Journal of Accounting, Business and Finance Research
ISSN: 2521-3830
Vol. 14, No. 2, pp. 45-57, 2022
DOI: 10.55217/102.v14i2.517

Stakeholders Perception of Public Sector Performance Audit

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Abstract

This study focused on evaluating public sector audit quality on public expenditure management in Nigeria. Qualitative and quantitative research was applied and data analysed using SPSS and NVivo 10. The F-statistics of 37.611, 27.644 and 27.218 explains the variations as adequate and significant at p <0.000. The R ratios of 0.621, 0.562 and 0.559 indicate significant influence of the audit quality on agencies' expenditure management. The R-Square values of 0.385, 0.315 and 0.312 public expenditure management is influenced by audit quality. The study found significant relationship between audit qualities, agencies expenditure management, external influences on auditors that impair their independence and highlighted the absence of Audit Commission thus recommended the amendment of the Audit Act to promote yearly mandatory rendition of performance audit that addresses economy, efficiency and effectiveness (3Es) and standardized performance audit guidelines for presenting the audit reports that should be made available curtail non-audit service contracts from Agencies.

Keywords:
Audit expectation gap
Public expenditure
Medium term expenditure framework
Public sector
Transparency.

JEL Classification:
Audit Expectation Gap (M48)
Public Expenditure (H54)
Medium Term Expenditure Framework(H50)
Public Sector (H54)
Transparency (M40).

Publisher:
Scientific Publishing Institute

Received: *14 February 2022*
Revised: *18 March 2022*
Accepted: *5 April 2022*
Published: *29 April 2022*

Funding: This study received no specific financial support.
Competing Interests: The author declares that there are no conflicts of interests regarding the publication of this paper.

1. Introduction

The Nigerian state has gone into recession twice since 2015 and there is widespread unemployment among the teeming youth's population in the country. The country with gross domestic per capita estimated around 2,083 US dollars in 2020 is described as the poverty capital of the world. Uzoho citing Bismarck Rewane stated that with 93.9 people in Africa's most populous country currently living below the poverty line (Uzoho, 2021), the country can best be described as the world poverty capital.

The country is experiencing insecurity, kidnapping, banditry and terrorism all across the six geo-political zones that constitute the country. The state infrastructural facilities are abysmal and thus affect negatively the private sector as many companies and businesses have closed shops or relocated to other countries in the West African sub-region. Government agencies regulatory policies, implementation and enforcement are riddled with corruption, Ewa, Kankpang, Adu, and Agida (2017). It is an established fact that the growth in the public expenditure of a country has a positive impact on the socio-economic well-being of its citizenry as the growth in public sector expenditure is aimed to reduce poverty, enhance literacy, reduce infant mortality, enhance healthcare facilities, improve sanitation and enhance accessibility to housing and promote sustainable agriculture. In her drive for economic management and governance, Nigeria commenced the implementation of medium term fiscal framework (MTFF) in 2002. The Medium Term Expenditure Framework (MTEF) and Fiscal Strategy Paper (FSP) provided the basis for annual budget planning. MTEF and FSP consist of a macroeconomic framework that indicates fiscal targets and estimates revenues and expenditures government intend to expend, including government financial obligations in the medium term.

Government yearly expenditure is about 60% of the nation's total expenditure and so its implementation should have direct impact on the growth and wellbeing of the citizenry in the country. While over the past two decades, government yearly budget allocations have steadily increased, there is no reciprocity in the improvement in social services, poverty reduction, employment generation and infrastructural development. There is widespread corruption in the MDAs. According to Kankpang, Ewa, Oti, Inyang, and Okon (2020), in Nigeria because of socio-political and economic dynamics, there is a general upward trend in corrupt and fraudulent practices among the people as many believe power, authority and recognition can be achieved through acquisition of wealth, legally or illegally. Corruption is seen as the norm in the country (Ewa, Adesola, & Kankpang, 2019). This is evidenced by the latest Transparency International Corruption Perception Index (CPI) ranking as the country is ranked 149 in 2020 from 146 in 2019 and 136 in 2016 (Transparency International, 2021).

Polls in the developed countries indicate many citizens do not trust their government officials to act always in the public interest but they however have confidence in the independence of the Office of the Auditor General as a watchdog of the public interest and promoter of transparency and ethical behaviour in their jurisdiction, Dye and Stapenhurst (1998). The difference is the case in Nigeria where corruption is described as cancer in public institutions that are subjected to yearly audits without any material adverse audit reports and officers culpable charged to court. Is the auditor therefore really a watchman or gatekeeper?

1.1. Statement of the Problem

The Nigerian public is dissatisfied with the management of government projects as yearly budgeted funds allocated and disbursed for projects execution are expended with no justifiable outcomes. The public perception is that an unqualified opinion in audited financial statements means the entity audited has fool proof financial report devoid of fraud and misstatement. This is borne out of the firm belief that the primary function of audit is the reassurance of the credibility of the financial records and assurance of value for money on capital projects highlighting the performance of the MDAs. Regrettably, the auditors have failed in their fiduciary responsibility of certifying assurance of efficiency, effectiveness and economy on the projects undertaken by the respective MDAs. In contrast, the auditors are of the opinion that they have taken all reasonable care and acted in compliance with extant laws and existing auditing and accounting standards in ensuring that audit reports produced are adequate in content and information devoid of material misstatement and are in accordance with international best practices to highlight the true state of affairs of agencies audited and thus enhances performance. These opposing perceptions between the stakeholders and the auditors' on auditors' responsibilities and duties have thus created an expectations gap. The purpose therefore of this study is to assess the stakeholders' perception of public sector performance audit quality on public sector expenditure management in Nigeria.

