UNIVERSITY OF EDUCATION-WINNEBA

COLLEGE OF TECHNOLOGY EDUCATION, KUMASI

AN ASSESSMENT OF THE ROLE OF AUDITORS IN FRAUD DETECTION AND PREVENTION (A CASE STUDY OF MUTUAL FUND IN THE KUMASI METROPOLIS)

BY

THOMPSON KWAME YEBOAH

JUNE 2017

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THIS DISSERTATION SUBMITTED TO THE DEPARTMENT OF ACCOUNTING, UNIVERSITY OF EDUCATION WINNIBA KUMASI CAMPUS IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF DEGREE OF MASTER OF BUSINESS ADMINISTRATION (MBA) ACCOUNTING

JUNE 2017

DECLARATION

CANDIDATE'S DECLARATION

I, KWAME YEBOAH THOMPSON declare that, this dissertation with the exception of quotations and references contained in published works which have all been identified and duly acknowledged, is entirely my original work and not been submitted either in part or whole, for another degree elsewhere.

SIGNATURE: …………………………………….

DATE: ……………………………………………….

SUPERVISOR'S DECLARATION

I certify that the preparation and presentation of this dissertation was supervised by me in accordance with the guidelines for supervision of dissertation laid down by the University of Education, Winneba.

NAME OF SUPERVISOR: MR. WILLIAM K. BOACHIE

SIGNATURE: ……………………………………

DATE: ………………………………………......

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DEDICATION

I dedicate this work to my Parent Mr. Kwame Korsah and Mrs. Comfort Tiwaa, who in my tender age instilled in me, the virtues of hard work, perseverance and reliance on God's guidance. I also dedicate this work to my dear wife, Selina Yeboah, My friends Daniel Kyereme, Isaac Gyamfi, Michael Darkwah and our two children (Divina Tiwaa Yeboah , Blessing Effah Yeboah) who have always been there for me. I am grateful for their patience. Understanding and moral support

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ABSTRACT

The study sought to assess the role of auditors in fraud detection and prevention focussing on Mutual Fund in the Kumasi Metropolis (MFs-K). The study, specifically, sought to achieve the following objectives, to identify the factors that cause fraud in the Mutual Funds, to determine the role of external and internal auditors in fraud detection and prevention in the Mutual Funds and to examine how auditors can detect and prevent fraud. Data was collected from respondents with a well-structure questionnaire based on the objectives of the study. The data collected from the field was organised, analysed, summarised and presented with the help of the statistical package for service solution (SPSS). Findings from the study revealed that advance fee fraud, fund diversion, computer fraud, poor management and inexperience personnel are the factors that cause fraud. In relation to the role of internal and external auditors, the results indicated that there are deeply expectation gap among audit stakeholders. Again, the results show that audit stakeholders are unaware of auditing functions. Based on the findings of the study it was recommended among others that; strong control system should be put in place to minimise fraud such as computer fraud, fund diversion and late market trading, users should also be educated on the role and the actual duties of auditors, through better communication by auditors. Additionally the Mutual fund must expand the scope of the audit to meet market expectations.

CHAPTER ONE

INTRODUCTION

1.0 Overview

The main purpose of this study is to assess the role of auditors in fraud detection and prevention in the Mutual Fund in the Kumasi Metropolis. This chapter presents the background, statement of the problem, objectives and specific objectives, research questions, the hypothesis, significance of the study, the limitations of the study, the scope of the study and finally organisation of the study.

1.1 Background of the study

Over the last two decades, there have been developments concerning fraud which some have seen as marking significant extension to auditors responsibilities. The business community, especially, the accounting profession, has become increasingly concerned about the rise in management of fraud. According to the 1996 report in the Nation on Occupation Fraud and Abuse, fraud and abuse cost US organisations more than $3.9 billion annually (Hillison, 1999). Furthermore, the Association of Certified Fraud Examiners (ACFE) in their survey for 2008 estimated that US companies lose 7 percent of their annual income to fraud, resulting in approximately $995 billion in losses (ACFE, 2008). Again, the ACFE estimated that the typical company loses 5 percent of their annual revenue to fraud which the Journal of Global Business Management (2012) estimated that this 5 percent figure would translate to approximately $2.9 trillion as applied to the estimated 2009 gross world product (Crawford and Weirich, 2011).

The term 'fraud' commonly includes activities such as theft, corruption, conspiracy, embezzlement, money laundering, bribery and extortion. The legal definition varies from country to country, and it is only when the introduction of the Fraud Act in 2006, that there has been a legal definition of fraud in England and Wales. Fraud essentially involves using deception to dishonestly make a personal gain for oneself and/or create a loss for another. Although definitions vary, most are based around these general themes**.** (http://www.cimaglobal.com**).**

A mutual fund (MF) is a professionally managed investment fund that pools resources from many investors (individuals and entities) to purchase securities on their behalf. They are sometimes referred to as investment companies. These companies, today play a very important role in household finances, especially when concerned with retirement planning.

Ghana has a relatively young mutual fund industry; the first mutual fund was introduced in Ghana by Databank Group in 1996 with a product called the Epack. Originally designed as an investment club, it was later transformed into a mutual fund. Mutual funds are becoming increasingly popular in Ghana as evidenced by the number and variety of mutual fund offerings now available. There are currently over 36 mutual funds and unit trusts as collective investments schemes available in Ghana.

Mutual funds offer Ghanaians a superior means of accumulating wealth through access to a broad range of personalized investment solutions. Advantages of mutual funds include professional investment management. The fund manager has the staff and technical know-how to invest the funds effectively. Another advantage is diversification. There is a reduction of risks with mutual funds as compared to holding a single stock, bond, and other available instruments. Liquidity also comes into play here as shareholders are at liberty to trade their holdings with the fund managers at the close of a trading day based on the closing net asset value of the fund's holdings. This applies only to open-end funds. For holders of other securities, there may not be a buyer/seller for that instrument every day, making such investments less liquid. Finally, a mutual fund provides accountability and fairness to investors through industry regulation and transparency. (www.omegacapital.com.g).

There have been several cases about businesses of what appears to be financial statement fraud, which have been undetected by the auditors. According to Joseph T. Wells (2002), one of the most remarkable case in the twentieth century occurred in the 1970s, when an enterprising insurance salesman, Stanley Goldblum, managed easily to add 65,000 phoney policyholders to his company's – Equity Funding – rolls, along with $800 million of fake assets – right under the nose of its independent audit firm (cited in Rezaee, 2002). Since then, financial statement fraud together with audit failures have been increasingly a hot issue, including the recent cases of Enron, Waste Management, Xerox and AOL Time Warner, just to mention a few.

One argument regarding the demand for audited financial statements is that, they provide information that is useful in investors' decision-making. Investment decision models in the finance literature value a company by calculating the net present value of future cash flows. For example, future cash flows have been observed to be highly correlated with financial statement information. Therefore, the audit is valued by investors as a means of improving the quality of financial information. (Wallace 1980, 1987 and 2004). Some of the same information that is used in monitoring contracts is also useful in making investment decisions. From the discussion above, it suffices to say that, opinions are divided on the role of auditors in fraud detection and prevention. So, the multi-billion-cedi question is, what is the role of auditors in fraud prevention?

1.2 Statement of the problem

When companies collapse, for whatever reason, but particularly in cases of alleged or actual fraud, public reaction focuses first on the auditor's inability to prevent fraud in the financial statement. Therefore, it is increasingly necessary for professionals to step up and take responsibility for continuing to improve their practices overall. The best use of a professional's time and talents is to prevent problems before they occur (Hunt, 2000). The international auditing firm, Arthur Andersen, which audited Enron, appears to be an example of a firm entangled in a major audit failure. The case brought to light the weaknesses of the audit process. As a result, more people believe professional accountants have to learn how to detect financial statement fraud more effectively. The lending credibility theory suggests that the primary function of the audit is to add credibility to the financial statements. In this view, the service that the auditors are selling to the clients is credibility (Hayes et al.2005). This conflict in the role of auditing has been described in terms of an "expectations gap." The gap is between what the public expects – the detection of fraud – and what auditors claim to be delivering – an opinion on the financial statements which appeals to notions such as "fairness" and "true and fair" (Power, 1997). Auditors typically argue that the main responsibility for prevention and detection of fraud lies with management and its systems. So, the multibillion question is, what is the role of auditors in fraud detection and prevention? It is against this background that the researcher wishes to investigate into the assessment of the role of auditors in fraud detection and prevention.

1.3 Objectives of the study

The main objective of this study was to assess the role of auditors in fraud detection and prevention focussing on Mutual Fund in the Kumasi Metropolis (MFs-K).

1.4 Specific Objectives

The specific objectives are to:

1. To identify the factors that cause fraud in the Mutual Funds in the Kumasi Metropolis
2. To determine the role of external and internal auditors in the detection and prevention fraud in the Mutual Funds in the Kumasi Metropolis.
3. To examine how auditors can detect and prevent fraud.

1.5 Research questions

The main research question that guided the study is the role of auditors in fraud detection and prevention focusing on Mutual Fund in the Kumasi Metropolis (MFs-K)

1. What are the factors that cause fraud in the Mutual Funds in the Kumasi Metropolis?
2. What is the role of external and internal auditors in fraud detection and prevention in the Mutual Funds in the Kumasi Metropolis?
3. To what extent does an auditor can detect and prevent fraud in the Mutual Funds in the Kumasi Metropolis?

1.6 Research hypothesis

Hypothesis 1:

$H0_1$: There are no significant differences of factors that cause fraud In the Mutual Funds in the Kumasi Metropolis.

H_1: There are significant differences of factors that cause fraud in the Mutual Funds in the Kumasi Metropolis.

Hypothesis 2:

$H0_2$: The are no significant differences among respondent's groups on the role of external and internal auditors in the detection and prevention of fraud.

H_2: The are significant differences among respondents groups on the role of external and internal auditors in detection and prevention fraud

Hypothesis 3:

$H0_3$: There are no significant differences among respondents on the auditor`s contribution in the detection and prevention of fraud.

H_3: There are significant differences among respondents on the Auditor`s contribution in the detection and prevention of fraud.

1.7 The significance of the study

The role of auditors in fraud detection and prevention in the Mutual Funds (MFs) in the Kumasi Metropolis would be important for several reasons. First, employees, shareholders and management of MFs would understand the role of auditors in fraud detection and prevention. Second, the board of directors could leverage on the findings of this study to improve the control system and minimize fraud in MFs-K Metropolis. Finally, for researchers in the field of auditing, the study could stimulate further research by providing arears of further research.

1.8 Limitations of the study

The study was limited to four (4) Mutual Funds (MFs) in the Kumasi Metropolis. Again, the study also focussed on accountants, internal and external auditors and bankers of MFs-Kumasi Metropolis leaving out the responses of board of directors and view of customers about fraud and the auditing process in MFs. This procedure, therefore, decreases the generalization of the findings of this study. The study will, therefore, will not be generalizable to the general cause of the fraud prevention and detection among MFs in the Kumasi Metropolis.

1.9 The scope of the study

For an effective detection and prevention of fraud among the MFs in the Kumasi Metropolis, the study employed questionnaire and this could have covered all the major stakeholders, namely, Board of directors, management and junior staff of MFs in Kumasi Metropolis. However, this study was narrowed down in scope due to time and financial constraints. Thus, the study confined itself to only the accountants and auditors, both internal and external and bankers of MFs in the Kumasi Metropolis. For convenience and easy analysis of the data, all the questionnaire were close- ended, but this could limit the respondents from expressing their true feelings.

1.10 Organization of the Study

The research was organized into five chapters. Chapter one, deals with the background of the study, the problem statement, objectives and research questions. Other aspects of the chapter are significance of the study, limitations of the study. Chapter Two focuses on the review of related literature while the methodology of the study is the subject of Chapter Three. The chapter on the methodology describes research design, the population, sample and sampling procedures, data gathering instruments, data collections procedures of the study. Also, covered in the chapter four is data presentation, analysis and discussions. Finally, chapter five presents the summary of the findings, conclusion, recommendations and suggestions for future research.

