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Auditing Sampling And Quality of Auditors Report in Nigeria

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Abstract: *The paper examines the effect of audit sampling in the quality of auditor's report in Nigeria. The essence of providing an audit report is to make an investigation into the truth and fairness of accounts records, vouchers and financial statements examined by an auditor by the expression of an opinion. This opinion can be a qualified or an unqualified one. The paper concludes that audit sampling is a systematic approach applied by auditors is the process of fashioning out ways to provide reliable and accurate opinions based on the volume of accounting records, vouchers and financial statements made available for verification in order to boost the confidence of the users of audit reports. The auditors' expresses qualified or unqualified report at the end of an audit process. The paper recommends that banks should adopt sampling procedure in their audit process so as to provide audit reports that are objective and defensible; and banks should use hire the services of external auditors to investigate into the truth and fairness of accounts records, vouchers and financial statements examined so as to make them express the appropriate opinion.*

Keywords: *Auditing Sampling, Non-scientific Sampling, Scientific Sampling. Qualified Auditors Report, Unqualified Auditors Report*

I. Introduction

Over the years, in the field of Auditing, Investigation and Control, a lot of studies have been conducted to fashion out how auditors can provide opinions that are accurate and reliable for stakeholders in the business environment (Aguolu, 2002; Parker and Nobes, 2010). The essence of providing an audit report is to make an investigation into the truth and fairness of accounts records, vouchers and financial statements examined by an auditor by the expression of an opinion. This opinion can be a qualified or an unqualified one (Aguolu, 2002)**.** The expression of "true and fair" is one of the most common expressions used in the financial industry today. It is used to describe the required standard of financial reporting but equally to justify decisions, which require a certain amount of arbitrary judgement making (Parker and Nobes, 2010). Previous studies have demonstrated that true and fair view is the principle that is used in guidelines ranging from auditing and financial standards (Lee, 2001). It is the principle of true and fair view which enhances the process of auditing by enabling audit reports to ascertain the validity of original transactions, confirm the completeness and accuracy of recording transactions and ensuring that the financial statements of an organization has been prepared in agreement with the available records of the organization (McMonnies, 1987). Essentially, the aim of the financial statement of a company is to report to the shareholders on the financial position at the year-end, and the performance of the company over the year (Parker and Nobes, 2010). They are also important for tax computations, for management decisions and quotations from lending institutions. Thus, it can clearly be seen why independence and objectivity are important in the statements (Lee, 2006). Audit sampling is the application of an audit procedure to less than 100% of the transactions within a particular population for the purpose of drawing a conclusion about the entire population. There are two general approaches to audit sampling: non-statistical and statistical. Both approaches require that the auditor use professional judgment in planning, performing, and evaluating a sample and in relating the audit evidence produced by the sample to other audit evidence when forming a conclusion about the related account balance or class of transactions (Aguolu, 2002). The sampling techniques are used to assess audits and provide opinions. The report of an auditor can be a qualified or an unqualified one (Alexander, 1998). The crux of the matter in this paper is therefore to examine how scientific sampling technique can affect a qualified audit report; determine how scientific report can affect unqualified audit report; assess the effect of non-scientific sampling on qualified audit report, and how non-scientific sampling can affect unqualified audit report. Tentatively, the hypothetical expressions in this paper includes; there is no significant relationship between scientific sampling and qualified audit report; there is no significant relationship between scientific sampling and unqualified audit report; there is no significant relationship between non-scientific sampling and qualified audit report; and there is no significant relationship between non-scientific sampling and unqualified audit report. The reason for developing these tentative statements is because the paper intends to assess the effect of audit sampling in the quality of auditor's report in Nigeria.

