THE IMPACT OF AUDITING
ON THE FINANCIAL POSITION OF A BUSINESS

SUBMITTED TO

MD. MOHEDUL ISLAM
Assistant Professor of Accounting
Department of
Business Administration
School of Business
Uttara University

SUBMITTED BY

SADIA AKTER
Id no.: 2162011038, Batch: 40A
Program: BBA, Major in Accounting
Department of
Business Administration
Uttara University

DATE of SUBMISSION

AUGUST 30, 2020

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LETTER OF TRANSMITTAL

August 30, 2020

MD. MOHEDUL ISLAM
Assistant Professor of Accounting
Department of Business Administration
School of Business
Uttara University.

Subject: Submission of Project on
"The Impact of Auditing on The Financial Position of a Business".

Dear Sir,

It is my pleasure to submit my project that contains; "The Impact of Auditing on The Financial Position of a Business". I consider myself very fortunate that I have had the opportunity to preparing the project under your guidance.

The project has been prepared in accordance with the knowledge that I have gather during my study of the program. I have tried to make this project in a detailed information form and in precise. I hope that you will find out this report worth of my labor.

I request your kind excuse for the mistakes that may take place in this project instead of my best effort.

Thanking You

Sincerely

SADIA AKTER
Id no.: 2162011038, Batch: 40A
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Uttara University.

DECLARATION of STUDENT

I, **Sadia Akter**, the student of Bachelor of Business Administration, bearing the ID:2162011038, would like to declare that the Project report titled **“The Impact of Auditing on The Financial Position of a Business”** has been prepare only by me under the supervision of my supervisor, **Md. Mohedul Islam** (Assistant Professor of Accounting), School of Business.

The report has been prepared and submitted for academic purposes only and preparing the report has enriched my knowledge. I express my sincerest gratitude for having been given the opportunity to prepare this report and I enjoyed doing so.

I, also declare that this is my original work and has never been submitted to any others University for assessment.

SADIA AKTER
Id no.: 2162011038, Batch: 40A
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DECLARATION of SUPERVISOR

I, **Md. Mohidul Islam** as supervisor, hereby declare that the project report written by **Sadia Akter**, ID: 2162011038, Bath: 40A titled **“The Impact of Auditing on The Financial Position of a Business”** is her own writing prepared under my supervision.

I wish him all the best.

MD. MOHEDUL ISLAM
Assistant Professor of Accounting
Department of
Business Administration
School of Business
Uttara University.

ACKNOWLEDGEMENT

I would like to express my deepest appreciation to all those who provided me the possibility to complete this report in one way or another through their prayers, resources and encouragement.

At first my thanks and gratitude go to all of my teachers of Business Administration Department, Uttara University. Their important advice, thoughtful suggestions and information were invaluable and went a long way in achieving my goal.

I would also like to acknowledge with much appreciation my family, workmates and friends for your encouragement which has kept me going and for that am sincerely grateful. It is because of your support that I have managed to get this far. May God bless you abundantly.

A special thanks goes to my supervisor **MD. MOHEDUL ISLAM**, for his guidance, direction and advice accorded to me throughout the period of under taking this project. Your efforts, counsel and supervision are highly appreciated.

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August 30, 2020.

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LIST OF ACRONYMS:

BBA: Bachelor of Business Administration

FCA: Fellow Chartered Accountant

ICS: Internal Control System

ICAB: Institute of Chartered Accountants of Bangladesh

BSEC: Bangladesh Securities and Exchange Commission

CPA: Certified Public Accounting

IRS: Internal Revenue Service

NGO: Non – Governmental Organization

CAATTs: Computer Assisted Tools and Techniques

GAS: Generalized Audit Software

CA: Chartered Accountant

ASB: Auditing Standards Board

APM: Audit Practice Manual

BSA: Bangladesh Standards on Auditing

ISA: International Standards on Auditing

IFRS: International Financial Reporting Standards

BIDA: Bangladesh Investment Development Authority

SPSS (Statistical Package for Social Sciences)

ABSTRACT

The auditing function is one of the most important among the companies as it has several functions that mean to enhance the controlling and monitoring in these companies as it has a major and significant role in designing and developing the control system and support the corporate governance. It contributes in measuring and evaluating the risks surrounding the work environments.

In addition to that it helps in measuring and evaluating competence and efficiency performance and it maximizes the company’s capacity to employ the best methods to use the available resources to the get the most possible quality and so that the entity's goals are met.

For this importance this study aims to identify the role of the audit in controlling the financial position and managerial performance in these company taking in considerations all the aspects that would limit this purpose of the audit department.

These factors would be the business environment, the qualification of the auditor, the laws and regulation, the extent to which the companies are committed to these laws and other factors that will be discussed in details throughout this research to highlight the current situation and any amendments needed to be undertaken in the coming period so that the audit function of controlling the position of a business and performance on the managerial and the financial will be effective.

SECTION-1: JUSTIFICATION OF THE STUDY:

Auditing is important as it ensures the business's financial records are accurate and in accordance with applicable rules (including accepted accounting standards), regulations, and laws. It is a process performed by the auditors to analyze the correctness of the business's financial records. An audit report to verify the accuracy of the financial statements of the organization, examining the compliance of financial activities with state laws and institutional policies and get a clear idea of how the organization's financial activities are conducted. Its help to improve internal processes such as operations, internal controls, risk management, and governance. It also helps to finding the important account issues quickly which directly helps you in finding the weak point.

This is why I am motivated#and interested#in studying this project report topic **"The Impact of Auditing on The Financial Position of a Business".**

I think the study on this subject will help me get a lucrative job and benefited to that organization. It will also help me if I do any business in future.

SECTION-2: OBJECTIVES OF THE STUDY

The general objective of this study was to assess the impact of auditing on a financial position of a business. In order to achieve this objective, the following specific objectives are designed in that direction.

1. I want to learn about Audit
2. I want to describe how it work on a business
3. I want to tell my reader to impact of auditing on a financial position of a business.

SECTION-3: METHODOLOGY

Methodology of the study mainly covers the sources through which the necessary data is collected from various sources. There are two types of sources. Primary sources and Secondary sources. Primary sources include information collected and processed directly by the researcher, such as observations, surveys, interviews, and focus groups. And secondary sources include information retrieved through preexisting sources: research articles, Internet or library searches, publications and training materials, financial records, etc.

But due to COVID-19 spread worldwide, we all are in lock down situation for safety issue. For this reason, I did not move anywhere. So, in my study, information and data were collected from secondary source through reviewing research papers, other dissertations, and qualitative method was used in order to analyze auditing on the financial organization. For preparing this report, various literatures have been analyzed; many regulations about the topic, essays in English, audit related articles in the internet have been studied.

After the project topic finalized, first I searched on google scholar with some key word of the project topic, then I get many topic related articles. Then I selected ten articles from authentic web sites and collected those articles. I read these articles very well and marked the important paragraph from those articles. I read again to carefully marked paragraph. Then I started to my report. My supervisor had helped me in all the places where I have faced difficulties in writing this report.

SECTION-4: DISCUSSION

OBJECTIVE-1: I want to learn about Audit

WHAT IS AN AUDIT

Before discussing the need for audit, it's helpful to understand what an audit entail. At the most basic level, an audit is simply an independent examination of a process or procedure. Audits are useful because they provide validation to financial stakeholders that a company's written policies and procedures are actually being carried out as intended. Positive audit results provide proof that a company is operating in a sound fashion.

TYPES OF AUDIT

There are three main types of Audits:
External Audits, Internal Audits and Internal Revenue Service (IRS) Audits.

- **External audits** are commonly performed by Certified Public Accounting (CPA) firms and result in an auditor's opinion which is included in the audit report.
- **Internal audits** serve as a managerial tool to make improvements to processes and internal controls.
- Most of the work of the **Internal Revenue Service (IRS)** involves income taxes, both corporate and individual.

