

## AUDIT AND PERFORMANCE IN THE PUBLIC SECTOR: A STUDY OF SELECTED STATE-OWNED PARASTATALS

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### ABSTRACT

*The study examined audit and performance in the public sector organizations in Rivers state. Thus, it investigated the extent to which auditing standards and legislations affect timeliness of financial report in state-owned parastatals, also the extent to which audit prevention, detection of frauds and errors affects growth and sustainability of state-owned parastatals and the extent to which value for money audit affects productivity of state-owned parastatal. The Research design used was survey design. The study adopted questionnaire method of instrumentation with a population of 170 and sample size of 119 staff comprising: Top management staffs, Accountants, other employees, Internal Auditors / Audit departments, and Public Relation Officers / Department of public sector organizations. The data were analyzed and interpreted in tabular discussion by simple percentage analyses while the hypotheses were tested using Chi-square ( $r^2$ ) statistical technique. The findings of the study were that auditing standards and legislations has greatly affected timeliness of financial reports in state-owned parastatals, also that audit prevention, detection of frauds and errors to a moderate extent has enhanced profitability in state-owned parastatals and that value for money audit to a great extent has enhanced effective internal control system in state-owned parastatal. Based on the findings of the study the following recommendations are made among others: that civil service commission should refuse to accept any known political party card carrying members to be appointed as managers or top staff in public organizations and that managers of public sector organizations should ensure an economical management of public funds in the public sector through adequate due process mechanism in order to improve the management of public funds in Rivers state.*

**Keywords: audit, public sector organizational performance, auditing standards and legislations, detection of frauds and errors, timeliness of financial report, growth and sustainability**

### INTRODUCTION

There is general awareness all over the world for the need to pay greater attention to the improvement of public sector management. The reason is obvious, government constitutes the largest single business entity and her pattern of expenditure through its various parastatals, agencies and commissions stimulate a lot of economic activities. As a result of government huge involvements in economic activities, initiatives are being taken by countries to improve the standards of accounting and auditing in government parastatals, for financial accountability and performance of regulatory authorities (parliament) (Angus and Mohammed, 2022).

According to Nwannebuike and Eugene (2016), audit is an essential element of a strong public sector structure that measures the performance of oversight, insight, and foresight of parastatal activities. Since public sector success is measured primarily by its ability to deliver essential services successfully and carry out programme in an equitable and appropriate manner, public sector audit activities should cover the evaluation of financial as well as programme compliance, effectiveness, and efficiency.

According to Anekwe (2022), audit is an official inspection of an individual's or organization's accounts, typically by an independent body. An audit is the examination of the financial report of an organization as presented in the annual report by someone independent of that organization. The

financial report includes a balance sheet (statement of financial position), an income statement, a statement of changes in equity, a cash flow statement, and notes comprising a summary of significant accounting policies and other explanatory notes.

The purpose of an audit is to form a view on whether the information presented in the financial report, taken as a whole, reflects the financial position of the organization at a given date (Anekwe, 2022), for example, questions that may be asked include: are details of what is owned and what the organization owes properly recorded in the balance sheet? Are profits or losses properly assessed?

Anekwe further stated that, in the public sector when examining the financial reports, auditors must follow applicable auditing standards and legislations which are set by appropriate government authorities [Financial Reporting Council of Nigeria, (FRCN)], also auditors must thoroughly check for prevention, detection of fraud and error as well as whether financial statements are in line with the audit compliance test. Once auditors have completed their work, they write an audit report, explaining what they have done and giving an opinion drawn from their work. Generally, all government parastatals, agencies and commissions are subject to an audit each year.

Audit serves an accountability relationship to government and the entire citizenry. It is the independent, objective assessment of the fairness of management's representations on performance or the assessment of management's systems and practices, against criteria, reported to a governing authority or others with similar responsibilities.

Performance is the combination of processes and structures implemented by the board to inform, direct, manage, and monitor the organization's activities toward the achievement of its objectives. In the public sector, performance relates to the means by which goals are established and accomplished timely and qualitatively, effective internal control system are met and overall profitability is achieved by parastatals. The above measures ensure that a public sector entity is credible, provides equitable services, and assure appropriate behavior of government officials and reducing the risk of public corruption (Ine-Tonbarapa, 2024).

Therefore audit is a cornerstone of good public sector governance. By providing unbiased, objective assessments of whether public resources are managed responsibly and effectively to achieve intended results, auditors help public sector organizations achieve accountability and integrity, improve operations, and instill confidence among citizens and stakeholders. The public sector auditor's role supports the performance responsibilities of oversight, insight, and foresight. Oversight addresses whether public sector entities are doing what they are supposed to do and serves to detect and deter public corruption. Insight assists decision-makers by providing an independent assessment of public sector programme, policies, operations, and results. Foresight identifies trends and emerging challenges. Auditors use tools such as financial audits, performance audits, investigations, and advisory services to fulfill each of these roles.

### **Statement of Problem**

State owned enterprises are mostly associated with mismanagement and misappropriation of funds meant to be used in the provision of public goods. This is especially as most of those at the helms of affairs in these state owned enterprises ascend to their positions as a reward for political support. These managers mostly take their reign in those positions as a time to reap bountifully. This is usually at the expense of the citizens. Hence, service delivery or performance is always at its lowest.

In Nigeria, audit in public sector is an ordinary fulfillment of legislations and of due process. It is more or less a caricature to the citizenry. The general opinion according to literature is that most of the public parastatals have failed to deliver on the purposes for which they were established. Many people accuse managers of public parastatals in Nigeria of ineffectiveness and inefficiency, recklessness in terms of resource usage. They argue that poor application of audit principles and procedures leads to blatant diversion of resources with its attendant consequences on the traditional

accountability of government to the public even though there are adequate and standard public audit legislations.

