

## Public Sector Audit and Public Financial Management in Nigeria

**Edheku, Ochuko Joy<sup>1</sup>**

Doctoral Student, Department of Accounting, Faculty of Business Studies,  
Ignatius Ajuru University of Education, Rumuolumeni, Port Harcourt, Nigeria.

**Obembe, Olalekan J.<sup>2</sup>**

Doctoral Student, Department of Accounting, Faculty of Business Studies,  
Ignatius Ajuru University of Education, Rumuolumeni, Port Harcourt, Nigeria.

**<sup>3</sup>Jacob Martins Sigah<sup>3</sup>**

Doctoral Student, Department of Accounting, Faculty of Business Studies,  
Ignatius Ajuru University of Education, Rumuolumeni, Port Harcourt, Nigeria.

---

**Citation:** Edheku, O. Joy., Obembe, O. J., and Jacob M. S. (2022) Public Sector Audit and Public Financial Management in Nigeria, *International Journal of Business and Management Review*, Vol.10, No.7, pp.45-67

---

**ABSTRACT:** *This study is centered on public sector audit and public financial management in Nigeria. It examines the relationship between public sector audit and financial fraud control in the public sector, it determines the relationship between public sector audit and internal control quality, as well as investigate the extent to which public sector audit influence financial reporting credibility. The researchers administered two hundred (200) questionnaires to respondents, out of which one hundred and sixty-two (162) were retrieved and was used for the analysis. To test the stated hypotheses, the researchers made do with chi-square statistic tool. At the end of the analysis, we find that there is a significant relationship between financial fraud control in the public sector, internal control quality, financial reporting credibility and public sector audit. We therefore recommend that performance of training courses, general and private, for accountants in order to enhance their perception of financial rules and public sector audit.*

**KEYWORDS:** financial fraud, public sector, internal control quality, financial reporting credibility and public sector audit

---

## INTRODUCTION

Before this dispensation, businesses were owned and managed by owners and as such self-accountability was eminent. But as businesses kept growing in an ever changing environment, there was a need to separate ownership from management. This gave rise to principal-agent relationship where owners (principals) entrusted the duty of running the day-to-day affairs of their businesses into the hands of professional managers (agents) (Zayol, Kukeng & Iortule, 2017). There then came a need for business owners to look for an intermediary whose duty was to supervise the work performed by management who holds little or no interests in the businesses and assure them of fair performance (Zayol, Kukeng & Iortule, 2017). This by implication ushered in auditing which is an examination of accounting records undertaken with

---

a view to establishing whether they correctly and completely reflect the transactions to which they relate (DeAngelo, 1981).

Imegi and Oladutire (2018) opine that audit involves performing procedures to obtain evidence about amounts and disclosures in the financial statements so as to evaluate the appropriateness of accounting estimates made by management. Also Masood and Afzal (2016) see audit as an independent inspection of an entity where the auditor delivers unbiased results about the appropriation of funds by underlying organization. Masood and Afzal (2016) buttress that the first and foremost goal of auditing is to bring transparency and accountability as well as prudent financial management in private or public sector, that also audit serves as a tool for making private and public entities responsible and accountable for their duties.

The public sector in Nigeria includes the federal government, the 36 states, the 774 local government councils, all government corporations, commissions and institutions (Omolehinwa & Naiyeju, 2011). Public sectors are mainly established to provide services to the general public; these services cannot be efficiently and effectively provided without public sector audit (El-Maude & Salihu, 2016). In Nigeria today, ineffectiveness of auditing policies had continue to hamper the drive for better performance and financial management across public sector of the country (Aduwo, 2019).

Financial management of public sector in Nigeria had been declining over time owing to total disregard for efficient financial reporting, negligence and maladministration of regulatory authorities in the country (Akinbuli, 2013). Observably non-compliance with standard procedure of financial reporting has become the order of the day in most public sectors in Nigeria, culminating into lack of probity, accountability and prudence with the eminence of deficiencies such as unpaid remittances, improper record processing, indiscriminate print and use of revenue record and receipt, to mention but few (Adaramola, 2015). Efficiency of public sector in Nigeria had been eroded by ineffective audit system, with no or little reflection of lapses in audit reports over the years, despite the gravity of misappropriation and mismanagement of public fund, which had hitherto incapacitated most states in Nigeria (Aduwo, 2019).

According to Oloruntoba and Gbemigun (2019) the public sector had been saddled with different office holders for more than four decades without any evidence of sustainable development in Nigeria. The root cause of this ugly phenomenon is lack of accountability with respect to issues regarding capital and recurrent projects as fraudulent activities. Looting of public treasury, misappropriation of funds, bribery and falsification of results, man inhumanity to man, poor realization of national security, are all traceable to growth phenomenon of fraud (Oloruntoba & Gbemigun, 2019). Nigeria as a federal state needs the function and operation of a professional checkmating individual to be in charge of bodies such as Independent Corrupt Practices Commission (ICPC) and the Economic and Financial Crimes Commission (EFCC). Notable among these, cases of money laundering in Nigeria include: Federal Republic of Nigeria vs. James Ibori & 5 others, Tafa Balogun vs EFCC, Lucky Igbinedion, the former governor of Edo State was accused by EFCC of embezzling about 4.4 billion Naira and money laundering. Eight politicians were found with N232bn corruption cases working for Buhari's re-election. These set includes the senator representing Nasarawa West at the National

Assembly, Abdullahi Adamu; the senator representing Sokoto North and former Governor of Sokoto State, Aliyu Wamakko; ex-Senate Minority Leader and former Governor of Akwa Ibom State, Godswill Akpabio, who recently defected from the PDP to the APC; and a former Governor of Abia State, Orji Uzor Kalu, Abdullahi Adamu (N15bn); Godswill Akpabio (N100bn); Orji Uzor Kalu (N3.2bn); Babachir Lawal (N223m); Rotimi Amaechi (N97bn); Nyesom Wike, had alleged that \$150m (N30bn at the time); Abdul'aziz Yari (N680m) etc, are evidences of public sector office holder's with lack of accountability and transparency (Punch, 2018).