1.2. Objectives of the Study

The main objective of this study is to assess stakeholders' perception of public sector performance audit quality (Audit quality) on public sector expenditure management. The sub objectives are:

1. To assess the perception that audit quality influence public sector expenditure management (transparency).
2. To determine the perception that audit quality influence public sector expenditure management (budget credibility).
3. To evaluate the perception that audit quality influence public sector expenditure management (budget drivers).

1.3. Research Question

The following research questions are thus raised in an attempt to achieve the stated objectives:

i. To what extent do audit quality influence public sector transparency?
ii. How do audit quality influence public sector budget credibility?
iii. To what extent do audit quality influence public sector budget drivers?

1.4. Research Hypotheses

The following null hypotheses are tested in the course of the research:

Ho_1 =Audit quality has no significant influence on public sector transparency.

Ho_2 = Audit quality has no significant influence on public sector budget credibility.
Ho_3 = Audit quality has no significant influence on public sector budget drivers.

2. Literature Review

2.1. Theoretical Framework

There are various theories underpinning audit of financial statements. This study is anchored on the theories of Inspired Confidence and Attribution. As stated in the theories, demand for audit services is a direct consequence of the participation of outside stakeholders in the public sector. As Limperg stated, the stakeholders (the public) demand accountability from the management (public servants/politicians in authority) of the public sector entity in return to their contribution by way of payment of taxes and returning the politicians to represent them in government. Considering the fact that information to be provided by management might be biased because of a possible divergence or conflict of interest between the interests of management and outside stakeholders, an audit of this information is of utmost importance. In the level of audit assurance required by the public, it is expected that the audit job should be executed in such a way that the expectations of a rational person are not frustrated by meeting reasonable public expectations.

2.1.1. Attribution Theory

Provides a relevant explanation for the phenomenon of auditors being blamed always. According to Mcleod (2010), this theory was propounded by Fritz Heider in 1958. Blame from socio-psychological perspective may occur when one party in a contract is of the opinion that the other party has not fulfilled his part of the contract. Here, the 'injured' party attempts to explain the cause of the unexpected outcome or behaviour thus engaging in what social psychologists call an "attribution process".

2.1.2. Theory of Inspired Confidence

The ingredients of good governance are transparency and accountability. There is inspired confidence in the public quest for this transparency and accountability in the public sector finance management through the audit report prepared by the Auditor General. The public expect the audit to provide it with the assurance that the financial information rendered is devoid of material misstatement, fraud and there is value for money in the projects and programs executed by the MDAs.

2.1.3. Audit Expectations Gap/Approaches

The way the word audit has come to have different meanings for different people is what generates the expectations gap. The public expectation on deficient performance and duties of auditors transcend behind the reality and legal framework (Lee, Gloeck, & Palaniappan, 2007; Porter & Gowthorpe, 2004). There is no generally accepted definition of the meaning of the phrase 'audit expectations gap'. This refers to the perception between what the society considers as auditors' responsibilities and what auditors' believe their responsibilities entails (Liggio, 1974).

2.1.3.1. Porter's Approach

This approach was formulated by Porter and tested in the context of private sector auditing, Porter (1993). The key objective of the study was to test and analyse the structure, composition and extent of the audit expectation- performance gap. Porter's approach looked at perceptions of current and possible duties of auditors. The study examined the opinion of auditors, auditing organisations, financial community and the general public with regards to Auditors' existing duties, the standard of performance of these duties and the duties that auditors should perform. The study revealed that twenty five suggested duties of auditors tested contributed to the audit expectation – performance gap. Six of these duties tested were due to a deficient performance, seven of the duties were due to deficient standards and seven were due to unreasonable expectations of the society. Five of the remaining duties were found to have no effect on the gap. The study in addition found that only 40 per cent of the general public were aware of or have knowledge about the duties of auditors.

2.1.3.2. The Chowdhury Approach

This approach was studied in the context of public sector auditing. Relying on an accountability based framework, Chowdhury in his exploratory study examined the existence of audit expectation gap issues in the public sector of Bangladesh, Chowdhury (1996). The approach centred on the accountability of the Auditor General to the Public Account Committee members and international funding agencies. While utilizing accountability based theory in examining whether the audit concepts of auditors independence, auditor ethics, auditors' competence, materiality, audit evidence, truth and fairness and audit performance would affect the user's perceptions on auditors reported existence of audit expectation gap in the public sector of Bangladesh with significant gaps in issues concerning auditor independence, scope of performance audit, the usefulness of the audit report, auditor competence and timeliness in audit reporting. The approach highlighted lack of independence from the ministry, absence of formal communication between auditors and the users, lack of knowledge among users about the function of the Auditor General (i.e. scope of performance audit), inadequate format and contents of the audit report, lack of auditor competence and lack of timelines in audit reporting as necessitating the gaps.

