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EXTERNAL AUDITING RELEVANCE IN THE GROWTH OF BANKING INDUSTRY IN NIGERIA: AN EMPHASIS ON THE EFFECT ON DEPOSIT MOBILIZATION

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ABSTRACT: *This study appraises the effects of external auditing in the growth banking business in Nigeria with special emphasis on his relevance to deposit mobilization. Data were collected through oral interviews, library research and the questionnaire. Respondents were chosen through stratified random sampling and data were analysed using the Chi-square and Z-test. Findings of the study indicate that external auditors contribute significantly to the growth of the deposits as their assurance functions and reports encourage the depositors and other stakeholders to grow their deposits in the banking sector. However, any report that is negative usually triggers off panic among depositors. The paper recommends that auditors should maintain a high degree of independence to guarantee quality assurance that could provide the much needed protection of depositors' funds and other stakeholders' interest in the banking sector.*

KEYWORDS: External Auditing, Auditing Functions, Banking Business**.**

INTRODUCTION

Background of the Study

Management of most banks is detached from owners (Principal-Agency Theory). Merkling(1976) in Omokhudu and Omoye (2012) define the agency relationship as a contract under which one party (the principal) engages another party(the agent) to perform some services on their behalf with the principal delegating decision making authority to the agent. As such the owners or shareholders of most banks are not part of the daily operations of the organizational activities look forward to the realization of their goals.

There are however, other interest groups who depend on the organization to realize their own respective goal. The suppliers, stock brokers, lenders, government and so on are all part of the stakeholders, since these owners are not involved in the daily operations of the business, they may be doubtful of what the management may present to them as report of the organizations performance for the purpose of reliance on the management report, the stakeholders need confirmation report, the stake holders need confirmation or assurance by an independent party known as the external auditor. In the light of this, customers need the assurance of the external auditors, who are greatly depended upon, since they are expected to adopt the attitude of professional skepticism. This suggests that even though the auditors are not mainly, finding out fraud in the financial report, they should recognize the possibility of its existence. This is one of the pronouncements in ISA 240 which was further made stronger and actionable by the introduction of the Sarbanes Oxley of 2002.

The Act was introduced in 2002 following the failure of Enron, scandal which was cleverly hidden from the external auditors of Anderson, leading to colossal losses by the stakeholders, all over the world. However not all the stakeholders expects from the external auditors could be legally enforceable as in the case of Re-Kingston cotton mill of 1896 in which the external auditors were adjusted as watchdog and not blood bound (Millichap, 2008). Thus, auditors are bound or liable within the limits of the statutory requirements contrary to the perception of the stakeholders. The divergence between stakeholder's perceptions of the auditor and the statutory requirement is the expectation gap.

There are so many problems which surrounded this, on the strength of this multiple problems, it is pertinent to have proper examination of the responsibilities of the external auditors to public and private companies to know the effects of non- compliance by the auditors on the corporate performance of an organization. Unarguably, stakeholders look up to the external auditors as one who has the professional competence and whose advise or opinion is held sacrosanct for investment decision.

Though the duties of the auditor of the public companies are expressly stated, it is pertinent that an agreement letter which states the duties to be performed be given to auditor of banks; statutory requirement or engagement letter becomes the springboard on which the organization success or failure is viewed visa-avis the auditor's action. More importantly is that the stakeholders especially depositors in the banks still look up to the external auditors' reports to assure them of the safety of their deposits and answers other going concern questions on the banking industry. Because of the perception of the stakeholders on the responsibilities of external auditors in this regard, this paper seeks to review the roles of external auditing in assisting banks increase their deposits thereby enhancing value creation to stakeholders.