According to, Dada, Owolabi and Okwu (2013) one of the major challenges facing the development of the nation is fraudulent practices among the citizens of the country. Pathetically, Nigeria was ranked by Transparency International (TI) 134th in 2010 and 143rd in 2011 out of 183 countries surveyed in terms of public perception of corruption. They said that negative effect of corruption on development has made Nigerian government to seek for solution on how to combat the menace. This may explain why several such institutions have been established in Nigeria. Among these are the Code of Conduct Bureau, the Independent Corrupt Practices Commission (ICPC) and the Economic and Financial Crimes Commission (EFCC). The key feature here, however, is effectiveness and its lack may be one reason why the existence of these institutions has not, apparently, resulted in significant reductions in the perceived level of corruption in Nigeria.

Generally, public sector is designed as an agent of fruitful change and development in the state. Recently, most developing states have fashioned their public sector in a style to drive and invigorate their backward economies (Chukwuebuka & Chidubem, 2011). Successive scholars have noted that the public sector in Nigeria failed to measure-up with their counterparts across the globe because it lacks in transparency and public financial management (Chukwuebuka & Chidubem, 2011). According to Adejuwon (2018), the public sector in Nigeria is irrefutably beset with gross incompetence and ineffective financial management. Perplexing difficulties endure in the Nigerian public sector in spite of a number of reform programmes that have been designed to enhance efficient and effective service delivery for almost two decades. The fact that public service has failed abysmally to achieve its laudable objectives is the reason for the vote of no confidence passed on its administrators by majority of the Nigerian populace.

Onuora, Akpoveta and Agbomah (2018) opined that public sector audit fraud remains one of the biggest single causes of non-performance and distress in the general Nigerian economy. According to Akani and Ogbeide (2017), there is daily occurrence of financial frauds, embezzlements, fraudulent practices, corrupt and sharp practices which go unnoticed, undetected, uninvestigated in the public sector, thus leading to capital flights, amassment of wealth by the few to the detriment of the masses, consequently, stunting the growth of the Nigerian economy. The media is filled with myriads of reports as regard the varying degree of fraudulent practices perpetrated in the Nigerian public sector (Akani & Ogbeide, 2017). In this regard, this study examines the influence of public sector audit on public financial management in Nigeria.

### **Statement of the Research Problem**

There is an alarming increase in the number of fraud and fraudulent activities in Nigeria public sector emphasizing the visibility of public sector audit services. Okoye and Akamobi (2009) Owojori and Asaolu (2009), Izedomin and Mgbame (2011), Kasum (2009) have all acknowledge in their separate works, the increasing incidence of fraud and fraudulent activities in Nigeria and these studies have argued that in Nigeria, financial fraud is gradually becoming a normal way of life. As Kasum (2009) notes, the perpetuation of financial irregularities are becoming the specialty of both private and public sector in Nigeria as individual perpetrates fraud and corrupt practice according to the capacity of their office. Consequently, there is a general expectation that public sector audit may be able to stem the tide of financial mismanagement witnessed in most public sectors of the Nigerian economy. However, there has not been adequate emphasis, research, especially survey evidence on how public sector audit enhance public financial management in the Nigerian public sector. The inadequate research on the relationship between public sector audit and public financial management create knowledge gap, hence the need for this study. Consequently, the study fills this gap by addressing the following research questions;

Against this backdrop, the following research questions are raised:

1. What is the relationship between public sector audit and financial fraud control in the public sector?
2. What is the relationship between public sector audit and internal control quality?
3. To what extent does public sector audit influence financial reporting credibility?

### **Objectives of the Study**

The broad objective of this study is to examine public sector audit and public financial management in Nigeria.

The specific objectives are:

1. To examine the relationship between public sector audit and financial fraud control in the public sector.
2. To determine the relationship between public sector audit and internal control quality.
3. To investigate the extent to which public sector audit influence financial reporting credibility.

### **Research Hypotheses**

The hypotheses to be tested to enable us achieve the objectives of this project are:

H<sub>01</sub>: There is no significant relationship between public sector audit and financial fraud control in the public sector.

H<sub>02</sub>: There is no significant relationship between public sector audit and internal control quality.

H<sub>03</sub>: There is no significant public sector audit and financial reporting credibility.

## **LITERATURE REVIEW**

### **Concept of Public Sector**

The public sector is usually composed of organizations that are owned and operated by the government. This includes federal, state and local governments. Ibahulu (2012) described public sector as that sector of the economy established and operated by the government and its

agencies distinguishable from the private sector and are organized on behalf of the whole citizens. Mathias (2004) explain that private sector accounting aim in theory is different from public sector audit and argued that most government agencies and municipalities need to track funds generated from tax revenues and direct it towards their expenditures and other related projects or appropriations. In addition, nations may need to follow a set of standard of accounting principles different from private sector accounting rules. But with the development of international accounting standard helps countries to follow similar rules thus making preparation and presentation of similar financial statement possible.

### **Public Sector Audit**

Public sector audit according to Oshisami (1992) and Olaoye (2010) is refers to the process of recording, analyzing, classifying, summarizing, and communicating and interpreting financial information about the government in aggregate and in detail, which reflects all transactions involving receipt, transfer and disposition of government property and funds. Accounting is often said to be the language of business". It is used in the business world to describe and report the transactions entered into by all kinds of government parastatals. In any situation where money is used as a means of exchange, this calls for the recording of the facts and figures underlying the financial transactions at least for ease of reference (Muyiwa, 2002).

