

Audit Quality and Financial Performance of Public Sector Institutions

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DECLARATION

I, **Faithful Torisheju WARI** do hereby declare that:

1. I conducted this research for my project at the University of Benin's Department of Accounting, where I was supervised by **Dr Samuel UMANAH** of the same department and the Faculty of Management Sciences in Benin City, Nigeria.
2. There has been no prior submission of this work for a degree elsewhere.
3. All thoughts and opinions are based on my own research, and where others have shared their perspectives, they have been properly cited.
4. I accept complete and utter responsibility for any potential legal consequences that may arise as a result of this study.

Faithful Torisheju WARI

Date



CERTIFICATION

We certify that this research was carried out by Faithful Torisheju WARI in the Department of Accounting, Faculty of Management Sciences, University of Benin, Benin City, Nigeria, and it is considered adequate in scope and quality in partial fulfillment of the requirements for the award of degree of Bachelor of Science (Accounting).

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Date



DEDICATION

This work is dedicated to God Almighty, the Author of life and the Source of all wisdom. His divine guidance has directed my path throughout this journey, and His strength has sustained me through every challenge. By His grace, I have completed each phase of this programme, receiving unwavering support and blessings along the way.

To Him belong all glory and honour, now and forever, for His unfailing love and guidance. This achievement is made possible only through His grace. May His holy name be praised forever. Amen.



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ABSTRACT

This study examined the effect of audit quality on the financial performance of public sector institutions in Nigeria. Specifically, it investigated the relationships between audit independence, audit competence, compliance with auditing standards, and financial performance. A descriptive survey design was adopted, and primary data were collected through structured questionnaires administered to 384 respondents drawn from key public institutions, including the Federal Inland Revenue Service (FIRS), public universities, and government ministries and agencies. The data were analyzed using Ordinary Least Squares (OLS) regression to determine the direction and significance of the relationships among the variables. The findings revealed that audit independence had a positive but statistically insignificant effect on financial performance, while audit competence showed a negative and insignificant relationship. However, compliance with auditing standards exhibited a positive and statistically significant effect on financial performance, emphasizing the importance of adherence to professional guidelines in enhancing transparency and accountability. The study concluded that compliance with audit standards plays a vital role in improving the financial performance of public sector institutions. It recommended that government agencies strengthen auditor independence, enhance professional competence through continuous training, and enforce strict compliance with auditing standards to promote credible financial reporting and accountability in Nigeria's public sector.



CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

The concept of financial performance has long been regarded as a central measure of institutional efficiency, resource accountability, and developmental progress, particularly within the public sector. Public sector institutions—ranging from ministries and departments to government-owned enterprises—are entrusted with the stewardship of public funds and resources. Their ability to achieve assigned objectives, deliver quality services, and support economic growth is fundamentally tied to how effectively and transparently they manage and report their finances. Financial performance, therefore, is not simply an accounting metric; it is a reflection of institutional credibility, operational capacity, and governance quality.

In contrast to private firms, where performance is typically measured by profitability, financial performance in the public sector encompasses a broader range of indicators. These include adherence to budgetary allocations, efficiency in the use of public funds, transparency in reporting, compliance with financial



regulations, and the timely delivery of services. A well-performing public institution is one that not only manages its finances prudently but also aligns its fiscal behaviour with public expectations and statutory mandates. As noted by Anyanwu and Ananwude (2022), effective financial performance is a key driver of economic sustainability, especially in resource-constrained countries like Nigeria where budgetary mismanagement has long plagued developmental outcomes (Anyanwu & Ananwude, 2022).

Over the past two decades, the financial performance of public sector institutions in Nigeria has come under intense scrutiny due to persistent fiscal indiscipline, opaque reporting systems, and widespread misuse of public funds. Despite a series of reforms such as the implementation of the Treasury Single Account (TSA), the Integrated Payroll and Personnel Information System (IPPIIS), and the Government Integrated Financial Management Information System (GIFMIS), financial irregularities continue to surface across many agencies and parastatals. Simon et al. (2025) argue that although these reforms were designed to improve liquidity, reduce leakages, and ensure better budgetary control, their effectiveness remains hindered by weak institutional enforcement and limited accountability frameworks (Simon et al., 2025).

The Nigerian Auditor General's reports over the years have exposed systemic lapses such as missing expenditure records, failure to retire advances, inflated



contract costs, and unauthorised withdrawals. These issues underscore deeper structural problems, particularly the inadequacy of internal controls and oversight. Financial performance in many ministries and departments is often undermined by a culture of impunity, low managerial capacity, and insufficient transparency in fiscal operations. According to Gbolahan (2023), these deficiencies have not only weakened public trust but have also distorted national budget implementation, compromising Nigeria's ability to meet both domestic development goals and international obligations (Gbolahan, 2023).

Moreover, empirical studies have shown that poor financial performance in the public sector has cascading effects on broader economic indicators. Tihamiyu (2022) highlights that inefficiencies in public financial management significantly reduce investor confidence, impede private sector growth, and lead to misallocation of resources across sectors (Tihamiyu, 2022). Similarly, Omotola and Rebecca (2022) demonstrate that when public financial performance is weak, it contributes to fiscal imbalances, exacerbates debt burdens, and limits governments' ability to respond to socio-economic challenges such as poverty, unemployment, and insecurity (Omotola & Rebecca, 2022).

In response to these challenges, governments and international development partners have increasingly prioritised improvements in financial governance. Development agencies such as the World Bank, the International Monetary Fund



(IMF), and the African Development Bank (AfDB) have advocated for robust public financial management systems as a prerequisite for budget support and loan disbursements. They argue that unless governments can demonstrate improved financial performance, external financial assistance is unlikely to yield sustainable results.

At the heart of these efforts is the recognition that strengthening financial performance goes hand-in-hand with strengthening accountability mechanisms. Among these mechanisms, auditing plays a critical role. Auditing serves not only to detect fraud and errors but also to provide assurance on the credibility of financial statements, the effectiveness of internal controls, and the compliance of expenditures with legal and budgetary provisions. As such, audit quality has emerged as a fundamental driver of financial performance.

When audits are conducted with high quality—characterised by objectivity, competence, and adherence to professional standards—they contribute significantly to the financial discipline and performance of public institutions. High-quality audits generate credible findings, foster better decision-making, and compel agencies to take corrective actions that improve financial operations. Several studies have confirmed this relationship. For example, Ismail et al. (2019) found that enhanced auditing practices significantly improved financial reporting and budget implementation in Malaysian public institutions (Ismail et al., 2019).

Despite this evidence, the linkage between audit quality and financial performance in Nigeria’s public sector remains underexplored. Many institutions continue to view audits as procedural formalities rather than strategic tools for performance improvement. Moreover, audit recommendations are frequently disregarded or poorly implemented, further weakening the potential benefits of auditing for institutional reform. This gap in understanding and application points to a critical research need.

Therefore, this study aims to explore the relationship between audit quality and financial performance within Nigeria’s public sector institutions. By examining this relationship, the research intends to provide deeper insight into how improvements in audit practices can foster financial integrity, transparency, and accountability—thereby enhancing the overall performance of public entities and contributing to national development.

1.2 Statement of the Research Problem

Despite ongoing public financial management reforms in Nigeria, public sector institutions continue to underperform financially due to systemic inefficiencies, lack of transparency, and weak accountability mechanisms. A significant portion of these challenges stems from the ineffectiveness of oversight functions such as auditing. Although audit quality is globally recognised as a determinant of financial performance, its critical dimensions—particularly audit independence,



audit competence, and compliance with audit standards—remain inadequately addressed in the Nigerian public sector context.

Audit independence is a foundational requirement for credible and objective assessments of public finances. However, in many Nigerian ministries and agencies, auditors are often institutionally and administratively dependent on the very entities they audit, undermining their ability to report financial mismanagement without fear of reprisal. Ewa (2022) found that external influence on public auditors severely limits their ability to enforce compliance, leading to weak expenditure management and low adoption of audit recommendations (Ewa, 2022). Similarly, Wakil et al. (2020) argued that public sector audit effectiveness in Nigeria is hampered by political interference and a lack of institutional autonomy (Wakil et al., 2020).

The issue of audit competence is equally critical. Public sector audits often deal with complex government transactions that require specialised skills and knowledge. However, studies like Izedonmi and Olateru-Olagbegi (2021) and Oladejo and Nwachukwu (2021) highlight persistent challenges with auditor training, technical capacity, and ongoing professional development within public institutions (Izedonmi and Olateru-Olagbegi, 2021; Oladejo and Nwachukwu, 2021). These gaps result in poorly conducted audits that fail to detect irregularities or provide actionable insights, thus limiting their impact on



institutional performance.

Compliance with audit standards is another neglected area. While Nigeria has adopted international auditing frameworks such as the International Standards of Supreme Audit Institutions (ISSAI), many public entities do not fully align their practices with these guidelines. According to Florence et al. (2024), failure to adhere to standardised audit procedures undermines the reliability of audit outcomes and weakens public confidence in financial reporting (Florence et al., 2024). Yet, there remains little empirical exploration into how audit standard compliance specifically influences financial performance in public sector institutions in Nigeria.

Although researchers such as Aderemi et al. (2023) and Soyemi et al. (2023) have studied audit quality in private or financial institutions, these findings cannot be wholly applied to the public sector due to structural and governance differences (Aderemi et al., 2023; Soyemi et al., 2023). As a result, the internal audit mechanisms of government institutions remain under-researched, particularly in relation to financial performance outcomes.