Statement of the Problem:

External auditing functions are seen as powerful tool that could aid corporate performance and infact existence. The sensitive nature of the banks especially in Nigeria has put more demand on external auditing reports as most depositors look up to the yearly assurance reports affirming and reaffirming the viability or otherwise of the banks. In the early 1990's Nigeria experience the collapse of almost eighty (80%) of her first generation banks like the Cooperative and Commerce bank(CCB), African Continental Bank(ACB), Orient Bank and a host of others. Reports have it that a good number of depositors lost their deposits, other forms of investments in the banks and even lives. Again, between 2008-2009, the Central Bank of Nigeria in a bid to save the banking public floated the Asset Management Company of Nigeria (AMCON) to rescue about five banks in Nigeria which were declared weak whose assets and depositors' funds were in the negative balance. Undoubtedly, these banks had external auditors who had conducted annual auditing on their accounts and certified the banks as being healthy. Studies have been carried out on the general role of the external auditing in areas of fraud prevention in the banking industry but few or none has been conducted on the role of external auditing on encouraging the growth of banking business in Nigeria with specific interest on deposit mobilization and hence this study. Other matters that could arise remains:

- Whether the perceptions of the stakeholders are in line with the statutory responsibility of the external auditor and how could the auditor reposition himself to address this issue.
- Whether the directors actually prepared and presented the true financial statement or whether certain materials facts were hidden from the external auditors on which he bases his opinion.
- Whether the auditor has exercised enough due diligence that could support his quality assurance reports.

Objectives of the Study:

The primary objective of the study is to examine the roles of external auditors in the growth of banking business in Nigeria with special emphasis on deposits mobilization.

Specifically, the paper will:

a. Ascertain the level of liability of the external auditors to third parties and how his role can influence deposit growth.

b. Examine the degree of responsibility of external auditors as specified in the relevant statutes and how it can affect the quality of financial reports.

Research Questions:

- How are the external auditors liable to third parties and how can the roles influence deposit growth?
- What is the degree of responsibility of the external auditors as specified by statues and how can these affect the quality of financial reports?

Research Hypotheses (Null):

- External auditor's liability to third parties does not influence deposit growth.
- The responsibility of the external auditors does not affect the quality of financial reports.

REVIEW OF RELATED LITERATURE

This section reviews relevant works on the topic as shown in textbooks and scholarly journals accessed at libraries and the internet.

Concept of External Auditing:

External auditing which is the function of statutory auditors is the process of reviewing the accounting and financial books of a company by a certified public accounting firms (Inyiama, 2010). This task is performed quarterly and annually, consistent with the reporting cycle for public investment. Companies professional accountants performs this function to enhance the credibility of information about a subject matter which conforms in all materials respects with suitable criteria(law) Millichamp and Taylor (2008). External auditing function is carried out by an external auditor who is approved by the shareholders of the organization and for whose interest the (external auditor) represents. This follows that the external auditors' reports are key to measuring the performance of public investments in banks as the quality assurance reports attracts deposit while a negative report could trigger off a panic withdrawal of deposits(Inyiama,2012)..

Duties and Responsibilities of the External Auditors:

A company’s auditor is expected to carry out activities as will enable him form an opinion as to:

a. Whether adequate accounting records have been kept by the company and return adequate for performing the audit have been received from branches not visited by the auditor.

b. Whether the company’s individual account are in agreement with the accounting records and returns.

c. Whether the company's director remuneration report is in agreement with the accounting records and returns (Millichamp, and Taylor, 2008).

If the auditor fails to obtain all the information and explanation which to the best of his knowledge and belief are necessary for the purpose of his audit, he shall state facts in his reports. The above are part of the requirement for the auditor to exercise reasonable care and skill in the performance of his job but the exact extent of the skill and care required of him have not been defined (Aguolu, 1981). Many decided cases have been put forward to show when auditors are liable in the light of their responsibilities, but even such cases have not provided a perfect guide. This is so because of the carrying circumstance and periods when the cases were decided.