Nigerian public sector audit is strategic in the development of the Nation through the public sector apparatus on one hand, it drives the business operations of the private sector to a large extent on the other hand (Olusegun, 2019). The public sector audit financial system in Nigeria is managed by the Ministry of Finance and the budget office at the Federal level, while each of the thirty-six States of the Federation run their financial affairs through their individual Ministries of Finance and budget offices as each State is autonomous with separate budgets backed up by an appropriation law (Olusegun, 2019). Also, each of the seven hundred and seventy-four Local councils of the nation run their affairs separately. The three tiers maintain individual budgets that are guided by separate appropriation laws from preparation, approval, implementation of the government budgets (Olusegun, 2019). They are individually governed with separate functionaries. They also maintain the development of the public sector financial reports for audit and publication individually.

### **Concept of Public Financial Management**

The functions of financial management are defined as planning, organizing, procurement and use of public financial resources and appropriate policies in order to satisfy the needs of stakeholders. Bou-Raad (2010) considers the public financial management as a way that public resources are used to achieve community expectation and answer to their aspirations. It lies at the very heart of the operations and fiscal policy of governments.

Effective public financial management promotes a system of accounting that shows the effective utilization of the financial resources of the country; provides a window to the public to ascertain the financial status of the government; and serves as a major instrument in the formulation and implementation of government policies. Public financial management includes cash management, which aims at achieving an efficient provision of the cash resources of a government while avoiding the immobilization of resources and minimizing the costs of borrowing; aid and debt management, which aims at strengthening the management of the



acquisition, servicing and retirement of public debt as well as avoiding increasing debt stock; revenue management which ensures the promotion of a system of administration geared towards achieving greater tax payer compliance and convenience, and to increase the efficiency of revenue collection, reporting and forecasting, and audit and procurement (Hutchinson & Zain, 2009).

Public financial management should reduce government expenditure by ensuring that the services needed by the citizens especially the poor are actually delivered, maintained and worked on properly. It ensures accountability to citizens for the use of public resources. Public financial management is an attempt made by government to ensure that consistently the budget is either a balanced or a surplus budget (Scutaru, 2009). The key objectives of financial management are to create wealth for the government, generate cash and provide an adequate return on investment. These objectives are the basic elements of the process of public financial management (Sohand & Martinov-Bennie, 2011 and Aikins, 2011). It is for public entities to manage assets for the interests of the government and her citizens not for leaders' interests and it requires internal control systems which are effective and the application of the law of stewardship of public resources (Boone, & Kurtz, 2013; Feng, Li & McVay, 2009 and Block & Geoffrey, 2008).

### **Review of Empirical (Previous) Studies**

Akinwunmi and Akinola (2019) examined the usefulness of financial control and accountability in the public sector institutions in Nigeria. The objectives of the study were to investigate if the control of public funds is appropriate and to find out whether necessary accounts are kept and to examine the proper administration of government funds. The research was carried out, using the Federal Medical Centre, Owo, Ondo State as the case study. Primary Data was collected through convenience sampling method and using self-administered questionnaires for 40 respondents. They included Staff in the Audit and Account department. Also, Secondary data was retrieved from the Central Bank of Nigeria Statistical Bulletin on federally generated revenue and expenditure incurred (Capital and Revenue). Chi-Square was used to test the hypotheses. Simple Linear Regression was used to analyze the secondary data to test for the relationship between the revenue generated by federal government and expenditure incurred. From the findings, it was found that financial controls and accountability exist in the public sector. The researcher also found that a positive relationship exist between revenue generated by federal government and expenditures incurred. This study concluded that financial control and accountability is effective and efficient.

Nwaobia, Ogundajo and Theogene (2016) examined the position of internal audit practices towards enhancing transparency in public financial management and reporting in Rwanda and Nigeria, as key components to agency and stewardship relationships between government and stakeholders. The desk/analytical review design was adopted. It was discovered that the internal audit function would enhance transparency in public financial management and reporting if the unit is given full autonomy in terms of independence and well equipped with both human capital and relevant infrastructural facilities.

Mihret, Ali and Berhe (2014) attempted to analyze internal audit function's role in the public financial management by using a case study design. Data were collected from both primary

and secondary sources. The primary data were collected by interview with the internal audit director, whereas secondary data were collected from rules and procedural manuals and audit reports of the function. The collected data were analyzed following qualitative approach. The findings of the study revealed that the internal audit function has limited quality. Furthermore, there is no audit committee and reporting is to the president. This might arguably affect its independence and objectivity.

Enofe, Mgbame, Osa-Erhabor, and Ehiorobo (2013) empirically analyze the role of internal audit (IA) in an effective management control in public sector. They examine if effective management can be achieved in local government, IA effectiveness does play a role in ensuring effective management in public sector, and If IA effectiveness does affect management control in public sector in Edo State. The results show that effective management can be achieved in local government, IA effectiveness play role in ensuring effective management in public sector, while IA effectiveness does not affect management control in public sector in Edo state.

Angus and Mohammed (2011) study the use of auditing to improving public sector management using Kano state ministry of finance. They found out that the internal audit can effectively check fraud and fraudulent activities in the Public Sector and that Public Sectors in Kano State have significant numbers of Internal Audit Departments to function effectively.

## **METHODOLOGY**

### **Research Design**

The survey research design is adopted in this study. The research design is a plan or blueprint that guides the researcher in the various stages of the research process. According to Yomere & Agbonifoh (1999), the research design refers to draw inferences concerning relationship among variables under investigation. It defines the population being studied, the sample size, the sampling method, the source data, the measurement procedures, and questionnaire design and data collection method.

### **Population of the Study**

The population of this research work is the entire management and non-management staff of selected public sectors in Benin City.

