



# The Independence of Supreme Audit Institution in Mitigation Financial Fraud in Nigeria

Adetula Samuel Lanrewaju <sup>a++\*</sup>,  
Osho Augustine Ejededawe <sup>b++\*</sup> and Egbekun Elijah <sup>c#</sup>

<sup>a</sup> Department of Accounting, Achievers University, Owo, Nigeria.

<sup>b</sup> Department of Accounting, Olusegun Agagu University of Science and Technology, Okitipupa, Nigeria.

<sup>c</sup> Office of the Ondo State, Akure, Nigeria.

## Authors' contributions

This work was carried out in collaboration among all authors. All authors read and approved the final manuscript.

## Article Information

DOI: 10.9734/AJEBA/2024/v24i11226

### Open Peer Review History:

This journal follows the Advanced Open Peer Review policy. Identity of the Reviewers, Editor(s) and additional Reviewers, peer review comments, different versions of the manuscript, comments of the editors, etc are available here: <https://www.sdiarticle5.com/review-history/111147>

Original Research Article

Received: 26/10/2023

Accepted: 03/01/2024

Published: 08/01/2024

## ABSTRACT

The subject of enquiry is to ascertain the independence of Supreme Audit Institutions in mitigating financial fraud in Nigeria. Regular audits of public financial account are entrusted in the Office of the Auditor-General in Nigeria. In addition, the increase in wastages and ineffective governance by agencies of the public sector has brought enormous pressure on the supreme audit institutions. However, numerous challenges weakened the independence of Supreme Audit Institution (SAIs) to have effective performance in Nigeria. This includes insufficient funding, lack of knowledge and experience, the required enabling environment, adherence to international standards, appointment and promotion of Supreme Audit Institution (SAI) heads/leadership, among others. The argument

<sup>++</sup>Ph.D;

<sup>#</sup> Auditor-General;

<sup>\*</sup>Corresponding author: E-mail: [adetulalanre@gmail.com](mailto:adetulalanre@gmail.com);

of this study is anchored on the assumption that the process of appointing staff of the Supreme Audit Institution (SAI), deliberate under-funding of the institution and quality of external auditors hired can impair SAIs from carrying out their statutory duties effectively to achieve their set mandate. The study therefore is supported by agency theory and fraud triangle theory. Primary data source was used as data for analysis. A survey approach was used, through the administration of questionnaires to the staff in the Office of the Auditor-General, Ministries, Agencies and Boards in the Ondo State Government. A population of (200) respondents were sampled. Data analysis approach used for the test of each null hypothesis was Chi Square ( $X^2$ ). The results showed that since Nigeria's democracy began in 1999 and has persisted unabatedly, public officers have engaged in a number of corrupt practices, for which SAIs have not done a creditable job of increasing public accountability. The study comes to the conclusion that the inability of SAIs in Nigeria to carry out their deterrent and prevention functions is the reason why corrupt practices among public officials continue to occur. To enable them to serve as public officers' watchdogs, SAIs in Nigeria should have more financial, political, administrative, and organizational autonomy.

*Keywords: Financial Fraud; International congress of supreme audit institution; public account committee; supreme audit institution.*

## 1. INTRODUCTION

The United Nations (UN), through its resolutions in its 2030 Agenda for Sustainable Development Goals (SDGs) in [1] has recognised that strong and independent Supreme Audit Institutions (SAIs) have a vital role to play in strengthening citizens' trust by holding governments to account for the public funds they utilise and for the programmes they deliver. The Audit Office which is the supreme audit institution (SAI) in a Country, State or local Government as the case may be, has one head in their respective jurisdictions, often called the Auditor General of the Federation, Auditor-General for State and Auditor-General for Local Government respectively. The role of these heads of SAI is to audit parliamentary authorizations of expenditures, annual accounts of government and public bodies, and in some special occasions also undertakes compliance and performance audits, and reports its findings to the House Committee on Public Account of Parliament [2-8].

According to Transparency International [9], "the Supreme Audit Institution (SAI), which is recognized as the Office of the Auditor-General in Nigeria, is supposed to act as an impartial body tasked with determining whether public funds are used efficiently to accomplish their intended goals [10-16]. That is to say, the Office of the Auditor-General in Nigeria is responsible for carrying out routine audits of public financial accounts. Furthermore, there is a great deal of pressure on the highest audit institutions to decrease this shortfall in order to support

economic growth and good governance due to the rise in waste and poor governance by public sector organizations" [17-20].

Ijeoma & Nwifo [21] note that "a number of issues also make it harder for the Supreme Audit Institutions (SAIs) to operate independently and effectively in Nigeria. This includes, among other things, the appointment and advancement of the heads and leadership of the Supreme Audit Institution (SAI), a lack of funding, a lack of expertise and experience, the necessary supportive environment, adherence to international standards, and so on".

"To fulfill its constitutional mandate and guarantee that public funds are used appropriately, managed well, and financial reports are promptly made available to the public, the Supreme Audit Institution must be impartial and independent. Regrettably, political players' influence over the selection and advancement of Supreme Audit Institutions officers has made it more difficult for SAIs to operate independently and carry out their mandate [22-24]. The public's perception of SAI's ability to prevent and identify corruption in the Nigerian public sector and thus fight fraud has been damaged as a result. Underfunding is yet another significant problem that the SAIs must deal with" Otusanya, [25].

"The Independence of Supreme Audit Institution in Mitigation Financial Fraud in Nigeria" is aimed principally at supporting the Government in combating economic and financial fraud by empowering the Offices of the Auditor-Generals

who are the Supreme Audit Institutions in Nigeria with possible collaboration with Economic and Financial Crimes Commission (EFCC) and other anti-corruption agencies [26-33].

