examination of financial statements.

H_I: There are no problems associated with examination of financial statements.

Concept of Auditing

Auditing has been present for years in different stage of development following the evolution of accounting starting since the epoch when the records were approved after a public reading, to the era when government's officials were measured by their honesty. Followed by the times of the industrial revolution were the ownership of companies started separating from management; when owners required more protection of their investments increasing the use of auditors, consequently, to the times were an auditor was searching for frauds or errors (Whittington & Pany 2004, pg. 7) and then to ascertain the actual financial condition and earnings of an enterprise (Montgomery, 1913, pg. 9).

According to Alade (1987) Auditing can be defined as an independent function with the main objective of ascertaining the truth and fairness with which the financial statements have been presented with a view to enable the auditor to issue a report.

Prof I.R. Dicksee also defined auditing as an examination of accounting records undertaken with a view to establish whether they correctly and completely reflect the transactions to which they relate. It was also defined by the American Accounting Association (1972) as a systematic process of objectively obtaining and evaluating evidence regarding assertions about economic actions and events to ascertain the degree of correspondence between the assertions and established criteria and communicating the results to interested users.

External Auditing

Adeniyi A.A. (2010) defined external auditing as an audit carried out by certified public accountant who is an independent contractor, who after adequate examination and investigation offer a professional opinion as a whether the firm's financial statement present the result of the operation and financial condition of the firm.

Acc (2008) defined external auditing as the independent examination of the evidence from which the financial statements are derived, in order to give the reader of those statement confidence as to the truth and fairs of the state of affairs which they disclose.

C.I.M.A. also defined external auditing as a periodic examination of the books of account and records of an entity carried out by an independent third party (the auditor), to ensure that they have been properly maintained, are accurate and comply with established concepts, principles, accounting standards, legal requirements and give a true and fair view of the financial state of the entity.

External auditors also under take management consulting assignments. They also perform an audit, in accordance with specific laws or rules, of the financial statements of a company, government entity, other legal entity, or organization and is independent of the entity being audited. Users of these entities financial information, such as investors, government agencies and the general public rely on the external auditor to present an unbiased and independent audit report.

External Auditors Role in Detecting Fraud

Kemi C. Yekini states that the auditors responsibility relating to fraud in an audit of financial statement, places the responsibility to prevent and detect fraud squarely on management. For external audit; the primary objective is to enable the auditor to express an opinion. In the discharge of their duties, auditors (external) are only required to adopt an attitude of professional skepticism that a material misstatement due to fraud or error may indeed exist. External financial auditors perform their work on a sample basis and do not test every transaction, so they cannot be expected to catch all fraud or errors. Instead, your government's management should design, implement and maintain internal controls to limit unauthorized transactions in financial statements. If an external auditor detects fraud, it is his responsibility to bring it to the management's attention and consider withdrawing from the engagement if the management does not take appropriate actions.

1. **Misappropriation:** This is one of the most serious forms of financial statement fraud. This is when statements are altered to mask theft or embezzlement. This can be done in a number of ways. Such as through double entry book keeping or the inclusion of fictious expenses.

2. **False Asset Evaluations:** Another means of financial statement fraud is to make assets appear more valuable than they actually are. Although the entries in the financial statements may be true, the appraisals that led to the statements being written are incorrect. E.g. if an oil company deliberately appraise a non producing well as worth the same as one that produces oil and include this valuation on its financial statement, this is a form of fraud.

3. **Overstatement of Revenue:** One of the most basic forms of financial statement fraud is the overstatement of revenue. In this form of fraud, a company states that it took in more money in a certain period of time that was the case.

4. **Recording Uncertain Sales:** Another form of financial statement fraud is to record sales that have not gone through as sales that have already been transacted. This can take several forms, including sales that are currently being negotiated or sales that are expected for next quarter.

5. **Concealment:** Is a form of fraud in which certain liabilities or other harmful disclosures that may hurt the company are kept off. A financial for example; if the company take on a number of liabilities, such as by taking but a loan or issuing debt, this will generally need to be recorded.

Meaning of Financial Statement

According to business dictionary, financial statement is a summary report that shows how a firm has used the funds entrusted to it by its stockholders and lenders and what is its current financial position.

Accounting standard defines financial statement as a collection of reports about an organization's financial results, financial condition and cash flows. Relevant financial information is presented in a structured manner and in a form easy to understand. Financial statements represent a formal record of the financial activities of an entity and it also reflects the financial effects of business transactions and events on the entity.