### **Sample Size**

The sample size for this study is restricted to one hundred respondents randomly selected from staff of management and non-management staff of selected public sectors in Benin City, Edo State from which empirical findings and conclusion will be drawn or made from.

### **Sources of Data**

The nature of the data used is quantitative since it is numbered. The data for these works will be collected from the two sources namely, primary and secondary sources.

1. Primary data is gotten by the researcher in the study through questionnaire method. The primary data used in this study is the questionnaire that were administered to respondents drawn from staff of management and non-management staff of selected public sectors in Benin City, Edo State.

2. Secondary data constitute existing information that is related to data used by the researcher it includes text books, journals, research papers and libraries.

### **The Research Instrument**

The research instrument employed in the study is questionnaire: The questionnaire is a format which contains questions to be answered by the respondent and which the respondent is expected to complete. The questionnaire contains close ended questions to cover areas involved in the research. The questionnaire is divided into two sections; Section A - Personal Data, Section B - main research question on what would motivate workers to accept change. The research instrument for this study is the 5-scales liker-type questionnaire. It is a special type of multiple choice questions suitable for obtaining the respondents, evaluation assessment of an object.

The liker-type question indicates the extent to which the respondents agree or disagree with a given statement. The answer range from strongly agreed, agreed, undecided, disagreed slightly and strongly disagreed. In this study, 200 questionnaires will be administered to respondents comprising of management and non-management staff of Ministry of Justice and Ministry Information, Benin City, Edo State.

The questionnaire will be constructed in a way to elicit response as much as possible to the questions bearing in mind the need to avoid measurement error, surrogate information error and make for high response rate.

The “Liker-type” scale was used throughout the questions; this was not only to allow for a measurement of the direction of responses but also for the intensity of responses.

### **Method of Data Analysis**

The data analysis technique is chi-square ( $\chi^2$ ) test. Shaibu (2012) gives the formula thus,

$$\chi^2 = \sum \frac{(O_i - E_i)^2}{E_i}$$

Where  $O_i$  = observed frequencies

$E_i$  = expected frequencies

$\sum$  = summation (sigma)

$\chi^2$  = chi-square

One of the basic reasons for choosing chi-square is that chi-square can be used to see if there is a difference between two or more group of participants. Another reason is that chi-square



makes no assumptions about the distribution of the population because other statistics assume certain characteristics about the distribution of the population such as normality.

### Presentation and Analysis of Data

This section covers the analysis and presentation of data gathered through the questionnaire. It involves the use of statistics tools in verifying the hypotheses stated in the previous chapter. The analysis is in two sections. Section A covers the analysis of the personal data of respondents, while Section B covers analysis and testing of the research hypothesis.

In all, data of one hundred and sixty-eight respondents were analyzed. A copy of the questionnaire and its summary is attached in the appendix.

### Data Presentation

The responses to the questionnaires would be presented, analyzed and interpreted in percentages.

#### SECTION A: Personal Data of Respondents

**Table 1: Sex Distribution of Respondents**

Sex	Frequency	Percent (%)
Male	106	65.5
Female	56	34.5
<b>Total</b>	<b>162</b>	<b>100.0</b>

*Source: Researcher's Computation, 2021.*

Table 1 indicate that 106(65.5%) of the respondents were male, while 56(34.5%) were female.

**Table 2: Education Qualification of Respondents**

Education Qualification	Frequency	Percent (%)
SSCE	50	30.8
OND	20	12.4
B.Sc.	76	47
Master's Degree	12	7.4
Ph.D.	4	2.4
<b>Total</b>	<b>162</b>	<b>100.0</b>

*Source: Researcher's Computation, 2021.*

Table 2 depict 50(30.8%) of our respondents are SSCE/WACE certificate holders, majority of them 20 representing 12.4% possess OND/Diploma certificate, majority of our respondents 76(47%) are B.Sc. holders, 12(7.4%) had master's degree, while only 4(2.4%) had Ph.D. degree.

**Table 3: Distribution of Respondents by Work Experience**

Work Experience	Frequency	Percent (%)
0 – 5 years	30	18.5
6 – 10 years	47	29
11 – 15 years	59	36.5
16 – 20 years	17	10.4
21 years and above	9	5.6
<b>Total</b>	<b>162</b>	<b>100.0</b>

*Source: Researcher's Computation, 2021.*

From Table 3, 30(18.5) had 0 – 5 years work experience, 47(29%) of them have work between 6 – 10 years, 59(36.5%) had 11 – 15 years work experience, 17(10.4%) had 16 – 20 years, while only 9(5.6%) had 21 years working experience.

**Table 4: Distribution of Respondents by Marital Status**

Sex	Frequency	Percent (%)
Single	141	87
Married	17	10.5
Divorced	4	2.5
Widowed	0	0
<b>Total</b>	<b>162</b>	<b>100.0</b>

*Source: Researcher's Computation, 2021.*

Table 4 show that majority of our respondents 141(87%) are single, 17(10.5) are married, 4(2.5%) are divorced, while 0(0%) are widowed.

**Table 5: Position in Organization**

Position	Frequency	Percent (%)
Management staff	83	51.2
Non-management staff	79	48.8
<b>Total</b>	<b>162</b>	<b>100.0</b>

*Source: Researcher's Computation, 2021.*

In Table 4.5, we discovered that 83(51.2%) are management staff, while the remaining 79(48.8%) are non-management staff.