### 1.1 Statement of the Problem

The study examines the factors hindering the independence of supreme audit institution in mitigating financial fraud in Nigeria. Specifically, three factors were examined in this study which includes underfunding of SAI, quality of external auditors hired and the procedures of hiring the head of SAI. The study is also supported by the reports of underfunding of SAIs which is a deliberate attempt to conceal fraud and other financial irregularities that result to the bad governance in Nigeria, to the extent that the budget of the supreme audit institution is controlled by the executive arms of government. Therefore, the constitutional provision (S.85 (1) of [34] which impairs the independent of SAIs should be removed to enable its financial autonomy and this will eventually enhance the checks and balances in the accountability and transparency process.

The effect of financial crime on any organization is usually unpleasant. Financial crime in any organization leads to economic loss, loss of goodwill, loss of staff and consequently, business closure.

### 1.2 Objective of the Study

The broad objective of this study is to examine the Independence of supreme audit institution in mitigation financial fraud in Nigeria. The specific objectives are to:

- i. To examine whether the under-funding of SAIs affect their independence towards reducing financial fraud in Nigeria.
- ii. To examine whether external auditors' quality affect SAIs independence towards detection and reduction of financial fraud in Nigeria.
- iii. To examine the procedures in the appointment of top officers in the supreme audit institution.
- iv. Meanwhile, the main purpose of this study is to examine how the independence of SAI influence good governance in preventing the incidence of financial fraud to the barest minimum in Nigeria.

### 1.3 Research Questions

The following research questions are raised from the identified problem in the study so as to examine the Independence of supreme audit institution in mitigation financial fraud in Nigeria.

- (i) To what extent has underfunding of SAIs influenced the prevention of financial fraud in Nigeria?
- (ii) To what extent has external audit quality affected the detection and prevention of financial fraud in Nigeria?
- (iii) To what extent does the interference in the appointment of top officers of the Supreme Audit Institution by the political class affect the independence and prevention of financial fraud in Nigeria?

### 1.4 Hypothesis of the Study

The following null hypotheses were tested at 0.05 level of significance in the research article.

- (i)  $H_{01}$ : Under-funding of the SAIs does not significantly affect the prevention of financial fraud in Nigeria.
- (ii)  $H_{02}$ : The quality of external auditors hired by SAIs does not significantly affect detection of financial fraud in Nigeria.
- (iii)  $H_{03}$ : Appointment of top officers of SAI by the political class does not significantly affect the detection and prevention of financial fraud in Nigeria.

## 2. LITERATURE REVIEW

### 2.1 Conceptual Review

#### 2.1.1 "Audit" Services – "The Audit Universe"

"Audit" is defined in the Ondo State Government Audit Manual (2017) as an independent, unbiased systematic examination of records, documents, information and data in order to provide a sufficient basis to the auditor to conclude on the objective of the assignment, such that;

- the level of fairness of disclosure and representation made by audited entities (departments, ministries, agencies, schools, hospitals etc.) against prescripts (Accounting Framework, IPSAS)
- the level of compliance to rules and regulations (for example the PFMA).

Such an examination includes activities such as inspection, observation, recalculation, interviews, third party confirmation and analytical reviews. These activities should be carried out with a high degree of skepticism and professional judgment.

The embedded skills associated with maintaining the requisite degree of professional skepticism and demonstrating consistency in the exercise of professional judgment are acquired, first through professional training and secondly through practical coaching received from competent and knowledgeable internal mentors that are committed to the sustained development of experienced auditors that are professionally competent and confident. The auditor should compile a portfolio of evidence to illustrate the nature, timing and extent of work performed that supports his conclusion. This portfolio of evidence is referred to as Working Papers (Ondo State Government Audit Manual, 2017).

### 2.1.2 Advisory and consulting services

The Auditor-General, and the professional staff engaged for purposes that are legislatively mandated, are regarded as specialists in the public financial management sector, which as an operational environment is strictly regulated by law, international standards and oversight structures. These attributes, knowledge, expertise and experience result in ad hoc requests being made to the Auditor-General on a periodic basis to perform special assignments, which are usually specific in detail and limited in scope.

These assignments are not regarded as audits; However the results may be used in the financial audit process, especially for evaluating the risk profile of an entity. The scope, timing, timeframe and skill requirements for such ad hoc assignments are seldom generic and as such all detailed procedures etc. need to be agreed upon in advance with the party, entity or function requesting the assignment.

### 2.1.3 Operational mandate and obligations

Section 12[I] of the Ondo State Audit Law (2021) sets out in detail the duties and functions of the Auditor-General in terms of Sections 125 (1-6) of the Constitution of the Federal Republic of Nigeria (1999). This section states the Duties And Functions Of The State Auditor-General who shall perform the duties as stipulated in terms of section 125 (1-6) of the Constitution. Pursuant to

this, the Auditor-General shall audit and report on:

- (i) The accounts, financial statements and financial managements of Ministries, Departments, Agencies, State Funded Public Schools/Health Institutions, the Legislative and Judicial arms of the State Government.
- (ii) The Consolidated Financial Statements, as submitted by the Accountant-General (as provided for under the Constitution and any other Law).
- (iii) The Accounts, Financial Statements and Financial Management of all State Government Counter-part funded or donor funded projects.
- (iv) All procurement of goods and services in so far as they are funded by State Public Funds.
- (v) Performance of all State funded programmes/projects
- (vi) Pension, Gratuities and Superannuation Schemes to the extent of the States' contribution to such schemes.
- (vii) Special investigations and forensic matters.
- (viii) Classified expenditure
- (ix) Subsidy Schemes
- (x) Disaster related aid
- (xi) Environmental impact of Government projects and other related activities.
- (xii) Other emerging audit(s).
- (xiii) Such audits as may prove necessary to safeguard government assets.