Objectives of an Audit:

From the definition of audit, its primary objective does not include the preparation of financial statements. This is indicated in 334 of the companies and Allied matters Acts of 1990. Thus, auditing does not include detection of errors or fraud. According to Aguolu, (1998), the primary objective of an auditor is to examine the financial statements prepared by the officers of the company and to report to intended party or shareholders as to:

Whether the financial statements show a true and fair view and comply with relevant status and if proper records have been kept, whether the financial statements agree with the records of the Companies and Allied Matters Act of 1990 regards the above as the primary objective of an audit while all others may be regarded as secondary objective of the audit. The foregoing indicates that the detection of errors and frauds do not form part of the primary objects of an audit even though their detection where they exist in financial statement being audited is of major benefit. In this regard, an audit therefore provides a great moral check on the management and staff of an organization against the commission of fraud and errors.

Ways external auditing can influence the growth of deposit mobilization in banks:

The external auditor is the eye or watch dog for the shareholders in corporate setting. The external auditor's report is the platform on which the shareholders, creditors, debtors, etc. anchor their minds. This dependency according to the ICAN (2009) has risen because of the fact that owners and management of business are often different people such owners (shareholders) would require more confidence in the report of managers (Directors). The reason for the above is predicted on the increasing volume of growth in internet reporting and use of world wide web in addition to this are environmental reporting on corporate social responsibility and corporate governance.

The Concept of Corporate Governance:

Sheifer and Vishng (2001) defined corporate governance as a mechanism that the suppliers of finance use to ensure proper return from enterprise. Claessens and Pan (2002) conceptualize corporate governance in the direction of minority right protection, transparency, rent seeking and relationship based transaction, risk financial structures etc. Goerpers *et al.*, (2003) saw corporate governance concepts from the shareholders perspectives submitting that shareholders right are positively related to firm values, profits and sales growth.

Stakeholders Primary Interest:

Stakeholders are expanded to include not only the shareholders but also employees, supplier's regulators, governments and government agencies, Financial analysts, core investors. The primary interest of the stakeholders is not primarily in compliance but in the performance of the organization. Recent development showed that much emphasis was placed over regulation and this preoccupied governance issues to the detriments of strategy and building business. In an attempt to comply with the enormous regulatory requirements, organization resorted to fraudulent financial reporting in the form of misrepresentation or omission of events/transactions in the financial statement. Intentional misapplication of accounting principles and manipulation of falsification or alternative of accounting records/support documents (ICAN PACK 2009).

All this involves window dressing or creative accounting indulged by the management to create a picture of an organization which is different from the reality. According to Millichamp and Taylor (2008) such activities expose an organization to the risk of loss prior to global financial crisis regulatory disclosure overload was fraught with the practice of concealing important information from users of the financial statements with a concernment effect of less usefulness and too complex for the average readers to understand.

The External Auditor and Deposit Money Bank:

The various roles that the external auditor performs towards the realization of the stakeholder interest cannot be over emphasized. In the light of this research work, his duties of forming an opinion as to the true fair view of an organization based on.

- Whether adequate accounting records have been kept by the company and appropriate returns for their audit have been received from branches not visited by them.

  Whether the company's individual's accounts are in agreement with the accounting records and returns and whether the audited part of the company directors remuneration report is in agreement with the accounting records and returns. Millichamp and Taylor (2008), where the auditor obtained clear evidence of the presence of the above requirement and their agreement with the records, issues unqualified report by stating that the financial statement are freely forms material misstatement and issues a true and fair view in his report. However, if the auditor is of the opinion that:
- Adequate accounting records have not been kept or that adequate returns for their audit have not been received from branches not visited by him.
- Or the company's individual's accounts are not in agreement with the accounting records and returns.
- Or the auditable part of its directors remuneration report is not in agreement with the accounting records and returns the auditors is expected to state such fact in his reports.

Defining Auditor's Liability:

According to Osita (1998), the external auditor by virtue of his expert knowledge is the shareholders, investors and other stakeholders take their decision. It is true that auditor's report is a mere opinion but that does not exclude him of blame should failure arise in the course of the organization's activities. This is stemmed from the fact that he is expected to do his work honestly, and carefully. Having examined the branches not visited ensures the reliance of the financial statement to all statutory requirements etc.The auditor thereby form his opinion any liability or performance gap (Okafor, 2009), may arise either, under common law, under statute (civil liability) and criminal liability.