This research, therefore, addresses critical gaps by empirically investigating how audit independence, audit competence, and compliance with audit standards affect the financial performance of public sector institutions in Nigeria. By



focusing on these distinct dimensions of audit quality, the study aims to provide new insights into the internal mechanisms that shape public financial outcomes. Its findings are expected to inform reforms in public auditing systems, promote evidence-based governance strategies, and contribute to the strengthening of institutional accountability and financial transparency in Nigeria. Furthermore, the research has the potential to guide future policy decisions by regulatory bodies and provide practical recommendations for enhancing the effectiveness of public sector audits across all tiers of government.

1.3 Research Questions

This study is guided by the following research questions:

- i. What is the relationship between audit independence and the financial performance of public sector institutions in Nigeria?
- ii. How does audit competence influence the financial performance of public sector institutions in Nigeria?
- iii. To what extent does compliance with audit standards affect the financial performance of public sector institutions in Nigeria?

1.4 Objectives of the Study

The main objective of this study is to examine the relationship between audit

quality and the financial performance of public sector institutions in Nigeria. The specific objectives are to:

- i. investigate the relationship between audit independence and the financial performance of public sector institutions in Nigeria;
- ii. assess the influence of audit competence on the financial performance of public sector institutions in Nigeria; and
- iii. evaluate the effect of compliance with audit standards on the financial performance of public sector institutions in Nigeria.

1.5 Hypotheses of the Study

The following hypotheses are formulated in their null form to guide the study:

H₀₁: There is no significant relationship between audit independence and the financial performance of public sector institutions in Nigeria.

H₀₂: There is no significant relationship between audit competence and the financial performance of public sector institutions in Nigeria.

H₀₃: There is no significant relationship between compliance with audit standards and the financial performance of public sector institutions in Nigeria.

1.6 Scope of the Study

This study examines the relationship between audit quality and the financial performance of public sector institutions in Nigeria. Specifically, it investigates how three dimensions of audit quality: audit independence, audit competence, and compliance with audit standards influence financial performance outcomes.

The scope of the research is limited to selected public sector institutions operating in **Benin City, Edo State**, such as government ministries, departments, and agencies that are subject to routine statutory auditing. These institutions are selected based on their relevance to public financial governance and the accessibility of audited financial reports.

The study covers a ten-year period (2014–2024), providing a longitudinal view of audit and financial reporting patterns in the Nigerian public sector. The choice of 2014 as the base year is informed by its significance as a period when major public financial management (PFM) reforms in Nigeria began to gain momentum. Key initiatives such as the implementation of the Treasury Single Account (TSA) and greater adoption of the International Public Sector Accounting Standards (IPSAS) were either launched or institutionalised around this time, marking a shift toward increased fiscal discipline and transparency in government financial operations.



On the other hand, 2024 is selected as the terminal year to ensure the inclusion of the most recent and relevant audit and financial data, enabling an up-to-date assessment of ongoing challenges and progress within the system. This cut-off point allows for a full decade of data to evaluate trends, reform impacts, and performance shifts while reflecting current realities in the Nigerian public sector. The ten-year span provides a comprehensive and balanced timeframe that captures both pre- and post-reform audit and financial reporting environments, which is essential for a robust longitudinal analysis.

Geographically, the study is restricted to Benin City and does not extend to institutions outside this region. However, the findings are expected to offer useful insights into broader trends in audit quality and financial performance across public institutions in similar administrative contexts.

1.7 Significance of the Study

This study is significant as it contributes to the growing discourse on accountability, financial discipline, and institutional performance within Nigeria's public sector. By focusing on audit quality—specifically audit independence, audit competence, and compliance with audit standards—the research seeks to uncover internal audit-related factors that influence financial performance in government institutions.



For **policy-makers and government regulators**, the study offers evidence-based insights that can guide the review and reform of audit frameworks within public sector institutions. It will support efforts by oversight bodies to enhance public financial management and enforce greater compliance with professional auditing standards.

For **public sector management and audit practitioners**, the study identifies key areas of weakness in audit practices that hinder financial performance. The findings may assist in improving internal controls, strengthening auditor training programmes, and promoting institutional independence, all of which are critical to ensuring the effective utilisation of public resources.

For **academia and future researchers**, the study fills a significant gap in empirical literature by focusing specifically on audit quality variables within the Nigerian public sector context. Most existing studies have concentrated on private firms or have treated audit quality as a monolithic concept. This research, therefore, deepens scholarly understanding by dissecting its core components and their relationship to public financial outcomes.

Lastly, the study is valuable to **citizens and civil society organisations**, who rely on transparent and financially accountable public institutions to drive development and deliver essential services. Strengthening audit mechanisms



through insights from this research may ultimately contribute to improved governance, better service delivery, and enhanced public trust in government operations.

1.8 Limitations of the Study

As with most empirical research, this study is subject to certain limitations that may influence the generalisability and interpretation of its findings.

Firstly, the study is geographically confined to selected public sector institutions within Benin City, Edo State. While these institutions provide useful insight into the functioning of public audits and financial performance, the results may not fully reflect the realities of public sector organisations across other regions of Nigeria.

Secondly, the study relies exclusively on secondary data such as audited financial statements, government publications, and institutional reports. The accuracy and completeness of the findings are therefore dependent on the quality, consistency, and availability of those records. Any gaps, omissions, or inaccuracies in the secondary data sources may affect the depth and precision of the analysis.

Thirdly, the study focuses specifically on three dimensions of audit quality—audit



independence, audit competence, and compliance with audit standards—as explanatory variables. Other potentially influential factors such as organisational culture, political interference, funding constraints, and institutional leadership are not within the scope of this research and are therefore excluded from the analysis.

Lastly, although the study covers a ten-year period (2014–2024), changes in government policies, institutional structures, or audit practices that occurred after this timeframe may not be captured. This may limit the applicability of the study’s conclusions to future contexts or evolving governance frameworks.

Despite these limitations, the study offers valuable contributions to the understanding of audit quality and its impact on public financial performance in Nigeria and provides a foundation for further research and policy reform.

1.9 Definition of the Terms

Audit Quality: The degree to which an audit is carried out in accordance with applicable auditing standards, reflecting the auditor’s independence, competence, and ability to detect and report material misstatements in financial records.

Audit Independence: The ability of an auditor to perform duties objectively and without undue influence from internal or external parties, ensuring unbiased and



credible audit outcomes.

Audit Competence: The technical expertise, qualifications, and professional experience possessed by auditors that enable them to effectively evaluate financial records and identify irregularities.

Compliance with Audit Standards: The extent to which auditing procedures conform to established national or international auditing standards, such as those issued by the International Organisation of Supreme Audit Institutions (INTOSAI).

Financial Performance (Public Sector): A measure of how well a public institution manages its financial resources to achieve intended objectives, typically assessed through budget compliance, financial accountability, and efficient utilisation of public funds.

Public Sector Institutions: Government-owned organisations, ministries, departments, and agencies responsible for providing public goods and services and operating under statutory financial regulations and oversight.

Secondary Data: Information collected from existing sources such as audit reports, financial statements, and official publications, used for analysis without direct interaction with the subjects of study.

Audited Financial Statements: Official financial documents that have been examined by independent auditors to ensure accuracy, completeness, and



adherence to accounting and regulatory standards.

Accountability: The obligation of public institutions to report, explain, and be answerable for the use of public funds and the outcomes of their activities.



CHAPTER TWO

LITERATURE REVIEW

2.1 Conceptual Review

2.1.1 Financial Performance

Financial performance is a central aspect of an organisation's ability to meet its financial objectives and ensure long-term sustainability. It acts as a mirror reflecting how effectively a company or public institution generates revenue, manages costs, and allocates resources to create value. Financial performance indicators provide essential insights to investors, managers, and policymakers, helping them make informed decisions about the future direction of an organisation. Whether in the private or public sector, understanding financial performance is crucial for ensuring that an organisation remains competitive, solvent, and capable of achieving its goals (Aksnes et al., 2019). The growing importance of financial performance as a key indicator of success has led to a more structured approach to financial reporting, ensuring that performance is not only tracked but is also transparently communicated to all stakeholders.

At the heart of financial performance lies financial reporting, a key tool for communicating an organisation's financial results. Financial reporting provides a structured, detailed presentation of the organisation's financial activities over a



period. This reporting typically takes place through the preparation and presentation of financial statements, which are governed by established accounting standards, such as the International Financial Reporting Standards (IFRS) or the Generally Accepted Accounting Principles (GAAP). These standards ensure that financial information is reported consistently, reliably, and comparably across organisations and jurisdictions (Aksnes et al., 2019). The primary financial statements include the balance sheet, income statement, and cash flow statement, each of which provides vital information for assessing different aspects of an organisation's financial health. Financial reporting, when done correctly, fosters trust and accountability, which are essential in attracting investment and retaining stakeholder confidence.

The Statement of Financial Position is the first financial statement and provides a snapshot of an organisation's financial position at a specific moment in time. It outlines the organisation's assets, liabilities, and equity, and from this, one can infer the overall financial stability and capital structure of the entity. The balance sheet shows how the organisation finances its operations, through either debt or equity, and offers insights into the solvency and liquidity of the organisation. For example, organisations with high levels of debt relative to equity may face increased financial risk, particularly in volatile economic conditions (Greco et al., 2019). This statement is essential for evaluating the organisation's capacity to

meet both short-term and long-term obligations and can serve as a foundation for calculating key financial ratios, such as the debt-to-equity ratio, which further indicates the degree of financial leverage used by the organisation.

