

IMPACT OF EXTERNAL AUDITING ON THE GOING CONCERN OF NIGERIAN BANKING INDUSTRIES

(A CASE STUDY OF GUARANTY TRUST BANK, ILORIN))

BY

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**BEING A RESEARCH PROJECT SUBMITTED TO THE
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CERTIFICATION

This is to certify that this research work has been written by **ADENIYI ADEBUKOLA ESTHER** with Matriculation Number **HND/23/ACC/FT/0608** and has been read and approved as part of meeting the requirement for the award of Higher National Diploma (HND)N in the Department of Accountancy, Institute of Finance and Management Studies [IFMS], Kwara State Polytechnic, Ilorin, Kwara State.

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DEDICATION

This project is dedicated to **ALMIGHTY GOD**, the omnipotent, omnipresent and omniscience for his blessing, protection and guidance over me, may He never desist (Amen).

It is also dedicated to my lovely parent **MR. AND MRS. ADENIYI**.

ACKNOWLEDGEMENT

All praise be to **ALMIGHTY GOD**, my provider, my protector, my helper, my keeper and my maker, who has spare my life from the beginning of this program to the end, I appreciate my creator for His infinite mercy throughout the course of my study, I know that I can never exhaust all His attributes but will forever be grateful to my maker.

My everlasting appreciation goes to my lovely, caring parent **MR.** and **MRS. ADENIYI** for their love, support, encouragement, advice, care, financial and moral over my entire life, I really appreciate all your effort you will forever remain in my heart, may Almighty God let you live long to reap the fruit of your labour (Amen).

An adage says behind every successful man there is a successful woman but permit me to say it in this form “behind every successful project there is always proficient supervisor **MR. AZEEZ Y.O** despite his busy schedule he gave different ideas to make this project unique and also going through my manuscript and correcting my doubts, I say a big thank you, may God continue to increase you in wisdom and understanding as well as your household.

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PROPOSAL

This study examines the impact of external auditing on the going concern on the Nigeria banking industry in Nigeria. Questionnaire method was used to collect data for the study and the results were analyzed using frequency, percentages, mean, Standard deviation and regression analysis. The data for the study were derived from the distribution of 36 structured questionnaires for the selected banks in Kwara State, Nigeria. Two hypotheses were formulated and tested using regression analysis. The findings of this study showed that, there is a significant relationship between external audit and bank failure evidenced by p-value (0.001), $p\text{-value} < 0.05\%$. It also discovered that there is a statistical significant relationship between audit failure and bank failure supported by p-value of (0.002), $p\text{-value} < 0.05\%$. This study therefore concluded that early detection of problems that lead to bank failures by external auditors can save the banks from distress and failure. The study recommends that banks audit system should reveal the weakness and the solutions to the bank problem. However, banks should provide all necessary information needed by the external auditor. Bank and other financial institutions should also ensure that external auditors are employed from reputable audit firms.

Keywords: Audit failure, Auditor independence, Bank Failures, External audit.

STATEMENT OF THE PROBLEMS

Banks external auditing functions are seen as powerful tools that could aid corporate performance and infact existence.

The nature of banks and other financial intermediaries are at the heart of the world's recent financial crises. The deterioration of their asset portfolios, largely due to distorted credit management, was **One** of the main structural sources of the crises. Problems includes:

1. To a large extent, the problem was the result of poor corporate governance in countries, banking institutions and industrial groups due to non-codes confluence

2. Inadequate and recklessness of directors and managers to perform significant change in the performance of banks in Nigeria by the proper implementation of corporate governance by the board of directors.
3. Inability to exercise due diligence against successful implementation of corporate governance framework in commercial banks.

AIM AND OBJECTIVES OF THE STUDY

This study seeks to achieve the following objectives.

1. To determine the extent to which non-compliance with corporate governance codes by the bank executives contributed to this present crises and management problem.
2. To ascertain the relationship between corporate governance and the performance of commercial banks in Nigeria
3. To investigate if there is any significant change in the performance of banks in Nigeria by the board of directors.
4. To empirically determine factors that militate against successful implementation of corporate governance framework in commercial banks.

SIGNIFICANCE OF THE STUDY

Audit can improve a company's efficiency and profitability by helping the management better understanding their own work and financial systems. The management as well shareholders, suppliers and finance are also assured of risks in their organization are studied and effective system are put in place to handle them.

It also helps to uncover inaccuracies and discrepancies within an organization's record which may be indications of weak financial organization or even internal fraud, although fraud detection is not the main purpose of an audit.

SCOPE OF THE STUDY

❖ Conceptual Scope

The area of coverage of the research work is centered on the physical distribution as a marketing strategy for improving performance of products in a competitive market will be analyzed.

❖ Industrial Scope

The industrial scope implies specification of the industry of the study, therefore, this research work deal with Guaranteed Trust Bank.

❖ Geographical Scope

The geographical scope of this project deals with consumers/customers of Guaranteed Trust Bank Ilorin.

LIMITATIONS OF THE STUDY

In carrying out a research of this nature, it is not uncommon to encounter a number of constraints in the course of completing the study.

Some of the limitations of the study includes:

- i. **Financial Constraint:** The huge cost involved in carrying out a complete study is too much and cannot be affordable by the student
- ii. **Time Constraint:** The time required for this research work was not enough, this is because the research work was done at the same time a serious academic work was going on in school
- iii. **Attitude of respondents:** Some of the respondents refuse to answer the question asked to them while some refuse out rightly to grant interview. This
- iv. **Data Gathering Restriction:** The difficulty of gathering data was compounded by the reluctance on the part of the respondent to divulge relevant and important information

relating to the study just like information which were available on the internet were mostly restricted to registered members.