I. Literature Review

Auditing requires the investigation of many records. Typically, in most organizations, records that need to be verified through audit processes are very many. Hence, auditors apply sampling technique to help them

carry out their audit functions at very periods of time (Nobes, 2003). However, the application of sampling techniques comes with the problem of bias in the analysis of audit processes, which in most cases constitutes audit risks (Parker and Nobes, 2010). The goal of auditing is to carry out an independent examination of the financial statements of an organization with a view to expressing an opinion as to whether its financial statements give a true and fair view and comply with the relevant statutes; and this opinion must be expressed in the form of a report (Lee, 1986). The major factors that affect the required sample size for an attributes sample are the risk of assessing control risk too low, the tolerable deviation rate, and the expected deviation rate in the population. The two aspects of sampling risk for substantive tests include the risk of incorrect rejection and the risk of incorrect acceptance. The risk of incorrect acceptance is the critical risk, because if the auditors accept a materially misstated account balance, they may issue an inappropriate audit opinion. The most reliable way to conduct a communications audit is to survey everyone in the organization. This gives a complete picture of the opinions prevalent among the population, and enables the auditor to provide specific results for all groups (Kiabel, 2000; Aguolu, 2002).

2.1.Theoretical Framework

Audit sampling is the application of an audit procedure to less than 100 percent of the items within an account balance or class of transactions for the purpose of evaluating some characteristic of the balance or class. The auditor often is aware of account balances and transactions that may be more likely to contain misstatements. He considers this knowledge in planning his procedures, including audit sampling. The auditor usually will have no special knowledge about other account balances and transactions that, in his judgment, will need to be tested to fulfill his audit objectives. Audit sampling is especially useful in these cases (Aguolu, 2002).

2.2.Emprirical Literature

Evaluating the appropriateness of audit evidence is solely a matter of auditing judgment and is not determined by the design and evaluation of an audit sample. In a strict sense, the sample evaluation relates only to the likelihood that existing monetary misstatements or deviations from prescribed controls are proportionately included in the sample, not to the auditor's treatment of such items (Walton, 2001). Thus, the choice of non-statistical or statistical sampling does not directly affect the auditor's decisions about the auditing procedures to be applied, the appropriateness of the audit evidence obtained with respect to individual items in the sample, or the actions that might be taken in light of the nature and cause of particular misstatements (Houghton, 2007). Sampling is a process of selecting a subset of a population of items for the purpose of making inferences to the whole population. Accounting populations usually consist of a large number of items (debtors, creditors), often totalling millions of euro, and a detailed examination of all accounts is not possible. A fundamental element of any audit programme will be the selection of transactions to be tested as a sample of all available transactions. Generally, sampling in auditing is either judgemental or statistical and the professional bodies allow for either selection method. But, sampling is in some cases prone to sampling risks. Sampling risk is the chance that the sample audit findings are significantly different from the amount that would be attained had every item in the population been tested. Sampling risk is inevitable whenever less than 100% of the population is examined. Good sampling procedures are designed to reduce sampling risk (Aguolu, 2002).

2.3.Scientific Sampling

Scientific sample which is identical to Probability Sample refers to a group of models selected from a populace by an unsystematically process. Every member of the populace has a known, nonzero likelihood of being selected. A scientific sample is a process in which the respondents are chosen randomly by one of several methods. The key component in the scientific sample is that everyone within the designated group (sample frame) has a chance of being selected (Kiabel, 2000). Statistical sampling involves the random selection of a number of items for inspection and is endorsed by the accountancy bodies. In statistical sampling, each item has a calculable chance of being selected. A commonly held misconception about statistical sampling is that it removes the need for the use of the professional judgement. While it is true that statistical sampling uses statistical methods to determine the sample size and to select and evaluate audit samples, it is the responsibility of the auditor to consider and specify in advance factors such as, materiality, the expected error rate or amount, the risk of over-reliance or the risk of incorrect acceptance, audit risk, inherent risk, control risk, standard deviation and population size, before the sample size can be determined. Statistical sampling allows an auditor’s judgement to be concentrated on those areas of the audit where it is most needed. It allows the quantification of key factors and the risk of errors. This is not to suggest that statistical sampling methods remove the need for professional judgement, but rather that they allow elements of the evaluation process to be quantified, measured and controlled (Aguolu, 2002). Essentially, probability sampling methods includes simple random sampling; systematic sampling; stratified sampling; cluster sampling; and multi-stage sampling. First, there is simple random sampling. This is the simplest form of probability sampling. It involves the use of