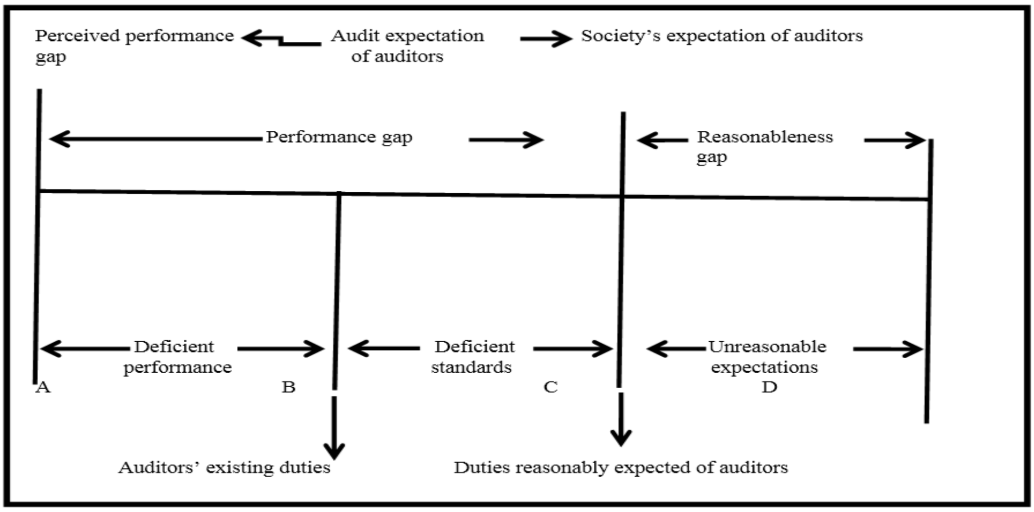

Figure 1. Shows the components of audit expectations gap.

Source: Porter (1993).

Table 1. Presents the summary of results of Porter's study on causes of audit expenditure gap.

Categories	Auditors responsibilities
Deficient performance	• Express doubts in the audit report about the company's continued existence. • Detect theft of corporate assets by company directors/senior management. • Disclose in the audit report misappropriation of company's assets by company directors/senior management. • Disclose in the audit report deliberate distortion of financial information. • Detect illegal acts by company officials which directly affect the company's accounts. • Disclose in the audit report illegal acts which directly affect the company's accounts.
Deficient standards	• Report to a regulatory authority doubts on the company's continued existence. • Report to the regulatory authority misappropriation of company's assets. • Report to a regulatory authority suspicion of fraud. • Report to regulatory authority illegal acts uncovered in the company. • Examine and report on the fairness of financial forecasts. • Audit published half-yearly company reports.
Unreasonable expectations	• Guarantee audited financial statements are accurate. • Guarantee auditing company is solvent. • Report breaches of tax laws to the IRD. • Report to a regulatory authority theft of corporate assets by non-managerial employees. • Disclose in the audited report theft of corporate assets by non-managerial employees. • Detect illegal acts by company which do not directly affect the company's accounts. • Disclose in the audit report illegal acts which do directly affect the company's accounts.
Neither existing nor expected duties	• Prepare the auditing company's financial statements. • Consider and report on the company's impact on its local community.
Duties of auditors perceived to be performed satisfactorily.	• State whether financial statements fairly reflect the company's affairs. • Ensure compliance with company legislation. • Detect deliberate distortion of financial information.

2.2. Study Proxies

The study considered three proxies; Auditor's independence, Competence and Audit report as audit concepts fashioned along the works of Chowdhury (1996) and Daud (2007). Also, the user groups for this study consist of Public Accounts Committee members of the National Assembly, auditors, and officials of auditing ministries, agencies and commissions and credit lenders who are other users of the audit reports.

2.2.1. Concept of Auditor Competence

The International Education Standard (IES 8) defined competence as "being able to perform a work role to a defined standard, with reference to real working environment". In her explanatory framework, the standard stated that competence refers to the demonstrated ability to perform relevant roles or tasks to the required standard. In other words, competence is actual demonstration of performance. The standard outlined the minimum competence requirements expected of IFAC members to obtain before they take on the role of an audit professional to include;

i. Auditors must have formal education (knowledge) relevant to audit.
ii. Must acquire professional skills, professional values, ethics and attitude. Audit professionals are expected to have sufficient knowledge of current developments in the field of audit. They need a thorough understanding of the potential ethical implications of professional and managerial decisions. They need to be aware that decision-makers can be under tremendous pressure when it comes to upholding ethical principles.

The auditors' code, published by Audit Practicing Board (APB) prescribed nine fundamental principles of independence. Competence is one of the principles and is defined as the ability to carry out professional duty with great knowledge and skills.

2.2.2. Concept of Transparency and Accountability

Accountability according to Schlenker (1997) is to be answerable to the public (audiences) in performing according to prescribed standard(s) that is relevant to fulfilling given obligations, duties, expectations and other charge. Accountability is thus relevant because agents should demonstrate to the satisfaction of the principal that they have used the powers delegated to them by the principal and achieved the agreed objectives of the organization by utilizing the resources provided by the principal effectively and efficiently.

In the public sector, accountability requires governments to answer to the citizenry to justify the sources and utilization of public resources entrusted to their care. The audit report is viewed as providing assurance about management or government representations or stewardship. The audit report is the main channel of communication to the stakeholders.

In the Public Sector, the Constitution, the 1956 Audit Ordinance Act, Financial Regulations, Finance (Control & Management) Act, the Fiscal Responsibility Act and extant circulars as may be issued by the Accountant General and the Auditor General guide the preparation and audit of the financial statements of ministries, departments and agencies (MDAs). It is worth noting that the auditing standards and guidelines outline the minimum information content and format rather than the maximum that must be incorporated in audit reports.