Following the Statement of Financial Position is the income statement, which provides a summary of an organisation's financial performance over a given period. This document outlines the revenues, expenses, and profits (or losses) the organisation has generated. The income statement provides an essential measure of profitability, highlighting whether the organisation can produce more income than its expenses. By deducting operating costs, taxes, and other expenses from revenue, the income statement reveals whether the business has succeeded in achieving a net profit or incurred a loss (Singh et al., 2019). Profitability, as reflected in the income statement, is one of the most important indicators of financial performance. This is because consistently profitable organisations can reinvest in their operations, pay dividends to shareholders, and withstand financial challenges in times of adversity.

The cash flow statement, which focuses on the liquidity of an organisation, provides an overview of the cash that flows in and out of the business over a specific period. Unlike the income statement, which operates on an accrual basis, the cash flow statement tracks actual cash movements, which is particularly useful for understanding an organisation's ability to meet its immediate

obligations. The cash flow statement is divided into three sections: operating activities, investing activities, and financing activities. The operating activities section focuses on the cash inflows and outflows generated by the core operations of the business. The investing activities section tracks cash spent or received from the purchase or sale of assets, while the financing activities section deals with cash flows related to debt and equity financing. Cash flow management is critical for ensuring that an organisation has enough liquidity to continue operations without encountering financial distress (Hristov & Chirico, 2019).

These three financial statements are closely interrelated, and their analysis offers a comprehensive view of an organisation's financial performance. The Statement of Financial Position provides the foundation by showing the organisation's financial position at a specific point, while the income statement shows its operational performance over time, and the cash flow statement highlights its liquidity. Together, these documents offer a well-rounded picture of financial health, addressing aspects of solvency, profitability, and liquidity. Financial ratios derived from these statements, such as profitability ratios (e.g., return on equity (ROE) and return on assets (ROA)), liquidity ratios (e.g., current ratio), and solvency ratios (e.g., debt-to-equity ratio), can be used to assess the efficiency and effectiveness of the organisation's operations and its capacity to

sustain and grow over time (Aksnes et al., 2019).

Key Performance Indicators (KPIs) are another vital component of financial performance evaluation. KPIs are metrics that organisations use to measure their progress toward specific financial and strategic goals. These indicators can range from profitability KPIs (e.g., net profit margin) to liquidity KPIs (e.g., cash conversion cycle) and solvency KPIs (e.g., debt ratio). They are essential for tracking performance over time and adjusting strategies to optimise results. Additionally, non-financial KPIs, such as customer satisfaction and employee engagement, are gaining prominence as more businesses recognise the importance of these factors in driving long-term financial success (Singh et al., 2019). As organisations face increasing pressure to demonstrate their commitment to corporate social responsibility (CSR) and sustainability, integrating environmental, social, and governance (ESG) metrics into financial performance reporting has become a growing trend. ESG factors, which assess an organisation's impact on the environment and its governance practices, provide a broader view of performance, showing that long-term profitability is increasingly linked with ethical practices and social responsibility (Greco et al., 2019).

Financial performance reporting brings several benefits, particularly in terms of transparency and accountability. By adhering to high standards of reporting,

organisations can build stakeholder trust, attract investment, and ensure that financial resources are being used efficiently. Financial reports are crucial tools for informed decision-making, allowing investors to assess the risks and returns associated with their investments, while management can evaluate the effectiveness of strategies and make adjustments when necessary (Iacuzzi, 2022). Public sector organisations also benefit from financial reporting, as it ensures that taxpayer money is being spent responsibly, and enables governments to evaluate the efficacy of public policy and financial management (Aksnes et al., 2019). Moreover, financial reports offer insights into areas of risk and potential inefficiencies, allowing organisations to address problems before they affect long-term performance.

However, there are challenges in assessing financial performance. One significant issue is ensuring the accuracy of financial data. Errors or misstatements in financial reports can lead to serious consequences, including regulatory scrutiny and loss of stakeholder trust. Inaccurate data can also distort the true picture of an organisation's financial health, leading to misguided decisions. The subjectivity involved in interpreting financial ratios and accounting policies can further complicate financial analysis, as different methodologies may lead to different conclusions about the same financial data (Bhattacharyya, 2019). Moreover, external factors, such as economic fluctuations, market



conditions, and political influences, can affect the accuracy of financial assessments. For instance, a sudden economic downturn or changes in government policies can impact profitability and cash flow, making it difficult to accurately forecast future performance (Hristov & Chirico, 2019).

As the demand for greater sustainability grows, there is an increasing emphasis on incorporating sustainability performance into financial reporting. Stakeholders are demanding more than just financial results; they want to understand how an organisation impacts the environment, society, and its workforce. ESG metrics are becoming more widely adopted in financial reporting frameworks, providing a more comprehensive assessment of an organisation's long-term viability (Singh et al., 2019). Public sector organisations, in particular, are under pressure to adopt such frameworks, as governments and their constituents seek greater transparency in how public funds are being used to achieve social and environmental objectives.

Financial performance is a comprehensive measure of an organisation's ability to manage its resources effectively and achieve long-term success. Through financial reporting, including the balance sheet, income statement, and cash flow statement, organisations provide stakeholders with the information needed to assess their financial health. The integration of financial ratios and KPIs enhances the analysis of performance, while the incorporation of sustainability



metrics reflects the evolving understanding of performance in today's global economy. Despite challenges such as data accuracy and external factors, financial performance remains a critical component of organisational strategy, offering a foundation for decision-making, governance, and long-term growth (Aksnes et al., 2019).

2.1.1.2 Financial Performance in Nigeria Public Sector Institutions

The history of financial performance in Nigeria's public sector is a reflection of a broader struggle to improve fiscal management, transparency, and accountability within governmental institutions. For much of the country's post-independence history, the public sector in Nigeria faced considerable challenges in effectively managing public funds. These challenges were marked by financial mismanagement, inefficiencies in budgeting and resource allocation, and widespread corruption, which hampered the ability of public institutions to achieve optimal financial performance (Olanrawaju, 2019). As the Nigerian economy grew, particularly during the oil boom of the 1970s and 1980s, the need for sound financial management in the public sector became increasingly critical, especially given the reliance on oil revenues for government funding. However, the growth of the Nigerian public sector was accompanied by a worsening of its financial performance, with government agencies often unable to properly manage or account for public funds (Ibrahim, 2022).



The poor financial performance in the Nigerian public sector in the early years post-independence was primarily due to weak institutional frameworks, inadequate financial management systems, and a lack of transparency. This lack of accountability was compounded by the political and administrative instability that Nigeria faced, especially during military rule. The inefficiencies in public financial management systems led to the rapid accumulation of debt, misallocation of resources, and, in some cases, fraudulent use of public funds. Consequently, by the late 1980s, there was a growing recognition within both government and civil society that the public sector's financial management practices needed reform if Nigeria were to realise its potential for sustainable development (Greco et al., 2019).

In response to these challenges, the 1990s saw the introduction of the National Economic Empowerment and Development Strategy (NEEDS), which was aimed at addressing the inefficiencies and corruption prevalent in the public sector (Ibrahim, 2022). NEEDS was a strategic framework designed to reform the public service, reduce poverty, and foster economic growth by improving the public sector's financial management. This period marked the beginning of a more structured approach to public financial management in Nigeria, with a focus on improving financial reporting, accountability, and transparency. A key component of these reforms was the emphasis on modernising public sector accounting



systems and aligning them with international standards, such as the International Public Sector Accounting Standards (IPSAS) (Olanrawaju, 2019).

In the early 2000s, the financial performance of Nigeria's public sector continued to be a source of concern, despite the introduction of some reforms. The country was still grappling with poor budgeting practices, weak enforcement of regulations, and inadequate oversight mechanisms. However, the rise of anti-corruption movements, both domestically and internationally, began to push for more stringent financial controls within government institutions. The introduction of initiatives such as the Nigeria Extractive Industries Transparency Initiative (NEITI) in 2004 marked an important step in increasing transparency, particularly in the management of oil revenues, which form the backbone of Nigeria's public finances (Ibrahim, 2022). These measures aimed to curb corruption in the public sector and improve financial performance by ensuring that revenues generated from the oil and gas sector were managed more transparently and accounted for properly.

The public financial management reforms that began in earnest in the 2000s sought to address long-standing issues of inefficiency, lack of accountability, and corruption within government agencies. One of the most significant milestones was the implementation of the Treasury Single Account (TSA) in 2015, which consolidated all government revenues and expenditures into a single account



managed by the Central Bank of Nigeria. This reform was designed to prevent the misappropriation of public funds, increase financial transparency, and improve the efficiency of government expenditure (Greco et al., 2019). By centralising government accounts, the TSA allowed for greater control over the flow of public money, making it easier to track and monitor government transactions. The introduction of this reform was a significant step towards improving financial performance in the public sector, particularly in terms of ensuring better governance and reducing corruption.

Despite these advances, Nigeria's public sector financial performance remained mixed. Although certain government institutions saw improvements in their financial management practices, broader systemic issues such as political interference, inefficiency, and insufficient capacity continued to impede progress (Simon et al., 2025). Public sector financial management reforms were often undermined by a lack of adequate capacity at both the institutional and personnel levels. Government ministries and agencies were still struggling with inadequate staffing, poor training in financial management, and a lack of modern financial systems, making it difficult to fully realise the benefits of the reforms (Olanrawaju, 2019).

The Nigerian government's efforts to improve financial reporting have also been part of a broader push to modernise public sector management. The adoption of



accrual accounting was part of an effort to move away from the traditional cash-based accounting systems that had previously been used in the public sector. Accrual accounting, which records financial transactions when they occur rather than when cash changes hands, allows for a more accurate representation of an organisation's financial health. This transition was seen as essential in improving the financial performance of public institutions, as it offered a clearer picture of liabilities, assets, and financial obligations (Oluwayemisi et al., 2024).