Corporate finance institute (2018) states that there are three financial statements which are;

i. Income statement
ii. Balance sheet
iii. Cash flow statement

i. **Income Statement:** This institute stated, that this is the first place an investor or analyst will look. This continued that the income statement shows the performance of the business throughout each period, displaying sales revenue at the very top.

ii. **Balance Sheet:** Also explained balance sheet that it displays the company's assets, liabilities and shareholder's equity. The asset section begins with cash and equivalents and assets must be equal with liabilities plus equity. Net income from the income statement flows into the balance sheet as a change in retained earnings.

iii. **Cash Flow Statement:** This takes net income and adjusts it for any non-cash expenses. Then using changes in the balance sheet, usage and receipt of cash is found. The cash flow statement displays the change in cash per period, as well as the beginning balance and ending balance of cash.

Relation Between Internal Auditors and External Auditors to Companies

Jake Lebrun (2012) stated that auditors, both internal and external scrutinize the activity of a firm and create reports expressing their impressions of this examination. Though there are many similarities in their work, there are also important differences between the two types of auditors.

External auditors are not employees of the firm that they audit. The primary interest of the external auditor is the determination of weather the firm's stated business activity is consistent with the results reported in the firm's financial statements. Internal auditors are the integral part of the firm. Though companies sometimes out source their auditing needs, internal auditors usually work directly for the company. Internal auditors oversee every aspect of the company's operation.

Similarities

There are several similarities between internal and external auditors. Both observe the manner in which the company conducts business. Both assess the possibility of fraud and theft and both compare regulations and laws with the actual operation of the firm.

Differences

The biggest difference between internal and external auditors is apparent in the name. External auditors provide an objective outsider's on the articles of interest while internal auditors usually work directly of the company.

External auditors may examine the firm in great detail to verify the accuracy of financial statement, but they do not concern themselves with the specific of running the company. Internal auditors, on the other hand, try to optimize every process and task to achieve greater efficiency.

Empirical Review

According to an empirical study from Dandago and Abdullahi (2014) talked on "An Examination into the quality of Audited financial statements of money deposit banks in Nigeria". Stated on this that the quality of audited financial statements of money deposit banks in Nigeria, with a view to assessing the independence of an auditor and the level of compliance to audit guidelines and how those guidelines affect the quality of audited financial statement of money deposit banks in Nigeria.

Another empirical study from Boniface, Uche, Ugwuanyi, Onyekwelu (2014) talked on "External auditing relevance in the growth of banking industry in Nigeria: An emphasis on the effect on deposit mobilization". The idea behind this study is that external auditors role enhances the credibility of financial statement and thereby increase the confidence of existing and would be customers in the banking system, this singular role therefore creates a platform for the increase of deposit generated by the deposit money banks.

In his topic, he stated as a recommendation that independent auditors should demonstrate skills, care and competence in the discharge of their responsibilities, stakeholders expect auditors to perform beyond their statutory responsibilities due to their own perception and also Auditors should adhere to the professional ethics in the course of discharging their assignment while auditors should maintain their independence so as to attract investors confidence by forming the right opinion on the financial statements.

An Empirical study by Abdelfatah (Jan 2015) talked on "An Empirical Analysis of audited financial statements. Reliability: mediating role of auditor quality". He stated that more reliable conclusions would be drawn out relating to the effect of auditors quality and future research should design a comprehensive measure of audit quality. The idea behind this study is as a recommendation that we should mediate the impact of auditor's quality in the relationships between auditor rotation, audit firm size, audit firm fees, audit committee, characteristics.

Olagunju (2011) conducted a research on an empirical analysis of the impact of auditor's independence on the credibility of financial statement in Nigeria. He stated that the independence of auditors was critically evaluated and the importance of auditor's independence in financial statement credibility was analyzed. The auditors are expected to audit the financial statement of companies in order to present a true and fair view or otherwise of the financial statement. The research used primary and secondary sources of data. The relevant data collected were analyzed using simple percentages and tables and tested using chi-square. The results of the test show that auditor's independence affect the credibility of financial statement and the improvement in the credibility of the financial statement can reduce manipulation in the financial statement.

To International Journal of business administration (2012), the role of external auditors in detecting and reporting corporate fraud in public listed companies in China. The comparisons in the legal and regulatory framework governing external auditors in the responsibilities of external auditors in detecting and reporting corporate fraud between the UK and China, these differences can reflect some difficulties for Chinese auditors in detecting and reporting corporate fraud.