sampling frame. Next is systematic sampling In systematic sampling, individuals or households are chosen at regular intervals from the sampling frame. Systematic sampling is usually less time-consuming and easier to perform than simple random sampling. However, there is a risk of bias, as the sampling interval may coincide with a systematic variation in the sampling frame. Third is the stratified sampling. Stratification is a process of dividing a population in subgroups each of which is a set of sampling units with similar characteristics. Stratification of accounting populations is usually based on the recorded book value amounts of the line items; the population is divided into groups (strata) according to their book values and a sample is selected independently from each stratum. Stratification is advocated as an acceptable sampling method on the basis that it enables the auditor to direct audit efforts towards the items which, for example, contain the greatest potential monetary error. For example, the auditors may direct attention to larger value items for accounts receivable to detect major overstatement errors. Also, there is cluster sampling. This occurs when it appears to be difficult or impossible to take a simple random sample of the units of the study population, either because a complete sampling frame does not exist or because of other logistical difficulties (e.g., visiting people scattered over a large area may be too time-consuming). However, when a list of groupings of study units is available (for example, villages or schools) or can be easily compiled, a number of these groupings can be randomly selected. The selection of groups of study units (clusters) instead of the selection of study units individually is called cluster sampling. Clusters are often geographic units (for example, districts, villages) or organizational units (e.g., clinics, training groups). In a study of the knowledge, attitudes and practices related to family planning in a region's rural communities, a list is made of all the villages. Using this list, a random sample of villages is chosen and a defined number of adults in the selected villages are interviewed. Lastly, there is multi-stage sampling. A multi-stage sampling procedure is carried out in phases and usually involves more than one sampling method. In very large and diverse populations sampling may be done in two or more stages. This is often the case in community-based studies, in which the people to be interviewed are from different villages, and the villages have to be chosen from different areas (Castillo, 2009).

2.4non-Scientific Sampling

According to Castillo (2009), non-scientific sampling is also known as non-probability sampling. Non-probability sampling is a sampling technique where the samples are gathered in a process that does not give all the individuals in the population equal chances of being selected. According to Castillo (2009), there are five types of non-scientific or non-probability sampling; and they include; Convenience Sampling; Consecutive Sampling; Quota Sampling; Judgmental Sampling; and Snowball Sampling. First, convenience sampling is probably the most common of all sampling techniques. With convenience sampling, the samples are selected because they are accessible to the researcher. Subjects are chosen simply because they are easy to recruit. This technique is considered easiest, cheapest and least time consuming (Castillo, 2009). Consecutive Sampling is very similar to convenience sampling except that it seeks to include ALL accessible subjects as part of the sample. This non-probability sampling technique can be considered as the best of all non-probability samples because it includes all subjects that are available that makes the sample a better representation of the entire population (Castillo, 2009)**.** Quota Sampling is a non-probability sampling technique wherein the researcher ensures equal or proportionate representation of subjects depending on which trait is considered as basis of the quota (Castillo, 2009). For example, if basis of the quota is college year level and the researcher needs equal representation, with a sample size of 100, he must select 25 1st year students, another 25 2nd year students, 25 3rd year and 25 4th year students. The bases of the quota are usually age, gender, education, race, religion and socioeconomic status. Judgemental sampling is a selection process where the auditor decides which items should be audited. It involves a subjective selection of items for testing and a subjective evaluation of the results (Kiabel, 2000). Judgemental sampling is accepted by the accounting professions as a means of gathering evidence concerning the truth and fairness of the financial statements.Judgmental Sampling is more commonly known as purposive sampling (Kiabel, 2000). In this type of sampling, subjects are chosen to be part of the sample with a specific purpose in mind. With judgmental sampling, the researcher believes that some subjects are more fit for the research compared to other individuals. This is the reason why they are purposively chosen as subjects (Castillo, 2009). Snowball Sampling is usually done when there is a very small population size. In this type of sampling, the researcher or auditor asks the initial subject to identify another potential subject who also meets the criteria of the research or audit. The downside of using a snowball sample is that it is hardly representative of the population (Castillo, 2009).