In recent years, the **introduction of forensic accounting** into Nigeria's public sector has been touted as a crucial tool for improving financial performance by uncovering fraud, corruption, and inefficiencies in financial reporting (Akininnyi et al., 2025). Forensic accounting involves the use of specialised techniques to investigate financial irregularities and ensure the integrity of financial statements. The Nigerian government has increasingly relied on forensic accountants to audit the financial activities of public institutions, particularly in sectors prone to mismanagement, such as the oil and gas industry and state-run enterprises (Oluwayemisi et al., 2024). Initial studies suggest that forensic accounting has played a role in improving financial transparency, particularly in detecting fraudulent transactions, although the implementation of such practices remains inconsistent across different government sectors (Ibrahim, 2022).

The history of financial performance in Nigeria's public sector has been marked



by significant efforts at reform and improvement, but challenges remain. The period from the 1980s through to the present day has seen a gradual shift from inefficient, opaque financial management practices to more structured, transparent, and accountable systems. Reforms such as the introduction of the TSA, the adoption of accrual accounting, and the implementation of forensic accounting practices have contributed to improvements in financial performance, although institutional challenges, corruption, and political interference have slowed the full realisation of these reforms. The continued evolution of public financial management in Nigeria reflects a complex interplay of reform, capacity-building, and governance, with significant strides made but much still to be achieved (Olanrawaju, 2019; Ibrahim, 2022; Greco et al., 2019).

2.1.2 Audit Quality

Audit quality is one of the most critical elements of financial reporting, particularly in maintaining the integrity and transparency of financial markets. It refers to the accuracy, reliability, and overall effectiveness of the audit process in providing reasonable assurance that an organisation's financial statements are free from material misstatements, whether due to fraud or error. In an increasingly complex global economic environment, the quality of audits is essential for ensuring the accuracy of financial information, which stakeholders, including investors, regulators, and the general public, rely on for their decision-



making processes. A high-quality audit ensures that an organisation's financial reports present a true and fair view of its financial position and performance, which is crucial for maintaining the trust of stakeholders (Knechel et al., 2020).

The concept of audit quality is multifaceted and can be approached from various perspectives, particularly in relation to the effectiveness and efficiency of the audit process. At its core, audit quality is defined by two key dimensions: auditor competence and auditor independence (DeAngelo, 1981). Competence refers to the technical knowledge, experience, and skills that an auditor brings to the audit process, while independence refers to the auditor's ability to remain unbiased and free from conflicts of interest that might compromise the audit. These two elements work together to ensure that the audit process is conducted with due diligence and that the auditor's opinion on the financial statements can be trusted. As financial reporting continues to evolve in complexity, the need for auditors to possess both technical expertise and independence has become increasingly significant (Knechel et al., 2020).

Auditor competence is perhaps the most fundamental determinant of audit quality. Competence involves the auditor's knowledge of accounting standards, auditing techniques, and the industry-specific issues that may affect the client's financial reporting. Competent auditors are better equipped to detect errors, fraud, and inconsistencies in financial statements, ensuring that audits are



thorough and reliable. The complexity of modern financial transactions, such as international investments, derivatives, and new financial products, requires auditors to possess a higher level of expertise than ever before (Cohen & Hanno, 2021). To maintain their competence, auditors must engage in continuous professional development, staying updated with changes in financial reporting frameworks, audit standards, and the economic environment. Inadequate competence can lead to missed misstatements, ultimately compromising the quality of the audit and potentially causing significant harm to stakeholders relying on those financial statements (Hichri, 2023).

Auditor independence is another fundamental determinant of audit quality. It is crucial for ensuring that auditors can provide an unbiased and objective opinion on the financial statements of their clients. Independence can be split into two categories: independence of mind and independence in appearance. Independence of mind refers to the auditor's internal ability to make objective decisions without external influences, while independence in appearance refers to the perception of the auditor's impartiality by external stakeholders (Fearnley & Beattie, 2004). Both aspects are critical for ensuring that auditors can carry out their duties without undue pressure from clients or other parties. The challenge of maintaining independence is particularly pertinent when auditors have long-standing relationships with clients or when audit fees constitute a large portion

of the audit firm's revenue. A failure to maintain independence, whether in mind or appearance, can compromise the audit's credibility, leading to an audit opinion that does not reflect the true financial state of the organisation (Knechel et al., 2020).

Several other determinants influence audit quality, such as the size and resources of the audit firm. Larger audit firms, particularly those that are internationally recognised, are often perceived to provide higher-quality audits due to their superior resources, larger pool of experienced professionals, and ability to invest in advanced auditing technologies and methodologies (DeAngelo, 1981). These firms are also subject to more rigorous regulatory oversight, which helps ensure that they maintain high standards of practice. In contrast, smaller firms may not have the same level of resources or expertise, which can limit their ability to conduct in-depth audits, especially for clients with complex financial statements (Lennox, 2000). Larger firms also face significant reputational risks, which provide an added incentive to maintain high-quality audits to safeguard their standing in the industry.

The regulatory environment in which audits are conducted plays a significant role in determining the quality of audits. Regulatory frameworks, such as the Sarbanes-Oxley Act (SOX) in the United States and the International Standards on Auditing (ISA), establish minimum standards for audit practice and ensure that

auditors are held accountable for their work (Knechel et al., 2020). These regulations are designed to ensure that auditors perform their duties objectively, competently, and in compliance with established standards. Strong regulatory oversight helps mitigate the risk of audit failure and ensures that auditors adhere to ethical standards. Regulatory bodies such as the Public Company Accounting Oversight Board (PCAOB) provide independent oversight of audit firms and have the authority to enforce compliance with auditing standards (Hichri, 2023). Without a strong regulatory environment, the quality of audits could deteriorate, potentially leading to misleading financial reports and a loss of trust among investors and other stakeholders.

External factors also affect the quality of audits. Client pressures can significantly influence auditors, especially when auditors are dependent on a particular client for a large portion of their revenue. These pressures can lead to situations where auditors may be reluctant to challenge clients over significant financial misstatements, which can ultimately compromise audit quality (Fearnley & Beattie, 2004). This is particularly problematic in cases where auditors have a vested interest in maintaining the client relationship, as auditors may feel compelled to present more favourable opinions than are warranted. Similarly, audit fees play a role in determining audit quality. High audit fees typically enable auditors to allocate more time and resources to the audit, leading



to a more thorough examination of financial statements. Conversely, lower fees can create incentives for auditors to cut corners, reducing the depth and quality of the audit process (Lennox, 2000).

The complexity of the financial transactions being audited is another critical factor affecting audit quality. Modern businesses engage in a wide range of complex financial transactions, including international investments, mergers and acquisitions, and the use of complex financial instruments such as derivatives. These transactions require auditors to possess a deep understanding of the financial instruments and their associated risks. The increasing complexity of financial products means that auditors must continually update their knowledge and expertise to keep pace with new financial reporting standards, which can pose challenges for maintaining high audit quality (Cohen & Hanno, 2021). Moreover, the pace at which these financial products evolve may outstrip the auditor's ability to stay current, leaving gaps in their understanding and reducing the overall quality of the audit process.

The economic environment also impacts audit quality. In times of economic instability or financial crises, auditors may face increased pressure to complete audits under tight deadlines or with limited resources. These pressures can reduce the thoroughness of the audit process, potentially compromising the quality of the audit opinion. Similarly, fluctuations in market conditions and



economic performance can make it more difficult for auditors to assess the financial health of an organisation accurately. For example, an economic downturn may affect the valuation of assets or introduce new risks that auditors must assess. These external factors introduce complexities into the audit process, requiring auditors to apply additional professional scepticism and judgement (Sikka et al., 2009).

Maintaining audit quality comes with numerous challenges. One of the most pressing challenges is maintaining auditor independence, particularly in the face of client pressures or long-term client relationships. The closer the relationship between the auditor and the client, the greater the risk that the auditor may become biased in their judgement. This can lead to less critical assessments, potentially allowing material misstatements to go undetected. Another challenge is ensuring that auditors have adequate resources and time to conduct thorough audits. In smaller audit firms or under-resourced audits, auditors may be forced to cut corners, compromising audit quality. Additionally, auditors must continuously adapt to new financial reporting frameworks, increasing the complexity of their role. As financial reporting continues to evolve, auditors must stay up-to-date with new regulations and reporting standards, adding another layer of difficulty to the task of maintaining high-quality audits (Knechel et al., 2020).

Another challenge to audit quality is the risk of financial misstatements and fraud. Clients may engage in fraudulent financial reporting to present a more favourable picture of their financial position or performance. This can involve inflating revenues, understating liabilities, or manipulating valuations. Detecting fraud and identifying material misstatements is a core component of the audit process, and failure to do so undermines the quality of the audit (Lennox, 2000). However, in cases where fraud is sophisticated or deliberately concealed, it may be difficult for auditors to detect it, which can compromise the integrity of the audit.

Audit quality is an essential aspect of financial reporting that directly impacts the transparency, reliability, and accountability of an organisation's financial statements. Determining audit quality involves evaluating several key factors, including auditor competence, independence, and the regulatory environment in which the audit occurs. External factors, such as client pressure, audit fees, and the complexity of financial transactions, also play a significant role in shaping audit outcomes. Despite the numerous challenges auditors face—ranging from maintaining independence to managing complex financial reporting—ensuring high-quality audits is vital for preserving trust in financial markets, enhancing corporate governance, and ensuring that financial reporting is both accurate and reliable. The auditing profession must continue to adapt to the evolving business landscape, ensuring that it meets the increasing demands of financial



transparency, accountability, and stakeholder confidence (Sulaiman, 2023; Grabner & Vienna, 2019; Knechel et al., 2020).