Whereas some shareholders would like to see more information disclosed within the audit report, auditors are restricted by consideration of confidentiality. *There is thus a wide expectation gap between the content of information required by users or stakeholders (public) and what the auditors are required to disclose in the report.*

2.2.3. Public Sector and Management

Public sector encompasses all organizations that get their funding from public sources such as fees, taxes or licenses. It covers both government departments and government enterprises. Public sector finance management is therefore the administration and management of large amounts of resources to achieve a range of public goods through public sector ministries, departments and agencies (MDAs). The sole objective of public sector entities is social service as against profit motive though individual MDAs have specific objectives for their establishment. Financial management is crucial in the public sector fund management as it ensures a systematic, efficient, transparent and legitimate application and utilization. It involves resource allocation, spending funds and accountability. Sound public sector financial management system need to have good plans and credible budgeting, good accounting system and financial regulations to control spending in line with budgetary allocation.

Public expenditure management is the wheel in which public finance management operates as income derived from taxes and fines are managed through public expenditure management. Public expenditure management (PEM) is a comprehensive expenditure policy measure formulated within a specific time frame with a view to achieving a defined set of macroeconomic objectives such as price stability, wealth creation, output growth, poverty reduction and development of infrastructure. The Public sector working group, a multi-agency partnership programme has developed the following performance indicators to use in measuring the public sector expenditure management in Nigeria.

1. Credibility of the budget. Here comparison is made between aggregate expenditure and original approved estimates, comparison between actual expenditure composition by functional classification against approved estimates, comparison between aggregate actual revenue collection and projected estimates and stock monitoring and expenditure payment arrears. Here if the deviation between actual and original approved is less than 5%, public expenditure management is credible.
2. Comprehensiveness and level of transparency of the budget: This indicator assesses six dimensions; conformity to government finance statistics (GFS) of the classification codes used in preparation of the

budget, how comprehensive is the information included in the budget documentation, how has the budget captured all significant operations of the government, the extent of unreported government operations, how transparent is the inter-governmental fiscal operations and the level of public access to government fiscal operations. The budget is considered credible if at least five of these dimensions are positively assessed in the budget.

3. The drivers of the budget (budget based policies): Here assessment is based on three dimensions: availability and adherence to a fixed budget calendar, the extent of political involvement on the preparation of budget and how prompt is the budget approved by the legislature. If at least two of these indicators are rightly implemented in a budget, the public expenditure management is adjudged credible.
4. Controllability and predictability in the budget execution: Here nine dimensions are used in assessing the performance of public expenditure management. They include: the level of transparency of the obligations and liabilities of the taxpayers, the effectiveness of the measures for tax registration and assessment, the effectiveness of tax collections, the extent of monitoring cash flows to MDAs including ceilings for expenditure by MDAs, the effectiveness of payroll controls, the competitiveness in procurement and value for money, internal control effectiveness for non-salary expenditures, the effectiveness of internal auditing of MDAs and accuracy in recording cash balances, debt and guarantees.
5. Effectiveness of the budget as it relates to accounting, recording and reporting assesses how timely and regular are government accounts reconciled, quality of budget reports and how timely they are produced, quality of government financial statements and how timely they are produced and availability of information on resources received by service delivery units.
6. External scrutiny and audit of the budget measures performance: what scope and follow-up of external audit engagement, the legislative scrutiny of government financial statements as their oversight function and legislative scrutiny of internal audit reports.

2.3. Empirical Review

Pendlebury and Shreim (1990) study which tested the attitudes of external auditors on the conduct of effectiveness auditing in the public sector of UK revealed a general agreement that performance audit activities and operations rely more on personal judgment and less on verifiable data. The study opined that the objective of effective auditing is achievable and that the composition of audit teams should be multi-disciplinary with auditors from different disciplines and that economy and efficiency rather than effectiveness is the primary motive of effectiveness auditing.

In their study examining the attitude of public sector managers and finance officers of local authorities in England and Wales, Pendlebury and Shreim (1991), the result revealed though less obvious that there were audit expectations gaps in three propositions of whether an effectiveness audit team composition should be multi-disciplinary, whether value for money (VFM) auditing is primarily concerned with economy and efficiency rather than on effectiveness and whether VFM auditing should be limited to economy and efficiency and should not cover the effectiveness. The study further discovered that the attitudes of auditors and managers in the study differed significantly in assertion regarding the appropriateness of them making personal judgments on effectiveness auditing. This assertion differs from the earlier study which suggested that judgments required in an effectiveness audit are most appropriate to be made by the auditors.

Chowdhury, Innes, and Kouhy (2005) study to identify the existence of audit expectation gap in the public sector of Bangladesh applied an exploratory approach using qualitative and quantitative research. The study revealed significant differences in the perceptions of the different categories of the study sample on the existence of expectation gap in Bangladesh collaborating the study of Chowdhury and Innes (1998).

Tanko and Dabo (2013) study on empirical analysis of audit expectation gap in Nigeria was aimed to establish the extent to which respondent groups differ in their interpretation on matters relating to auditor performance and standard of the auditing profession.

The study revealed the existence of audit expectation gap between the views of auditors and non-auditors in terms of the quality of audit reports. The study collaborated various studies carried out in Nigeria (Adeyemi & Olowookere, 2011; Adeyemi & Uadiale, 2011; Akinbuli, 2010; Olowookere & Soyemi, 2013; Otalor & Okafor, 2013).