Civil Liability:

This relates to liability under common law and under statute (Aguolu, 1998). The common law liability is predicated on the fact that though an auditor performs only an attest function based on the account prepared by the directors; he is expected to do that by exercising reasonable duty of care. Accounts presented to the auditor for examination and subsequent attestation could be fraught with errors and fraud. The auditor is required to exhibit skepticism in the conducts of the audit assignment while carrying out an audit assignment. He samples, the level of which can be adjusted in the light of the anticipated risk involved. Much as sampling in viewed to the cost effective (Olorede, 2004), auditors must be careful given that auditor function is aimed at reducing information risk for the interest of the stakeholders (Okafor, 2009), when an auditor recklessly relies on the honest and accuracy of other as in the cast of CANDLER V. CRANE CHRISTMAS & Co, 1951 where the accountant (Crane Christmas) was used for negligence though not to the third party. Liability under statute relates to breach of position of authority with the object of the personal gain.

Criminal Liability:

This arises where an auditors is aware of a material false published and allowed to published misleading statement or makes a forecast which he knew is misleading with a view to include someone to enter into an agreement. This is spelt out in section 360(2) of CAMA 1990.

Audit Expectation GAP:

Overtone role of an auditor is usually miss-constituted by the public and the investment community. To some people, the auditor is responsible for preparing the accounts dealing with tax and keeping the boots. The auditor is statutory required to form and express opinion on the financial statements. The divergence between auditor's statutory responsibility and what the public or stakeholders expect from the external auditor is the expectation gap (ICAN, 2009), this is further added weight by the international standard on auditing ISA 200 which upholds the examination and Attest function of the external auditors as the primary responsibility.

The Auditor and recent Development in the Global Financial Environment:

There are avalanche of organizational failures among organization in the world. The case of Enrons Corporation in 2001 was a shock with its ripple effects across financial markets in the world, com.polly.m and so on. The atmosphere of fraud and dishonesty is pervasive and this has taken its role on some audit reports and the subsequent collapse of major world business concerns Enrons Corporation und Jeffery Skilling, developed a staff of executive who through the use of accounting loopholes special purpose entities, and poor financial reporting, were able to hide billions of dollars in debt from failed deals and projects (http. en.wikpedia.org/wki/Enron scandal).

The fall out of the Enron, Corporation was masterminded by the chief financial officers Andre Fastow and other executive who mislead even the audit committee but also pressured their external auditors, Anderson to ignore the issues.

The website reports indicated that shareholders cost nearly $11billion (Eleven Billion Dollars) when the company's stock experiencing on all time clip of $89 from $90,000 in November 2011. More than 85,000 employees (Eighty five thousand) and numerous stakeholders were affected by the fraudulent financial activities.

The scenario involving Enrons executives and their external auditors Arthur Anderson vindicated the position of Mitchell(2002) in Okaro and Okafor (2009), who stated that audit failure are made in the board rooms of accounting firms. The real financial benefits have lead many auditors to engage on low-balling with aim of obtaining other financial services from the same clients. It was noted when such happens, the auditor can hardly exercise thoroughness on the audit assignment especially where there is time budget pressures. The recourse is to routinely falsify the work.

In Nigeria it has also been noted that weak moral fiber on the part of some auditors may have accounted for some audit failure. Owoyeme in Okaro and Okafor (2009) laments that lack of whistle blowing culture in Nigeria by auditors is a situation where auditors reports some cover up by organizational executive may be as a result of fear or cost one's life to threatening assassins who are always on the prowl when indicated. However, the reason for audit failure sometimes goes, beyond the auditor by the subtle attempt, usually initiated by some organization to compromise their auditors.

In banking industry, most banks present for audit only accounts that largely portray their banks healthy, profitable and competitive. These issues have resulted to audit failure in recent times and these have not only affected the share holders and employed alone but other interested persons as the lenders, supplier etc. stakeholders expect the external auditor to discharge their obligations by ensuring that the financial statements of the organizations to which they are engaged shows the real position of their financial affairs.