2.1.2.2 Audit Quality in Nigerian Public Sector Institutions

The concept of audit quality in Nigeria's public sector institutions has evolved significantly over the past few decades. Historically, Nigeria's public sector has faced various challenges related to financial mismanagement, poor governance, and inefficiencies in the management of public funds. These issues have been exacerbated by weak institutional frameworks and a lack of transparency in financial reporting, which ultimately compromised the effectiveness of audits in maintaining accountability and ensuring the accuracy of financial statements. As a result, audit quality in Nigeria's public sector has been a central focus of reform efforts, particularly since the early 2000s, with an emphasis on improving financial reporting practices and enhancing transparency in the public sector (Babalola et al., 2022).

One of the key drivers of the push for improved audit quality has been the introduction of various public sector reforms aimed at improving governance and financial accountability. For example, Nigeria's adoption of the **International Public Sector Accounting Standards (IPSAS)** in 2010 marked a significant step towards modernising public sector accounting and ensuring higher-quality audits. IPSAS were introduced to provide a framework for improving the quality of public



sector financial reporting, ensuring that it is both accurate and transparent. These reforms have sought to standardise accounting practices across public institutions, making audits more reliable and easier to conduct (Hichri, 2023). Moreover, the establishment of independent auditing bodies, such as the **Office of the Auditor General for the Federation (OAuGF)**, has played a critical role in improving the oversight of public sector financial reporting, further reinforcing efforts to enhance audit quality (Olanrawaju, 2019).

The Nigerian government has also introduced several legal and regulatory frameworks designed to improve financial transparency and audit quality. The Public Procurement Act of 2007 and the Financial Control and Management Act are two examples of initiatives aimed at establishing a robust regulatory framework for auditing public sector financial activities. These regulations ensure that public procurement processes are transparent and that audits of government spending are carried out systematically (Nonki Tadida, 2023). Despite the presence of these frameworks, the implementation of reforms has often been inconsistent, and audit quality has remained an ongoing challenge. One of the key obstacles has been political interference, which has hindered the ability of auditors to carry out their duties objectively. In many cases, auditors have faced pressure from political figures or government officials to overlook discrepancies in financial reporting, resulting in compromised audit opinions and



a lack of accountability (Olanrawaju, 2019).

The complexity of Nigeria's public sector financial environment further complicates efforts to improve audit quality. Public sector institutions in Nigeria manage large, complex budgets and diverse funding sources, including revenues from oil exports, foreign loans, and domestic taxes. These diverse financial streams create significant challenges for auditors, who must navigate complex accounting structures and financial transactions. This complexity has led to calls for more specialised training and capacity-building initiatives for auditors working in the public sector. Audit firms, especially smaller ones, often lack the resources and technical expertise required to perform audits effectively in such a complex environment. Therefore, ensuring that auditors are well-equipped to manage these complexities is crucial to improving audit quality in the public sector (Grabner & Vienna, 2019).

Furthermore, the issue of audit independence has been a major challenge in Nigeria's public sector. Audit quality is heavily reliant on the independence of auditors, ensuring that they can perform their duties without undue influence or conflicts of interest. In many instances, auditors in Nigeria's public sector face pressure from government officials to avoid reporting issues that could damage the reputation of public institutions or highlight poor financial management. This lack of independence, both in mind and appearance, has been a significant



barrier to achieving high-quality audits (Sulaiman, 2023). The close relationship between auditors and government officials, particularly when auditors are reliant on government contracts, raises concerns about bias and the potential for auditors to overlook financial misstatements for the sake of maintaining favourable relationships.

The role of audit fees is also a critical factor in determining audit quality in Nigeria's public sector. Audit firms are often under pressure to provide audits at competitive rates, which can lead to compromises in the thoroughness and depth of the audit process. When audit fees are not commensurate with the complexity and scope of the audit work, auditors may be unable to dedicate sufficient time and resources to the audit, thereby reducing the quality of their work. This is especially problematic for smaller government agencies, which often lack the financial resources to hire high-quality auditors or invest in comprehensive audit processes (Ciger, 2020). Therefore, ensuring that audit fees are adequate to cover the required work is essential for maintaining high-quality audits in the public sector.

While efforts to improve audit quality in Nigeria's public sector have made progress, challenges remain. One of the most significant barriers is capacity building within audit institutions. Many auditors in Nigeria's public sector are inadequately trained to deal with the complex and evolving nature of public



sector accounting. Despite various reform initiatives, the professional development of auditors has lagged behind the increasing demands of modern public sector accounting (Abdelrahim & Al-Malkawi, 2022). Effective capacity-building programmes are needed to equip auditors with the skills and expertise to deal with complex financial systems and transactions, ensuring that audits are both thorough and effective.

Moreover, **corruption** remains a pervasive issue in Nigeria's public sector and continues to undermine efforts to improve audit quality. Public sector institutions in Nigeria have long been plagued by corruption, and auditors have often faced challenges in identifying and reporting fraudulent activities. Even with reforms aimed at improving transparency, the deep-rooted culture of corruption poses a significant obstacle to achieving high-quality audits (Babalola et al., 2020). A lack of political will to enforce existing regulations and hold individuals accountable for financial mismanagement further exacerbates this issue, undermining the effectiveness of auditing practices.

The introduction of **forensic auditing** has been identified as a critical tool in addressing the challenges related to financial mismanagement and corruption in Nigeria's public sector. Forensic auditing is an investigative approach that focuses on detecting fraud, corruption, and other financial crimes within an organisation's financial records. By employing specialised techniques to uncover



hidden financial transactions and irregularities, forensic auditors can enhance the quality of audits by identifying material misstatements that may otherwise go unnoticed. The Nigerian government has increasingly adopted forensic auditing techniques to improve transparency in public sector financial reporting, particularly in the oil and gas sector, which is highly susceptible to financial mismanagement (Knechel et al., 2020).

Audit quality in Nigeria's public sector institutions has evolved over time through various regulatory and reform efforts. Despite significant strides towards improving transparency and accountability, challenges such as political interference, audit independence, insufficient training, and corruption continue to undermine the effectiveness of audits in the public sector. While the adoption of international standards, such as IPSAS, and the use of forensic auditing techniques have contributed to improvements in audit quality, further efforts are needed to address the root causes of inefficiency and corruption in public sector financial management. Ensuring that auditors in Nigeria's public sector are adequately trained, independent, and equipped with the necessary resources is crucial for improving audit quality and achieving greater accountability in the management of public funds (Olanrawaju, 2019; Sulaiman, 2023; Knechel et al., 2020).

2.1.3 Audit Independence

Audit independence is a foundational element of the auditing process, particularly in the public sector where the integrity of financial management plays a crucial role in national governance. In the Nigerian context, audit independence is vital for ensuring that public financial audits are credible, unbiased, and free from undue influence. It serves as a mechanism to uphold transparency, accountability, and trust in the public sector, making it indispensable for audit quality. Independence is both a psychological state and a behavioural trait; auditors must not only act independently but must also be perceived by external stakeholders to be independent (Bassegy et al., 2020).

The independence of auditors in Nigeria's public sector is enshrined in its institutional frameworks, such as the constitutional provisions establishing the Office of the Auditor-General for the Federation. This office is mandated to conduct audits of all government accounts and report to the National Assembly, thereby playing a central role in ensuring financial probity. However, despite this framework, practical limitations—such as budgetary dependence on the executive and delayed funding undermine the independence of the Auditor-General and his office. These challenges affect the autonomy required to perform unbiased audits and consequently degrade audit quality (Izedonmi & Olateru-Olagbegi, 2021).



Audit independence is not just an abstract principle; it materially influences the quality of audits conducted in the Nigerian public sector. Studies highlight that where auditors are free from external influence, especially political and executive interference—the accuracy, reliability, and objectivity of audit reports improve significantly. For example, auditors who are protected from political retaliation or interference are more likely to report misstatements and irregularities without fear, thereby enhancing the quality and effectiveness of the audit process (Osamuede, 2022).

One of the enduring threats to audit independence in Nigeria is the political capture of audit institutions. Public auditors often operate under substantial political constraints, as many high-profile audit findings implicate senior government officials or politically connected individuals. In such scenarios, the willingness of auditors to issue unfavourable reports or take corrective actions is greatly diminished. This limitation not only undermines audit independence but also contributes to a cycle of weak financial governance and compromised audit quality (Njoku, 2020).

The link between audit independence and audit quality has also been reinforced through regulatory and policy recommendations. Nigerian audit institutions and professional bodies, such as the Institute of Chartered Accountants of Nigeria (ICAN), are frequently encouraged to build auditor independence into their



training and ethics frameworks. These recommendations are based on evidence that enhancing auditor independence leads to better detection of errors and fraud, higher compliance with accounting standards, and more credible financial reports (Bakare, 2019).

Moreover, financial and operational autonomy are necessary for maintaining auditor independence. Without control over their operational budgets and personnel decisions, audit institutions cannot function autonomously. In Nigeria, the dependence of audit offices on the executive for funding poses a direct threat to audit independence. This scenario often results in delays in audit reports, low staff morale, and a reluctance to pursue sensitive audit issues, all of which diminish audit quality in the public sector (Yahaya, 2024).