RESEARCH QUESTIONS

The following research questions were formulated to guide the investigation.

- i. Does the extent to which non-compliance with corporate governance codes by the bank executive contributed to this present crises and management problems?
- ii. Does corporate governance has any relationship with the performance of commercial bank in Nigeria?
- iii. Does significant change occurs in the performance of banks in Nigeria by the proper implementation corporate governance by the board of directors?
- iv. Could there be any factors that militate against successful implementation of corporate governance Framework in commercial bank.

RESEARCH HYPOTHESES

The following hypothesis form the basis of carrying out this study.

Ho: There is significant changes in relationship between Corporate governance and the performance of commercial bank in Nigeria.

Hi: There is no evidence to show significant change in relationship between corporate governance and the performance of commercial bank in Nigeria.

Hii: There is no evidence to show significant change in the performance of banks in Nigeria by the proper implementation of corporation government by the board of Directors. Hiii: The factors hinders against successful implementation of corporate governance framework in commercial bank are low of financial reports.

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND TO THE STUDY

Management of most banks are detached from owners (Principal-Agency Theory) Merklings (2021) In Omokhudu and Omoye (2020) define the agency relationship as a contract under which one party (The principal) engages another party to perform some services on their behalf with the principal delegating decision making authority to the agent.

As such the owners /shareholders of most banks are not part of the daily operations of the organizational activities look forward to the realization of their goals.

There are however other interest groups who depend on the organization to realize their own respective goals. The suppliers, stockbrokers, lenders, government and so on are all part of the stakeholders, since these owners are not involved in the daily operations of the business, they may be doubtful of what the management may present to them as report. (Omoye, 2020).

The stakeholders need confirmations report, the stakeholder need confirmation or assurance by an independent party known as the external auditors. In the light of this, customer needs the assurance of the external auditors who are greatly depended upon, since they are expected to adopt the attitude of professional skepticism. This suggests that non though the auditors are not mainly finding out fraud in the financial report they should recognize the possibility of its existence (Oladipupo, 2022).

The Act was introduced in 2002 following the failure of Euron Scandal which was deveryly hidden from the external auditors of Anderson, leading to colossal losses by the stakeholders, all over the world. However not all the stakeholder expects from the external auditors could be legally enforceable as in the case of Re- Kingston cotton mill of 1 8% in which the external auditors were adjusted as a watchdog and not blood bound. Thus auditors are bound or liable within the limit of the statutory requirement contrary to the perception of the stakeholders (Oni, 2023)

There are so many problems which surrounded this on the strength of this multiple problems, it is pertinent to have proper examination of the responsibility of the external auditor to public and private companies to know the effect of non-compliance by the auditors on the corporate performance of an organization. Some stakeholders look up to the external auditors as one who has the professional competence and whose advice or opinion is hold sacrosanct for investment decision (Osuala, 2022).

Though the duties of the auditors of the public companies are expressly stated, it is pertinent that an agreement letter which states the duties to be performed by the auditors of the banks, statutory requirement or engagement letters becomes the spring board of which the organization success or failure is viewed visa avis the auditors actions. Most important is that the stakeholders especially depositors in the bank still look up to the external auditors reports to assure them of the safety of their deposits and answers other going concern questions on the banking industry (Zhao, 2020).

Because of the perception of the stakeholders on the responsibilities of external auditors in the regard we seeks to review the roles of external auditing in assisting banks to increase their deposit thereby enhancing value creation to stakeholders (Adeniyi, 2022).

1.2 STATEMENT OF THE PROBLEMS

Banks external auditing functions are seen as powerful tools that could aid corporate performance and infact existence.

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1. To a large extent, the problem was the result of poor corporate governance in countries, banking institutions and industrial groups due to non-codes confluence

2. Inadequate and recklessness of directors and managers to perform significant change in the performance of banks in Nigeria by the proper implementation of corporate governance by the board of directors.
3. Inability to exercise due diligence against successful implementation of corporate governance framework in commercial banks.

1.3 RESEARCH QUESTION

The following research questions were formulated to guide the investigation.

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- iv. Could there be any factors that militate against successful implementation of corporate governance Framework in commercial bank.

1.4 OBJECTIVES OF THE STUDY

This study seeks to achieve the following objectives.

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3. To investigate if there is any significant change in the performance of banks in Nigeria by the board of directors.
4. To empirically determine factors that militate against successful implementation of corporate governance framework in commercial banks.

1.5 RESEARCH HYPOTHESES

The following hypothesis form the basis of carrying out this study.

- H1:** There is significant changes in relationship between Corporate governance and the performance of commercial bank in Nigeria.
- H2:** There is no evidence to show significant change in relationship between corporate governance and the performance of commercial bank in Nigeria.
- H3:** There is no evidence to show significant change in the performance of banks in Nigeria by the proper implementation of corporation government by the board of Directors.
- H4:** The factors hinders against successful implementation of corporate governance framework in commercial bank are low of financial reports.

1.6 SCOPE OF THE STUDY

The research covers auditing firms in Nigeria as result of the wide nature, we were able to constrain this research work to some auditing firms in Enugu (office of Auditor General, Enugu, Abax — ()ASA Professional, Achike Udenwa & Co-Odili Ockehukwu & Co) and the researcher goes further to explain variable such as; the role of an auditor, going concern concept, Auditors beneficial shareholding Auditors non audit engagement services, noncompliance with audit relation policy and Audit planning.

