STRATEGIES FOR THE MINIMIZATION OF AUDIT PROBLEMS IN PUBLIC SECTOR IN NIGERIA.

BY

ORJI LILIAN UZOAMAKA

REG. NO. PG/MBA/08/47293

ACCOUNTANCY DEPARTMENT

FACULTY OF BUSINESS ADMINISTRATION

UNIVERSITY OF NIGERIA

ENUGU CAMPUS

JULY, 2010.

STRATEGIES FOR THE MINIMIZATION OF AUDIT PROBLEMS IN PUBLIC SECTOR IN NIGERIA.

BY

ORJI LILIAN UZOAMAKA

REG. NO. PG/MBA/08/47293

ACCOUNTANCY DEPARTMENT

FACULTY OF BUSINESS ADMINISTRATION

UNIVERSITY OF NIGERIA

ENUGU CAMPUS

IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF MASTER OF BUSINESS ADMINISTRATION

(MBA) IN ACCOUNTANCY.

JULY, 2010.

CERTIFICATION

This is to certify that this project has been approved for the faculty of Business Administration, School of Post Graduate Studies, university of Nigeria, Enugu by the project committee of the department of accountancy for the award of Masters in Business Administration (MBA) in Accountancy.

The work embodied in this project is or original and has not been submitted in part or in full for any other diploma or degree of this or any other university

……………………………………………………………………………………………….

ORJI LILIAN UZOAMAKA

PG/MBA/08/47293

Approval page

This is to certify that Orji L.U a post graduate student in the department of accountancy with Reg No: PG/MBA/08/47293 has satisfactorily completed her dissertation requirement for the award of masters in Business Administration (MBA) in accountancy.

………………………………………………	………………………………………………
Mr. R. O Ugwoke	Mr. R. O Ugwoke
Project Supervisor	Head of Department
Date…………………………………………..	Date…………………………………………..

DEDICATION

This project is dedicated to the God Almighty, Who endowed me with wisdom and knowledge.

ACKNOWLEDGEMENT

My sincere appreciation goes to my project supervisor, Mr. R. O. Ugwuoke for his devotions and valuable suggestions/contributions leading to the successful completion of this work.

I am also grateful to my husband Dr.F.T. Orji for his untiring efforts in proof reading and correction of the typographical errors in this manuscript.

I pray that almighty God will bless and reward their efforts.

ABSTRACT

Accounting system including the system of auditing in the public sector of the Federation was patterned to the system obtainable from the British system due to colonial influence before Nigeria's independence in October 1960. As a result of this, there is no significant difference between the civil service operational systems in Nigeria from the system run by the British Government. In view of the above historical evolution, ministries and parastatals were established by government at both federal and state levels. Federal and state audit department were also established to ensure that public fund committed to these ministries/parastatals are judiciously accounted for and the department is headed by Auditor General. In recent times, regardless of the reasonable objectives, reasonable changes in the civil service structure and operations in the country have given rise to such problems for auditors in the public or government account. It is these problems that gave rise to the research on the strategies for the abatement of audit problems in the public sector in Nigeria. The research will introduce questions that will provide questions that will provide solutions to these problems, how these problems have been affecting the performance of the ministries/department and how these problems have been obstructing the auditors from expressing valid opinion on the accounts audited. In the objective of the study, there's an expression of audit lapses that are obtainable in government accounts and also to address such problems that may arise from the statement of the problems. On the sources of data, observations, interviews and questionnaires are to be applied. Also, books, journals, papers presented at conference, magazines, unpublished handouts within the ministry/departments will be explored. The statistical method for data analysis will be the simple chi square methods which the researcher considers simple to use and easy to understand. In conclusion, this research identifies the problems associated with government audit , how to solve or minimize them, how efficiency will be introduced into government accounting/auditing and how the users of government financial Statements will benefit from improved auditing standards and practices.

TABLE OF CONTENTS

CHAPTER ONE

1.0 Introduction

1.1 Background of the Study

Having observed that Auditors in Nigeria have a lot of problems in the audit of government accounts, this research work will identify these audit problems which are inherent in the public sector of the economy and ways of minimizing them. The accounting system including the system of auditing in public sectors and specific organizations of the federation of Nigeria is an increasingly demanded part of accounting profession initially developed in the United Kingdom (Britain) and United States over hundred years ago (Rowan: September 1, 2010).

In view of the historical background that Britain was Nigeria's colonial master prior to her independence on 1st October, 1960 (Atlan:1980) there is no significant difference between the system operational in Nigeria today from the system emulated from the British Government. Therefore, various Ministries and Parastatals were established by Nigerian Government at both the Federal and State level while in each Ministries/Parastatals, accounts units were created which handles all accounting problems and systems of the Ministries/Parastatals, in order to ensure that the public funds committed to these ministries/parastatals are judiciously accounted for; the Federal/State Audit Department was established. This department is headed by the Auditor General of the Federation or State. The Audit Act of 1956 directs the Auditor General to prepare and transmit a special report to the National Assembly where it appears to him at anytime to be desirable and to make enquiries into any issue, programme, project, activity, function or transaction concerning fraud or misappropriation of public funds and property.

Recently, there have been several changes in the civil service structure and specific organizations operational in Nigeria which brought a lot of problems in the audit of government accounts. Though, the changes were effected with reasonable objectives in view but still it has given rise to problems for the auditors in the audit of public or government which made this research work to focus on the study of the “strategies for the minimization of Audit problems in Nigeria.”

1.2 Statement of the Research Problem

The distinctive problems that are inherent in the audit of government accounts are consequences of improper, poor and ineffective monitoring and accountability of funds. The accounting and auditing units in each level of governments whether Federal, State or Local governments including each ministries/department in public service, introduces good accounting principles and guidelines for proper recording of funds. These principles and guidelines as established, became very necessary to ensure appropriate procedures for monitoring and proper accountability of public funds and properties.

In the crucial but narrow sense of Auditing as a control that ensures financial probity and guarantees against corruption, the Federal or State Audit Department must be fully involved in monitoring and accountability of funds. The Auditors demonstrates that these funds have been fully deployed having regard to economy efficiency and effectiveness. The traditional response to these problems have been to limit the role of accounting in the public service and in the country to matters of financial probity, the proper recording of transactions, the control of spending against the budget and the minimization of spending. But the auditors have not been able to achieve this because of the problems apparently caused by the recent structural changes in the public service.

However, in the course of carrying out this research work, the underlisted questions will be addressed and determined whether:

1. The Internal Auditors in the public sector are independent.
2. The internal control system in the public sector is very effective.
3. There is lack of co-operation between the State Audit Department and the Financial Management Branch of Treasury Division in the area of investigation, inspectorate and monitoring of Government account in the State.
4. Public Sector Auditors can be skilled to cope with the present computerization of government accounts.
5. There are factors that constitute hindrances to internal audit efficiency in public service.
6. The level of competence of public sector auditors in doing their work.

1.3 Purpose of Study

The Researcher embarked on this study for the purpose of expressing lapses that are present in the audit of government accounts and public service. The objectives of this study includes the following:

1. To ascertain the extent to which Internal Auditors are independent in the public sector.
2. To assess if the Internal Control System in the public sector is very effective or deficient.
3. To explain and ascertain the need for co-operation between the State Audit Department and the Financial Management Branch of Treasury Division in the area of investigation, inspectorate and monitoring of Government Account and fraud prevention.
4. To ascertain the level of skill displayed by public sector auditors in order to cope with the on-going computerization of the State Civil Service.
5. To identify the factors that constitute hindrances to internal audit efficiency in the State Public Service and recommend solutions.
6. To ascertain the level to which Auditors in public sectors are competent in the course of their work.

1.4 Significance of the Study

This research will be of immense benefit to the following category of people in the Nigerian society:

1. Government: The three tiers of government will benefit from this study by enjoying the improved auditing standard that will arise from the identification and solution of the audit problems which will result to audit efficiency.
2. Universities and Polytechnics offering Accounting Courses: These government owned educational institutions will also benefit from this study, the findings of this research work will reveal the improved auditing standards for academic purpose.
3. To experts in the financial sector: This research will be significant to intellectual and external Auditors in that they will now improve on how to audit government accounts in accordance with the relevant auditing standards.
4. Private sector and specific organizations: In a much wider sense, the improved auditing standards will become systematically relevant and associated with proper accounting and the use of money to measure the performance of business profession in the country.

However, in a business the value of services provided is given by the money the business collects from the sales it makes. Therefore, this research work will be significant because money is used to measure the cost of services a business provides as a result of improved auditing standards.

1.5 Research Questions

This study has the following research questions from which hypothesis will be formulated.

1. Are the internal auditors in the public sector independent?
2. Is the internal control system in the public sector very effective?
3. Is there lack of cooperation between the State Audit Department and the Financial Management Branch of Treasury Division (FMB) in the area of investigation, inspectorate and monitoring of Government accounts in the State?
4. Are the public sectors auditors skilled to cope with the present computerization of government accounts.
5. Are there factors that constitute hindrances to internal audit efficiency in public service.

6. What is the level of competence of public sector auditors in the course of their work.

1.6 Research Hypotheses

To carry out the work efficiently, it was deemed appropriate to formulate the following tentative hypotheses as a guide to choice of data for proper statistical treatment and as a framework for conclusions:

1. H0: Internal Auditors in the public sector are not independent.

   H1: Internal Auditors in the public sector are independent.

2. H0: There is no effective internal control system in the public sector.

   H1: There is effective internal control system in the public sector

3. H0: There is no co-operation between the state audit department and the financial management branch (FMB) of Treasury Division in the State.

   H1: There is co-operation between the state audit department and the financial management branch (FMB) of Treasury Division in the State.

4. H0: Auditors in public service have no skill to cope with computerization of Government accounts.

   H1: Auditors in public service have skill to cope with computerization of Government accounts.

5. H0: There are no factors that constitute hindrances to internal audit efficiency in public service.

   H1: There are factors that constitute hindrances to internal audit efficiency in public service.

6. H0: Auditors in public sector are not competent in the course of their work.

   H1: Auditors in public sector are competent in the course of their work.