Salem (2015) investigated on an empirical examination of the determinants of audit report delay in Libya. He stated that financial statements communicate crucial information about the financial health of a company. Financial statements must be made available to stakeholders in time so that they can use the information to make important decisions. This study is concerned with audit delay or the delay caused in financial reporting due to the time taken by auditors to review and approve financial statements submitted by companies in Libya. It also takes on the task of examining the determinants of audit delay in the financial reporting of listed and non-listed companies in the country with a view to formulating better practices that can reduce audit delay.

Anu (2011) examined the role of auditors in bank distress. The study used secondary data source for gathering data for the study. It was concluded that though professional accountants sometimes involved an unethical practices, but play vital role in the resources control in banking sector.

Jovkovic, Snezana Lyubisavlgevic, Vladimir Obradovic (2012) investigated on the empirical research on external audit of banks in Serbia. They explained that the role, importance of external audit of banks.

Otley (2012) argues that financial statement is an important part of the fabric of organization life and the need to be evaluated in their wider managerial, organizational and environmental context. Therefore, the effectiveness of financial report not only depends on the purposes of such systems but also depends on contingency factors of each organization. Financial statement are said to be effective when the information provided by them serves widely the requirements of the users.

Solomon (2015) investigated on the impact of external audit in accountability and transparency of Non Governmental Organizations (NGOs) in the Bolgatanga Municipality. This study was investigated to assess the impact of external audit in accountability and transparency of Non-governmental organizations in the Bolgatanga Municipality. Both qualitative and quantitative approach were used that included questionnaires, interviews, focus group discussions to collect data. From his findings, he stated that he observed that the external audit report of Non-Governmental organizations are not utilized to bring about compliance and that recommendations of the external auditors are not enforced by management.

Theoretical Review

There are many theories on the significance of external auditors on the examination of financial statements.

The Agency Theory

Agency theory is a supposition that explains the relationship between principals and agents in business. The theory is concerned with resolving problems that can exist in agency relationship, that is between principals such as shareholders and agents of the principals, like company executives or the auditors. The agency theory tends to address two major problems which includes the problem that arise when the desires of the principals and agent are in conflict and the principal is unable to verify that the agent is actually doing.

According to Awa (2012), agency problems can arise because of inefficiencies and complete information. The theory is relevant to this study because it will enable the shareholders, management of the company and auditors resolve any conflict arising from the performance of their functions.

This theory relates on the relationship between external auditors and the shareholders or company executives in banks in the examination of financial statement. This also helps to resolve any problem faced between the company executives and the auditors.

The Contingency Theory

The goal of an audit is to test the reliability of company's information policies, practices and procedures. Government regulations require that certain financial institutions undergo independent financial audits, but industry standards can mandate audits in other areas such as safety and technology. Regardless of the audit subject, various factors impact a company's final results, and the contingency theory takes these factors into account during the audit process.

METHODOLOGY

This chapter is concerned with the methods and procedures used in the collection of data discussed under the following sub headings which includes: research design, area of study, population of study, sample and sampling technique, instrument of data collection, validity and reliability of instrument for data collection, administration of the instrument and method of data analysis.

Area of Study: This study was carried out in First Bank of Nigeria plc Delta State. **Population of the Study:** Population for this study consists of a total number of 30 respondents. **Sample and Sampling Techniques:** For the purpose of this study the simple random sampling was adopted for the research and in determining the sample size between what is desirable and what is feasible. The research used random sampling on the staff population in First Bank Plc in Delta State.

The use of arithmetical formula was adopted to arrive at the sampling size 'n' with 5% level of significance (Adefila 2004). The formula used below is Yaro Yamen's formula as:

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

Where; n = sample size
N = population
e = level of significance
I = constant

$$n = \frac{30}{1 + 30(0.05)^2}$$

$$= \frac{30}{1 + 30(0.0025)}$$

$$= \frac{30}{1+0.075} = \frac{30}{1.075} = 27$$

Here, the sample size (n) is 27.

DATA ANALYSIS AND PRESENTATION

This chapter involves arranging, manipulating and managing of raw data in ways that could make for easy inference on the characteristics of the data. The tools for data organization are presenting data in tables, frequency distribution, ratio and percentages and graphs such as bar chart, histograms, polygon, pie-charts e.t.c.

