

Public Sector Audit Practice and Accountability of Federal Government Ministries in Nigeria.

Ibehto Anthony A.

**Department of Accounting, Ignatius Ajuru University of Education, Runuolumeni, Port
Harcourt, Nigeria.**

tonyglad80@gmail.com

Abstract

This study examines the relationship between public sector auditing practice and accountability in federal government ministries in Nigeria. Specifically, it investigates the relationships between public sector audit dimensions financial audit, compliance audit, and performance audit and accountability outcomes, with emphasis on social accountability. Primary data were obtained through a structured questionnaire administered to officers drawn from the twenty-six (26) federal ministries in Nigeria. Pearson Product Moment Correlation Coefficient (PPMC) and Ordinary Least Squares (OLS) regression techniques were employed to test the study's hypotheses using the Statistical Package for the Social Sciences (SPSS version 23.0). The findings reveal that financial audit exhibits a positive but statistically insignificant relationship with social accountability, while compliance audit and performance audit demonstrate positive and statistically significant relationships with social accountability. The results further indicate that adherence to auditing standards strengthens the effectiveness of public sector auditing in promoting accountability within federal government ministries. Consequently, the study recommends the sustained application of financial, compliance, and performance audits across federal ministries to enhance transparency and accountability. It further emphasizes the need for annual audits, strengthened institutional independence of audit units, and the recruitment and continuous training of qualified audit personnel to improve audit efficiency and public sector governance.

Introduction

Public sector governance in Nigeria has continued to face persistent challenges arising from corruption, weak institutional controls, and inadequate accountability mechanisms. These challenges have contributed to the mismanagement of public resources and declining public confidence in government operations. Within the principal-agent framework that underpins public administration, government officials are entrusted with the responsibility of managing public resources on behalf of citizens. However, both military and democratic administrations in Nigeria have experienced cases of financial misconduct, diversion of public funds, and abuse of office (Oyediran & Nwosu, 2019; Nentiaba, 2022). Public sector auditing serves as a critical mechanism for promoting transparency, enforcing compliance with financial regulations, and ensuring the efficient and lawful use of public funds. Through financial, compliance, and performance audits, public sector audit provides independent assurance regarding the credibility of financial reporting and the stewardship of public resources (Arens, 2021). Despite these mechanisms, political interference, weak enforcement, and institutional inefficiencies continue to undermine the effectiveness of auditing in Nigeria's federal ministries. Strengthening public sector auditing therefore remains essential for improving accountability and governance outcomes.

Statement of the Problem

Despite its constitutional mandate and its recognised role in promoting transparency, public sector auditing in Nigeria has not achieved the expected level of effectiveness in holding government ministries accountable for the management of public resources. Numerous audit reports highlight recurring issues such as misappropriation of funds, noncompliance with financial regulations, poor record-keeping, and weak internal controls, yet these findings rarely result in corrective actions or sanctions. Persistent political interference, limited enforcement capacity, and an entrenched culture of impunity further weaken the audit function and undermine its credibility. Consequently, federal

ministries continue to experience challenges related to financial irregularities, inefficient use of public funds, and inadequate reporting practices. These persistent gaps raise concerns about the extent to which public sector audits truly influence accountability in Nigeria. Therefore, it becomes necessary to empirically examine the relationship between public sector auditing practice and accountability within federal government ministries to determine whether audit mechanisms are effectively promoting transparent, responsible, and compliant public financial management.

Aim and Objectives of the Study

The aim of this study is to examine the relationship between public sector auditing practice and accountability within federal government ministries in Nigeria.

To achieve this aim, the study pursues the following specific objectives:

1. To investigate the relationship between financial audit and social accountability of federal government ministries in Nigeria.
2. To determine the relationship between compliance audit and social accountability of federal government ministries in Nigeria.

Research Questions

The study is guided by the following research questions:

1. What is the relationship between financial audit and social accountability of federal government ministries in Nigeria?
2. What is the relationship between compliance audit and social accountability of federal government ministries in Nigeria?