EXTERNAL AUDITS

An external audit is typically performed by a certified public accounting (CPA) firm. External auditors follow strict guidelines in regard to staying independent, and they adhere to rules and regulations set by the Institute of Chartered Accountants of Bangladesh (ICAB) when issuing a final opinion. Most small businesses hire external auditors to test financial statement accuracy. They will select material amounts on a financial statement (usually any individual line item greater than a certain percentage of total assets) and test the accounting controls and processes surrounding this amount. For example, if the company holds a large cash balance, external auditors will request bank statements and compare the amounts on the statements to the company's general ledger entries. As part of an audit, expense invoices may be reviewed for accuracy while inventory is counted to confirm figures.

The **external audit approach** has two main purposes: The company believes an outside party will be more efficient at the work or because a governmental entity, such as the IRS, is auditing the business.

TWO REASONS FOR AN EXTERNAL AUDIT:

When contracted from the business controllers, the external audit process happens for 2 reasons.

First, the company can receive more efficiency by using an external auditor. This could happen for many reasons: company employees are already occupied on other tasks, external auditors are better trained for the purpose, internal fraud may prevent an internal audit from being valuable, and more. In any event, the company will use an external auditing company to find the answer to certain questions about their accounting. The external audit plan by professional companies may be concerned with missing funds, providing a second opinion, or merely auditing the Accounting Cycle which a company follows.

Second, an external audit report may occur when a governmental entity questions part of the financial statements of a company. In this instance, an external audit will not be voluntary. The IRS or a court usually mandates it. There are many reasons why an external audit will occur under these situations: the IRS questions the financial statements of a company, the IRS may detect internal fraud, the company may not be creating GAAP compliant statements, a court authorizes the audit because they suspect funds may have been spent on illegal activities, and more. External audit fees are usually paid by the business being audited. The exception to this is that if they find illegal activity; then the business may be charged with the costs of the external audit.

EXTERNAL AUDIT EXAMPLE:

Dwayne owns a healthcare research company. His business, fueled by his years of experience in healthcare research, provides analysis of samples sent by doctors' offices as well as hospitals. Dwayne knows the operations of his business left and right. Recently, Dwayne's business has come under an IRS audit. The IRS suspects that he may be excluding some of their profits from the books to be in a lower tax bracket. Dwayne is afraid that the audit will expose problems which he is not responsible for.

After some time, Dwayne is acquitted of any wrong-doing. The auditor has found that this is not the case: his company temporarily took less profit due to the recent recession. Dwayne is relieved to hear this as he continues his work.

Dwayne made sure to comply with the auditor's requests. The reason for this is two fold: he knew he was innocent and wanted to present a reputable picture to the IRS. In doing this he made his experience much more pleasant than it might have been.

Dwayne now appreciates the auditor because he was merely doing his job. Dwayne, the average patriotic American, respects the auditor as an accountant. He is glad to help in preventing fraud in even his own business.

INTERNAL AUDITS

Internal auditors are employed by the company or organization for whom they are performing an audit, and the resulting audit report is given directly to management and the board of directors. Consultant auditors, while not employed internally, use the standards of the company they are auditing as opposed to a separate set of standards. These types of auditors are used when an organization doesn't have the in-house resources to audit certain parts of their own operations.

The results of the internal audit are used to make managerial changes and improvements to internal controls. The purpose of an internal audit is to ensure compliance with laws and regulations and to help maintain accurate and timely financial reporting and data collection. It also provides a benefit to management by identifying flaws in internal control or financial reporting prior to its review by external auditors.

REASONS FOR AN INTERNAL AUDIT:

An internal audit offers risk management and evaluates the effectiveness of a company's internal controls, corporate governance, and accounting processes.

Internal audits provide management and board of directors with a value-added service where flaws in a process may be caught and corrected prior to external audits.

COMPARISONS BETWEEN INTERNAL AUDIT AND EXTERNAL AUDIT:

TABLE-1: COMPARISON CHART

Basis of Comparison	Internal Audit	External Audit
Meaning	Internal Audit refers to an ongoing audit function performed within an organization by a separate internal auditing department.	External Audit is an audit function performed by the independent body which is not a part of the organization.
Objective	To review the routine activities and provide suggestion for the improvement.	To analyze and verify the financial statement of the company.
Conducted by	Employees	Third Party
Auditor is appointed by	Management	Members
Users of Report	Management	Stakeholders
Opinion	Opinion is provided on the effectiveness of the operational activities of the organization.	Opinion is provided on the truthfulness and fairness of the financial statement of the company.
Scope	Decided by the management of the entity.	Decided by the statute.
Obligation	No, it is voluntary	Yes, according to Indian Companies Act, 1956.
Period	Continuous Process	Once in a year
Checks	Operational Efficiency	Accuracy and Validity of Financial Statement

INTERNAL REVENUE SERVICE (IRS) AUDITS

The Internal Revenue Service (IRS) also routinely performs audits to verify the accuracy of a taxpayer's return and specific transactions. When the IRS audits a person or company, it usually carries a negative connotation and is seen as evidence of some type of wrongdoing by the taxpayer. However, being selected for an audit is not necessarily indicative of any wrongdoing.

IRS audit selection is usually made by random statistical formulas that analyze a taxpayer's return and compare it to similar returns. A taxpayer may also be selected for an audit if they have any dealings with another person or company who was found to have tax errors on their audit.

There are three possible IRS audit outcomes available: no change to the tax return, a change that is accepted by the taxpayer, or a change that the taxpayer disagrees with. If the change is accepted, the taxpayer may owe additional taxes or penalties. If the taxpayer disagrees, there is a process to follow that may include mediation or an appeal.

OBJECTIVE-2: I want to describe how it work on a business

AUDIT PROCEDURE:

The audit procedure can be divided into three broad steps:

1. Planning the Audit
2. Conducting the Audit
3. Reporting the Results in the Audit Report

PLANNING THE AUDIT:

the standard of "*Standard of Field Work*" of GAAS requires the auditor to plan their audit program in details and with adequacy. For the purpose of carrying the audit effectively and efficiently, the audit activities need to be properly planned and controlled. This allows auditor to cost efficient, avoid misunderstandings and gather sufficient and appropriate evidence.

UNDERSTANDING THE CLIENT'S BUSINESS: having a proper understanding of the nature of the client's business and the industry in which it operates, allows the auditor to know where and how the resources must be concentrated and identify the key areas of risk for the client. This also allows auditor to pinpoint key areas of potential misstatement, identify complex transactions that have a higher chance of error and the ability of the client to continue as a going concern.

DEVELOPING THE AUDIT PROGRAM: the audit program is the most crucial control mechanism. The procedures that are to be followed during an audit are outlined in the audit program.

COLLECTING AND ANALYZING AUDIT EVIDENCE: all the accounting records contained in the financial statements and other information such as confirmation from third parties are considered as audit evidence.

ASSESSING INHERENT RISK: it is the auditor's assessment of the possibility that material misstatements might be present in the account balances before considering the effectiveness of the client's internal control. The second standard of the *"Standards of Field Work"* emphasizes on understanding the client's internal control. The risk can increase or mitigated by the auditor's ability to assess fraud or by the unique characteristics of the business and its industry.

ASSESSING CONTROL RISK: the risk that a material misstatement, either individually or in combination with other misstatement, will not be prevented or detected on a regular basis by the client's internal control. Understanding the client's internal control allows the auditor to identify potential areas of misstatement and the factors that might affect the risk of material misstatement.

CONDUCT THE AUDIT:

The audit is conducted based on the planning and the two following tests are performed:

Test of Control

Substantive Test

TEST OF CONTROL: the effectiveness of the internal control systems is obtained through the tests of control, as well as evidence regarding operation of policies and procedures applied. With the aid of this test, the auditor determines if the control techniques are working effectively to reduce the risk of material misstatement. The auditor is concerned with the following assertions in the test of control:

Existence: Whether the control actually exists
Effectiveness: The control is working effectively
Continuity: The control has operated constantly throughout the stipulated time with low to no deviation in results.

SUBSTANTIVE TEST: the completeness, accuracy and validity of the data produced by the accounting system is obtained through substantive test.