1.7 SIGNIFICANCE OF THE STUDY

Audit can improve a company's efficiency an& profitability by helping the management better understanding their own work and financial systems. The management as well shareholders,

suppliers and finance are also assured of risks in their organization are studied and effective system are put in place to handle them.

It also helps to uncover in accuracies and discrepancies within an organization's record which may be indications of weak financial organization or even internal fraud, although fraud detection is not the main purpose of an audit.

1.8 LIMITATIONS OF THE STUDY

In carrying out a research of this nature, it is not uncommon to encounter a number of constraints in the course of completing the study.

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- iii. **Attitude of respondents:** Some of the respondents refuse to answer the question asked to them while some refuse out rightly to grant interview. This
- iv. **Data Gathering Restriction:** The difficulty of gathering data was compounded by the reluctance on the part of the respondent to divulge relevant and important information relating to the study just like information which were available on the internet were mostly restricted to registered members.

1.9 OPERATIONAL DEFINITION OF TERMS

- i. **Auditing:** Auditing is an independent examination of the financial statement of an organization with a view to express an opinion as to whether these statement shows a true

and fair view and comply with the relevant statutes and the international financial reporting standards.

- ii. **Auditor:** This is a person appointed to examine the accuracy of the account and records of a business organization & to report on the financial aspect at a particular time.
- iii. **Audit Report:** This is a statement issued by the auditor of an enterprises at the end of an audit assignment in which the auditor express his opinion on the financial statement prepared by the directors of an enterprises.
- iv. **Bankruptcy:** This is a situation where an incorporated business i.e sole proprietorship and partnership has been legally declared as not being able to meet its short term obligation as at when due.
- v. **Financial Report:** This is a statement that shows the summarized business transaction and financial position of an organization for the period under consideration
- vi. **GAAP:** General Accepted Accounting Principle
- vii. **Stewardship Accounting:** Stewardship Accounting is the process whereby managers of a business account /report to the owner on the issue of affairs of the business.

CHAPTER TWO

LITERATURE REVIEW

2.1 PREAMBLE

Due to relation importance of external audit on the performance of the banking industry, this chapter will discuss the review of related literature on the impact of external audit on the going concern of banking industry in Nigeria.

However, evaluation of each component of audit such as type of audit, appointment of auditors, duties of an auditor, reason of a audit, verification of balance sheet items, system audit report, irregularities and Fraud would also be disclosed with regards to their impact on the going concern of the banking industry in Nigeria.

2.2 CONCEPTUAL FRAMEWORK

2.2.1 CONCEPT OF AUDIT

According to (Adeniyi 2021), the word “Audit” comes from the Latin word “Audire” which means “to hear” because in the middle ages account or revenue and expenditure were “heard” by the auditor.

Statutory audit (i.e carried out in accordance with statutory provision 7 becomes mandatory for companies in 1990. At the time the purpose of an audit was to detect fraud technical errors and errors of principle.

However, the recognition in case law that it is unreasonable to expect auditors to detect all aspects of fraud even though they exercised reasonable skill and care means that this is not now a primary purpose.

Over the last 20 years or so the auditing profession has sought to broaden its (e.g with value for money, operational audit e.t.c).

External auditing which is the function of statutory auditors is the process of reviewing auditors is the process of reviewing the accounting and financial books of a company by a certified public accounting firms (Inyama 2020). This task is performed quarterly and annually consistent with the reporting cycle for public investment.

Companies professional accountants perform this functions to enhances the credibility of information about a subject matter which conforms in all materials respect with suitable criteria (Law) Millichamp and Taylor (2022).

External auditing function is carried out by an external auditor who is approved by the shareholder of the organization and for whose interest the (external auditor) represents. The external auditors reports are key to measuring the performance of public investment in banks as the quality assurance reports attracts deposit while a negative report, could trigger off a panic withdrawal of deposits (Inyama 2021).

According to Cooper (2023), defined audit as “an examination of records underlying a financial statement as well enable the auditor to report whether in his opinion, the statement gives a true and fair view of what it purports to show. In order that the opinion may be authoritative and thus of value of those who rely on it the auditor has to be both skilled and independent & definition by Waldion “Practical Auditing sixth auditor”, An audit may said to be such as examination of the books, account and vouchers of a business or other organization as will enable the auditor to report that in his opinion the statement of financial position is properly draw up, so as to give a true and fair view of the state of affairs of the business and that the statement of comprehensive income (Profit & loss) for the financial period, according to the information and explanation given to them and as shown up by the books and if he report in what respect he is not satisfied.

The institute of Chartered Accountant of index (2020) defined Auditing as a systematic and independent examination and performance (financial or otherwise) of an enterprise for a stated purpose. The international Auditing practice committee (1999) defines auditing as the independent examination of financial information of any entity, whether profit oriented or not and in respective of its size or legal form, when such an examination is conducted with a view to express opinion there on.

To conclusion, From the above definitions auditing can be define as the independent examinations and investigation of evidence From which financial statement has been prepared with a view to report whether in his opinion and according to the best of the information statement is properly draw up to give a true and fair view of what is purported to show and of not to report in what respect he is not satisfied.

Significance in the history of banking in Nigeria was the establishment of Central Bank of Nigeria (CBN) in 1989, backed by the report of World Bank mission on the issue of establishing the report of the world bank, the federal government appointed loyness commission in September 1958. The report of his commission six weeks later resulted into banking ordinary of 1958 that established the CBN.

