

Auditing Standards Compliance in Public Universities, South-South, Nigeria

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Abstract

The study determined the extent to which auditing standards compliance in seven public Universities in South – South of Nigeria. Three objectives were set for the study, namely- investigating the audit planning; audit quality control; and internal control system in compliance with the financial performance in seven public Universities; where three research questions and three hypotheses respectively guided the study. The review of related literature was adequately treated based on theoretical framework, conceptual framework and empirical framework. The survey design was adopted for the study. The population of this study was 557 auditors in seven public Universities, South-South, Nigeria. The sample size was 233 auditors in the seven public Universities in South-South region of Nigeria. The sample size was determined statistically using “Taro Yamane” formula. The stratified random sampling technique was adopted. A researcher-developed instrument titled: “Compliance of Auditing Standards and Financial Performance Questionnaire” (CASFPQ) was used for data collection for the study. The research instrument was subjected to face validation by three research experts. The internal consistency of the instrument was determined using Cronbach Alpha reliability method. The researcher and two well-briefed research assistants visited all the seven respective public Universities with the letter of introduction attached to the instrument. Simple Linear Regression statistics was used to test the three null hypotheses, set at 0.05 probability level of significance. Findings of the study revealed that auditing standards compliance by auditors determines to a strong extent effective financial performance in public universities in South-South, Nigeria. The study concluded that Universities’ managers should have dedicated, well trained internal audit units responsible for regular financial oversight and ensure compliance with auditing standards. The study recommended among others that public Universities’ management should regularly engage reputable external audit firms to independently assess financial performance and adherence to auditing standards.

Keywords: auditing, compliance; financial, performance, standards

Introduction

An audit is an official examination of the accounts or accounting systems of an entity by an auditor. Auditing is an independent evaluation carried out by an auditor in accordance with the established rules and regulations. Auditing has been considered for a long time as an ally of the strategic financial management of an organisation. Auditing therefore provides administrators and financial managers with valuable information and recommendations which help in initiating actions meant to improve the financial performance of organisations.

Accordingly, Adeniji (2023) maintained that the main objective of an audit is to enable an auditor to convey an opinion as to whether or not the financial statements of an organisation are prepared according to an acceptable financial framework. Similarly, Adeniji (2023); and Cook and Winkle (2018) posited that auditing is the process of checking the financial statement along with other accounting information of a business entity. Therefore, compliance with auditing standards can enhance the utilization of financial resources in an organisation for effective financial performance. Kirkby (2016), and Myees (2023) maintained that auditing standard means a level of auditing quality or excellence established by the tax institute as a norm to be accepted and followed by auditors of published financial statements.

Despite the importance of auditing standards for accountability, many public Universities in Nigeria are struggling to comply with these standards. This lack of compliance has been attributed to a negatively impact on the financial performance of these highest tiers of educational institutions, leading to issues, like misappropriation of funds, embezzlement of funds, inefficiency in resource allocation, and poor accountability to stakeholders

Failure to comply with auditing standards results in disciplinary actions, legal liabilities, loss of credibility and integrity for the auditor and the organization being audited. The non-compliance of public Universities in Nigeria with auditing standards has undermined the integrity and transparency of financial reporting in higher educational institutions. The lack of compliance with auditing standards indicates a deep-seated culture of corruption and mismanagement which has threatened the financial sustainability and viability of these institutions. Hence, this study intends to investigate auditing standards compliance and financial performance in public Universities in South - South, Nigeria. .Therefore, the study was to determine the extent to which auditing standards compliance predicts financial performance in public universities in South-South, Nigeria. The objectives of the study included – investigations on Compliance with audit planning; Compliance with audit quality control; and Compliance with internal control system.

Methodology

The correlational design was adopted for the study. The study was carried out in South-South, Nigeria with seven public universities. Population of this study was 557 auditors in seven public universities, South-South, Nigeria, namely: University of Port Harcourt (UNIPORT), Federal University of Petroleum Resources Effurun (FUPRE) - Delta, University of Benin (UNIBEN), Federal University, Ikot Abasi, Federal University, Otuoke, University of Uyo (UNIUYO) and University of Calabar (UNICAL). The sample size was 233 auditors in the seven public Universities. The sample size was determined statistically using the “Taro Yamane” formula. A stratified random sampling technique was adopted.

A researcher-developed instrument entitled: “Compliance of Auditing Standards and Financial Performance Questionnaire” (CASFPQ) was used for data collection from the respondents. The instrument was subjected to face validation by three research experts, two from the Department of Business Education (Accounting Unit), Faculty of Vocational Education, Library and Information and one from the Department of Psychological Foundation

of Education, Faculty of Education, University of Uyo; and the internal consistency of the instrument was determined using the Cronbach Alpha reliability method. The study also addressed the ethical issues by seeking the consent of the authority concerned in order to achieve the purpose of the study.

Result

Null Hypothesis 1: Compliance with audit planning does not significantly predict financial performance in public universities in South-South, Nigeria.

