MANAGING AUDIT RISK IN AUDITING
(A CASE STUDY OF BALOGUN, BADEJO & CO : CHARTERED ACCOUNTANTS)

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JUNE 2003

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A project submitted to the Faculty of Social and Management Sciences in partial fulfilment of the requirements for the award of the degree of B.Sc. (Hons) Accounting of Adekunle Ajasin University Akungba - Akoko Ondo State.

June 2003.

CERTIFICATION

This is to certify that this project was carried out by AFENI OLUWAFEMI of the Faculty of Social and Management Sciences under my Supervision.

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P. O . YABUGBE BSc. FCA
Supervisor

18/12/03
....
Date

DEDICATION

THis project work is dedicated to the Almighty God for his blessings, mercies, Love and protection over me throughout the duration of the course despite the road hazard on which I travelled every now and then.

More so, to my dearest wife Mrs Duduyemi Afeni and the children for their care, under standing, endurance and moral support throughout the course of my study.

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The writting of this project has been hitch free due to the kindness and adequate assistance of God Almighty the author and finisher of our faith and some others to whom I'm highly indebted.

First among the long list is my able project supervisor Mr. P. O. Yabugbe. whose guidance and supervisory skills crowned my efforts with success.

ABSRACT

The need for research is based on the growing demand on the work of the Auditor in deciding for investment activity, stewardship, accountability and management appraisal. These factors underscore the need to uphold the standard of audit work.

In rercent years, the failures experienced in the banking industry has been partly blamed on the Directors and much more on the Audtors. In the light of this, there is need to give attention and proffer solutions to various professional risks that the auditors face as they strive to create value in the process of corporate governance.

This research will enable us to find means of overcoming the problem of Audit risk and yet attaining the required standard of an audit. Some of the questions which this research will aim to answer are: What is the purpose of an audit? what correlation has this with the conceived belief of shareholders and the general public?. What is risk and how does this risk affect the professional view given by the Aiditor? How best can auditors manage risk? At the conclusion of the study, it is recommended that audit risk can be minimised if the following steps are taken by audit firms:-

a. Taking out indemnity insurance

b. Staff training

c. Assessment of professional risk before any engagement

d. latter of engagement sholud spell out specifically the tasks to be carried out.

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INTRODUCTION

1.1 GENERAL INTRODUCTION

In the last two decades, there has been dramatic rise in the number of corporate failure particular in the financial sector worldwide. These failure have understandably elicited reactions from the public for three reasons: one, they caused several pervasive economic dislocations. Two, the compensations being paid by insurance programme (Deposit insurance Scheme) put in place by the government can not adequately cushion the effects of the losses, thirdly, and more importantly, these corporate insolvencies were said to have occurred soon after unqualified reports were issued to the affected entities by external auditors. To many of these affected investors, corporate failure is the same as audit failure.

St. Pierre, and Anderson (1984) reveal that in switzerland, auditors were fined US $250, 000 in a case decided by the Swiss supreme court in 1975, while many other cases decided out of court ran up to more than five the amounts paid out in that case. Berschinger (1995) reports that in new south wales the court of appeal in AWA.Vs. Daniels and others (formerly practising as Deloitte Haskins and sells did not only find the auditor quailty of professional negligence but also found the directors quailty of contributory negligence. ACCA (1998) reported that KPMG is faceing a E8.5m law suit from the law society, the society claims KPMG was negligent in its role as reporting accountant for Dunford Ford, a firm of solicitors which folded up in 1992 owing its clients millions of pounds sterling. All these are just to mention a few.

While there has not been any celebrated case of auditors negligence in Nigeria, the sheer enormity of the associated claims abroad does not have the potential of reducing attractiveness of a career in auditing, this calls for serious concern among accounting practitioners worldwide, Thus, in view of the disproportionate nature of damages awarded for the alleged faults, there is urgent need for auditors to reappraise their modus operandi by exercising reasonable care and protecting themselves from unforeseen litigation and possible high settlement bills (Tinker, 1998).

In the light of the above, the thrust of this study is to draw attention and proffer solution to the various professional risks that the auditors faces as they strive to create value in the process of corporate governance.

1.2 BACKGROUND TO THE STUDY

The basic objective of an audit of financial statement is to enable the auditor express an opinion whether the financial statement are prepared in all material respects in accordance with all identified financial reporting frameworks.

In other words, the auditor is required to examine the financial books of the company and establish that they confirm to the General Accepted Accounting principles (GAAP), presents a true and fair view of the firm's, position and ensure that financial statement are not only free of material mismanagements, but also confirm to statutory regulations. Such attestation helps to give credibility to the financial statement prepared by Directors and presented to shareholders as evidence of their stewardship.

Stewardship accounting presupposes a situation where resource owners (shareholders) commit their resources to professionals on their behalf, after which they are expected to make report to the resource owners,. These reports are the financial statements prepared by the Directors. In other to give credence to its authenticity and affirm that the report is a true and fair view of the position of the organisation, the auditor carries out and audit.

However, it should be noted that the auditor is not responsible for the preparation of the report, but only to give his professional view, also the report of the Auditor can not or should not be seen to be a bases for guarantee of continuity of existence or the detection of fraud.

Balogun Badeyo & Co is a firm of Chartered Accountants founded in 1969 with its headquarters at 199 Ikorodu Road, Lagos. This firm is purely an Auditing/Accounting Firm, also providing services in Tax, personnel Consultancy, Training etc. It has client in industry, petroleum, Banking, Commercial industries etc., it has branches in Abuja, Abeokuta, Akure, Ibadan, Benin and Ilorin. In terms of staff strength, it has 197 employees in its employment.

The firm was founded by Sir balogun and Chief Adeboye O. Badejo both past presidents of the Institute of Chartered Accountants of Nigeria (ICAN). This study will examine how balogun, Badejo and Co have coped with the issue of audit risk which is a phenomenon affecting audit practise today. It is hoped that the findings may provide the necessary guide to make appropriate recommendations.

1.3 STATEMENT OF PROBLEM

Audit techniques are constantly changing to cope with the increasing business. The hallmarks or the techniques are the determination of materiality levels, risk assessments, random tests of internal control measures, assumption of the going concern concept, acceptance and reliance on information from the management in respect of solicited and unsolicited enquiries or in respect of information from far-flung branches that could not be visited. This reliance which is provided for in CAMD 1990 section 360(2) conforms with the internationally accepted practice.