### 2.1.4 Compiling the audit assertion matrix

The Ondo State Government Audit Manual (2017) states that assertions are those statements made and/or implied by management of an audited entity (DMA) regarding the reasonability of disclosure and reporting when presenting a set of Annual Financial Statements to be audited. The Annual Financial Statements as a whole i.e. Presentation and disclosure – Assets, liabilities and transactions are presented in the annual financial statements in a manner that is fair and consistently accumulated, correctly classified and presented in terms of the adopted accounting framework. The Component Specific assertions are explained below:

- (a) Completeness of Recorded Transactions: All transactions should be accounted for and recorded in source documents and Prime Books of entry. Any transactions

that are not identified and therefore not entered on a source document (or directly into the application system) are evidence of incomplete transaction.

- (b) Validity: Performance occurred Assets & Liabilities exists; all transactions actually occurred and were duly authorized with an evidence of observation(physical verification) and third party confirmation. For instance a confirmation of existence of all employees who are on duty unless on leave
- (c) Proper Amount: The accuracy of the source documents should be ascertained. Any amount captured inaccurately into the subsidiary ledgers and the processing of such transactions would entail that inaccurate (i.e. summarising, calculating, casting and posting) adjustments are made to the subsidiary or general ledger.
- (d) Proper Period ("Cut off"): Transactions are recorded in the period they occurred, in line with the accounting policy (cash basis vs accrual basis).
- (e) Regularity "Compliance": Transaction occurred without following all prescribed rules and regulations, legal requirements. Source documents and secondary supporting evidence should be available to confirm level of compliance.
- (f) Valuation: That assets and Liabilities are correctly valued as per the adopted accounting policy by applying impairment.
- (g) Disclosure ("Classification"): All transactions, assets and liabilities processed, recorded and/or accounted for in line with prevailing Accounting policy. Ensure that expenditures, Revenue, Liabilities and Assets are classified appropriately

### 2.1.5 The International Supreme Audit Institution (SAI) Architecture

The external government audit community is housed under the International Organization of Supreme Audit Institutions (2010). It offers a framework for SAIs to advance knowledge development and transfer, strengthen government auditing globally, and strengthen the professional capabilities, stature, and influence of member SAIs in their individual nations. It offers forums for government auditors from around the world to discuss issues of common concern and stay up to date on the most recent advancements in auditing as well as other relevant professional standards and best

practices through its committees, working groups, documents, and conferences. Its daily operations are overseen by the Vienna-based INTOSAI secretariat.

Every three years, the International Congress of Supreme Audit Institutions (INCOSAI) agrees on the organization's major decisions. The four primary goals or work streams of the INTOSAI Strategic Plan are as follows:

- Professional standards;
- Knowledge sharing;
- Capacity development; and
- Model international organisation.

Two important publications from INTOSAI [35] provide definitions for the term "independent SAIs." The first, referred to as the "Lima Declaration" and reached in 1977, establishes the methodological and professional parameters of the government auditing principle of independence. Thirty years later, in 2007, an agreement was reached on the second INTOSAI, also referred to as the "Mexico Declaration," which outlines eight pillars that support the independence of external government auditing. Furthermore, the International Standards for Supreme Audit Institutions (ISSAI), a set of superior standards for public sector operations that align with the International Standards for Auditing (ISA) of the private sector, were approved by INTOSAI in November 2010.

The INTOSAI [36] Capacity Building Committee is in charge of directing INTOSAI's capacity development efforts. Among this committee's primary tasks:

- i. is the creation and distribution of best practice guides for SAIs, which are available in Arabic, English, French, German, Spanish, and Russian, among other languages. Additionally, SAIs belong to the following regional SAI associations:
- ii. The French-speaking and English-speaking regional sub-groups of the African Organization of French-speaking Supreme Audit Institutions (CREFI AF) and the African Organization of Supreme Audit Institutions (AFROSAI-E) of the African Organization of Supreme Audit Institutions (AFROSAI); Arab Organisation of Supreme Audit Institutions (ARABOSAI);
- iii. The Organization of Latin American and Caribbean Supreme Audit Institutions (OLACEFS);

- iv. The Pacific Organization of Supreme Audit Institutions (PASAI);
- v. The Asian Organization of Supreme Audit Institutions (ASOSAI);
- vi. The Caribbean Organization of Supreme Audit Institutions (CAROSAI);
- vii. The European Organizations of Supreme Audit Institutions (EUROSAI); and The Organization of Latin American and Caribbean Supreme Audit Institutions.

### 2.1.6 Perpetration of financial crime

Mukoro et al. [37] posited that “financial crime includes money laundering, bribery, looting, embezzlement, fraud; tax evasion, foreign exchange malpractice and oil bunkering. Financial crimes are aggravated by financial need caused by greed, gambling, debts, business reversals, poor investments or trying to maintain a lifestyle well beyond one's means. The first and most sophisticated way to carry out a financial crime in many companies is through the manipulation of financial records and accounting in government establishment. Transparency International's verdict reflects the country's actions toward the world, including money laundering, inflated contracts, scam emails, illicit oil bunkering, ship disappearances, and more. The Nigerian economy is significantly harmed by all of these crimes”. According to Ribadu (2004), despite the government's efforts to address these crimes, many powerful people want the status quo to persist. As a result, all of these crimes persisted in the system. He emphasized that some people make their livelihoods off of corruption, and that there are others who, despite being paid to monitor the actions of the guilty, would gladly take a cut of the profits should they turn into offenders themselves. Given that the country has nothing to show for its enormous oil earnings, these financial and economic crimes pose the biggest threat to the country's economy and development.