AUDIT PROCEDURE IN BANGLADESH:

GENERAL DEFINITION OF AUDIT

THE AICPA DEFINES AUDIT AS: "The highest level of assurance that a CPA performs and is intended to provide a user comfort on the accuracy of financial statements. The CPA performs procedures in order to obtain "reasonable assurance" (defined as a high but not absolute level of assurance) about whether the financial statements are free from material misstatement."

REGULAR AUDIT PRACTICE IN BANGLADESH: Audit is a systematic process, which is similar in almost all the countries. Some variations among the rules and regulations of every country can be observed but the steps to conduct an audit is the same. There are different types of auditors, some of which are: internal, external, forensic auditor etc. Auditor has the responsibility of accumulating evidence and judging whether the information on the financial statement is true and accurate.

AUDIT PROCESS BY ICAB: ICAB is the body in Bangladesh, which is responsible for regulating the activities of professional accountants and for matters connected therewith. Audit Practice Manual is the bible of the auditors and anything and everything written in it has to be followed by the auditor. A summarized version of the audit procedure can be found in the AP Four steps are discussed:

Figure-1: Audit Process

PLANNING: Proper planning helps to achieve any targeted goal as it provides a guideline or chart a course of actions for doing so. The process usually starts with the present operations and identifying the areas that require improvements. An efficient plan requires envisioning the goals that one wants to achieve and map the essential steps needed to arrive at the desired destination. Planning provides the information needed to make efficient decisions about the order and how to prioritize the elements, based on which the resources are allocated. Proper planning allows productivity to be maximized and wastage of resources to be minimized. This is applicable for an audit as well, as an audit might prolong for an extended period if not planned properly. The ISA 300, one of the many standards of the International Standards on Auditing, requires an audit procedure to be planned properly. The same also implies for Bangladesh Standards on Auditing (BSA).

BSA emphasizes on the importance of the necessity for the standard documentation of the client's planning memorandum. The planning memorandum is prepared in accordance to the audit strategy and on the basis of the aggregate audit knowledge and experience of the auditor. Planning documents include:

The nature of the entity's business.
Process of conducting the business.
The risks involved and their effects on the business.
Steps taken by the auditor to audit the company.

Planning is required as it is a requirement of BSA and an essential key to a successful audit. The factors of planning are:

Assessment of risk and materiality
Analytical review
Test of control

ASSESSMENT OF RISK AND MATERIALITY:

Risk and Materiality are essential to formulating an audit plan and strategizing an audit approach.

Risk: In BSA, two standards are associated with risk:

BSA 315: Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment.

BSA 330: The Auditor's Responses to Assessed Risks.

The business environment in which the entity operates determines the nature of the risks involved with the audit procedure. The risk may also arise from ability of the entity's control system to detect misstatement or from a failure of the audit procedure due to improper sampling, which is known as sampling risk. Sampling cannot be eliminated however it is possible to minimize this risk. Some of risks include:

BUSINESS RISKS: these risks are exclusively associated to the company and its stakeholders and include factors that can potentially halt its activities and existence.

AUDIT RISK: the risk that an auditor may pass an unqualified opinion due to the auditor's intentional or unintentional inability to detect material misstatement. It has three elements:

INHERENT RISK: is a measure of the auditor's judgment of the possibility of the existence of material misstatement in the client's financial statements before taking the effectiveness of the client's internal control into consideration.

CONTROL RISK: is a measure of the auditor's judgment that the client's internal control will be unable to prevent or detect a material misstatement that may occur.

PLANNED DETECTION RISK: the risk that the audit evidence for an audit objective will be unable to detect a material misstatement exceeding performance materiality.

MATERIALITY:

Materiality refers to the information which if omitted or misstated could affect the economic decisions of the users of the financial statements.

Materiality affects audit in three ways:

Influences the nature and extent of the tests of detail.
Influences decisions about adjustments of actual errors to projected errors.
Assessing areas of significance regarding judgmental matters.

The level of materiality is usually related to the relative size of the business but some items, despite size, might be material due to their nature. In order for an account to be considered 'true and fair', it must be free from materiality. In this stage, all the planning is done to keep the materiality and associated risks in check.

ANALYTICAL REVIEW: Analytical review evaluates financial information by analyzing the possible relationship between financial and non-financial data. BSA 500 requires an auditor to:

Design and perform analytical procedure near the end of audit procedure.
Investigate and evaluate the results of the analytical procedure.

The analytical review may be related to three different but intertwined stages of an audit:

Planning
Extensive analytical review
Review of accounts

The APM states that these stages should be considered as a continuous process of review and not mutually exclusive.

TEST OF CONTROL: A mandate to perform test of control has been made by Bangladesh Standards on Auditing and checking the client's internal control. Test of controls is necessary to strategizing a plan. The reasons for test of controls, as per APM, are:

Understanding the entity and the environment in which it operates.
Evaluating the design and implementation of all the controls related to the audit.
Testing the efficiency and effectiveness of the internal control.

COLLECTION OF AUDIT EVIDENCE: Audit evidence generally refers to the information that is collected to review the entity's financial statement. There are several ways of collecting audit evidence. They are:

1. Physical examination
2. Confirmation
3. Inspection
4. Analytical procedures
5. Inquiries
6. Recalculation
7. Performance
8. Observation

AUDIT SAMPLING: The question of the number of items to test in an audit is very subjective, according to APM. Tailoring the tests with the help of APM is encourage as designing tests that are directly related to the client is more accurate than filling in some form. A sample, used by the auditor for test, must be a clear representative of the population from which it is selected and must be sufficient in quantity in order to provide credibility to the conclusion that is formed.

The sufficiency of the sample size is entirely dependent on the judgment of the auditor. A theoretical start point can be determined by considering the inherent risk factors, population characteristics and materiality but the final decision about sample size is made using judgment. A benchmark is provided by the standard risk model which allows the auditors to assess the viability of their judgment.

EVALUATION OF ERRORS: Errors found when conducting the audit must be assessed and evaluated in order to determine the impact is has on the population as a whole. Evaluation of errors is difficult for auditors as judgment is required, which is impacted by experience.

CONTROLLING AND RECORDING: Controlling and recoding stage is the application of the planning stage. The evidence that has been collected are evaluated based on those assessments and recorded, after all assessments and aspects have been taken into consideration.

ASSESSMENT OF RISK AND MATERIALITY:

RISK: According to the APM there are two types of risk assessments:

GENERAL RISK ASSESSMENT: general risks mainly arises from the business and regulatory environment of the entity. Integrity of the management and business risk affect the assessment of general risk.

SPECIFIC RISK ASSESSMENT: two objectives mentioned in the APM are:

To assess, in particular circumstances, the extent to which the audit can be undertaken.

To identify the various risks and the overall impact of those risks on particular areas of the financial statements.

MATERIALITY:

The APM has laid down a guideline for the level of materiality, which is given in the table below. Determining the level of materiality, despite having a guideline, is a matter of professional judgment.

TABLE-2

Amount in Taka	Profit before taxation parameters	Turnover and total assets parameters
0-5 Crores	10%	3.0%
5 Crores 1 to 10 Crores	10%	2.5%
10 Crores 1 to 20 Crores	10%	2.0%
20 Crores 1 to 56 Crores	10%	1.5%
Over 56Crores	10%	1.0%

RELIABILITY FACTOR:

The standard model used in the APM can be expressed as:

$$Sample\ Size = (Population\ value - Items\ above\ tolerable\ error - Key\ items)\ /\ Tolerable\ Error$$

$$= (Adjusted\ Population\ Value)\ /\ Tolerable\ Error$$

It is possible to express the confidence level in the form of risk factors by using normal distribution. The basis of the sampling method is formed by the reliability method, which is the reciprocal of the risk factor. When conducting the sampling process, the factors related to the audit test must be recorded in the related sample planning form. Depending on the type of test, the reliability factor will be multiplied by a quotient. The test can be of details only, details plus analytical review and/or compliance tests. Details of the multipliers affecting the reliability factor are given in selection form and the multiplier is different for both balance sheet and profit and loss account.