Since, all financial transactions are not examined, there is remote possibility that auditors may inadvertently issue unqualified reports when infact the financial statement are materially misleading i.e. do not give a true and fair view. In other words, the auditor may give inappropriate audit opinion when the financial statement are materially misstated. This is the crux of audit risk which could result in financial losses.

1.4 OBJECTIVES OF THE STUDY

This research is set out to achieve the following objectives:

- To draw attention to the various variables which mislead the auditor to give a wrong opinion.
- To also provide solutions to this problems which will in turn ease the auditor's liability.
- To highlight the real duty of the auditor vis-a-vis his engagement.
- To advance means of evaluating audit engagement risk with a view to limiting it.

1.5 SIGNIFICANCE OF THE STUDY

In recent times, the spate of litigation woldwide has assumed crises proportion. For instance, out of the 129 cases brought against accounting firms in the USA in 1960s and 1970, 85 arose from Audit engagements. This fact makes it expedient that ways should be found out to reduce audit risks. That is the objective of this study.

1.6 RESEARCH QUESTIONS

During the course of this research the following questions will be addressed:

- What are the variables which when combined together constitute risk to the auditor in his audit work?
- What are the provisions of law regarding auditors liability?
- What does the auditor do to limit or eliminate audit risk?
- Given the possibility of Audit risk, what does the auditor do to minimise the effect?
- What is the auditor supposed to do in the discharge of his engagement?

1.7 STATEMENT OF HYPOTHESES

To achieve the aim of this study, the following hypotheses are formulated and will be tested:

HYPOTHESES ONE:

HO: There is significant relationship between the audit opinion given by the auditor and the audit risk encountered by him.

HI: There is significant relationship between the audit opinion given by the auditor and the risk encountered by him.

HYPOTHESIS TWO

HO: That the audited account is not only to show a true and fair view but also as a basis for the commitment of resources by intending investors.

HI: That the audited accounted is to show the true and fair view of the financial position of the company and it is to be as a basis for commitment of resources by intending investors.

HYPOTHESIS THREE

HO: That the auditor's risk cannot be limited by the adoptation of some basis rudimentary principles.

HI: That the auditor's risk can be limited by adoptation of some basis rudimentary principles.

1.8 SCOPE AND LIMITATIONS OF THE STUDY

This research work will consider:

- The formalities which Balogun, Badejo & Co undertakes to ease risk of any engagement.
- The basic procedures put in place to maintain a high standard of audit work by Balogun, Badejo & Co (BBC).

The means of gathering information vis-a-vis response to questionnaires is limited and therefore this inquiry may not exhurst all that the researcher has set out to achieve . Another limiting factor was the degree of cooperation received from all contacts. Information is generally difficult to extract from people in Nigeria, where bureaucracy and regulations are the order of the day.

In cognisance of the afford-mentioned constraints the research work was carried out within the limited time available,in the most economical way, and on the basis of available data. It needs to be pointed out however, that the quality of the work was in no way sacrificed.

1.9 DEFINITION OF TERMS

(a) AUDIT TECHNIQUES: These are the method likely to be employed by the auditor in collecting information on which he is going to base his opinion of the financial statements under review.

(b) COMPANIES AND ALLIED MATTERS DECREE 1990:

Is the relevant company act regulating the existence and operation of companies in Nigeria. This act covers most organisations which the auditor audits.

(c) FINANCIAL STATEMENT:

Usually, every company prepares reports for the owners of the company. This report is the financial statement which highlights the operations of the company during the period under review.

(d) GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)

Are principles prescribed by the International Federation of Accounting Commission which is a guide for the preparation of most financial statements in broadly all sectors of the economy.

(e) TRUE AND FAIR VIEW

This is a concept in auditing which an auditor is expected to give provided "all things being equal". It connotes that the financial statements present the true position of the organisation audited.

(f) UNQUALIFIED REPORTS

This is the final product of the audit work. This report by the auditor gives the client's financial statement a "bill of good health", that is, the financial statement shows a fair and true view.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 VIEWS OF G. K. C.N. OJUKWU

According to Ojukwu (1975) actions taken against auditors for damages arising from breach of duty have received a great deal of publicity in recent times. In particular, in the United States, a great number of suits have been filed in recent years and claims for many millions of dollars are at present outstanding against accountants.

In view of this, under Nigeria law, Civil proceedings for the recovery of damages may be taken against an auditor under section 306 of the companies and Allied Matters Act 1990 and on winding up a liquidator may in certain circumstances recover damages from an auditor under the terms of section 307 of the same Act.

However, an auditor's liability for damages normally arises under the common law when he has been negligent in the performance of his duties. Given this situation, the risk which is open to be claimed as damages could be quite enormous to the Auditor and consequently to the Audit profession.

As s result of this, it is believed that to stem off this tide of event, the auditor should agree the terms of his engagement and should be noted on his contract agreements. Also the Auditor should exercise all skill and standard of care necessary to fulfill his audit work.

2.2 VIEWS OF PROFESSOR FERBES SELWIN

Selwin(1995) contends that professional liability has become a fact of life. In the profession there has always been the risk of claim arising from an allegation that services rendered have not been performed in a proper manner. In recent times, with the worldwide growth in the movement of consumer protection, there has been a marked increase in the number of cases where professional people find themselves being sued. The Accountant, no matter where he practiced, has not escaped from this trend, and because of the nature of the services that he renders, is probably in a worse position than his colleagues in many other professions.

Perhaps, the worse problem open to the auditor is the changing nature of accounting firms in the real world. In recent times there has been tremendous growth in the size of accounting firms and also a considerable extension in the services they offer.

There are a number of very large firms, nearly all of them having international associations. Some of these firms practice under their international names, while other use their local names and state their international affiliation on their stationary, staff advertisements etc. In view of this, these firms (large firms) have enlarged the scope of their business, expanding into non auditing lines i.e.

- Tax Consulting
- Management advisory service
- Computer advisory service
- Estate planning

- Trustee and executorship.
- Staff recruitment
- Small business development etc.

However, the problem is that these firms compete with other local companies or organisations, which do not have an organised regulatory body or rules hence, these firms can cut corners for economic reasons thereby compromising the ethics of the professions.

Furthermore, there are factors which are putting auditors under greater pressure, and thereby increasing their exposure to litigation. With recent growth in the size and the complexity of the activities of clients, the auditor is left with the prospect of checking controls instituted by the management of the organization. Unfortunately, given the level of transportation, this check may not reveal the true position of things. To worsen the situation, the short time needed to round off the accounts as demanded by the directors may be grossly too short to do a thorough job. This brings to the fore the need for judgement and considerable skill in planning.