1.7 Scope and Limitations of the Study

This study is designed to deal thoroughly with Government Accounting and Auditing in all areas including the problems inherent in public sector. However, in the course of this research i stumbled with series of constraints, pressure of work and non-availability of relevant materials that will aid this research work.

Auditing in public sector has since the beginning of the profession, become systematically associated with a much wider sense of Accounting. Transparent and prudent financial management has come to be recognized as critical to the integrity of a country and for gaining and retaining the trust of its citizens, such integrity and trust are sometimes lacking in developing countries especially Nigeria.

In carrying out this research work, I discovered that there’s need to Reconstruct the Auditing Standards, cash management, interest controls, debt management and to improve and modernize budgeting, accounting and reporting system so as to enhance efficiency and effectiveness in the economy.

1.8 Definition of Terms

The following terms are defined to show authority and scope of responsibility.

i. Accountant-General: This means the Accountant General of Nigeria who is the Chief Accounting Officer of the Government.
ii. Accounting System: means a systematic way of recording, analyzing, interpretation and presentation of transaction in financial terms.
iii. Auditor-General: is the Auditor General of a country who by his position is the chief Auditor of the Government accounts prepared by the Accountant General.
iv. Economy: is defined as the condition under which human and material resources of the appropriate quantity and quality are exchanged at the lowest cost.
v. Efficiency: This means the extent to which productivity is enhanced with a given input at a lower cost.
vi. Effectiveness: This is defined as the extent to which objectiveness or goals are achieved.

REFERENCES

Atlan. B. (1980), *History of Nigeria*, 3rd Edition, pg. 52

Rowan .J (September, 1, 2010), *Financial Accounting and Reporting Anwar Shah*. Ltd

CHAPTER TWO

2.0 Review of Related Literature

The review of related literature in this chapter covers subjects such as:

- Concept of Auditing.
- Legal considerations involving auditors in the public sector.
- Public sector auditing.
- Role of Financial Management in ensuring for accountability and fraud prevention.
- The professional conduct of auditors and their approach in public sector fraud.
- Computer auditing systems.
- Internal audit in the public sector and obstacles to its efficiency.
- Public accountability and External Auditing.
- Issues in Government Accounts and Financial control.
- Summary of Related Literature.

2.1 Concept of Auditing

The concept which forms the basis of the practice of the auditing generally may be stated as follows:

- Independence
- Evidence
- Responsibility and finally
- Truth and Fairness

In reporting on financial statement, auditors are required to abide by the above concepts. The nature of these concepts shall be examined individually for clearer understanding.

Independence

Basically, the most important professional attribute of an auditor is the independence unless he is totally independent such that his ability to express his opinion is never subordinated to the will of a clients management, the objectivity and thus the value of his report to his clients is lost. It would be recalled that in both the private and public sectors, legislation have been made to secure auditors independence. In the case of private sector, certain people are disqualified from eligibility for appointment and controlling the auditor’s removal in Nigeria.

The fundamental concept of professional independence means not allowing oneself to be controlled, that is ability to take decisions alone without being influenced or controlled externally (Monwuba: 1995). Independence in relation to the auditor is a state of mind, such that auditor has no inhibitions and should be free to think the way he chooses, to ask questions or to make any observations he considers appropriate without the underlying fear of being misunderstood or being misinterpreted (Aguolu:2008).

Simply put, independence is an attitude of mind which involves conducting the audit work with individual liberty of thought and action. The principles of independence places an auditor in such a position in which he is expected to give an honest and unbiased opinion. Independence requires an auditor at all times to perform his work objectively and impartially, free from influence by any consideration which might conflict with this requirement.

In view of the above of professional independence, independence assumes that the auditor is:

- Professionally remote from his client.
- Independence of status/appointment and removal.
- Independence of mind and outlook.

Unfortunately, the presence of Decree of 43 of 1988 on Civil Service reform in Nigeria has affected the independence of the State Auditor-General in terms of his appointment and removal. The effect of this development is that auditors in the public sector are no longer free from influence and therefore cannot give honest and unbiased opinion on the state of government accounts.

Evidence

Audit evidence has been seen as the basis which an auditor can express an opinion developed in the process of his examination (Aguolu:2008). This means that audit evidence must according to the Audit practice Committee (APC) be relevant, reliable and sufficient. Therefore, it is the professional judgment of an auditor that determines the quality and sufficiency of audit evidence.

Audit evidence consists of any kind of information from any source, written or oral, which forms the basis of the opinion expressed by the Auditor. Furthermore, in the performance of his duty the auditor seeks to obtain evidence necessary for him to draw conclusion following the examination in order to express a valid opinion on the financial statements.

The methods of obtaining audit evidence are by inspection, observations, enquiry, computation and analysis. Also, the sources and extent of evidence the auditor needs in order to achieve his required level of assurance will depend partly on the judgment of the auditor and the circumstances of the particular matter under review. The materiality of the item under consideration will greatly affect the extent and quality of evidence which the auditor requires. Cost is also important factor in determining the evidence which an auditor will seek to obtain. Hence, an auditor may dispose with a particular evidence if the cost of obtaining such evidence will exceed the expecting benefit.

The sources of audit evidence includes:

- Non financial records and information relating to the organization.
- The underlying documents
- The accounting records
- The tangible assets
- The accounting system and controls.
- The customers, suppliers and other relevant third parties.
- The management and employees.

Responsibility

The basic responsibilities of both private and public sector auditors are to prepare a report under appropriate law whether in his opinion the accounts give a true and fair view of the state of affairs and to carry out his duties with skill and care. Furthermore, they should observe certain codes of conducts as stipulated in the auditor's operational standards.

However, it is not the responsibilities of both the private and public sector auditors to prepare their clients account, guarantee the accuracy of the account and maintain internal control over their business.

Truth and Fairness:

"Truth" can mean mathematical exactness shown by the equation element of the balance sheet showing total of assets and liabilities exactly equal to each other. This mathematical exactness may not communicate any useful information to users of accounts and the general public. More information will be required if users wish to understand the financial statement.

In public sector, cash basis of accounting is applicable as opposed to accrual basis in the private sector. Previously, cash-based budgetary accounting systems developed for the purpose of control by government were the norm and were largely unquestioned in Nigeria. Now, every such system is being questioned and in significant cases radically changed towards accrual based systems (Rowan: September 1,2010) financial distress and fraud have been the clearest trigger for change toward accrual based system in public sector "Financial distress" usually means that government spending has become too high to be borne by leaders or tax payers.

Accounting convention in the public sector and the private sectors are different thus the focus of government has been on internal financial control and the proper recording of transactions in public sectors.

2.2 Legal considerations involving Auditors in the Public Sector

The various legislations enacted by the Federal and State Governments such as the Audit Act of 1956, the 1979 Constitution (Section 79 – 83) contain the detailed requirement of Auditor's engaged in the public sector auditing. The legislation enacted is aimed at:

a. Ensuring the competence and securing the auditor's independence in the public sector.
b. Defining the auditor's duties in the public sector.
c. Giving the auditors in the public sector the right needed to carry out their duties.

- **Appointment of Auditor General**

The 1979 Federal Constitution of Nigeria, Section 79(1) and Section 80(1) provide that the appointment of the Auditor General for the Federation shall be appointed by the President on the recommendation of the Federal Civil Service Commission subject to Senate approval.

In the same vein, the State Auditor General shall be appointed by the State Governor on the recommendation of the State Civil Service Commission subject to the approval of the State House of Assembly.

- **Independence of Auditor General**

The provisions of Section 79(4) in an effort to ensure the independence of the Auditor General for the Federation and to eliminate undue influence stated as follows. “In the exercise of his functions under the constitution, the Auditor General shall not be subject to the direction or control of any other authority or person.”

Furthermore, he is responsible for the audit and report on the public accounts of the Federation including all persons and bodies established by law entrusted with the collection receipt, custody, issue, sale, transfer or delivery of any stamps, securities, stores or other property of the government of the Federation. Also, the Auditor General is appointed by the President subject to two third ($^2/_3$) majority of the Senate and he is paid straight from consolidated revenue fund.

- **Rights**

Section 79 (2) of the 1979 Constitution gave the Auditor General the following rights to perform his duties effectively:

1) The right to have access to all books and records.
2) Free access to books of accounts, safes, security document and information.
3) The right to have access to other documents relating to those accounts.

- **Removal of Auditor General**

In relation to Section 81 of 1979 Constitution, a person holding the office of the Auditor General shall be removed from the office by the President or Governor in case of State, acting on an address supported by 2/3 majority of the Senate and the House of Assembly respectively hoping that he so be removed for inability to discharge the functions of his office whether arising from infirmity of mind or body or any other cause or for misconduct.

With reference to Section 81(2), the Auditor General shall not be removed from office before such retiring age as may be prescribed by law.

Thus, the constitutional provision on the appointment and removal of Auditor General Makes it impossible for the Auditor General to be appointed and removed by one person, (say the President or the Governor). The procedure for selection through the State Civil Service Commission and confirmation by the State House of Assembly by final approval by the Governor guarantees Auditor Independence which is required for efficient performance of audit work.

- **Duties of Auditor General**

According to Section 79(2), 82 and 117(2), the duties of the Auditor General and State Directors of Audit are as follows:

- To report on collection and administration of public monies and assets (section 79(2)).
- To audit and report on all offices, courts under the authorities of State, accounting officers and of all persons entrusted with

collections, receipts and other organization where Government has interest (Section 117(2)).

- To conduct investigations as will enable him to form an opinion as for whether accounting records have been kept and the accounts are in agreement with the records (Section 82).

- **Effect of Decree 43 of 1988 Civil Service Reforms on Audit**

The appointment of Auditor General by the Governor with recommendation of the Civil Service Commission has been politicized by the coming into existence of Decree 43 of 1988. The Governor now makes such appointment without such recommendation from the State Civil Service Commission with the result that the post of Auditor General which was previously for career civil servants is now available to the political office holder. Also, the introduction of Decree 43 of 1988 changed the Permanent Secretaries who were prior to the decree, the Chief Accounting Officers of their ministries to Directors General whose tenure of office is now political and no longer permanent. The tenure of office of Directors General and Auditor General is now at pleasure of the Governor who appointed them and holders of those positions are to retire with the incoming administration re-appoints them.