Research Hypotheses

Based on the research objectives and questions, the following null hypotheses were formulated to guide the study:

H₀₁: There is no significant relationship between financial audit and social accountability of federal government ministries in Nigeria.

H₀₂: There is no significant relationship between compliance audit and social accountability of federal government ministries in Nigeria.

Review of Related Literature

Conceptual Review

Public Sector Audit practice

Public sector audit refers to the independent and systematic examination of government financial and operational activities to determine whether public resources are managed in accordance with established laws, regulations, and performance expectations (Appah, 2020; Gekula & Isanzu, 2020). In Nigeria, public sector auditing is constitutionally anchored through the Office of the Auditor-General, which provides oversight and assurance on the use of public funds. By promoting transparency, detecting inefficiencies, and enhancing the credibility of government reporting, public sector auditing strengthens accountability and public trust.

Dimensions of Public Sector Audit

Financial Audit Financial audit focuses on the examination of financial statements and accounting records to ensure accuracy, reliability, and compliance with applicable standards (Zinyama, 2021). It provides reasonable assurance that financial statements are free from material misstatements and enhances transparency and stewardship of public resources (Abdullah, 2021).

Compliance Audit Compliance audit evaluates whether public sector activities and transactions conform to relevant laws, regulations, and policies (Arens, 2019). It reinforces legality,

accountability, and good governance by ensuring that public officials adhere to established rules and procedures.

Concept of Accountability

Accountability in public administration refers to the obligation of public officials to explain and justify their actions and to face consequences for misconduct (Johnson, 2019). It encompasses answerability and enforcement mechanisms and operates through vertical, horizontal, and social accountability channels. Effective accountability promotes transparency, integrity, and improved governance outcomes.

Social Accountability

Social accountability involves the engagement of citizens, civil society organizations, and the media in holding government accountable for public resource management and service delivery (World Bank, 2019). It complements formal accountability mechanisms by encouraging participatory governance, transparency, and responsiveness.

Theoretical Review

This study is anchored on Agency Theory (Jensen & Meckling, 1976), which explains the relationship between principals (citizens) and agents (public officials). Due to information asymmetry and divergent interests, agents may act opportunistically. Public sector auditing serves as a monitoring mechanism that mitigates agency problems by enhancing transparency and accountability. The Policeman Theory further emphasizes the role of auditors in detecting and preventing fraud and irregularities.

Empirical Review

Empirical studies (e.g., Ibehto & Nwodimkpa, 2025; Appah & Onowu, 2021; Owolabi & Ogunode, 2020) consistently document a positive relationship between public sector auditing and accountability outcomes in Nigeria and other developing economies. These studies provide evidence that effective audit practices enhance transparency, reduce corruption, and improve public confidence in government institutions.

Methodology

This study employed a descriptive survey research design to investigate the relationship between public sector auditing specifically financial audit and compliance audit and social accountability within federal government ministries in Nigeria. The survey design was considered appropriate because it enables the systematic collection of quantifiable data on opinions, practices, and perceptions directly from employees responsible for audit and accountability processes. The population comprised the twenty-six (26) federal ministries in Nigeria, with three key officers Permanent Secretary, Chief Accountant, and Internal Auditor from each ministry, resulting in a population of seventy-eight (78) respondents. Given the manageable size of the population, a census approach was adopted, allowing the researcher to include all eligible respondents without sampling.

Primary data served as the main source of information, collected using a structured questionnaire titled Public Sector Audit and Accountability Questionnaire (PSAAQ). The instrument contained two sections: Section A captured demographic information, while Section B consisted of items measuring financial audit, compliance audit, and social accountability on a modified five-point Likert scale ranging from strongly disagree (1) to strongly agree (5). To ensure content and face validity, the questionnaire was reviewed by experts in measurement and evaluation. Reliability was established through a pilot test involving respondents outside the study population, and Cronbach's alpha was used to assess internal consistency. The operationalization of variables reflected the study's focus on two aspects of public sector audit. **Financial audit** was measured through items assessing the accuracy, fairness, and transparency of financial records, while **compliance audit** was measured