Also, the availability of good staff is a problem which could get worse. This is so because in the economy it is noticeable that industrial and commercial companies attract accounting staff with better welfare package than the audit firms. Given this position, it may not be possible to maintain highly skilled auditors necessary to execute the audit engagements.

The possible solutions to the auditors risk to liability is the fact that the auditors liability should be limited by law, thereby ensuring that given a situation as the need arises the auditor will be able to pay for same, furthermore, the auditor should take out an indemnity insurance cover which will cover any liability he may incur as a result of negligence and dishonesty in the conduct of his practice.

2.3 VIEWS OF RODGER HUGHES

Hughes (2000) says that, these are interesting times to be an auditor. Our profession's standing has been under attack since the recession of the 1980s, with backwash from a series of spectacular company crashes. Accusation of low building and cross subsidization have also threatened our reputation. More recently the office of fair trading's review of the profession and US Securities and Exchange Commission's comments on auditor's independence have added to the pressure on our profession.

Indeed the very nature of audit is changing and we can't afford to ignore that -client expectations and the demands of surviving as a commercial organisation are pulling the firms in a direction just as regulations seem to be pushing us in another, we are caught in a delicate balancing act, and the quality of auditing is at stake.

And the audior's role is expanding naturally. Public demand is persuading companies to become more transparent, and the internet is encouraging wider circulation of information. The trends is towards producing more and more information all of it requiring independent rectification. In view of this, to facilitate the continued existence and professioncy of the profession the regulators as well as the client needs will have to be geared towards the same direction for effectiveness.

2.4 VIEWS OF CHRIS SWINSON

Swinson (2000) says that , the past few months/years have been especially fascinating. There was never a time when auditors independence and objectivity were not important, but they seem particularly so now.

In particular the suggestions that the demand for audit was not growing, that auditing had become a highly defined and standardised activity, and that competition between suppliers of audit seems to be based more on what the audits cost than on their quality.

Also auditing operations (when looked at in isolation) tended not to be as profitable to firms as other activities even when the cost of legal liability were not taken into account. Also, there has been moves to reform the auditor's services often associated with terms such as "Audit Plus" and "positive Audit".

As a result of the foregoing, the need for auditors independence can not be over emphasized as demand by capital market are demanding not new style audits but old style and its rectitude in new (or perhaps, not so new) circumstances.

On this ground an auditor's function has a clear economic value and offers very considerable influence to auditing firms. Given the changing circumstances it is reasonable to assure that the fundamental basis of auditing is changing and will invariably maintain and meet the demand of the changing times.

2.5 VIEWS OF DIANA R. HILLIER

HILLIER(2000) states that . The International Federation of Accountants (IFAC), Internal Auditing Committee (IAPC) has recently released and updated internal standard on Auditing (ISA) going concern. It deals with the audito's responsibility in the audit of financial statements with respect to the going concern assumption used in the preparation of the financial statement.

The new ISA recommends that, in planning the audit, the auditor should consider whether ther are events or conditions which may cost significant doubt on the entity's ability to continue as a going concern if so, the Auditor takes them into account when making preliminary assessments of the components of audit risk and planning audit procedures. The auditor also remains alert throughout the audit for such events and contions.

As noted above, management's assessment is important and the auditor evaluates management's assessment by considering the process management followed, the assumptions made and management's plan for future actions. The Auditor also should consider whether management has taken into account all relevant information that the auditor has identified as a result of his or her audit procedures. As a result of the above the auditor reviews management's plan for future actions, seeks written representation from them and gather evidence to confirm or dispel whether or not a material uncertainty exists.

2.6 VIEWS OF DR. FRANCIS OJAIDE

Ojaide (2000) states that practising firms render a variety of professional services ranging from Audit engagements to taxation, Secretarial and Consultancy Services. No matter the kind of professional services being rendered by practising firms, there is an element of engagement risk. This is becoming increasing prevalent because of the highly competitive and vulnerable nature of our environment that necessitates the craze and intensive struggle for clients whether good or bad. Professional services rendered to "bad" clients often entails a very high degree of engagement risk.

He further contends that, most clients like to be identified with big firms as their auditors. They do so because of the public image they tend to derive from such an identification. Similarly, the investing public or users of financial information often feel comfortable where a professional or a big firm lay credence to the financial statements of a client by expressing opinion on such financial statements. In any event where investors or users of financial information later realise that they relied on financial statement subject to material errors or frauds the first victim of challenge is the auditors. This is because the public more often than not, considers the auditor to have the "magic ward" to detect anything, whether errors or frauds.

Practising firms should assess engagement risk whether or not, it is a new engagement or existing engagement to enable them to decide the acceptance of the engagement or otherwise. The assessment of an engagement is very important aspect in any audit engagement process because it forms the basis for taking the decision of whether to accept an engagement or not; and if accepted, the approach to adopt is planning an effective and efficient audit.

Also, if practising firms are succeeding other auditors, appropriate steps should be taken to inquire into client's reasons for the proposed change in auditors and communicate with the former auditors whether they have any reason why the engagement should not be accepted.

In conclusion, it is advisable for practising firms to carry out the process of early identification of engagement risks to enable them to mitigate the specific, identified risk. By so doing, practising firms will be able to minimise risks and maximise growth. Their work should be performed to comply with the Institute of Chartered Accountants of Nigeria's professional standard as well as the nation's other statutory requirement- to demonstrate competence, proficiency and professionalism in this era of emerging risks and litigations.

2.7 VIEWS OF JOHN GATH

According to Gath (1995) Audit Risk and risk management have in recent year become central subjects for Danish audit profession and for auditors all over the world. Audit risks have lately been of special interest in Denmark as the result of the sudden winding - up of a large Danish computer firm and the unexpected financial difficulties of a large Danish bank.

Increasing internationalization of enterprises and the greatly increased activity on the stock exchange all over the world not last in Copenhagen, have helped to focus public interest on the possible liability of the auditor. This is especially so in connection with stock exchange reports, new capital issues by listed companies and the financial difficulties of large, enterprises.

The rules governing the auditor's correct way of auditing are laid down in the legal standard called "good auditing practice". During the introduction to Danish Supreme Court judgement pronounced in 1978 it was stated that "for an auditor to be held liable in damages it is a requirement that he has acted contrary to good auditing practise in the performance of his work"

It is not conclusive that the auditor will have to pay damages even if the audit was not carried out in accordance with good auditing practice, for the auditor to be liable in damage according to Danish Law further conditions must be satisfied. Liability for damages as opposed to criminal liability requires that all the following four points have been satisfied:

- The client or third party have suffered a loss.
- The auditor has committed an error or neglected his duties.
- The auditor's error or breach of duty has caused the loss.
- The client or third party himself has not shown negligency or been in bad faith with regard to the auditor's error or errors.