The effect of this Decree 43 of 1988 on Civil Service reform is that the State Auditor General is no longer independent both in appointment and objective approach to audit work since he is not free from influence. Furthermore, the autonomous status granted to each Ministry/department by Decree 43 of 1988 in area of accounting and reporting has brought a trend of unstandardized accounting system in the public sector. Similarly, the conduct of investigation on Ministries/departments on receipt of audit alarm from the Ministry/department involved by not raising the necessary audit alarm.

2.3 Public Sector Auditing

Public sector organization embraces local authorities, government departments, public corporation where government has substantial interest.

Government may be defined as an organized entity which in addition to having governmental character has sufficient discretion in the management of its own affairs to distinguish it as separate from the administrative structure of any other governmental unit (Aguolu: 2008). Government and governmental entities may be distinguished and into two categories; general purpose government and special purpose government.

In Nigeria, there are three tiers of general purpose governments. The limited purpose government entities are those that provide one distinct service or related services such as education, health, water, sewage disposal etc. General purpose government provides a wide range of services including education, defence, security, health, environmental protection, roads, bridges, welfare, etc. Governmental entities differ from business organizations in the following respects:

- Governmental organizations may collect significant accounts of resources from resource providers who do not expect to receive either repayment or economic benefits proportionate to the resources provided.
- The operating purposes of governmental entities are not intended to provide goods or services at a profit or profit equivalent.
- Governmental entities do not have defined ownership interests that can be sold, transferred or redeemed or that can even

confer entitlement to a share of the residual distribution of the resources in the event of liquidation of the entity.

- Government exists in an environment where power ultimately rests in the hands of the people. By their votes, people delegate power to public officials through an electoral process. This power is exercised by three arms of government, the Executive, the Legislature and the Judiciary. The Legislative through legislative actions, performs oversight functions over the Executive which carries out administrative and financial functions of government while both the Executive and Legislature are under the review of the Judiciary.

Governmental accounting adopts the modified accrual basis which requires the recognition of revenue in the period which it becomes available and measurable. There is no profit motive in public sector accounting hence, the auditor prepares a financial statement that should always show responsible deployment of public funds which reflects the attribute of economy, efficiency and effectiveness.

The professional guidelines on public sector engagement as issued by the Audit practice Committee (APC) is hereby restated as: Efficiency, economy and effectiveness which are three components that provides good measures of assessing the performances of management in the use of organizational resources in terms of fiscal compliance programme, activity, financial viability and value for money.

The International Public Sector Accounting Standards Board (IPSASB) of the International Federation of Accountants (IFAC) develops accounting standards for public sector entities referred to as International Public Sector Accounting Standards (IPSASS). The IPSASB recognizes the significant benefits of achieving consistent and comparable financial information across the world and it believes that the IPSASS will play a key role in enabling these benefits to be realized.

The inability of the auditor to assess the performance of management and question the policy objective of government are the usual problems encountered in public sector auditing. In spite of this, the auditor is still required to examine the policy decisions and the way in which objectives are achieved and report on their accuracy and completeness. The above problems of performance assessment associated with auditing of public concerns could be solved by setting objectives, setting up internal audit department, the use of external auditors as part of annual audit and the use of external review team such as management consultants and observing relevant legal requirements and rules of professional conduct.

2.4 Role of Financial Management in Ensuring for Accountability and Fraud Prevention

The financial management Branch (FMB) is housed in the treasury division of Ministry of finance. The controller of the branch derives his function from the commissioner for finance and accountant general by delegation in the light of operational requirement. The branch consists of:

- Investigation unit
- Inspectorate unit; and
- Management unit

The establishment of FMB in the treasury is as a result of the need to provide and develop efficient management services which will involve the introduction of new and improved accounting systems and techniques with the objective of increasing productivity and promoting high standard of efficiency in the administration of State Government’s finance.

To ascertain the appropriate possible cooperation between the FMB and State audit department, it becomes necessary to discus in greater detail, the duty of each unit as it affects investigation and inspectorate – a function also performed by the State Audit department. This research will enable one understand how the co-operation between the FMB and state audit department will help to prevent fraud and ensure good standard accounting practices in the public sector.

Inspectorate and Investigation Unit

It is the duty of the inspectorate unit of the FMB to carryout checks on the accounts and records of public officers. The reorganization of the Treasury Division of Ministry of Finance by circular No.18 of 1971 on September, 1971 reviews the authority to inspect the account records of public officers. Obviously, this is one of the control measures introduced to see that government fiscal orders age complied with and thereby complement the efforts of the State Audit Department in detecting and prevention of fraud. It is also aimed at streamlining the accounting techniques in the public sector so that public monies are not only collected as at when due, but are also properly accounted for.

On the other hand, investigation unit is charged with the responsibilities of introducing investigation when resorts or alleged malpractices and other revenue wasting devices are made. This unit in addition, conducts special investigation to determine the causes of loss of government fund and institute measures designed to rectify the abnormalities in the accounting system. In carrying out their inspectorate and investigation assignments, the staff of financial management Branch (FMB) checks to ensure that the necessary internal controls are in place and complied with.

Need for Cooperation

Obviously, there's need for both the staff of FMB and State Audit department to liaise with each other to ensure that accurate records are kept with good internal control procedures that will provide confidence in financial reporting process, even though they report to different authorities. To achieve this, advance complies of investigation and inspectorate report of FMB, when completed and written should be sent to the auditor general for his information in and necessary action.

In this way, it is hoped that both arms of government department will be of immense help regarding the information about errors, irregularities, illegal acts, internal control structure related matters all of which are constituents of audit risk.

2.5 The Professional Conduct of Auditors and their Approach in the Public Sector

In order to uphold auditing standards, auditing generally posses an ethical obligation in reporting on financial statements. These standards provide overviews of audit process. Public sector auditors are also required to uphold these standards issued by audit practice Committee (APC) as a guide to best practice. The standards are shown below and discussed briefly:

- Planning, Controlling and recording
- Accounting system
- Audit evidence
- Review
- Internal control

Planning, Controlling and Recording

The specific reasons for carrying out audit planning are to assist the auditors to achieve the following (Muonwuba: 1995)

a. Achieve the objectives of audit
b. Direct, control and supervise the audit
c. Ensure that attention is directed to critical aspect of the audit.
d. Complete the audit work in time.

Planning also entails understanding the accounting system and the nature of the clients business.

Control is ensuring that work is performed to acceptable standard and is achieved by ensuring that:

- Work is given to audit staff who has the experience.
- Evidence of work done is recorded in the audit working papers/observation notes book.
- Staff understands the objective of the audit.
- Work is renewed by a senior audit personnel.
- Consultation is made where technical knowledge is needed.
- The use of audit completion check list is made.

On recording, working papers provide evidence of work done which should be sufficient in detail to enable review without oral explanation.

Accounting System

The accounting standard states that "the Auditor should ascertain the clients system of recording and processing transactions and assess its adequacy as a basis for the preparation of financial statements."

In the public sector, the focus of the accounting system generally falls in two categories:

a. Accounting Records
   - Vouchers
   - Cash book

b. Memorandum Records
   - Vouchers register
   - Paper money register
   - Cheque register
   - Advances and deposit register
   - Strong room register, etc.

Responsibility for maintaining good accounting system has with the management. The size and complexity of the organization determines the adequacy of the accounting system that is needed and the auditor is expected to confirm the existence of good accounting system.

However, the introduction of Decree 43 of 1988 on Civil Service reforms has brought considerable autonomy to ministries. The effect of this is that there is now under standardized accounting system in operation the structure of civil service.

Audit Evidence

It consists of information used by the auditor in arriving at the conclusions necessary for his opinion on the financial statements. Auditing standard states that “Auditors should obtain relevant and reliable audit evidence sufficient to enable him draw reasonable conclusions there from” (Aguolu: 2008). The Auditor’s knowledge of the business of his clients, the degree of risk of misstatement and the persuasiveness of the evidence influences what constitutes sufficient, relevant and reliable audit evidence.

Also, the relevance of audit evidence should be considered in relation to the overall audit objective. Similarly, reliability of audit evidence favours documentary evidence more than oral evidence. Furthermore, the auditor obtains some audit evidence by testing the accounting records through analysis and review, re-performing procedures followed in the financial reporting process and reconciling related types and applications of the same information. Accounting records generally includes the records of initial entries and supporting documents such as cheques and records of electronic fund transfers, invoices, contracts, the general and subsidiary ledgers, journal entries and other adjustments to the financial statements that are not reflected in formal journal entries and records such as work sheets and spreadsheets supporting costs allocations, computations, reconciliations and disclosures.

Other information that the auditor may use as audit evidence includes minutes of meetings, confirmations from third parties, analysis reports, comparable data about competitors (benchmarking), control manuals, information obtained from audit procedures such as inquiry, observation and inspection, and other information that will permit the auditor to reach conclusions through valid reasoning.

Review:

The auditor's operational standard requires auditors to carry out the review of financial statement in conjunction with other audit evidences obtained for the purpose of establishing whether in his opinion.

- Financial statements are prepared using acceptable accounting policy appropriate to the organization.
- Information are adequately disclosed and suitably classified.
- Financial statements comply with statutory requirement and relevant regulations.

Internal Control

According to the Auditor's operational standard by APC; if the auditor wishes to place reliance on any internal control, he should ascertain its existence and evaluate the control. Where the control is effective, he should perform compliance test but where the control is weak, he should perform substantive test.

Internal control is defined as the whole system of controls, financial and otherwise, established by management, in order to secure, as far as possible, the accuracy and reliability of the records, run the business in an orderly manner and safeguard assets having the objective of preventive of yearly detection, of fraud and errors (Aguolu: 2008).