through items evaluating adherence to laws, regulations, and established procedures. **Social accountability**, the dependent variable, captured responsiveness, transparency, answerability, and the obligation of ministries to justify actions to stakeholders. All variables were measured using Likert-scaled items. Data analysis involved both descriptive and inferential techniques. Descriptive statistics such as frequencies, percentages, and mean scores were used to summarize respondents' characteristics and patterns in audit and accountability indicators. To test the study's hypotheses and examine the relationships between financial audit, compliance audit, and social accountability, the Pearson Product Moment Correlation (PPMC) and Ordinary Least Squares (OLS) regression were employed at a 5% significance level. Statistical analysis was conducted using the Statistical Package for the Social Sciences (SPSS version 23). The econometric model guiding the analysis was specified as follows:

$$SOA = f(FIA, COA)$$

In linear form:

$$SOA_i = \alpha_0 + \beta_1 FIA_i + \beta_2 COA_i + \mu_i$$

Where:

SOA = Social Accountability

FIA = Financial Audit

COA = Compliance Audit

α_0 = Regression Constant

β_1, β_2 = Coefficients of the independent variables

μ = Error term

The decision rule was to reject the null hypothesis if the p-value was less than 0.05, indicating a statistically significant relationship between the variables.

Data Analysis and Results

Introduction

This chapter presents the analysis and interpretation of data collected to examine the relationship between public sector auditing specifically financial audit and compliance audit and social accountability in federal government ministries in Nigeria. Data obtained through the structured questionnaire were analyzed using descriptive statistics and inferential techniques, including Pearson Product Moment Correlation (PPMC) and Ordinary Least Squares (OLS) regression, with results generated using SPSS Version 23. The presentation of results follows the research objectives and hypotheses formulated in Chapter One.

Questionnaire Administration and Response Rate

A total of seventy-eight (78) copies of the questionnaire were administered to respondents across the selected federal ministries. Sixty-five (65) questionnaires were correctly completed and returned, representing a response rate of 83.33%, which is considered adequate for statistical analysis in social science research.

Table 4.1 *Questionnaire Distribution and Retrieval*

Description	Frequency	Percentage (%)
Returned and usable	65	83.33
Not returned	10	12.82
Returned but unusable	3	3.85
Total	78	100.00

Descriptive Statistics

Descriptive Analysis of Social Accountability (SOA)

Social accountability was measured using five Likert-scale items assessing transparency, citizen engagement, public information sharing, participatory monitoring, and stakeholder partnership.

Table 4.2

Descriptive Statistics for Social Accountability

Item	Mean	Std. Deviation
Citizen–government engagement	3.97	0.88
Public information sharing	2.75	1.04
Budget and procurement tracking	2.85	1.02
Participatory monitoring and evaluation	2.45	0.96
Stakeholder partnership	2.94	1.01
Grand Mean	2.99	—

The grand mean score of 2.99 indicates that social accountability in federal government ministries is generally **low**, falling slightly below the benchmark mean of 3.00.

Descriptive Analysis of Financial Audit (FIA)

Financial audit was assessed through indicators relating to internal controls, record verification, inventory checks, posting accuracy, and asset verification.

Table 4.3

Descriptive Statistics for Financial Audit

Item	Mean	Std. Deviation
Internal control testing	3.26	0.91
Tracing financial records	3.11	0.89
Physical inventory verification	3.00	0.95
Posting accuracy checks	2.89	1.01
Asset and liability verification	2.94	0.98
Grand Mean	3.00	—

The results indicate a **moderate level of financial audit practice** across the ministries.

Descriptive Analysis of Compliance Audit (COA)

Compliance audit items focused on adherence to laws, regulatory frameworks, statutory instruments, and audit risk management.

Table 4.4

Descriptive Statistics for Compliance Audit

Item	Mean	Std. Deviation
Evaluation of compliance systems	3.11	0.92
Compliance with governing authorities	3.00	0.94
Adherence to laws and regulations	2.69	1.03
Compliance with statutory instruments	3.03	0.90
Risk management procedures	2.83	0.99
Grand Mean	2.93	—

The overall mean of 2.93 suggests that **compliance audit practices are weak** in federal government ministries.