Efforts to address these challenges include calls for legal reforms that would grant financial independence to the Auditor-General's office. By ensuring timely and adequate budgetary allocations, auditors would be empowered to plan and execute audits without external interference. Furthermore, reforms must also focus on tenure security and legal protection for auditors, so they can act without fear of reprisal. These measures are essential for promoting independence and enhancing the effectiveness of audits in Nigeria's public institutions (Aliu et al., 2018).

Audit independence is also influenced by the internal structures and culture within audit institutions. Organisational cultures that prioritise ethical standards, transparency, and professionalism tend to support stronger audit independence. In contrast, cultures where whistleblowing is discouraged or where audit findings are routinely suppressed contribute to a deterioration in audit quality. Nigerian public sector institutions must therefore not only enforce formal rules but also cultivate internal cultures that value audit integrity and accountability (Nwafor & Amahalu, 2021).

Audit independence is a cornerstone of audit quality, especially within the Nigerian public sector where the stakes for financial transparency and public trust are particularly high. Despite constitutional provisions and reform efforts, practical constraints such as political interference, financial dependence, and weak institutional frameworks continue to undermine the independence of auditors. Strengthening audit independence through legal reform, institutional autonomy, and ethical reinforcement is essential for enhancing audit quality. As audit quality improves, so too does the credibility of financial reporting, which is critical for governance, anti-corruption efforts, and public confidence in Nigeria's public institutions (Bassey et al., 2020; Izedonmi & Olateru-Olagbegi, 2021; Osamuede, 2022).



2.1.4 Audit Competence

Audit competence is a fundamental factor influencing the quality of audits, especially in the public sector, where the accuracy and reliability of financial statements play a critical role in maintaining transparency and accountability. In the Nigerian public sector, the concept of audit competence encompasses the auditor's technical knowledge, expertise, and experience in assessing the financial health and operational efficiency of public institutions. Competence includes familiarity with accounting standards, auditing techniques, the ability to detect financial misstatements, and the capacity to navigate complex financial reporting requirements (Knechel et al., 2020). The competence of auditors in Nigeria's public sector is vital, as it directly impacts the reliability of the financial statements and the effectiveness of audits in identifying fraud, inefficiencies, and mismanagement.

The Nigerian public sector is particularly challenged by the complexity of its financial systems, which include diverse sources of revenue such as oil exports, taxes, and foreign loans. Public institutions also face the challenge of managing large budgets across multiple sectors, making the role of competent auditors even more critical (Bassey et al., 2020). Without adequate competence, auditors may miss crucial discrepancies or fail to adequately assess the financial performance of government agencies. This can lead to flawed audits and



undermine the reliability of public sector financial reporting. As such, continuous professional development and access to the latest audit technologies are essential for improving auditor competence and ensuring that audits are conducted effectively (Osamuède, 2022).

Audit competence is also closely tied to training and education. In Nigeria, the ability of auditors to perform high-quality audits is often constrained by gaps in training, particularly in relation to the adoption of modern accounting and auditing standards such as the International Public Sector Accounting Standards (IPSAS) (Izedonmi & Olateru-Olagbegi, 2021). A lack of specialised training for auditors in areas such as forensic accounting, fraud detection, and complex financial instruments can limit their ability to carry out comprehensive audits. To address these gaps, there is a need for robust capacity-building initiatives that focus on enhancing the technical skills and knowledge base of auditors working in the public sector (Abdelrahim & Al-Malkawi, 2022).

In addition, audit firms that conduct audits for public institutions in Nigeria must possess not only technical proficiency but also practical experience in handling large-scale audits. The complexity of public sector operations, combined with the evolving nature of financial reporting standards, requires auditors to continuously update their skills and stay informed about the latest developments in auditing methodologies (Babalola et al., 2022). Auditors with specialised knowledge in



areas such as public sector governance, financial reporting regulations, and forensic auditing are better positioned to deliver high-quality audits that meet the expectations of stakeholders and ensure compliance with applicable standards.

Audit competence is a crucial determinant of audit quality in Nigeria's public sector. The ability of auditors to conduct thorough, accurate, and independent audits is largely dependent on their knowledge, skills, and expertise. Addressing the challenges related to auditor competence in Nigeria's public sector, through enhanced training and professional development, is essential for improving the effectiveness of public sector audits and ensuring that government financial reporting remains transparent, accountable, and reliable (Osamuede, 2022; Knechel et al., 2020).

2.1.5 Compliance With Audit Standards

Compliance with audit standards is a fundamental aspect of maintaining high-quality audits, especially in public sector institutions where transparency, accountability, and integrity are of paramount importance. Audit standards provide a structured framework for auditors to follow when conducting audits, ensuring that financial reporting is consistent, accurate, and reliable. In the context of Nigeria's public sector, adherence to both international and national audit standards play a critical role in ensuring that audits are carried out



efficiently and that the results reflect the true financial condition of government institutions (Bassey et al., 2020). These standards help guide auditors in evaluating the financial statements of public sector organisations, providing a clear roadmap for assessing financial risks, identifying fraud, and detecting any misstatements or inefficiencies in public spending.

In Nigeria, the implementation of International Public Sector Accounting Standards (IPSAS) has been a significant step towards improving compliance with audit standards in public sector institutions. IPSAS, which are internationally recognised accounting standards tailored to the public sector, offer a comprehensive framework for managing public finances, preparing government accounts, and ensuring transparency. The Nigerian government's adoption of IPSAS in 2010 marked an important milestone in aligning the country's public sector financial reporting with global best practices. Compliance with these standards ensures that public sector financial statements provide a true and fair view of the government's financial position and performance (Izedonmi & Olateru-Olagbegi, 2021). However, full implementation of IPSAS in Nigeria's public sector remains a challenge due to insufficient training, resistance to change, and a lack of resources to fully integrate the standards across all public institutions.

In addition to IPSAS, Nigeria's auditors are also required to adhere to International Standards on Auditing (ISA), which set out the essential principles



for conducting audits with due professional care and due diligence. These standards ensure that auditors gather sufficient and appropriate audit evidence to form an opinion on the financial statements and that audits are performed in an ethical, objective, and transparent manner. The Institute of Chartered Accountants of Nigeria (ICAN) plays a central role in ensuring compliance with ISA in the country. It is responsible for setting guidelines, offering professional development, and ensuring that auditors in Nigeria meet the necessary qualifications to carry out audits according to established international standards (Bakare, 2019).

Despite the presence of these internationally recognised standards, compliance with audit standards in Nigeria's public sector is often inconsistent. One significant barrier to achieving full compliance is the lack of adequate resources. Many public sector auditing bodies in Nigeria, including the Office of the Auditor-General, struggle with underfunding, which limits their ability to hire qualified personnel, invest in training, and purchase necessary technology to support effective audits (Babalola et al., 2022). Without these resources, auditors may fail to comply with the required standards, resulting in audits that are incomplete or flawed. For instance, the failure to implement the latest auditing tools or failure to provide sufficient time and personnel to conduct thorough audits undermines compliance with audit standards.

Additionally, there are systemic challenges in Nigeria's public sector that hinder full compliance with audit standards. One such challenge is the lack of political will to enforce rigorous auditing practices. Despite the presence of legal frameworks and standards, political interference often undermines the independence of auditors and prevents full adherence to auditing norms. Auditors who face political pressure may be reluctant to report discrepancies or to issue a critical audit opinion, even when audit standards require such action. This issue is particularly prevalent when audits reveal financial mismanagement or corruption within government departments (Sulaiman, 2023). As a result, the quality and effectiveness of audits are compromised, and the broader goal of ensuring public sector accountability is undermined.

Auditor independence is inextricably linked to compliance with audit standards. When auditors are not free from external pressures, it becomes difficult for them to adhere strictly to auditing principles and standards. For instance, an auditor under pressure to alter findings or overlook issues may deviate from the standard practices outlined in ISA or IPSAS, leading to biased or incomplete audit reports (Knechel et al., 2020). In Nigeria, political influences often make it challenging for auditors to comply fully with auditing standards. The fear of retaliation for reporting unfavourable findings or the desire to maintain a good relationship with government officials can influence auditors to issue less



rigorous or modified audit opinions, thus compromising the quality of the audit process (Yahaya, 2024).

The role of capacity building in ensuring compliance with audit standards cannot be overstated. Audit quality is dependent on the competence of auditors, and this competence is closely linked to the training they receive. In Nigeria's public sector, auditors often face challenges in staying up-to-date with new auditing techniques, standards, and regulations. Continuous professional development is essential to ensuring that auditors are capable of implementing the required audit standards effectively. Efforts have been made to strengthen auditor training, with some programmes focusing on improving knowledge of IPSAS and ISA standards. However, the lack of widespread training opportunities, coupled with inadequate institutional support, continues to impede full compliance with these standards (Izedonmi & Olateru-Olagbegi, 2021).

Technological advancements in auditing are another factor that can significantly improve compliance with audit standards in Nigeria's public sector. The use of digital tools, data analytics, and automated audit systems has the potential to enhance the accuracy, efficiency, and reliability of audits. Implementing such technologies can support auditors in gathering the required evidence more efficiently and in compliance with standards such as ISA and IPSAS. However, the implementation of these technologies faces significant barriers in Nigeria,



including a lack of infrastructure, technical expertise, and sufficient funding for technology investment (Aliu et al., 2018). These technological challenges exacerbate the difficulties in achieving full compliance with modern auditing standards.

Despite these challenges, the Nigerian government has undertaken a series of audit reforms to improve compliance with auditing standards. For example, the establishment of the Public Financial Management Reform Programme (PFMRP) aimed at improving the quality of financial reporting in the public sector, including the strengthening of audit practices. These reforms have focused on improving financial accountability in the public sector, enhancing the transparency of government spending, and ensuring compliance with both local and international audit standards (Hichri, 2023). By promoting greater accountability, these reforms aim to ensure that government departments and agencies adhere to established auditing standards and principles.