In the appendix to the auditor's operational standard, eight types of control on which auditors may seek to place reliance are identified as:

- Organizational chart showing responsibilities
- Segregation controls
- Physical controls
- Authorization and approvals
- Accounting personnel
- Internal control
- Supervision

The importance of testing for the existence of good internal control is that its breakdown could result to fraud. An internal control is the management responsibility; management should therefore promote good internal control within the organization/ministries/departments using the established code of conduct and ethics, internal audit and legal requirements. Furthermore, the financial instructions which contain provisions regulating certain financial matters, civil service circulars and internal memoranda which specify operational procedures by public servant of which they are expected to comply with for the public interest.

The compliance of Paragraph (1) of financial instructions requires all public officers having financial responsibilities to produce when needed by the Accountant General or by the Auditor General, all cash, stamps, securities and accounts, books, records and vouchers in his charge for inspection.

Based on the above analysis of internal control designs in the public sector, once can understand that a good system of internal control ensures that where errors and fraud takes place, they are dictated within a very short space of time. Therefore, it is expected that he effect of a system of interval control is to reduce the incidence of fraud and error.

2.6 Fraud

Fraud involves taking something of value from someone else through deceit, illegal or unjust advantage. The following are the most common types of fraud:

- Kick backs from contractors

- Improper contract billings
- Payroll related theft
- Theft for cash
- Expenses reports being overstated or falsified
- Theft of material and supplies

However, fraud is defined as intentional distortion of the financial statements and misappropriation of assets (Aguolu: 2008). The purpose of investigation of fraud is to eliminate system weakness, detection of errors, loss of government assets as a result of pilferage, incorrect recording of transaction or to provide evidence to allow prosecution of the perpetrators. The ability of an organization to reduce the incidence of fraud is to achieve the completeness, accuracy and validity of recording the transactions of the organization. Hence, quantitative and qualitative information obtained should be relevant, timely and accurate in order to prevent fraud and theft which means outright stealing of a company's assets without altering any records.

Fraud Investigation Procedure

Chapter 35 of the Financial Instruction (F.I) states that it is the responsibility of the investigation unit of the financial management branch of Treasury Division of the Ministry of Finance to detect and prevent fraud. It does this by the appointment of Board of Enquiry on loss or suspected loss of Government money through fraud. In accordance with (F.I) number 3507, the Board which is made up of the President an members will sit and report on the case.

The Board, thereafter, will submit the report to the Auditor General who will give his comment on the report before submitting the final brief to the Accountant General. In accordance with the requirement of the Financial Institution No. 3513 (g): a copy of the police report is attached to the report.

Responsibility for Fraud Prevention and Detection

In February 1990, the Audit practice Committee (APC) issued an auditing guideline on the auditor’s responsibility in relation to fraud; to clarify the belief of the general public that fraud prevention and detection are the primary duty of auditors. The (APC) states that management is responsible for fraud prevention not auditors.

Therefore, management should establish, design and enforce financial and other controls in order to safeguard assets, ensure orderliness in the transactions, ensure the accuracy and reliability of the records and also help in preventing early detection of fraud and errors.

Also, it is not the duty of the auditor's to detect fraud but to plan and design their scope of audit operation to detect material errors or fraud where it comes to light. This means that it is the primary role of the management to detect fraud and other irregularities.

2.7 Computer Auditing Systems

In 1960s and 70s, computers were not increasingly used to process accounting data in Nigeria but presently, the use of computer have been embraced by many business organizations due to development, expansion and competition in their business activities. Auditors now have to consider accounting system, which are based to some extent on a computer.

In order to conclude whether accounting records produced by a computer forms a reliable basis for the preparation of financial statements, the auditor must understand and be able to operate the system. The normal practice of auditing will apply irrespective of the system of recording and processing transactions except that auditors need additional guidance in carrying out his audit. As a result of this, the ACCA published a statement of guidance entitled, "Auditing in a computer environment". The guidance requires auditors to develop audit techniques which they might have to adopt.

The Problems Facing Computer Based Accounting Systems

The following are the problems facing auditors in a computer based accounting system:

- Loss of audit trail whereby the auditor is unable to follow transactions from inception to the end.
- The auditor could have problems of understanding as a result of complications in an EDP (Electronic Data Processor).
- Many of the informed controls which operates in the manual system may disappear in an EDP system.

- Any mistakes during the installation of the system render the system inefficient.
-

How to Overcome the Problems

These problems can be overcome as follows (Muonwuba:1995)

a) There should be closer liaison between the auditor and the client in order to ensure that an audit trail is maintained e.g. a chronological or numerical file of events as they occur.
b) The auditors should use computer audit programmes to read computer files and test if the programmes are working effectively.
c) Prevention of unauthorized access for instance, using regularly changing passwords.
d) Remember storage of duplicate copies of data.
e) Control total computed by user department and used to verify input data.

For better understanding of the above problems and their solutions, internal and external auditors should realize that they are assets to governments/management and should learn how to audit through the computer rather than auditing round the computer which is achieved by using dedicated software through the Computer Assisted Audit Technology (CAAT). Public sector auditors should also struggle to remain relevant and competitive in the face of growing technological innovation which has spread to public service.

Unfortunately, majority of the internal auditors in public sector lack the skill, training and exposure necessary to cope with the computer auditing dedicated to processing salaries of civil servants via computer. Computer processing is not fraud free which is why absence of skill on the part of the internal or external auditors will be dangerous.

2.8 Internal Auditing

Internal auditing is the independent appraisal of the functions and quality of performance of an organization by a specially assigned staff as part of the internal control system (Aguolu: 2008). In addition to the performance of the statutory or external auditor, many organizations, especially very large ones, still need the services of an internal auditor in order to enhance the efficiency of their operations.

The internal auditor is an employee of the organization and works full time within the establishment. However, in line with the term “audit” and to ensure an effective performance, a suitable arrangement is made to ensure the independence of the internal auditor thus, he should not perform any routine functions which are part of the implementations of the system of internal control but to carry out a review of the system.

Functions of the Internal Auditor

The functions of an internal auditor are specified by the management who appointed him or more recently by an Audit Committee where this exists. The internal auditor has no statutory responsibilities , therefore his duties vary from one organization to the other but will usually include the following:

- To review the data and various management informations made available to management for decision making.
- A continuous review of the system of internal control within the organization for adequacy to report and recommend to the management any required amendments.

- Carrying out on continuous basis, a review of transactions of the organizations for compliance with the established procedure.
- Carrying out, special investigations on the specific aspects of the business as may be directed by the management or the audit committee.
- Liaison with the external auditor in order to ensure the efficiency and effectiveness of the examination which may also result in some cost savings.
- Providing technical support and know-how to management for the establishment, implementation and improvement in the systems of internal control.

Internal Audit in the Public Sector and Obstacles to its Efficiency

An understanding of the role of effective internal audit shows that it can help to identify ways to improve efficiency and minimize exposure to possible loss from inadequately safeguarded assets. Apparently, this was the major consideration of British Colonial Administrators when they left solid structure of internal control in public service by setting up internal control units in each ministry/department.

In spite of the cherished objective of establishing internal audit unit and high expectation of its efficient performance in the public sectors, the activities of home auditing officers have constituted hindrance to the efficient functioning of internal control units to each parastatal. The more auditing officers are those within the ministry/department other than the auditor (internal or external) who possess the authority to command, direct and influence the auditor’s opinion by the information they possess.

Problems

The means through which non auditing officers constitute problem to efficient operation of internal audit unit the public sector displaces the essence of auditing practice where a good and effective system of internal control is established so that the auditor can carry out a valid audit.

The following are identified hindrances/obstacles to the efficient functioning of internal audit unit in the public sector

a) **Management representation/abuse of authority**: Authorization controls can be abused by the officials in whom such authority is vested. This occurs in situations where an official fails to perform an expected control or performs such control to the detriment of the establishment. A good example of this situation is where the chairman of a contract tenders board over values a contract for his own advantage.

b) **Staff Collusion**: Collusion is the compensating relaxation of inter-related checks by staff who operates complementary roles for their mutual benefits. The system of internal control usually requires the segregation of duties so as to ensure that no one person carries out the three aspects of any transaction i.e objective is that each person in the course of performing his duties, acts as a check on another who also automatically checks the earlier person in the performance of his own duties. By this arrangement, no one person is in a position to commit fraud or conceal his action by falsifying the records.

c) Classification of certain documents as highly confidential thereby preventing auditors from having access to them.

d) Ignorance of the objective of Audit: The belief that government created internal audit department in the ministries/parastatals/organizations are established to provide jobs for people thereby further the continuity of non-challant attitude usually associated with government functionaries.

e) **Asset Valuation/Obsolescence**: An organization may change thereby rendering an existing system obsolete but management may be reluctant to effect a change either because of the cost involved or for lack of the skill required.

f) **Staff incompetence**: A good of internal control may be in place in an organization. However, incompetence, lack of care or integrity, fatigue or human error can vitiate the effectiveness of a good internal control.

g) **Management overriding established controls**: It is the duty of the management to establish and enforce controls. However, in practice, management is usually reluctant to enforce those controls in their personal activities or the activities of their relations and friends. Also, staff that is charged with the responsibility of enforcing those controls may not be willing to extend these controls to management out of fear, respect, or intimidation by management.

h) **Inadequate installation of accurate accounting system**: The introduction of computers to replace manual operations have caused severe disruptions in the system. Furthermore, drastic or frequent alterations in the system for whatever reason can lead to a total breakdown. This may be an alteration for a well intended improvement or as a result of frequent staff turnover. However, significant accounting controls may become the functions of non-accounting trained persons just because they are computer literate but they will be unable to post transactions accurately.

i) **Desire to cover fraud and intentional errors they have committed or collaborated to commit**: There is need to educate these none auditing officers in the objective of audit, advantages of internal audit and awareness of their responsibility to make available all documents needed by the auditors in accordance with the auditor's right given in the constitution. However, as a result of occasional threats and gifts, these officers deliberately withhold vital information which in their opinion is classified secret.

2.9 External Auditing

External auditing are statutory and the external auditor's responsibilities are laid down by statute and for practical purpose are specified in an engagement letter.