CHAPTER TWO

REVIEW OF RELEVANT LITERATURE

2.0 Introduction

The main purpose of this study is to assess the role of auditors in detecting and prevention of fraud in Mutual Fund in Kumasi metropolis. This chapter presents the literature review of the study. It also discusses the theoretical framework of the study as well as the conceptual and empirical study.

2.1 What is Auditing?

Ecaterina (2007) observed that auditing plays an essential role in serving the public interest in order to strengthen accountability and reinforce trust and confident in financial report. The audit scandals that happened in Enron and Worldcom Company in the USA, African petroleum plc in Nigeria have given the audit profession a lot of publicity, some of which is negative. What then is auditing? And what are the key concepts surrounding this intricate practice. Clement (2012) defined auditing as a means of evaluating the effectiveness of a company's internal control, maintaining an effective system of internal control, to achieved company`s business objectives, obtaining reliable financial reporting on its objectives, preventing fraud and misappropriation of its assets and minimizing its cost of capital. In a similar tone, auditing is an independent examination of and expression of opinion on the financial statements of an enterprise, by an appointed auditor in pursuance of that appointment and in compliance with any relevant statutory obligation (Okezie, 2008 and Uwota, 2012). Wikipedia (2012) asserted that auditing plays a vital role in accounting of a systems internal control; it seeks to provide a reasonable assurance that the financial statements are free from material misstatement and error. In supporting this claim, Uwota (2012) wrote that auditing consists of investigation of the accounting records and other evidences supporting the financial statements in order to provide a fair and reasonable picture of financial details of the company.

2.2 Theoretical Framework

There are several different theories that may explain the demand for audit services. Some of them are well known in research and some of them are more based on perceptions. Figure 2.1 illustrates four audit theories (Hayes et al. 2005).

a) The policeman theory claims that the auditor is responsible for searching, discovering and preventing fraud. In the early 20th century this was certainly the case. However, more recently the main focus of auditing has been to provide reasonable assurance and verify the truth and fairness of the financial statements. The detection of fraud is, however, still a hot topic in the debate on the auditor's responsibilities, and typically after events where financial statement frauds have been revealed, the pressure increases on increasing the responsibilities of auditors in detecting fraud.

Figure 2.1 Four theories of auditing (Hayes et al. 2005)

b) The lending credibility theory suggests that the primary function of the audit is to add credibility to the financial statements. In this view, the service that the auditors are selling to the clients is *credibility*. Audited financial statements are seen to have elements that increase the financial statement users' confidence in the figures presented by the management (in the financial statement). The users are perceived to gain benefits from the increased credibility typically considered to be that the quality of investment decisions improves when they are based on reliable information.

c) The theory of inspired confidence (Theory of rational expectations) (Limperg 1932) addresses both the demand and the supply for audit services. The demand for audit services is the direct consequence of the participation of third parties (interested parties of a company) in the company. These parties demand accountability from the management, in return for their investments in the company. Accountability is realized through the issuance of periodic financial reports. However, since this information provided by the management may be biased, and outside parties have no direct means of monitoring, an audit is required to assure the reliability of this information. With regard to the supply of audit assurance, Limperg (1932) suggests that the auditor should always strive to meet the public expectations.

d) Agency theory (Watts and Zimmerman 1978, 1986a, 1986b) suggests that the auditor is appointed in the interests of both the third parties as well as the management. A company is viewed as a web of contracts. Several groups (suppliers, bankers, customers, employees etc.) make some kind of contribution to the company for a given price. The task of the management is to coordinate these groups and contracts and try to optimize them: low price for purchased supplies, high price for sold goods, low interest rates for loans, high share prices and low wages for employees. In these relationships, management is the *agent*, which tries to gain contributions from *principals* (bankers, shareholders, employees etc). The most prominent and widely used audit theory is the agency theory.

2.3 Conceptual Study

2.3.1 Definition of Fraud

2.3.2 The meaning of fraud according to legal definition:

a) It is a misrepresentation even though they know the truth or they conceal a material fact that the stimulus for another damage action.

b) That it is a misrepresentation made recklessly without belief in its truth to make a different action of person.

c) It's an error of an employee which is generated from a misrepresentation; they conceal material, or the lack of careful concealment to stimulate action for the other damage.

d) Unconscionable dealing especially in contract law. The unfair use of power arising out the parties' relative positions and resulting in an unconscionable bargain. The legal meaning wants the auditor to understand the lawful meaning of the terms in the definition. The meaning of "misrepresentation" includes concealment, undisclosed or false representation. Besides, misrepresentations have to relate to a material fact, not just stop at a simple opinion. On the other hand, an opinion conducted by an individual purportedly with supervisor knowledge can become a misrepresentation. Concealment, referred to as suppression of facts, is also an important aspect of the misrepresentation. In fact, the use of the legal definition of fraud is not practical for most of the audit organizations simply because the definition was written for the prosecution of civil and criminal law.

2.3.3 The meaning of fraud according to definition of accounting

With the use of specific legal definition, auditors often look to professional standards, professional auditing organization. The American Institute of Certified Public Accountants (AICPA) provides guidance in the Statement of Auditing Standards (SAS No. 99) as the responsibility of auditors in detecting fraud will have a material impact on the financial statements. The Standards concentrated on financial statement and programs to appropriate property. According to the goal of the ISAs; the auditor is concerned with fraud that causes a material misstatement in the financial statements. In addition, Auditing Standard (ASA 240) continues by saying that there are two types of intentional misstatements relating to the auditor. Firstly, there are misstatements that result from fraudulent financial reporting and secondly, there are misstatements resulting from embezzlement of property. Most studies, to this date, have tested the relationship between corporate governance structures and fraudulent of financial statements. Besides, based on ASA 240(Para. 9), fraud in an Audit of a Financial Report has increased the role of external auditors in this area (Auditing and Assurance Standards Board [AUASB] 2006). It describes fraud as a deliberate act by one or more individuals among management, those charged with governance, employees, or third parties, relating to the use of deception to obtain an unfair or illegal advantage.” The auditors relating to fraudulent activities that cause a material error in the financial statements. Misstatement of the financial statements cannot be the purpose of a several frauds. Auditors do not make legal decisions of how fraud actually occurs. Fraud related to one or more members of management are called “management fraud", fraud related to the single employee of the entity known as "employee fraud". In both cases, there may be colluded with third parties outside the company.

2.3.4 Definition of fraud According to the Ghana National Auditing Standards (GNAS)

Fraud is the intentional misrepresentation of financial information by one or more individuals among management, employees or third parties. The GNAS outlines fraudulent practices as involving:

a) Manipulation, falsification or alteration of records or documents;
b) Misappropriation of assets;
c) Suppression of omission of the effects of transactions from the records or documents;
d) Recording of transactions without substance; or
e) Misapplication of accounting principles.

The detection of fraud was described as one of the main objects of an audit and of primary importance, as in the Australian case of Frankston and Hastings Corporation v. Cohen (1960). In that case, the court gave approval to the view of Irish R.A. who stated that, "An audit may be said to be a skilled examination of such books, accounts and vouchers that will enable an auditor to verify the Balance Sheet. The main objects of any audit are:

(a) To certify to the correctness of the financial position as shown in the balance sheet, and the accompanying revenue statements.
(b) The detection of errors.
(c) The detection of fraud is generally regarded as being of primary importance.

The above definition of an audit was also recited in Pacific Acceptance Corporation Ltd v. Forsyth (1970). Whatever it's ranking relative to other objects of an audit, it is apparent from cases both in Commonwealth and the United Kingdom that the courts regard the detection of fraud as an important purpose of an audit.

2.3.5 Distinguish Between Fraud and Errors

The different between fraud and error is whether the basic actions that result in a misstatement of the financial statements are intentional or unintentional. The term "fraud" is a broad legal concept. Hence, ISA 240 (Redrafted – paragraph 11) identifies fraud as: An intentional act by one or more individuals in management which charged with governance, employees, or third parties. It includes the use of deception to obtain an unfair or illegal advantage. According to ISA 240 (Redrafted), there are two types of fraud relating to the auditors, fraud misstatement arising from financial reporting, and misstatements arising from the appropriate property. Differences from the fraud, "error" refers to an unintentional misstatement in financial statements that include the omission of an amount or disclosure. ISA 240 (Redrafted), paragraph 2 said: The difference between fraud and error is whether the basic actions that resulted in the misstatement of the financial statements are intentional or unintentional. The main focus of my dissertation is fraud, for the reason that the responsibilities of fraud are more controversial than the error. Fraud may be related to the sophisticated and carefully organized, designed to conceal fraudulent activities, for example, forgery, intentionally not recording transactions, or the deliberate misrepresentations of the audit members.

2.4 How Frauds Occur

There are many reasons why frauds occur. Some of them are:

a) When there is lack of internal controls
b) When members of management do not care about internal controls
c) When employees are in collusion with third parties
d) When employees are in collusion with management
e) Poor or non-existent corporate ethics policy

2.5 Type of Fraud in Mutual Fund

2.5.1 Late trading

"Late trading" occurs when traders are allowed to purchase fund shares after 4:00 p.m. on that day's closing price. Under law, most mutual fund trades received after 4:00 p.m. must be executed at the following day's closing price, but because some orders placed before 4:00 p.m. cannot be executed until after 4:00 p.m., brokers can collude with investors and submit post-4:00 p.m. trades as if they had been placed before 4:00 p.m. Such trades can be made with information about after-hours market developments in other countries, for example traders would buy in at the previous day's close, and sell at the next day's close for a likely profit. This practice hurt long-term buy-and-hold investors in the mutual fund, who experienced a continued drain in the fund's net asset value.

2.5.2 Market -timing

Market timing is an investment strategy in which an investor tries to profit from short-term market cycles by trading into and out of market sectors as they heat up and cool off. In a novel interpretation of New York's Martin Act, Spitzer contended that fund firms committed fraud when they allowed some clients to trade more frequently than are allowed in their fund documents and prospectus. In many cases, funds are limited frequent trading because the practice may increase the cost of administering a mutual fund borne by all shareholders in the fund. Market timers also can make managing the fund more difficult since the fund may need to keep extra cash to meet liquidity demands of selling timers, although if timers are trading opposite flows of other investors, they can moderate cash fluctuations. Those funds that did not limit frequent trading in their prospectus—as well as a small number of funds that cater specifically to market timers—were not charged. Spitzer contended that some advisors allowed market timers in order to increase their assets under management (fund advisors are paid based on the amount of assets in the fund). (https://en.wikipedia.org/wiki/2003_mutual_fund_scandal).

2.5.3 Advance Fee Fraud

This may involve an agent approaching a mutual fund company, or individual with another to access large funds at below market interest rates often for long term. This purported source of funds is not specifically identified as the only way to have access to it through the agent who must receive a commission "in advance". As soon as the agent collects the fee, he/her disappears and the facility never comes through. Any mutual fund desperate for fund, especially, distressed banks and banks needing large funds to bid for foreign exchange can easily fall victim of this type of fraud. When the deal fails and the fees paid in advance are lost, these victims are not likely to report the losses to the police or to the authorities counterfeit securities of commercial financial instruments is one of the oldest forms of crime. Modern photographic and printing equipment have greatly aided criminals in reproducing good quality forged instruments. The documents may be total counterfeit or may be genuine documents that are copied, forged or altered as to amount, pay-out date, pay or of payment. A common fraud is to present the counterfeit stocks or bonds as collateral for loan. The presenter would draw out the proceeds and disappear before the financial instruments are found to be counterfeit.

2.5.4 Fund Diversion

In this case, mutual fund staff sometimes diverts customers' deposits and loan repayment for personal use. Another case of this is the tapping of funds from interest in suspense accounts in banks.

2.5.5 Computer Fraud

Computer Frauds involve the deceptive manipulation of the mutual funds computer, either at the data collection stage, the input processing stage or even the data dissemination stage. Computer frauds could also occur due to improper input system, virus, program manipulations, transaction manipulations and cyber thefts. It can also take the form of corruption of the programme or application packages and even breaking into the system through remote sensors. A mutual fund data can also be tampered with at the data centre to gain access to unauthorized areas or even give credit to accounts for which the funds were not originally intended. Computer frauds arising from cyber thefts and crimes has assumed a very threatening dimension (Olorunsegun, 2010).