VOUCHING THE TOTAL POPULATION:

The population may be tested, according to the APM, for very small companies. Companies which qualifies as small companies are also given in the APM. Under this circumstance applying inherent risk will have affect. The general risk assessment is still necessary as vouching all the invoices of the small company will still not provide sufficient audit evidence required to form a reasonable conclusion about the fact that all of the company's income and expenses have been correctly and accurately recorded.

ACCOUNTANCY WORK AND AUDIT TESTING:

It is possible to use audit evidence gathered from the preparation of accounts, if the ethical issues haven been addressed properly and maintained. With specific audit objectives in mind, proper control over plans and adequate review, such accountancy work can be planned properly. Under these circumstances, the sufficiency of evidence gathered can make the need for further detailed testing redundant. Top-notch audit work is still required as such evidence do not provide completeness, continued existence etc., for instance.

REVIEW AND OPINION:

The final stage of the audit procedure is the review and opinion. In this stage, a discussion is held between the management and auditors about the report and the audit results. Management provide their feedbacks based on which some observations may be disclosed. After the discussion is completed, the managing partner of the firm analyzes the overall audit and issues an opinion. There is a checklist that is completed before the opinion is given.

The auditor reviews the answers of the checklist at first. The opinion that is issued is completely dependent on how the answers have been able to satisfy the audit team. If the answers are satisfactory then the audit team forms an unqualified opinion and if not then other than unqualified opinion is issued.

Multiple conclusions are drawn from respective multiple audit areas, as it is significant to do so. The conclusion should be drawn from the summary sheet and the tests that have been performed.

The relevant working paper for each main test for a particular area should include:

Objective of the tests

Tasks performed

Results obtained

Conclusion drawn

AUDIT SEQUENCES OF AN AUDIT FIRM IN BANGLADESH=

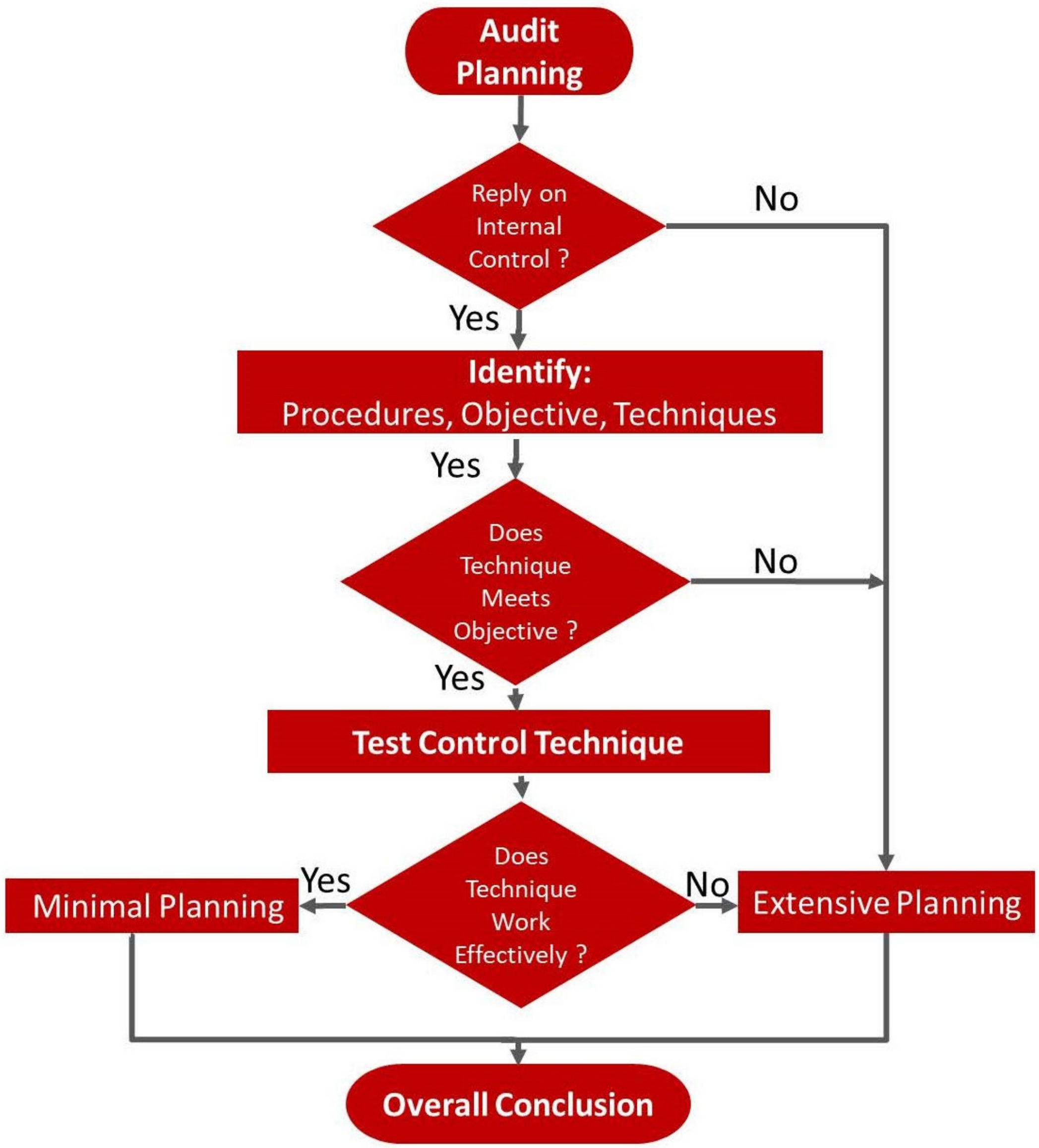

Figure-2: Audit sequences of an Audit firm in Bangladesh

OBJECTIVE-3: I want to tell my reader to impact of auditing on a financial position of a business.

From the selected ten articles review, several researchers seem to concur that there is a relationship between auditing and financial performance of an organization. These conclusions were confirmed after empirical evidence was obtained from the research.

From my studies, it seems to the impact of auditing is significant factor for a quality of financial statements of a business organization. In other word, the influence of auditing frequency results in the positive consequences which enable to companies to report and disclose more quality information. Because, auditing of financial statements is an essential tool for reducing financial frauds and misstatements to get protection of the effective market environment. However, when the audit tries to increase financial performance, in this case, there must be trustworthiness, reliability, and credibility like affections audited financial statements.

Big audit firms can aid support strong corporate governance, internal control in enterprises and risk management, therefore, that help to increase financial performance. In other word, audit of financial statements is an observing procedure that facilitates reduce the risk of asymmetry of information and interests of different shareholders, and take into account the management's financial statements are free from material misstatements.

Users of external financial statements, containing with current and potential stockholders, lenders, suppliers, employees and others demand trustworthy financial information, which can be used to make compatible their decisions. When the organization's investors believe the credibility of the organization's audited financial reports, they are forced to fund more on the organization, which leads to increased financial performance.

Regulators and standard regulators may raise the efficiency of the companies by disclosing rules and procedures that support audit to improve financial reporting quality. Additionally, users of internal financial statements, such as management, audit committees and executives are interested in auditing quality, generally, to reduce cost of capital.

We can see that the quality of the audit is directly related to the quality of the financial statements. The quality of audit plays a significant role in creating an effective market environment, as a result, an independent quality audit strengthens the reliability and trustworthiness of financial statements that is important for successfully maintaining markets and increases financial positions of a business.

SECTION-5: FUTURE FORWARD:

No work is without its challenges and the same goes for the preparation of this projcet report. A few limitations caused the preparation of this report to be minutely challenging. They are:

1. Due to CORONA Pandemic Situations, did not go anywhere.
2. The allotted time was insufficient to cover all the grounds.
3. This research is based on secondary data. Primary data not used.

This study recommends a similar study to be done by based on primary and secondary data for genuine judgements.#Within these limitations, this study raises some questions to me. They are:

1. What is the Chalenges of Auditing?
2. What are the challenges facing audit in financial organizatiosn?
3. What are the Role of adutor?
4. what is the relations between audit and microfinance institutions?