Both the internal and external auditors are accountants who perform similar functions. However, the internal auditor differs in many respects from the external auditors.

The External Auditor vis-à-vis the Internal Auditor

The internal and external auditors are compared and contrasted in the following respects:

Differences:

- Appointment: The internal auditor is appointed by the management while the external auditor is appointed by the shareholders in a general meeting.
- Qualification: There are no specific qualifications required of the internal auditor while the Companies and Allied Matters Act

(CAMA) prescribes the minimum qualification required to the external auditor (membership of a body of accountants in Nigeria established from time to time by an Act or Decree).

- Functions: The function of the internal auditor are defined by the management who appointed him while, the duties and responsibilities of the external auditor are outlined by the law.
- Scope of Work: The extent of work of the internal auditor is laid down by statute and may not be limited by management.
- Approach: The internal auditor approaches his work with a view of ascertaining the efficiency or otherwise of the system of internal control and the management information system. The external audit approaches his work primarily with a view of ascertaining the truth and fairness of the financial statements.
- Report: The internal auditor addresses his report to management while the external auditor's report is addressed to shareholders.

Similarities

The internal auditor and the external auditor have common interests in the following areas:

- A good and effective system of internal control in the organization.
- Continuous operation of the established system and to report cases of failure.
- Accurate and adequate information to the management.
- Safeguarding the assets of the organization; and
- Accurate and reliable accounting records.

Public Accountability and External Auditing

However, to highlight external auditing within the broad framework of public accountability, some accounting and financial control failures will be described.

Principles of Accountability

Accountability in particular public accountability is as old as the existence of human begins in social forms. In any social set up, what should constitute accountability remains a problem. Generally, it implies stewardship but in government it goes beyond stewardship functions. This is as a result of added dimension of complexity, which is one of the most significant aspect of management in assessing whether the use of resources is better than another. This aspect of complexity becomes serious when decision taken by public officers are brought under scrutiny by those who were not parties to those decision or are even incapable of appreciating the intricacies of such decision.

2.10 Specialized Audits

The commonest form of an organization subject to audit is the Limited Liability Company. However, there are numerous other forms of organizations including specialized entities which are subject to audit. In many cases, these specialized entities have special statutory rules relating to their accounts and audit even though the audit procedures may be similar to those of regular Limited Liability Companies. Also, the audits of many other non-company organizations are governed strictly by any rules and regulations of the organization and the agreement between the auditor and the proprietor (client).

Some Common Procedures for some Non-Company Audits

The exact procedures to be adopted in the conduct of specialized organizations will depend on the circumstances of each particular case which is to be determined by the auditor. However, there are some general procedures which apply to most non-company audits whatever the nature of the organization, it is important to place on the permanent file:

- A copy of any statutory material relating to the conduct of the organization and the accounts and the audit.
- A copy of the rules and regulations or constitution governing the conduct of the affairs of the organization and the requirement for accounts and audit of the body will probably be found in this document.
- A letter of engagement
- A copy of the minutes appointing the auditor
- A short description of the organization including its history, objectives, functions and special characteristics.
- The organization structure including the names, designations, functions and duties of the officials.

- Copies of any previous accounts including any qualified auditors report.

The following are audits of Non-company organizations and specialized entities:

a) Building societies
b) Insurance companies
c) Charities
d) Pension and fund
e) Community banks
f) Micro-finance banks
g) Social clubs
h) Kindred and Town unions
i) Hotel establishment
j) Accounts of professionals includes solicitors, accountants, estate surveyors and architects etc who engage in practice either as sole practitioner or in partnership other than Limited Companies.

These entities are subject to audit and the auditor, therefore, will assess the appropriateness of the accounting policies that have been adopted and the consistence of the application, and also ensure that the statutory requirements have been complied with. The auditor should ascertain and sass the possible areas of risk in the organization, find the possibility of errors or fraud that could render the financial statements false, misleading or in the general sense not to give a true and fair view.

Audit Standards

It has already been known that auditing is the major control function in government financial control system. It introduces discipline into the financial system by confirming accuracy in the financial statement information provided in the financial statement.

Secondly, it assesses the internal control standard in the various agencies and reports on the out turn of event occurring within or as a result of the budgeting circle. As a control function, it has is own internal device. These devices aimed at ensuring consistency in operation in independence of opinion, reduction in bias, and in toughness in terms of coverage within the last two decades. Hence, professional bodies have either severally attempted to modify these devices into body of principle and guidelines and in the form of auditing standard.

The USA general accounting office, however, remains in the fore front of governmental business. In 1972, it issued its first official standard on audit of government programmes, activities and function which was revised in 1981. The standard is in form of booklet and coves; Scope of audit work, general standards, examination and evaluation and reporting standard for financial and compliance audits. The general standard deals with such matters as qualifications of audits, independence, undue professional care, and scope of impairment.

The qualification standard requires the auditors assigned to perform the audit to possess adequate professional proficiency. The independence requires that an auditor shall be independent in mental attitude appearance, undue professional care, the standard requires an audit to maintain the professional care in conducting and preparing related report.

As at date, the only known standard of audit are contained in Section 7(2) of Audit Act (1956) which empowers the Auditor General of the Federation to satisfy himself that:

- All reasonable precautions have been taken to safe guard the collection of public money and that the laws relating there to have been observed and that all directions or instructions relating thereto have been obeyed.
- All money appropriate or otherwise disbursed have been expended for the purpose for which the grants made by the legislators were intended to provide, and that the expenditure confirmed to the authority which governs it and that
- Adequate regulation exists for guidance of store keepers and accountants.

Government Audit in Perspective

There are many audit terms which could mean the same thing. Hence, as auditing has become the object of attention in government circles, there has been the tendency to use the term "audit" for a variety of reviews and to use a wide variety of terms to differentiate among types of audit. Some of these terms are stated here under:

Financial Unit	Efficiency Unit
Performance Unit	Management Audit

Independence Audit Compliance Audit

Personnel Audit External Audit

One thing that is certain is that whatever may be the type of audit, it is expected to serve as an aid to better performance. Performance in government is however, often renewed in terms of responsibilities and accountability rather than in more quantifiable and other objectives criteria which can be measured in terms of effectiveness, efficiency, economy and productivity. They can be measured in terms of honesty, fidelity and integrity as far as they can be demonstrated in financial transactions and in compliance with constitutional, legal, regulatory, contractual and procedural requirements.

United States of America General Accounting Office (G.A.O) in taking a broad view of auditing has classified it into three levels. The classifications are stated below with British equivalent in parenthesis:

a) **Financial Compliance (Financial and Regularity):** This determines whether financial operations are conducted properly and whether the entity has complied with applicable laws and regulations.

b) **Economy and Efficiency (Value of money):** This determines whether the entity is acquiring, managing and using its resources (staff building, materials, etc) in an economical and efficient manner.

c) **Programme Result (Effectiveness Audit):** This determines whether the objective established by law and other authorized bodies are being met and taken into cognizance of other alternatives which might yield desired result at lower cost.

2.11 Government Accounting Issues and Financial Control

Obviously, meaningful improvement on public sector auditing is possible if improvement takes place in government accounting and financial controls which forms part of the whole system. With this under consideration, the inadequacies in certain areas of each of the system that make up government accounting have either been pointed out and criticized or mentioned for future development.

This chapter seeks to examine the inadequacies of the system and look at the terms of system design, implementations, maintenance and personnel. It must be apparent by now that there are two systems operating in government accounting and financial control, which came into existence between 1956 and 1958 had only experienced minor review in 1978 when another constitution came into existence.

Even the new innovations brought by 1979 constitution were eroded by the return to the status of pre-1979 as a result of return to Military rule. The introduction to 1988 Civil Service Reform suggested efforts at improving the system of financial control in government. Contrary to ones expectations on the reform, we have found ourselves in the present situation where sound accounting and financial control principles are not practiced. The implication of this is that the assets are no longer being safeguarded and deployment of government fund as well as accountabilities are things of the past.

Accounting and Financial Control Failures

Financial accountability demands three essential conditions to operate smoothly: good financial reporting, sound management system and effective organizational arrangement. In government, the first condition is a function of accountability which requires accurate and timely financial information. Sound management system is referring to budgeting and calls for procedures and methods which help to utilize public funds to various levels of responsibilities. Effective organizational arrangement is a function of control which requires a clear definition or responsibilities. It is the lack of this essential condition for the smooth operation of accounting and financial control that lead to crumbling of the financial accountability.

There were evident failures virtually in all the phases of the financial management circles, confirmed by direct embezzlement, receipt of huge kickback, contract inflation, large scale salary fraud, etc. The effect of this unholy situation in the public sector has raised doubt if control system were in operation in government establishments.

Auditing Failures

In the Second Republic up to the present administration, large scale corruption, embezzlements and other associated financial practices can be attributed to the failure of financial system in general and to the failure of the audit department in particular. The two categories of financial fraud commonly encountered in government ministries/department are thus:

a. Those perpetrated by chief executive and other political office holder (e.g. Commission Special advisers, chairmen and board members, general managers of government parastatls and those perpetrated by public servants who are employees to government).
b. The second category of fraud is leadership fraud which is equivalent to the management fraud in the private sector.

Institutional Failures:

The failure of the treasury and budget e\department to evolve system to cash control is point against the institutional arrangement to ensure efficient structural control. Also, the auditor general's office has in spite of its findings through its audit work which has shown serious lack of financial discipline, crumbling accounting system, has not deemed it fit to seek for an initiative within the budget and treasury department to review the system and the procedures, rules and regulations.

Technical Issues

The sound conceptual framework for government accounting is the major concern, which if addressed properly will minimize audit problems in Nigeria. In the pursuit of acceptable sound accounting framework, it will automatically lead to the development of "generally accepted accounting principles and standards" for government accounting.

In resolving these technical issues, let us reflect on the criteria which are generally regarded as good for financial report namely:

- Technical accuracy
- Adequate information for users
- Logical and clear representation and
- Timely presentation.