2.5.6 Institutional Factors of fraud

According to Nwaze (2008), the institutional factors or causes are those that can be traced to the internal environment of an organization. They are, to a great extent, factors within the control of the management of the bank. Major institutional causes of fraud can be categorized as follows.

a) Poor Management

This comes in a form of inadequate supervision. A junior staff with fraudulent tendencies that are not adequately supervised would get the impression that the environment is safe for the perpetration of fraud. Poor management would also manifest in ineffective policies and procedures, which a fraudulent minded operator in the system will capitalize on. Even where there are effective policies and procedures in place, fraud could still occur with sometimes deliberate skipping of these tested policies and procedures.

b) Inexperienced Personnel

Inexperienced personnel are susceptible to committing unintentional fraud by falling for numerous tricks of fraudsters. Inexperienced personnel are unlikely to notice any fraud attempts and take necessary precautionary measures to check the fraudster or set the detection process in motion.

c) Overstretching

Overstretching is another reflection of poor management. This can aid perpetration of fraud to a large extent. A staff who is overstretched is not likely to perform at optimum level of efficiency.

d) Job rotation

Ordinarily, the longer a man stays on a job, the more proficient he is likely to be. An operator who has spent so long a time on a particular job may be encouraged to think that no one else can uncover his fraud. The existence of this kind of situation in a Mutual Fund is clear evidence of poor management and such situations encourage fraudulent practices.

e) Poor remuneration

Poor salaries and poor conditions of service can also cause and encourage fraud. Employees that are poorly paid are often tempted to fraudulently convert some of the employers' monies to their own use in order to meet their personal and social needs. This temptation is even stronger on mutual funds employees who on daily basis have to deal with cash and near cash instruments. In our society, it is argued that greed rather than poor working conditions or poor salary is what lures most people into fraudulent acts. This explains why fraud would still exist in the mutual fund sectors, which is reputed to be one of the highest paying sectors. Some people have an insatiable appetite to accumulate wealth and would therefore, steal irrespective of how good their earnings are.

2.6 Auditor's Responsibilities in Fraud Detection and Prevention

ISA 240 (Redrafted) show the main responsibility of auditors to preventing and detecting fraud: "The primary responsibility to preventing and detecting fraud rests with both those charged with governance of the entity and management". ISA 240 (Redrafted) also stated that: the auditors conducted the audit in accordance with ISAs is responsible for obtaining reasonable assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error. Consequently, both the entity and the auditors are responsible for fraud and error. It can be said that the primary responsibility for fraud and error is due to the management and those responsible for management, while the auditors have a secondary responsibility.

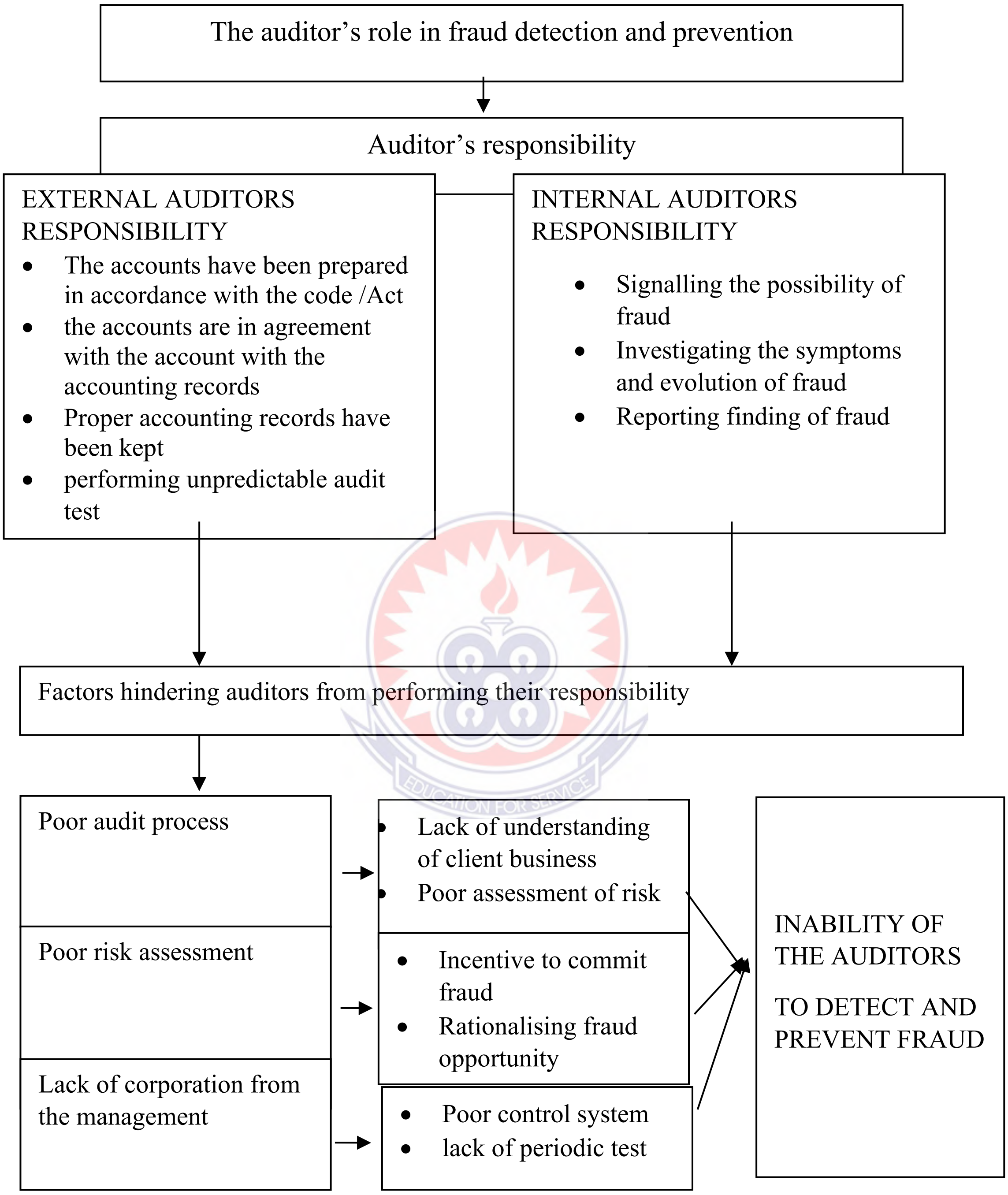
However, to clarify and demonstrate the relevance of these responsibilities, the objective of an audit of financial statements is to empower the auditors to express their opinion whether the financial statements are prepared in accordance with acceptable standard. An audit conducted in accordance with Statement of Auditing Standards (SASs) is designed to provide reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. The fact that auditors can act as implementing the audit to obtain reasonable assurance that, the financial statements are not misstatements, although it is caused by frauds or errors. Because of the nature of audit evidence and the characteristics of fraud, auditors are able to get reasonable, but not absolute guarantee that material misstatements was discovered or detected.

This view was affirmed by the Ghana National Accounting Standards issued in 2001 and has acknowledged the role of the audit profession in the detection of fraud as follows, "the admitted role of the audit profession in relation to fraud detection is to plan, perform and evaluate their audit work so as to have a reasonable expectation of detecting, material misstatements in the financial information resulting from fraud or error". Planning the audit with a reasonable expectation of detecting fraud is explained as adopting an "attitude of professional scepticism." The courts have affirmed the above-mentioned role of the auditor in relation to fraud in Fomento (Sterling Area) Ltd v Selstdon Fountain Pen Co Ltd (1958), where Lord Denning expressed the opinion that: "An auditor is not to be confined to the mechanics of checking vouchers and making arithmetical computations. He is not to be written off as a professional "adder – upper and subtractor." His vital task is to take care to see that errors are made, be they errors of computation or omissions or downright untruths. To perform this task properly he or she must come to it with an inquiring mind – not suspicious of dishonesty, I agree – but suspecting that someone may have made a mistake somewhere and that a check must be made to ensure that there has been none.

2.7 Conceptual Framework

An Analytical Framework adapted by the Researcher for an assessment of the role of auditors in fraud detection and prevention.

Figure 2.2: An assessment of the role of auditors in fraud detection and prevention.



Source: Author`s Own Construct (2017)

Figure 2.2 is the conceptual framework of the study, it shows the main variables that the researcher used in assessing the role of auditors in fraud detection and prevention. The conceptual framework guided the development of research questions/hypothesis and questionnaire item. The variables in the conceptual framework were derived from the theoretical review. From the diagram, the auditor`s role in fraud detection and prevention, External and internal auditor's responsibility, Poor auditing process, Poor risk assessment, Lack of corporation from the management and inability of the auditor to control and prevent fraud have all been reviewed.

2.7.1 Why Auditors are Unable to Detect and Prevent Fraud

2.7.2 The Audit Process

The audit process refers to the methodology auditors use to perform their audits, the elements include:

2.7. 3 Understanding the Business of the client

Auditors who do not effectively understand the business of their clients are not as likely to identify fraud or to assess a heightened risk of fraud relative to those that have an understanding of the client's business. According to Erickson et al. (2000) noted that, a failure to understand the economic influences affecting Lincoln Savings and Loan resulted in that prominent audit failure. The importance of understanding an audit client's business is also embedded in professional standards (e.g., AICPA SAS 109 2006) and generally embodied within the audit approaches adopted by major firms over the past few decades (Bell et al. 1997; Winograd et al. 2000).

2.7.4 Assessing Fraud Risk

The auditor acknowledged that fraud risk assessment is a critical task in order to detect fraud.

Prior research confirms that because fraud is a rare event, auditors generally have little experience with it and, as a result, may have difficulties recognizing fraud risk indicators when they are present (Loebbecke et al. 1989). As such, auditors may not understand fraud schemes (and their indicators) well enough to perceive high fraud risk.

2.7.5 Designing and Executing Audit Tests

Auditors have difficulties designing effective tests to detect fraud. Auditors use the same procedures, year after year, which allow the clients to predict what the auditor will do and to conceal a fraud from the tests performed on the audit. Prior research suggests that even when auditors accurately assess fraud risk, they often do not design effective tests for detecting fraud (Zimbelman 1997, Glover et al. 2003, Asare and Wright 2004, Hammersley et al. 2011). These studies show that auditors tend to respond to high fraud risks by doing more standard audit procedures that are generally thought to be ineffective at detecting a concealed fraud.

2.7.6 Consulting Experts

An auditor may not recognize the need to involve fraud specialists on the engagement, and where they do they, may be reluctant to use them because of cost considerations. Consistent with this fact, Asare and Wright (2004) reported that auditors are generally reluctant to consult fraud experts for assistance even when they assess high fraud risk.

2.7.7 Resolving Audit Issues

A lower-level auditor may identify information such as a transaction that may indicate that fraud exists but then not effectively share the information with someone with the expertise to identify it as a fraud cue. Lower-level auditors are often those who see original documents and other evidence of transactions and are thereby exposed to areas of the audit that are most likely to lead to direct knowledge of fraud. However, lower-level auditors may lack the requisite knowledge about fraud and, therefore, not recognize when they are exposed to evidence of a fraud (Kerr and Murthy 2004; Knapp and Knapp 2001)

2.7.8 Factors Affecting the Audit Process

There are three main factors impacting the audit process, these include:

(a) "**institutional forces,"** which includes elements such as the regulatory regime, standard setting mechanisms, and peer reviews,

(b) **"auditor knowledge**, training and experience," which represents the intellectual capital the auditors bring to the engagement and,

(c) "**auditor incentives,"** which encompasses elements such as time pressure and fees paid by the client on auditors' motivations to detect fraud. We next discuss each factor and the elements therein.