This chapter is also based on the presentation of data, analysis of research questions, test of hypothesis and discussion of findings.

Presentation of Data

After data has been collected, they were organized and presented in a form so as to precisely described the population under study.

Therefore the data was prevented in an orderly manner using table. Data is presented in labeled rows and columns.

Distribution of Questionnaire and Responses Rate

Total no of Copies of Questionnaires	No of Respondents	Percentage (%)
Returned	22	81
Not returned	5	19
Total	**27**	**100**

Source: Field Survey, 2018.

The questionnaire returned which is 22 respondents a percentage of 81 are the respondents that replied to my questionnaire while the questionnaire which is 5, a percentage of 19 are the ones that were not returned or replied to me as well.

Data Analysis

This talks about how the data is been analyzed or arranged. Here, the researcher analyzed the data by explaining the number of respondents that choose Yes or No as an option for each question.

Question 1: Do the modern techniques of financial statement examination reduce errors or misappropriation of funds?

Options	No of Respondents	Percentage (%)
Yes	14	64
No	8	36
Total	**22**	**100**

Source: Field Survey, 2018

- **Purpose of the Question:** The question was asked to find out if the modern techniques of financial statement examination can reduce errors or misappropriation of funds.

- **Analysis and Interpretation:** From the table above, it is discovered that the staffs that responded strongly agreed that the modern techniques of financial statement examination do reduce errors or misappropriation of funds.

Question 2: Do you experience some issues with the external auditors when the audit is going on?

Options	No of Respondents	Percentage (%)
Yes	7	32
No	15	68
Total	**22**	**100**

Source: Field Survey, 2018

- **Purpose of the Question:** This question was asked to find out if really the staff do experience some issues when the external auditors come to audit their bank.

- **Analysis and Interpretation:** It is stated that the option "No" has the highest number of respondents which means that external auditors are performing very well when they come to audit their bank or when the audit is going on.

Question 3: Do you think the examination of the financial statement of your bank by external auditors has some significance?

Options	**No of Respondents**	**Percentage (%)**
Yes	17	77
No	5	23
Total	**22**	**100**

Source: Field Survey, 2018

- **Purpose of the Question:** This question was asked to determine or know whether the examination of the financial statement by external auditors has some significance to their bank.

- **Analysis and Interpretation:** It is explained from the table above, that the question stated above has the highest number of positive answer which is that it has some significance.
  From the three questions stated above, it was gotten from my research question stated in chapter one which was rephrased as part of my questionnaire which was used as a source of my data collection.

Age Range of Respondents

Categories of Respondents and Returned	**Frequency**	**Percentage (%)**
Under 20	Nil	Nil
21 – 30	4	18
31 – 40	13	59
Over 40	5	23
Total	**22**	**100**

Source: Field Survey, 2018.

From this table stated above, it shows that the categories of age 31 – 40 has the highest frequency of respondents which resulted to 59%.

Sex of Respondents

Sex	**Frequency**	**Percentage (%)**
Male	16	73
Female	6	27
Total	**22**	**100**

Source: Field Survey, 2018.

From the table above, it is observed that more male 73% has the highest percentage and frequency of 16 than the females 27%.

Qualification of Respondents

Qualification	**Frequency**	**Percentage (%)**
OND	5	23
HND	4	18
B.Sc	3	14
Ph.D	10	45
Total	**22**	**100**

Source: Field Survey, 2018.

The table above shows that 45% of the respondents are the Ph.D holders which are the people who responded to my questionnaire while OND holders are the next with 23%

Hypothesis Test

The hypothesis are restarted both in a research and mill form and each hypothesis is discussed in turn.

Chi-square (X^2) is the method used to conduct the hypothesis test.

Test of Hypothesis 1

H_o: There are no significance of external auditors on the examination of financial statements.

H_I: There are significance of external auditors on the examination of financial statements.

Serial No	Variables	Response/ Option	Frequency	Percentage (%)
5	Do you think the examination of the financial statement of your bank by external auditors has some significance?	Yes No	17 5	77 23
Total			**22**	**100**

Using the chi-square format

Computation of chi-square (X^2)

Formula: $X^2 = \frac{\sum(oi - Ei)^2}{Ei}$

Where;

X^2 = Chi-square

Oi = Observed frequency

Ei = Expected frequency

Df = Degree of freedom

Where n = Number of variables

5% level of significance

Response/Option	**Oi**	**Ei**	**Oi – Ei**	**$(Oi - Ei)^2$**	**$\frac{(Oi - Ei)^2}{Ei}$**
Yes	17	11	6	36	3.27
No	5	11	-6	36	3.27
Total	**22**	**22**	**0**		**6.54**

Therefore, X^2 chi-square value calculated is 6.54. The degree of freedom n-1, 2-1 = 1. Using the statistical table to find the value of X^2 1 005, the result is 3.841.

