

## **INTRODUCTION**

### **1.1 Background of the Study**

In every enterprise, decisions are made about how to maximize the use of resources. The resources include raw materials, finance and time, which are limited in supply. These economic resources are taken into consideration through the publication of financial statements. Generally, the financial statements are prepared internally to show the result of operation of the enterprises during a given accounting period.

The question that arises is how the financial statement prepared by the management will be accepted to the owners of the business, to creditors, government and other who may need to rely on them.

The fact is that, if the financial statements are not certified as correct by an independent competent professional, who has no interest in the business enterprise, the financial statement may be viewed with doubt and this may hinder the success and growth of the business because investors and interested parties may not be encouraged to invest their money in such enterprise. As a result of this, an independent auditor who must be competent and objective in the examination of the financial statement comes into play.

According to Saba and Nwalado (2006:12), an auditor should exercise his profession with independence and objectivity. He must be in a position to give an honest and unbiased opinion. He examines the financial statement and gives his own opinion on the true position of the enterprise, which the investors rely on for their investment proposals. In the light of this, auditing bridges the credibility gap in validating the authenticity of the financial statement.

Adams (2006:20) opined that auditing is a process carried out by suitable qualified auditors during which the accounting records and the financial statements of an enterprise are subjected to examination by independent auditors with the main purpose of expressing an opinion in accordance with his terms of appointment. According to the operating procedures of Nigerian Guidelines (1993) auditing is an independent examination and expression of an auditor in pursuance of the objective of auditing.

This research is therefore aimed at highlighting the general background and concept of auditing. Attention will be focused on the terms and techniques used in the auditing profession.

This good accounting and financial reporting aid society in allocating its resources in the most efficient manner and contribute immensely to the success and growth of business while inadequate accounting and inaccurate reporting conceals waste and inefficiency.

## 1.2 Statement of the Problem

In this research study, the researcher will reflect on these problems affecting the role of auditing in the Nigerian economy.

The role of auditing in business enterprise has been subjected to various degree of value judgment by various people who may have found themselves at one time or the other involved in audit work without the relevant background knowledge of auditing. As a result of this, the researcher intends to discuss certain audit related problems, such as:

- i. How auditing lead to the growth of business enterprise
- ii. What value does auditing add to the growth of business enterprise?
- iii. Why it is necessary to have audit department in business enterprise?

## 1.3 Objectives of the Study

The ultimate purpose of this study is to understand the role and importance of auditing and to make useful recommendations where necessary towards the improvement of it policies.

This study is also aimed at highlighting and educating the general public on the roles and importance of auditing.

The objectives of this research can be categorized as follows:

- i. To evaluate how auditing lead to the growth of business enterprise
- ii. To evaluate why the audit department is necessary in business enterprise
- iii. To analyze the values auditing add to the growth of business enterprise.

## 1.4 Research Questions

The researcher intends to ask the following questions from respondents in the accounting, store and audit department in Setraco Construction Company, Patani.

The question include:

- i. Does auditing lead to the growth of the business?
- ii. Is the audit department necessary for effective management?
- iii. Does auditing add value to business?
- iv. Are variances investigated when discovered?
- v. Does auditors provide quality services to clients?
- vi. Is it necessary for every business to have an auditor?

## 1.5 Statement of Hypothesis

To aid in this study, the following statement of hypotheses were formulated. The research hypothesis includes:

- i. **Ho:** Auditing does not lead to the growth of business organization.

**Ha:** Auditing do lead to the growth of business organization.

- ii. **Ho:** The audit department is not necessary for effective management of business enterprise

**Ha:** The audit department is necessary for effective management of business enterprise

### 1.6 **Scope of the Study**

Although auditing is found in almost all manufacturing companies as it leads to the growth of the business, often scope of research can be discussed in terms of

- i. The issues covered
- ii. Subject studied such as people
- iii. Period covered
- iv. Geographical area covered

The research focuses on the role and importance of auditing to business growth with emphasis on internal and external auditing in Setraco Construction Company, Patan, Delta State. The subject studied was the staff of Setraco Construction Company from the period 2006 to 2013. The scope was limited to only this area because of the limited time and transportation costs associated with trying with to sample the view of other construction companies.

### 1.7 **Significance of the Study**

It is pertinent that, any study should have significance to both the researcher and the person who is to make use of the study. The benefactors of this study are auditors of the focused area and auditors of other construction companies.

In this research, the significance with reference to Sectraco Construction Company, Patani where the study was focused on in as follows:

- a. **Auditor:-** This study will help the auditor
  - i. To find out the problem encountered by auditors which affect their performance and discovered the effectiveness of audit reports and its implementation in adequate protecting the construction fund and properties.
  - ii. To bring back to full flame the dwindling image of the noble profession(Auditing Profession).
  - iv. To restore peoples confidence and reliance on auditors report.
  - v. Iv. To emphasize on the need for top management compliance on auditors reports.
  - vi. To find out the roles played by auditing in a bid to protect the constructing fund and property.
- b.

## **CRITICAL EXAMINATION OF THE ROLE AND IMPORTANCE OF AUDITING TO BUSINESS GROWTH A CASE STUDY OF SETRACO CONSTRUCTION COMPANY, PATANI, DELTA STATE**

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