According to him, some of the risk area open to the audit work are:-

- General Accounting and Auditing standard - that is auditors, clients and users of accounts normally regard the application of accounting and auditing standards as important. However, the use of such standards may present certain risk to the auditor. A good example is where a company is quoted on official stock exchange in several different countries. Accounting principles and disclosures used by such a company should ideally be in compliance with the legislation, stock exchange requirements, and standards of the various countries concerned.

This may present a considerable problem as accounting traditions and accounting rules often vary from one country to another.- Inexpedient Advice - The increasing number of new laws and the speed at which they are issued also increase the risk of inexpedient advice being given by the auditor. Heavy demands are therefore made on the auditor today to keep up to date, and he needs to receive the necessary supplementary training.

However, to minimise risk - the auditors's liability has to be controlled, and he should take any necessary steps to minimise the risks to which he is exposed. The word quality is the answer as to how the auditor can minimise his exposure to risk.

Also, Audit firms should become more internationalised to enable them to serve their client's needs better and to ensure that the audit firms themselves are at the forefront of international developments of auditing and accounting.

Furthermore, the audit firms should be suitably organised with a sufficient number of staff functions. In a few years' time we will no doubt see staff functions in Audit firms which do not exit at present. Such staff functions might involve experts in insurance company auditing, bank auditing, auditing oil companies, companies in liquidation or receivership, there are innumerable possibilities.

The organisation of special functions within the audit firms should not result in the individual practising auditor omitting to update his knowledge in all of the basic auditing fields. It is normal for practicing auditor to have knowledge of taxation rules as well as of auditing, accounting, EDP and other subjects. It is considered extremely important that auditors through out the world should ensure that they maintain at least some insight in all of these basic fields despite the increasing use of specialised functions. Only in this way will the overall advisory assistance of the auditor be of a sufficiently high standard.

2.8 VIEWS OF DR. K. KRUISBRINK

Kruisbrink (1995) proffers solutions to the likely future problem of audit vis - a vis EDP. In his opinion, IFAC auditing No 15 (auditing in an EDP environment) states that (quote) when auditing an EDP environment the auditor should have an understanding of computer hardware, software and processing systems sufficient to plan the engagement and to understand how EDP affects the study and evaluation of internal controls and application of auditing procedures including computer assisted audit techniques (unquote)

In the next few years, training and quality control methods will have to be directed above all at EDP auditing. The level of know - how and experience of all auditors will have to be raised, while a group of specialised auditors able to assist the audit team if required will continue to be necessary. On the other hand, the auditor will have to show that he carried out his audit work in the EDP environment with such know-how and care as may be expected.

As far as the risk generated by expanding the range of services are concerned, (both in the attest and advisory functions), there is no doubt that restriction of risk is achieved by being selective in the acceptance of engagements and that this is the case in more than one respect:-

In cases of audits of annual accounts and possible acceptance of engagements, careful scrutiny of the financial position of client, any disputes with the previous auditor relative application of accounting principles (opinion shopping)

- Incases of special attest engagements watch out for work being accepted which could cause greater confidence to be generated by the auditor than would be justified by virtue of the work to be carried out (e.g. regarding future orientated information).

- Exercise reticence with all other engagements, certainly when they are carried out under the name of the auditing firm, though which damage could be caused as the attest function on account of possible loss of identity as auditor and possible erosion of independence. This adversely affects the expectation gap.

2.9 VIEWS OF D.Y BARIYIMA AND A.U. NDUKWE

In the views of BARIYIMA and NDUKWE (1999), the independent auditor has a duty of reporting to the share holders and other users of financial statements that the accounts examined by them show a true and true and fair view of the transaction of the organisation for a given period. Accordingly, owners and other users must rely heavily on financial statements and reports of auditors to learn about the company's performance.

There is in Nigeria today, as well as some other parts of the world, strong and growing public disenchantment that the quality of audits conducted is very poor. Largely however, such opinions have not been empirically tested. Auditors are being accused of undertaking substandard investigations and examinations of accounts of stewardship as presented by business managers especially in the wake of the notorious distresses witnessed in the financial institutions and other collapsed companies whose accounts were been attested to by the auditors as showing a true and fair view of business activities even up to their dates of liquidation.

The publics' annoyance is furthers ignited by what they consider huge expenses incurred on auditors as services charge only to produce unreliable reports. These lines of thought portend great danger to the accountancy profession if not properly dispelled to allay the fears of financial statement users about relying on auditor's attestations and opinions.

In view of this, to maintain audit quality, the Consultative Committee of Accountancy Bodies (CCAB) had stated that standards are not meant to make life more difficult for the conscientious auditor, rather they improve the quality of his work by ensuring that in all situation the audit report is a reflection of the best possible outcome of the prevailing situation. This opinion was made in reaction to the criticisms of some persons who citing the primacy of the auditor's judgement, stated that the issued standards are just exercise in sematics and the standardisation of 'phraseology'.

Therefore, to uphold the standard the various provisions of the companies and allied matters decree 1990, the Securities and Exchange Commission Act, the Corrupt Practices Act, and the guidelines as contained in both the Nigerian Auditing Standards and Guidelines as well as the International Auditing Guidelines of the International Federation Accountants (IFAC) are some of the legal and statutory measures in existence to ensure high audit quality. The various laws coupled with the numerous guidelines of the Institute of Chartered Accountants of Nigerian (ICAN) as well as the various private measures taken by individual accounting firms form the basis upon which audits in Nigeria are conducted.

They summarised that:

- There is need to continually improve the image of the accountant and educated the public on what the accountants duties, entail. This they could do by organising public forum through the various public awareness avenues.
- Public accountants should strive to adhere to the professional ethics of justice, truth and equity. The diversification of their

client base through provision of decision enhancing reports so as to be spared the dilemma of having to choose between compromising independence and losing of a substantial portion of their gross fees would go a long way to absolve them of public criticisms.

- The current format for the presentation of audited financial statement should be expanded to accommodate more information, making public key recommendations made by the auditor (which are not sometimes implemented by the company), would assist in dispelling the adverse criticisms by members of the public.