**SECTION B:****RESPONDENTS OPINION ON PUBLIC SECTOR AUDIT AND FINANCIAL FRAUD CONTROL****Table 6:** Public sector audit can be used to locate diverted funds or assets in the public sector

Option	Frequency	Percent (%)
Strongly Agreed	87	53.7
Agreed	67	41.3
Undecided	5	3
Disagree	3	2
Strongly Disagreed	0	0
<b>Total</b>	<b>162</b>	<b>100.0</b>

*Source: Researcher's Computation, 2021.*

The above Table 6 shows that, 87(53.7%) strongly agreed with our statement that public sector audit can be used to locate diverted funds or assets in the public sector, 67(41.3%) agreed, 5(3%) were undecided, 3(2%) were disagree, non of them 0(0%) strongly disagreed.

**Table 6:** Public sector audit is effective as a fraud detection tool in the public sector

option	frequency	percent (%)
strongly agreed	73	45
agreed	74	45.7
undecided	7	4.3
disagree	5	3
strongly disagree	3	2
<b>total</b>	<b>162</b>	<b>100.0</b>

*Source: Researcher's Computation, 2021.*

73(45%) and 74(45.7%) revealed in Table 6 agreed that public sector audit is effective as a fraud detection tool in the public sector, 7(4.3%) were undecided, 5(3%) disagree with the statement, while 3(2%) strongly disagree.

**Table 8:** Public sector audit is solely enough as a tool to detect suspicious or fraudulent transactions in the public sector

Option	Frequency	Percent (%)
Strongly Agreed	47	29
Agreed	50	30.8
Undecided	19	11.7
Disagree	42	26
Strongly Disagree	4	2.4
<b>Total</b>	<b>162</b>	<b>100.0</b>

*Source: Researcher's Computation, 2021.*

In Table 8, 47(29%) support the statement that public sector audit is solely enough as a tool to detect suspicious or fraudulent transactions in the public sector, 50(30.8%) agreed, 19(11.7%) were undecided, 42(26%) disagreed, while 4(2.4%) strongly disagree.

**Table 9:** Public sector audit can identify misappropriated assets and identify reversible insider transactions

Option	Frequency	Percent (%)
Strongly Agreed	81	50
Agreed	34	21
Undecided	8	5
Disagree	19	11.7
Strongly Disagree	20	12.3
<b>Total</b>	<b>162</b>	<b>100.0</b>

*Source: Researcher's Computation, 2021.*

In Table 9, 81(50%) support the statement that public sector audit can identify misappropriated assets and identify reversible insider transactions, 34(21%) agreed with the statement, 8(5%) were undecided, 19(11.7%) disagreed, while 20(12.3%) strongly disagree.

## RESPONDENTS PERCEPTION ON PUBLIC SECTOR AUDIT AND INTERNAL CONTROL QUALITY

**Table 10:** Public sector audit is relevance in designing internal control system in the public sector

Option	Frequency	Percent (%)
Strongly Agreed	61	37.6
Agreed	49	30.2
Undecided	3	2
Disagree	17	10.4
Strongly Disagreed	32	19.8
<b>Total</b>	<b>162</b>	<b>100.0</b>

*Source: Researcher's Computation, 2021.*

In Table 10, majority of our respondents 61(37.6%) support the statement that public sector audit is relevance in designing internal control system in the public sector, 49(30.2%) agreed, 3(2%), were undecided, 17(10.4%) disagreed, while 32(19.8%) strongly disagree.

**Table 11:** Do you agree that public sector audit in the public sector is important in monitoring and evaluation of internal control systems

Option	Frequency	Percent (%)
Strongly Agreed	46	24.5
Agreed	76	54.3
Undecided	20	10.6
Disagree	14	7.4
Strongly Disagreed	6	3.2
<b>Total</b>	<b>162</b>	<b>100.0</b>

*Source: Researcher's Computation, 2021.*

Table 11 shows that 46(24.5%), 76(54.3%) agreed that public sector audit in the public sector is important in monitoring and evaluation of internal control systems, but 20(10.6%) of the respondents were undecided, 14(7.4%) disagreed, while 6(3.2%) disagreed strongly.



**Table 12:** There is a significant relationship between public sector audit and internal control quality

Option	Frequency	Percent (%)
Strongly Agreed	57	35.1
Agreed	68	42
Undecided	16	9.8
Disagreed	12	7.4
Strongly Disagreed	9	5.5
<b>Total</b>	<b>162</b>	<b>100.0</b>

*Source: Researcher's Computation, 2021.*

Table 12 reveals the respondents opinion on whether there is a significant relationship between public sector audit and internal control quality, large number of the respondent 57(35.1%) Strongly Agreed, 68(42%) Agreed, 16(9.8%) Undecided, 12(7.4%) Disagreed, while 9(5.5%) Strongly disagreed.

## RESPONDENTS PERCEPTION ON PUBLIC SECTOR AUDIT AND FINANCIAL REPORTING CREDIBILITY

**Table 13:** Public sector audit enhance credibility/accountability in the public sector

Option	Frequency	Percent (%)
Strongly Agreed	46	28.3
Agreed	79	48.7
Undecided	20	12
Disagreed	15	9.2
Strongly Disagreed	3	1.8
<b>Total</b>	<b>162</b>	<b>100.0</b>

*Source: Researcher's Computation, 2021.*

Table 13 reveals our respondents opinion on whether public sector audit enhance credibility/accountability in the public sector, we noticed that 46(28.3%) Strongly Agreed, 79(48.7%) Agreed, 20(12%) were undecided, 15(9.2%) Disagreed, while 3(3%) Strongly Disagreed.

**Table 14:** Public sector audit improves public confidence in the public sector finance

Option	Frequency	Percent (%)
Strongly Agreed	42	26
Agreed	60	37
Undecided	36	22
Disagreed	19	12
Strongly Disagreed	5	3
<b>Total</b>	<b>162</b>	<b>100.0</b>

*Source: Researcher's Computation, 2021.*

Table 14 shows that 42(26%), 60(37%) of the respondents are in support that public sector audit improves public confidence in the public sector finance, 36(22%) were undecided, 19(12%) disagreed, and 5(3%) Strongly Disagreed.