Table 1: Simple Linear Regression Analysis for the prediction of Compliance with audit planning and financial performance in public universities in south-south, Nigeria

	Model	Sum of Squares	df	Mean Square	F	Sig.	Decision.
1	Regression	307.982	1	307.982	14.022	.008	Sig.
	Residual	4919.865	225	21.964			
	Total	5227.847	226				

Significant @ 0.05 Level

The output in Table 1 reports the calculated F-value of 14.022 with its corresponding p-value of .008 is less than the .05 level of significant with 1 and 226 degrees of freedom. With this result, it implies that compliance with audit planning significantly predicts financial performance in public universities in South-South, Nigeria.

Null Hypothesis 2: Compliance with audit quality does not significantly predict financial performance in public universities in South-South, Nigeria.

Table 2: Simple Linear Regression Analysis for the prediction of Compliance with audit quality and financial performance in public universities in South-south, Nigeria

	Model	Sum of Squares	df	Mean Square	F	Sig.	Decision
1	Regression	307.982	1	397.900	12.448	.035	Sig.
	Residual	4919.865	225	31.964			
	Total	5227.847	226				

Significant @ 0.05 Level

The output in Table 2 reports the calculated F-value of 12.448 with its corresponding p-value of .035 is less than the .05 level of significant with 1 and 226 degrees of freedom. With this result, it implies that compliance with audit quality significantly predicts financial performance in public universities in South-South, Nigeria.

Null Hypothesis 3: Compliance with internal control system does not significantly predict financial performance in public universities in South-South, Nigeria.

Table 3: Simple Linear Regression Analysis for the prediction of compliance with internal control system and financial performance in public universities in south-south, Nigeria

	Model	Sum of Squares	df	Mean Square	F	Sig.	Decision
1	Regression	91.264	1	91.264	3.980	.010 ^b	Sig.
	Residual	5136.584	225	22.931			
	Total	5227.847	226				

Significant @ 0.05 Level

The output in Table 3 reports the calculated F-value of 3.980 with its corresponding p-value of .010 which is less than the .05 level of significant with 1 and 226 degrees of freedom. With this result, it implies that compliance with internal control system significantly predicts financial performance in public universities in south-south, Nigeria.

The findings revealed the following:

- i. Compliance with audit planning determines to a strong extent financial performance in public universities in south-south, Nigeria.
- ii. Compliance with audit quality control determines to a strong extent financial performance in public universities in south-south, Nigeria.
- iii. Compliance with internal control system determines to a moderate extent financial performance in public universities in south-south, Nigeria.

Discussion of Findings

Compliance with audit planning and financial performance in public universities in south-south, Nigeria

The finding from hypothesis one revealed that compliance with audit planning to a strong extent influence financial performance in public universities in south-south, Nigeria. The corresponding hypothesis shows that compliance with audit planning significantly predicts financial performance in public universities in South-South Nigeria. This finding could stem from the fact that audit planning ensures auditors perform the audit in an efficient and timely manner as it is in the interest of making efficient turnover in a business that audit planning is carried out. The present finding is in line with the findings of Astin and Panos (2011) who asserted that audit planning facilitates the maximum utilization of available resources and to achieve optimum results, especially when the auditor According to Ndege (2013), plans and develops a detailed strategizing approach for the expected nature, timing and extent of the audit. Also, the present finding collaborates Adeniji (2023) who maintained that audit planning does not end merely ensure that there is enough manpower to carry out the audit work or that there are enough financial resources to see the work through, rather, planning involves the review of all audit works in entirety. It involves an understanding of the factors affecting the business such as environmental, political, legal, social and economy among others.

Kabir (2012) supported the findings that audit planning ensures that appropriate attention is devoted to important areas, potential problems are promptly identified, work is completed expeditiously and work is properly coordinated. From the foregoing, it could be deduced that Auditing planning influences and develops general strategy and detailed approach for the expected nature, timing and extent of the audit which enables the auditor plans to perform the audit in an efficient and timely manner developing an overall strategy for the effective conduct and scope of the exercise.

Compliance with audit quality control system and financial performance in public universities in South-South, Nigeria

The finding from hypothesis two revealed that compliance with audit quality control systems to a strong extent influences financial performance in public universities in south-south, Nigeria, corresponding hypothesis shows that compliance with audit quality significantly influences financial performance in public universities in south-south. This finding could be attributed to the fact that an audit quality control system establishes standards of quality for products, service; establishes procedures and production method which ought to ensure that the required standards of quality are met in a suitably high proportion of cases; monitoring actual quality and taking control of action when actual quality falls below standard.