2.10. RESEARCH BY SAM C. EKWUEME

EKWUEME, (2000) in his research work emphasized on expectation gap as proponents to the audit risk. Audit expectation gap, is the gap between the role of an auditor as perceived by the auditor and the expectations of user of financial statement. The users of financial statements include investors, lenders, employees, suppliers, other trade creditors, customers, bank, government, the general public, etc. Most times, the gap arose from the changing nature and increasing comlexities of the business environment. Auditing, throughout its history to relatively recent times, had a consistent objective of protecting the owners from fraud and error.

Whenever the resources of one group are entrusted to another, some sort of check on the use of those resources is necessary. As a result, auditing in the nineteenth and early twentieth century concerned itself principally with the detection of fraud and errors.

The objectives of an audit during the early period were;-

- The detection of fraud.
- The detection of technical errors.
- The detection of errors of principles.

However, as business grew in complexity, the cost involved in checking all transactions exceeded the benefits to be derived from such monitoring. Hence from the second half of the twentieth century, the direction of audit work moved away from fraud detection towards the new goal of determining whether financial statements gave a fair picture of financial position, operating results, and changes in finanacial positions.

A review of the survey conducted worldwide revealed the following on users expectations;

- Going Concern-users of financial statements believe that auditors should comment on the going concern assumption in the financial statements.
- Fraud and illegal costs: users expect an unqualified opinion to assure them that no fraud, i.e illegal acts, have taken place.
- Warning of impending collapse: users expect an unqualified opinion as guarantee that a business will not fail sat least in the short run.
- Accuracy: users expect finanacial statement to be accurate.
- Management performance: many users would like to see the auditor express an opinion on both the performances of the company and management.

- Independence: users demand that the auditor remain independent and objective of management.

There has been a remarkable consistency in the expectations of users in all of the surveys. They have stood firm in the belief that the auditor should have a grater role in reducing the uncertainty associated with financial statements.

In his view the response of the professional institutes was aimed at finding lasting solutions to these problems. In Canada, Ireland, Scotland and England, various researches were commissioned on how to tackle the problems. The Canadian Institute of Chartered Accountants set up the Macdonald Commission (1988); the Ryan Commission was formed by the Institute of Chartered Accountants in Ireland (1992) and the many others were issued.

The main conclusion of most of these bodies was that user's perceptions of the audit were flawed. They recommended the education of users of financial statements to correct the observed flaw in their perception of what the purpose of an audit is, the most notable recommendation was the Ryan Commission, which is on expanded audit report and the Directors' responsibility statement.

It was hoped that this would narrow the expection gap concerning detection of fraud and accuracy of financial statements by informing users that it is the directors of the company who is are responsible for preventing and detecting fraud and other irregularities and also that financial statements contain estimates and judgements.

The summary of these tests points out that the success of the profession depends on how it is viewed by the public. Some actions have been taken in response to the expectation gap, but the question is , how far has it resulted in narrowing the gap? The general opinion here in Nigeria is that this has not been achieved. Hence, the profession must be aware of the danger of being complacent. Failure to tackle the expectation gap could further reduce the general confidence in the audit profession and could further reduce the general confidence in the audit profession and could lead to legislative interference, which may be detrimental to the development of the profession.

There is need, therefore, for us and especially the Institute of Chartered Accountants of Nigeria to take measures to re-establish general confidence in audit and the accountancy profession. From the above, the main area of concern is educating users and changing the nature of the audit. In this regard, we need to tap the experience of the US, UK and others.

However, the starting point is for the Institute (ICAN) to commission a research to reconfirm users expectation in Nigeria. This should be followed by conducting a revision of auditing guidelines and setting standards.

On education and communication, the Ryan Commission report should be adopted. It recommends an expanded report and disclosure of Directors' responsibility in every audit report. On changing the audit function, there is need to make the audit process more effective and to issue new standards in the areas of:

- Fraud and illegal acts
- Early warning of financial distress and going concern issues
- Independence, management performance, duty of care etc.

The institute needs to change the current position regarding auditors' liability for the detection of fraud and irregularities. This is because the incessant occurrence of large scale management fraud is enough to attract auditors's attention towards that direction.

Thus the above recommendation will enhance the quality and credibility of audited financial report. Credibility of financial statement is highly desirable as it facilitates economic decision. For example, the investor making a decision to buy or sell securities, the banker deciding whether to approve a loan, the government in obtaining revenue from income tax return etc, are better served with a reliable and dependable audited financial report:

2.11 VIEWS OF DAVID HALPEN

HALPEN, (1985) gave point on how to combat the liability of auditors-According to him, measures to reduce liability fall into two principle categories; those taken collectively by the profession as a whole in an attempt to alter the institutional frame work within which accounting firms work (in particular the legal environment), and those taken by individual firms so as to reduce their specific exposure to litigation Between these two, lies the recent moves by groups of accounting firms to set up their own captive insurance companies in order to meet the problem of lack of capacity in the insurance market.

In considering arguments by the accounting profession for particular institutional changes, Government is likely to consider both the effect on the economy as a whole and also the question of whether such changes should apply to other professions e.g. the legal profession and architects. The economic arguments for changes are not overwhelmingly strong. There is no evidence that the profession is declining. Indeed, the rapid expansion of recent years has made it one of the UK's most successful industries.

Also, a change to a basis of awarding damages (as advocated by, among others, the American Institute of Certified Public Accountants) raises a variety of interesting questions in UK Law both as to the role of contributory negligence in contract cases and the appointment between liable parties in actions brought under tort.

These are linked in turn to the view widely held among practising accountants, that the primary responsibility for a company's financial statements lies with the directors of that company and in the first instance any litigation should be directed against those directors. Therefore the primary responsibility does lie with the directors.

Where actions are brought under tort the auditor's might seek appointment with the directors under the aegis of the civil liability (contribution) Act 1978 which provides that any person liable in any damage may recover a contribution from any other person liable for the same damage. It also allows for a contribution claim from another wrong doer where a wrongdoer has made a bonafide settlement with the injured party without necessarily admitting liability (an important provision given the high incidences of out of court settlement).

2.12 VIEWS OF HEARY GUNDERS

GUNDER (1984) states that the accounting profession in the United States today faces challenges on two fronts. A sharp decline in public confidence in the effectiveness of the profession's performance ride in tandem with escalating exposure to civil liability. For the second time in less than ten years, the profession is in the spot light of public scrutiny, charged with failure to discharge its responsibilities as the public sees them. And, increasingly, the public registers its dismay in court action seeking and often obtaining unprecedented monetary settlements.

In late 1985, Price Watehouse published a white paper urging the profession to adapt an integrated three-pint program in response to those dual threats to the profession's viability. Two legs in the tripod-revised auditing standards and more effective self regulations are intended to address the credibility problem and also to reduce the sources of potential litigation. The third leg would deal directly with the litigation crisis through identifying priority options and taking action in those areas.