According to Waziri (2009), corruption permeates almost every aspect of the Nigerian public sector. The Nigerian value system has been deeply ingrained with it, and with the growing public admiration for wealth, it now poses a threat to the culture. The question of how someone acquired their dubious wealth is no longer questioned by society. Transparency International Survey, which examined 146 nations for its 2004 report on global corrupt practices, ranked Nigeria as the third most corrupt nation, surpassing Bangladesh

and Haiti to the second and last spots, respectively.

As the primary source of income for the majority of oil-producing nations, the oil sector was given more attention in the Transparency International report from 2004. Owolabi (2007) reported that “Peter Eigen, the chairman of Transparency International Board of Directors, noted in 2004 that public contracting in the oil sector suffers from revenue disappearing into the pockets of local officials, middlemen, and western oil executives in oil producing countries”. He proposed that oil companies could combat corruption by disclosing information about payments they have made to state-owned and government-affiliated oil companies. The possibility of paying bribes to win oil tenders will be reduced thanks to this access to crucial information. This practice has severely damaged the oil sector in post-war and transitional economies. Eigen continued by saying that without strong anti-bribery laws, reconstruction would be destroyed by the needless transfer of funds to dishonest elites.

Corruption in Nigeria had become deeply ingrained during the lengthy period of military rule—nearly institutionalized. Under General Abacha's rule, corruption peaked. It was reported that he stole \$4–\$5 billion USD between 1994 and 1998, breaking all previous records for state theft in such a short amount of time. The rule of law was subordinated to tyranny, despotism, and impunity as law and order crumbled. According to Akomaye [38] “all law enforcement and other watchdog institutions were so compromised that they now served the corrupt instead of the needs of the society they were intended to protect. Numerous risk rating agencies determined that Nigeria was an unsafe place to make high-quality investments. Even though petrodollars were flowing freely, foreign direct investment (FDI) skyrocketed, the economy collapsed, double-digit inflation was observed, and poverty spread throughout the country, especially in the Niger Delta. This led to a number of crises that repeatedly threatened state security, including attacks by Niger Delta avengers and other social vices”.

### 2.1.7 Supreme audit institutions in Nigeria

“The Westminster system, which is in place in Nigeria, is typified by SAI interactions with the legislature. There is a close relationship between the audit report that the Public Accounts Committee (PAC) is reviewing and the SAI,

which is an essential part of parliamentary oversight. The parliament must act on the SAI's reports in order for it to be successful. The value of SAI work is substantially diminished if the legislature is unable to carry out its responsibilities. Although the office of the Auditor General is not a court of law, it may refer cases based on its findings to the appropriate legal authorities. This is an additional relational factor that affects how the office runs. The term of the auditor general is strongly protected, and removal from office typically requires an act of parliament" (Vibeke, 2005).

Odia (2014) states that "the SAI in Nigeria is headed by an auditor general because they have a hierarchical structure in place and are answerable to their office. The disproportionate authority and abuse potential of the auditor general is the main disadvantage of the Westminster system. Furthermore, if the legislature is incompetent and dishonest, it may not be able to hold the people accountable". "The legislature might not heed or support the auditor general's reports and opinions, which would make the system unworkable. The Auditor-General's financial statement must be received by the SAIs in Nigeria within ninety days. Then, the SAIs are required to submit their reports to each chamber of the National Assembly, which in turn submits them to the committee responsible for public accounts within the chamber" (ibid, 2000).

"It is instructive to note that since Nigeria shifted to democracy in 1999, there has been an increase in official corruption. This is because the SAI was deemed insufficient and Parliament did not carry out its oversight responsibilities over the rulers and apply suitable sanctions on them" (Odia, 2014).

Nigeria has seen a number of corrupt cases in the past. Recent cases include the Maina gate, where N1.3 trillion intended for pension funds was embezzled by the former head of the Presidential Task Force on Pension Reform, led by Abdurashheed Maina, under former President Goodluck Jonathan; additionally, there has been a new case of NNPC scam subsidy payments totaling \$25 billion, the Lawal gate, where N223 million intended for contract awarding under the presidential initiative on the northeast was fraudulently used by the former Secretary to the Government of the Federation, Babachir Lawal, for the purpose of cutting grass at internally displaced camps.

The Oke gate, where a substantial amount of money in both foreign and local currencies to the tune of N13 billion was fraudulently stocked in an apartment in Ikoyi that belonged to the National Intelligence Agency under the leadership of the then-DG, Ayodele Oke, is one of the high corruption cases in Nigeria that are still lingering today without progress because SAIs are weak in enhancing public accountability. The Dasuki gate, where funds meant for the purchase of military weapons / arms to fight insurgencies totaling N2.1 billion were diverted towards prosecuting the 2015 general elections by the former National Security Adviser Sambo Dasuki.

### 2.1.8 Public Accounts Committee (PAC)

In compliance with Section 85(5) of the 1999 Constitution, the Public Accounts Committee (PAC) of the House of Assembly is in charge of public accounts. According to Ogiedu and Izedonmi (2013), the PAC must discuss the Auditor-General's report, take into account all of the concerns he raised, and create a thorough report with recommendations for a subcommittee report to the entire House. The National Assembly and the States House of Assemblies have a committee that is in charge of reviewing the report from the Auditor General. Inquiries posed by the Auditor-General in his report must also be addressed by the PAC [39] The committee carries out the subsequent duties:

- To convene and discuss the reports that the Auditor General has provided to the legislature.
- To call the accounting officers before the Committee so they can respond to the Auditor-General's observations and provide clarifications.
- If necessary, to question any officer under oath.
- To carry out audit sanctions as necessary.
- To suggest to the executive branch that any officers who commit errors be subject to sanctions.
- To perform any additional tasks mandated by the legislature.