The study also revealed the perception of quality of audit reports depends on the chartered status of the respondent. In other words, the study revealed that chartered accountants have stronger view on quality than non-chartered accountants. The study also revealed that auditors view greater improvement in the quality of company audit reports than the non-auditors. On the issue of the content of the auditor's report being improved, there was a gap between chartered accountants and non-chartered accountants. The study therefore recommended continued sensitization of the public on the responsibility of the auditors, improved communication and feedback by the auditing profession and the general public and a monitoring mechanism of auditing firms for quality control.

3. Research Methodology

A qualitative and quantitative research method was applied in the study. The purposive sampling technique was employed in selecting respondents from the national assembly, accountants, auditors and bankers. The Likert scale score of 1-5 was adopted as the items in the questionnaire are judged on a single dimension scale having equal intervals. The data was obtained through survey questionnaire while the qualitative data was obtained through interview and the data was analysed using NVivo 10 and SPSS 20.0 soft wares.

3.1. Model Specification

A multiple regression analysis model was employed to evaluate audit expectations gap on the performance of public sector expenditure management.

PSEM (PST, PSBC, PSBD) = $b_0 + b_1AC + b_2AI + b_3AR + e_i$

Where:

AC, AI, AR = Independent variables

PST, PSBC, PSBD = Dependent variables

And where,

PSEM = Public sector expenditure management

PST = Public sector transparency

PSBC = Public sector budget credibility

PSBD = Public sector budget based policies (drivers)

B_0 = Constant

B_1 = Regression coefficient

AC = Auditor competence

AI = Auditor independence

AR = Quality of audit reports

e_i = Stochastic error term

$\beta_1 - \beta_3$ = Unknown coefficients to be estimated ($\beta_0, \beta_1, \beta_2, \beta_3 \geq 0$)

3.2. A Priori Expectation

It is assumed AC, AI and AR are to be positively related to efficient PSEM. The coefficients of $\beta_1, \beta_2, \beta_3 > 0$.

4. Data Presentation

4.1. Test of Hypotheses

$H_0$1 Audit quality (AC, AI and AR) have no significant influence on PST.

H_A1 Audit quality (AC, AI and AR) have significant influence on PST.

Expectedly the means as computed in Table 2 are not the same and their spread measured in terms of standard deviation are also not the same which indicates there is variation in these variables influencing PST. The inter-variable correlations as presented in Table 3 shows the three independent variables negatively correlates significantly with the dependent variable (PST r = -0.569, -0.437 and -0.307) but positively among themselves (r = 0.700 and 0.232) except AI that correlates negatively (r = -0.193) with AR. The findings thus suggest that transparency in public sector expenditure management decreases and very significantly with AR ($p< 0.000$), AC ($p< 0.000$) and AI ($p < 0.000$) respectively. This suggests that the three variables are good predictors in the model.

The prediction model parameters were estimated and tested using F-ratio test. The results as presented in Table 4 shows computed F-value as 37.611 with probability associated with the computed F-value of less than 0.05 implying the model employed to explain the variations is adequate. Therefore the model is capable of explaining variability in the dependent variable. The Durbin-Watson of 0.504 is below 2 which imply lack of autocorrelation detected in the sample.

Table 5 shows that apart from the regression constant, AC, AI and AR are all negatively significant predictors of PST which is one of the indicators for measuring PSEM in Nigeria. AR seems however adversely stronger than AC and AI as predictors of PST. The implication of this study means AC, AI and AR as components of audit quality influences transparency and comprehensiveness of accounts which has a significant effect on the performance of government agencies in Nigeria.

The R-Square value of 0.385 in Table 4 means about 38.5percent of the variation in PST is accounted for by AC, AI and AR with a tolerable standard error of 0.830. The relative contribution of each of the independent variables to PST was estimated and tested for significance using the t-test. From the results as given in Table 5, the t-statistics are not the same for all the independent variables (i.e. AC, AI and AR). The result thus indicates that AR has significant influence on public sector expenditure management measured by PST.

Table 2. Shows the mean and standard deviation of AC, AI, AR and PST.

Variables	Mean	Std deviation
PST	26.348	1.050
AC	15.669	2.329
AI	15.832	3.348
AR	7.560	1.539

Table 3. Shows inter correlation among the variables.

Variables	PST	PSBC	PSBD	AC	AI	AR
PST	1.000			0.000*	0.000*	0.000*
PSBC		1.000		0.000*	0.004*	0.000*
PSBD			1.000	0.000*	0.000*	0.000*
AC	-0.569	0.317	0.214	1.000	0.700	0.232
AI	-0.437	0.516	-0.186	0.700	1.000	-0.193
AR	-0.307	0.047	0.461	0.232	-0.193	1.000

Note: *Significant at .05 level p< 0.05.

Table 4. Presents the model summary and analysis of variance (ANOVA) of regression.

R	R-square	Adj. R-square	Std error	R-square change	D/W
0.621	0.385	0.375	0.83001	0.385	0.504
Source of variation	Sum of squares	Df	Mean square	F	P
Regression	77.733	3	25.911	37.611*	0.000
Residual	124.000	180	0.689		
Total	201.739	183			

Note: *Significant at .05 level p< 0.05.

Table 5. Presents the regression constant and coefficients of the study variables.

Variable	Unstandardized coefficient				
	B	Std Error	Standardized coefficient	T	P
Constant	31.39	0.485		64.744*	0.000
AI	-0.139	0.043	-0.308	-3.209*	0.002
AI	-0.087	0.030	-0.277	-2.903*	0.004
AR	-0.197	0.048	-0.289	-4.132*	0.000

Note: *Significant at .05 level p< 0.05.