Therefore, two new auditing standards would be necessary-

- The auditor would be required to review and evaluate the entity's system of management controls including those elements of the system that bear on the company's financial condition as distinguished from its financial position. These procedures would apply to every examination whether or not the auditor intends to rely on the system in developing audit tests.

- The auditor would be required to identify symptoms existing within the company's business environment that, if present, would indicates a higher risk of conditions leading to misstated financial statement. If such symptoms are present, the auditor would be required to consider performing certain substantive audit procedures.

"Management" controls also are termed" administrative controls, 'corporate level" controls or the "control environment". Precise parameters would need to be defined in a definitive auditing standard. In general, management controls include the structures or measures that govern assignments of responsibilities and delegation of authority, definition and communication of corporate polices and procedures, profit - planning and budgeting, compliance and enforcement, and accumulation and dissemination of information.

Evaluation of management controls would improve auditor's understanding of the business and would provide a more direct and efficient route to identification of potential material abbreviations than a possible alternative increase auditor involvement with individual control systems. Improved understanding of the business would lead, in turn, to a higher probability that the auditor would:

- Recognise situations where system weakness creates a higher risk environment so that effort could be directed to finding any potential sources of misleading financial statements.
- Recognise business facing serious financial difficulties. That capability is essential to satisfying public demands for a early warning system.

CHAPTER THREE

3.0 METHODOLOGY

3.1 INTRODUCTION

The term methodology described specifically the procedures for collecting and analysing the data necessary in solving the problem at hand. In view of this, this chapter will cover areas as: population of study, the sample size, the research design, method of data collection, research hypothesis, techniques of data analysis, assumptions underlying the use of statistical technique and lastly, limitations of the research methodology.

3.2 POPULATION STUDY

To fully give a clear solution to the problem of audit risk, the population of the sample data will be collected from 25 Auditors who are experienced in the field of audit for a number of years. The firms in contest are Balogun, Badejo & Co. KPMG, Auditing firm, Tunde Adebajo & Co and many others.

3.3 SAMPLE SIZE

A total of twenty five sets of questionnaires were sent out to the above auditors. The firms are located in Lagos, and were chosen from ICAN's membership handbook. The responses to questionnaires were analysed and interpreted in the next chapter.

3.4 RESEARCH DESIGN

This is an investigation aimed at identifying variables and their relationships to one another. In view of this, the research made use of survey type of research via the use of questionnaires. This questionnaires have two section A and B to which the respondent will be required to tick Yes or No for answer.

3.5 METHOD OF DATA COLLECTION

Data is defined as quantitative information. Both primary and secondary sources of data were used in this study. Primary data mainly comes from direct observation of the event, manipulation of variables and performance of experiments and responses to questionnaires while secondary data emanates from data already processed, analysed and interpreted by some one other than the researcher. It can be generated from journals, textbooks and other related means.

3.6 RESEARCH HYPOTHESES

The following hypotheses formulated for this study are to be verified:

HYPOTHESIS ONE:

HO: There is no significant relationship between the audit opinion given by the auditor and the risk encountered by the him.

HI: There is significant relationship between the audit opinion given by the auditor and the audit risk encountered by the him.

HYPOTHESIS TWO:

HO: That the audited account is not only to show a true and fair view but also as a basis for the commitment of resources by intending investors.

HI: That the audited account is to show the true and fair view of the financial position of the company and it is not to be used as a basis for commitment of resources by intending investors.

HYPOTHESIS THREE:

HO: That the auditor's risk cannot be limited by the adoptation of some basic rudimentary principles.

HI: That the auditor's risk can be limited by the adaptation of some basic rudimentary principles.

3.7 TECHNIQUES OF DATA ANALYSIS

In analysing data obtained from the various questionnaire sorted out, I would use tables, the simple percentage method and the student 'T' test of proportion to analyse same.

In the use of simple percentage; the respondent's responses will be grouped based on the total sample size of reactions received and the , data obtained will be tabulated. After this, the use of student 'T' Test will be used to further analyse the various responses.

The test of proportion will use the formula

$$T = \frac{\bar{P} - P}{\sqrt{\frac{PQ}{N}}}$$

The analysis assumes that 50% of the population will believe the given hypothesis either way i.e population, P = 0.50.

Q = 1- P (i.e - Those respondent that will not believe the given Hypotheses)

N = Sample size

P = Number of respondents with yes divided by sample size

i.e Yes/N

3.8 ASSUMPTIONS UNDERLYING THE USE OF STATISTICAL TECHNIQUE

It is also necessary to state that the level of significance the research is based upon. This is necessary as the researcher cannot say with 100% confidence that a difference is significant. Hence, for the purpose of this study, a significance level of 5% shall be adapted.

CHAPTER FOUR

4.0 DATA PRESENTATION, ANALYSIS & INTERPRETATION

4.1 INTRODUCTION

In this chapter, an attempt shall be made to classify respondents according to sex, age, educational level, marital and positional status. In presenting and analysing the data, tables and simple percentages were used while 't' testing of proportions were used to test the formulated hypothesis.

4.2 RESPONDENTS' CHARACTERISTICS AND CLASSIFICATION

This involves tabulation and analysis of data according to the respondent's sex, marital status, educational qualification, positions held in audit firm, age etc.

TABLE 1

Analysis of questionnaires administered and returned

Position	Number Administered	Number returned	Percentage Returned
Manager	5	3	15%
Audit Senior	8	7	35%
Trainee & Others	12	10	50%
Total	25	20	100%

From the table above, a total of 25 questionnaire are administered and 20 were returned representing 80%, out of 20 questionnaires returned, 15% were manager level, 35% were Audit Senior and level 50% were Trainee and others.

TABLES 2

Analysis based on sex

SEX	RESPONSES	
	NUMBER	PERCENTAGE
MALE	10	50%
FEMALE	10	50%

The table above shows that 50% were male and 50% were female

TABLE 3

MARITAL STATUS	RESPONSES	
	NUMBER	PERCENTAGE
SINGLE	13	65%
MARRIED	7	35%

Table 3 above shows that 65% of the respondents are single while 35% are married

TABLE 4

Analysis on respondents' educational qualification

	RESPONSES	
Qualification	NUMBER	PERCENTAGE
B.Sc/HND	11	55%
ACA/MBA	9	45%
NCE/OND	-	-

Table 4 above shows that 55% of the respondents are B.Sc/HND holders while 45% are ACA/MBA holders and non of the respondents are NCE/OND holders.