Another factual problem is that public parastatal does not report timely and adequately on their accounts in Nigeria. Even as public parastatals are establishment by government to make profit on behalf of the government, in order government to use this profit to finance public project and general administration for citizen benefit, but parastatals year in year out make low profits or sometime deficits (loss). It appears that certify audit is not realistic (properly followed) in public sector.

A number of researches have been carried out in the area of performance of public sector. Some includes 'Audit and Profitability of Nigeria Television Authority (NTA), and 'Effect of Auditing in Public Organization'. Therefore, the study investigates audit and performance of selected state-owned parastatals in Rivers state.

### **Aims and Objectives of Study**

The purpose of this study is to determine the effect of audit on performance in the public sector in selected Rivers state-owned parastatals. Specifically, the study objectives are to determine:

1. The extent to which auditing standards and legislations affect timeliness of financial report in state-owned parastatals.
2. The extent to which audit prevention, detection of frauds and errors affects growth and sustainability of state-owned parastatals.

### **Research Hypotheses**

The following null hypotheses will be tested at 0.05 level of significance.

- Ho1: Auditing standards and legislations do not significantly affect timeliness of financial report in state-owned parastatals.
- Ho2: Audit prevention, detection of frauds and errors do not significantly affect growth and sustainability of state-owned parastatals.

### **Literature Review**

#### **Audit and Public Sector Audit**

The word "audit" comes from the Latin word audire which means "to hear." In the Middle Ages, accounts or revenue and expenditure were heard by the auditor (Nwannebuikwe & Eugene 2016). Anekwe (2022), an audit is a systematic and independent examination of books, accounts, statutory records, documents and vouchers of an organization to ascertain how far the financial statements as well as non-financial disclosures present a true and fair view of the concern. It also attempts to ensure that the books of accounts are properly maintained by the concern as required by law.

According to Okezie (2020), audit is the examination or inspection of various books of accounts by an auditor followed by physical checking of inventory to make sure that all departments are following documented system of recording transactions of a private or public sector organization. It is done to ascertain the accuracy of financial statements provided by the organization. Audit can be done internally by employees or heads of a particular department and externally by an outside firm or an independent auditor. The idea is to check and verify the accounts by an independent authority to ensure that all books of accounts are done in a fair manner and there is no misrepresentation or fraud that is being conducted.

Auditing is the systematic examination and verification of a firm's books of account; transaction records, other relevant documents, and physical inspection of inventory by qualified accountants (auditors). A member of the Institute of Chartered Accountants of Nigeria (ICAN) can do independent audits of any organization (ICAN, 2023).

State owned companies and institutions are required by law in several jurisdictions to have their affairs examined by a public sector auditor. In many countries, public sector audits are conducted

under the supervision of the auditor general which is an institute responsible for strengthening public sector accountability and governance and promoting transparency (Nwannebuike & Eugene 2016).

He added that, public sector audit involves the scrutiny of the financial affairs of the state-owned enterprises to assess whether they have been operated in way which is in a manner that the best interest of the public and whether standard procedures have been followed to comply with the requirements in place to promote transparency and good governance (e.g. public sector procurement rules). Public sector audit therefore goes a step further than the financial audit of private organizations which primarily focuses on the reliability of financial statements. Audits of public sector companies are becoming increasingly concerned with the efficiency, effectiveness and economy of resources used in state organizations which has given way for the development of value for money audits.

### **Objectives of Public Sector Audit in Nigeria**

According to Okezie (2020), the Statement of Accounting Standards (SAS) establishes the overall objectives of the audit in Nigeria, which are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error this enable the auditor to express an opinion on whether the financial statements are prepared, in all material respects, in accordance with the financial reporting framework, or as required in standards.

The following are objectives of Public Sector Audit in Nigeria:

- i. To ascertain proper authorization on transactions
- ii. To ensure accurate summation and summarization
- iii. To verify accounts and statements.
- iv. To detect errors or frauds and prevent of errors or frauds.
- v. To verify physical existence of fixed assets and confirm their recordings
- vi. To ensure complete recording and validity of all liabilities.
- vii. To confirm the ownership of assets and liabilities.

### **Types of Audits**

Audit is an appraisal activity undertaken by an independent practitioner (e.g. an external auditor) to provide assurance to a principal (e.g. citizens, shareholders) over a subject matter (e.g. financial statements) which is the primary responsibility of another person (e.g. directors) against a given criteria or framework (e.g. IPSAS and IFRS (Okezie, 2020). There are two main types of audit, they are internal and external audit.

#### **A. Internal Audit**

Internal audit also referred as operational audit, is a voluntary appraisal activity undertaken by an organization to provide assurance over the effectiveness of internal controls, risk management and governance to facilitate the achievement of organizational objectives. Internal audit is performed by employees of the organization who report to the audit committee of the board of directors as opposed to external audit which is carried out by professionals independent of the organization and who report to the shareholders via audit report.

Unlike external audit, whose scope is primarily restricted to matters that concern the financial statements, the scope of work of an internal audit is very broad and can encompass any matters which can affect the achievement of organizational objectives. Internal audit is typically centered on certain key activities which include: Monitoring the effectiveness of internal controls and proposing improvements, investigating instances of fraud and theft, monitoring compliance with laws and regulations, reviewing and verifying where necessary the financial and operating information, evaluating risk management policies and procedures of the company and examining the effectiveness, efficiency and economy of operations and processes (Okezie, 2020).