2.5 Qualified Auditor's Report

This type of opinion is used by the auditor when he has reservation regarding management's representations in the financial statements (Nobes, 2003). Specifically, it is the duty of the directors to keep proper record of a company's transactions and to prepare the financial statements. It is the duty of the auditor to examine these financial statements and report thereon. If the auditor is not satisfied with any matter related to

the financial statements, he has a right to deal with the matter in his report thereby making his dissatisfaction known to the shareholders (Lee, 2006). The auditor does not have a right to insist on having the system of book keeping or the financial statement itself altered, but if it is so bad that these financial statements fail to give a true and fair view, he must make a report to that effect to the shareholders (Nobes, 2003). When the auditor has decided to make reservations in his report, the choice of words will be very important to convey his views to the readers. The auditor should never allow pressure to be brought upon him as to the exact words to use in his qualification. This is where the right of independence is of utmost importance (Rutherford, 1985). Consequently, in issuing a qualified report, the auditor must observe the following guidelines: the qualification must be concise to the extent that it does not impair clarity; it should be specific as to the items and facts and as far as possible the amount involved; based on the available information, it should make clear the effect on the financial statements; and it should express the auditor's opinion without being misunderstood (Walton, 2001). According to Alexander (1998), qualifications in the auditor's report can arise on two principal grounds- uncertainty and disagreement. Uncertainty arises when issues on the financial statements cannot make the auditor to give a valid opinion as to the effect on the financial statements. Concerning disagreement, it can be a situation that arises where the auditor has been able to form an opinion, but this is in conflict with the opinion of the directors (Alexander, 1998). On each of the grounds, uncertainty and disagreement, the auditor has a number of options as to the kind of qualification to issue depending on whether the matter under consideration is fundamental and if the effect is material or otherwise(Lee, 2001). In cases of uncertainty, the auditor can either firstly, give a disclaimer of opinion if the matter is fundamental. This shows that the auditor has not been able to form an opinion as to whether the financial statements give a true and fair view, or secondly, the auditor can give a "subject to opinion" qualification if the matter is material but not fundamental. This shows that the financial statements give a true and fair view only if the opinion expressed is correct (Alexander, 1998). In addition, in cases of disagreement, the auditor can either firstly give an adverse opinion if the matter under investigation is fundamental. This is to the effect that the financial statements do not give a true and fair view, or secondly the auditor can give an "except opinion" report if the matter is material but not fundamental. This is to the effect that the financial statements give a true and fair view except for the matter referred to (Rutherford, 1985).

2.6 Unqualified Auditor's Report

This type of opinion is used by the auditor when he has no reservation regarding management's representations in the financial statements (Rutherford, 1985). In practice, such a report is often described as a "Clean opinion" (Alexander, 1998). An unqualified opinion informs the users of the financial statements that such statements have been prepared by the management in conformity with generally accepted accounting principles applied on a consistent basis (Lee, 2001; Nobes, 2003). The report is often in paragraphs. The first paragraph is called the scope paragraph and gives information concerning the extent and character of the auditor's opinion. The second or opinion paragraph contains the auditors' opinion on the financial statement. Information implied in a clean opinion are that: the audit is based on test of accounting record not complete verification; there are no material errors; internal control is sufficient to the extent that the auditor is able to rely on the accounting data; and the financial statement agree with the books and records of the company (Alexander, 1998; Lee, 2001; and Walton, 2001). The auditor must obtain sufficient appropriate audit evidence by performing audit procedures to afford a reasonable basis for an opinion regarding the financial statements under audit. Either approach to audit sampling, when properly applied, can provide sufficient audit evidence. The sufficiency of audit evidence is related to the design and size of an audit sample, among other factors. The size of a sample necessary to provide sufficient audit evidence depends on both the objectives and the efficiency of the sample. For a given objective, the efficiency of the sample relates to its design; one sample is more efficient than another if it can achieve the same objectives with a smaller sample size.

II. Material And Method

3.1 Research Design

The quasi-experimental research design was used. This is because it has the features of a survey (Baridam, 2001).