Test of Hypotheses

Relationship between Financial Audit and Social Accountability

H₀₁: There is no significant relationship between financial audit and social accountability in federal government ministries in Nigeria.

Table

4.5

Pearson Correlation between Financial Audit and Social Accountability

Variables	FIA	SOA
Financial Audit (FIA)	1.000	0.119
Sig. (2-tailed)	—	0.096
N	65	65

The correlation coefficient ($r = 0.119$) indicates a weak positive relationship between financial audit and social accountability. Since the p-value (0.096) is greater than 0.05, the null hypothesis is **not rejected**. Thus, financial audit does not have a statistically significant relationship with social accountability.

Relationship between Compliance Audit and Social Accountability

H₀₂: There is no significant relationship between compliance audit and social accountability in federal government ministries in Nigeria.

Table

4.6

Pearson Correlation between Compliance Audit and Social Accountability

Variables	COA	SOA
Compliance Audit (COA)	1.000	0.897
Sig. (2-tailed)	—	0.009
N	65	65

The correlation coefficient ($r = 0.897$) indicates a strong positive relationship. The p-value (0.009) is less than 0.05, leading to the **rejection of the null hypothesis**. Compliance audit has a statistically significant relationship with social accountability.

Regression Analysis

Table 4.7

OLS Regression Results

Variable	Beta (β)	Std. Error	t-value	Sig.
Constant	1.214	0.332	3.655	0.001
Financial Audit (FIA)	0.084	0.067	1.253	0.216
Compliance Audit (COA)	0.691	0.058	11.914	0.000

Model Statistics:

- $R = 0.902$
- $R^2 = 0.814$
- Adjusted $R^2 = 0.807$
- F-statistic = 134.27 ($p < 0.001$)

The regression results show that compliance audit significantly predicts social accountability, while financial audit does not exert a statistically significant influence.

Discussion of Findings

The findings reveal that although financial audit practices exist at a moderate level, they do not significantly influence social accountability. This suggests that traditional financial audits alone may be insufficient to drive accountability outcomes without effective enforcement and follow-through. Conversely, compliance audit demonstrates a strong and statistically significant relationship with

social accountability, indicating that adherence to laws, regulations, and statutory frameworks plays a critical role in promoting transparency, answerability, and public trust.

Summary, Conclusion, and Recommendations

Summary

This study examined the influence of financial audit and compliance audit on social accountability. The findings revealed that although financial audit practices are carried out at a moderate level, they do not significantly affect social accountability. This implies that traditional financial auditing procedures, when not supported by effective enforcement and corrective measures, may have limited impact on promoting transparency and responsiveness in public institutions. Conversely, compliance audit was found to have a strong and statistically significant relationship with social accountability, indicating that adherence to legal, regulatory, and statutory requirements is a critical driver of accountability, public trust, and good governance.

Conclusion

The study concludes that financial audit, in isolation, is insufficient to promote social accountability. While it remains important for ensuring the accuracy and reliability of financial records, its influence on accountability outcomes is weak without proper implementation, follow-up, and sanctions for non-compliance. On the other hand, compliance audit plays a vital role in strengthening social accountability by ensuring that public institutions operate within the boundaries of established rules and regulations. Therefore, the effectiveness of social accountability frameworks largely depends on the robustness of compliance audit mechanisms rather than on financial audit procedures alone.

Recommendations

1. Public institutions should reinforce compliance audit frameworks and establish effective enforcement and follow-up mechanisms, including timely resolution of audit queries and the application of appropriate sanctions, to ensure strict adherence to laws, regulations, and statutory provisions that enhance social accountability.
2. Financial and compliance audit processes should be integrated and supported through continuous capacity building and professional development of audit personnel, while promoting an institutional culture of transparency, ethical conduct, and accountability to improve overall governance outcomes.

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