## **B. External Audit**

External audit also known as financial audit and statutory audit, involves the examination of the truth and fairness of the financial statements of an entity by an external auditor who is independent of the organization in accordance with a reporting framework such as the IFRS. Company law in most jurisdictions requires external audit on annual basis for companies above a certain size.

The need for an external audit primarily stems from the separation of ownership and control in large companies in which shareholders nominate directors to run the affairs of the company on their behalf. As the directors report on the financial performance and position of the company, shareholders need assurance over the accuracy of the financial statements before placing any reliance on them. External audit provides reasonable assurance to the owners of the company that the financial statements, as reported by the directors, are free from material misstatements.

External auditors are required to comply with professional auditing standards such as the International Standards on Auditing and ethical guidelines such as those issued by IFAC in order to maintain a level of quality and trust of all stakeholders in the auditing exercise (Okezie, 2020).

### **Public Auditing Standards and Legislations in Nigeria**

According to Orokwu (2015), in the preparation of the financial statements of a public sector, Section 335(1) of the Companies and Allied Matters Act 1990 requires all financial statements issued in Nigeria to comply with standards laid down in the Statements of Accounting Standards issued from time to time by the Financial Reporting Council (FRC). Independent auditors are responsible for ensuring that Accounting Standards are applied properly by management. Where there has been a material digression from the standards, the auditor is expected to qualify his report.

In addition to the provisions of the Companies and Allied Matters Act, Section 26(2) of the Banks and Other Financial Institutions Decree (No. 25) of 1991 requires the financial statements of banks to comply with all applicable standards. The Central Bank of Nigeria now require auditors' reports of banks to state categorically that the accounts have been prepared in compliance with relevant standards.

Prior to these laws, compliance had been assured through the member organizations that sponsor the FRC. Member organizations are expected to use their best endeavour to persuade their members to comply with all the Standards and can devise their own punitive measures for non-compliance. Given that users, preparers, and regulatory agencies are members of the Board, effective voluntary compliance was generally achieved. It is expected that the legal backing which the Board now enjoys will bring about a greater level of compliance by organizations.

### **Audit Prevention, Detection of Frauds and Errors**

According to Orokwu (2015), detection and prevention of frauds and errors is an important audit object because, without achieve these, the auditor cannot achieve his primary audit objective. In order to detect errors the auditor takes care in the performance of his duties.

Detection of material frauds and errors as an incidental objective of independent financial auditing flows from the main objective of determining whether or not the financial statements give a true and fair view. As the Statement on auditing Practices issued by the Institute of Chartered Accountants of India states, an auditor should bear in mind the possibility of the existence of frauds or errors in the accounts under audit since they may cause the financial position to be misstated. Fraud refers to intentional misrepresentation of financial information with the intention to deceive. Frauds can take place in the form of manipulation of accounts, misappropriation of cash and misappropriation of goods. It is of great importance for the auditor to detect any frauds, and prevent their recurrence. Errors refer to unintentional mistake in the financial information arising on account of ignorance of accounting principles i.e. principle errors, or error arising out of negligence of accounting staff i.e. Clerical errors.

Types of Errors: Error of Principle, Errors of omission, Errors of commission, Errors of duplication and Compensating Errors.

Detection and prevention of frauds Frauds are the intentional mistakes. These are the deliberate errors or mistakes or misapplication of accounts for the purpose of inducing other person. The auditor cannot do anything directly for the prevention of errors and frauds. After completing the audit work the auditor can advise his client by making some suggestions regarding way to prevent frauds in future. The suggestions can be improvement in internal control system and change in accounting system.

**Types of Frauds:** These are intentional errors and wanted misrepresentations and failure to disclose the materialistic facts to the transactions in the books of accounts. Such as:

- Misuse of Cash: Being Cash is the highly exploitation asset in the business, auditor check receipts and payments of cash in order to detect and prevent cash embezzlement of cash.
- Misappropriation of Goods: Fraud of good is critical to detect. The auditor should take care to prevent these, should check sales, purchases, stocks properly.
- Forgery Vouchers: These are the fake evidences produced to auditor in the process of auditing. Such must be identified by the auditor.

### **Organization Performance**

According to Richard (2019), organization performance comprises the actual output or results of an organization as measured against its intended outputs (or goals and objectives). In organization performance encompasses three specific areas of firm outcomes: financial performance (profits, return on assets, return on investment, etc.); product market performance (sales, market share, etc.); and shareholder return (total shareholder return, economic value added, etc). Organizational effectiveness captures organizational performance plus the myriad internal performance outcomes normally associated with more efficient or effective operations and other external measures that relate to considerations that are broader than those simply associated with economic valuation (either by shareholders, managers, or customers), such as corporate social responsibility.

According to Ondieki (2022), suggested five major areas in which a firm's financial performance can be assessed. These areas include liquidity, Productivity, profitability, financial efficiency and repayment capacity. The term is used as a general measure of a firms overall financial health over a given period of time and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation. There are many ways to measure financial performance but all measures should be taken in aggregation. Line items such as revenues from operations, operation income or cash flows from operations can be used as well as total unit sales furthermore the analyst or investor may wish to look deeper into financial statements and seek out margin growth rate or any declining debt.

### **Measurement of Performance in Public sector**

Measurement of public sector performance or performance appraisal refers to the act of appraising or evaluating firms performance during a given performance period to determine how well an organization has performed relative to set objectives or goals (Mohammed & Isahem, 2022). According to Doris and Jordan (2019), public sector Performance is the process of collecting, analyzing and/or reporting information regarding the performance of organization systems or components. Lawrence and Mautz (2023), outline seven corporate performances in indices: profitability, firms growth and sustainability, operations cost effectiveness, achievement of set goals and objectives, timeliness of financial reports and other reports, effective information system, effective internal control system and productivity.