This bank stated operation on 1st of July 1959, some of the reasons pushed forward for the establishment of central bank of Nigeria were the issuance of legal tender currency in Nigeria, the maintenance of external to save guard the international value of currency, the promotion of monetary stability and sound financial structure and acting as banker and financial advisor to the government.

2.2.2 CONCEPT OF INTERNAL AUDITOR

Internal Auditors are employees of the bank employed to discharge their duty of unbiased and objective reviews of the work of other employees of the same organization in order that the management can be assured of receiving the right quality of information. Internal auditors most be independent from the entire administration and operating department on whom they are reporting in order words internal audit department should be a separate department in its own right (Zhao, 2021).

The objectives of internal auditing is therefore to assist all members of management in the effective discharge of their responsibility's by furnishing them with analysis, appraisal, recommendations and pertinent comments concerning activities reviewed. Internal auditors are concerned with any phrase of business activity in which they may be of services of management. This involved going beyond the accounting and financial records to obtain a full understanding of the operation under review.

For a further highlight on this review, the internal audit can be defined as an independent appraisal function within an organization for the review of the system of controls and quality of performance as a service to the organization. Internal audits as well as internal check are the responsibility of the management by continuously reviewing, assessing, evaluating the extent of adherence to company or organization policy and reporting the same to the management.

2.2.3 CONCEPT OF EXTERNAL AUDITORS

External Auditor is a person or body who carries out an independent appraisal of any organization with a view to an opinion as to whether the financial statement gives a fair and true view of the state of affairs of the company at the end of the year. The opinion must be in form of a report. (Oni, 2020).

He is appointed by the shareholders at the AGM, his appointment is contained in a statute n section 357 of CAMD which provides as follows:

Every company shall at each annual meeting appoint an Audit or Auditors to audit the financial statement of the company and hold office from the conclusion of AGM until the conclusion of the next.

At any annual general meeting retiring auditor however appointed, shall be reappointed without any resolution being passed unless

- a. He is not qualified for an appointment
- b. A resolution has been passed at the meeting appointing some other person instead of him providing expressly that he shall not be appointed.
- c. He has given the company notice in writing of the unwillingness to be reappointed.

The auditor does not only examine the financial statement, he goes beyond these records to the source of the events in order to confirm the accuracy, completeness and validity of the records transactions.

2.2.4 TYPES OF AUDITING /CLASSES OF AUDITING

According to Mill Champ (2002) audit can be classified

1. Classification as to the nature of work
2. Classification as to the method of approach

1. CLASSIFICATION AS TO THE NATURE OF WORK

This can also be sub-divided into the following categories

- i. Statutory Audit
- ii. Private or non-statutory
Audit
- iii. Internal audit
- iv. Management audit
- v. Audit Social

i. STATUTORY AUDIT:

These are audit that are compulsory required by the law i.e they are mandated statute which require to be done included the companies Act 1985, the building Act 1986 and industrial and provident society Act 1968 among others.

ii. PRIVATES AUDIT

Independent auditors conduct a private audit into a firms because the law require it. Examples are audit of the account of sole trader and partnership such audit are not based on any legal obligations demanding them.

iii. INTERNAL AUDIT

An internal audit is one conducted by an employee of business into any aspects of its affairs. It is the independent appraisal activity within organization for the review of accounting,

financial and other internal operations as a basis for services to management. It is a review of operation and control, record sometime continue undertaken with in a business by specially assigned staff.

iv. MANAGEMENT AUDIT: This is an enquiry into the effectiveness of management financial information. It is an investigation to ascertain whether every level of management and staff is functioning at its optimum and set of recommendation of its issue to the board after every review.

V SOCIAL AUDIT

These are audit that takes into count the relationship of company's activities to its employess, to public and it's customers

2. CLASSIFICATION AS TO METHOD OF APPROACH

I. MANAGEMENT AUDIT

These are audit which involve the review of policies and procedures established by management of an enterprises in order to determine their efficiency and effectiveness in view of the company's objectives.

II. SYSTEM AUDIT

These are audit that involve the review of the internal financial control system within an enterprise. The purpose of this audit is to determine the extent to which reliance can be placed on the internal control.

III. TRANSACTION AUDIT

They are those audit which involves the audit of those item in the trading, profit and loss account. The objectives of transaction audits are to determine the completeness, authority and validity of the transaction.

IV. STATEMENT OF FINANCIAL POSITION

These are those audits which involve the verification of asset and liabilities of an enterprises at a particular point in time.

V. FINAL AUDIT

This type of audit usually takes place after the year end of a business, when the financial statement must have been fully prepared in readiness for audit.

VI. INTERIM AUDIT

These are audit carried out during the financial period of an enterprise. It will usually consist of several short audit visits during the accounting period.

The purpose of interim audit is usually used to assist management in the preparation of financial account.

VII. YEAR -END AUDIT

These are audit which take place after the year end of the enterprises, and is designed to seek evidence that financial statement gives a true and fair view and comply with the statutory and other requirements.

VIII. CONTINUOUS AUDIT

These are those audits which involve all year round review, i.e not auditing to a specific date. This type of auditing strategy is normally carried out by internal auditor.

IX. COMPLETE AUDIT

These are those audits in which limitation cannot be placed on the scope of audit consequently complete audit are statutory audit.

X. PARTIAL AUDIT

These are those audits in which limitation can place on the scope of audit work especially where it is a private audit.