4.2. Testing of Hypothesis 2

H_o2 Audit quality (AC, AI and AR) have no significant influence on PSBC.
$H_1$2 Audit quality (AC, AI and AR) have significant influence on PSBC.

To test this hypothesis, multiple regression analysis was employed. The inter-variable correlations were computed using Pearson product moment formula as in Table 6. The result shows three independent variables correlated significantly with the dependent variables. The inter-correlations among the independent variables are also significant. Although this phenomenon is not desirable in a multiple regression analysis, it validates our assertion that they are all elements of AR. The significance of their correlation with the dependent variable suggests that they may be significant predictors of PSBC. This means there is a significant agreement in their variation. AI correlates positively with auditor competence but negatively with AR.

To test the significance of the independent variables' predictive ability collectively, the prediction model parameters were estimated and tested for significance using the F-ratio test which showed a result of 27.644 as stated on Table 7. The R-Square value of 0.315 in Table 7 means about 31.5percent of the variation in PSEM measured by PSBC is accounted for by AC, AI and AR with a tolerable standard error of 0.59702. The Durbin-Watson of 0.370 in Table 7 is below 2 which means there is no autocorrelation detected in the sample.

Table 8 shows AC adversely influences PSBC (p< 0.008). This suggests that PSBC in the PSEM decreases with auditors performing competently. The implication of this study means AC, AI and AR as components of audit quality influences credible PSEM. The t-test which measures the relative contribution of each of the independent variables to the prediction of PSBC was estimated and tested for significance. From the results as in Table 8, the t-statistics are not the same for all the independent variables (ie AC, AI and AR). The result shows AI and AR have a positive influence on PSBC while AC has a negative influence on PSBC. Therefore, the assertion that AR has no significant influence on PSEM measured by budget credibility is rejected.

4.3. Testing of Hypothesis 3

H_o3= Audit quality (AC, AI and AR) have no significant influence on PSBD.
H_A3= Audit quality (AC, AI and AR) have significant influence on PSBD.

Table 6. Shows the mean and standard deviation of AC, AI, AR and PSBC.

Variables	Mean	Std deviation
PSBC	13.685	0.716
AC	15.669	2.329
AI	15.832	3.348
AR	7.560	1.539

Table 7. Highlights the model summary and analysis of variance (ANOVA) of regression.

R	R-square	Adj. R-square	Std error	R-square change	D/W
0.562	0.315	0.304	0.59702	315	0.37
Source of variation	Sum of squares	Df	Mean square	F	P
Regression	29.559	3.00	9.853	27.644*	0.000
Residual	64.158	180	0.356		
Total	93.717	183			

Note: *Significant at .05 level p < 0.05.

Table 8. Presents the regression constant and coefficients of the study variables.

Variable	Unstandardized coefficient				
	B	Std error	Standardized coefficient	t	p
Constant- PSBD	11.537	0.349		33.082*	0.000
AC	-0.083	0.031	-0.27	-2.664*	0.008
AI	0.161	0.021	0.754	7.501*	0.000
AR	0.119	0.034	0.255	3.456	0.001

Note: *Significant at .05 level p < 0.05.

To test this hypothesis, multiple regression analysis was employed with PSBD as dependent variable and AC, AI and AR as independent variables. In Table 9, the means are not equal at least among the predictor variables and their spreads measured in terms of the standard deviations are also not equal. The inter-variable correlations were computed using the Pearson product moment formula. These correlation coefficients are given in Table 3 and showed the three variables correlated significantly among themselves.

To test the significance of their ability to predict PSBD, the prediction model parameters were estimated and tested using F-ratio test. The results are as presented on Table 10, the computed F-value was found to be 27.218. Likewise, the probability associated with the computed F-value is less than .05. This indicates a high model adequacy thus the model is capable of explaining variability in the dependent variable.

As can be seen in Table 11, regression constant, AC, AI and AR are all significant predictors of PSBD (drivers) as a performance proxy to measure agencies performance. AC and AR seem however stronger than AI as predictors to measure PSBD. The obtained prediction equation $Y= 13.518 + 0.050_{x1}- 0.034_{x2} + 0.039_{x3}$ implies, the ability to predict PSBD as a performance indicator depends significantly on AC, AI and AR. The R-Square value of 0.312in Table 10 implies 31.2percent of the variation in PSBD is accounted for by AC, AI and AR with a tolerable standard error of 0.19881. The Durbin-Watson in Table 10 of 0.766 is below 2 meaning no autocorrelation detected in the sample

The relative contribution of each of the variables to the prediction of PSBD measurement was estimated and tested for significance using the t-test. The results on Table 11 shows the t-statistics are not the same for all the independent variables studied. It is evident that PSBD policies which is one of the performance indicators used to measure public sector performance is significantly influenced by audit quality measured by AC, AI and AR and so the alternate hypothesis is retained in place of the null hypothesis.

Table 9. Highlights the mean and standard deviation of AC, AI, AR and PSBD.

Variables	Mean	Std deviation
PSBD	14.060	2.377
AC	15.669	2.329
AI	15.832	3.348
AR	7.560	1.539

Table 10. Presents the model summary and analysis of variance (ANOVA) of regression.

R	R-square	Adj. R-square	Std error	R-square change	D/W
0.559	0.312	0.301	0.19881	0.312	0.766
Source of variation	Sum of squares	Df	Mean square	F	P
Regression	3.228	3.00	1.076	27.218	0.000*
Residual	7.115	180	0.04		
Total	10.342	183			

Note: *Significant at .05 level p < 0.05.