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http://erepository.uonbi.ac.ke/bitstream/handle/11295/59308/ondieki_effect+of+internal+audit+on+financial+performance+of+commercial+banks+in+kenya.pdf?sequence=3

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https://www.econjournals.com/index.php/ijefi/article/download/4949/pdf#:~:text=Auditing%20profession%20has%20effective%20role,work%20to%20be%20paid%20attention.

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https://strategiccfo.com/external-audit-definition/

APPENDICES:

APPENDIX-I

Introducing Consulted Articles

Sl	Article Title	Author(s)	Journal Name	Volume & Issue	Year	Publisher
01	Audit Procedure in Bangladesh: An Experience at ACNABIN Chartered Accountants	Faizur Rafi	UIU Institutional Repository		2019	dspace.uiu.ac.bd
02	The role of audit companies and frequency of auditing on quality of financial statement	Fatima Bagirova	Azerbaijan State University of Economics		2018	unec.edu.az
03	An assessment of the impact of auditing standards on Financial stability of an organization tea industry: a case Study of nyankoba tea factory, nyamira county, kenya	Elizabeth Atieno Oranga	KISI University Repository, School of Business and Economics		2017	library.kisiiuniversity.ac.ke
04	Effect of internal audit on financial performance of commercial banks in Kenya	Nancy Moraa Ondieki	University of Nairobi Research Archive		2013	business.uonbi.ac.ke

05	The impact of external audit in accountability and transparency of ngos in the bolgatanga municipality	Ali Baba Solomon	Kwame Nkrumah University of Science and Technology (KNUST), School of Business.		2015	ir.knust.edu.gh
06	The Impact of Audit Reports on Financial Information Content	Alireza Vaziri, Kayhan Azadi	International Journal of Economics and Financial Issues	VOL7, No.3	2017	econjournals.com
07	The impact of auditing and internal Controls on the management of a business Organization. A case study of prudential Bank limited (weija branch)	Alex Acquah, Takyi Kwabena Nsiah, Ebenezer Yaw Ofosuhene, Elizabeth Naa Akushia Antie	EPRA International Journal of Multidisciplinary Research (IJMR)	VOL 4, Issue 12	2019	eprajournals.com
08	The effect of internal audit on financial performance of microfinance institutions kenya	Suraj Ilham Ali	International Journal		2017	semanticscholar.org
09	The Impact of Accounting Estimates on Financial Position and Business Performance – Case of Non-Current Intangible And Tangible Assets	Ivana Mamic Sacer, Sanja Sever Malis, Ivana Pavic	International Journal	Vol. 39 2016	2016	sciencedirect.com

10	The Impact of Auditing in Controlling Fraud and Other Financial Irregularities	Lawal Babatunde Akeem	International Journal of Empirical Finance	Vol. 4, No. 3, 2015, 147-164	2015	researchgate.net

APPENDIX-II

Compilation of Objectives/ Purposes/ Questions/Hypotheses Addressed by the Articles

Article	Objectives/ Purposes/ Questions/Hypotheses
01	The Objectives of the study are: 1.To learn how chartered accountancy firm, operate an audit. 2.To acquire extensive knowledge about the audit practices followed by the firm 3.Learn how the audit procedure is formulated and the manner in which it is implemented. 4.Achieving versatility. 5.Learn about the performance of field work during the audit.
02	Primary purpose of this thesis is to show the importance of audit on quality of financial statements, to provide effective consistency and audit quality matters in some cases and the impact of frequency of auditing on the financial condition of businesses.
03	The general objective of this study was to assess the impact of auditing standards on financial stability of tea industry. There are other objectives: 1.To identify the audit standards used by tea factories in Nyamira county 2.To identify the financial stability indicators of tea factories in Nyamira county. 3.To assess the effect of audit standards and the financial stability tea factories in Nyamira county.
04	The objective of this study will be to establish the effect of internal audit on financial performance of commercial banks in Kenya.

05	The general objective of the study is to assess the impact of external audit in Accountability and Transparency in the Bolgatanga Municipality. In order to achieve this objective, the following specific objectives are designed in that direction. 1. To assess how effective external audit is on NGO's accountability and transparency 2. To examine how external audit report is dealt with by NGO's in the Bolgatanga Municipality. 3. To ascertain the challenges that NGOs face in ensuring accountability and transparency.
06	The Objectives of the study are: 1. There is a significant relationship between type of auditor's opinion and stock returns. 2. There is a significant relationship between type of auditor (audit organization or institution) and stock returns.
07	This study is concerned with the internal control structures that are in operation in Prudential Bank Limited to achieve its short-term profitability and long-term survival. Specifically, the study seeks to: 1. Identify the internal control measures put in place for risk management and whether 2. procurement procedures are being adhered to by Prudential Bank 3. Identify whether customers are operating within their credit limits that are set for all 4. customers by credit officer 5. Recommend the appropriate policy measure to improve and strengthen the internal control systems in Prudential Bank Limited.
08	To determine the effect that internal audit has on financial performance of MFIs in Kenya
09	To determine the Impact of Accounting Estimates on Financial Position and Business Performance.
10	The objective of this study will be to establish the Auditing in Controlling Fraud and Other Financial Irregularities.

APPENDIX-III

Compilation of Methods

Article	Methods
01	Methodology of the study mainly covers the sources through which the necessary data was collected. The sources have been described below: **Sources of Data:** This report has been prepared on data collected from both the primary and secondary sources. **Primary Source:** 1. Collection of data by working with audit teams. 2. Questioning managers, staffs and colleagues. 3. Circulars published by Bangladesh Bank. **Secondary Source:** 1. Going through accounting journals and books. Going through Bangladesh Standards on Auditing.
02	The report was prepared on the basis of surveys, questionnaires, inquiry form, and feedback form of Big Four audit companies' role on the financial position, financial performance and economy condition in the organizations. These surveys also include collected information from financial users, such as shareholders, that, they know well financial performance of owner companies. Generally, some of them work in this section, some of them are educated in this area, and some are related to audit or have some information about audit, accounting, transparency, and the global economy.
03	The report was prepared on the basis of: **Study Area:** The study was carried out in Nyamira county of Kenya specifically at Nyankoba Tea Factory with a focus on auditing standards on financial stability of tea industry in Nyamira County. This area was appropriate because it was easily accessible by the researcher. **Target Population:** Mugenda (2010) defines population as the entire group of persons or elements that have at least one observable characteristic in common. The target population was 150 employees of Nyankoba Tea Factory. **Sample Size and Sampling Techniques:** According to Co operand Schindler (2003) 30% of a given population understudy is sufficient for generalization in social science research, based on this the researchers took a sample of 30% of the total population of 150 which were translated to 50 employees using a simple random sampling

	method to select the sample. A Simple random sampling technique was preferred because it gave each of the equal chance of being selected into the sample (Oso and Omen, 2005). **Data collection procedure:** The researcher used questionnaires to collect data from the respondents because they cover a wide area of a sample frame, no bias on the side of the researcher and the respondents have adequate time to give well thought-out answers (oso and Omen, 2005). The questionnaires were hand delivered to the respondents to cut down postage costs and save time for data collection. The questionnaires were personally administered by the researcher to ensure a high rate of return and response. Secondary data involving the systematic identification, location and analysis of documents containing information related to the influence of entrepreneurial activities on economic development will also be used.
04	The various stages and phases that were followed in completing the study: **Sample Size:** Ngechu (2004) underscores the importance of selecting a representative sample through making a sampling frame. From the population frame the required number of subjects, respondents, elements or firms were selected in order to make a sample. The sample included all the 43-commercial bank in Kenya. The study selected 20 commercial banks from a targeted population of 43 Banks in Kenya. Banks were selected in terms of their size as follows: 5 big banking institutions, 10 medium size banks and 5 small banks. The data was treated on the basis of applicability of the study, relevance, and accuracy, sufficient, cost of acquisition of the data and time contribute greatly in supporting the overall data collection. The study purposively selected one senior manager in the finance department thus a sample population of 20 respondents. **Data Collection Procedures:** According to Ngechu (2004), there are many methods of data collection. The choice of a tool and instrument depends mainly on the attributes of the subjects, research topic, problem question, objectives, design, expected data and results. This is because each tool and instrument collect specific data. Donald (2006) notes that there are two major sources of data used by respondents' primary and secondary data. The researcher administered a survey questionnaire to each member of the target population. The questionnaire was carefully designed and tested with a few members of the population for further improvements. This was done in order to enhance its validity and accuracy of data to be collected for the study. The researcher administered the questionnaires individually to selected employee of commercial banks. The researcher exercised care and control to ensure all questionnaires issued to the respondents were received and to achieve this, the researcher maintained a register of questionnaires which were sent and which were received.