The aforementioned makes it clear that the PAC examines the Auditor General's report and recommends suitable sanctions in light of its findings. Experience, however, has demonstrated that the PAC's members do not even have a wide range of accounting and auditing expertise. Most of the time, they lack even the accounting degrees necessary to analyze the SAI report. This has had a significant

impact on the caliber of its reports because the committee's membership is more politically connected than professionally qualified to handle accounting and auditing tasks.

## 2.2 Theoretical Framework

The argument of this study is anchored on the assumption that the process of appointing SAIs head, deliberate under-funding of the institution and quality of external auditors by the SAIs can impair SAIs from carrying out their statutory duties effectively to achieve their set objectives. The study therefore is supported by agency theory and fraud diamond theory.

### 2.2.1 Agency theory

The agency theory disclosed that individual pursue their self-interest when they are delegated and entrusted with responsibilities. As stated by Abdullah and Valantine [40] "opportunistic behavior (self-interest) succumbed because the principal and the agent are having different aspirations and pursuits. This relates to the current study that Federal Government of Nigeria and the representative of the government have principal-agent relationship where the resources of Nigerian are expected to be entrusted by the Federal Government into the hands of the representatives according to constitutional provisions and financial regulations in the country. However, the principal does not have basis for trusting the agent since his interest and information are quite different from his agent. Hence, the financial regulations and constitutional authority are to regulate the actions of the Federal Government. Meanwhile, the lack of quality external auditors and under-funding of the institutions hindered the roles and responsibility of detecting fraud most especially at a time of increasing incidence of fraud which is highly questionable. This indeed creates a weakness since the Federal Government is responsible for deciding on what should be given to SAIs to perform their constitutional audit functions. This is capable of protecting their financial interest, if they are involved in any financial fraud and other irregularities. Therefore, the study argued that the influence of the politicians on the appointment of SAIs officers and the deliberate under-funding of SAIs are capable of obstructing the SAIs from uncovering fraud and as such, this constitute a threat to the independence of SAI in Nigeria. Hence the resources entrusted into the hands of the agents (the representatives) by the principal the (Federal

Government) are squandered because the same agent are responsible for appointing and providing minimal funding for the Supreme Audit Institutions".

### 2.2.2 Fraud triangle theory

According to Donald Cressey (1950) created "the concept of the fraud triangle according to which fraud can be the function of three factors- Motive, Opportunity, and Rationalization".

- (a) **Motive:** A motive is a kind of personal pressure for doing something not acceptable by the society. Individual motivation for committing any infraction is premised on such behavior as psychotic, egocentric or ideological foundations.
- (b) **Opportunity:** An opportunity is an open door for relieving the pressure in secret by violating trust. The violation may be a circumvention of internal control policies and procedures, or it may be simply taking advantage of an absence or lack of control in an organization.
- (c) **Rationalizations:** Rationalization is the justification an individual would use to commit fraud. The vast majority of individuals committing frauds are first time offenders, and don't view themselves as criminals, but rather ordinary, honest people who are just the victims of unfortunate circumstances.

The main concern of SAI is that the external auditors are basically at the last line of defense after the fraud had been committed. The scrutiny of SAI is for a limited period of time and so the employee red flags may not be of much help to SAI. However, the employee red flags are good indicators for the managers/ high officers who are watching the employees for extended period of time.

"This theory revealed that the interrelationship of the above elements can prompt an individual to commit fraud. This theory relates to this study because the Federal Government have been accused of influencing the appointment, promotion and deliberate under-funding of the SAI because of their intention to commit fraudulent acts. This is because their budget is directly controlled by the Federal Government. The influence of appointment, promotion and deliberate under-funding of the SAI to enable the coverage of fraud is a function of opportunity, self-interest, rationalization and capability. This theory support the fact that underfunding the SAI



at a time of increase in recorded cases of fraud is a deliberate action and it is like trying to use one fraud to cover others. Hence, the devices used by the politicians to cover their frauds are stemmed from the pursuance of self-interest and this self-interest is implicit in the agency and fraud diamond theories as already explained” [Lateef et al .2021].

### 3. METHODOLOGY

Primary data source was used as data for analysis. A survey approach was used, through the administration of questionnaire to the staff in the Office of the Auditor-General, Ministries, Agencies and Boards in the Ondo State Government. A population of (200) respondents where sampled, which represents 50% of the total population intended for this project and is consistent with the 5% requirement of sample size suggested by Krejcie and Morgan [41].

The 200 respondents where selected based on random and sometime judgemental sampling, this is because not all the respondents had their main offices at the central location. In the process of distributing the questionnaires, a planned but unstructured interview was conducted with some of the auditors, reason being that the auditor further took time to explain the nitti gritty behind the answers they provided and proper notes were taking by the researcher.

A survey with sampled questionnaires was carried out on the field and the concentration was at the Office of the Auditor-General and twenty ministries where both internal and external audit department/unit were conspicuous. Each ministry had a finance and audit department with irregular and unequal staff population across each ministry. The Accountant and audit staffs were used in the study based on their suitability, due proper recognition and understandability of terms used in the questionnaire, this staff could easily relate to these questions and could give appropriate feedback. Few questionnaires were given to administrative staff and it was observed they were reluctant to put pen to paper as a result of the sensitive terms used such as 'fraud'. Out of a total of 250 questionnaire, 230 where successfully distributed and 200 where received which hold a response rate of 100%.