➤ **OBJECTIVES OF AUDIT**

From the definition of audit, its primary objectives does not include the preparation of financial statement, this is indicated in 334 of CAMA of 1990. Thus, auditing does not include detection of errors or fraud.

According to Aguolu (1998), the primary objective of an auditor is to examine the financial statements prepared by the officers of the company and to report to intended party or shareholders as to:

- i. Whether the financial statement show a true and fair view and comply with relevant status and if proper records have been kept.
- ii. Whether the financial statement agree with the records of the companies and Allied Matter Act of 1990 regards the above as the primary objectives of an audit.

In addition, the purpose of an audit is to add credibility to the financial statement by the expression of an independent opinion thereon; seven other audit objectives which are applicable to all account balances and classes of transaction includes;

- a. Completeness
- b. Accuracy
- c. Existence
- d. Cut-off
- e. Valuation

f. Rights and Obligations

g. Presentation & disclosure

➤ **COMPLETENESS**

All account balances and transaction should be included in the financial statement.

➤ **ACCURACY**

Transactions and account balances are mathematically accurate, based on correct amounts, and all account are properly allocated and accurately summarized and posted to the general ledger.

➤ **EXISTENCE**

Recorded assets and liabilities exist as at the balance sheet date, recorded transactions have occurred and are not fictitious.

➤ **CUT-OFF**

Transactions are recorded in the correct period

Valuation

Appropriate accounting measurement and recognition principles are properly selected and applied.

➤ **RIGHT AND OBLIGATIONS**

Recorded assets are rights of the entity and recorded liabilities are obligations of the entity at the balance sheet date.

➤ **PRESENTATION AND DISCLOSURE**

Account balances and classes of transactions are properly, classified and described appropriately, other subsidiary audit objective includes;

- I. To detect errors and fraud
2. To prevent errors and fraud by the deterrent and moral effect of the audits.
3. To provide spin-off effects i.e Auditors will be able to assist his client with taxation financial and other problems.

2.2.5 ADVANTAGES AND DISADVANTAGES OF AUDIT

Advantages

1. It prevent disagreement between partners because in introducing new partners or dissolution, audited accounts forms the basis of agreement.
2. Audit serves as moral deterrent and psychological check against fraudulent practices by staff.
3. Audited accounts provide an independent opinion on the business financial position by the impartial judge that is the auditor.
4. It gives the prospective investors the opportunity of gaining assurance as to whether the state of the business is worth investing in it.
5. It prevent disagreement on income tax assessment payable to the Inland revenue office.

6. It affords the client to know their weakness in the accounting system and internal control and how they could be eliminated.

Disadvantages

1. **The auditor's fees:** If not for having an auditor, one has to pay for the services of the auditor one engaged and the fee can be high
2. **Time:** The nature of the audit involves the uses of clients records and taking up of staff and management time
3. Audit works how external auditors to interfere in the private affairs of the company.

2.2.6 THE CHALLENGES OF DETECTION

Fraud detection in different organization is a major challenges which must be successfully carried out in order to preserve the integrity of organizational assets and thus enhancing the psychological well-being of all stakeholders.

Fraud detection and prevention is an invidious arduous task. It is battle royal against the evil geniuses who are determined to render the systems of internal control incapable of detecting their acts — culpable behavior.

The fingerprints of these offenders are in C's and l's somewhere in the computer memory. They have turned themselves to a shadow that is difficult to chase and catch.

They can be caught and deterred: This is the promise of forensic science. The question to be asked is why is fraud difficult to detect? This is as a result of the following:

➤ MANAGEMENT CONTROL

According to Fare and France (2006) organizations with one hundreds or fewer employees have the greatest median losses per capital and this is a result of the internal control being less sophisticated and stringout in similar organization.

Too much work is given to an employee no room for check and balances, there is no segregation of duties & separation of function. This situation has made fraud easy for employees to carry out and difficult for the management to detect because the mess would have been cleaned up before any check by management.

➤ **LABOUR TURNOVER**

Management has turned the hiring and firing of employee to bi-annual task. It recruits any time it likes and it lay off whenever it deems if fit, not minding the psychological tiauma and physical deformity it will create in the life of the individual.

They have rendered so many children fatherless due to this act because so many family men could not stand the trauma of not being able to fend for their families. Many employees in the banking sectors now have this evil fore knowledge of gathering enough resources to live large and to keep their family because they always think employment is for a short while.

➤ **SCREENING**

Adequate employee screening is not always carried out by the management, due to the urgency of employees to fill vacant spaces. The management entrusts so many functions in the hands of such employees.

The management is invariably unaware that the so called employee is a computer genius that knows how the software is designed, the loopholes in the software, how figured can be erased without leaving any visible traces, and these are some of the detection of computer fraud. Seemingly, the perpetrators of computer fraud are one step ahead of the external auditors.

2.3 THEORETICAL FRAMEWORK

Many attempts have been made to get the theoretical framework for the research, but in an attempt to provide a sound and suitable theoretical framework to the study, this study adopts agency theory and the shareholders theory. The purpose of adopting the aforementioned theories for the study is that they all captured the essence of the work.

2.3.1 AGENCY THEORY

The origin of agency theory came from economic more specifically information economics (Eisenhardt, 2022) according to Mec (2020), agency theory was limitedly developed to investigate more general question of complete information and risk sharing.

The work of Spence and Stiglitz (1971), Ross (2019) and Akerlof (2020), who are usually mentioned as the originators of agency theory, have been discussed by other authors (see Jensen, 2020), Eisenhardt, 2021), the work of Akerlof and Shleifer (2023), which focused on property rights and addressed issues concerning contracts, shirking and monitoring of team production has also been influential in the development of agency theory (see Jensen and Meckling 2020, Fama 2021).