However, for avoidance of performance gap such areas of assignment must be properly communicated to the auditor whose failure to exercise such care and competence required of a professional is liable to the client that appointed him and also to related parties whom his reckless action have been inflicted with financial injury.

RESEARCH METHODOLOGY

Research Design:

The study adopted the survey and descriptive approach.

Population/Sample size:

The population for the study is made up of 34. This number comprises shareholders, employees, and customers. Shareholders 7; Employees 11; Customers 16. For the purpose of this study, the actual population or aggregate is thirty four (34) holders from which a sample is determined using Taro Yamen's formula:

$$n = \frac{N}{1 + N(e)^2}$$

Source: Taro Yemen (1964)

Source: Taro Yemen (1964)

Where N=Actual population of 34

n = Sample size

e = Level of significance (tolerable error)

1 = Constance

Factoring in, we have

$$= \frac{34}{1+34\,(0.05)^2}$$

$$= \frac{34}{1+.34\,x\,0.005}$$

$$= \frac{34}{1+..0850}$$

$$= \frac{34}{1.0850} = 31.34 = 31$$

Thus, 34 stakeholders represent the sample size for the population. However for each stratum, the sample size was estimated using the burley's proportional allocation techniques.

$$nh = \frac{nNh}{N}$$

$where$

nh = the number of unit allocated to each category of stakeholders.

Nh = the number of population in each category of stakeholders

n = the total sample size

N = the actual or total population

Population allocation

Shareholders, nh = $\frac{7 x 31}{34}$ = 6

Employees = $\frac{11 x 31}{34}$ = 10

Customers = $\frac{16 x 31}{34}$ = 15

Summary of the sample size

Shareholders	6
Employees	10
Customers	15

Sources of Data:

Data were sourced through the primary and secondary sources.

Tools for Data Analysis:

Data obtained in any research work can be analyzed with any techniques appropriate with the objective nature of the study and data obtained. In analyzing the data from the questionnaire administered, both descriptive and parametric analyses were used (Ezejelo, *et al.,* 1990). Descriptive analysis involved the use of simple percentages, cross tabulations, of simple percentage, cross tabulations, tables and chats (where applicable). To test hypothesis, the Z-test (two tailed) test technique was used.

PRESENTATION AND ANALYSIS OF DATA

Presentation of Data:

The data collected are presented in table 4.1 below the responses were analyzed using the simple percentage. A total of thirty one (31) questionnaires were prepared and distributed to the respondent. The questionnaire were duly filled, none were wrongly filled or rejected and all responded.

Table 4.1: Respondents on External Auditor's and their responsibilities.

Response	Question 7		Question 7		Total	
	Frequency (%)		Frequency (%)		Frequency (%)	
Agree	24	77	16	52	40	56
Disagree	7	23	15	48	22	37
Total	31	100	31	100	62	93

Source: Field Survey, 2013

From the table above, 24 of the respondents or 77% stated that external auditing is the responsibility of the external auditors. The table further shows 52% of the respondents or 16 of them indicating that external auditors are responsible for the enhancement or creditability of the financial statements on stakeholders. Respondents to question II shows that 16 or 52% are of the opinion that external auditors have duty of care and skill as part of their responsibilities

Respondents on investor's reliance on external auditor's reports.

Response	Question 7		Question 7		Total
	Frequency %		Frequency %		Frequency %
Agree	24	77	20	65	44
Disagree	7	23	11	35	18
Total	31	100	31	100	62

Source: Field Survey, 2013

An analysis of respondents to question 15 shows that 24 respondents or 77% of the respondents believe that stakeholder have reliance on the report of the auditors and that organizational failure should be attributed to the auditors whose reports the investors relied upon. Only 23% of the respondents believed that auditors are not to be totally held liable in the course of organizational failure.

On the preparation of the financial statements and keeping the books, an analysis of question 16 shows that 20 or 65 of the respondents believed that auditors are saddled with preparation of the financial statement. Only 11 or 35 % of the respondents are of the opinion that it is not the responsibility of the external auditor to prepare financial statement.