## 4. RESULTS

### 4.1 Data Presentation

This chapter deals with the presentation, analysis and interpretation of the data collected during the

field survey. Since the data used in this research were obtained through questionnaires, it is necessary to analyse them using appropriate statistical methods so as to draw reasonable conclusions. The research hypotheses were tested using chi-square ( $X^2$ ) at 0.05 level of confidence. Each of the questions were presented in a tabular form with further analysis in percentages and meaningful interpretation given as follow.

### 4.2 Testing of Hypotheses

The following table shows the hypothesis to be tested with the questions as analysed:

Statistical test known as Chi-Square ( $X^2$ ) denoted by the following formula is used for testing the hypothesis.

$$X^2 = \frac{\sum(O - E)^2}{E}$$

Where;

$$\begin{aligned} O &= \text{Observed frequency} \\ E &= \text{Expected frequency} \\ X^2 &= \text{Chi-square} \end{aligned}$$

From the above table 80% of the questionnaires were successfully completed and returned. This depict that the society is sensitive and supportive to a meaningful research of this nature.

#### Hypothesis 1:

**Research Hypothesis:** There is strong agreement that the Supreme Audit Institution is being under-funded which would affect the prevention of financial fraud.

**Statistical Hypothesis Question:** The under-funding of the Supreme Audit Institution does not significantly affect the prevention of financial fraud.

**Null Hypothesis ( $H_0$ ):** That the under-funding of the Supreme Audit Institution does not significantly affect the prevention of financial fraud.

$$\begin{aligned} E &= 200 & = & 504 \\ \text{Degree of freedom} & = & (4-1)(2-1) & = 3 \\ \text{Level of Significance} & = & 0.05 & \\ \text{Calculated Chi-Square} & & & \\ (X^2) & = & 168 & \\ X^2 \text{ at } 0.05 & = & 7.815 & \end{aligned}$$

**Table 1. Population of respondents**

Details	Number of Questionnaires	Percentage (%)
Properly completed and returned questionnaires	200	80
Not Returned Questionnaires	50	20
Total	250	100

Source: Researchers' computation

**Table 2. There is strong agreement that the Supreme Audit Institution is being under-funded which would affect the prevention of financial fraud**

Responses	O	E	O – E	(O – E) <sup>2</sup>	X <sup>2</sup> = $\frac{\sum(O - E)^2}{E}$
Strongly Agreed	20	50	-30	900	18
Agreed	60	50	10	100	2
Disagreed	120	50	70	4,900	98
Undecided	0	50	-50	2,500	50
Total	200	200			168

Source: Researchers' Computation

**Table 3. There is strong agreement that the quality of Auditors hired would affect the prevention of financial fraud**

Responses	O	E	O – E	(O – E) <sup>2</sup>	X <sup>2</sup> = $\frac{\sum(O - E)^2}{E}$
Strongly Agreed	0	50	-50	2,500	50
Agreed	60	50	10	100	2
Disagreed	140	50	90	8,100	162
Undecided	0	50	-50	2,500	50
Total	200	200			264

Source: Researchers' Computation

**4.3 Decision**

Calculated chi-square is 168 which is higher than the table value of 7.815, hence the null hypothesis is rejected.

**Hypothesis 2:**

**Research Hypothesis:** There is strong agreement that the quality of Auditors hired would affect the prevention of financial fraud.

**Statistical Hypothesis Question:** High quality of external auditors hired will not significantly affect the detection and prevention of fraud.

**Null Hypothesis (Ho<sub>2</sub>):** That the high quality of external auditors hired will not significantly affect the detection and prevention of fraud?

$$E = \frac{200}{4} = 50$$

$$\text{Degree of freedom} = (4-1) (2-1) = 3$$

$$\text{Level of Significance} = 0.05$$

$$\text{Calculated Chi-Square (X}^2\text{)} = 264$$

$$X^2 \text{ at } 0.05 = 7.815$$

The calculated chi-square is 264 which is higher than the table value of 7.815, hence the null hypothesis is rejected.

**Hypothesis 3:**

**Research Hypothesis:** There is strong agreement that the appointment of officers of the Supreme Audit Institution by the executive may affect the detection and prevention of financial fraud.

**Statistical Hypothesis Question:** The appointment of officers of the Supreme Audit Institution by the executive may not affect the detection and prevention of financial fraud.

**Null Hypothesis (Ho<sub>3</sub>):** That the appointment of officers of the Supreme Audit Institution by the executive may not affect the detection and prevention of financial fraud.

$$E = \frac{200}{4} = 50$$

$$\text{Degree of freedom} = (4-1) (2-1) = 3$$

$$\text{Level of Significance} = 0.05$$

$$\text{Calculated Chi-Square (X}^2\text{)} = 232$$

$$X^2 \text{ at } 0.05 = 7.815$$

**Table 4. There is strong agreement that the appointment of officers of the Supreme Audit Institution by the executive may affect the detection and prevention of financial fraud**

Responses	O	E	O – E	(O – E) <sup>2</sup>	X <sup>2</sup> = $\frac{\sum(O - E)^2}{E}$
Strongly Agreed	40	50	-10	100	2
Agreed	20	50	-30	900	18
Disagreed	140	50	90	8,100	162
Undecided	0	50	-50	2,500	50
Total	200	200			232

Source: Researchers' computation

The calculated chi-square is 232 which is higher than the table value of 7.815, hence the null hypothesis is rejected.

