

The Impact Of Auditing On Accountability In The Public Sector: A Study Of Selected Local Governments In Oyo State

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Abstract: This study examined the impact of Auditing on Accountability in the public sector, a study of selected local governments in Oyo State. The aim of the study is to ascertain the relationship between auditing and accountability in the public sector and to evaluate the relationship between auditing and transparency in the public sector. The study employed primary data which was collected using a well structured questionnaire administered to two hundred and forty six respondents in five selected local governments in Oyo State. The data gathered through the questionnaire were analyzed using descriptive statistics and spearman rank order correlation coefficient. The findings of the study suggest that there is no significant relationship between auditing and accountability in the public sector. The study concludes that auditing of local government account is fundamental for effective and efficient stewardship reporting by council officials without political and administrative interference of the financial activities of the councils with adequately qualified audit staff. The study recommends that the government should improve the remuneration and fringe benefits of auditors as this would enhance their efficiency and honesty in the discharge of their duties.

Keywords: auditing, public sector, internal control, accountability.

I. BACKGROUND OF THE STUDY

Auditing both within the public and personal sector has gained considerable expansion throughout the globe. The reason for this is often as a result of a growing need for transparency and accountability within the least level both in the public and personal sector. Auditing which has become the owners "third eye" is of great importance within the public sector of Nigeria economy because over 65% of the asset base and other productive resources of the country come under the control of the general public sector of the economy (Odesola, 3013). These assets need to be safeguarded on behalf of their owners who in this case are the members of the public.

Accountability in public sector all through the world is being giving genuine consideration in perspective on the way that administration is the most astounding high-roller of open store. The general public is increasingly requiring public office holders to be more accountable by a demonstration of effective use of public assets and funds in the delivery of administrations and quest for government targets (Obazee,

2016). Due to an increasing public demands for transparency in governance and the global outcry against corruption in recent times, accountability has now become of serious worry in numerous nations including Nigeria.

Accountability deals largely with resources input and with expectation of the output: be it human or capital input. One of the major resources of the public sector is the funds made available to them through the taxes and other means. According to Stanley (2000), public officers should be held accountable for three things: funds and effective management systems, compliance with the laws and government policies and initiatives, and the delivery of an acceptable level of services to the citizens. The primary stakeholders in an accounting system are the people. They hold the public office holders accountable for the collection of revenue, management of public debt and expenditure on public program. The evidence of funds released to the public sector should be felt on the environment and on the people of such state. Accountability for the spending of public money is at the hearth of public sector management (Samuel, 2016).

A. STATEMENT OF THE PROBLEM

The primary/principal role of public sector auditing isn't to detect fraud and error but to look at the books of account so on determine whether or not it gives/shows a true and fair view of the state of affairs of the economy during the amount under review. But going by the present decay within the Nigeria economy, the shortage of transparency and accountability, the question that arises is how efficient is that the public sector auditing in performing their role". Unfortunately, position holder and therefore the entirety of the agent of state in the least level has made public sector auditing system which is enshrined in our constitution to make sure proper accountability and transparency a mere subject in books, (Osuala, 2015). In a nutshell, the general public has lost interest within the public sector auditing; they need lost their confidence within the concept of accountability and transparency of the Nigerian economy. Previous studies, examined the relationship between auditing and organizational performance, relationship between auditing and financial control (Obazee, 2008, Oshisami, 2004). The aforementioned studies and some other have not really looked into the impact the auditing has transparency and accountability in the public sector. Hence, the focus of this paper is to examine the effect of auditing on accountability in the public sector in Nigeria.

B. RESEARCH QUESTIONS

- ✓ What is the relationship between auditing and accountability in the public sector in Nigeria?
- ii. What is the effect of auditing on transparency in public sector?

C. OBJECTIVES OF THE STUDY

The general objective of this study is to evaluate the relationship between auditing and accountability of the public sector entities in Nigeria. Specific objectives include:

- ✓ The examine the relationship between auditing and accountability in the public sector
- ✓ To evaluate the relationship between auditing and transparency in the public sector.

D. RESEARCH HYPOTHESES

H01: There is no significant relationship between auditing and accountability in the public sector.

H02: There is no significant relationship between auditing and transparency in the Public sector.

II. LITERATURE REVIEW

A. CONCEPTUAL ISSUES

a. CONCEPT OF ACCOUNTABILITY

Adebite (2014) defined accountability "as the requirement to demonstrate that employment has been conducted in accordance with agreed rules and standards and

therefore the officer reports fairly and accurately on performance results vis-à-vis mandated roles and/or plans". Johnson opined that public accountability is an important component for the functioning of our form of government, as accountability means those that are charged with drafting and/or completing policy should be obliged to offer an evidence of their actions to their electorate.