Table 11. Presents regression constant and coefficients of the study.

Variable	Unstandardized coefficient				
	B	Std error	Standardized coefficient	T	P
Constant	13.518	0.116		116.402*	0.000
AC	0.050	0.010	0.493	4.851*	0.000
AI	-0.034	0.007	-0.483	-4.792*	0.000
AR	0.039	0.011	0.253	3.423*	0.001

Note: *Significant at .05 level $p < 0.05$.

5. Discussion of Findings

The findings from the participants interviewed profess various definitions of what objective of performance audit quality is. Respondents affirmed the objective as providing assurance of accountability (value for money) in the management of implementing agencies projects. They assessed the objective of performance audit as whether the agency has managed the project economically, effectively and efficiently as stated and as required in the financial regulations. Participants drawn from the legislature, banks and accountants opined not achieved, participants from the auditor group belief the set objective of assurance is met. The lack of agreement between the auditors and the other users may reflect the magnitude of the 'relative knowledge gap of the user groups' (Porter, 1993). This collaborate the study (Daud, 2007). Some performance audit reports published in the 2007 Audit Report of Federal Republic of Nigeria released in 2008 did not state the objectives of the report thus confirming the assertion of the participants outside the auditors on the matter.

Although 37 % respondents of the auditor group disagreed to the notion that officers should have a basic relevant degree to qualify as auditors, the majority in the study in the four groupings belief the possession of a relevant degree will enhance competence which in turn will produced credibility into the report. Secondly, majority of the respondents belief multi-disciplinary audit team will enhance quality of report but 42% respondents from the auditor group as well as 14percent from the bankers group are of the opinion that experts in relevant fields may be drawn under special assignment instead of their being part of the audit team permanently. This findings is consistent with the findings of Daud (2007); Pendlebury and Shreim (1990). However, according to the International Standards of Supreme Audit Institutions (ISSAI) 200 dealing with government auditing, Supreme Audit Institutions (SAI) should recruit personnel with suitable qualifications which it explained as "suitable academic qualification and be equipped with appropriate training and experience". It did however add an addendum that the SAI should establish and regularly review minimum educational requirements for the appointment of auditors. Also, the standard stated "…identify the skills which are absent; provide a good distribution of skills to auditing tasks…". Therefore, it is the discretion of the SAI to determine the minimum educational requirement as well as the multi-disciplinary team-need at any given period.

This is in agreement with INTOSAI (ISSAI 200) which states "develop and train SAI employees to enable them perform their tasks effectively, and to define the basis for the advancement of auditors and other staff".

On whether auditors should have ability, skill and knowledge of public sector project management, majority of the respondents are of the opinion that auditors auditing public sector entities should have the ability and skill to analyse complex data, possess investigative mentality and thorough knowledge of public sector project management.

On interference from management and external influence on auditor independence thus impacting on the performance of public sector agencies, majority of the respondents including auditors' group belief there is great interference from both the agency management and outsiders which influences the auditors and impaired their work. This strong consensus among users of audit report is perhaps the outcome of their direct interaction or observation on auditors work during the audit examinations and based on the issues reported in the audit reports which correspond to their expectations. This assertion is collaborated by the outcome of the oral interviews where except the auditor group, other groups belief auditors are under influence from outside. This result is in line with the works of Daud (2007); Ewa et al. (2017). Similarly, majority of the respondents' belief the remuneration paid for non-audit services by agencies to their auditors influences the auditors' actions and impair their independence. This is collaborated from the oral interviews results where participants are of the opinion that independence of the auditor is impaired by their involvement in rendering non-audit services because of the pecuniary benefits arising thereof. In contrast auditor participants in the oral interview are of the opinion that the auditors' independence will not be impaired by rendering non-audit services. This is collaborated in the result of the survey as 44 per cent respondents from the auditor group disagreed to the notion that auditors decision making process is compromised by remunerations obtained from non-audit services they provide to audited agencies. This finding to some extent is consistent with the studies of Daud (2007); Chowdhury and Innes (1998) which reported that auditors perceived they are free from any external influence whatsoever but users' perceived on the other hand that the auditors are subject to external influence especially the government. Conscious of this dilemma, ISSAI 200 stated in section 2.1b that "SAIs should avoid conflict of interest between the auditor and the entity under audit" and the SAI must maintain its independence and objectivity in carrying out the assignment.

On the impact of social security benefits influencing auditors independence in decision making, great majority of the respondents across the groups agreed the fear of loss of employment without any social security benefit to fall back on affects auditors decision making. They belief auditors are afraid to report infractions and fraud against top executives for fear of being thrown out of work without any thing to cushion the possible effect of loss of employment. This is collaborated by the result of the oral interviews

On the issue of timeliness in issuing performance audit reports, majority of the respondents from all the groups agreed that the reports are not timely. The assertion of lateness was collaborated by the outcome of the oral interviews where all the participants are of the view that reports are not timely nor are they assessable to the public and that there are no statutory performance audit reports expected from the Auditor General except special reports which are not mandatory and not time bound.