## **Audit and Performance of Public sector**

Auditing (both internal and external) is a measurement of performance in the public sector. Many public sector audit activities and reporting relationships exist among different jurisdictions and in different forms of government. The key point, however, is that public sector audit activities must be configured appropriately to enable public sector entities to fulfill their duty to be accountable and transparent to the public while achieving their objectives effectively, efficiently, economically, and ethically.

State owned companies and institutions are required by law in several jurisdictions to have their affairs examined by a public sector auditor. In many countries, public sector audits are conducted under the supervision of the auditor general which is an institute responsible for strengthening public sector accountability and governance and promoting transparency (Nwannebuike & Eugene, 2016).

## **Theoretical Review**

### **Agency Theory**

Agency theory is extensively employed in the accounting literature to explain and predict the appointment and performance of external auditors. Adams (1994) argues that agency theory also provides a useful theoretical framework for the study of the internal auditing function. Proposes that agency theory not only helps to explain and predict the existence of internal audit but that it also helps to explain the role and responsibilities assigned to internal auditors by the organization, and that agency theory predicts how the internal audit function is likely to be affected by organizational change. Agency theory is a useful economic theory of accountability, which helps to explain the development of the audit. Audits serve a fundamental purpose in promoting confidence and reinforcing trust in financial information. The principal-agent relationship, as depicted in agency theory, is important in understanding how the audit has developed.

Principals appoint agents and delegate some decision-making authority to them. In so doing, principals place trust in their agents to act in the principals' best interests. However, as a result of information asymmetries between principals and agents and differing motives, principals may lack trust in their agents and may therefore need to put in place mechanisms, such as the audit, to reinforce this trust. Concern about trust and the reliability of financial information helps to explain why the audit is seen as an important mechanism for shareholders to help ensure that the directors are running the company in the shareholders' best interests. This theory no doubt relates to this study as it helps to explain the functions of internal auditors which if methodically applied would help to detect and prevent fraud in the private sector especially, in the manufacturing companies in Nigeria.

In Anderson, Francis and Stokes (1993), Agency theory describes firms as necessary structures to maintain contracts, and through firms, it is possible to exercise control which minimizes opportunistic behaviour of agents. In order to harmonize the interest of the agent and the principal, a comprehensive contract is written to address the interest of both the agent and the principal; they also explain that the relationship is further strengthened by the principal employing an expert to monitor the agent. Although internal auditors are employed by senior management, they are at the same time also agents of the board and audit committee who trust in the internal auditors' ability to evaluate senior management works. It follows that internal auditors must perform audit processes at the professional level requiring education and professional certificates, experience and other competences needed to perform their responsibilities correctly.

Some of the philosophy and approach of internal auditing is derived from the work of Lawrence Sawyer (1911 - 2018), often referred to as "the father of modern internal auditing". His philosophy and guidance on the role of internal audit was a forerunner of the current definition of internal auditing. It emphasized assisting management and the Board in achieving the organization's objectives through well-reasoned audits, evaluations, an analysis of operational areas he encourage the modern internal auditor to act as a counselor to management rather than as an adversary.

Sawyer saw auditors as active players influencing events in the business rather than criticizing all degrees of errors and mistakes. He also foresaw a more desirable auditor future involving a stronger relationship with members of Audit Committee and the Board and a divorce from direct reporting to the Chief Financial Officer. Sawyer often talked about "catching a manager doing something right" and providing recognition and positive reinforcement. This paradigm shift is the focus of modern internal auditing. There is a difference, known as the 'Perception Gap' between the public and the auditing profession in relation to an auditor's duty regarding fraud and irregularities. The auditors see their duty as: the independent examination of an expression of opinion on the financial statement of an organization by an appointed auditor in pursuance of that appointment and in personnel with any relevant statutory obligation. The emphasis is on the financial statements. However, the public, including much of the business community, tend to see an auditor's duties primarily in terms of the detection, and possibly prevention, of fraud and irregularities.

Proper administration of any organization is solely dependent on the management which ensures the effective and efficient utilization of the limited resources available to it through proper planning and controls to ensure the realization of corporate objectives. Managers therefore, need to be made aware of the need for effective and efficient auditing and accountability in the corporate organizations. This is mainly due to increased pressures placed on organizations due to the restrictions on funds and the need to ensure good value for money that exists within organizations. The demand for improved accountability and greater transparency in the private sector has resulted in a call for more information about government programs and services.

The Internal audit is an integral part of the finance structure of any public organization and internal audit function is not limited to the operation of any particular function within an organization. Rather, it is all-embracing and accordingly is structured in the organization as a separate entity responsible only to a high level of management. As Okezie (2021) puts it, the main objective of internal auditing is "to assist management in the effective discharge of their responsibilities by furnishing them with analysis, appraisal, recommendations and pertinent comments concerning the activities reviewed". Internal auditing which is often seen as constituting a large and significant aspect of Internal audit is a managerial tool which function by examining, evaluating and reporting on the adequacy of internal control and contribution to the proper economic, efficient and effective use of resources within an organization, (Oladipupo, 2015). This study therefore, will rely on the theory of internal auditing as conceived by Lawrence Sawyer, as we examine the internal audit practices and fraud in the manufacturing firms in Nigeria.