	Data Analysis and Presentation: Data will be analyzed using Statistical Package for Social Sciences (SPSS Version 20.0) program. Both quantitative analysis and regression analysis was used as data analysis technique. The data collected was run through various models so as to clearly bring out the effect internal audit on financial performance of commercial banks. Logit model was used to analyze the regression equation. The focus of this study is the link between internal audit and performance of commercial banks. The study measured performance through profitability of the banks. The set of independent variables includes internal audit standards, independence of internal audit, professional competency of internal audit and internal control in the bank.
05	The various stages and phases that were followed in completing the study: **Study Population:** The study will focus on the impact of external audit of NGO's in the light of accountability and transparency in Ghana by focusing on NGOs in the Bolgatanga. The region has about twenty-three (23) NGOs operating in various projects and programs. Out of the twenty-three (23), sixteen (16) operate within the Bolgatanga township and its environs. The study focused on these 16 NGOs in addition to some selected beneficiaries. The beneficiaries included heads of schools, opinion leaders and Assembly Men in various areas. **Sampling Techniques:** This study essentially targets Top management staff of these aforementioned offices and personalities. The researcher therefore will use purposive sampling techniques to selecting interview respondents. This will ensure that only people with relevant information are sampled. **Sample Size:** Staff of the NGOs will be contacted for all needed information in order to achieve the study target. Sixty-four (64) respondents would be selected from NGOs which comprises of 4 staff each to be selected from each NGO and four (44) respondents from the selected beneficiaries. **Sources of Data:** Both primary and secondary sources of data will be obtained for the study. The primary data will be obtained directly from respondents through the administration of questionnaires and structured interviews. The secondary data will also be obtained from the library of the schools, internet, journal articles, newspapers and research reports on these NGOs. The idea of secondary data was to gather necessary information to guide the conduct of the research project in order to confirm or reject the primary data. **Data Collection Procedure:** Both questionnaire and interview would be used for data collection. Questionnaires will be the main data collection instrument to be used for the study. The questionnaire will be appropriate because it is assumed that staffs of NGOs are literate and for that reason, they could be able to respond to the questions unaided. The researcher would also interview some selected beneficiaries'

	respondents to collect data for the study. The interviews will cover the Assembly Men, Heads of Schools, Opinion Leaders in the Commies and Municipal Assembly focal person. Each interview will be likely to take approximately fifteen (15) minutes. The interview will take place at the respondents' offices and homes. The interview will involve an informal interaction process and utilization of open-ended comments and questions. The researcher would conduct all the interviews with the aid of interview guide and then record all interviews within a few days of each interview. **Data Analysis:** The researcher would use both quantitative and qualitative techniques to analyze the data. The data that would be obtained from the field would be analyzed using frequencies and percentages, as well as inferential statistics. Statistical Package for the Social Sciences (SPSS) version 17.0 will be employed for data analysis. The use of this version is because there will be the need for data reduction through factor analysis, for the purposes of regression and correlation analysis. Percentages would be used to determine sample distribution across various demographic variables while mean scores of the variables. Standard deviation would also be used in the analysis. Frequency distribution tables and pie charts would be used to present the data.
06	This study is considered descriptive in terms of type of research and applicable, in terms of category of researches based on purpose. The statistical community this research includes all the companies listed in Tehran Stock Exchange from 2009 and after that until 2014 which were present in stock exchange including 463 companies. In this study, sampling method is elimination systematic as following conditions: 1. Not to be among insurance companies, investment, leasing, banks and financial institutions, financial moderators, because these companies have the nature of the different activities 2. The companies that their financial data can be written during these 6 years and in this period have not had out of stock exchange and entered stock exchange or even have not have stock exchange interruptions and other transactions 3. In order to ensure comparability and avoid the heterogeneity of its fiscal year ending March 18th and financial year should not be changed during the years 2009-2014 4. Financial statements and explanatory notes are available accompanying them. In this study, the panel data is applied using software Eviews 7.
07	The various stages and phases that were followed in completing the study: **Population and sampling:** Population is the total members or items which a sample is taken. The population consisted of customers of the bank, and bank officials. In order to make study more reliable, a complete population of fifty (50) employees was targeted. With regards to the objectives of the study, the sample was taken from Prudential Bank Limited. The sample unit was fifty (50) bank officials. Those who

	received questionnaire at the bank included the manager, account officers, and a clerk. Those people were selected through no scientific means but for the fact that they represent different levels of the bank's organizational structure. Convenience sampling method was therefore used for the collection of data from other staffs of the bank; some of them were the tellers, those at the front desk as well as the requisition desk. **Data Collection Procedure:** To successfully collect facts on the impact of auditing and internal controls on the management of Prudential Bank Limited, data was collected from both primary and secondary source. This was carried out, based on the data drawn from the questionnaire designed and administered on sample customers of the bank. Primary source of data refers to data that is being collected for the first time of project research. In the collection of this data, there is field work, techniques and procedures for collection. The primary source of data used for this research work was obtained through interview, observation, and questionnaire administration. Secondary source of data refers to published data that was collected for a previous research, but can also be used for the pending research. The secondary source of data used for this research work was collected through the bank's brochures, magazines, textbooks, journals and the internet. To have accurate and reliable data for the research work, there becomes the need for the use of first-rate instrument for data collection. The instrument used by the researcher for the data collection was based questionnaires and interviews. Two different types of questionnaires were used. Both contained opened ended and closed-ended questionnaires designed for the bank officials and the other staffs. Twenty (20) opened-ended questionnaire were constructed for the respondents to give information themselves, while thirty (30) closed-ended questionnaire were made up of list of questions with possible answers for respondents to tick. The main purpose was to establish how the employees view the management of the bank and its activities and whether in their opinion it is to their benefit. The research is also to find out whether the bank officials are satisfied with the internal control systems and the audit work performed by auditors. Interviews were conducted to support what was obtained through the use of questionnaires. Both structured and unstructured questions were prepared for the interviews. The interview was the main source of information obtained at the bank. **Data Analysis:** Data processing involves the preparation of data for analysis. The data collected through the various techniques were presented in a form of a statistical table and charts. It would be used to summarize the responses to the questionnaires. These would include percentages, bar chart and pie charts. The use of the questionnaires therefore, is comparatively convenient and inexpensive method of data collection. The data collected was edited and examined for consistency of respondents. Again, to ensure comprehensibility of the research, most of the information is explained by the use of some statistical table and chart. All the analysis was done through IBM SPSS 26 version.