According to Stephenhurst and O'Brien (2015), "accountability exists when there's a relationship where a private or body, and therefore the performance of tasks or functions by that individual or body, are subject to another's oversight, direction or request that they supply information or justification for his or her actions". Accountability is that the liability to offer an account of what one has done, or not done, to a different who has authority to assess the account and allocate praise or blame' (Ugwu, 2012). Accountability denotes a relationship between a bearer of a right or a legitimate claim and therefore the agents or agencies liable for fulfilling or respecting that right. It denotes the duty to be accountable reciprocally for the delegation of a task, an influence or a resource' (Ugwu, 2012). The concept of accountability is how those entrusted with the powers of the State are held liable for their actions' accountability as a proactive process by which public officials inform about and justify their plans of action, their behaviour, and results and are sanctioned accordingly'.

Accountability is that the process whereby public sector entities, and therefore the individuals within them, are liable for their decisions and actions, including their stewardship of public funds and every one aspects of performance, and submit themselves to appropriate external scrutiny. it's achieved by all parties having a transparent understanding of these responsibilities, and having clearly defined roles through a strong structure. In effect, accountability is that the obligation to account responsibility conferred. (IFAC, Governance within the Public Sector: A administration Perspective).

b. CONCEPT OF TRANSPARENCY

The principle of transparency relates to the openness of a public sector entity to its constituents (Jenfa, 2010). Good governance involves the proper disclosure of important information to stakeholders to enable them access relevant facts and knowledge on the performance and operations of the general public sector so on enable them determine the motive behind the actions of the general public sector officials. Accordingly, the general public sector's decisions, actions, and transactions must be conducted within the open.

c. TRANSPARENCY AND ACCOUNTABILITY

Transparency may be a necessary a part of accountability but it's not an equivalent as accountability, so as to carry officialdom accountable, one must first determine information that public servant's decisions and actions (transparency), but you then must go further if you're actually to carry them to account for his or her decisions and actions. it's a serious public interest that financial reporting arrangements aren't in situ in many countries round the world (Appah, 2008).

Government have the responsibility to enact, implement and execute the law; deliver services to the citizen; protect lives and properties and therefore the decisions and actions taken to satisfy these responsibilities must be clearly stated within the interest of the overall public because government are expected to act within the interest of the general public who voted them in.

Government collects taxes, custom duties, value added tax etc. and therefore the monies collected through taxes and other means of income generation are allocated to spending on both recurrent and capital projects. This responsibility makes it imperative for state to discharge their responsibility by displaying the way by which they need effectively and efficiently used the resources at their disposal. Without a strong and transparent financial reporting, it's impossible to work out whether or not the activities of the government are within the interest of the general public. Furthermore, without financial report, it's impossible for state to discharge accountability function.

d. PUBLIC SECTOR AUDITING ROLES

The public sector's success is measured primarily by its ability to deliver services successfully and perform programs in an equitable and appropriate manner, public sector audit activities should have the authority and therefore the competency to gauge financial and program compliance, effectiveness, economy, and efficiency. Moreover, auditors also must protect the core values of the general public sector, because it serves all citizens. The auditors perform the subsequent roles:

OVERSIGHT: Public sector auditors perform their oversight function by evaluating whether public sector entities do what they're alleged to be doing, spending funds for the intended purpose and complying with rules and regulations. Public sector auditors monitor the effectiveness of management's control structure also on detect and deter misuses of the facility and resources entrusted to officialdom.

DETECTION: the general public sector auditors also are intended to spot inappropriate, inefficient, illegal fraudulent acts that has taken place already and to collect facts and evidences to support disciplinary actions.

DETERRENCE: The auditors also perform deterrence function which is meant to spot and reduce the conditions that allow corruption.

INSIGHT: Auditors provide insight to help those at the helm of affairs within the country by assessing programs and policies that are working or not.

e. ACCOUNTABILITY PROCESS

The accountability process is divided into three stages such as:

Accountability Before The Financial Year

The accountability process begins before each financial year. Here, the government is required under the constitution to present the proposed budget which it must implement its policies. This gives the members of the house a chance to

gauge the budget and pose necessary questions when necessary.

Accountability During The Financial Year

In the course of the year, any additional money needed by the federal would be probed by members of the house and its approval would be subject to the agreement of members of the house.