Testing of Hypotheses

Table 4.1 above representing the primary data obtained through questionnaire administered for the assessment of stakeholder's perception on the influence of external auditors on deposit mobilization. As was earlier stated in chapter three the test statistics of Z tests was used to test the two hypotheses formulated to answer the research questions as asked to guide the study.

Table 4.2 Analysis of Responses

No	Questionnaire	No of Resp.	Score of Resp.	No of Resp.	Score of Resp.	Total
7	Need for external auditors by corporate entities	24	102	7	20	31
8	External auditors and credibility of financial reports	16	65	15	33	31
10	External auditors and proper returns from branches	28	117	3	8	31
11	External auditors duties of care and skill	16	67	15	43	31
15	External auditors and failure of their client organizations	24	99	7	20	31
16	External auditors and preparation of financial statements	20	72	11	28	31
17	Engagement letters and auditor's responsibilities	28	118	3	9	31
22	Auditor defined functions and their liabilities	28	125	3	9	31

Source: Field Survey, 2013

From the table of respondents and their scores above, the mean score and standard deviation are determined as shown below

Table 4.3 Analysis of Responses.

	No of resp.	Score of resp.	Mean score	Standard score	No of resp.	Mean scores	Standard deviation.	No of resp.	Total of rep.
7	24	102	11.33	1.30	7	20	3.33		31
8	16	65	7.22	9.93	15	33	5.5		31
10	28	117	13.00	4.04	3	8	1.33		31
11	16	67	7.44	7.16	15	43	7.17		31
15	24	99	11.00	0.69	7	20	3.33		31
16	20	72	8.00	5.28	11	28	4.67		31
17	28	118	13.11	4.28	35	9	1.5		31
22	28	125	13.89	5.55	3	9	1.5		31

Source: Researcher's computations, 2013

The Z-value calculates is obtained by factoring in the above generated valuable in the format. $Z = \frac{\bar{x}1 - \bar{x}2}{\frac{1}{\sqrt{n_1}} + \frac{1}{\sqrt{n_2}}}$; *where* $\bar{x}_1$, $\bar{x}_2$ Are the aggregate mean score of the two opinions while n_1 and n_2 total number of respondents representing the entire sample;

$$\text{thus } Z = \frac{10.62 - 3.54}{\frac{4.77}{\sqrt{23}} + \frac{4.18}{\sqrt{8}}} == \frac{7.08}{\frac{4.4}{\sqrt{23}} + \frac{4.4.18}{\sqrt{8}}}$$

$= 0.92 + 1.48 = \frac{7.08}{2.4} = 2.95$This is compared with the critical value obtained thus df 2 31-3 = 28 i.e. (n-k) where K representing the three sets of stakeholders and n is the sample size of the study. Thus: The critical value of Z at 5% of significant is located from appendix 3 areas under the normal curve and this give $\pm$ 1.96.

Decision Rule: If calculates Z value is greater than the critical value at the 5% level of significance. It means that the resulting value lies outside the acceptance region and as such the resulting hypothesis should be rejected. The importance of the above scenario is that the null hypothesis should be rejected. This means that external auditors are responsible for the performance of corporate organization H_0 investor do not significantly rely on the report of the external auditors investors significantly rely on the report of the external auditors in the course of their investment decision.

This is tested with responses to question 9.12, 13, 1, 20, 21, 24, and 25.

Table 4.7 Response from questionnaire

Deviation Cal Table

Respondent Category	N	$\bar{x}$	STD	df	2 – 2 -	D decision
Respondents on Agreement	10.62	4.77				
Respondents on Disagreement	3.54	4.18	2.8	2.95	$\pm$1.96 0.05	Rejection