On legibility of present format of presenting performance report of agencies, majority of the respondents in the four groups agreed that the present format is not legible enough to disseminate information on performance of agencies. Interestingly, the result showed that even auditors in the study have reservations on the adequacy of the present reports and its ability to satisfy the yearnings of stakeholders. *They belief the reports should address the economy, efficiency and effectiveness of projects of agencies to aid evaluation of accountability and good governance*. This is in agreement with the oral interviews conducted on the matter as well as the analysis of reports obtained from the 2007 Audit Report of the Federation. The present reports have no standard format which incorporate, title, signature and date of report, objective of report, scope covered, completeness, identification of subject matter, legal basis for the assignment and compliance with relevant standards.

On the issue of the reports being sufficient and flexible to address stakeholders concerns, majority of the respondents from the four groups' belief the present report is not sufficient to meet the aspiration of stakeholders. This is in agreement with the oral interviews where majority belief the content of the present performance reports is not sufficient to address stakeholders concern of corruption, fraud and mismanagement of government funds. They belief audit should be more critical on the analysis by carrying out benchmarking exercise with related agencies which would enable comparison of achievements among agencies. The result of the study is consistent with the findings by Daud (2007).

On the issue of whether performance reports be assessable to the general public directly from the Auditor General's Office, respondents from the bankers and accountants groups are of the view that the reports contain audit queries and disagreements between the agency and the Auditor General that need to be resolved by the PAC before making the report public. But majority of the respondents are of the opinion that the reports should not only be sent to the National Assembly but should be made available to the general public to enhance good governance, transparency and accountability. They belief by making the report public is a check on both the legislature and the auditee agency to ensure probity. This assertion is in agreement with result of the oral interviews conducted on the study.

On the issue of transparency and accountability which is following due process in line with government guideline in all operations in the MDA, respondents' belief agencies lack transparency when they are weighed against the variables that constitute transparent behaviour. The result of the study showed that the public has no access to government fiscal operations as government agencies' fiscal management is operated in secrecy. The study revealed that there is no mandatory requirement for agencies to render publicly their score cards. The study also revealed the lack of openness in the inter-governmental fiscal operations. Each agency operates differently and there is no synergy and understanding among them.

On the assessment of budget credibility as one of the performance indicators to measure agencies' performance, the result of the study revealed that majority of the respondents belief contrary to the norm government budgets have always failed to capture all significant operations of the government because the budgets are not based on strategic plan and need assessment carried out prior to the budget process. Also, respondents' belief contrary to the norm, information included in government accounts is not very comprehensive to educate the public of government operations and the accounts prepared do not conform to government finance statistics. The result also revealed that agencies aggregate expenditures and not in line with original budget approvals. Also, to evaluate budget credibility as performance indicator, respondents' in the study belief agencies actual yearly expenditure composition by functional classification is never accomplished by the agencies as most times some departments are starved of funds in the budget cycle while others spend out of vote allocation. The study also revealed contrary to the norm that aggregate revenue collections are hardly achieved against projected estimates due to lack of commitment on the part of officials, motivation, corruption and lack of enforcement of targets and sanctions for failures. The result of the study shows the agencies failed in all the performance parameters as regards budget credibility stipulated by international best practices.

On budget drivers (policy based nature of the budget) as a performance indicator to measure performance in the public sector, the study revealed respondents asserting that there is no definite budget date and adherence to a fixed budget calendar. The respondents and interviewees belief public sector lay less emphasis on strict adherence to budget administration and implementation in Nigeria. They opined that each successive administration determines its budget timetable, budget emphasis and administration. On the preparation of budget following a process anchored on the agencies strategic plan and the political class not being involved, respondents as well as interviewees are of the view that the political class is fully involved in the budget preparation. They belief the political class involvement is to ensure the policy trust of their electioneering promises is met. Therefore appraising the agencies' performance based on this performance indicator, it is clear that they are not performing when measured against the international best practice benchmark.

5.1. Summary of Findings and Conclusion

Based on the result of the study and analysis, the following findings were made:

i. There is no statutory requirement for performance audit enshrined in either the 1999 Constitution of Nigeria as amended or the 1956 Audit Ordinance Act.
ii. The Nigerian Audit Act in operation was enacted since 1956 and is very limited in scope, content and relevance in the twenty first century.
iii. There is no standardized format for presenting performance audit reports as stipulated by INTOSAI. The present format and contents of the audit reports are inadequate and do not accomplish their information requirements.
iv. There are external influences on audit due to management, political, religious or ethnic affinity or fear of loss of job or threat to life of the auditor or family.
v. Apart from the Auditor General for the Federation, all other staff of the office of the Auditor General for the Federation are engaged and deployed to that office by the Civil Service Commission. By implication therefore, they are staff of the Head of Service.
vi. Performance audit reports are not issued as part of the yearly statutory financial reports of agencies and agencies.
vii. Performance audit reports issued are released many years late after the activity is consummated and the reports do not address the main objective of performance audit of economy, efficiency and effectiveness. This timeliness of reporting contributes to the audit expectation gap as users believe the significant delays in reporting makes the audit reports meaningless.
viii. Nigeria has no Audit Commission which should be saddled with the responsibility for employment, standard setting and regulation of the audit office as is applicable in other countries of the world.
ix. That competence, independence of auditors and audit reports has significant influences on agencies performances. Their efficiency and effectiveness will improve agencies' performance in transparency, accountability and good governance which is seen to be lacking
x. Although the study mirrored on agencies' in the public sector, the results are to be generalized across the public and private sectors in Nigeria as it portends to competence, auditor independence, audit report and performance.
xi. It is established that auditor competence, independence and audit reports have a direct impact on the performance of agencies' and grants an assurance of accountability, transparency and good governance in the agencies.

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