TABLES 5

Analysis of years of experience

YEARS	RESPONSES	
	NUMBER	PERCENTAGE
Under 1 year	2	10%
1 - 5 years	10	50%
6-10 years	8	40%
11-15 years	-	-
16-20 years	-	-
21 years and above	-	-

Table 5 above shows that t 10% was under 1 year, 50% were 1-5 years and 40% were 6 -10 years. While none was for 11-15 years, 16-20 years and 21 years and above.

TABLE 6

Analysis of Respondents' Age Range

	RESPONSES	
AGE RANGE	NUMBER	PERCENTAGE
Under 30 years	12	60%
30 - 46 years	7	35%
40 and above	1	5%
Total	20	100%

Table 6 shows that 60% of the respondents were under 30 years of age, 35% were between 30 -40 years and 5% are 40 years and above.

4.3 DATA PRESENTATION AND ANALYSIS

TABLE 7

Question 10: is there significant relationship between the audit opinion given by the auditor and the audit risk?

	RESPONSES	
OPTIONS	NUMBER	PERCENTAGE
YES	19	90%
NO	1	10%
Total	20	100%

Table 7 above shows that 90% of the respondents answered Yes while 10% answered No to the question.

TABLE 8:

Analysis to Question 11

Question 11 can the audited report signed by the audito be used by investor as the bases of commitment of resources?

	RESPONSES	
OPTION	NUMBER	PERCENTAGE
YES	17	85%
NO	3	15%
TOTAL	20	100%

Table 8 shows that 85% of the respondents answered Yes to the question while 15% answered No to the question.

TABLE 9:

Analysis to question 12

Question 12: can the risk open to the auditor be limited?

OPTIONS	RESPONSES	
	NUMBER	PERCENTAGE
YES	19	90%
NO	1	10%
Total	20	100%

Table 9 shows that 90% of the respondents answered Yes while 10% answered No to the question.

4.3 TESTS OF HYPOTHESES

In testing the formulated hypotheses 't' test of proportion shall be used to test hypothesis 1 to 3 while using 5% significant level for a two tail test of hypothesis 1 to 3. It was assumed that 50% of the population or respondents will believe the given hypothesis either way i.e. population proportion, P= 0.50%.

The test statistics are given by:

$$T = \frac{\overline{P} - P}{\sqrt{\frac{Pq}{N}}}$$

Where $\overline{P}$ = Sample proportion (yes/no)

P = Population proportion

q = I - P (i.e those that will not believe the given Hypotheses)

N = Number of returned questionnaires

Decision Rule Reject HO if the calculated 't' value is more than the table value at 0 level of significant for a two tail test.

HYPOTHESES ONE

Question 10: is there significant relationship between the audit opinion given the auditor and the audit risk?

HO: There is no significant relationship between the audit opinion given by auditor and the audit risk encountered by him.

HI: There is significant relationship between the audit opinion given by the auditor and the audit risk encountered by him.

Computation:

$$\text{formula: } t = \frac{\underline{P} - P}{\sqrt{\frac{Pq}{N}}}$$

$\underline{P}$ = YES/N = 19/20 = 0.95

P = 0.5

q = 0.95 - 0.50 = 0.45

N = 20

$$\text{Then } t = \frac{0.95 - 0.50}{\sqrt{\frac{0.5 \times 0.45}{20}}}$$

$$= \frac{0.45}{\sqrt{\frac{0.225}{20}}} = \frac{0.45}{0.1173} = 3.84$$

T calculated = 3.84

T tabulated = 2.09 at 0.5 significance level with 19 degrees of freedom (n-1) i.e 20 - 1 = 19.

DECISION

Since 't' calculated is greater than 't' tabulated (3.84>2.09), HO is rejected and HI is accepted. It follows that there is significant relationship between the audit opinion given by the auditor and the audit risk encountered by him.

HYPOTHESES TWO

Question 11: Can the auditor report signed by the auditor be used by investors as the bases of commitment of resources? (See table 8 above)

- HO: That the audit is not only to show a true and fair view but also as a basis for the commitment of resources by intending investors.
- HI: That the audited account is to show the true and fair view of the financial position of the company and its is not to be used as a basis for commitment of resources by intending invbestors.

Formula: $= \bar{P} - P$

$$t = \frac{\bar{P} - P}{\sqrt{\frac{Pq}{N}}}$$

$\bar{P}$ = YES/N = 17/20 = 0.85

P = 0.5

q = $\bar{P}$ - P = 0.35

N = 20

$$\text{Then} \quad t = \frac{0.85 - 05}{\sqrt{\frac{0.5 \times 0.35}{20}}} = \frac{0.35}{\sqrt{\frac{0.175}{20}}}$$

$$= \frac{0.35}{0.0935}$$

t calculated = 3.74

t tabulated = 2.09 at 0.5 significant level

DECISION:

Since 't' calculated is greater than 't' calculated (3.74 >2.09). HO is rejected and HI is accepted, if follows that the audited account is to show the true and fair view of the financial position of the company and it is not to be used as a basis for commitment of resources by intending investors.

HYPOTHESES THREE

Question 12: Can the risk open to the auditor be limited? (See table 9 above).

HO: That the auditor's risk cannot be limited by the adoptation of some basic rudimentary principles.

HI: That the auditors risk can be limited by the adoptation of some basic rudimentary principle.

Computation:

Formula: $= \dfrac{\overline{P} - P}{\sqrt{\dfrac{Pq}{N}}}$

t

$\overline{P}$ YES/N $= 19/20 = 0.95$

P $= 0.5$

q $= 0.95 - 0.50 = 0.45$

N $= 20$

Then, t $= \dfrac{0.95 - 0.50}{\sqrt{\dfrac{0.5 \times 0.45}{20}}}$

$$\frac{0.45}{\sqrt{\dfrac{0.225}{20}}}$$

$$= \frac{0.45}{0.1173}$$

$$= 3.84$$

't' calculated = 3.84

't' tabulated = 2.09 at 0.5 significant level

DECISION

Since 't' calculated is greater that 't' tabulated (3.84 > 2.09) HO is rejected and HI is accepted. It follows that the auditors risk can be limited by the adoption of some basic rudimentary principles.