Source: Researcher's computation, 2013

$\sqrt{n_1}$ $\sqrt{n_2}$ Standard deviation of the two sets of respondentsn_1,n_2 = total no of respondents representing the entire sample

$$\text{thus } Zcal = \frac{10.62 - 3.54}{\frac{4.77}{\sqrt{23}} + \frac{4.18}{\sqrt{8}}} = 7.08$$

$$\frac{4.4}{4.8} + \frac{4.18}{2.83} = 0.92 + 1.48 = \frac{7.08}{2.4}$$

table 4.5

Analysis of Respondents

Questionnaire	No. of resp.	Score of resp.	No. of resp.	Score of resp.	Total
Auditors report and investors confidence	7	20	24	102	31
Auditors validation and fraud exposure	3	8	28	117	31
Uses reliance on auditors reports	15	43	16	67	31
Users misperception and aims of financial statement	7	20	24	99	31
Wrong expectation by users of reports	11	28	20	72	31
Corporate failures and wrong expectation by way of compromises	3	9	28	125	31
Fear and cover up of top management wrongs	30	9	28	125	31
Total					

Source: Field Survey, 2013

From the above respondents and sources, the mean scores and standard deviation are developed for the calculation of the 2-value.

Questionnaire	No. of resp.	No of resp.	Mean score	Standard deviation	No of resp.	Score of resp.	Mean score	Standard deviation	Total resp.
9	7	30	2.22	0.47	24	102	17	1.3	31
12	15	33	3.67	5.26	16	65	10.83	1.3	31
13	3	8	0.89	7.65	28	117	19.5	1.3	31
19	15	43	4.78	5.67					31
20	7	20	2.22	0.47					31
21	11	28	3.11	2.03					31
24	3	9	1.00	7.07					31
15	3	0	18.89	7.07					31
total									
Agree	64	170	2.36	35.65	184	765	117.5	35.91	24.8
Gate									
Agree	8	21.25	2.36	4.46	23	95.63	14.64	4.49	31
Gate									
Mean	$N1^2$	1X	1X	8_1^Y	N_2^2	1X	$1X^2$	8^2	

Researcher's computations, 2013

The standard deviation was obtained using the formula

$$Z = \sqrt{\sum \frac{(X - X}{7})^2}$$

$$\frac{\bar{x}_1 - \bar{x}_2}{8_1 \qquad 8_2}$$

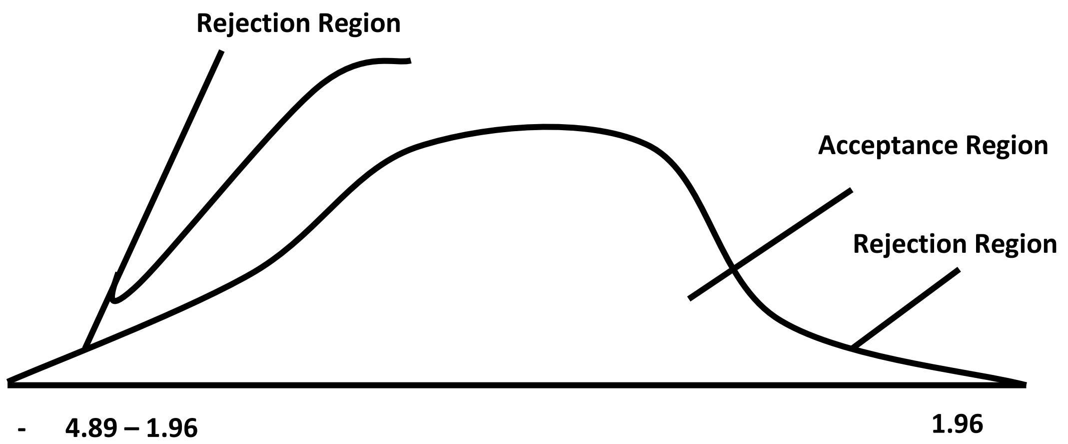
$$Z = 12.33 = \frac{4.46}{\frac{2.83}{\sqrt{8}}} + \frac{4.49}{\frac{4.89}{\sqrt{23}}}$$

Z = 12.33

$$\frac{4.46}{2.83} + \frac{4.49}{4.80}$$

$$= \frac{12.33}{2.52}\ 4.89$$

The calculation value of Z = 4.89, the critical value if Z @ 5% s level of significance and 28 degree of freedom (31 - 3) gives $\pm$ 1.96, this is shown in the normal curve below.