Institutional Forces

The institutional factors can affect auditor's effectiveness to detect and prevent fraud. For example, standard setters are not willing to set additional procedures that may require the auditors effectively prevent fraud because they may be held to a higher legal liability standard if they fail to detect fraud. The regulatory and legal environments in which auditors operate appear to be the primary institutional forces that can impact their ability to detect fraud. Regulators can impact fraud detection with their standard setting activities. For instance, auditors' responsibility for fraud detection may be stated in an affirmative (SAS 99, AICPA 2002) or a negative frame (SAS 53, AICPA 1988), i.e., as one of the objectives of the audit or as an obligation to respond only if fraud is suspected, respectively.

Knowledge, Training, and Experience (KTE)

Auditors lack training in fraud detection methods or fraud investigation techniques. Auditors are not effectively trained to detect or recognize fraud. Fraud schemes are unfamiliar to many auditors because they have not been trained in this area and also, because fraud is a rare event. Auditors may lack adequate training in fraud detection methods or fraud investigation techniques (cf. Hammersley et al. 2011). In this regard, Hammersley et al. (2011) concluded that audit seniors exposed to a fraud case assess higher fraud risk but, generally, fail to design effective tests to detect the fraud.

Auditor Incentives

The incentive issues of fraud include conflicts of interest resulting from being paid by the client. This conflict will lead auditors to subtly avoid testing areas where they suspect fraud exists. Similarly, when auditors become advocates for their clients and, therefore, lose the ability to objectively evaluate fraudulent accounting methods, conflicts of interest can be contrasted with other incentive-related concerns. For example, time and fee budgets usually cause auditors to reduce costs by doing less quality or quantity of audit testing than is necessary to detect fraud or to use staff with less expertise than is optimal for detecting fraud.

These pressures are also believed to lead auditors to do the minimum to meet the letter of the law as specified in auditing standards as opposed to meeting the spirit of the standard such as searching for evidence to detect fraud. In some situations, incentives may inhibit auditors from detecting fraud. For instance, there is a potential conflict of interest resulting from being paid by the client that may lead auditors to subtly avoid testing areas where fraud is suspected or to lose the ability to objectively evaluate fraudulent accounting methods. Moore et al. (2006) suggests that the audit process has a direct effect on auditors' fraud detection effectiveness. Moreover, auditors' incentives, knowledge, training, experience and institutional forces may indirectly impact audit effectiveness because of their influence on the audit process.

2.8 Industrial Review of Mutual fund in Ghana

In Ghana, mutual funds must be registered with the Securities and Exchange Commission, overseen by Board of Directors or Board of Trustees, and managed by a Registered Investment Management Firm or Advisor. Mutual funds in Ghana are subject to an extensive and detailed regulatory regime set forth in Securities Industry Law 1993(P.N.D.C.L 333) and the Unit Trusts and Mutual Funds Regulations (L.I 1695). Ghana has a relatively young mutual fund industry. The first mutual fund was introduced in Ghana by Databank Group in 1996 with a product called the Epack. Originally designed as an investment club, it was later transformed into a mutual fund.

The Mutual fund industry has a 20-year history in Ghana and its size has increased substantially over the years. Mutual funds are becoming increasingly popular in Ghana as evidenced by the number and variety of mutual fund offerings now available. There are currently over 36 mutual funds and unit trusts as collective investment schemes available in Ghana. Mutual funds offer Ghanaians a superior means of accumulating wealth through access to a broad range of personalized investment solutions. Advantages of mutual funds include professional investment management. The fund manager has the staff and technical know-how to invest the funds effectively. Another advantage is diversification. There is a reduction of risks with mutual funds as compared to holding a single stock, bond, and other available instruments. Liquidity also comes into play here as shareholders are at liberty to trade their holdings with the fund manager at the close of a trading day based on the closing net asset value of the fund's holdings. This applies only to open-end funds. For holders of other securities, there may not be a buyer/seller for that instrument every day, making such investments less liquid. Finally, a mutual fund provides accountability and fairness to investor through industry regulation and transparency. (http://thebftonline.com/business/economy/20089/brief-history-of-mutual-funds.html

2.9 The Role of Internal Auditing

Internal auditors need to make a significant contribution to meet organization's main need, namely to reach its objectives. The IIA Inc has assisted individual internal auditors and internal auditing activities in this task by publishing the Competency Framework for Internal Auditing (CFIA) and the Professional Practices Framework (PPF) as sets of guidelines to fulfil this task (Coetzee, 2004). According to Pickett (2004), the traditional internal auditor fought for propriety against all comers. The battle involved checks over transactions and assets to make sure everything was in order. The new-look internal auditor spends a great deal of time considering the organization's approach to corporate governance, risk management, and control. It is only after this consideration that the Chief Audit Executive (CAE) can start to define the internal audit role. This straightforward approach is further complicated when defining the internal audit role, and reference should be made to:

a) Actual corporate audit practices

b) Best international auditing standards

c) Expectations of stakeholders and the marketplace

The organization's corporate governance, risk management, and control arrangements, along with the formulation of the internal auditors' contribution to these challenges, may be compared to best practice and want key players would like to see from their internal audit shop. Ridley and Chambers (1998) stated that like any product or service, the success of modern internal auditing lies in the way it is promoted, sold and serviced in the organization market-place. Sawyer (1973), quoted by Ridley and Chambers (1998), saw this when he summarized the first chapter of his book: "Modern internal auditing, to be successful, must be grounded on management support and acceptance and on imaginative service to management.

Also, it must have a reporting status in the company that ensures proper consideration of the findings and recommendations developed by the auditors. To this end, the internal auditor's charter must set forth explicitly for broad authority and correlative responsibility; the management directive must spell out clearly the requirement for prompt and responsive replies to internal audit reports; and the auditor's job description must call for the efforts of superior people, not average ones. Audit manuals should supply standards and guidelines, not detailed instructions. The auditor must mount a continuing campaign to sell his or her product to executive management; and the product internal sells must be of the quality that will capture and keep management's interest.

According to the IIA, internal auditors are grounded in professionalism, integrity, and efficiency. They make objective assessments of operations and share ideas for best practices that provide counsel for improving controls, processes and procedures, performance, and risk management; suggesting ways to reduce costs, enhancing revenues, and improving profits; and deliver competent consulting, assurance, and facilitation services. Internal auditors are well disciplined in their craft and subscribe to a professional code of ethics. They are diverse and innovative. In addition, they are also committed to growing and enhancing their skills.

2.8.1 Internal audit activity

The IIA defines an internal audit activity as (Pickett, 2004): "A department, division, team of consultants, or other practitioner(s) that provide independent, objective assurance and consulting services designed to add value and improve an organization's operations. The internal audit activity helps an organization accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes." The definition above indicates that an internal audit activity is a collection of individuals which are those for a purpose which in this case, refers to consultation of services in improving the organizational operations as a whole.

2.9 Expectations gap

The "expectations gap" is the difference between what users of financial statements, the general public perceive an audit to be and what the audit profession claim is expected of them in conducting an audit. In this respect, it is important to distinguish between the audit profession's expectations of an audit on one hand, and the auditor's perception of the audit on the other hand. Apart from users of financial statements and the general public, an auditor may also perceive a somewhat different interpretation or worse still, fail to comply with the standards set by the audit profession. If users of financial statements and the general public were educated to think that the auditor's role embraces the detection and prevention of fraud, especially in relation to material items, the fraud and error detection role of an audit could be relatively objective. However, absolute objectivity cannot be guaranteed since “materiality” and “material significance” is subjective concepts which require further clarification by the Auditing Practices Board. A return to the primary role of detection and prevention would also be welcomed since there are at present, not sufficient measures to hold the auditor liable for negative consequences of his actions. Some sources of academic literature assume that the meaning of an audit is not objective/fixed whilst other sources such as contents of audit reports assume that the meaning of an audit is fixed. In relation to the latter assumption, there is the belief that the expectations gap could be significantly reduced –if not possible to eliminate.

2.10 Audit expectation gap in the context of fraud

Auditor’s responsibilities with respect to fraud have been a controversial issue. This is owing to the fact that auditor’s duty towards fraud has long been a critical part of expectation gap. Gaps regarding the auditor’s role in detecting fraud have been proven highly significant by many researchers. The responsibility of auditors with regard to fraud detecting and reporting is always changing overtime. In the early years of auditing, the detection of fraud or irregularities was a key part of the role of the audit. During that time, according to Brown (as cited in Lee et al. 2008) ‘the primary objective of auditing was still the detection of fraud’ and was associated with discovery of defalcations and irregularities. This role remained even after the Industrial Revolution emerged in the eighteenth century. One of the reasons for the continuation of this role with the auditor is 'to manage the economic crisis and secure public confidence in the financial markets' (Sikka, Puxty, Wilmott, & Cooper, 1998). However, from the middle of the twentieth century, the detection and reporting of fraud have become a secondary objective. The general public appears to have a high expectation that auditors will detect or prevent all fraud; whereas the auditing profession does not regard fraud detection as a primary audit objective (Pound, Gray, & Simnet, 1997). As affirmed by the Cadbury Committee Report in 1992, this responsibility has been shifted to management:

> '[t] j the prime responsibility for the prevention and detection of fraud (and other illegal acts) is that of the board, as part of its fiduciary responsibility for protecting the assets of the company".

It is obvious that the shift in auditor's responsibility is of great concern to audit stakeholders as it contradicts their expectation. Despite the absence of a general legal requirement for auditors to detect and report fraud and difficulties in performing these duties, they are nevertheless expected, by the majority of the financial and business community and the general public, to detect all—or at least all material—corporate fraud (Porter, 1997). In response to this, the auditing profession blames the public for their lack of understanding of the audit function by placing unreasonable expectations. They believe that their responsibilities are limited to the planning of the audit and to obtain reasonable assurance. For example, WAC (2007) in its Handbook of International Auditing, Assurance, And Ethics Pronouncements, The Auditor's Responsibilities to consider Fraud in an Audit of Financial Statements (1SA240) states that, the auditor have designed the audit to provide reasonable assurance that, the financial statements taken as a whole are free from material misstatement, whether caused by error or fraud.

The auditors only have a responsibility to report the material fraud to management or enforcement authorities. On the other hand, according to Chowdhury and Innes, (1998), 'the auditors have the right, and not the duty to report suspected cases of non-material management fraud. Mclnnes (1993) argued that it is unreasonable to expect auditors to guarantee the financial statement has no material fraud. Using the example, he further argued that '...if auditors did check every transaction, they could still not provide a guarantee that there have been no material fraud as they might still be deceived by collusion and the forging of documents.

However, to make matters worse, some of the auditors believed that the expectations gap exists due to their performance being below the required standard. The findings of the study by Fraser, Hatherly, & Henry (2004) for instance, found that the auditors did recognise '...a level of need to detect illegal acts that is not matched by a corresponding perception of their ability to detect. The auditors themselves, therefore, appear to acknowledge that their responsibility in the area of illegal acts, including fraud, is not adequately discharged (ibid). The International Federation of Accountants (IFAC, 2007) defines fraud as '...an intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception to obtain an unjust or illegal advantage' (Zaidi, 2009).

2.11 Empirical Basis of the Expectation Gap

A research conducted by Baron et al. (1977) using a questionnaire survey in the US to elicit views within the financial community revealed that auditor's responsibilities for detecting corporate irregularities and illegal acts auditors and other parties (financial analysts, bankers, and managers) have significantly different beliefs and preferences. This viewpoint is reinforced by a research conducted by Lowe and Pany (1993) whose survey among 141 members of a municipal court juror's pool and 78 auditors from a large international accounting firm to assess their attitude toward the auditing profession revealed an expectation gap between jurors view the auditors' role as that of a public watchdog or guardian to the extent of expecting the auditor to actively research out the smallest fraud. Also, a survey conducted by Epstein and Geiger (1994) among 246 investors revealed a startling evidence of the expectation gap between the assurances auditors and the financial statements compiled by management.

These findings are corroborated by Humphrey et al (1993) whose study about the perception of individuals audit expectations through the use of a questionnaire confirmed that an audit expectation gap exists, specifically in areas such as the nature of the audit action and the perceived performance of auditors.