#### 4.2 Discussion of Findings

Null Hypothesis (Ho<sub>1</sub>) states that the underfunding of the Supreme Audit Institution does not significantly affect the prevention of financial fraud. Analysis of the hypothesis proved that the calculated chi-square (X<sup>2</sup>) of 168 was higher than the table value of 7.818 at a 0.05 level of significance. Hence the null hypothesis is rejected and the alternative hypothesis is accepted. It is therefore agreed that the underfunding of the Supreme Audit Institution would significantly affect the prevention of financial fraud.

Null Hypothesis (Ho<sub>2</sub>) states what the high quality of external auditors hired will not significantly affect the detection and prevention of fraud. Analysis of the hypothesis proved otherwise as the calculated chi-square (X<sup>2</sup>) of 264 is higher than the table value of 7.818 at a 0.05 level of significance. Hence the null hypothesis is rejected and the alternative hypothesis is accepted. It is therefore proven that high quality of external auditors hired will significantly affect the detection and prevention of financial fraud.

Null Hypothesis (Ho<sub>3</sub>) that the appointment of officers of the Supreme Audit Institution by the executive may not affect the detection and prevention of financial fraud. The hypothesis proved otherwise as the calculated chi-square (X<sup>2</sup>) of 232 is higher than the table value of 7.818 at a 0.05 level of significance. Hence the null hypothesis is rejected and the alternative hypothesis is accepted. It is therefore proven that the appointment of officers of the Supreme Audit Institution by the executive will affect the detection and prevention of financial fraud.

#### 5. CONCLUSION

Without a doubt, a number of corrupt activities have flourished in Nigeria over time as a result of SAIs' inability to carry out their mandate in an efficient and effective manner. In other developed nations, SAIs have been instrumental in reducing corrupt activities. The same cannot be said of Nigeria because there are still many instances of widespread corruption there.

The Lawal gate cost ₦223 million, while the Maina gate required an investment of ₦1.3 trillion. The ₦2.1 billion Dasuki gate and the ₦13 billion Oke Gate are two high-profile corruption cases in Nigeria that continue unresolved to this day. This is partially because SAIs have not done enough to improve public accountability.

According to the study, since Nigeria's democracy began in 1999 and has continued unabatedly, public officers have engaged in a variety of corrupt practices for which SAIs have not done creditably well in terms of increasing public accountability. The study comes to the conclusion that the inability of SAIs in Nigeria to carry out their deterrent and prevention functions is the reason why corrupt practices among public officials continue to occur.

The Supreme Audit Institution should be supported by the Government in combating economic and financial fraud by empowering the Offices of the Auditor-Generals by possibly collaborating with other anti-corruption agencies. The Office of the Auditor-General should be given financial and administrative autonomy with prosecutorial powers to execute their duties.

In Nigeria, SAIs should have more financial, political, administrative, and organizational autonomy so they can function as public officers' watchdogs. This will increase public accountability and help SAIs fulfill their roles in prevention and deterrence. The Public Accounts Committee ought to supplement the functions of

the SAIs by providing sufficient suggestions regarding the SAIs' report and inviting everyone who has been found to be willing to testify under oath before them, regardless of their position.

That SAIs ought to be equipped with the fundamental infrastructures necessary for them to carry out their duties in an effective and efficient manner, as well as with sufficient personnel who are qualified to carry out their tasks and produce high-quality reports.

That stakeholders including the media, civil society, and the general public should provide SAIs with the much-needed cooperation. This will significantly contribute to providing SAIs with the much-needed assurance in fulfilling their duties.

Since the auditees have already embraced ICT in the performance of their duties, SAI staff members should be proficient in using it and other audit software. This will greatly improve public accountability.

The government of Nigeria should assist the Supreme Audit Institution in battling financial and economic fraud by giving the Offices of the Auditor-Generals, Nigeria's Supreme Audit Institutions, more authority and perhaps even collaborating with other anti-corruption organizations that have sufficient resources and the ability to bring legal action.

### COMPETING INTERESTS

Authors have declared that no competing interests exist.

### REFERENCES

1. SDG (Target 16.5), Transforming our World: The Agenda for Sustainable Development, United Nations; 2015.
2. Abiding AR. Bribing and corruption and economic development of Africa. *Researches in Financial Economics*, 2006;9(2):77-91
3. Adegbe FF, Fakile AS. Economic and financial Crime in Nigeria: Forensic accounting As antidote. *British Journal of Arts and Social Sciences*. 2012;6(1): 37-50.
4. Adegoke SO. Diagnostic Report and Action Plan – (2022 – 2027). Unpublished work in the Office of Ondo Auditor-General; 2022.

5. Adetula SL. International Accounting: Major International Accounting Organisations. Unpublished course material for 400 Level Accounting Students at Achievers University, Owo, Ondo State; 2022.
6. Auditing for Fraud Detection. Available: <https://www.mypescpe.com/!PDFdocs/5700BTEXT.PDF>
7. Cressey DR. The criminal violation of financial trust. *American Sociological Review*; 1950. Available: <https://doc.org>.
8. DFID. How to Note Two: Working with SAIs, DFID; 2005.
9. Transparency International The role of Supreme Audit Institution in fighting corruption; 2018. Available: <https://www.u4.no./publication>
10. Ijeoma NB, Nwufo CI. Impediments of the audit function in the public sector: A critical Analysis of the constraints of Auditor-General for the federation of Nigeria. *International Journal of Economics, Commerce and Management*. 2015;3(1): 1-25.
11. INTOSAI. Mexico Declaration on SAI Independence; 2007. Available: [www.intosai.org/en/portal/documents/intosai/general/limaundmexikodeclaration](http://www.intosai.org/en/portal/documents/intosai/general/limaundmexikodeclaration)
12. INTOSAI capacity building committee. Building Capacity in SAIs: A Guide; 2007.
13. INTOSAI capacity building committee. Peer Review Guide and Peer Review; 2010. Checklist – Appendix to Peer Review Guide.
14. INTOSAI Capacity Building Committee. How to Increase the Use and Impact of Audit Reports: A Guide; 2010.
15. INTOSAI capacity building committee. Human Resource Management in SAIs; 2012.
16. INTOSAI capacity building committee. Implementing the International Standards for Supreme Audit Institutions: Strategic Considerations; 2012.
17. Organisation for Economic Co-operation and Development, DAC Statistical Reporting Directives. OECD, Paris; 2010