2.3.2 STAKEHOLDERS THEORY

This theory is introduced by Edward Freeman in 1988, stakeholders is a group that is broader than shareholders. They are individuals or group that provide critical support to the business firm.. The stakeholders theory is a theory of organizational management and business ethics that addresses moral and values in managing and organization.

It was originally detailed by Jan Mitroff in his book “Stakeholders of the organizational Mind”, published in 1985 in San Francisco. R. Edward Freeman had an article on stakeholder theory in the California management review in late 1983 but make no reference to Mitroff’s work attributing the development of the concept of internal discussion in the Stanford research institute.

2.3.3 SHAREHOLDER'S THEORY

This theory is introduced by Milton Friedman who wrote in times that there is one and only one societal responsibility of business to use its resources engaged in activities designed to increase its profit so long as it stays within the rules of the game which is to say engaged in open and free competition without deception or fraud. "The idea of the shareholder theory is that managers primarily have a duty to maximize shareholders' interests in the way that is still permitted by law or social values.

Economist Milton Friedman whose work shaped much of 20th century corporate America was a believer in the free-market and no government intervention.

The theory can be applied in daily business activities. Executives and managers should be clear about the choice of the theory applied in internal and external corporate communications. If employees are confused about the corporation's objectives, they will likely make inconsistent decisions which at the end will backfire to the company itself. The clear choice will provide some ground to decide the daily business.

The idea of the shareholders' theory is that managers primarily have a duty to maximize shareholders' interest in the way that is still permitted by law or social values.

Shareholder theory is introduced by Edward Freeman in 1970.

The shareholder theory is based on the interest of the shareholders which is to achieve and maximize shareholders' values as a goal. Stakeholders' theory is a group that is broader than shareholders' theory.

2.4 EMPIRICAL REVIEW

Empirical review in developing countries Stanciu (2021) sheds more light on the new role of external audit in the light of applying the principles of corporate governance and Basel II. The study's sample includes several Romanian commercial banks of Bucharest.

The researcher concluded that these bank's administrations are responsible for following up and controlling the applications of Basel II when managing risks. The internal auditing mission also includes making an evaluation of the extent of internal organization conformity with the requirement of Basel convention. The researcher concluded that the quality, comprehensiveness, professionalism, and proficiency of external affairs auditing play a statistically significant role in making administration comply with the principles of governance.

Awad (2019) conducted an analytical study that aimed to identify the relationship between the elements of external auditing and the quality of banking services. He also suggested some recommendations, such as; raising the efficiency and effectiveness of the elements of external audit in the banks of Gaza and enhancing their role in controlling the quality of banking services.

He also recommended enforcing an efficient control of the work environment in a way that suits the nature of works and providing internal auditors with powers and authorization. He also recommended achieving excellence in the provided internal services to promote competition between banks.

Moshood, Saad, Asghar and Mohammed (2023) examined the relationship between corporate governance and audit fee in Pakistan. Panel regression analysis was used to analyze the relationship between corporate governance and audit fee of 37 publicly traded firms listed at Karachi Stock Exchange (KSE). Results show that corporate governance, firm size & leverage have a positive relationship with audit fee. Moreover, results also demonstrate that audit firm size is significantly related to audit fee.

Organizational performance level of the Sri Lanka commercial bank. The study also found that the efficiency of the external audit on Sri Lanka commercial bank leads to achieving a high organization performance in the future.

Albarghouthi & Jum'a (2021) aimed to investigate the external auditor's role in managing risks of Jordanian commercial banks. The study's sample included (221) internal auditors that work in Jordanian commercial banks. The researcher distributed the questionnaire forms as a sample to obtain the necessary data. After processing data statistically, it was found that external

auditors perform their roles efficiently in managing the risks of such banks. The researchers recommended binding companies. They also recommended identify and evaluating the risks levels in Jordanian companies in general and banks in particular by the Jordan securities commission.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 INTRODUCTION

This chapter highlights the procedures used in conducting the study. Pertinent issues discussed in this section include the research design, population of the study, sample size and sampling techniques, sources and methods of data collection, instrument of data collection and techniques for data analysis.

3.2 RESEARCH DESIGN

The design of the study is the description of various processes to be undertaken for the successful completion of the work. The research is a descriptive survey research. The design will be used in making decision on the data sourced research instrument sampling, plan and content method. This is to enable the researcher obtains response and draw conclusion on the research problem.

3.3 POPULATION OF THE STUDY

This statistically is the total of all the possible elements observed or outcome to be studied or examined for the purpose of a research work. The total population of the study is 50. In carrying out this research study, population was drawn from professional accountant, auditors and both the senior management & junior level staff and managers of the bank.

However, the population is restricted to Guaranteed Trust Bank, Ilorin.

3.4 SAMPLE SIZE AND SAMPLING TECHNIQUES

The sample size of the research work was correctly selected and minimized as produced valid precisely, the sample randomly selected for this study are the finance, personal and work

department respectively. The reason behind this is that a coverup chosen sample will produced a valid result than too large sample which might lead to disruption of fact.

3.5 SOURCES AND METHOD OF DATA COLLECTION

No work of this nature can be satisfactory accomplished without the employment of one means of the other to get the information vitally necessary to intimately make meaningful whole information, for this research data are gathered into two ways which are the primary and secondary data.