The critical components of the expectation gap were found to include auditors' fraud detection role and the extent of auditors' responsibilities to third parties. McInnes (1994) reviewed by Gloeck and Jayer's (1993) study on the audit expectation gap in the Republic of South Africa and found three areas namely, independence of auditors, role of auditors relating to fraud and going concern issues in which an expectation gap exists between auditors and non-auditors. This finding is consistent with Low (1984) conducted a survey amongst auditors and analysts in Singapore and in Australia revealed that in both countries, significant differences in perceptions were found in areas regarding the extent of assurance over fraud detection and the reliability of information presented in audited financial statements.

Another survey conducted by Low et al (1988), who surveyed a sample of auditors and financial analysts in Singapore regarding their perception of objectives of company audits revealed that significant differences and expectation gaps were found in the areas of fraud prevention, guaranteeing the accuracy of financial information, effective utilization by the company of government grants, levies and subsidies, and management. Also, a study by Best et al (2001) which sought to determine the level and nature of the expectation gap in various areas of auditor responsibility using questionnaire and participants showed a wider expectation gap in the areas of the auditor's responsibility for preventing and detecting fraud, maintenance of accounting records, and selection of appropriate auditing procedures.

A survey by Enroe and Martens (2001) public accountants and individual investors to determine the extent to which the expectation gap exists for various facets of the attest function found investors have higher expectations than auditors in the areas of disclosure, internal control, fraud and illegal operations. Another survey carried out by Enroe and Martens (2002) by comparing audit partners' and investors' perceptions of auditors' responsibilities involving various dimensions of the attest function. The results also revealed that an expectation gap currently exists: investors have higher expectations for various facts and assurances of the audit than do auditors in the following areas: disclosure, internal control, fraud, and illegal acts. It was also realised that investors expect auditors to act as public watchdog.

Koh and Woo (2001) investigated the audit expectation gap between auditors and management and found a significant gap, which management expecting more that auditors in the areas of preventing and detecting fraud, illegal acts, errors, and in guaranteeing the accuracy of financial reports. A study conducted by Fadzly and

Ahmad (2004) using questionnaire as the data collection instrument, regarding several dimensions of expectation gap in Malaysia revealed evidence of expectation gap in Malaysia from the viewpoint of auditors and other participants, particularly on issues concerning auditor's responsibilities. A wide gap was found regarding auditor's responsibilities in fraud detection and prevention, preparation of financial statements and accounting records. The gap was also found with regard to auditor's scope of legal responsibility in a fraud related business failure.

A more recent survey conducted by Alleyne and Howard (2005), between auditor and users around the responsibility of auditor for fraud detection through interview in Barbados revealed that there is a wide expectation gap between auditors and users for fraud detection. From the research findings of the authors, it suffices to say that auditors strongly disagreed that they were responsible for uncovering fraud compared to the users' strong view that they should be responsible.

The view of Bernardi (1994), who holds that ― the probability of detecting fraud is dependent upon time pressures, holding chargeable costs down, and client and public expectations that the auditor will detect any fraud, resulting in an ―expectation gap between auditors' performance and what an audit implies to users (Bernardi 1994). Johnson and Rudesill (2001, 61-62) agree, stating that ―business owners, managers and auditors share the responsibility to detect fraud, but the belief persists that the primary benefit gained from an external audit is the determination of whether fraud has occurred. The accounting profession's position, however, is that the auditor's responsibilities are related only to detection of errors and fraud that have a material effect on the financial statements. These differences in perception of responsibility and the public's disenchantment with audits have been termed the *expectations gap*.

Some types of fraud crime are hard, if not impossible, to detect using normal auditing routines.

Examples include insider trading and cartel activities (Gottschalk 2010b), ―so-called off-book frauds (i.e. bribery and kickbacks), which do not leave an audit trail and are often discovered by tip-offs (Silverstone and Sheetz 2003), and document forgery (Gedde-Dahl, Hafstad and Magnussen 2008). The forensic accountant must be prepared to reach far beyond the company's books to industry and government information, proprietary databases, court records, and any source, for that matter, which might throw light on the case (Silverstone and Sheetz 2003, 77). Expecting this from a standard audit procedure is not always possible. In addition, unless suspicions or tips indicate otherwise, an auditor will most likely not expect conscious illegalities from the onset and further investigations may require time and resources not included in the contract between auditor and client. There is a strong competition in the auditing market, and a certain amount of efficiency and goal orientation is necessary in order to survive. There is little room for improvisation that is not anchored in the standard auditing procedure.

(Olsen 2007) Davia (2000) contended that, auditor`s detection rates might be higher if auditors were more aware of their power in this respect, blaming two fallacious decisions made by many auditors: *It is not necessary to audit for the purpose* of *discovering fraud. Good accounting records and internal control are sufficient to control fraud.* One problem at Enron was that the Arthur Andersen firm served as both independent auditor and outside consultant, a potential conflict of interest (Ivancevich et al. 2003), stating that this conflict of interest has become an emotionally and politically charged issue in need of attention. Jayasuriya (2006) goes on to state that in 1996, ―the Court of Appeal stated that while the primary responsibility for safeguarding a company's assets and preventing errors and defalcations rests with the directors, material irregularities and fraud will normally be brought to light by sound auditing procedures. Clearly, there also exist those that have confidence in fraud detection abilities of the auditing function, and it has hence been shown that views on the matter are heavily conflicting.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter brings to light the various methods and procedures used in achieving the objectives of the study. This section would be discussed under the following sub-headings: the study area; research design; the population and sample of the study: the data type; the method of data collection; and the method of data analysis.

3.1 The study area

The study was conducted in the Kumasi Metropolis, because of its cosmopolitan nature. Cosmopolitan is composed of people or ethnic group from all parts of the world or from many different spheres. Kumasi could be considered as a cosmopolitan because residents are purely from different background among them are Ashanti's, Fantes, Frafra, Ewes, and Ga. The researcher used Kumasi for the study because of the availability of the various types of financial institutions. Commercial banks like Stanbic bank, Ecobank, Universal Merchant bank and it is also the centre of nation's economy in which the number of all kinds of businesses are located relative convenience and administration of the research instrument

3.2 Research Design

According to Kothari (2011) ``A research design is the arrangement of conditions, collection and analysis data in a manner that aim to combine relevance to the research purpose with economy in procedure. A cross -sectional survey method was used in this study, in order for the researcher to draw attention to the factors that contribute to perception of the role of auditor`s in fraud prevention in mutual fund in Kumasi metropolis. According to the Wikipedia org. a cross-sectional study is a research method that involve `observation of all of the population, or representative subset, at one specific point in time`` they help the researcher to aim to generalise from the population sample and make inferences about some characteristic, attitude, or the behaviour of this population under study (Babbies, 1990). The reason for choosing the cross -sectional survey is as follows. First, it is to estimate prevalence, to look at associations, and to measure attitude and behaviour of both auditors and users of financial statements of audit expectation gap. Secondly, the chosen design and data collection is quick and cheap. Thirdly, because of its descriptive nature and finally, its ability to examine associations that can be used to develop hypothesis.

3.3 The Population and Sample

3.3.1 The Study Population

According to Beins and McCarthy (2012), population is the centre set of people or data that are of interest to the researcher. The target population of this study consists of external auditors and the major stakeholders of mutual funds in Kumasi namely: auditors, accountants and bankers. However, this study was narrow down in scope due to time and financial constraints. For convenience and easy analysis of data, all the questionnaires were close-ended.

3.3.2 The Study Sample

Sample is the elementary unit or group of such unit may be from the basis of sampling process in which the case is called sample unity (Kothari, 2004). Non-probability was used to ensure that only knowledgeable respondents were choosing. According to (Beins and McCarthy, 2012) It enables the researcher to find as many such people as possible to study them. External auditors both private and public sectors were selected to represent the opinion of the audit professions while bankers and accountants as users of financial statements. The users are selected because they are more informed about the auditing process and are more knowledgeable about the duties of auditor as their day-to-day work related to the audited financial statement in one way or another way (Humphrey et al.1993) Fifty (50) respondents were chosen from the population of the study. A sample size of thirty-six (36) is targeted for respondent group. The choice of this sample size is guided by literature on the maximum and minimum practical sample of not less than thirty (30) for any statistical test (Balian, 1994; December 2013).

3.4 Instrumentation

3.4.1 Data Collection

Primary data were used for this study. The primary data were collected from the responses received from a structured questionnaire. The quantitative data collection technique used for this study was self-administered pre-tested questionnaires. Self-administered questionnaire was chosen owing to the fact that it is easy to administer, cost effective, convenience, and offer some degree of anonymity. However, a common problem associated with this technique is the absence of control over the answering of the questionnaires. Thus, a dispatched questionnaire has less chance to be returned or completed in full.

3.4.2 Questionnaire

The questionnaire was developed and section one of the question ask for the respondents` interest in financial statements report and background information, which aim to collect the demographic data of respondents such as educational background, work experience. The second section consists of statements which seek to elicit the opinion on issues of auditors` roles and responsibilities, and auditors` obligation for fraud detection. The Likert scale was used. According to bowling (1997) and Burns&Grove (1997), attitudes are measured using a Likert scale in a form of a fixed choice answer or response format. Similarly, in this study, respondents were asked to make a choice from five (5) fixed responses with points three (3) as the neutral point or neither agrees nor disagrees. Therefore, respondents were asked to choose the appropriate statement by ticking their opinion on five-point Likert scale with strongly disagree represented by one disagree as two, three as neutral point with points four and five being agree and strongly agree respectively.

Table 3.1: Variables, Research Questions and items on a Survey

VARIABLE NAME	RESEARCH QUESTION	ITEM ON SURVEY
The factors that cause fraud in Mutual fund in Kumasi metropolis (MFs-K)	Question 1: To what extend does respondent group perception differ on factors that cause fraud?	Refer to the statement 1&2
The role of external and internal auditors in (MFs-K)	Question 2: To what extend does the respondent perception differ as to the role of external and internal auditors?	Refer to the statement 4,5,8,9,11,12
How Auditor can detect and prevent fraud.	Question 3: to what extend does auditors can detect and prevent fraud in MFs-K?	Refer to the statement 3,6,7,10,13

Source: Author's Own Construct (2017)

3.5 Procedure for Testing Hypothesis

Table 3.2: Procedure for Testing Hypothesis

NULL HYPOTHESIS	DEPENDENT VARIABLE	INDEPENDENT VARIABLE	STATISTICAL ANALYSIS
H0₁ *There are no significant differences of the factors that cause fraud in the Mutual Funds in the Kumasi Metropolis (MFs-K)*	Factor that cause fraud	Auditors, Accountants and Bankers	One way analysis of variance (ANOVA) to make group comparison. The choice of ANOVA for statistical test was based on the assumptions to test for statistical significance when there are more than two groups or when participants experience more than two treatment conditions
HO₂ *There are no significant differences among respondents group on the role of external and internal auditors in fraud detection and preventing*	The role of external and internal auditors	Auditors, Accountants, and Bankers	
H0₃ *There are no significant differences among respondent on the auditor`s contribution in detection and prevention fraud*	How auditors can detect and prevent fraud	Auditors, Accountants, and Bankers	

Source: Author's Own Construct (2017)

3. 5.1 Model Specification

The model of this study was mainly based on the assessment of the role of auditors in detection and prevention of fraud in Mutual Funds in Kumasi Metropolis. The study conceptualised that the fraud detection and prevention of Mutual Funds in the Kumasi Metropolis is the function of auditors, accountants, and bankers. The model of this relationship is presented in equation below; Fraud prevention and detection = f (auditors, Accountants and bankers)

The ANOVA F-test statist test is given

$$\mathrm{F} = \frac{ExplainedVariation}{UnexplainedVariance} = \frac{BetweenGroupVariabilit}{WithinGroupVariability}$$

$$\sum_{i} ni(\bar{y}-.\bar{y})2\ /(\mathrm{k}-1)$$

Where $\bar{y}i$ is the sample means in *jth* group *ni* is the number of observations in the *ith* group denotes the overall mean of the data and k is the number of groups.