The present finding is inconsonance with the works of Osigbo (2016), who asserted that quality control establishes standards, provides firms with reasonable assurance that their personnel comply with applicable professional standards and the firm's standards of quality. Auditors have a legal duty to exercise due care and professional scepticism when conducting audits (Cohen *et al.*, 2005). Collaborating with the findings of Ugwu (2012) who noted quality control in auditing ensures all the quality protocols of professional standards have to be followed while performing auditing. Onwubiko and Nwankwo (2024) in their study on the effect of audit quality on the financial performance of quoted conglomerates in Nigeria. Support the outcome of this present finding which stated that effect of audit size, fee and tenure has effect on return on assets of selected conglomerates. Also, the present finding is in line with the works of David and Festus (2023) who presented that audit quality influences financial reporting quality in selected public universities in South West Nigeria. All the findings provided by this review are unbiased and based on facts. This implies that firms and institutions should make sure that they comply with all the quality parameters throughout an audit as the overall goal indicates that professional and organizational standards enable an auditor to issue a clean audit report.

Compliance with internal control system and financial performance in a public universities in South-South, Nigeria

The finding from hypothesis three revealed that compliance with internal control system determines to a moderate extent financial performance in public universities in South-

South, Nigeria. The corresponding null Hypothesis shows that compliance with internal control system significantly predicts financial performance in public universities in south-south, Nigeria. The present findings stem from the fact that management of an entity does assist in achieving management's objective by ensuring, as far as practicable, the orderly and efficient conduct of its business, including adherence to management policies, the safeguarding of assets, the prevention and detection of fraud and error, the accuracy and completeness of accounting records and the timely preparation of reliable financial information. In line with the present finding is the works of Adetula (2015) maintained that institutions adhering to internal controls system ensure that the internal audit unit should be independent and that the head of this unit should report directly to the highest level of management within the institution to ensure its effectiveness.

The present findings are in congruence with the findings of Akinleye and Kolawole (2019) who asserted that those in charge of governance in tertiary institutions strengthen and highlight the components of internal controls system with all policies and procedures related to internal controls. Also, the present findings are in line with the work of Adeleke (2022) who examines the effect of internal control systems on the performance of tertiary institutions in the Southwest geopolitical zone of Nigeria and reported that when controls are indeed in place it ensures adherence to established policies, prevent fraud enhance the effect on the performance. The present finding is in consonance with the works of Adekola and Olayinka (2019) also indicated that internal control significantly influences the utilization of capital grants, accumulated surplus, recurrent subvention, revenue from fees, and investment policy. This implies that a thorough system of checks and balances for all financial transactions ensures that fund disbursement to tertiary institutions aligns strictly with the stipulations of the National Policy on Education. These findings underscore the importance of robust internal control systems in control activities, enhancing performances, monitoring and integrity of tertiary institutions.

The present findings are congruence with the findings of Ahmed (2018) who asserted that cost audit enhances cost control within an institution; hence its effectiveness for improving cost control measures within an institution. The overall findings demonstrates the presence of insights that provide valuable contributions to regulatory bodies by offering empirical evidence on the interplay between board governance structures and audit pricing in non-financial industries. Hence the findings underscore the importance of independent audit committees in enhancing the quality of financial oversight and risk management, thereby influencing audit practices and costs.

Conclusion

The conclusion of the study on "Auditing Standards Compliance and Financial Performance in Public Universities" generally focuses on the relationship between adhering to auditing standards and the financial performance of tertiary institutions. Public universities adhere to recognized auditing standards, in order to exhibit improved financial performance. The study indicated that reflected in better budget management, transparent financial reporting, and effective use of resources Compliance with auditing standards helps universities identify

and mitigate financial risks. Audit standard ensures that controls are put in place to prevent fraud, mismanagement, or financial irregularities, thereby maintaining financial stability. Proper auditing practices promote accountability and transparency, which can enhance the reputation of universities and ensure that funds are effectively utilized for their intended purposes. This may lead to increased trust from stakeholders, including government, professional bodies, students, and donors.

Recommendations

Based on the findings the following recommendations were proffered are aimed at enhancing financial governance, transparency, and the overall financial health of public Universities through better audit practices:

- i. University managers should have dedicated, well-trained internal audit units responsible for regular financial oversight and ensuring compliance with auditing standards.
- ii. The university management should conduct frequent internal audits, especially in high-risk areas like procurement, payroll, and research funding, to ensure adherence to financial controls.
- iii. The university management should ensure continuous training and professional development for internal audit staff to stay up-to-date with evolving auditing standards and technologies.
- iv. The university management should implement clear and standardized financial policies that align with national and international auditing standards (such as International Standards on Auditing).
- v. The university administration should establish a monitoring and evaluation framework to regularly assess the effectiveness of financial policies and how well they align with auditing standards.
- vi. Universities should publicly disclose their financial statements and audit reports to promote transparency and build trust with stakeholders, including students, staff, government bodies, and donors.
- vii. University management should regularly engage reputable external audit firms to independently assess financial performance and adherence to auditing standards.
- viii. Ensure that audit recommendations made by external auditors are effectively implemented and regularly followed up to improve financial processes and close any gaps in compliance.
- ix. Universities should create a risk management framework that identifies financial risks and integrates those into the auditing process in order to ensure proactive identification of issues that could affect financial performance.

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