08	The study will adopt a descriptive cross-sectional design. Information about the subjects that will be gathered represents a snap shot of what is going on at that point in time. The research design is envisaged to offer the researcher an opportunity to collect data across different microfinance institutions and empirically test the relationship of the constructs along its conceptualization. In view of the breath of the study, cross-sectional survey affords the researcher the opportunity to capture data on internal audit and MFI's financial performance in Kenya. Nachmias and Nachmias (2004) posit that cross-sectional studies enable the researcher to establish if significant relationships among variable exits and the strength of these relationships. The extent of researcher involvement, the stage of knowledge in the field and the type of analysis. This design has been used successfully by, Mutuku (2012) to perform regression analysis and draw conclusions. Target Population: The units of analysis will be microfinance institutions in Kenya. These institutions are classified into: microfinance lenders who are lenders, those that take deposits and those that are retailers. There are 55 microfinance institutions registered in Kenya (Association of Microfinance Institutions, 2016). A census approach will be used hence the whole population will form the sample. **Data collection:** Both primary and secondary data sources will be used in this study because they reinforce each other (Saunders et al,2007). Primary data will be collected through a methodological triangulation method utilizing a questionnaire survey and the interview method. Structured questionnaire will comprise of closed questions developed in line with the objectives and will be administered to internal audit managers or heads of finance where internal audit managers are not available. Secondary data on financial performance will be obtained from quarterly reports and annual reports of microfinance institutions. The data will cover a period of 5 years from the year 2011 to May 2016. **Data Analysis:** This study aims to find the casual effect between internal audit and MFI's financial performance in Kenya. The link between the variable will be established using a bivariate regression analysis. Data will be captured and analyzed using SPSS (Statistical Package for Social Sciences). In addition, the test of significant will be determine where the effect be significant. Before regression analysis, the data will be cleaned and subjected to the tests of regression assumptions that are made about variables during statistical tests. statistical procedures to be used in analysis may have some errors and therefore need to be tested. Statistical analyses which use regression, analysis of variance, t-test and correlation are based on the assumption that data set is normally distributed, there is no multicollinearity and the data is homoscedastic. Normality tests allow for inferences about the population since it establishes if a data set is well-modelled by a normal distribution. Linearity establishes that the data to be used for analysis is sampled from a population that relates to the variable of interest in a linear manner,

	lack of multicollinearity ensures stability of result. It is carried out primarily to avoid the problem of multiple counting, brought about when a researcher uses the same type of information more than ones with different variables which is common in technical analysis, whereas homogeneity which is carried out to establish The significance of the variance of the carriables used in the study, ensures that standard errors are not over or under-estimated. The regression equation used will be derived from the equations of straight line which will result in model given below: $Y= \beta 0+ \beta 1X1+ \beta 2X2+ \beta 3X3+ \beta 3X3+ \beta 4X4+\varepsilon$ Y the dependent variable represents financial performance measure using return on asset β0 is a constant term, X1= Internal audit standards is measured using the level of adoption of the various internal audit standards by microfinance institutions X2= Independence of internal audit is measured using the extent of independence of the internal auditor in the respective microfinance institutions X3= Professional competence is measured by the level of professional competence of the internal auditor in specific microfinance institutions X4= Internal controls is measured by internal control systems' effectiveness in each microfinance institutions Ɛ - Error term
09	In order to determine the impact of the accounting estimates on the financial position and business performance it is necessary to define the base model, assumptions and limitations of the created models. The methodology used in the empirical analysis comprises the design of balance sheet with the significant portion of non-current intangible and tangible assets and accompanied by income statement. The design of the balance sheet is presented in table 1 and income statement in the table 2. The portion of non-current intangible assets in the balance sheet is 11,45%, and the portion of the non-current tangible assets is 52,08%.
10	The several stages and phases that were followed in completing the study: **Population of the Study:** The population of the study is made up of 100 staff of FIRST BANK OF NIGERIA, PLC which consists of bankers, managers, and accountants.

Sample and Sampling Technique: The set questionnaires will be personally administered by the researcher; eighty (80) questionnaires will be administered for the purpose of this study which is expected to give a result that would adequately represent the population. This study will make use of random sampling technique in analyzing the data. The population obtained from this sample is the basis on which deduction and conclusion will be made with reference to this research.

Validation of the Research Instrument: Adedokun (2005) defined validity as the accuracy with which an instrument measures the characteristic of interest, which it claims to measure. The contents and context of the questionnaire will determine the validity of this study (Ali & Raza, 2015; Raza & Hanif, 2013).

Administration of Instrument: The questionnaire will be self-administered to the sampled population of First Bank of Nigeria, Plc. The respondents will be asked not to indicate their names on the questionnaires so as to make the responses anonymous.

Sources of Data: The aim of data collection procedure is to get worthwhile data which would enable the researcher to get the roots of the problem under investigation. Due to the time constraint of this research study, the researcher will make use of only primary data collection method to collect relevant information to assess whether there is a significant association between organizations with an internal and external audit function, the number and value of their self-reported level of fraud and also organizations that does not in source part of their internal audit function.

Method of Data Analysis: Because of the efficacy and authenticity of this research, Chi-square test will be employed. The chi square test is performed by defining the numbers categories and observing the number of cases falling into each category and knowing the expected number of cases fully in each category, the formulae for the Chi-square is:

$$X2= \frac{(Oi-Ei)2}{Ei}$$

Where X2= chi square
Oi = number of observed case in category i
Ei = number of expected cases in category i
K = number of category, summation runs from 1=1 to 1=K

The researcher used 0.05 and 0.95 level of significance in testing the hypothesis.

The calculated chi-square (x2cal) and the tabulated chi-square (x2tab) are compared and a decision made therefore.
Accept H1 if x2cal< x2 tab
Reject H0 if x2cal> x2 tab

APPENDIX-IV

Compilation of Conclusions

Article	Conclusions
01	The internship program acts a bridge between theoretical and practical knowledge, allowing the intern to gain a better understanding of the entire process as a whole. This enriches the intern with knowledge and allows him or her to explore a dimension of experience that he or she was unaware of before. The internship program has been a rewarding experience as it is a real eye-opener. It closes the distance between reality and fantasy, allowing us to break free of the illusion of a perfect job and the ease of getting it done that we harbor inside us. I have tried to cover the audit procedure followed in Bangladesh in this report. The profession of chartered accountancy is well-reputed in Bangladesh and ACNABIN Chartered Accountants, being the top in its profession, has tried to follow all the rules and regulations enforced by ICAB. The firm has been successfully doing so for many years and hopefully will continue to do so in the years to come. There are however some loopholes in the process. In this era of rapidly changing technology and economy, chartered accountants play a key role to success. The firms should develop ways of providing more customer satisfaction to their clients and alleviating work stress from their employees and students. This already thriving sector can improve even more with the help of good resources, which in this case are the articled students themselves. I hope the audit procedure of ACNABIN Chartered Accountants will develop and improve further in the future and quality of their already satisfactory services will further improve as well.
02	This thesis has found the impact of audit companies and the frequency of auditing are significant factors in quality of financial statements. In other word, additionally, the influence of auditing frequency results in the positive consequences which enable to companies to report and disclose more quality information. Because, auditing of financial statements is an essential tool for reducing financial frauds and misstatements to get protection of the effective market environment. However, when the audit tries to increase financial performance, in this case, there must be trustworthiness, reliability, and credibility like affections audited financial statements. Audit companies acted in agreement with high qualitative auditing standards may encourage accounting firms to adopt accounting standards by ensuring that their financial statements are reliable, transparent and useful. Big audit firms can aid support strong corporate governance, internal control in enterprises and risk management, therefore, that help to increase financial performance. In other word, audit of financial statements is an observing procedure that facilitates reduce the risk of asymmetry of information and interests of different shareholders,

	and take into account the management's financial statements are free from material misstatements. Users of external financial statements, containing with current and potential stockholders, lenders, suppliers, employees and others demand trustworthy financial information, which can be used to make compatible their decisions. When the organization's investors believe the credibility of the organization's audited financial reports, they are forced to fund more on the organization, which leads to increased financial performance. Regulators and standard regulators may raise the efficiency of the companies by disclosing rules and procedures that support audit to improve financial reporting quality. Additionally, users of internal financial statements, such as management, audit committees and executives are interested in auditing quality, generally, to reduce cost of capital. We can see that the quality of the audit is directly related to the quality of the financial statements. The quality of audit plays a significant role in creating an effective market environment, as a result, an independent quality audit strengthens the reliability and trustworthiness of financial statements that is important for successfully maintaining markets and increases financial performance. In addition, the social role of auditors can be a major player in financial activities to minimize significant errors and confirms that the financial statements are prepared in accordance with legal norms and rules. Low risk raises capital trust in capital market, which, in sequence, reduces the cost of capital for companies. Additionally, audit companies serve importantly to the capital markets. By fostering truthfulness and contributing to the integrity of financial reporting in financial statements, auditors help to decrease their financial costs and aid to shareholders to effectively divide investments into growing economic growth. As a result, frequency of auditing and generally external auditing can be beneficial both companies and all society. It is also important to analyze the role of Big Four audit companies in order to investigate the influences of audit. Because, these are leaders for auditing activities and currently the great amount of auditing is making by them. It is a fact, these companies, including Deloitte, PwC, KPMG and EY get the greatest amount of revenue from auditing activity. The amounts of earnings indicate revenue from different services containing, such as statutory audits, internal audits, risk reassurances, definite services and consultations in connection with capital markets transactions. Simultaneously, companies' strategies, business transactions, models and service contributions have turned out to be more complex, demanding auditors to exercise greater professional judgment and utilize specialized abilities. Getting results showed that major part of auditor process in the world belongs to Big Four firms.