### **Related Empirical Studies Review**

Most audit professionals argue that an effective audit public organizations correlates with financial performance. According to Orukwo (2020), 'auditing and performance of government enterprises: an effective application of audit standards can particular help reduce overhead, identify ways to improve efficiency and maximize exposure to possible losses and inadequately safeguarded public organization assets. Similarly, Nwannebuike and Eugene (2016), 'evaluation of effectiveness of external audit in the Nigerian public sector': had stated that external audit is an "invaluable tool for detecting financial fraud, errors weak corporate governance and informing the company and its financial report users from disaster by publishing such findings. Thus making the organization function efficiently and effectively to increase stakeholders' value". Waring and Stephen (2023), in their study on 'public sector performance auditing in developing countries': concluded that audit acts as a watchdog, has saved the government owned organizations from malpractices and irregularities thus enable them to achieve objectives of ensuring high level of productivity, better service and profit.

On the contrary Akinsanya & Saidin (2022), in his study empirical evidence of the moderating effect of effective audit committee on audit experience in the public Sector concluded that, public entities audit is mostly forged and manipulated, therefore not in line with standards or legislations. He added, is a mere fulfillment of bureaucracy. He explained that government owned entities are

intended to be insulated from politics however; they are linked with politicians through the powers vested in the respective Presidents, Ministers, Commissioners or Governors. These powers include power to appoint the Chairmen, Chief Executive Officers and members of the boards as well as power to offer advice or suggestions or make requests. He contends that board members of public parastatals, agencies and corporations in Nigeria are appointed not because of any requisite experience but largely because of political reliability. Hence, board members not only interfere with corporate management but also use their positions to promote the interests of their favorites with dire consequences for the enterprise's performance.

## METHODOLOGY

The Research design used was survey design. The study adopted questionnaire method of instrumentation with a population of 170 and sample size of 119 staff comprising: Top management staffs, Accountants, other employees, Internal Auditors / Audit departments, and Public Relation Officers / Department of public sector organizations. The data were analyzed and interpreted in tabular discussion by simple percentage analyses while the hypotheses were tested using Chi-square ( $\chi^2$ ) statistical technique.

The results of the study were subjected to statistical tests by the application of the "chi-square  $\chi^2$ " and the statistical significance of those hypotheses at 0.05 level of significance.

The chi-square is represented by the formula:

$$\chi^2 = \frac{\sum(F_o - F_e)^2}{F_e}$$

Where;

$\chi^2$	=	Chi-square
F <sub>o</sub>	=	Observed Frequency
F <sub>e</sub>	=	Expected Frequency
$\Sigma$	=	Summation or Total sum

The critical value or table to arrive at the degree of freedom will be derived using the formula;

Df = (R-1) (C-1) at 0.05 level of significance.

Df = Is the degree of freedom

R = Is the number of rows

C = Is the number of columns

1 = Is constant

Decision Rule: The null hypothesis is accepted if the computed value of  $\chi^2$  is less than the tabulated value from the chi-square table. Similarly, the alternative hypothesis is accepted if the computed value  $\chi^2$  is greater than the critical value of  $\chi^2$ .

## Data Presentation, Analysis and Results Interpretation

### Analyses of Research Question One

To what extent auditing standards and legislations affect timeliness of financial report in state-owned parastatals?

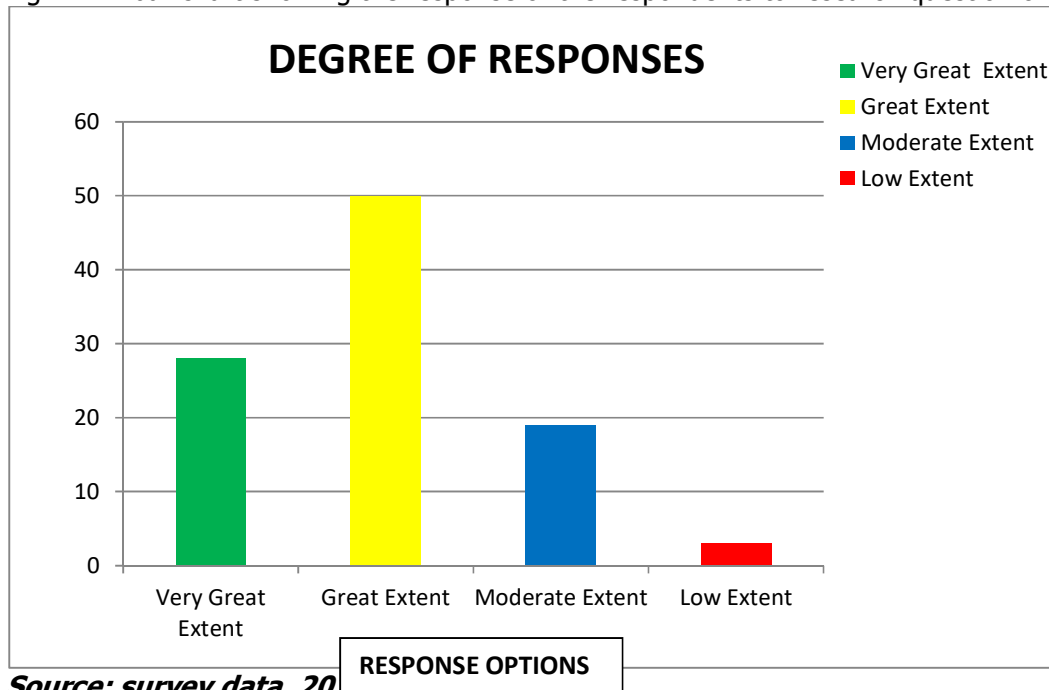
This research question was analyzed based on the responses of the questionnaire section B, questions 1-4.