Accountability After The Financial Year

At the close of the fiscal year, the accountant-general submits the government budget. Within three months of receiving this statement, the Auditor-General would examine the statement and submit his audit opinion to the national assembly. These statements are then mentioned the general public Account Committee for closer examination. In the course of auditing the government budget, the Auditor-General is consistent with section 85 of the Nigerian constitution required to conduct periodic checks on all government statutory corporations, commissions, authorities, agencies, including all persons and bodies established by an act of the National Assembly.

f. AUDITOR-GENERAL AND ENHANCEMENT OF ACCOUNTABILITY

Members of the general public Account Committee whose hands the government budget is placed are tasked with the detailed scrutiny of public finances, on their own they can't peruse all the records utilized in preparing the statement, this detailed work is given to the auditor-general whom consistent with section 85 of the Nigerian constitution may be a separate, independent entity whose powers, duties and responsibilities are provided for under section 85 of the constitution of the federal republic of Nigeria, 1999. Section 85(2) of the constitution of the Federal Republic of Nigeria 1999, provides that the general public accounts of the federation and of all offices and courts of the federation shall be audited and reported on by the auditor-general who shall submit his report back to the national assembly; and for that purpose, the auditor-general or a person authorized by him in that behalf shall have access to all or any the books, records, returns and other document concerning those accounts.

According to Rodes, (2011), the Auditor-general acts because the "watchdog" of National Assembly to reinforce the government's accountability to the general public. The independent audit administered by the Auditor-general provides assurance that basic standards of governance are met within the areas audited and there has been proper use of public funds and resources by ministries and statutory boards. Audit which mainly focuses on highlighting the anomalies, irregularities and disparities within the financial or managerial working of a corporation therefore helps in boosting the arrogance placed in government by the public.

g. *AUDIT OF LOCAL GOVERNMENT FINANCIAL REPORTS*

According to Gupta (2005), the objectives of audit of local government accounts are to ensure: that there is provision of funds for the expenditure duly authorized by a competent authority; that the expenditure is in accordance with a sanction properly accorded and is incurred by a politician competent to incur it; that payment has, as a fact, been made to the proper person which it's been so acknowledged and recorded that a second claim against government on an equivalent account is impossible; that the charge is correctly classified and that if a charge is debit ready to the private account of a contractor, employee or other individual, or is recoverable from him under any rule or order, it is recorded intrinsically during a prescribed account; that within the case of audit of receipts sums due are regularly recovered and checked against demand and sums received are duly brought to credit in the accounts; that within the case of audit of stores and stock, where a priced account is maintained, stores are priced with reasonable accuracy; that the articles are counted periodically and otherwise examined for verification of the accuracy of the quantity balances in the books and that the total of the valued account tallies with the outstanding amount; and that expenditure conforms to the general principles which have, for long, been recognized as standards of financial propriety.

The office of the Auditor- General for Local Government was established from the state Auditor-General in 1989 to primarily undertake the audit of books and accounts of local government councils and their investments. The Public Accounts Committee of the State House of Assembly is liable for overseeing the report of the Auditor-General as established in Section 125(5) of the 1999 Nigerian Constitution. The Public Accounts Committee and therefore the Office of the Auditor General for government together represent the external control operation within the financial administrative process of government operations. Section 125 of the 1999 constitution stated that the Auditor-General is required to be appointed for the state and local governments, thus required to perform the following functions: audit the public accounts of the state or local governments and offices and acts of the relevant government units and submit the audit report of the House of Assembly of the state within 90 days of the receipt of the Accountant-General's financial statement; certify accounts payable to the state and local government by federal government for the federation account or as grant in aid and provide a list of qualified external auditor for local government audit and fees to be paid. The financial memoranda stipulates that the most books of accounts to be kept by the treasury of an area government are often: the cashbook can be maintained in accordance with the supply of the financial memoranda; the daily and monthly abstracts and monthly summary of revenue and expenditure prepared from journal, receipts and payment vouchers; and therefore the journal which can be maintained in accordance with provision of the financial memoranda chapter 20. The auditor is responsible for the examination of the books and accounts of the local government to give an opinion whether it gives true and fair view of the council.