In order to achieve the above requirements for good financial reporting, consideration should be given for standard setting of:

- the preparation of account
- the verification of account for publication
- the finalization of account for publications

Computerization of Government Accounting

It was envisaged that with the introduction of central personnel system. The whole personnel records of all the public servants will be put in on-line processing. It was recalled that the above idea was welcome generally by well informed citizens of the country.

The advent of e-payment (electronic system of pay rolling) which emanated as a result of suspicious existence of ghost employees in the public sector and increased wage bills. The idea of computerization of pay roll accounting unit of public service was introduced but the issue of manpower was not given much consideration.

Man Power Issues:

Accounting and financial system in government as well as other management systems require adequate manpower to operate, maintain and update data. In considering the manpower issue, it is vital to consider other institution charged by law to examine the accounts prepared through mechanical method called computer. Also, in the private sector, external auditors are trained to equip these computer with the audit technique in a computerized environment.

Therefore, computer training and other training infrastructures became important ingredient in successful operation of accounting and financial control in government where computer has taken over the processing of accounting information.

Although, the manpower pool in the paroling unit are supposed to be accountants who by training in higher institutions are qualified to operate these computers but it is strange to observe that both accountants and auditors who should be conversant with the control techniques in processing accounting information through the computers are ignorant of operating the machines. Government should take into consideration the appropriate trainings for these professionals who are deficient to become beneficiaries and have technical skills and knowledge that is required for computerization.

Excesses on Capital Vote

The increasing debit balance on the development fund over the years has been as a result of combination of unauthorized expenditure and deliberate deficit budgeting by successive governments. Obviously, the government are all jointly and severally guilty of fiscal irresponsibility which leads to financial distress.

Financial distress means that government spending has become too high to be borne by lenders or tax payers. Budgets are requests by the executive of a sovereign government for authority from the legislature to impose taxes or request money. Once they have been approved, it is the role of the Auditor General to monitor actual spending against the budget, to provide a crucial form of financial control, internal or external.

Furthermore, the disturbing tendencies of government deficit financing coupled with the indiscriminate manner by which some arms of government, ministries and departments have been incurring excess expenditure in various sub-heads without legislative authority have been observed. The Auditor General is expected to probe and identify the officer who authorized the excess expenditure without permission from the legislature.

2.12 Summary of Review of Related Literature

The concept which underlines the practice of auditing is applicable to audit in the private and public sector except that certain fundamental accounting concepts such as accrual concepts, matching concepts are not applicable in the public sector. Specifically, the Finance (Control and

Management) Act, 1958, makes accrual basis of accounting illegal for consolidate revenue fund. Furthermore, the Finance Act of 1958, prescribes:

- The fund basis upon which the Accountant General should present for the audit of the accounts of governments.
- The accounting format for the preparation of government account.
- Minimization of investment risk as opposed to maximization of returns in the public service.

A review of the related literature on legal consideration involving auditors in the public sector has shown that independence of public sector auditors have been eroded by Decree 43 of 1988 on Civil Service reforms and terms of appointment, personnel remoteness from his client and mental attitude to work. Similarly, the same decree has introduced a new trend of un-standardized accounting systems in the public sector as a result of autonomy granted to each ministry/department in accounting and administration.

Also, the literature review has shown that despite seeming duplication of duty between the Financial Management Branch (FMB) of Treasury Division in the Ministry of Finance and the State Audit Department, there should be the need for effective liaison between them in the area of fraud prevention, investigation, inspectorate and promotion of efficient accounting practice in the public sector. However, these ideals were presently pursued separately. Audit approach introduces the general approach to be followed by any audit (whether in private or public sector) which is laid down in the auditors operational standard. Usually, public sector auditors are guided by relevant statutory legislations in addition to professional ethics.

Thus, the review of related literature on audit approach suggests that auditors should first direct their attention towards accessing the clients accounting system with a view to evaluating the level of internal control system. Also, internal and external auditors are required to plan, control and record their audit work supported with audit evidence. The importance of review of financial statement (statement of assets and liabilities) by auditors in the public sector can be seen from the requirements of Finance (Central and Management) Act of 1958 governing the operation of government account with respect to format, principles, minimization, cash basis and fund basis.

Furthermore, the literature review has shown that fraud investigation maybe to eliminate the systems weaknesses which will be used to prosecute perpetrators it is established that fraud prevention and detection are both management responsibility. However, auditors should plan their audit to be able to detect material misstatement.

It is revealed in the literature review that both internal and external auditors must understand the working of computer, if they are to audit the system effectively. Computers do not have security proof to error and fraud, which is why these auditors should learn how to audit through the computer and not around the computer.

Fortunately, problem of auditing through the computer has been resolved owing to development of audit software using CAAT. Unfortunately, the lack of training of staff of audit department and lack of exposure to computer hardware, it is doubtful if they can cope with the audit associated with computer in public sector or private auditing firms in Nigeria.

However, certain areas such as asset valuation, asset ownership, and management representations as alleged by SEC are areas where auditors fail to properly assess inherent risk and adjust the audit program accordingly (Beasley, Carcello and Hermanson: 2001). Below are Audit Deficiencies, they are:

- Failure to exercise due professional care and appropriate level of professional skepticism, overreliance on inquiry as a form of audit evidence.
- Interpreting or applying requirements of GAAP.
- Designing audit programs and planning engagement (inherent risk, issues, non-routine transactions, etc).
- Confirming accounts receivable.
- Relying too much on internal control.

The best way for audit firms and public sector audit departments to remedy such deficiencies is to promote more involvement by audit firm executives, partners and managers in the planning engagement. Also, to overcome these problems of computer literacy, adequate trainings should be given to staff and appointment to professionals to head internal audit units of Ministries and departments.

The review of related literature went further to discuss public accountability which implies stewardship and is the only means of accessing how management and government has used resources for the overall benefit of the citizens. Financial accountability is measured by observance of procedures relating to financial control cycles in the public sector. Public accountability is looked upon as an external control device on the executive arm of government.

For the purpose of achieving the aim of this research, the audit department should be minimizing problems of auditing in the public sector and specific organizations of the Federation of Nigeria by understanding the nature, need, objectives and efficiency of the control system in government. A control system which is a system built to maintain a desired, state, hence it follows that the system can only take off after the desired state has been determined.

REFERENCES

Aguolu O. (2008), *Fundamentals of Auditing*, 3rd edition, Institute for Development Studies, University of Nigeria, Enugu Campus.

Ajayi C.A., (1989), *Financial Control in the Public Sector*, Proceedings of the 1989 Annual Conference, Ogundele, pp 1- 12.

Beasley .M.S., Carcello J.V. and Hermenson D.R., (April 2001), *Common Problems (Top 10 Audit Deficiencies)* Journal of Accountancy.

Companies and Allied Matters Act (CAMA), 1990, p.136

Constitution of the Federal Republic of Nigeria, 1979

Eze J.C., (2005), *Principles and Technique of Auditing*, 1st edition.

Financial Instructions of Federal Republic of Nigeria (F.1) Vol. 1 and 11, Decree 48

Implementation Guideline on Civil Service Reforms of 1988, Decree 43, Government Press, Enugu.

Mawefe C.A.O., (1995), *Principles of Data Processing and Management Information System*, 4th edition, Enugu: Dimension Publishers

Monwuba A.O., (1995), *Auditing and Investigations*, 1st edition, Onitsha: Fortune Printing Industry Ltd.

Normanten E.L., (1996), T*he Accountability and Audit of Government Accounting*, London: Manchester University Press

Odemosi .J.A., (1992), Government Accounting Principles and Practice, The Nigerian Accountant, Vol. xxv, No. 3

Oseni J.E., (1994), *Hindrances to Internal Audit Efficiency*, The Nigerian Accountant, Vol. XXVII; p.16

Statement of Assets and Liabilities (Control and Management) Act of 1958

Treasury Circular No.1 of 1973 on Re-organization of Treasury Division.

CHAPTER THREE

3.0 Research Methodology and Design

Presented in this chapter is the research methodology and procedure adopted in obtaining the requirement of the study. Examined herein includes sources of data, sample size, sampling technique ad the method of data analysis.

3.1 Method and Sources of Data:

In an attempt to come out with an enviable piece of work, data for this survey were generated from two sources which included primarily and secondary sources.

3.1.1 Primary Source of Data

Primary data were generated from the questionnaire, personnel interview and observation.

3.1.2 Secondary Source of Data

The source of secondary data were extracted from several other publications and unpublished materials such as text books, journals, magazines and articles from internet.

3.2 Method of Data Collection

In search of secondary data about the topic of study, the researcher made enquiries and investigations about several other publications and unpublished articles presented by eminent scholars which the researcher located in the course of her extensive use of some libraries (academic and special libraries) such as the Ministry of Finance and Economic Planning Library and University of Nigeria, Enugu Campus Library, etc.

To aid this research, the oral interview method of data collection was applied by means which there was need to meet face to face with respondents asked them relevant questions and recorded their responses on the spur of the moment. The interview was of the structured kind.

Also, a well structured questionnaire was designed and analyzed by the researcher. These questionnaires were made up of printed questions and the respondents are meant to fill the answers in a manner that suggested their individual opinion.

Then, the items of information that was collected emanated from the primary and secondary sources and was equipped with the correct data which was analyzed and from which these reports were compiled and also results were produced.

3.3 Research Population

In Nigeria, the number of officers in the public sector Audit Department are infinite. Therefore, to aid this research, the researcher included the staff on Grade Level 04-17 while she excluded staff on Grade Level 01-03 from the population since by virtue of their position, information from them may not be accurate, valid and reliable for the purpose of this study. Hence, the purpose of research is to discover answer to questions through the application of scientific procedures (Settez L:1979).

3.4 Determination of Sample Size

The sample population size was arrived at by the application of the understated statistical formula.

Formula: $x = \frac{pq}{e^2}$

Where:

x = Sample size

p = Success rate

q = Failure rate

e = Error margin

$$x = \frac{0.8 \times 0.2}{0.052}$$

$$= \frac{0.16}{0.025}$$

$$= 64$$

3.5 Instrument

The key instrumentation adopted to collect data was questionnaires. In structuring the questions, two types of questions asked structured (closed), and unstructured (open ended) questions so as to make it easy for the researcher to control and analyze the responses.