PRIMARY SOURCE

This covers all data collection for the research in their original state very includes interview and questionnaire.

a. Interview: Interview is a set of face to face interactive session between two or more persons namely, the interview of the interviewer of the interviewee on a particular subject. In this case, the interviewer is the researchers while the interview.

b. Structured Interview: This is an interview where the researcher reads out of a set of prepared question and notes the response of the respondents according to available choice of every question.

c. Unstructured Interview: In this researcher does not come to the venue of the interview with prepared set of question. Rather the researcher asks the question as they come to his or her mind as the interview progress.

2. Questionnaire: A questionnaire is a prepared set of written question for the purpose of complication or comparison, it relate to the purposes of study and is usually distributed to the respondents who will have to fill in their response.

The questionnaire must seek answer to the research questions usually roused in chapter one of the study. There are two types of questionnaires. They include

The structured/closed questionnaire: The structured or close, type of questionnaire is one in which the researcher asks a number of questions and provide answers from which the responds to choose from answer already provided answers opportunity to state his/her own opinion or response.

The unstructured/open questionnaire: In the unstructured or open questionnaire no set of answer is provided for the respondent to choose from here the respondent is free to answer the question the way he doesn't fit and okay.

SECONDARY SOURCE

Here, more information or data were collected such as account journal being published every at the end of their financial years. The banks annual reports, magazines, textbooks business brochures and financial estimate of the institution are consulted.

3.6 INSTRUMENTS FOR DATA COLLECTION

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

Questionnaire was designed and administered to the employees of GTB in order to obtain valuable data for analysis, interpretation and appreciation of problems stated in this project. In this set of questionnaire structure question, multiple choice (close-ended) questions were used.

3.7 TECHNIQUES FOR DATA ANALYSIS

The researcher adopted the ratio analysis in evaluating the performance of the bank under study for effective decision making from the annual report and account.

In view to this tend percentage changed was used in the banks name from determining whether or not the competed ratio are high or low and whether they are indicator of good or poor performance by comparing the year result with the current year.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 INTRODUCTION

This chapter summarizes and discusses the findings complied from the responses of the completed and returned questionnaires. The analysis of the data helps the researcher in the interpretation of the information collected and also conveys the result of the findings in a quantitative manner.

The responses of the informants were recorded by the use of the tally method of calculation.

4.2 RESPONDENTS CHARACTERISTICS AND CLASSIFICATION

In the cause of collecting data, the respondents were made up of male and female, managing directors, supervisor, assistance supervisor, accountant, cashier, cleaner arranger with varying ages, marital status and education qualifications. The frequency distributions of source of the characteristics of respondents are as shown in the table below:

Table 1: Frequency Distribution by Sex

Variable	Number of respondents	Percentage
Male	20	40%
Female	30	60%
Total	50	100

Source: Field survey 2025

Table 1 revealed that out of all respondents 40 % are male while 60% are females. This gives an indication that the number of male staff is not up to half of the numbers of female staff in the organizations.

Table 2: Frequency Distribution By Age Status

Variable	Number of respondents	Percentage
20-30 years	20	40
31-40 years	20	40
41-50 years	5	10
50 years and above	5	10
Total	50	100

Source: Field survey 2025

The age range of the work force in Guaranty Trust bank as shown in table 2 reveals that 40% of the workers fall between the age of 20-30years while 40% of workers fall between the age of 31-40years, 10% of the workers are in age range of 41-50years and 10% falls between 50 years and above.

Table 3: Frequency Distribution By Marital Status

Variable	Number of respondents	Percentage
Single	20	40
Married	10	20
Divorced	10	20
Widow/widower	10	20
Total	50	100

Source: Field survey 2025

Table 3, reveals the marital status distribution of the respondents 40% as single, 20% as married while widow/widower and divorced s 20 % respectively.

Table 4: Frequency Distribution by Education Qualification

Variable	Number of respondents	Percentage
Secondary school cert	40	80
OND Cert	5	10
HND cert	3	6
B.sc Cert	2	4
Total	50	100

Source: Field survey 2025

From table 4 above, it is clearly shown that 80% of work force are OND graduate, 10% have secondary certificate, 6.25% are HND graduate and 4% are University graduate.

4.4 PRESENTATION AND ANALYSIS OF DATA

TABLE 4.4.1: TO WHAT EXTENT DOES EXTERNAL AUDITING AFFECT THE BANKING INDUSTRY?

CHOICE	NO OF RESPONDENTS	PERCENTAGE (%)
High	20	40
Low	10	20

Very high	10	20
Very low	10	20
TOTAL	50	100

Source: Researcher's Survey, 2025

From the table above, 20 respondents representing 40% of the total respondents agreed that external auditing affect the banking industry, 10 respondents representing 20% also agreed to the question. 10 respondent representing 20% agree to very high and very low.

TABLE 4.4.2: TO WHAT EXTENT EXTERNAL AUDITING INFLUENCE THE BANKING INDUSTRY

CHOICE	NO. OF RESPONDENTS	PERCENTAGE (%)
Strongly Agree	10	20
Agree	10	20
Strongly Disagree	15	30
Disagree	15	30
TOTAL	50	100

Source: Researcher's Survey, 2025

From the table above, 10 respondents representing 20% of the total respondents strongly agreed that external auditing influence the banking industry, 10 respondents representing 20% also agreed to the question. 15 respondents representing 30% of the total respondents Strongly Disagreed and Disagreed that external auditing influence the banking industry. The researcher therefore believes that external auditing influence the banking industry.