- Available: [www.oecd.org/dac/stats/dacdirec tive](http://www.oecd.org/dac/stats/dacdirec tive).
18. Otusanya OJ. An investigation of the financial criminal practices of the elite indeveloping countries: Evidence from Nigeria. *Journal of Financial Crime*. 2012;19(2):175-206.
  19. Owolabi EA. Corruption and financial crimes in Nigeria: Genesis, trend and consequences. Lagos Business School; 2007
  20. SDG (Target 16.5), Transforming our World: The Agenda for Sustainable Development, United Nations; 2015.
  21. Balarebe, I. Economic and financial crimes commission (EFCC) and the law. Retrieved on ; 2009.  
Available: [www.efccNigeria.org](http://www.efccNigeria.org)
  22. Wisdom O. Impact of Public Sector Auditing in Promoting Accountability and Transparency in Nigeria. *Journal of Internet Banking and Commerce*. 2017;22(3):1-8.
  23. Wolfe DT, Hermanson DR. The fraud diamond: Considering the four elements of Fraud; 2004.
  24. Lateef SA, Rashid N, Farouk AU, Olanipekun WD. Does the Independent of Supreme Audit Institutions Matter on Good Governance? An Insight from Nigeria Auditor General for the Federation. *Universal Journal of Accounting and Finance*. 2021;9(4): 712-21.
  25. Otusanya JA. The role of auditors in the Nigerian banking crisis. *Accounting Businessand the Public Interest*. 2010;9(1):159-204.
  26. INTOSAI capacity building committee. Comparative Audit Programs between Supreme Audit Institutions; 2012.
  27. INTOSAI. Structure of government auditing standards.19th International Conference on New Developments in Government Financial Management; 2005.
  28. Izedomin FI, Mgbame CO. Curbing financial frauds in Nigeria, a case for forensic accounting. *African Journal of Humanities and Society*. 2011;1(12): 52-56
  29. Kasum AS. The Relevance of Forensic Accounting to Financial Crimes in Private and Public Sectors of Third World Economies: A Study from Nigeria. Proceedings of the1<sup>st</sup>International Conference on Governance Fraud Ethics and Social Responsibility; 2009.  
Available: <http://ssrn.com/abstract=138424 2>
  30. Khan MA. Role of audit in fighting corruption. In *Ethics, Integrity, and AccountabilityIn the Public Sector: Re-building Public Trust in Government through the Implementation of the UN Convention against Corruption*. Russia: Ad Hoc Group Meeting; 2008.
  31. Ojaide F. (2000). Frauds detection and prevention: the case of pension accounts. *ICAN NEWS*; 2000.
  32. Okafor B. Strategic, approach to reduction of employee, theft Fraud and embezzlement. *Nigeria Accountant*. 2004;37(4):3-5.
  33. Okoye EI, Akamobi NL. The role of forensic accounting in fraud investigation and litigation support. *The Nigerian Academic Forum*. 2009;17(1).
  34. Constitution of the Federal Republic of Nigeria; 1999.
  35. INTOSAI, Lima Declaration of Guidelines on Auditing Precepts; 1977.  
Available: [www.intosai.org/en/portal/docum ents/intosai/general/limaundmexikodeclara tion](http://www.intosai.org/en/portal/docum ents/intosai/general/limaundmexikodeclara tion).
  36. INTOSAI Capacity building committee. Introducing Professional Qualifications For Audit Staff; 2010.
  37. Mukoro DO, Yamusa O, Faboyede SO. The role of forensic accounting in frauddetection and national security. *Journal of Management Research*. 2013;5(1):5-12.
  38. Akomaye E. Nigerian experience in combating corruption. A Paper Presented at Ad-hoc Experts Group Meeting on Deeping Judiciary's Effectiveness in Combating Corruption. AddisAbaba, Ethiopial; 2007.
  39. Akenbor CO, Oghoghohomeh T. Forensic auditing and financial crime in Nigerian banks: Proactive approach. *The Business & Management Review*. 2013;4(2):48-61.
  40. Abdullah H, Valentine B. Fundamental and ethics theories of corporate governance. *Middle Eastern Finance and Economics*. 2009;(4):1-9.  
Available: <http://www.eurojournals.com /MEFE.htm>

41. Krejcie RV, Morgan DW. Determining Educational and Psychological sample size for research activities. Measurement. 1970;3(30):607-610.

---

© 2024 Lanrewaju et al.; This is an Open Access article distributed under the terms of the Creative Commons Attribution License (<http://creativecommons.org/licenses/by/4.0>), which permits unrestricted use, distribution, and reproduction in any medium, provided the original work is properly cited.

*Peer-review history:*

*The peer review history for this paper can be accessed here:*

*<https://www.sdiarticle5.com/review-history/111147>*