A total of eleven questions were contained in the questionnaire, but only three were tested with chi-square technique to determine the validity of acceptance/rejection of HO and HI. In presenting the questionnaires, the style adopted by the researcher reflected four types which were deviated from the structured and unstructured classification. The four types of questions asked included fixed alternative, dichotomous, multiple choice and open ended questions.

3.6 Validity and Reliability of the Measuring Instrument

To improve, the reliability of the questionnaires in this study, the test and retest administration approach was adopted. This meant that the researcher administered the same questionnaires to the same group of respondents would react to the question without encountering bias.

3.7 Sampling Technique

In administering the questionnaire to the respondent, the researcher adopted random sampling method which restricted my study to 64 staff since the study of the entire population of the staff of the Audit Department would be costly, time consuming and uncontrollable.

3.8 Description of Respondents

The respondents to whom questionnaires were issued are staff who worked not less than (12) years in the internal Audit Department of the University of Nigeria Teaching Hospital (UNTH) Enugu who are between GL 04 – 17.

However, consideration was given to the newly recruited staff who have degrees (B.Sc or HND) in Accountancy and have not worked up to 5years.

3.9 Method of Data Presentation and Analysis

To analyze and present data generated from the field, the researcher adopted the tabular, text and diagrammatic method.

In the tabular method, the researcher systematically arranged the facts and figures in rows. Each table uses carefully given appropriate title and captioned accordingly. At the base of each table, source reference will be presented.

In effecting data analysis, the researcher made use of combination of Descriptive Statistics method such as sample percentages and ratio.

Inferential statistics employed to test the hypothesis will be the Chi-square distribution. The Chi-square is simply a measure of the discrepancy between observed and expected frequencies. It is a statistic applied when two variables are drawn from independent samples, each samples having been categorized in two ways such as yes and No responses (Onwumere J. U. J: 2009) including Data that are non-metric and are accordingly expressed in frequencies. These tools are statistically chosen yardsticks for data analysis and hypothesis testing.

REFERENCES

Onwumere J.U.J (2009) Business and Economic Research Methods, Vougasen Limited Enugu, 2nd Edition.

Seltez L. : (1979) Research Methods in school Relations, London Methen

Spiegel M.R., Larry .J.S. (1998), Schaums outline of Theory and Problem's of Statistics, 3rd edition, Copyright (1999) by the McGraw-Hill Companies Inc., printed in the United States of America.

and Company, Revised Edition.

CHAPTER FOUR

4.0 Data Presentation, Analysis and Interpretation

Data generated from field work were presented, analyzed and interpreted in this chapter. Effort was made to relate data analysis to the objectives of the study and research questions posed in chapter one.

Also, the data collected from respondents based on questionnaires issued to them are presented based and analyzed. The presentations are in tabular form showing the distributions of responses.

4.1 Presentation of Data:

Questionnaire Distribution and Responses

Question 1: Are the Internal Auditors in the Public Sector Independent

Table 4.1.1 Independence of the Internal Auditors in the Public Sector

Options	**No. of Responses**	**Percentages**
Agree	35	54%
Slightly Agree	5	8%
Disagree	24	38%
Total	**64**	**100%**

Table 4.1.1 Shows that 36 out of the 64 respondents representing 56 percent agreed with the fact that Internal Auditors in the Public Sector are not independent while 24 out of the same number of 64 respondents representing 38 percent disagreed with the fact that internal Auditors are not independent.

Question 2: Is the Internal control system in the public sector very effective.

Table 4.1.2 Effectiveness of the Internal Control System in the Public Sector

Options	**No. of Responses**	**Percentages**
Agree	42	62%
Slightly Agree	–	–
Disagree	22	38%
Total	64	100%

The above table shows that the respondent stated that there is effective internal control system in the public sector. This is as a result of the fact that the respondents are aware that internal auditors carry out on continuous basis investigations and review of the transactions of the organizations for compliance with the established procedures.

Question 3: Is there a strong cooperation between the Audit Department and the Financial Management Branch of the Treasury Division (FMB).

Table 4.1.3 Cooperation Between the Audit Department and FMB

Options	**No. of Responses**	**Percentages**
Agree	25	39%
Slightly Agree	_	_
Disagree	39	61%
Total	64	100%

When you look at this table, you can see that majority of them representing 6% of the respondents disagree that there is no cooperation between the Audit Department and the Financial Management Branch (FMB) of Treasury Division while 25 in number presenting 39% believed that there is cooperation between the two departments or division.

Question 4: Are the present Auditors in the public sector skilled to cope with the computerization of government accounts.

Table 4.1.4 , Auditors are Skilled to cope with the Computerization of Government Accounts

Options	**No. of Responses**	**Percentages**
Agree	23	36%
Slightly Agree	_	_
Disagree	41	64%
Total	64	100%

Table 4.1.1 Shows that the Auditor in the public sector cannot cope with computerization of Government accounts. This is evidenced by the fact that those who disagree are 41 in number representing 64 percent and those who agreed are 23 in number representing 36 percent of the respondents.

Questions 5: Do you consider these factors as problems that hinder Internal Audit efficiency?

Options	**No. of Responses**	**Percentages**
Asset valuation/obsolescence	2	3%
Management representation	8	13%
Ignorance of the objective of Audit	21	33%
Desire to cover fraud or intentional errors	33	51%
Total	64	100%

This question was asked in order to find out if there are factors that constitute hindrances to Internal Audit efficiency in the public sector as evidenced by the following, management representation which is the abuse of authority as well as the desire to cover fraud or intentional errors which is represented by 51 percent of the respondents. These factors lead to inefficiency of internal audit.

Question 6: Are auditors in the public sector competent in the course of their work.

Table 4.1.6 Competence of Auditors in the Course of their work.

Options	**No. of Responses**	**Percentages**
Agree	33	52%
Slightly Agree	_	_
Disagree	31	48%
Total	64	100%

The conclusion from Table 4.1.6 is that Auditors in the public sector are competent in the course of their work from the fact that 33 out of 64 respondents representing 52 percent agreed while 31 out of the same number of 64 respondents representing 48 percent disagreed with the fact that Auditors in the public sector are competent in the course of their work.

4.2 Analysis of Data

Hypothesis Testing: With respect to the situations set up in the statement of hypothesis, an evaluation was done then the Chi-square technique was adopted to test the difference between the observed frequency distribution of responses with the null hypothesis. Therefore, to test this hypothesis, Chi-square method of hypothesis testing will be applied.

4.3 Formula for the tool

The formula for the Chi-square technique of data analysis is given below:

$$x2 = \frac{(oi - ei)^2}{ei}$$

Where:

x^2 = Calculated Chi-square value

oi = Observed frequency of response

ei = Theoretical expected frequency of responses

d.f = Degree of freedom

t = Table value

The degree of freedom is given by (c – 1) (r – 1)

Where:

c = Number of columns

r = Number of Rows

= (3 – 1) (2 – 1)

2 × 1 = 2

A level of significance of 5%

A confidence level of 95%

4.4 Decision Rule

If the calculated value of Chi-square (x2) is higher than the table value, we reject the null hypothesis (H:O) otherwise we accept the Alternative Hypothesis (H:1).

Accept HO, if C.V < T.V - - - - - (1)

Reject H1, if C.V > T.V - - - - - - (2)

Where;

C.V. = Calculated Value

T.V = Table Value

4.5 Statement of Hypothesis

Test of Hypothesis 1

Null Hypothesis HO: Internal Auditors in the public sector are not independent sector are not independent in the course of their work.

H1: Internal Auditors in the public sector are independent in the course of their work.

In wonder to test this Hypothesis, data from 4.1.1 (Question 1) will be used below:

Options	**No. of Responses**	**Percentages**
Agree	35	54%
Slightly Agree	5	8%
Disagree	24	38%
Total	64	100%

Contingency Table for the Calculation of Expected Frequency

Response	No	Approximated NO	Total
Agree	35	54	89
Slightly Agree	5	8	13
Disagree	24	38	62
Total	64	100	164

Formula for calculation of expected frequency is given as:

$$ei = \frac{\text{Row total} \times \text{Column}}{\text{Grand Total}}$$

The following are determination of expected frequency.

1. $\frac{89 \times 64}{64} = 34.73$

2. $\frac{13 \times 64}{64} = 5.07$

3. $\frac{62 \times 64}{64} = 24.19$

4. $\frac{89 \times 100}{64} = 54.26$

5. $\frac{13 \times 100}{64} = 7.93$

6. $\frac{62 \times 100}{64} = 37.80$

Computation of Chi-square x2

S/N	oi	ei	oi – ei	$(oi – ei)^2$	$(oi – ei)^2$ / ei
1	35	34.73	0.27	0.0729	2.0990
2	5	5.07	-0.07	4.9	0.9664
3	24	24.19	-0.19	0.0361	1.4923
4	54	54.26	-0.26	0.0676	1.2458
5	8	7.93	0.07	4.9	0.6179
6	38	37.80	0.2	0.04	1.0582
Total	164	163.98	-	10.0166	7.4796

x^2 or $\frac{(oi - Ei)^2}{Ei} = 7.4796$

Calculated value of x^2 = 7.4796

Table Value of x^2 = 5.99

Remark:

Since the calculated value of x2 is greater than the value (7.4796 > 5.99), HO is rejected instead of HI. Therefore, internal Auditors are independent in the course of their work.

4.6 Test of Hypothesis 2

HO: There is no effective internal control system in the public sector.

HI: There is effective internal control system in the public sector.

To test this hypothesis, Data from Table 4.1.2 will be used

Options	**No. of Responses**	**Percentages**
Agree	42	62%
Slightly Agree	-	-
Disagree	22	38%
Total	64	100%

CALCULATION OF CHI-SQUARE X_2

Options	oi	ei	oi – ei	$(oi – ei)^2$	$(oi – ei)^2 / ei$
Agree	42	32	10	100	3.125
Slightly Agree	-	-	-	-	-
Disagree	22	32	10	100	3.125
Total	64	64	_	200	6.25

Calculated value of x^2 = 6.25

Table value of x^2 = 5.99

Remark:

HO is rejected while H1 is accepted. This means that the calculated Chi-square 6.25 is greater than the table value of 5.99 which implies that there is effective internal control system in the public sector.