B. THEORETICAL REVIEW

a. *THE POLICEMAN THEORY*

This theory of auditing was purely on the arithmetical accuracy and on the prevention and detection of fraud. This theory makes the auditor to detect and prevent errors and fraud in organizations.

b. *THE LENDING CREDIBILITY THEORY*

This theory of auditing regards the first function of auditing to be the addition of credibility to the financial statements. Akinbuli (2010) states that audited financial statements can enhance stakeholders' faith in management's stewardship.

c. *THEORY OF INSPIRED CONFIDENCE*

This theory states that stakeholders demand accountability from the management reciprocally for his or her contribution to the organization.

d. *THE MODERATOR OF CLAIMANT'S THEORY*

This theory states that it's important that each one vital participant in a corporation still contribute. In order to continue these contributions, it is important that each group believes it receives a fair share of the organizations income.

e. *AGENCY THEORY*

This theory is related to conflicting interests of shareholders and management of organizations, suggesting that the less informed party will need to demand for information that monitors the behaviour of better informed manager (Akinbuli, 2010). According to Hayes et al. (1999), agency theory is often wont to explain the availability side of the audit market. The contribution of an audit to third parties is basically determined by the probability that the auditor will detect errors in the financial statements and the auditor's willingness to report these errors.

C. EMPIRICAL REVIEW

Ozuomba (2019) examined the Performance Audit and Accountability of Public Sector in Nigeria. The aim of this study is to evaluate empirically, the relationship between performance audit and accountability of the public sector entities in Nigeria. The population of the study is the Nigeria public sector. Information for the examination were gathered from the auxiliary wellspring of a multi-year financing and yield information of the Nigeria control area. The information were investigated utilizing different relapse with the utilization of E-View bundle. The outcome and discoveries of the investigation demonstrated that there is a huge connection between execution review and responsibility of the open segment in Nigeria. Reality remains that the execution of the open parts in Nigeria has been appraised as terribly low.

Appah and Bariweni (2017) examined the Effectiveness of Auditing of Local Government Financial Reports in Bayelsa State, Nigeria. This research examines the effectiveness of auditing of government accounts in Bayelsa State, Nigeria. To achieve the target of the study, primary and secondary data were used. The secondary data include journals, textbooks and government publications and therefore the primary data was collected employing a well structured and tested questionnaire from 2 hundred and forty six respondents in the eight local government of Bayelsa State. The data was analyzed using descriptive statistics and spearman order coefficient of correlation. The findings of the study suggest that auditing ensures proper stewardship reporting, administrative interference and inadequate qualified manpower does retard proper auditing of government accounts in Bayelsa State. The study concludes that auditing of government account is prime for the effective and efficient stewardship reporting by council officials without political and administrative interference of the financial activities of the councils with adequately qualified audit staff.

III. MATERIALS AND METHODS

A. RESEARCH DESIGN

Baridam (2008), stated that research design as a framework that is used as a guide in collecting and analyzing data for a study. Osuala (2005) posit that research design may be a framework for verifying the hypothesis or answering the research question. Therefore, this study adopts a survey research design, one which does not manipulate variables or arrange for events to happen.

B. POPULATION AND SAMPLE SIZE

The population of the study include selected local governments in Ibadan, Oyo State which include, Ibadan North, Ibadan North East, Ona-Ara, Egbeda, Ibadan South West. The Yaro Yamen Model was used to arrive at the sample size of 246 respondents for the study.

C. SOURCES OF DATA

Data collected and used in this study were both primary and secondary. The secondary data are obtained from textbooks, journals and government publications. The primary data was obtained from a well-structured research questionnaire developed by the author. The questionnaire measures the effectiveness of auditing of local government accounts. Response for the statements was therefore keyed using five point scale of 5-strongly agree, 4-agree, 3-neutral, 2-disagree and 1-strongly disagree. The instrument was pilot tested to work out its internal consistency and reliability of the study by administering it to auditors within the office of the Auditor General for local government and treasury staff of Ibadan North government. The Cronbach Alpha and Pearson Product Moment Correlation Coefficient of 0.72 and 0.75 show the internal consistency and reliability of the research instrument.

D. DATA ANALYSIS

The data collected from the questionnaires were analyzed using descriptive statistics and Spearman Rank Order Correlation Coefficient. Spearman order Correlation was used because the info collected was ordinal. Excel software helped us to rework the variables into format suitable for analysis, after which the Statistical Package for Social Sciences (SPSS) was utilized for data analysis.

IV. RESULTS AND DISCUSSION

This section of the study provides the results from the analysis of data using the Statistical Package for Social Sciences (SPSS) and the discussion of findings based on the results obtained from the statistical analysis.

H01: There is no significant relationship between auditing of Local Government accounts and proper reporting of stewardship (accountability) by council officers in Oyo State.

Table 1 shows the results of Spearman Rank Order Correlation Coefficients on the relationship between auditing and local government accounts and proper reporting of stewardship by council officers in Oyo State.