03	It was concluded that the response rate determined was very accurate for analysis since very few numbers of questionnaires were not returned by the selected respondents, all age categories and both females and males were fairly represented in this study and that most employees could understand auditing standards and could answer the questioner appropriately since majority of respondents had college level of education and above. It was also concluded that most employees understood auditing since most of them have worked in the company for more than 6 years. On the issue of regularity of usage this study concluded that technical standards along with auditors' independence standards were regularly used as audit standard when conducting the factory`s audit. It was also concluded that a certain degree of Audit evidence is used to guarantee audit quality and not regularly used an audit standard when conducting audit in the company. It was further concluded that the company regularly used confidentiality and Integrity as audit standard in the company`s audit. On the question of financial stability indicators this study concluded that profitability, dividend payable, sales growth either Return on Asset (ROA) or Return on Equity (ROE) or both are financial stability indicators of the factory is a financial stability indicator of the factory. Correspondingly on the financial stability indicators; Stock Price/securities Revenue Growth and liquidity and operational efficiency in table 4.8 this study concluded that were financial stability indicators of the factory. Regarding issue of the effect of audit standards on the financial stability of the factory this study made the following conclusions; that an audit standard improves the quality and credibility of audit, facilitates the detection and discovery of fraud and error, deficiencies in financial transactions, procedures, operations and documentation in the factory and that audit standards impose an obligation on auditor to perform the audit according to the laid down auditing standards. Similarly, it was concluded that audit standards provide the basis for taking action to correct any financial deficiencies that are discovered reduction in the financial occurrences of questionable data, faulty conclusions, and inappropriate practices and that they also affect the financial stability of the factory by assisting in promoting consistency and providing a means to judge of financial performance. The first intervening variable, Organizational culture corporate governance and Organizational policies serves as an intervening variable on effect of auditing standards on the financial stability.
04	The study revealed that there was greater variation in financial performance of commercial banks due to changes in internal audit standards, independence of internal audit, professional competency and internal control; this shows that changes in financial performance of commercial banks could be accounted for by changes in internal audit standards, independence of internal audit, professional

	competency and internal control. The study also established that there was a strong positive relationship between financial performance of commercial banks and internal audit standards, independence of internal audit, professional competency and internal control. The study revealed that internal audit standards, independence of internal audit, professional competency and internal control had a positive relationship with financial performance of commercial banks, the study found that a unit increase in internal audit standards would lead to increase in financial performance of commercial banks, a unit increase in independence of internal audit would lead to increase in financial performance of commercial banks, a unit increase in professional competency would lead to increase in financial performance of commercial banks and further unit increase in internal control would lead to increase in financial performance of commercial banks. The study found that measures that can enhance the efficiency of auditors are important for effective fraud detection. The study concluded internal Controls audits in the organization have features built into them to ensure that fraudulent transactions are flagged or made difficult to transact. The study further concludes that an internal auditor must be independent of both the personnel and operational activities of an organization.
05	From the research work carried out, the following conclusions were arrived at. 55.81% of the total respondents disagree that there is effectiveness in external audit on NGO in the pursuit to be transparent and accountable. While 44.19 agree with the assertion that there is effectiveness in external audit. There is therefore more to be done for external audit report to be effective in the NGOs industry. It was revealed also that the audit reports of NGOs are not discussed with the key players and recommendations are not enforced and implemented and as such contributes nothing to accountability and transparency thereby further reinforcing the assertion that corrupt practices are pervasive on NGO activities. Finally, the challenges NGOs face are as a result of non – compliance to their own procedures and regulations, though logistically they are not constraint to ensuring that accountability and transparency approaches are followed to the latter. In conclusion external audit has no impact on NGOs activities in relation to accountability and transparency.
06	Concerning the significant level variable, the type of auditor’s opinion is 0.0244 and this number is smaller than 5%. So, the 95% confidence level existence of a relationship between types of auditor’s opinion significantly influences on stock returns, and the first hypothesis is confirmed. Due to the positive coefficient of this variable, the relationship of these variables is direct.

	Also concerning the significant level variable, the type of auditor is 0.0132 and this number is smaller than 5%. So, the 95% confidence level existence of a relationship between the types of auditor (audit organization or institution) significantly influences on stock returns, and the second hypothesis is confirmed. Due to the positive coefficient of this variable, the relationship of these variables is direct. return in their area. Investors are also recommended that choose the companies that auditors have confirmed their accounting reports. Because, investing in these companies can be secures and the future investment less risky. Considering that after the re-stock investors show more trust and willing to the companies that there is opinion of formal auditors on their audit reports. Therefore, the value of their shares immediately increases and immediate returns occur on share's price. Therefore, it is recommended to managers to exploit official auditors to audit their registers so as to be able to earn return immediately from supplying their shares.
07	It can be concluded that, the internal control technique helps to achieve the bank's goals and objectives and this were due to the fact that, there are codes of conducts that the staff officers follow. The internal control principles and procedures put in place appear to be well-designed even though it still has some limitations. It can also be concluded that, sometimes the audit team faces some challenges due to inadequate time. Based on these I hold the view that operations of the bank are always efficient and realistic because there is regular check on the bank operation even though sometimes there are event or actions that have an adverse effect in the course of executing their duties. Additionally, on the effectiveness of audit activities at the bank, the results indicated that, the auditing activities is efficient in the sense that, they make sure all duties are performed well and policies and procedures are followed consistently.
08	The study's objective of establishing whether internal audit had an effect on financial performance of Kenya's MFIs was met. Conclusions arrived at from the findings, indicated that internal audit accounted for 28.4% of financial performance of microfinance institution in Kenya. Independence of internal audit was found to have a statistically significant relationship with financial performance. this therefore means that internal audit standards, internal audit controls and professional competence, as components of internal audit do not impact financial performance significant.
09	Financial statements portray entity's financial condition and business performance. To disclose that the financial statements of an entity are in conformity with financial reporting standards requires from management to make estimates and assumptions that affect the amounts reported in these statements and accompanying notes. Since

	each judgement is by its nature subjective; the results of the estimation can differ. Therefore, management should use all available and sufficient information when making accounting estimates. Persons in estimation processes should also react ethically and avoid any conflicts of interest. To confirm its objectivity in making estimates management should be able to approve the process of making estimates. It means, it will consider the critical areas of accounting estimates, discuss those estimates and its impact as well as document these processes. With regard to these tasks, management should review entity's critical accounting policies and related disclosures with the Audit Committee. The research was based on the testing the designed balance sheet with the significant portion of non-current intangible and tangible assets and the appropriate income statement. The selected variables (typical financial ratios) for the evaluation of financial position and business performance of a company have shown, for all conducted models, that financial position and business performance could materially depend on the made estimates. The research model confirmed the volatility of financial condition and performance of an entity as a result of different accounting estimates in cases where intangible and tangible assets represent significant part of the entities' assets. However, to minimize this problem, entities should disclose critical accounting estimates in the notes to the financial statements which will serve as the information base for all the interested users. Where the proportion of assets, for which the estimation is made, is not material, the volatility of financial condition and performance would not be significant. After all, sometimes, despite the proportion of assets, accounting estimates will still have a significant impact on financial statements.
10	Bank can only reduce the occurrence of fraud by ensuring conclusive, satisfactory and comfortable working conditions of staff and also, the importance of the auditors' role in the detection of fraud is continuously growing. Armed with combination of skills, these financial detectives are today important assets to modern legal teams. In the backdrop of increasing levels of frauds, the demand for auditors is bound to substantially increase in the future.