3.2 Population And Sampling Procedure

The target population comprises 10 quoted banks in the South-South Geo-political zone in Nigeria. The sampled banks are located in Port Harcourt, Rivers State; Calabar, Cross River State; Uyo, Akwa-Ibom State; Benin City, Edo State; Asaba, Delta State; and Yenagoa, Bayelsa State. The banks were selected using the purposive sampling. The accessible population comprises the Auditors in the organizations. The banks use ten external auditors to audit their books. The total accessible population was 10 auditors. That is one to each of the banks. The Yaro Yemen formula as noted by Baridam (2001) was used to determine the sample size as thus:

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

Where, n = sample size sought
e = level significance (0.05)
N = population size

Hence, the sample size was computed as shown below:

$$n = \frac{10}{1 + 10\,(0.05)^2} = 10 \text{ External Auditors}$$

3.3 Data Collection Method

The study used primary and secondary data. Primary data were information from personal interview and facts gotten from the questionnaire administered. The secondary data were information from journals, textbooks, publications and the Internet.

3.4 Test Of Validity And Reliability

The questionnaire was face validated by two Auditors who are expert in the field. The initial draft of the instrument was first pilot tested on 5 Auditors in randomly selected banks.. The content validity was applied in the construction of the questionnaire used to elicit information from the respondents in the selected banks. The reliability of the drafted instrument was established using the test-re-test method and the final instrument was produced after correcting the data, which was endorsed by the experts and when put to Cronbach test, a co-efficient reliability of 0.71s5 was obtained for the instrument as shown in the table below.

Cronbach Alpha Table

Variables	**Number of cases**	**Number of Items**	**Alpha**
Audit Sampling:			
Probability sampling	20	5	.70
Non-probability sampling	20	5	.74
Audit Quality Report:			
Qualified Auditor's Report	20	5	.70
Unqualified Auditor's Report	20	5	.72

Source: Survey Data, 2013 and SPSS Output

3.5 Data Analysis Technique

The research hypotheses were analyzed and tested using the multiple regression and coefficient of determination. The statistical package for social sciences (SPSS) was used to test the hypotheses.

3.6 Data Presentation And Analysis Response Rate

A total of 10 copies of questionnaire were administered to 10 External Auditors of the ten (10) sampled banks. Out of this number, 9 were returned, while 1 was not retrieved. After checking for errors and wrongly completed questionnaire, a total of 6 copies were found usable; while, 3 copies of the questionnaire were unusable. The 6 usable copies of the questionnaire representing 60.00% were adopted as the response rate for this study.

3.7. Statistical Testing Of Hypotheses

The testing of hypotheses was done to determine the relationship between the independent and dependent variables by the use of the multiple regression and coefficient of determination statistical tools with the application of the SPSS package version 17.0. The test was adopted because data collected for the study was measured in ordinal scale. The analysis and interpretation of the results were guided by the correlation decision scale frame of Dana (2001) and they are: a) ± 0.00 – 0.19 (very weak); b) ± 0.20 – 0.39 (weak); c) ± 4.00 – 0.59 (moderate); d) ± 0.60 – 0.79 (strong); e) ± 0.80 – 0.99 (very strong); and f) ± 1 (perfect).

Hypothesis 1:

H01: There is no significant relationship between scientific sampling and qualified audit report

Table A1: The Effect of Scientific Sampling on Qualified Auditors Report Summary of regression result on the effect of scientific sampling on qualified auditors report

t-tab				f-tab						
Variables	Coefficient	t-cal	sig. t	r	R^2	f-cal		Sig. F		
		(0.05, 10)				(0.05,2.00)				
constant	0.211	1.502		0.136						
SS	0.666	10.41		0.000						
			1.65			0.762	0.782	199	2.89	0.000
QAR	0.873	12.6		0.000						

Dependent Variable: SS= Scientific Sampling
Source: SPSS 17.0 output (based on field survey data 2013)
SS = $u_o + u_1$ SS+u_2 QAR +U_1
QAR = 0.211 +0.666SS+0.824QAR
T-values = (1.502) (10.41) (12.6)
Sig = (0.136) (0.00) (0.000)
r= correlation, R^2 = coefficient of determination

Table A1 above on the summary of multiple regression analysis result on the effect of scientific sampling on qualified auditors report revealed that the multiple correlation coefficients (r) is 0.762. This value is high indicating that a strong multiple relationship exists between the dimension of the explanatory variable and qualified auditors report. The coefficient of determination (r^2) = indicating that 78.2% variation in qualified auditors report is explained by variation of scientific sampling. The remaining 21.8% is explained by the other variables not included in the model. Since the explanation is greater than 50%, the researcher concludes that the model has a good fit. The test of significance conducted as shown in table A1 indicate that scientific sampling had t-values of 10.41 and 12.6 and a corresponding sig. value of 0.000 and 0.000 respectively. These significant/probability values (PV) of 0.000 are less than level of significance of 0.05; therefore: the researcher concludes that scientific sampling had significant effect on qualified auditors report. Conventionally, the t-value of 10.41 and 12.6 for scientific sampling are greater than t-tab (0.05, 10) =1.65) therefore the above conclusion is upheld.