CHAPTER FIVE

5.0 SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 SUMMARY:

The first chapter of this study opens up the introduction into the research, it highlights the problem which the auditor is confronted with in the discharge of his audit engagement, also it emphasis on the task of presenting audit reports which show a true and fair view of the company's financial position. In resent time, the auditor has come under criticism as a result of failures in the business organisations which were hither - to presented with a clean bill - of- health. Consequently, the auditor world wide has had to pay enormously for this industrial failures,

Chapter Two focuses on the general problems which has constituted a risk area (both in time past and in the near future) for the auditor. These problems are seen in the following area:-

- The wide expectation gap by the general public on the work of the audior.
- The general use of standards in auditing clients businesses especially where clients businesses are spread over a number of countries where they (countries) have various/different standards in application.
- Integrity of management to prepare a financial statement which shows a true and fair view of the financial position of the organisation.

- Uncertain political and economic environment under which the management operates yet they are expected to generate handsome result. Hence, they are tempted to cut corners in order to prepare window dressed financial statements.

- The problem of limited client base. Given this position, auditors generally would want to enter into any engagement so as to breakeven.

- Quality of audit staff presents itself as an audit risk.

The methodology of this study was considered in chapter three. An attempt was made to discuss the population of the study , sample size, research design, method of data collection, research hypothesis, Techniques of data analysis and assumption underlying the use of statiscal techniques. This chapter was concluded by a reference to the fact that the data shall be obtained through both primary and secondary sources, questionnaires were then designed for administration.

In chapter four, the returned questionnaires were analysed by sex, marital status educational qualifications, years of experience, age ranges etc of respondents. While responses to the research questionnaires were analysed through the use of tables, percentages and 't' test of proportion. Therefrom; it was deduced that audit risk area constitute an influential base on the auditors work and consequently the professional opinnion which he gives in his audit work.

5.2 FINDINGS;

It was found out from the study that:

(i) A great ignorance exist about the main function of the auditor.

(ii) The Auditor worldwide faces a great task even in the new millennium as regards his efforts to provide his service to the society.

(iii) His task is also constrained by some risk areas which can be properly taken care of.

(iv) perhaps more disturbing is the fact that our legal system has not properly taken steps to shield the auditor from liability for which he is liable if found negligent.

(v) Irrespective of the ordeal which the auditor faces in a changing would, that is not to say that the auditor's professional opinion can not be seen to be untrue, it is still representative of the true situation of his client business.

Furthermore, based on the project work on managing Audit Risk in Auditing; it has been found that there is a significant relationship between the audit opinion given by the auditor and the risk which he contends with in his audit work. Also that, the audited account or the report by the auditor is not a basis for the commitment of resources by the investor and finally, given the many risk which the auditor contends with, he can limit his risk to calims by litigants if he carefully take steps as recommended below.

5.3 CONCLUSION

In this thesis, I have tried to consider the rising spate of litigation against the auditor and noted that the reasons lie in the profound ignorance of the statutory duties of the external auditor. Except these duties becomes public knowledge, bulk passing of responsibility for the corporate insolvency will not only continue, societal, chastisement of the auditor will not cease. Beyond this avert for enlightenment there is urgent need for a review of the statures to broaden the scope of auditors' and directors' duties so that the client's needs can be adequately satisfied, otherwise, the very existence of the audit profession will be obliterated. Also Audit firms should have internal mechanism for assessing professional risk before accepting any audit assignments.

5.4 RECOMMENDATIONS:

In the face of the changing world order and given the nature of Audit risks that exist, the following recommendations are made:-

- *Indemnity Insurance:* The Audit Firms should take out an indemnity insurance, which in the event of liability for negligence would reduce thefinancial indebtedness of the firm to such claims.
- *Training of personnel*: It is common knowledge that the personnel are the brain behind the audit work carried out by the auditor, hence, the training and retraining of personnel can not be over emphasised.
- *Assessment of professional risk*: Before an engagement is entered into, the auditor should properly analyse the risk involved. This will enable the auditor to reduce his openness to financial loss.
- *Management or Domestic Report:* It is common knowledge that auditors write management report i.e letter of weakness to clients management before signing the audit report. This should be brought to the knowledge of prospective investors as this could act as good Defence in the event of failure of client's business. It implies therefore, that the auditor should ensure that all relevant matters should be stated in such correspondence with the management of the client.
- *Limited liability status for firms of Auditors:* - One unique attribute of audit firms is that they operate in partnerships, rather than as limited liability companies. Hence, liability are borne by

members beyond their respective contributions to the business. The legal option of incorporation as limited liability company will not only ensure that partners lose only their investments in the firm in the event of foreclosure but also shield owners from bankruptcy charges if the firm is unable to meet its liabilities.

- ***Letter of engagement to define task:-*** The audit engagement is seen in the face of the law as a legal contract. The letter of engagement should detail out the ambit of his work, so that in face of failure, he would have satisfied himself to have performed the tasks for which he was employed.

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APPENDIX

ADEKUNLE AJASIN UNIVERSITY AKUNGBA AKOKO

FACULTY OF SOCIAL AND MANAGEMENT SCIENCES

QUESTIONNAIRE ON:

"MANAGING AUDIT RESK IN AUDITING"

I am a B.Sc. Accounting student of the above university carrying out a research on the above topic . You are kindly requested to complete the accompanying questionnaire and are assured of confidentiality of information supplied. Thanking for your anticipated co-operation.

Yours faithfully

AFENI OLUWAFEMI

SECTION A (BIODATA)

Please answer the question by putting a tick

in the appropriate box.

1. Sex: Male [ ] Female [ ]
2. Marital Status: Single [ ] Married [ ]
3. Educational Qualification

   BSC/HND [ ]

   ACA/MBA [ ]

   NCE/OND [ ]
4. Position in the Audit firm:

   Partner [ ]

   Manager [ ]

   Audit Senior [ ]

   Trainee & Others [ ]

5. No of years of experience in Auditing

under 1 year [ ] 1- 5 years [ ] 6 -10 years [ ]

11-15 years [ ] 16 - 20 years [ ] Over 21 [ ]

6. Age Range: Under 30 years [ ] 30 - 40 years [ ]

40 year and above [ ]

SECTION B (RESEARCH QUESTIONS)

7. The Auditor is appointed by the members of his client to Audit the Account of his

Client? Yes [ ] No [ ]

8. The Auditor after auditing his client's financial report gives his professional opinion?

Yes [ ] No [ ]

9. Is the auditor open to any risk associated with his work?

Yes [ ] No [ ]

10 Is there significant relationship between the audit opinion given by the auditor and the auditor risk?

Yes [ ] No [ ]

11. Can the audited report signed by the auditor be used by investors as the bases of commitment of resources ?

Yes [ ] No [ ]

12. Can the risk open to the audito be limited

Yes [ ] NO. [ ]