The unexplained variance or within group variability is.

$$\sum_{ij} (yij-.\bar{y}i)2\ /(\mathrm{N}-\mathrm{k})$$

Where *yij* is the *jith* observation in the *ith* out of k groups and Nis the overall sample size. More so, the F -test statistic follows the F-distribution with k-1, N-degrees of freedom

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSIONS

4.0 Introduction

The chapter presents the results from the analysis of the data that was collected from the field. Answers were sought to questions and statement relating to the role of auditors in fraud detection and prevention. Each question or statement was assessed according to the responses obtained, these were categorised into two sections.

In the first section, descriptive statistic (frequency analysis) was used to analyse the demographic data of the respondent namely occupation, work experience, sector, educational level and professional qualification. The second section made used of inferential statistic to analysis the responses to the survey question denoted on the Likert scale. The questionnaire / statements (from 1 to 13) have been grouped under specific objective.

4.1 Distribution of Respondents by Profession

The survey gathered information about the profession of the respondents used for the study. The result on the profession of the respondents is presented below.

4.4.1 Demographic Data

Table 4.1: Demographic Data

Variable	Frequency	Percent %
Occupation/Job role		
Auditor	4	11.1
Accountant	11	30.6
Banker	21	58.3
Totals	36	100

Source: Researcher`s field work (2017)

Table 4.1 shows the occupation of respondents. The results show that a majority 21 (58.3%) of the respondents were bankers. The minority 11(30.6%) of the respondents were accountants, while 4(11.1%) are auditors.

4.4.2 Distribution of Respondents by the number of years worked

The survey gathered information about the number of years the respondents have worked. The result on the work experience is presented in table 4.2.

Table 4.2: Distribution of Respondents by the number of years worked

Variable	Frequency	Percent %
2. Work Years' Experience		
Less than 1 year	3	8.30
1-5 years	17	47.2
6-10 years	13	36.1
11 years and above	3	8.3
Totals	36	100

Source: Researcher`s field work (2017)

The results in Table 4.2 shows the number of years respondents had worked with MFs. The results show that, a greater majority 20(55.5%) of the respondents had worked with MFs for less than five years whilst 16 (44.5%) of the respondents had also worked for more than five years –for less than four years. The results suggest that MFs had high labour turnover. The majority of the respondents had worked with MFs. The high labour turnover probably due to poor condition of service.

4.4.3 Distribution of Respondents by Sector, Education and Professional qualification

The survey gathered information about the sector the person had worked, the educational level and professional qualification a person hold.

Table 4.3: Distribution of Respondents by Sector, Education and Professional Qualification.

Variable	Frequency	Percentage
3.Sectr		
Private	21	58.3
Public	15	41.7
Total	**36**	**100**
4.Educational Background		
Secondary	1	2.8
Diploma	3	8.3
First Degree	20	55.6
Masters	12	33.3
Total	**36**	**100**
Professional Qualification		
ICA	7	19.4
ACCA	7	19.4
CIMA	4	11.1
CPA	1	2.8
OTHERS	17	47.2
Total	**36**	**100**

Source: Researcher's field work (2017)

From table 4.3, 21 out of 36 respondents are in private sector representing 58.3%, while 15 respondents were in public sector representing 41.7%.

Regarding educational level, 1 respondent representing 2.8% of total number of respondents had secondary education, 3 respondents represented 8.3% of total number of respondents had their diploma. Again, 20 respondents represented 55.6% of total number of respondents had first degree. Also, 12 respondents represented 33.3% of total number of respondents had their master degree. Finally, 19.4% of the respondents were Charted Accountant holding ICA, whiles19.4 hold ACCA qualification, 11.1% have CIMA qualification, 2.8% of the respondents hold CPA professional qualification and 47.2% of the respondents hold other professional qualification.

4.4.4 Analysis of the Main Data

The analysis of the main data is presented in line with the research questions. The presentation of each result is followed by a full discussion in relation to the literature and findings of previous studies**.**

Research Question One: What are the factors that cause fraud in the Mutual Funds in the Kumasi Metropolis?

Research Question 1: statement one (1) sought to find out from the respondents, factors such as advance fees fraud, computer fraud, and poor management fraud exist in the Mutual Funds in the Kumasi Metropolis.

Table 4.4: An Assessment of factors that cause fraud in mutual fund.

Statement	Strongly Disagree	Disagree	Neither Agree Or disagree	Agree	Strongly agree	Total
Advance fees fraud, Fund division, Computer fraud, Poor management, inexperience personal are the factors that cause fraud	0(0.0%)	1(2.8%)	1(2.28)	13(36.1%)	21(58.3%)	36(100%)

Source: Researcher`s field work (2017)

Table 4.4 presents assessment of factors that cause fraud in mutual funds in Kumasi metropolis. Statement 1 shows that 21 (58.3%) of the respondents with the highest majority strongly agreed with the statement 1. Also, 13(36.1%) were agree, 1 (2.8) neither agree nor disagree, 1(2.8%) strongly disagree whilst 0 (0.0%) of the respondents strongly disagreed that advance fee, fund diversion, computer fraud, poor management and inexperience personnel are the factors that cause fraud.

Table 4.5: Perceptions of Respondents regarding the Existence of Audit Expectation Gap in the area of fraud detection

Statement	Strongly Disagree	Disagree	Neither Agree Or disagree	Agree	Strongly agree	Total
2.The fraud detection the ma527 a major concern of the auditors	3(8.3%)	2(5.6%)	0(0.00)	20(55.6%)	11(30%)	36(100%)

Source: Researcher`s field work (2017)

Table 4.5 presents the perception of the respondent the major concern of auditing. Statement 2 shows that 20 (55.6%) of the respondents with the highest majority s agreed with the statement 2. In addition, 11 (30%) were strongly agree, 0 (0.00%) neither agree nor disagree, 3(8.3%) were strongly disagree whilst 2 (5.6%) of the respondents disagree. This research finding is supported by a survey conducted by Epstein and Geiger (1994) among 246 investors revealed a startling evidence of the expectation gap between the assurances auditors and the financial statements compiled by management.

4.4.5 Testing of Hypothesis one

Statements 2 and 13 sought to find out from the respondents whether there is an existence of expectation gap in the area of message in auditors report conveys, is different from what public expect.

Table 4.6 Results of ANOVA on the existence of audit expectation gap

Statement		Sum of square	Df	Mean square	F	Sig
2.Fraud detection a major concern for auditor	Between groups	.752	2	376	.764	.474
	Within groups	16.248	33	492		
	Total	17.000	35			
13.The massage auditor's report convey is different from what public expects	Between groups	17603	2	8.802	10.269	0.00
	Within groups	28.286	857			
	Total	45.889	35			

Source: Researcher`s field work (2017)

Testing of Hypothesis One:

There are no significant differences of the factors that cause fraud in MFs-K.

Table 4.6 shows the result of hypothesis of the two-statement used in validating the proposition made on the existence of audit expectation gap have the f-ratio of above with p -value less than 0.05, statement 13 had a high f-ratio value of 10.269 and the significant value of 0.000.

To conclude there is enough evidence that, there are statistically significant differences in the perception of auditors, accountants and bankers in the existence of audit expectation gap. This finding confirms the study conducted by Nwaze (2008 and Epstein and Geiger (1994) who conducted a survey of stock investors that revealed a startling evidence of existence of expectation gap between the assurances auditors provided the financial statements compiled by management and the expectation of investors and other users of financial statements. Over 70 per cent of the 246 investors surveyed believed that auditors should be held responsible for detecting material misstatements due to fraud, and some 47 percent expect auditors to provide absolute assurance the financial statements contain no material misstatement due to errors.

Therefore, the null hypothesis, **HO_1** is rejected.

Instead, the alternative hypothesis **H_1** is accepted, thus:

There are significant differences among the respondents on the factors that cause fraud in the Mutual Fund in the Kumasi Metropolis.

Research Question 2: What is the role of external and internal auditors in the Mutual Funds in the Kumasi Metropolis?

Statement (2, 9 and 10) sought information on whether there exist differences in the opinion of audit stakeholders, the role of external and internal auditors

Table 4.7: Results of ANOVA on the role of external and internal auditors

Statement		**N**	**Mean**	**Std. Deviation**	**Std. Error**
2. Fraud detection a major concern for auditors	Strongly Disagree	3	4.33	.577	.333
	Agree	19	4.37	.597	.137
	Strongly Agree	14	4.71	.469	.125
	Total	36	4.50	.561	.093
9. Auditors should assess the activity of internal control department related to fraud detection	Strongly Disagree	3	3.33	2.082	1.202
	Agree	19	3.00	1.491	.342
	Strongly Agree	14	3.00	1.840	.492
	Total	36	3.03	1.630	.272
10. Statutory auditors should assess the internal auditor activities	Strongly Disagree	3	3.33	2.082	1.202
	Agree	19	3.95	.970	.223
	Strongly Agree	14	4.07	1.207	.322
	Total	36	3.94	1.145	.191

Source: Researcher`s field work (2017)

Table 4.7 shows the various responses to examine whether there are differences of opinion among respondents the roles of internal and external auditors. Statement 2 recorded (mean=4.33, std deviation= .577, St. Error .333) strong disagree, while those response to agree and strongly represented 19 and 14 respectively. Then also, those who response to agree and strongly agree recorded distribution of (mean=values as 4.37, 4.71, Std Deviation=.597,.469, Std Error=.137,.125) respectively. Responses from statement 9 represent 36 respondents who disagree (3), agree (19) and strongly agree (14).

Again, responses from statement 9 in respect of (strongly disagree mean=3.33, agree mean=3.00, strongly agree mean =3.00), (strongly disagree Std Deviation = 2.082, agree Std Deviation =1.491, strongly agree Std Deviation =1.840), (strongly agree Std Errors= 1.202, agree Std Errors=.342, strongly agree Std Error =.492). Finally, statement 10 recorded a total of 36 respondents which had distribution as strongly disagree (3), agree (19) and strongly agree (14).Respondents indicated strongly disagree (mean=3.33), agree (means=3.95), strongly agree (4.07), strongly disagree (Std Deviation=2.082), agree (Std Deviation=.970), strongly agree (1.207), strongly agree (Std. Error=1.202), agree (Std Error=.223) and Strongly agree (Std. Error=.3220) The results show statistical difference on the perception of respondents in respect of audit role.

4.4.6 Testing for hypothesis Two

Table 4.8: Result of ANOVA on the respondent perception differ as to the role of auditors

Statement		**Sum of squares**	**df**	**Means square**	**F**	**Sig**
4.The primary responsibility for the detection and prevention of fraud rest with both those charge with governance of the entity and management	Between groups	11.942	4	2.986	3.263	.024
	Within groups	28.363	31	.915		
	Total	40.306	35			
5.Responsibility of the auditor is to report all omission and fraud in the auditor's report	Between groups	2.217	4	.554	.733	.576
	Within Groups	23.422	31	.756		
	Total	25.639				
8. Auditors should performed additional procedures in their attempt to uncover fraud						
9.Auditors should assess the activities of internal control department relating to fraud detection	Between groups	1.712	4	.428	.689	.605
	Within groups	19.261	31	.621		
	Total	20.972				
	Between groups	.586	4	.147	.436	.781
	within groups	10.414	31	.336		
	Total	11.00				
11.Auditor should develop additional audit procedures to enable to enable identification and review of all transaction with related parties	Between groups	22.348	4	5.587	2.889	0.38
	Within Groups	58.958	31	1.934		
	Total	82.306				

Source: Researcher's fieldwork (2017)

Testing for hypothesis Two:

$H0_2$: There are no significant differences among the respondents, the role of external and internal auditors in fraud detection and prevention.

The second assumption for this study concerns with the existing of expectation gap on the role and responsibilities of external and internal auditors in fraud detection and prevention.

Table 4.8 above, statement 4 and 11 recorded a significant differences in perceptions between audit stakeholder groups with f-ratio 3.263, 2.889 and p-value of less than 0.05 of .024 and .038 respectively. Statement 5, 8 and 9 recorded f-ratio of .733 .689 and .436 respectively, with p-value greater than 0.05 of .576, .605 and .781 respectively. To conclude, Statement 4(f=3.263, p<.024 and statement 11 F=2.88, P < .038) while statement 5(f=.733, p>.576, statement 8 F=.689, p>.605 and statement 9 f=.436, p > .781 recorded significant differences among the stakeholders in relating to the role and responsibilities of auditors in fraud detection and prevention. This result confirms study conducted by Koh and Woo (2001) on the audit expectation gap between auditors and management and found a significant gap, which management expecting auditors to preventing and detecting fraud, illegal acts, errors, and in guaranteeing the accuracy of financial reports.