Hypothesis 2:
H02: There is no significant relationship between scientific sampling and unqualified auditors report

Table A2: The Effect of Scientific Sampling on Unqualified Auditors Report Summary of regression result on the effect of scientific sampling on unqualified auditors report

t-tab				f-tab						
Variables	Coefficient	t-cal	sig. t	r	R^2	f-cal		Sig. F		
		(0.05, 10)				(0.05,2.00)				
constant	0.223	1.448		0.132						
SS	0.790	10.88		0.000						
			1.65			0.877	0.794	169	2.77	0.000
UAR	0.753	12.8		0.000						

Dependent Variable: SS = Scientific Sampling
Source: SPSS 17.0 output (based on field survey data 2013).
SS = $u_o + u_1$ SSC+u_2 UAR+U_1
UAR = 0.233 +0.790SS+0.753UAR
T-values = (1.448) (10.88) (12.8)
Sig = (0.132) (0.00) (0.000)
r= correlation, R^2 = coefficient of determination

Table A2 above on the summary of multiple regression analysis result on the effect of scientific sampling on unqualified auditors report showed that the multiple correlation coefficients (r) is 0.877. This value p is high indicating that a very strong multiple relationship exists between the dimension of the explanatory variable and unqualified auditors report. The coefficient of determination (r^2) = indicating that 79.4% variation in unqualified auditors report is explained by variation in scientific sampling. The remaining 20.6% is explained by the other variables not included in the model. Since the explanation is greater than 50%, the researcher concludes that the model has a good fit. The test of significance conducted as shown in table A2 indicate

scientific sampling had t-values of 10.88 and 12.8 and a corresponding sig. value of 0.000 and 0.000 respectively. These significant /probability values (PV) of 0.000 are less than level of significance of 0.05; therefore: the researcher concludes that scientific sampling had significant effect on unqualified auditors report. Conventionally, the t-value of 10.88 and 12.8 for scientific sampling are greater than t-tab (0.05, 10) =1.65) therefore the above conclusion is upheld.

Hypothesis 3:
H03: There is no significant relationship between non-scientific sampling and qualified audit report

Table A3: The Effect of Non-Scientific Sampling on Qualified Auditors ReportSummary of regression result on the effect of non-scientific sampling on qualified auditors report

t-tab				f-tab						
Variables	Coef ficient	t-cal	sig. t	r	R^2	f-cal		Sig. F		
		(0.05, 10)						(0.05,2.00)		
constant	0.226	1.421		0.138						
NSS	0.788	10.04		0.000						
			1.65			0.806	0.799	189	2.63	0.000
QAR	0.773	12.4		0.000						

Dependent Variable: NSS = Non-Scientific Sampling
Source: SPSS 17.0 output (based on field survey data 2013).
NSS = $u_o + u_1$ NSS+u_2 QAR+U_1
QAR = 0.226 +0.788NSS+0.773QAR
T-values = (1.421) (10.04) (12.4)
Sig = (0.138) (0.00) (0.000)
r= correlation, R^2 = coefficient of determination

Table A3 above on the summary of multiple regression analysis result on the effect of non-scientific sampling on qualified auditors report showed that the multiple correlation coefficients (r) is 0.806. This value p is high indicating that a very strong multiple relationship exists between the dimension of the explanatory variable and qualified auditors report. The coefficient of determination (r^2) = indicating that 79.9% variation in qualified auditors report is explained by variation in non-scientific sampling. The remaining 20.1% is explained by the other variables not included in the model. Since the explanation is greater than 50%, the researcher concludes that the model has a good fit. The test of significance conducted as shown in table A3 indicate non-scientific sampling had t-values of 10.04 and 12.4 and a corresponding sig. value of 0.000 and 0.000 respectively. These significant /probability values (PV) of 0.000 are less than level of significance of 0.05; therefore: the researcher concludes that non-scientific sampling had significant effect on qualified auditors report. Conventionally, the t-value of 10.04 and 12.4 for non-scientific sampling are greater than t-tab (0.05, 10) =1.65) therefore the above conclusion is upheld.