	Audit	Steward
Spearman's rho	1.000	0.300**
	Sig. (2 tailed)	0.000
	N	246
	Accountability correlation coefficient	0.300**
	Sig. (2 tailed)	0.000
	N	246

***: Correlation is significant at the 0.01 level (2-tailed)*

Source: SPSS version 15.0

Table 1: Spearman rank order correlation on stewardship and audit

The table shows the rho for audit and accountability to be 0.300 with a p-value of 0.000, implying that auditing of local government accounts are significantly positively correlated. This result conforms to the arguments of Okezie (2008) and Nwaorgu (2003) that effective and efficient audit of accounts ensures the proper reporting of the activities of an organization. Johnson (2004) also stated that auditing ensures that funds have been expended in accordance with the terms by which such monies were appropriated and that accounts have been properly prepared. Therefore, the results reveal that auditing of local government accounts ensures the proper accountability and Stewardship reporting of local government officials.

	N	Min	Max	Mean	S. D
Audit	246	11	120	19.16	7.188
Steward	246	10	24	17.67	3.396

Valid N (listwise)

SPSS Output

Table 2: Descriptive statistics on stewardship and audit

Table 2 shows the descriptive statistics of stewardship reporting and audit of local government accounts in Oyo State, Nigeria. The result reveals that audit with a minimum, maximum, mean and standard deviation of 11, 12, 19.16 and

7.188; the result for stewardship shows minimum, maximum, mean and standard deviation of 10, 24, 17.67 and 3.396.

H₀₂: There is no significant relationship between auditing and transparency in the Public sector.

	Audit		Steward	
Spearman's rho	Audit	correlation coefficient	1.000	0.078**
		Sig. (2 tailed)	0.000	0.000
		N	246	246
Transparency		correlation coefficient	0.078**	1.000
		Sig. (2 tailed)	0.000	0.000
		N	246	246

** : Correlation is significant at the 0.01 level (2-tailed)

Source: SPSS version 15.0

Table 3: Spearman rank of auditing and transparency of local government

Table 3 shows the Spearman Rank Order Correlation Coefficient for auditing and transparency of local government accounts in Oyo State, Nigeria. The table shows the rho auditing and transparency to be 0.078 with a p-value of 0.000, implying that auditing influences transparency of local government accounts in Oyo State. This result is consistent with Achua (2009) that public sector accountants by their sloppy attitude to standard professional ethics and practice have provided a cover for dishonest public officers to loot government treasuries at all levels.

	N	Min	Max	Mean	S. D
Audit	246	10	25	17.98	3.593
Transparency	246	11	24	17.80	3.222
Valid N (listwise)					

SPSS Output

Table 4: Descriptive statistics on transparency and audit

The Table 4 shows the descriptive statistics of auditing and transparency of local government accounts in Oyo State. The minimum, maximum, mean and standard deviation of auditing shows 10, 25, 17.98 and 3.593. The minimum, maximum, mean and standard deviation of transparency shows 11, 24, 17.80 and 3.222, respectively.

V. CONCLUSION AND RECOMMENDATIONS

This study investigates the effect of auditing on accountability and transparency in the public sector, with local governments in Oyo State as case study. The motivation for the study is rooted in the fact that local governments as the third tier of government in Oyo State and Nigeria in general performs poorly as a result of misappropriation of public funds as well as the need to understand the audit functions of local government councils. The results show that auditing of local government accounts officials; auditing does influence the transparency of local government accounts and that auditing has significant effect on the accountability of local government officials. Therefore, the study concludes that auditing of local government account is fundamental for effective and efficient stewardship reporting by council officials without political and administrative interference of the financial activities of the councils with adequately qualified audit staff. On the basis of the above conclusion, the study recommends the following:

- ✓ the speed of inadequate qualified manpower within the audit department should be minimized. To make this effective, only auditors with the required professional knowledge and skill should be employed and also funds should be provided by the government to the office of the Auditor-General for government to enable it perform its statutory obligations independent of the government councils
- ✓ The government should improve the remuneration and fringe benefits of auditors as this would enhance their efficiency and honesty in the discharge of their duties
- ✓ The federal government should make provisions to include the Office of the Auditor General for local Government in the constitution of the Federal Republic of Nigeria to enable the office have constitutional backing and legally approved to carry out its statutory functions
- ✓ Policy makers in the third-tier of government in Nigeria should see auditing as a tool for proper management of public funds and therefore the various audit reports should be reviewed to improve Local Government Accounting System
- ✓ Auditors and native officialdom should uphold integrity, objectivity and transparency within the conduct of their respective functions within the government accounting
- ✓ Finally, the varied anti-corruption agencies should be restructured to scale back the extent of corruption within the Nigerian public sector.

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