Compliance with audit standards is essential for ensuring high-quality audits in Nigeria's public sector. The adherence to standards such as IPSAS and ISA provides a framework for auditors to conduct their work in a structured, objective, and professional manner. However, challenges such as political interference, inadequate resources, insufficient capacity building, and a lack of enforcement have hindered full compliance with these standards in Nigeria. Strengthening



compliance requires concerted efforts to address these barriers, including securing adequate funding for audit institutions, providing continuous professional development for auditors, enhancing technological infrastructure, and fostering a culture of independence and integrity in public sector auditing. As compliance with audit standards improves, so too does the overall quality of audits, leading to more transparent, accountable, and effective public financial management in Nigeria (Bakare, 2019; Knechel et al., 2020; Babalola et al., 2022).

2.2 Empirical Review

2.2.1 Audit Independence and Financial Performance of Public Sector Institutions

The relationship between audit independence and financial performance in Nigeria's public sector is crucial for ensuring effective governance and transparent financial management. Audit independence enables auditors to perform their duties without interference, allowing them to offer unbiased and objective opinions on the financial health of public institutions. When auditors operate independently, they are more likely to identify financial inefficiencies, misstatements, or fraud, which in turn can lead to improvements in financial performance. On the other hand, compromised audit independence often results in overlooking financial issues, which undermines the overall performance of public sector institutions (Sulaiman, 2023). The quality of audits directly influences financial accountability, affecting public sector reforms and



government policies.

Njoku (2020) examined the effect of audit independence on public sector performance in Nigeria. This study focused on government ministries and parastatals, collecting data through surveys of public sector employees and audit professionals. The data was analysed using regression techniques, and the study found a moderate positive relationship between audit independence and public sector performance. The findings were statistically significant, confirming that higher audit independence contributes to better financial performance in the public sector.

Similarly, Osamuede (2022) investigated auditor independence and the quality of financial reports in Nigeria's public sector, with a focus on institutions in Abuja. Data were collected through interviews and a review of publicly available financial statements over a five-year period. The study found that audit independence significantly improved the quality of financial reports, which in turn enhanced public sector financial management. The results were significant, supporting the idea that independent auditors are better positioned to improve financial reporting and overall performance in public institutions.

Aliu, et al. (2018) explored the relationship between audit independence and audit quality, extending the findings to public sector financial institutions in Nigeria.



The study collected data from secondary sources, including financial statements, and primary data through surveys sent to auditors and senior management of Nigerian banks. The results showed a positive correlation between audit independence and audit quality, which ultimately contributed to improved financial performance. However, the findings were mixed, with some institutions showing stronger correlations than others. This suggested that the impact of audit independence on financial performance may vary across different sectors, indicating that the relationship is not always straightforward.

Egbunike and Egbunike (2017) examined the challenges faced by internal auditors in Nigeria's public sector, particularly regarding audit independence. Data was collected through a survey of internal auditors across various government ministries in southeastern Nigeria. The study revealed that audit independence was often compromised by political pressures, which negatively impacted the quality of audits and the financial performance of public institutions. The findings were negative and statistically significant, highlighting the barriers auditors face in maintaining their independence and, consequently, the implications this has for public sector financial performance.

Alagbe and Yinus (2024) looked into the relationship between audit independence and the effectiveness of internal control systems in public universities in southwest Nigeria. The study used a combination of surveys,

interviews, and financial reports from selected universities. The results indicated a positive relationship between audit independence and the effectiveness of internal control systems, which led to improved financial performance. The findings were significant, reinforcing the idea that stronger audit independence leads to more effective financial oversight and better financial outcomes in public sector institutions.

Efiong, et. al (2022) investigated the impact of audit attributes, including audit independence, on the financial performance of financial institutions in Nigeria. The data was collected from both auditors and financial reports of commercial banks, with the findings extended to public sector financial institutions. The study showed that audit independence had a significant positive effect on financial performance. The findings were statistically significant, confirming that independent audits play a crucial role in improving the performance of public sector institutions by ensuring sound financial management.

2.2.2 Audit Competence and Financial Performance of Public Sector Institutions

The relationship between audit competence and financial performance in Nigeria's public sector is a significant factor in ensuring transparent and effective governance. Audit competence refers to the ability of auditors to apply their skills, knowledge, and experience to assess the financial health and operations of public institutions. Competent auditors are crucial in identifying financial



inefficiencies, misstatements, and fraud, ultimately leading to better financial performance. In the public sector, the competence of auditors directly influences the accuracy and reliability of financial reporting, which is essential for public trust and accountability (Bassey et al., 2020).

Ebimobowei, et al., (2020) examined the effect of public sector audit competence on financial accountability in public sector entities in Rivers State, Nigeria. Data for this study was collected through structured questionnaires distributed to public sector employees and auditors in the region. The study found a positive relationship between audit competence and financial accountability, indicating that auditors with higher competence levels contribute to better financial performance by ensuring that financial statements accurately reflect the financial position of public institutions. The findings were statistically significant, reinforcing the idea that competent auditors play a key role in enhancing financial performance in the public sector.

Similarly, Izedonmi and Olateru-Olagbegi (2021) explored the relationship between internal audit quality, particularly audit competence, and public sector management in Nigeria. This study collected data through surveys of public sector auditors and management from various government agencies. The study found a significant positive relationship between audit competence and the financial performance of public sector organisations. The results indicated that

when internal auditors possess the necessary skills, they are more effective at managing financial resources and ensuring sound financial reporting, which improves overall performance. These findings were statistically significant, highlighting the importance of skilled auditors in enhancing financial outcomes in Nigeria's public sector.

Onowu (2025) investigated the relationship between audit competence and the financial performance of public health institutions in Rivers State, Nigeria. The study used a mixed-method approach, combining interviews with auditors and public health administrators with a review of financial reports. The results indicated that audit competence had a significant positive effect on the financial performance of public health institutions. Competent auditors were able to identify inefficiencies and financial mismanagement, leading to improved financial results. The findings were positive and statistically significant, confirming that audit competence is a crucial factor in improving the financial performance of public sector institutions.

Onowu and Azali (2025) examined how audit competence influences accountability within Nigerian government organisations. Data for this study was collected through surveys administered to auditors in various public sector agencies. The study concluded that the level of audit competence within public sector agencies positively impacted their financial accountability and



performance. The study highlighted that skilled auditors are more capable of detecting financial discrepancies and ensuring that financial statements are accurate, which ultimately improves financial outcomes. The findings were statistically significant, further affirming that enhancing audit competence contributes to better financial management in the public sector.

Efiong, et al., (2022) conducted a study examining the influence of audit attributes, including audit competence, on the performance of financial institutions in Nigeria. Primary data was collected through surveys of auditors, and secondary data was drawn from financial reports of Nigerian financial institutions. The study found that audit competence had a significant positive impact on the financial performance of public sector financial institutions. Competent auditors were better equipped to identify misstatements and fraud, which led to improved financial performance. The findings were significant, confirming that audit competence is integral to enhancing financial management in public sector financial institutions.

Ijeoma and Nwifo (2015) explored the impediments to effective auditing in Nigeria's public sector, focusing on the constraints faced by the Auditor-General's office. The data for this study was collected through surveys and interviews with auditors, government officials, and audit professionals. The study revealed that the lack of competent auditors in Nigeria's public sector



contributed to poor financial performance and inefficient operations. The study found that improving audit competence would significantly enhance public sector financial performance by ensuring that auditors can properly oversee financial operations and identify inefficiencies. The findings were negative, indicating that inadequate audit competence is a barrier to improving financial performance in Nigeria's public institutions.

2.2.3 Compliance with Audit Standards and Financial Performance of Public Sector Institutions

The relationship between compliance with audit standards and financial performance in Nigeria's public sector is a crucial factor for ensuring the transparency, accountability, and proper management of public resources. Compliance with audit standards ensures that financial statements are prepared in accordance with established regulations, providing stakeholders with reliable and consistent financial information. In Nigeria, where public sector institutions often deal with large budgets and complex financial activities, adherence to international and national auditing standards plays an important role in improving financial oversight and institutional performance. Non-compliance with audit standards can lead to inaccurate financial reporting, which, in turn, negatively impacts financial performance and governance (Bassey et al., 2020). Below are several empirical studies that have explored the link between compliance with



audit standards and financial performance in Nigeria's public sector.

Ebimobowei, et al., (2020) investigated the effects of public sector audit compliance on financial accountability and performance in public sector entities in Rivers State, Nigeria. Data was collected through structured questionnaires distributed to public sector employees and auditors in the region. The study found a significant positive relationship between audit compliance and financial accountability, indicating that when public sector institutions comply with audit standards, they are more likely to exhibit better financial performance and transparency. The findings were statistically significant, supporting the view that compliance with audit standards is key to ensuring effective financial management (Ebimobowei et al., 2020).

Onowu and Azali (2025) examined the influence of compliance with audit standards on public sector accountability and financial performance in Nigeria. The study collected data through surveys administered to auditors working in various public sector agencies across Nigeria. The results indicated that a strong adherence to audit standards significantly contributed to enhanced financial performance and accountability in government institutions. The findings were significant, demonstrating that compliance with established auditing frameworks improves the effectiveness of financial oversight in the public sector (Onowu & Azali, 2025).