Hypothesis 4:
H04: There is no significant relationship between non-scientific sampling and unqualified audit report

Table A4: The Effect Of Non-Scientific Sampling On Unqualified Auditors Reportsummary of regression result on the effect of non-scientific sampling on unqualified auditors report

t-tab				f-tab						
Variables	Coef ficient	t-cal	sig. t	r	R^2	f-cal		Sig. F		
		(0.05, 10)						(0.05,2.00)		
constant	0.228	1.338		0.139						
NSS	0.764	9.21		0.000						
			1.65			0.824	0.787	180	2.60	0.000
UAR	0.752	11.4		0.000						

Dependent Variable: NSS = Non-scientific Sampling
Source: SPSS 17.0 output (based on field survey data 2013).
NSS = $u_o + u_1$ NSS+u_2 +U_1
UAR = 0.228 +0.764NSS+0.763UAR
T-values = (1.338) (9.21) (11.4)
Sig = (0.139) (0.00) (0.000)
r= correlation, R^2 = coefficient of determination

Table A4 above on the summary of multiple regression analysis result on the effect of non-scientific sampling on unqualified auditors report showed that the multiple correlation coefficients (r) is 0.824. This value p is high indicating that a very strong multiple relationship exists between the dimension of the explanatory variable and unqualified auditors report. The coefficient of determination (r^2) = indicating that 78.7% variation in unqualified auditors report is explained by variation in non-scientific sampling. The remaining 21.3% is explained by the other variables not included in the model. Since the explanation is greater than 50%, the researcher concludes that the model has a good fit. The test of significance conducted as shown in table A4 indicate non-scientific sampling had t-values of 9.21 and 11.4 and a corresponding sig. value of 0.000 and 0.000 respectively. These significant /probability values (PV) of 0.000 are less than level of significance of 0.05; therefore: the researcher concludes that non-scientific sampling had significant effect on unqualified auditors report. Conventionally, the t-value of 9.21 and 11.4 for non-scientific sampling are greater than t-tab (0.05, 10) =1.65) therefore the above conclusion is upheld.

III. Results And Discussion

Results suggest that there are two general approaches to sampling: non-statistical and statistical. Both approaches require that the auditor use professional judgment in planning, performing, and evaluating a sample. This guideline applies to non-statistical sampling. The primary difference between non-statistical and statistical sampling is that non-statistical sampling relies more on the auditor's judgment while statistical sampling relies on quantitative measurements to determine the sampling risk. Hypothesis one indicated that scientific sampling had significant effect on qualified auditors report (r^2 = .782, $p< 0.05$). Hypothesis two showed that scientific sampling had significant effect on unqualified auditors report (r^2 = .794, $p< 0.05$). Hypothesis three revealed that non-scientific sampling had significant effect on qualified auditors report (r^2 = 799, $p < 0.05$). Hypothesis four revealed that non-scientific sampling had significant effect on unqualified auditors report (r^2 = 787, $p < 0.05$). These empirical findings corroborate the views of Aguolu, 2002; Kiabel, 2000; Alexander, 1998; and Nobes, 2003. This is because samples are required in audits to investigate volumes of transactions at their source document level. Thus, since in many cases it is economically impractical to audit all transactions, the audit process encourages the use of sampling whenever feasible. Sampling allows the auditor to reach conclusions about a large amount of data (the population) by collecting and examining a portion of the data (a sample).