Therefore, X^2 calculated = 6.54

X^2 tabulated = 3.841

Decision Rule: Since X^2 calculated is greater than the X^2 tabulated the null hypothesis is rejected while the alternative hypothesis is accepted which means that their is a significance in the external auditors on the examination of financial statement.

Test of Hypothesis Two (2)

H_o: The modern techniques employed by the auditors/management does not reduce errors and misappropriation of funds.

H_I: The modern techniques employed by the auditors/management do reduce errors and misappropriation of funds.

Serial No.	Variables	Response/ Option	Frequency	Percentage (%)
1	Do the modern techniques of financial statement examination reduce errors or misappropriation of funds?	Yes No	14 8	64 36
Total			**22**	**100**

Computation of Chi-square (X^2)

Response/Option	**Oi**	**Ei**	**Oi – Ei**	**$(Oi – Ei)^2$**	**$\frac{(Oi – Ei)^2}{Ei}$**
Yes	14	11	3	9	0.82
No	8	11	-3	9	0.82
Total	**22**	**22**	**0**		**1.64**

Therefore, X^2 chi-square value calculated is 1.64. The degree of freedom n-1, 2-1 = 1. Using the statistical table to find the value of X^2 1: 005, the result is 3.841.

Therefore, X^2 calculated = 1.64

X^2 tabulated = 3.841

Decision Rule: Since X^2 tabulated is greater than the X^2 calculated, the alternative hypothesis is rejected while the null hypothesis is accepted which means that the modern techniques employed by the auditor management does not reduce errors and misappropriation of funds.

Test of Hypothesis Three (3)

H_o: There are some problems associated with examination of financial statement.

H_I: There are no problems associated with examination of financial statement.

Serial No.	**Variables**	**Response/ Option**	**Frequency**	**Percentage (%)**
4	Do you experience some issues with the external auditors when the audit is going on?	Yes No	7 15	29 71
Total			**22**	**100**

Computation of Chi-square (X^2)

Response/Option	**Oi**	**Ei**	**Oi – Ei**	**$(Oi – Ei)^2$**	**$\frac{(Oi – Ei)^2}{Ei}$**
Yes	7	11	-4	16	1.5
No	15	11	4	16	1,5
Total	**22**	**22**	**0**	**32**	**3**

Using the statistical table to find the value of X^2 1: 005, the result is 3.841.
Therefore, X^2 calculated = 3
X^2 tabulated = 3.841

Decision Rule: Since X^2 tabulated is greater than the X^2 calculated, the null hypothesis is accepted while the alternative hypothesis is rejected

Discussion of Findings

After analyzing the responses gotten from the respondents and testing the research hypothesis, the following findings were made;

1. From the test of hypothesis one, 17 respondents were of the view that there is a significance of external auditors on the examination of financial statements while 5 respondents held a negative view which resulted to accepting the alternative hypothesis and rejecting the null hypothesis.
2. From the test of hypothesis two, 14 respondents held a positive view that the modern techniques of financial statement examination reduce errors or misappropriation of funds while 8 respondents held a negative view which resulted to accepting the null hypothesis and rejecting the alternative hypothesis.

3. From the test of hypothesis three, 7 respondents gave a view that they do experience some issues with the external auditors when the audit is going on.

Conclusion

The research is based on the significance of external auditors on the examination of financial statement where the main objective of this research is to determine the significance of external auditors on the examination of financial statement on First Bank Plc. Questionnaires were distributed as a source of primary data while internet, textbooks, journals etc were used as a source of secondary data. The aim of auditors is not to detect and prevent fraud alone but also to see staff adhere strictly to laid down rules and regulations.

Recommendations

Having carried out an analysis, it is important to make certain recommendations which are;

1. Management should establish internal audit departments to reduce fraud.
2. The management should provide equipped modern techniques that will enable them to reduce errors and misappropriation of funds.
3. External auditors with qualities based on training and experience should be engaged in those firms that do not have auditors, because the absence of external auditors and the roles they play in so many firms are very important.

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