**Table 15:** Accountants/auditors with public sector audit skills will deliver quality audit report in the public sector

Option	Frequency	Percent (%)
Strongly Agreed	48	29.6
Agreed	57	35
Undecided	27	17
Disagreed	21	12.9
Strongly Disagreed	9	5.5
<b>Total</b>	<b>162</b>	<b>100.0</b>

*Source: Researcher's Computation, 2021.*

Table 15 above depict that, 48(29.6%), 57(35%) believe that accountants/auditors with public sector audit skills will deliver quality audit report in the public sector, 27(17%) were undecided, 21(12.9%) Disagreed, while 9(5.5%) Strongly disagreed.

**Table 16:** Audit investigations deals directly with fraud investigation and this reduces financial reporting “expectations gap”

Option	Frequency	Percent (%)
Strongly Agreed	54	33.3
Agreed	56	34.5
Undecided	10	6.1
Disagreed	31	19.1
Strongly Disagreed	11	7
<b>Total</b>	<b>162</b>	<b>100.0</b>

*Source: Researcher's Computation, 2021.*

Table 16 above show that, 54(33.3%), 56(34.5%) are in support that Audit investigations deals directly with fraud investigation and this reduces financial reporting “expectations gap”, while 10(6.1%) were undecided, 31(19.1%) Disagreed, 11(7%) Strongly Disagreed.

## Testing of Hypotheses

### Hypothesis I

H<sub>0</sub>: There is no significant relationship between public sector audit and financial fraud control in the public sector.

**Table 17: No. of Responses**

Q	Strongly Agree	Agree	Undecided	Strongly Disagree	Disagree	Total
1	87	67	5	3	0	162
2	73	74	7	5	3	162
3	47	50	19	42	4	162
4	81	34	8	19	20	162
<b>Total</b>	<b>288</b>	<b>225</b>	<b>39</b>	<b>69</b>	<b>27</b>	<b>486</b>

$$\begin{aligned}
 df &= (R - 1) \quad (C - 1) \\
 &= (4 - 1) \quad (5 - 1) \\
 &= 3 \times 4 = \underline{12}
 \end{aligned}$$

Margin for error = 5% or 0.05

Table value of  $\chi^2$  @ 0.05 level of significance at degree of freedom of 12 = 21.0.

Row/Column	O	E	O - E	Chi sq (o-e)^2/e
R <sub>1</sub> C <sub>1</sub>	87	17	70	278.40
R <sub>1</sub> C <sub>2</sub>	67	13	54	214.40
R <sub>1</sub> C <sub>3</sub>	5	1	4	16.00
R <sub>1</sub> C <sub>4</sub>	3	1	2	9.60
R <sub>1</sub> C <sub>5</sub>	0	0	0	0.00
R <sub>2</sub> C <sub>1</sub>	73	15	58	233.60
R <sub>2</sub> C <sub>2</sub>	74	15	59	236.80
R <sub>2</sub> C <sub>3</sub>	7	1	6	22.40
R <sub>2</sub> C <sub>4</sub>	5	1	4	16.00
R <sub>2</sub> C <sub>5</sub>	3	1	2	9.60
R <sub>3</sub> C <sub>1</sub>	47	9	38	150.40
R <sub>3</sub> C <sub>2</sub>	50	10	40	160.00
R <sub>3</sub> C <sub>3</sub>	19	4	15	60.80
R <sub>3</sub> C <sub>4</sub>	42	8	34	134.40
R <sub>3</sub> C <sub>5</sub>	4	1	3	12.80
R <sub>4</sub> C <sub>1</sub>	81	16	65	259.20
R <sub>4</sub> C <sub>2</sub>	34	7	27	108.80
R <sub>4</sub> C <sub>3</sub>	8	2	6	25.60
R <sub>4</sub> C <sub>4</sub>	19	4	15	60.80
R <sub>4</sub> C <sub>5</sub>	20	4	16	64.00
				$\chi^2 = 2073.60$

### Decision

Since the table value  $\chi^2$  (2073.60) is greater than the computed  $\chi^2$  value (21.0), it means we reject the null hypotheses and accept alternative hypotheses which says that there is a significant relationship between public sector audit and financial fraud control in the public sector.

**Hypothesis II**

H<sub>0</sub>: There is no significant relationship between public sector audit and internal control quality.

Q	Strongly Agree	Agree	Undecided	Strongly Disagree	Disagree	Total
5	61	49	3	17	32	162
6	46	76	20	14	6	162
7	57	68	16	12	9	162
<b>Total</b>	<b>164</b>	<b>193</b>	<b>39</b>	<b>43</b>	<b>47</b>	<b>486</b>

$$\begin{aligned}
 df &= (R - 1) \quad (C - 1) \\
 &= (3 - 1) \quad (5 - 1) \\
 &= 2 \times 4 = \underline{8}
 \end{aligned}$$

Margin for error = 5% or 0.05

Table value of  $\chi^2$  @ 0.05 level of significance at degree of freedom of 8 = 15.5.