The calculated value falls outside the acceptance region on the negative flank. This leads to the rejection of the null hypothesis two and to accept alternative hypothesis that investor significantly rely on the report of the external auditors in the course of their investment decision.

The results are shown below;

Respondent category	**N**	$\bar{x}$	**ST deviation**	**df**	**2-cal**	**2-D table**	**decision**
Respondents on agreement	8	2.36	4.46				
Respondent on disagreement	23	14.69	4.49	2.8	-4.89	$\pm$1.96	0.08 Reg.

Researcher's computations, 2013

DISCUSSION OF RESULTS:

The study was revalued through the use of questionnaire with question tailored towards the assessment of stakeholder's expectations on the external auditors in deposit mobilization.

The two null hypotheses were subjected to statistical test of significance of 95% confidence level and 28 degree of freedom, the test statistics employed was Z-test (two tailed test). In an attempt to test hypothesis one which states the role of external auditors in the growth of deposit mobilization of banks, the result arising from the primary data tested at 95% confidence interval was located outside the acceptance region an indication that the null hypothesis should be accepted. The result shows that the external auditors contribute to the growth of deposit mobilization.

Hypothesis Two: states the level of liabilities to the third parties gave a positive value a clear indication from the acceptance region .This again leads to the acceptance of the null hypothesis that external auditors are liable to the third parties in the process of making their investment decisions.The above results were in line within the works of millichamp and Taylor (2008), Okolo (2001) Okairo and Okafor (2009) Candler V. Crane Christmas & shows among other things. Auditors have the duty of care and skill and should discharge their responsibility in line with the status relevant to their appointment while the independent auditors seal on the financial statement or organization and their opinion of true and fair view of the accounts, presents a clean bill of report on which the investor anchor their decision. The independent auditors are the eye of the shareholders in typical modern banks where owners are separated from the daily operations of the enterprise. The auditors, statutorily appointed by the shareholders have the original mandate to act and represent the shareholders very well while ethical requirement relating to particular audit assignment are contained in an engagement letter (Olowookere, 2004) help to bridge expectation gap arising between external auditors and the expectation from banking public.

SUMMARY OF FINDINGS, CONCLUSION, RECOMMENDATIONS AND CONTRIBUTION TO KNOWLEDGE

Summary of Findings:

The study has revealed that external auditing provides and enhances the credibility of financial statement upon which depositors and other stakeholders make their decision. Through the quality assurance and reports the various stakeholders hold the external auditors in trust and therefore rely on reports endorsed by them and this has affected positively on the growth of banking business in Nigeria. However, banks that have adverse reports from the auditors have severally witnessed massive withdrawal of depositors' funds and sometimes outright divestments from investors.

Contribution to Knowledge:

The paper was set to appraise the role that external auditing can play specifically to aid the growth of deposits in the banking business in Nigeria. This study which to me is a grew area in auditing will expose the banking operators, regulators, customers and other stakeholders on this critical role which can only be entrenched when quality assurance role is the watchword of the auditor. Therefore, it is hoped that the quality assurance report will continue to play this critical role that will engender the growth of banking business through deposit mobilization.

Conclusion:

External auditors role enhances the credibility of financial statement and thereby increase the confidence of existing and would be customers in the banking system, this singular role therefore creates a platform for the increase of deposit generated by the deposit money banks. Reports from external auditors also enhance the integrity attributed to the bank statutorily and other various statutory holders to the business. External auditors are very important based on their quality assurance role that provides the trust that drives deposit mobilization.

Recommendations:

The following recommendations are made:

1. Independent auditors should demonstrate skill, care and competence in the discharge of their responsibilities, stakeholders expect auditors to perform beyond their statutory responsibilities due to their own perception. This scenario can be corrected through insurance of engagement letter that defines the auditor's responsibilities.

2. Auditors should adhere to the professional ethics in the course of discharging their assignment while auditors should maintain their independence so as to attract investor's confidence by forming the right opinion on the financial statements.

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