IV. Conclusion And Recommendations

5.1 Conclusion

Audit sampling is defined as applying an audit procedure to less than 100 percent of the items in a population to make some conclusion about that population (Aguolu, 2002). Auditors may use statistical or non-statistical sampling to perform tests of controls or substantive tests. Statistical sampling allows the auditors to measure and control sampling risk. Sampling risk is the risk that the auditors will make an incorrect conclusion from the sample results because the sample is not representative of the population (Kiabel, 2000). The major type of statistical sampling plan for tests of controls is attributes sampling, which can provide the auditors with an estimate of the extent of the deviations from a prescribed internal control policy or procedure. The two aspects of sampling risk for tests of controls include the risk of assessing control risk too high, which relates to the efficiency of the audit, and the risk of assessing control risk too low, which is critical because it relates to the effectiveness of the audit. Thus, we could conclude that audit sampling is a systematic approach applied by auditors is the process of fashioning out ways to provide reliable and accurate opinions based on the volume of accounting records, vouchers and financial statements made available for verification in order to boost the confidence of the users of audit reports. The auditors' expresses qualified or unqualified report at the end of an audit process.

6.1 Recommendations

In the light of our findings, we suggested the following recommendations.

1. Banks should adopt sampling procedure in their audit process so as to provide audit reports that are objective and defensible.
2. Banks should use probability sampling techniques in their audit processes so as to provide an estimate of error. This is because when probability sampling is used; the results may be validated in terms of how far the sample projection might deviate from the value that could be obtained by a 100% check.
3. Banks should use audit sampling so as to provide objective report. Objective evaluation of test results is possible. Thus, all auditors performing this audit would be able to reach the same conclusion about the numerical extent of error in the population. While the impact of these errors might be interpreted differently, there can be no question as to the facts obtained, since the method of determining their frequency in the population is objective.

4. Banks should use hire the services of external auditors to investigate into the truth and fairness of accounts records, vouchers and financial statements examined so as to make them express the appropriate opinion

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Appendix 1

Instruction: Please, kindly complete the blank spaces, and also tick (√) in the appropriate boxes that applies to you by using the followings. Strongly Agree 5; Agree 4; Neutral 3; Disagree 2, Strongly Disagree 1

Audit Sampling

	PROBABILITY SAMPLING	**5**	**4**	**3**	**2**	**1**
1.	My banks uses probability sampling to obtain more objective results					
2.	Probability sampling is preferred in audit because it has room for significant estimated errors					
3.	I prefer probability audit sampling in auditing because it is not bias in providing quality report					
4.	Sampling risks associated with probability sampling is minimal in the audit process					
5.	My firm has consistently provided quality audit report to it stakeholders using probability sampling					
	NON-PROBABILITY SAMPLING	**5**	**4**	**3**	**2**	**1**
6.	My bank uses consecutive sampling so as to include all subjects that are available that makes the sample a better representation of the entire population during audit					
7.	My bank applies quota sampling to ensure that audits have equal or proportionate representation of subjects depending on which trait is considered as basis of the quota					
8.	I prefer convenience sampling in conducting audit because it is the easiest, cheapest and least time consuming					
9.	I prefer judgemental sampling because it is accepted by the accounting professions as a means of gathering evidence concerning the truth and fairness of the financial statements.					
10.	My bank uses purposive sampling in audit because it is involves a subjective selection of items for testing and a subjective evaluation of the results					

Audit Quality Report

	QUALIFIED AUDITOR'S REPORT	**5**	**4**	**3**	**2**	**1**
11.	Qualified auditors report is used by the auditor when he has reservation regarding management's representations in the financial statements of my bank					
12.	My directors keep proper record of the bank's transactions for the avoidance of qualified audit reports.					
13.	I am aware that any alteration of financial records and poor internal control in my bank may lead to the expression of a qualified audit report					
14.	My bank provides sufficient audit information for auditing and as such prevents any form of qualified audit report.					
15.	My bank has not recorded any form of qualified audit report since its inception					
	UNQUALIFIED AUDITOR'S REPORT	5	4	3	**2**	1
16.	My bank is known to have "Clean opinion" from its auditors over the years					
17.	My bank provides sufficient appropriate audit evidence by performing audit procedures to afford a reasonable basis for an opinion regarding the financial statements under audit					
18.	Unqualified auditors report are common in the operations of my bank					
19.	My internal auditors provide correct audit process that enables my bank's audit to show a true and fair view of its operations					
20.	My bank's audit report is very reliable to all stakeholders					

Source: Survey Data, 2013