Therefore, the null hypothesis**,** $\mathbf{HO_2}$ is rejected thus:

$\mathbf{HO}_2$: There are no significant differences among the respondents, the role of external and internal auditors in fraud detection and prevention.

Therefore, the null hypothesis, $\mathbf{HO_1}$ is rejected.

Instead, the alternative hypothesis **H1** is accepted.

H2: There are significant differences among the respondents, the role of external and internal auditors in fraud detection and prevention.

4.4.7 Test for Hypothesis three

Table 4.9 Results of ANOVA on auditor's contribution for detecting and prevention fraud.

Statement		Sum Square	Df	Mean Square	F	Sig
3.Auditors give financial guideline to prevent fraud	Between groups	4.479	4	1.120	1.981	.122
	Within groups	17.521	31	.565		
	Total	22.00	35			
6.The auditors is responsible for any material weakness of the company's internal control	Between Group	14.785	4	3.696	1.925	.131
	Within Groups	59.521	31	3.696		
	Total	74.306	35			
7.There should be audit standard that would make auditors responsible for detecting and reporting fraud	Between Groups	1.597	4	.399	.585	.676
	Within Groups	21.153	31	.682		
	Total	22.750	35			
10.Statutory auditor should assess the internal auditors activity	Between Groups	29.014	4	7.254	3.516	0.18
	Within Groups	63.958	31	2.063		
	Total	92.972	35			
12.The auditor`s sole responsibility is the detection fraud	Between Groups	16.900	4	4.225	2.133	.100
	Within Groups	61.405	31	1.981		
	Total	78.306	35			

Source: Researcher's fieldwork (2017)

Test for Hypothesis three

H0$_3$: There are no significant differences among respondents on the auditors' contribution in fraud detection and prevention. The third assumption for this study concerns with opinion on auditor contribution in fraud detection and prevention. The hypothesis was validating using statement 3, 6,7,10 and 12.

Table 4.9 recorded statement 3, 6, 7 and 12 with f= values as (1.981, 1.925, .585 and 2.133) respectively and p-vales greater than 0.05 of (.122, .131, .676 and .100) respectively. With the exception of statement 10 recorded f-values of 3.516 and p-value less than 0.05 had p-value as 0. 018. Therefore it was concluded that, there is statistically significant differences in the perception of respondent group on auditors' contribution in fraud detection and prevention. This confirm by the Study conducted by Fadzly and Ahmad (2004) regarding several dimensions of expectation gap in Malaysia.

Questionnaire instrument were used for information collecting and participants were auditors, bankers, brokers, and investors. The results revealed evidence of expectation gap in Malaysia from the viewpoint of auditors and other participants, particularly on issues of concerning auditor's responsibilities. A wide gap was found regarding auditor's responsibilities in fraud detection and prevention, preparation of financial statements and accounting records.

Research question 3: Statement (3, 7, 10 and 12) sought information on whether there exists different in the opinion of how auditors can detect and prevent fraud.

Table 4.10 Results of ANOVA on auditor's contribution for detecting and prevention fraud

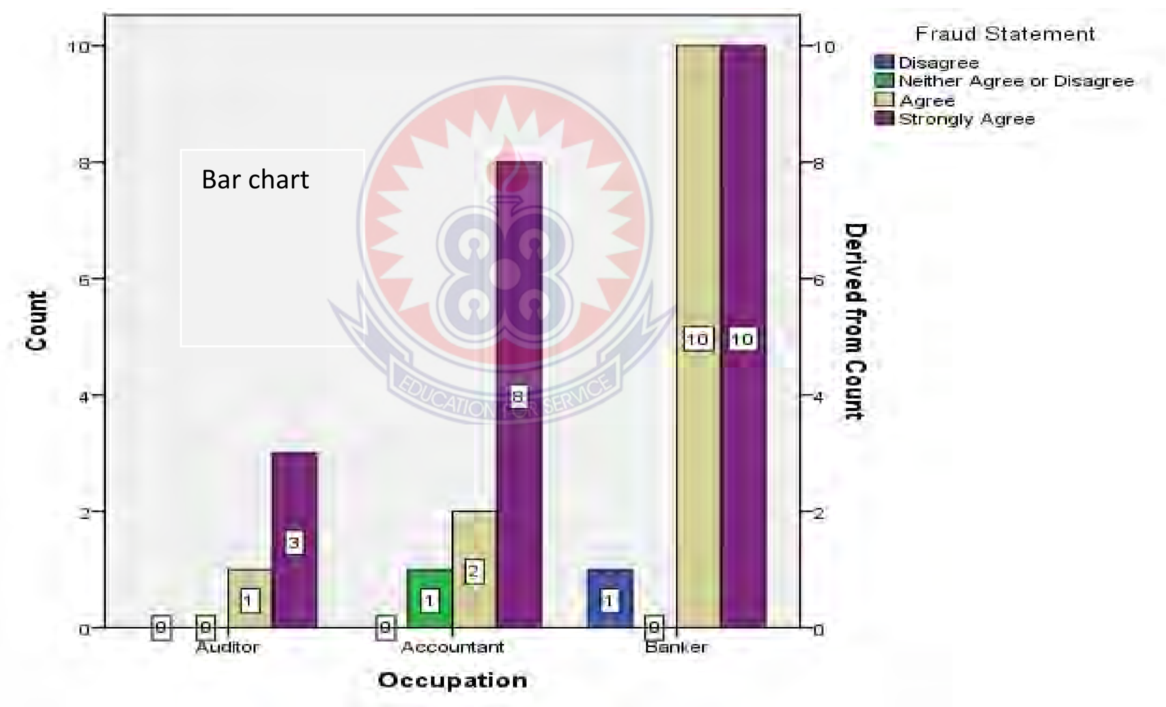
Statement		Sum of squares	Df	Mean square	F	Sig.
3.Auditors give financial guide line to prevent fraud	Between groups	14.707	2	7.354	4.072	.026
	Within groups	59.598	33	1.806		
	Total	74.306	35			
6.Auditor responsible for any material weakness in company's internal control	Between groups	.116	2	.058	.087	.917
	Within groups	21.884	33	.663		
	Total	22.000	35			
7.There should be an audit standard would make auditor's responsible for detecting and reporting fraud	Between groups	3.785	2	1.892	3.293	.050
	Within groups	18.965	33	.575		
	Total	22.750	35			
11.Auditors should develop additional procedures to enable identification and review all transaction with related parties	Between groups	9.435	2	4.718	2.136	.134
	Within groups	72.870	33	2.208		
	Total	82.306	35			

Source: Researcher's field work (2017)

Table 4.10 above shows the extent by which auditors can detect and prevent fraud. Statement 2 registered f= value 4.072 and rated p=value less than 0.05 of 0.026, the respondents agree that auditor should give financial guide line to prevent fraud. The fraud in statements 6 recorded f=value .018 and p=value greater than 0.05 of .917, while statement 7 recorded f=value 3.293 fairly complex (mean = 1.892, .575) and p= value involving a relatively equal to 0.05. The distribution of responses for statement 11 recorded mean value 4.718, and 2.208 respectively. While f=value 2.136 and p=value greater than 0.05 of .134.

Figure 4.1: The survey shows the perception of respondents; the sole responsibility of auditors is the detection of fraud and errors. The result is presented in figure 4.1

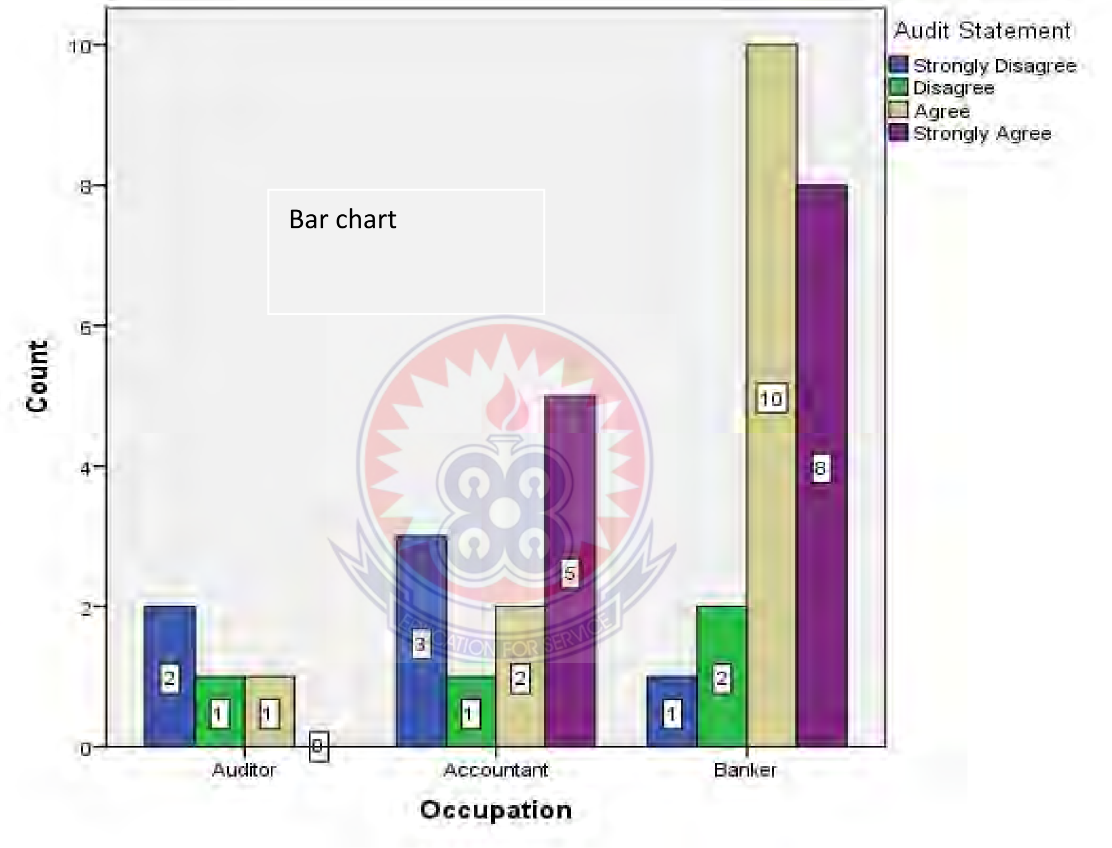
Figure 4.1: The sole responsibility of auditor is to detect and prevent fraud.



Source: Researcher's fieldwork (2017)

The information regarding to auditor's responsibility, between auditors and accountants, which according to figure 4.1, 1 auditor agree and 3 strongly agree with this statement, while 1 accountant neither agree or disagree, 2 agree and 8 strongly agree with the auditor's sole responsibility in fraud prevention. According to figure 4.1, from the viewpoint of bankers, 1 disagrees, 10 agree and 10 strongly agree with auditor's duty to detect and prevent fraud. This view confirms by the survey conducted by Alleyne and Howard (2005), between auditors and users around the responsibility of auditor for fraud detection.

