

PDF - THE EFFECT OF INTERNAL AUDIT ON THE PERFORMANCE OF PRIVATE FIRMS (A STUDY OF ANAMBRA MOTOR MANUFACTURING COMPANY) - researchcub.info

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND TO THE STUDY

Auditing standards permit external auditors to rely on the work of internal auditors in performing a financial statement audit (AICPA 1997; PCADB 2004; PCAOB 2007). It stands to reason that cost savings can be realized when external auditors are able to rely on a client's internal audit function (IAF), and in a competitive audit market a large portion of these cost savings are likely to pass to the client in the form of lower external audit fees. This study investigates the relation between the contribution that internal audit makes to the financial statement audit to the external audit fees. Using a unique and previously unavailable old internal audit data, we improve on the work by creating or introducing quality-related internal audit measures and thereby attempt to better specify the relation between internal auditing and external audit fees. The internal control system of an organization to a large extent determines the audit fees of an external auditor. If the internal control system of an organization is strong the external auditors will have a shorter duration to work and low fees as well will be paid to the external auditors but if the internal control system of an organization or a firm is weak then the external auditor will have much work to do, for a longer duration and a higher audit fees will be paid to the external auditor. Also, the higher the turnover of a company the higher the professional fees charged by the external auditors.

Range of terms was employed to describe this research, they include "internal audit" "external auditing" "internal control system". Internal audit is an independent appraisal function within an organization for the review of systems of control and the quality of performance, as a service to the organization. It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources. (Millichamp, 1993), also internal control system is the whole system of controls, financial or otherwise established by management in order to carry on the business of the enterprise in an orderly manner, safeguard its assets and to secure as far as possible the accuracy and reliability of its records (Oladipupo, 2005).

According to William Thomas, Emerson .O. Henke, 1983, Internal control system is the record and summary of accounting data in an organization. The professional role of the independent external auditor is to express an opinion in the true and fair view of the financial statements audited. In other words, he is there to protect the interest of shareholders and other parties that make use of the financial statement in decision-making. The auditor provides other services apart from auditing the firm which include accountancy taxation, liquidation and receivership, investigation management advisory services, the auditor usually prepares a separate letter of engagement and separate fees should be charged. The fees charged for these services is normally not part of the audit fees charged. Audit fee relates to audit exercises but when an auditor writes the books, prepares bank reconciliation statements or the final accounts (which are frequently done in practice in the audits of many private limited liability companies in Nigeria and other developing country) a separate fee called accountancy will be charged. This is so because such functions are not normally part of the audit functions but rather are accounting functions (Izedonmi, 2000).

STUDY OF ANAMBRA MOTOR MANUFACTURING COMPANY)

The complete project material is available and ready for download. All what you need to do is to order for the complete material. The price for the material is NGN 3,000.00.

Make payment via bank transfer to Bank: Guaranteed Trust Bank, Account name: Emi-Aware technology, Account Number: 0424875728

Bank: Zenith Bank, Account name: Emi-Aware technology, Account Number: 1222004869

or visit the website and pay online. For more info: Visit <https://researchcub.info/payment-instruct.html>

After payment send your depositor's name, amount paid, project topic, email address or your phone number (in which instructions will sent to you to download the material) to +234 70 6329 8784 via text message/ whatsapp or Email address: info@allprojectmaterials.com.

Once payment is confirmed, the material will be sent to you immediately.

It takes 5min to 30min to confirm and send the material to you.

For more project topics and materials visit: <https://researchcub.info/> or For enquiries: info@allprojectmaterials.com or call/whatsapp: +234 70 6329 8784

Regards!!!