#### PERCENTAGE RATE OF RESPONSES

1. Very Great Extent	=	$\frac{31 \times 100}{109}$	$\frac{=38\%}{1}$
2. Great Extent	=	$\frac{54 \times 100}{109}$	$\frac{=50\%}{1}$
3. Moderate Extent	=	$\frac{21 \times 100}{109}$	$\frac{=19\%}{1}$

$$4. \text{ Low Extent} = \frac{3 \times 100}{109} = 3\%$$

Fig 4.1: A bar chart showing the response of the respondents to research question one.



Source: survey data, 20...

Figure 4.1 above shows that 28% (31 respondents) indicated very great extent, 50% (54 respondents) indicated great extent, 19% (21 respondents) indicated moderate extent and 3% (3 respondents) indicated low extent that auditing standards and legislations affect timeliness of financial report in state-owned parastatals.

### Analyses of Research Question Two

To what extent does audit prevention, detection of frauds and errors affects growth and sustainability of state-owned parastatals?

This research question was answered based on the responses of the questionnaire section B, questions 5-8.

#### PERCENTAGE RATE OF RESPONSES

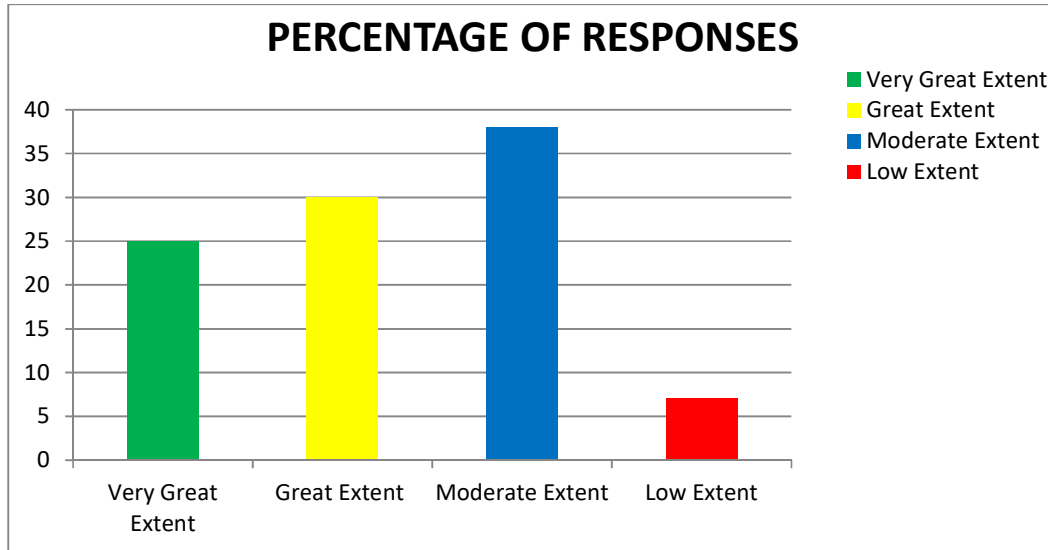
$$1. \text{ Very Great Extent} = \frac{27 \times 100}{109} = 25\%$$

$$2. \text{ Great Extent} = \frac{33 \times 100}{109} = 30\%$$

$$3. \text{ Moderate Extent} = \frac{41 \times 100}{109} = 38\%$$

$$4. \text{ Low Extent} = \frac{8 \times 100}{109} = 7\%$$

Fig 4.2: A bar chart showing the response of the respondents to research questions two.



**Source: survey data, 2024.**

Figure 4.2 above shows that 25% (27 respondents) indicated very great extent, 30% (33 respondents) indicated great extent 38% (41 respondents) indicated moderate extent and 7% (7 respondents) indicated low extent of how audit prevention, detection of frauds and errors affects growth and sustainability of state

**RESPONSE OPTIONS**

**Test of Hypotheses**

**Hypothesis one:**

Null hypothesis (HO<sub>1</sub>): Auditing standards and legislations do not significantly affect timeliness of financial report in state-owned parastatals.

Statistical Tool: Chi-square (x<sup>2</sup>)

Level of Significance: 0.05

Degree of Freedom: (R-1) (C- 1)

Rejection Region: Reject HO<sub>1</sub> if x<sup>2</sup> calculated is greater than x<sup>2</sup> critical value, otherwise accept.

**Table 1 Chi-Square contingency table**

OPTIONS	RESPONDENTS										TOTAL
	Top Management Staff		Accountants		Other Employees		Auditors/ Audit Dept.		P.R.O / Dept.		
	Fo	Fe	Fo	Fe	Fo	Fe	Fo	Fe	Fo	Fe	
V. Great Extent	9	6.26	3	4.83	11	6.83	4	6.54	4	6.54	31
Great Extent	6	10.8	12	8.42	5	10.9	14	11.39	17	11.39	54
Moderate Extent	7	4.24	2	3.28	7	4.62	3	4.43	2	4.43	21
Low Extent	0	0.61	0	0.47	1	0.66	2	0.63	0	0.63	3
TOTAL	22		17		24		23		23		109

**Source: survey data, 2024.**

**Table 1 Computation of Chi-Square Table Observed Frequency And Expected Frequency**

Fo	Fe	Fo-Fe	(Fo-Fe) <sup>2</sup>	(Fo-Fe) <sup>2</sup> /Fe
9	6.26	2.72	7.51	1.20
3	4.83	-1.83	3.34	0.69
11	6.83	4.17	17.39	2.55
4	6.54	-2.54	6.45	0.99
4	6.64	-2.54	6.45	0.99
6	10.80	-4.90	24.01	2.22
12	8.42	3.58	12.82	1.52
5	10.90	-5.90	34.81	3.19
14	11.39	2.61	6.81	0.59
17	11.39	5.61	31.47	2.76
7	4.24	2.76	7.62	1.80
2	3.28	-1.28	1.64	0.50
7	4.62	2.54	6.44	1.39
3	4.43	-1.43	2.04	0.46
2	4.43	-2.43	5.90	1.33
0	0.61	-0.61	0.37	0.61
0	0.47	-0.47	0.22	0.47
1	0.66	0.34	0.12	0.18
2	0.63	1.37	1.88	2.98
0	0.63	-0.63	0.40	0.63
<b>TOTAL</b>				<b>27.05</b>