Row/Column	O	E	O - E	Chi sq (o-e) <sup>2</sup> /e
R <sub>1</sub> C <sub>1</sub>	61	12	49	195.20
R <sub>1</sub> C <sub>2</sub>	49	10	39	156.80
R <sub>1</sub> C <sub>3</sub>	3	1	2	9.60
R <sub>1</sub> C <sub>4</sub>	17	3	14	54.40
R <sub>1</sub> C <sub>5</sub>	32	6	26	102.40
R <sub>2</sub> C <sub>1</sub>	46	9	37	147.20
R <sub>2</sub> C <sub>2</sub>	76	15	61	243.20
R <sub>2</sub> C <sub>3</sub>	20	4	16	64.00
R <sub>2</sub> C <sub>4</sub>	14	3	11	44.80
R <sub>2</sub> C <sub>5</sub>	6	1	5	19.20
R <sub>3</sub> C <sub>1</sub>	57	11	46	182.40
R <sub>3</sub> C <sub>2</sub>	68	14	54	217.60
R <sub>3</sub> C <sub>3</sub>	16	3	13	51.20
R <sub>3</sub> C <sub>4</sub>	12	2	10	38.40
R <sub>3</sub> C <sub>5</sub>	9	2	7	28.80
				<b>1555.20</b>



**Decision**

Since the table value  $\chi^2$  (1555.20) is greater than the computed  $\chi^2$  value (15.5), it means we reject the null hypotheses and accept alternative hypotheses which says that There is a significant relationship between public sector audit and internal control quality.

**Hypothesis III**

H<sub>0</sub>: There is no significant public sector audit and financial reporting credibility.

Q	Strongly Agree	Agree	Undecided	Strongly Disagree	Disagree	Total
8	46	79	20	15	3	162
9	42	60	36	19	5	162
10	48	57	27	21	9	162
11	54	56	10	31	11	162
<b>Total</b>	<b>190</b>	<b>252</b>	<b>93</b>	<b>86</b>	<b>28</b>	<b>487</b>

$$\begin{aligned}
 df &= (R - 1) \quad (C - 1) \\
 &= (4 - 1) \quad (5 - 1) \\
 &= 3 \times 4 = \underline{12}
 \end{aligned}$$

Margin for error = 5% or 0.05

Table value of  $\chi^2$  @ 0.05 level of significance at degree of freedom of 12 = 21.0.

Row/Column	O	E	O - E	Chi sq (o-e)^2/e
R <sub>1</sub> C <sub>1</sub>	46	9	37	147.20
R <sub>1</sub> C <sub>2</sub>	79	16	63	252.80
R <sub>1</sub> C <sub>3</sub>	20	4	16	64.00
R <sub>1</sub> C <sub>4</sub>	15	3	12	48.00
R <sub>1</sub> C <sub>5</sub>	3	1	2	9.60
R <sub>2</sub> C <sub>1</sub>	42	8	34	134.40
R <sub>2</sub> C <sub>2</sub>	60	12	48	192.00
R <sub>2</sub> C <sub>3</sub>	36	7	29	115.20
R <sub>2</sub> C <sub>4</sub>	19	4	15	60.80
R <sub>2</sub> C <sub>5</sub>	5	1	4	16.00

R <sub>3</sub> C <sub>1</sub>	48	10	38	153.60
R <sub>3</sub> C <sub>2</sub>	57	11	46	182.40
R <sub>3</sub> C <sub>3</sub>	27	5	22	86.40
R <sub>3</sub> C <sub>4</sub>	21	4	17	67.20
R <sub>3</sub> C <sub>5</sub>	9	2	7	28.80
R <sub>4</sub> C <sub>1</sub>	54	11	43	172.80
R <sub>4</sub> C <sub>2</sub>	56	11	45	179.20
R <sub>4</sub> C <sub>3</sub>	10	2	8	32.00
R <sub>4</sub> C <sub>4</sub>	31	6	25	99.20
R <sub>4</sub> C <sub>5</sub>	11	2	9	35.20
				<b>2076.80</b>

### Decision

Since the table value  $\chi^2$  (2076.80) is greater than the computed  $\chi^2$  value (21.0), it means we reject the null hypotheses and accept alternative hypotheses which says that there is a significant public sector audit and financial reporting credibility.

## SUMMARY OF FINDINGS, RECOMMENDATION AND CONCLUSION

This study was carried out to examine public sector audit and public financial management in Nigeria. In this section, the study will discuss the summary of the finding, conclusions and recommendations.

### Summary of Findings

Some of the findings obtained from this study are:

1. There is a significant relationship between public sector audit and financial fraud control in the public sector.
2. There is a significant relationship between public sector audit and internal control quality.
3. There is a significant public sector audit and financial reporting credibility.

### Conclusion

This study has been able to establish the relevance of public sector audit in Nigeria public sector. Public sector audit, as an administrative function, has a role to play in the overall protection of organization assets. Auditors have a mandate to detect any potential organization fraud and, if occasioned, conduct investigations of cases at hand and at least suggest effective ways of preventing the occurrence of such frauds. This can be effective where the environment

is conducive for them to fulfill this mandate using available detective and investigative techniques to counter corporate frauds.

Most Auditors have a police background. The Auditors are not professionally and academically qualified to investigate complex fraud cases. As experience is the best teacher, most corporate frauds, which are not intricate, are successfully investigated and the accused are prosecuted. Corporate frauds vary from simple, easily detectable, and investigable to those, which are complex and difficult to detect and investigate. Those that are difficult to detect and investigate include those which are computer-related or which computer is used as a conduit to commit fraud.

### Recommendations

Having critically examined the “public sector audit and public financial management in Nigeria” as a research topic, we can propose some recommendations based on subject importance and results obtained from research data as follow:

1. Performance of training courses, general and private, for accountants in order to enhance their perception of financial rules and public sector audit.
2. To provide necessary tainting in fraud and its prevention.
3. Encourage active personals to learn financial rules of crimes and their application.
4. Standardization of public sector audit source to help accountants' perception.
5. Providing a good database of financial fines and its prevention method.
6. Establishment of consultation society for accountants in public sector audit.
7. To provide courses in public sector audit basis in university.
8. To hold specialized seminars in public sector audit.