TABLE 4.4.3: TO WHAT EXTENT DOES EXTERNAL AUDITING HAVE IMPACT ON PERFORMANCE OF BANK PRODUCTIVITY?

CHOICE	NO. OF RESPONDENTS	PERCENTAGE (%)
Strongly Agree	15	30
Agree	15	30
Strongly Disagree	10	20
Disagree	10	20
TOTAL	50	100

Source: Researcher's Survey, 2025

From the table above, 15 respondents representing 30% of the total respondents strongly agreed that external auditing have impact on performance of bank productivity, 15 respondents representing 30% also agreed to the question. 10 respondents representing 20% of the total respondents Strongly Disagreed while 10 respondents representing 20% also Disagreed that external auditing have impact on performance of bank productivity.

TABLE 4.4.5: ARE THERE RELATIONSHIP BETWEEN EXTERNAL AUDITING AND BANK INDUSTRY?

CHOICE	NO OF RESPONDENTS	PERCENTAGE (%)
Strongly Agree	30	60
Agree	20	40
Strongly Disagree	00	00.0
Disagree	00	00.0
TOTAL	50	100

Source: Researcher's Survey, 2025

From the table above, 30 respondents representing 60% of the total respondents strongly agreed that there is relationship between external auditing and bank industry, 20 respondents

representing 40% also agreed to the question. No respondent Disagreed to the posed question and No respondent strongly disagreed that there relationship between external auditing and bank industry.

TABLE 4.4.5: TO WHAT EXTENT DOES EXTERNAL AUDITING HAD ANY IMPACT ON THE BANK’S GOAL AND OBJECTIVES?

CHOICE	NO. OF RESPONDENTS	PERCENTAGE (%)
Strongly Agree	5	10
Agree	30	60
Strongly Disagree	5	10
Disagree	10	20
TOTAL	50	100

Source: Researcher’s Survey, 2025

From the table above, 5 respondents representing 10% of the total respondents strongly agreed that external auditing had any impact on the bank’s goal and objectives, 30 respondents representing 60% also agreed to the question. 5 respondents representing 10% of the total respondents Strongly Disagreed while 10 respondents representing 20% also Disagreed that external auditing had any impact on the bank’s goal and objectives. The researcher therefore believes that external auditing had any impact on the bank’s goal and objectives.

4.4 TESTS OF HYPOTHESIS

The hypothesis developed will be tested in the section of the chapter. A brief summary will also be made of the result of the test of each hypothesis.

Ho: The main functions performs by external auditors not control fraud.

The above hypothesis will be tasted by using sample method. The percentages of the respondents are tabulated below:

Table 5: The Respondent Tested on function performed by external Auditor

Response	Number	Percentage
Strongly agree	10	31
Agree	22	69
Partial agree	Nil	0
Disagree	Nil	0

Source: Field survey 2025

From the table above, it can be seen that all the respondent strongly agree that one of the function performed by the external auditor is to control fraud.

Ho: Regular external auditing procedure cannot and reduce fraud in the banking financial statement.

The hypothesis can be tested by using researcher questionnaire distribute method for the above hypothesis

Table 6: The Respondent Tested on Reason for conducting external auditing

Response	Rank	F	Fx
Strongly agree	9	5	45
Partial agree	3	2	6
Disagree	1	3	3
Total	13	10	54

Source: Field survey 2025

If $n = 13$

$$\sum fx = 54$$

$$\text{Sample mean} = \frac{\sum fx}{n} = \frac{54}{13}$$

$$\sum fx = 54/13 = 4.2$$

4.5 SUMMARY OF FINDINGS

In this chapter, data collected using the instrument of data collection were presented and analyzed. The data such presented were based on the responses from the respondents through the use of carefully administered questionnaires which was completed and returned to the researcher.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 SUMMARY

The external auditing is an important tool to put into proper accounting, the internal control system of the bank, the study it enable for detecting areas for defalcation fraud and manipulation in the accoui4ting system of the organization. This is also an important tool in analyzing ways by which the statutory auditing is carried out to investigate fraud and detection of error in the final account of the organization.

The project work also state and explain the procedure and types of auditing, objectives of auditing. Types of audit in the following are internal auditing, external auditing include completeness, existences, cut-off, valuation and accuracy. The procedure for auditing is the vouching and verification of account.

5.2 CONCLUSION

Conclusively, when there is constant external or statutory auditing the prospective investor who are wishing their fraud in the bank will have no doubt that they are investing in a liable and the bank where fraudulent activities is not practice.

Also, with the auditor report attached to the annual report the shareholders, creditors and the customers who are the third parties will known that the bank will be able to meet the interest payment and the principal on the due date. It recommended that the auditor duly should be well stated in the letter of engagement and the major scope of responsibility should be stated.

It should be recommended that there should be good organization and well qualified internal control staff of the organization.

The auditor should also be categorized its duties in the management letter.

5.3 RECOMMENDATIONS

The following recommendations are made after a conclusion study and research work;

- a. It is recommended that the auditor's report should be attached to the annual reports for the digestion of the shareholders, creditors and public.
- b. It is recommended that regular statutory audit work should be carried out in **the** banking industry.
- c. It is also recommended that the internal control staff should be a qualified one.
- d. It is recommended that auditor's duty should be well-stated in their letter of engagement. It is also recommended that unannounced random supervision of staff should be carried out by the bank supervision.
- e. Finally, it should be noted that the management should motivate their staff by sending them for training to enhance effectiveness & efficiency in their duties.

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