**Source: survey data, 2024.**

To get our critical value, we need to get our degree of degree of freedom first, thus:  
(R-1) (C-1)

$$\begin{aligned}
 &= (5-1) (4-1) \\
 &= 4 \times 3 = 12 \\
 &= \chi^2_{tab. 0.05} = 21.03
 \end{aligned}$$

Therefore:  $\chi^2$  calculated  $> \chi^2$  critical

$$\chi^2 \text{ Calculated } 27.05 > \chi^2 \text{ critical } 21.03$$

**Decision rule:** Since  $\chi^2$  calculated is greater than  $\chi^2$  critical, we therefore reject  $H_0$  and accept  $H_a$  which states that applicable auditing standards and legislations significantly affect timeliness of financial reporting in state-owned parastatals.

**Conclusion:** It was concluded that applicable auditing standards and legislations significantly affected timeliness of financial reporting in state-owned parastatals.

#### **Hypothesis two:**

Null hypothesis  $H_0$ : Audit prevention, detection of frauds and errors do not significantly affect growth and sustainability of state-owned parastatals.

Statistical Tool: Chi-square ( $\chi^2$ )

Level of Significance: 0.05

Degree of Freedom: (R-1) (C-1)

Rejection Region: Reject  $H_0$  if  $\chi^2$  calculated is greater than critical value, otherwise accept.  $\chi^2$

**Table 2: Chi-Square Contingency Table**

OPTIONS	RESPONDENTS										TOTAL
	Top Management Staff		Accountants		Other Employees		Auditors/ Audit Dept.		P.R.O / Dept.		
	Fo	Fe	Fo	Fe	Fo	Fe	Fo	Fe	Fo	Fe	
V. Great Extent	4	5.44	1	4.21	8	5.94	5	5.70	9	5.70	27
Great Extent	12	6.70	9	5.15	5	7.25	3	7.57	4	7.57	33
Moderate Extent	4	8.28	7	6.39	7	9.03	14	8.65	9	8.65	41
Low Extent	2	1.61	0	1.25	4	1.76	1	1.69	1	1.69	8
TOTAL	22		17		24		23		23		109

**Source: survey data, 2024.**

TABLE 4.5 COMPUTATION OF CHI-SQUARE TABLE OBSERVED FREQUENCY AND EXPECTED FREQUENCY

Fo	Fe	Fo-Fe	(Fo-Fe) <sup>2</sup>	(Fo-Fe) <sup>2</sup> /Fe
4	5.44	-1.44	2.07	0.38
1	4.21	-3.21	10.30	2.45
8	5.94	2.06	4.24	0.71
5	5.70	-0.70	0.49	0.09
9	5.70	3.30	10.89	1.91
12	6.70	5.30	28.09	4.19
9	5.15	3.85	14.82	2.89
5	7.27	-2.27	5.15	0.71
3	7.57	-4.57	20.88	2.76
4	7.57	3.57	12.74	1.68
4	8.28	-4.28	18.32	2.21
7	6.39	0.61	0.37	0.06
7	9.03	-2.03	4.12	0.46
14	8.65	5.35	28.62	3.30
9	8.65	0.35	0.12	0.01
2	1.61	0.36	0.13	0.08
0	1.25	-1.25	1.56	1.25
4	1.76	2.24	5.02	2.85
1	1.69	-0.69	0.48	0.28
1	1.69	-0.69	0.48	0.28
TOTAL				28.55

**Source: survey data, 2024.**

To get our critical value, we need to get our degree of freedom first, thus:  
(R-1) (C-1)

$$\begin{aligned}
 &= (5-1) (4-1) \\
 &= 4 \times 3 = 12 \\
 &= \chi^2_{tab. 0.05} = 21.03
 \end{aligned}$$

Therefore:  $\chi^2$  calculated  $> \chi^2$  critical

$\chi^2$  Calculated 28.55 >  $\chi^2$  critical 21.03

**Decision rule:** Since  $\chi^2$  calculated is greater than  $\chi^2$  critical, we therefore reject  $H_{01}$  and accept  $H_{a1}$  which states that audit prevention, detection of frauds and errors significantly affect growth and sustainability of state-owned parastatals.

**Conclusion:** It was concluded that audit prevention, detection of frauds and errors has significantly affected growth and sustainability of state-owned parastatals.

### Summary of Findings

Based on the findings as analyzed and interpreted in this chapter, we discovered that:

1. Auditing standards and legislations significantly affected timeliness of financial reporting in state-owned parastatals.
2. Audit prevention, detection of frauds and errors has significantly affected growth and sustainability of state-owned parastatals.

### Discussion of Findings

From the various analyses of this research, these are the findings;

The research hypothesis one showed that there auditing standards and legislations has greatly affected timeliness of financial reporting in state-owned parastatals. This finding is in consonance with Orukwo (2020), auditing and performance of government enterprises: an effective application of audit standards can in particular help reduce overhead, identify ways to improve efficiency and maximize exposure to possible losses and inadequately safeguarded public organization assets.