### References

- Adaramola, F. O. (2015). General purpose financial statements of the Eighteen (18) local government of Ondo-state, Nigeria. *Report of the Auditor-general for local government*, 2015, 1-195.
- Adejuwon, K. D. (2018). The dilemma of accountability and good governance for improved public service delivery in Nigeria. *Africa's Public Service Delivery and Performance Review*, 1(1), 26 – 45.
- Aduwo, O. O. (2019). Effects of international public sector accounting standards on financial accountability in Nigeria public sector. *European Journal of Accounting, Auditing and Finance Research*, 7(3), 41 – 54.
- Aikins, S. K. (2011). An examination of government internal audits' role in improving financial performance. *Public Finance and Management*, 11(4), 306-337.
- Akani, F. N. & Ogbeide, S. O. (2017). Forensic accounting and fraudulent practices in the Nigerian public sector. *International Journal of Arts and Humanities*, 6(2), 171 – 181.
- Akinwunmi, A. & Akinola, A. O. (2019). Financial control and accountability in the public sector in Nigeria. *European Journal of Accounting, Auditing and Finance Research*, 7(7), 89 – 98.
- Angus, O. U. & Mohammed, I. K. (2011). Effectiveness of internal audit as instrument of improving public sector management. *Journal of Emerging Trends in Economics and Management Sciences*, 2(4), 304 – 309.

- 
- Block, S. B. & Geoffrey, A. H. (2008). *Foundations of Financial Management 12th edition*. New York: McGraw Hill.
- Bou-Raad, G. (2010). Internal auditors and a value-added approach: the new business regime. *Managerial Auditing Journal*, 15(4), 182 – 186.
- Chukwuebuka, E. C. & Chidubem, I. V. (2011). The political economy of public service accountability in Nigeria. *Arabian Journal of Business and Management Review*, 1(4), 8 – 18.
- Dada, S. O., Owolabi, S. A. & Okwu, A. T. (2013), Forensic Accounting a Panacea to Alleviation of Fraudulent Practices in Nigeria, *Int. J. Buss. Mgt. Eco. Res.*, 4(5), 787-792.
- DeAngelo, L. E. (1981). Auditor Size and Audit quality. *Journal of Accounting and Economics*, 3(1), 167–175.
- El-Maude, J. G. & Salihu, A. M. (2016). Role of the accountant-general in the management of public funds in Taraba State, Nigeria. *EPRA International Journal of Economic and Business Review*, 4(5), 5 – 13.
- Enofe, A. O., Mgbame, C. J., Osa-Erhabor, V. E. & Ehiorobo, A. J. (2013). The role of internal audit in effective management in public sector, *Research Journal of Finance and Accounting*, 4(6), 162 – 168.
- Feng, M. Li, C. & McVay, S. (2009). Internal control and management guidance. *Journal of Accounting and Economics*, 48, 190–209.
- Hutchinson, M.R., & Zain, M.M. (2009). Internal audit quality, audit committee independence, growth opportunities and firm performance. *Journal of Corporate Ownership and Control*, 7(2), 50-63.
- Ibhahulu, O. M. (2012). The impact of public sector accounting in Nigeria: A case study of Esan South/East local government area, Edo State. Department of Accountancy, Faculty of Social Sciences, Caritas University, Amorji-nike, Enugu.
- Imegi, J. C. & Oladutire, E. O. (2018), Mandatory auditor rotation and audit quality in the Nigeria financial sector. *European Journal of Accounting, Auditing and Finance Research*, 6(1), 67 – 75.
- Masood, A. & Afzal, M. (2016). Determinants of audit quality in Pakistan. *Journal of Quality and Technology Management*, XII(II), 25 – 49.
- Mihret, A. G., Ali, M. S. & Berhe, A. G. (2014). The role of internal audit in public financial management: an Ethiopian public sector case study. *International Journal of Current Research*, 6(11), 10341 – 10343.
- Nwaobia, A. N., Ogundajo, G. O. & Theogene, N. (2016). Internal audit practices and public financial management in Rwanda and Nigeria: Bridging the transparency gap in public sector financial reporting. *International Journal of Advanced Academic Research/Social & Management Sciences*, 2(10), 59 – 77.
- Olaoye, D. (2010), *Elements of Public Sector Accounting*, Aseda Publishing, Ibadan Nigeria.
- Oloruntoba, S. R. & Gbemigun, C. O. (2019). Accountability and public sector performance in the third world country: A case study of Nigeria. *International Journal of Trend in Scientific Research and Development*, 3(3), 218 – 225.
- Olusegun, E. A. (2019). The effect of International Public Sector Accounting Standard (IPSAS) implementation and public financial management. *International Journal of Economics & Business*, 6(2), 140 – 151.

- Omolehinwa, E. O. & Naiyeju, J. K. (2012). An overview of accounting in the Nigerian public sector. *International Journal of Government Financial Management*, 12(1), 10 – 20.
- Onuora, J. K. L., Akpoveta, E. B. & Agbomah, D. J. (2018). Public sector accounting fraud in Nigeria. *International Accounting and Taxation Research Group*, Faculty of Management Sciences, University of Benin, Benin City, Nigeria, 1(1), 125 – 135.
- Oshinsami, K. (1992), Government Accounting & Financial Control. Spectrum Books; Ibadan, Nigeria.
- Owojori, A. A. & Asaolu (2009), The Role of Forensic Accounting in Solving the Vexed Problem of Corporate World, *European Journal of Scientific Research*, 29(2):183-187.
- Salawu, R. O. & Agbeja, O. (2007). Auditing and accountability in the public sector. *The International Journal of Applied Economics and Finance*, 1(1), 45 – 54.
- Soh, D. S. B., & Martinov B. N. (2011). "The internal audit function: perceptions of internal audit roles, effectiveness, and evaluation". *Managerial Auditing Journal*, 26(7), 605-622.
- Zhang, H. H. (2017). The relationship of abnormal audit fees and accruals: bargain power or cost control? *Open Journal of Accounting*, 6(1), 82 – 94