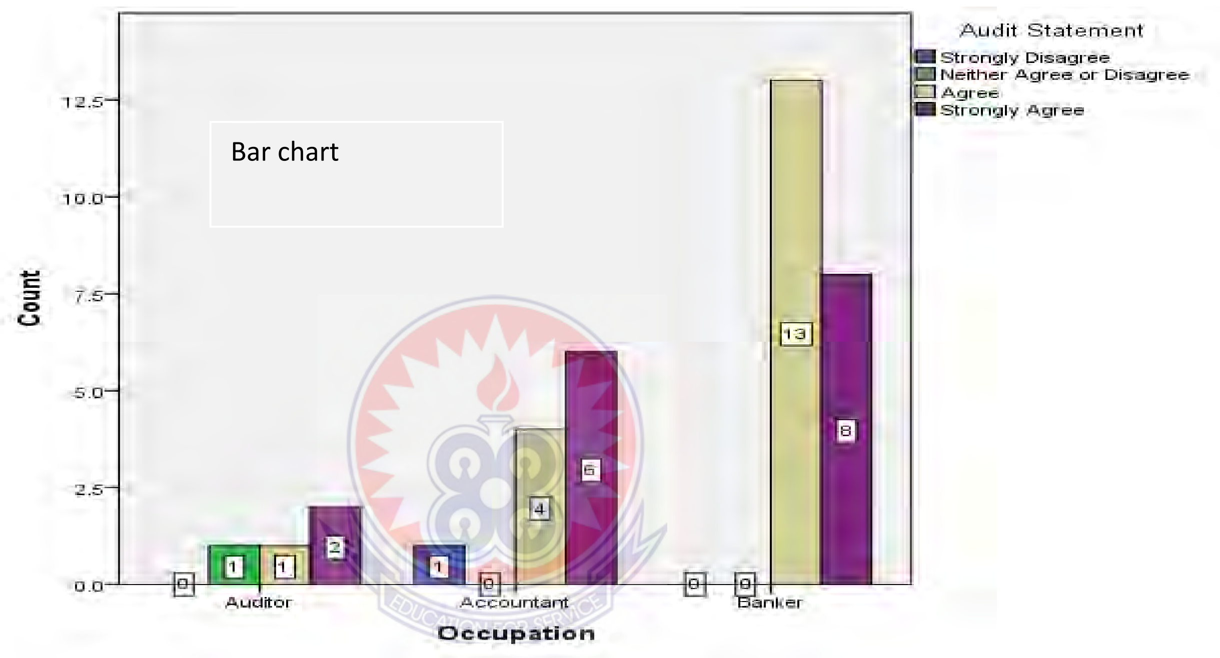
Figure 4.2: The responsibility of the auditor to report all omission and fraud in the auditor`s report.



Source: Researcher's fieldwork (2017)

Statement 5 demonstrate that, the majority of bankers agree with this statement, this include 10 agree, 8 strongly agree, 2 disagree and 1 strongly disagree respectively. According to view point of accountants 5 strongly agree, 2 agree, 1 disagree, 3 strongly disagree. While view point of auditors review that, 1 respondent agree, 1 disagree and finally, 2 respondents strongly disagree that, it is not responsibility of auditor to report all omission and fraud in the auditor`s report. This result confirms by survey conducted by Low (1984) amongst auditors and analysts in Singapore and in Australia revealed that, in both countries, significant differences in perceptions were found in areas regarding the extent of assurance over fraud detection and the reliability of information presented in audited financial statements.

Figure 4.3: Do Auditors give financial guidelines to prevent fraud



Source: Researcher's fieldwork (2017)

Statement 3 showed that, 13 respondents who are bankers agree and 8 strongly agree with this statement. According to view point of accountants, 6 respondents strongly agree, 4 agree and 1 strongly disagree, while auditors view recorded 1 respondent agree, 1 disagree and 2 respondents strongly disagree with this statement. The analysis of statement 3 above had reveal that both bankers and accountant have high level of perception as to the auditor give financial guideline to prevent fraud, while auditor has low level of perception, this finding confirms the study conducted by

(DeZoort, Harrison, & Schnee, 2012) who evaluation of tax accruals and tax related internal control deficiencies.

Summary of Chapter

The chapter was designed to identify and explain the variables with a likely influence on the audit expectation gap. The chapter aimed at finding out the relationship or perception among the respondent's group on the auditor's role and responsibility in detecting and prevention fraud. Factors that cause fraud, the role of external auditors and how auditors can detect fraud are dependent variable, while auditors, accountant and bankers were the independent and control variables.

The objective of the study was to examine the factors that cause fraud, the role of internal and external auditors and how auditors can detect and prevent fraud were all attained, three hypotheses was tested, these include:

$H0_1$: There are no significant differences among the respondents group of the factors that cause

fraud in the Mutual Funds in the Kumasi Metropolis,

$H0_2$: There are no significant differences among the respondents group on the

role of external and internal auditors

HO_3: There are no significant differences among respondents on the auditors contribution in detection and prevention fraud.

Analysis on responses to the statement (thirteen (13) statements) from the respondent's groups (auditors, accountants and bankers were made to categorising each statement under the relevant research objectives. The results from each statement revealed divergent views between auditors, accountants and bankers. There was statistical significant evidence on the differences on the existence of audit expectation gap in the area of factors that cause fraud, the role of external and internal auditor, and how auditors can detect and prevent fraud.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This is the last chapter of the study and it gives a summary of the purpose of the study; a summary of the findings of the study; draws conclusion and recommendations.

5.1 The purposes of the study

The study sought to assess the role of auditors in fraud detection and prevention focussing on Mutual Fund in the Kumasi Metropolis (MFs-K). The study, specifically, sought to achieve the following objective in the area of audit expectation gap.

1. To identify the factors that cause fraud in the Mutual Funds in the Kumasi Metropolis
2. To determine the role of external and internal auditors in fraud detection and prevention in the Mutual Funds in the Kumasi Metropolis
3. To examine how auditors can detect and prevent fraud

Non-probability was used to ensure that only knowledgeable respondents were choosing. To enable the researcher to find as many such people as possible to study them. External auditors both private and public sectors were selected to represent the opinion of the audit professions while auditors, bankers and accountants were choosing.

Data was collected from respondents with a well-structure questionnaire to help collect the needed information to achieve the objectives of the study.

Data collected from the field using the questionnaire was organised, analysed, summarised and presented with the help of the statistical package for service solution (SPSS) software Statistical aid such as frequency, percentage, standard deviation, and means were used to aid in the analysis and presentation of the findings of the study.

5.2 Summary of Findings

From the study conducted the following are the findings;

- A greater majority of 20(55.5%) of the respondents had worked with MFs-k for less than five years.
- Significant majority of the respondents 58% agreed that advance fee fraud, fund diversion, computer fraud, poor management and inexperience personnel are the factors that cause fraud.
- There are statistically significant differences between the message auditors convey and what accountants and bankers expect.
- In relation to the role of internal and external auditors, the results indicated that there are deeply expectation gap among audit stakeholders.
- The results show that audit stakeholders are unaware of auditing functions.
- In relation to whether detection and prevention of fraud rest with management and auditors, the results show that the respondents had high significant differences as to the role of auditors and the management responsibility to detect and prevent fraud.
- Majority of bankers (55%) agree that, it is the sole responsibility of auditor to detect fraud and errors.
- In relation to the auditor to report all omissions and frauds in the auditor`s report. The findings of the study revealed that, there is different view point among the

respondents group as to the responsibility of the auditors to report all omission and fraud in the auditor`s report and there are also significant differences in the perceptions in areas regarding the extent of assurance over fraud detection and the reliability of information presented in audited financial statements.

- In respect of auditors giving financial guidelines to prevent fraud, the results showed that both bankers and accountants have high level of perceptions as to how auditors give financial guidelines to prevent fraud.

5.3 Conclusion

The results of the study showed that respondents' perception of the official objective of an audit is incorrect, as they placed a very high expectation on auditors' duties on fraud prevention and detection. This perception is in sharp contrast with the stated primary objective of an audit, as stipulated in ISA 200, which merely required auditors to form an opinion on the financial statement, but not of fraud prevention and detection efforts of the company. The study also found a lack of understanding among respondents of the statutory duties of auditors. The lack of understanding is because the users may not have read the statutory provisions for auditors, or have chosen to ignore or forget them.

5.4 Recommendations

Based on the findings of the study the author wishes to make the following recommendations:

- Strong control system should put in place to minimise fraud such as computer fraud, fund diversion and late market trading.

- Educating the users on the role and the actual duties of auditors, through better communication by auditors.
- Mutual fund must expand the scope of the audit to meet market expectations. Porter (1997) believes that education may help in solving the misconception problem as it may reduce the “misunderstanding gap” caused by ignorance. On the other hand, expanding the scope of an audit may help to mitigate the “expectation gap” problem as auditors would then be performing additional duties not previously required. It is hoped that by implementing both approaches, the public’s expectation and auditor’s duties will be brought into closer accord.
- According to current legislation, auditors are not obliged to guarantee that the audited accounts are absolutely free of any misstatements. But certainly, the auditor must provide the greatest possible guarantees of truthfulness and correction for the interested parties. These reflections on the future of auditing, in one sense or another, are made in a society that is changing at a very fast pace, and auditing must adapt to the new situations.

5.5 Suggestion for Further Research

The study was limited to only four mutual funds in Kumasi Metropolis. The researcher therefore suggests that this study should replicate in another region of Ghana.

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Appendix A: QUESTIONNAIRE

I am post graduate student of University of education Winneba -Kumasi campus pursuing Master of Business Administration programme (accounting option). As part of the academic work I am conducting a survey on ASSESSING ***THE ROLE OF AUDITORS IN FRAUD DETECTION AND PREVENTION PROBLEM: VEIWS OF SELECTED STAKEHOLDERS IN MUTUAL FUND IN KUMASI METROPOLIS***. Please spare me few minute of your time and respond to the questionnaire below honestly so as to enable me to submit my report at the end of July 2017. Information provided by you is of academic purposes only and will be treated as private as and strictly confidential. Please respond by (√) the one you deem appropriate and your comments where necessary.

SECTION A: PERSONAL DETAILS

Please tick (√) the relevant box for all the groups which you belong.

1. Occupation: Auditor [ ] Accountant [ ] banker Others (specify)

2. Length of stay at that position: Less than a 1 year [ ]

From 1-5 years [ ]

6-10years [ ] 11 years and above [ ] None [ ]

3. Sector: [ ] Private [ ] Public [ ]

5. Academic Qualification: Secondary [ ] Diploma [ ]

First Degree [ ]

Master Degree PhD Others (Specify)

6. Professional Qualification: ICA [ ] ACCA [ ] CIMA [ ] CPA [ ]Others (Specify)……………………………………………………

7. Have you attended any auditing workshop before? YES [ ] NO [ ]

8. Experience in auditing (if any): Less than 1 year 1-5 years 6-10years [ ]

11 years and above [ ] None [ ]

9. How often do you read company`s annual audited financial statements?

Usually [ ] Occasionally [ ] Rarely [ ] Never [ ]

10. When you read companies` financial statements, do your read auditor`s report?

Usually [ ] Occasionally [ ] Rarely [ ] Never [ ]

SECTION B:

Please (√) the most appropriate level: Responses to the survey questions are denoted on a Likert scale of 1 to 5, the lowest score representing the strongest disagreement and the highest score standing for the strongest agreement. Neutral view to each question in indication by the score of 3

1=strongly disagree, 2=Disagree, 3=Neither agree or Disagree, 4=Agree, 5=Strongly Agree

S. N	STATEMENTS	(1) Strongly Disagree	(2) Disagree	(3) Neither Agree or Disagree	(4) agree	(5) Strongly Agree
1	Advance fees fraud, fund diversion, computer fraud, poor management and inexperience personnel are factors that cause fraud					
2.	Is fraud detecting the major concern for auditors					
3	Auditors give financial guideline to prevent fraud					
4	The primary responsibility for the prevention and detection of fraud rest with both those charge with governance of the entity and management					
5	Is it the responsibility of the auditor to report all omissions and frauds in the auditors' report					
6	Is the auditor responsible for any material weaknesses of the company's internal control system					
7	Do you consider that there should be an audit standard that would make auditor`s responsible for detecting					

	and reporting frauds?					
8	Auditors should perform additional procedures in their attempt to uncover fraud?					
9	Do you believe that auditors should assess the activity of the internal control department related to fraud detection?					
10	Do you believe that the statutory auditor should assess the internal auditors' activity?					
11	Do you believe auditors should develop additional audit procedures to enable identification and review of all transactions with related parties?					
12	The auditor`s sole responsibility is the detection of frauds and errors					
13	The message auditor`s report convey defer from what the public expects of auditors					