Test of Hypothesis 3

HO: There is no cooperation between the State Audit Management and the Financial Management Branch (FMB) of Treasury Division.

H1: There is cooperation between the State Audit Department and the Financial Management Branch of the treasury division.

To test this hypothesis, Data from Table 4.1.3 will be used

Options	**No. of Responses**	**Percentages**
Agree	25	39%
Slightly Agree	-	-
Disagree	39	61%
Total	64	100%

CALCULATION OF CHI-SQUARE X_2

Options	oi	ei	oi – ei	$(oi – ei)^2$	$(oi – ei)^2$ / ei
Agree	25	32	7	49	1.53
Slightly Agree	-	-	-	-	-
Disagree	39	32	7	49	1.53
Total	64	64		98	3.06

Calculated value of x^2 = 3.06

Table value of x^2 = 5.99

Remark:

The null hypothesis should be accepted because the Table Value which is 5.99 is more than the calculated value of Chi-square, 3.06. Therefore, we conclude that there is no cooperation between the state audit department and the Financial Management Board (FMB) Treasury Division.

CHAPTER FIVE

SUMMARY, RECOMMENDATIONS AND CONCLUSION

The principal concept which underlines the practice of auditing is the auditor's independence in relation to the audit work which he performs. Auditors in private practice and those in the public sectors are expected to ensure that objectivity is not compromised which was why this study intends to find out the extent to which public sector auditors are independent.

Furthermore, the problem of determining the effectiveness of the internal control system in the public sector is vital to this study. Generally, auditor's operational standard stated that auditors should ascertain and evaluate the adequacy of internal control and perform compliance test on their operation. This research is being carried out to determine whether good internal control system exists in the public sector.

Basically, there appears to be conflict in the duplication of duties between the state audit Department and the Financial Management Branch of Treasury Division in the area of investigation, inspectorate and monitoring of government finances. It is relevant to this research to explore possible cooperation between the two to prevent incidence of fraud.

Also, the problem of computerization of government accounts since staff of Audit Department has not undergone training to equip them on the audit technique in the computer environment was analyzed.

Therefore, the introduction of internal audit units in each Ministry/Department could be to spot quickly any act bothering on impropriety, thus complementing the effort of the Audit Department. However, it has been found out that certain obstacles imitate against efficient functioning of internal auditing.

5.1 Summary of Research Findings

Data analyzed in chapter four fielded the following finds:

i. The auditors independence was fully guaranteed in the public sector before the reform of Civil Service in 1988 by Decree 43. However, the introduction of Decree 43 of 1988 on Civil Service reform has threatened the position of Auditor-General of the state in terms of appointment which affects the independence of auditors in public sector.

ii. The internal control system is adequate except that Civil Servants in an attempt to show faithfulness and obedience to their boss ignorantly and purposely break the already designed control measures which often results to loss of government resources in terms of material, money and assets etc.

iii. The reorganization of the treasury division in 1971 by Circular No. 18 of 1971, gave the Financial Management Branch (FMB) authority in these areas that is in the public interest and therefore brings out the need for cooperation between the Auditor General's office and the FMB for the purpose of promoting efficient accounting practice and fraud minimization. In the meantime, there is no cooperation between the two and this has aided fraud being buried unnoticed.

iv. Auditors in the public sector have not been exposed to computer hardware and its complexities in processing accounting information. Consequently, this lack of knowledge of computer knowledge of computer operation and training on computer auditing suggests their inability to cope with the audit procedures associated with computerization of accounting system.

v. In Nigeria, the major hindrances to efficient functioning of internal audit unit in public sector are the attitude of non auditing officers who obstruct the flow of the already designed control system. Also, they hinder others from performing their job effectively by introducing inadequate accounting system, non recognition of internal audit procedures.

vi. Furthermore, authorization controls are abused by the officials in whom such authorities are vested. In the public sector, a situation where an official fails to perform an expected control or performance such control to the detriment of the establishment will be disastrous.

vii. The main problems internal auditor encounters in public sectors are situations whereby Government or organization renders an existing system obsolete but management may be reluctant to effect a change either because of the cost involved or for lack of the skill.

viii. Also, where the system of internal control requires the segregation of duties. It is important to ensure that no one person carries out the three aspects of any transaction which are authorization, custodial and recording.

5.2 Recommendation

The essence of auditing practice is the appreciation of the system of internal control. Therefore, it is recommended in this study based on the above findings and discussions that a good system of internal control requires that in the public sector each person in the course of performing his duties acts as a check on another whom also automatically checks the earlier person in the performance of his own duties. This arrangement prevents one person or both to commit fraud and conceal their actions by falsifying the records.

Also, in order to prevent friction and ensure the smooth running of organizational structures, the internal auditor should supervise the duties and responsibility of each officer. It is an essential feature of internal control that responsibilities must be well defined together with the officials in whom such responsibilities are vested.

However, there should be understanding and cooperation between the State Audit Department and the Financial Management Branch despite seeming duplication of duties between the two governmental establishments.

Furthermore, specific duties should be assigned to staff with the relevant skill and competence so as to avoid drastic or frequent alterations in the system for whatever reason that can lead to a total breakdown of the internal control system.

The auditor's operational standards require the auditor to ascertain the system of recording and processing of transactions in order to assess their adequacy as a basis for preparing the financial statements. This is vital in view of section 331 of the Companies and Allied Matters Act which requires companies to keep proper accounting records in order to maintain good internal control and auditing system.

Therefore, for efficient performance and functioning of internal audit sections of Ministries/Departments in public sector, qualified Accountants by training and profession should head the section as opposed to the present situation of deploying incompetent officers to head the unit. Thus, the Auditor General should be placed in charge of the internal audit units of Ministries/Extra-Ministerial offices and other arms of government.

5.3 Conclusion

This research examined the strategies for the minimization of Audit problems in public sector in Nigeria and conclusions were drawn based on the findings of the study that the Auditor-General is not completely independent by virtue of Decree 43 of the 1988 Civil Service reforms.

The Federal Republic of Nigeria Financial Regulations of 2009 requires that the head of internal audit shall submit to his accounting officer a detailed annual audit programme with copies to the Accountant-General and Auditor-General of the Federation which contains a comprehensive audit programme and cover all the records of the ministry, departments or units, to ensure that the safeguards introduced for the prevention or the prompt detection of fraud and loss of cash are adequate. In this regard, safeguards means compliance with extent rules and regulations and the existence of internal checks.

Also, to ensure that the system for the control of the collection of revenue is adequate and that moneys received are promptly and accurately brought to account under the correct heads and sub-heads, that the system for the control of expenditure is adequate and that all payments made are properly authorized for the correct amounts are paid to the right persons, classified to the correct heads and subheads and made for the purpose for which they were authorized and the system for the control of the issue and consumption of stores is adequate.

Furthermore, there is no cooperation between the Financial Management Branch and the State Audit Department as both reports to different persons on the outcome of their investigation and inspectorate activities. Also, given the skill of Audit Department that they cannot cope with computer techniques to carry out their job in a computerized environment. Thus, the introduction of computers to replace manual operations is known to have caused severe disruptions in the system of auditing.

We conclude that where a good system of internal control is in place and the auditor understands this, he can reasonably expect to carry out a valid audit but his ability to carry out a good audit is greatly impaired if he does not understand the system of internal control. However, the auditor may not at all times and in all circumstances rely on a system of internal control even in a situation where he has been able to establish that the system is efficient and operating all the year round. Therefore, auditors should be conscious to the effectiveness of internal control and adopt the objectives and implement these strategies for the minimization of Audit problems and efficient functioning of the Internal Audit in the public sector.

BIBLIOGRAPHY

1) Atlan, B. (1980), History of Nigeria. 3rd edition: page 52

2) Aguolu ,O. (2008), Fundamentals of Auditing. 3rd Edition, Institute for Development studies, University of Nigeria Enugu Campus

3) Ajayi, C A. (1989), Financial Control in the Public Sector: Proceedings of the 1989 Annual Conference; Ogundele Edition: pages 1-12

4) Beasly .M. S, Carcello J V and Hermanson D R, (2001). Common problems (Top 10 Audit Deficiencies). Journal of Accountancy

5) Companies and Allied Matters Act (CAMA), 1990: page 136

6) Constitution of the Federal Republic of Nigeria, (1979)

7) Eze, J .C ,(2005), Principles and Techniques of Auditing, 1st edition

8) Financial Instructions of Federal Republic of Nigeria (F.I), Vol 1 and 11, Decree 48

9) Implementation Guideline on Civil Service Reforms of 1988, Decree 43, Government Press Enugu

10) Mawefe, C .A .O, (1995), Principles of data processing and management information system, Fourth Dimensions Publishers Enugu, 1st edition

11) Monwuba, A. O, (1995), Auditing and Investigations, 1st edition, Onitsha Fortune Printing Industry Ltd

12) Normanten E. L, (1996), The Accountability and Audit of Government Accounting, London, Manchester University Press

13) Odemosi J. A, (1992), 'Government Accounting Principles and practice': The Nigeria Accountant; Vol XXV (3)

14) Onwumere J. U. J, (2009), Business and Economic Research Methods; Vougasen Ltd Enugu, 2nd edition

15) Oseni, J. E, (1994), Hindrances to Internal Audit Efficiency: The Nigerian Accountant; vol XXVII: page 16

16) Rowan. J, (2010), Financial Accounting In: Anwar Shah

17) Seltez L, (1979). Research Methods in school Relations, London; Methun and company, Revised edition

18) Statement of Assets and Liabilities (Control and Management) Act of 1958

19) Spiegel M. R, Larry J. S, (1998), Schaums outline of Theory and Problems of Statistics; 3rd edition, USA, The McGraw-Hill Companies Inc.

20) Treasury Circular No 1 of 1973 of Re-organization of Treasury Division