The second hypothesis find out that audit prevention, detection of frauds and errors has moderately affected growth and sustainability of state-owned parastatals. This was in corroboration with Nwannebuike and Eugene (2016), which stated that external audit, is an invaluable tool for detecting financial fraud, errors weak corporate governance and informing the company and its financial report users from disaster by publishing such statements.

### CONCLUSION

Managers of public sector organizations should ensure an economical management of public funds in the public sector through adequate due process mechanism in order to improve the management of public funds in Rivers state. Effective and professionally known external auditors should be hired to independently evaluate and examine books and accounts of public organizations and express an unbiased view on accounts audited. An up-to-date bookkeeping system should be set in place. Such as modern computerized and contemporary systems of accounting. Public organizations employ qualified and proficient accounting staffs for better public fund management. Finally public organizations internal auditors should ensure more effective internal control system.

### RECOMMENDATIONS

Based on the findings of the study the following recommendations are made:

1. Civil service commission should refuse to accept any known political party card carrying members to be appointed as managers or top staff in public organizations.
2. Public organization managers should adhere to the civil servant principle of non partisan in order to curtail embezzlement of public funds.

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### Questionnaire Section B:

#### INSTRUCTION: Please tick only one option.

1. Does your organization bookkeeping methods in line with legislations or auditing standards?

A. Very Great Extent

B. Great Extent

C. Moderate Extent

D. Low Extent

2. To the best of your knowledge, audited accounts of your organization are not regulatory and objectively reported?
- |                      |                          |                 |                          |
|----------------------|--------------------------|-----------------|--------------------------|
| A. Very Great Extent | <input type="checkbox"/> | B. Great Extent | <input type="checkbox"/> |
| C. Moderate Extent   | <input type="checkbox"/> | D. Low Extent   | <input type="checkbox"/> |
3. Does your organization bookkeeping methods or standards effective for timely accounting reporting?
- |                      |                          |                 |                          |
|----------------------|--------------------------|-----------------|--------------------------|
| A. Very Great Extent | <input type="checkbox"/> | B. Great Extent | <input type="checkbox"/> |
| C. Moderate Extent   | <input type="checkbox"/> | D. Low Extent   | <input type="checkbox"/> |
4. To what extent do untimely financial reports affect the performance of the parastatal?
- |                      |                          |                 |                          |
|----------------------|--------------------------|-----------------|--------------------------|
| A. Very Great Extent | <input type="checkbox"/> | B. Great Extent | <input type="checkbox"/> |
| C. Moderate Extent   | <input type="checkbox"/> | D. Low Extent   | <input type="checkbox"/> |
5. To what extent has auditors' prevented, detected of frauds and errors in your parastatal?
- |                      |                          |                 |                          |
|----------------------|--------------------------|-----------------|--------------------------|
| A. Very Great Extent | <input type="checkbox"/> | B. Great Extent | <input type="checkbox"/> |
| C. Moderate Extent   | <input type="checkbox"/> | D. Low Extent   | <input type="checkbox"/> |
6. Does audit prevention, detection of frauds and errors enhanced profitability in parastatals?
- |                      |                          |                 |                          |
|----------------------|--------------------------|-----------------|--------------------------|
| A. Very Great Extent | <input type="checkbox"/> | B. Great Extent | <input type="checkbox"/> |
| C. Moderate Extent   | <input type="checkbox"/> | D. Low Extent   | <input type="checkbox"/> |
7. To what extent does audit test effective in management of public parastatals?
- |                      |                          |                 |                          |
|----------------------|--------------------------|-----------------|--------------------------|
| A. Very Great Extent | <input type="checkbox"/> | B. Great Extent | <input type="checkbox"/> |
| C. Moderate Extent   | <input type="checkbox"/> | D. Low Extent   | <input type="checkbox"/> |
8. Public auditing has not been effective in prevention and detection of fraud and errors?
- |                      |                          |                 |                          |
|----------------------|--------------------------|-----------------|--------------------------|
| A. Very Great Extent | <input type="checkbox"/> | B. Great Extent | <input type="checkbox"/> |
| C. Moderate Extent   | <input type="checkbox"/> | D. Low Extent   | <input type="checkbox"/> |
9. To what extent has the application of value for money audit enhanced productivity of public sector organizations?
- |                      |                          |                 |                          |
|----------------------|--------------------------|-----------------|--------------------------|
| A. Very Great Extent | <input type="checkbox"/> | B. Great Extent | <input type="checkbox"/> |
| C. Moderate Extent   | <input type="checkbox"/> | D. Low Extent   | <input type="checkbox"/> |
10. To what extent does the application of value for money audit enhanced public trust in public sector organizations?
- |                      |                          |                 |                          |
|----------------------|--------------------------|-----------------|--------------------------|
| A. Very Great Extent | <input type="checkbox"/> | B. Great Extent | <input type="checkbox"/> |
| C. Moderate Extent   | <input type="checkbox"/> | D. Low Extent   | <input type="checkbox"/> |
11. Value for money audit has not really ensured service delivery public sector organizations?
- |                      |                          |                 |                          |
|----------------------|--------------------------|-----------------|--------------------------|
| A. Very Great Extent | <input type="checkbox"/> | B. Great Extent | <input type="checkbox"/> |
| C. Moderate Extent   | <input type="checkbox"/> | D. Low Extent   | <input type="checkbox"/> |
12. To what extent does value for money audit affects productivity?
- |                      |                          |                 |                          |
|----------------------|--------------------------|-----------------|--------------------------|
| A. Very Great Extent | <input type="checkbox"/> | B. Great Extent | <input type="checkbox"/> |
| C. Moderate Extent   | <input type="checkbox"/> | D. Low Extent   | <input type="checkbox"/> |