In Egbunike and Egbunike (2017), the focus was on the challenges faced by internal auditors in complying with auditing standards within the public sector in Southeastern Nigeria. The data for this study was gathered through surveys and interviews with internal auditors and public sector employees. The study found that while compliance with auditing standards was generally seen as essential for maintaining transparency, there were significant challenges in achieving full compliance due to political interference and resource constraints. The study highlighted that non-compliance with audit standards negatively impacted the financial performance of public sector organisations. The findings were statistically significant, showing that improved compliance could lead to better financial outcomes in public sector institutions (Egbunike & Egbunike, 2017).

Akpan and Akpan (2025) explored audit standards compliance in public universities in South-South Nigeria, focusing on how adherence to these standards affected the financial sustainability and performance of the universities. The data was collected through a combination of surveys, interviews, and financial statement reviews. The study found that universities that adhered to audit standards demonstrated better financial management, which in turn improved their financial performance. The findings were positive and statistically significant, supporting the argument that compliance with audit standards is vital for ensuring better financial performance in public sector institutions, particularly

in educational institutions (Akpan & Akpan, 2025).

Mohammed and Buba (2023) focused on the effect of financial regulations and compliance with audit standards on the accountability of selected public organisations in Nigeria. The study collected primary data through surveys and secondary data from financial reports of selected public organisations. The findings indicated a significant positive relationship between the level of compliance with financial regulations, including auditing standards, and the financial performance of these organisations. Institutions that adhered to audit standards showed stronger financial accountability and performance. The findings were statistically significant, suggesting that adherence to audit standards is crucial for promoting better financial performance and governance in Nigeria's public sector (Mohammed & Buba, 2023).

Lastly, Jaber (2023) examined the impact of compliance with audit standards on the financial performance of public institutions in Nigeria. The study used a combination of qualitative and quantitative data, including interviews with key public sector stakeholders and an analysis of financial performance indicators. The findings showed that institutions that complied with audit standards were more likely to demonstrate improved financial management and sustainability. The results were positive and statistically significant, confirming that adherence to audit standards enhances financial performance by improving financial



oversight and resource management (Jaber, 2023).

2.3 Review of theories

The relationship between audit quality and financial performance in Nigeria's public sector is underpinned by various theoretical frameworks that seek to explain the role of audits in improving financial management, transparency, and governance.

2.3.1 Legitimacy Theory

Legitimacy Theory emphasizes that organisations act to ensure they meet the expectations of society, thereby maintaining their legitimacy. This theory suggests that public sector institutions are motivated to adhere to established norms and regulations, such as audit standards, to gain public trust and ensure continued support from stakeholders. In Nigeria's public sector, institutions comply with auditing standards to maintain their legitimacy in the eyes of the public and regulatory bodies, thereby promoting transparency and accountability. This theory has been used in studies examining how public institutions comply with auditing standards to improve their legitimacy and public image (Suchman, 1995). While relevant, Legitimacy Theory focuses primarily on the perceptions of stakeholders rather than the internal processes of auditing and financial performance, making it less suitable for explaining the direct relationship



between audit quality and financial performance.

2.3.2 Institutional Theory

Institutional Theory suggests that organisations conform to rules, norms, and regulations to secure legitimacy, resources, and stability. Public sector institutions in Nigeria, for instance, must comply with national and international audit standards such as IPSAS (International Public Sector Accounting Standards) to gain legitimacy and improve their financial performance. The theory highlights how institutional norms shape the way audits are conducted, but it focuses more on compliance with external pressures than on the actual auditing process itself. While Institutional Theory helps explain why institutions comply with auditing standards, it does not delve deeply into the direct relationship between audit quality and financial performance, making it less suitable for your study.

2.3.3 Agency Theory

Agency Theory is a theoretical framework that examines the relationship between principals (the owners or shareholders) and agents (the individuals or entities entrusted to make decisions on behalf of the principals). The theory primarily focuses on the problems that arise due to the differing interests and information asymmetry between the two parties. Agency Theory offers the most comprehensive and relevant framework for understanding the relationship



between audit quality and financial performance in Nigeria's public sector. Propounded by Jensen and Meckling in 1976, Agency Theory focuses on the conflicts of interest between principals (in this case, the public or government) and agents (auditors and managers) who are tasked with managing public funds. This theory highlights the problems that arise when agents (auditors) fail to act in the best interests of the principals (the public), leading to financial mismanagement, inefficiencies, and poor financial performance. According to Agency Theory, audit independence and competence are critical in ensuring that auditors can identify financial misstatements, fraud, and inefficiencies, which directly impact the financial outcomes of public sector institutions.

In the Nigerian context, Agency Theory is particularly relevant because of the persistent issues of political interference and corruption in public institutions, which undermine the effectiveness of auditors. When auditors are not independent or sufficiently competent, their ability to detect financial mismanagement is compromised, leading to poor financial performance. As such, Agency Theory provides a clear rationale for why audit quality, in terms of independence and competence, is crucial to improving financial performance in Nigeria's public sector institutions. This theory will serve as the foundation for your study, helping to explain how the lack of independence and competence in audits can lead to poor financial outcomes and why strengthening these aspects

can improve financial performance.

Agency Theory has been widely used in previous studies, including Sulaiman (2023), which explored the effects of audit independence on financial performance in Nigerian public sector institutions, and Babalola et al. (2022), which examined the role of auditors in preventing mismanagement and inefficiency in government bodies. Both studies rely on the principles of Agency Theory to explain how audit independence and competence directly influence financial performance, making it the most appropriate framework for your research.

While several theories offer valuable insights into the relationship between audit quality and financial performance, Agency Theory provides the most robust and relevant framework for your study.

This study is anchored on Agency Theory, as it offers the most comprehensive explanation for the dynamics between audit quality and financial performance in the Nigerian context.



CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter addresses the methodology used in attaining the set objectives of this study stated in chapter one. It covers the research design, population and sample of the study, data sources, model specification, measurement of variables, and data analysis method.

3.2 Research Design

This study employs a qualitative research design aimed at exploring the relationship between audit quality and financial performance within public sector institutions in Nigeria. The focus is on understanding how various dimensions of audit quality, including audit independence, audit competence, and compliance with audit standards, influence the financial outcomes of public institutions. A qualitative approach is particularly suitable for capturing the nuanced perceptions, experiences, and attitudes of public sector stakeholders regarding audit practices and their impact on institutional financial performance (Ado et al.,



2020; Izedonmi & Olateru-Olagbegi, 2021).

To facilitate data collection and ensure that the study reflects a wide range of perspectives, the research utilises a structured questionnaire featuring Likert-scale questions. This methodological tool allows for the measurement of respondents' views while retaining the ability to quantify and analyse the data through Ordinary Least Squares (OLS) regression (Amahalu, 2020; Farouk & Hassan, 2014). The use of Likert-scale questions enhances the reliability and objectivity of the findings by enabling the identification of patterns in how different dimensions of audit quality correlate with financial performance outcomes (Ebimobowei et al., 2020).

By combining qualitative insights with quantitative analysis, the study aims to offer a comprehensive understanding of how audit independence, audit competence, and compliance with audit standards influence the financial effectiveness and transparency of public sector institutions (Onowu, 2025; Izedonmi & Olateru-Olagbegi, 2021).

This design ensures that while the study remains rooted in the personal experiences and opinions of those directly involved in public sector auditing, it also employs a systematic approach to data analysis. The integration of both qualitative and quantitative methods enables a robust examination of the



complexities surrounding audit quality and its impact on financial performance, offering valuable insights for policymakers, auditors, and public sector administrators alike (Farouk & Hassan, 2014; Ebimobowei et al., 2020).

3.3 Population

The population for this study consists of employees in key public sector institutions like the Federal Inland Revenue Service (FIRS), public universities, and various government ministries and agencies. Lecturers in public universities involved in financial management or auditing-related courses will also be considered due to their expertise in public finance management. Civil servants who engage in financial oversight roles within their respective ministries, particularly those involved in the implementation of audit policies and financial regulations, are also part of the study population.

3.4.1 Sample Size Determination

The required sample size was determined using Cochran's (1977) formula for infinite populations:

$$n_0 = \frac{(Z^2 \times p \times q)}{e^2}$$

Where:

Z = 1.96 (for 95% confidence level)

$p = 0.5$ (assumed proportion)

$q = 1 - p = 0.5$

$e = 0.05$ (margin of error)

$$n_0 = \frac{(1.96^2 * 0.5 * 0.5)}{0.05^2}$$

= 384 respondents.

Thus, the computed sample size is 384 respondents.

3.4.2 Sample Technique

The study employed a stratified random sampling technique to ensure fair representation of the different categories of public sector employees involved in financial management and auditing functions. The population was divided into three distinct strata:

1. Federal Inland Revenue Service (FIRS) staff
2. Public university lecturers (teaching financial management, accounting, or auditing courses)
3. Civil servants in government ministries and agencies engaged in financial



oversight roles.

From each stratum, respondents were randomly selected using the proportional allocation formula:

$$n_j = \frac{N_j}{N} \times n$$

where n_j is the sample size for each stratum, N_j is the population of the stratum, N is the total population, and $n=384$ (the total sample size determined using Cochran's formula).

For illustration, if the population proportions are:

- FIRS (10%),
- Public university lecturers (30%),
- Ministries/agencies (60%),

The allocated samples are approximately:

- FIRS – 38 respondents
- Lecturers – 115 respondents
- Ministries/agencies – 231 respondents

3.5 Source of Data

Primary data was collected through a structured questionnaire, distributed via

both online platforms (Google Forms) and physical paper copies. This mixed approach facilitated greater accessibility and increased participation across various departments.

To ensure the reliability of the instrument, a pilot study was carried out with 30 randomly selected respondents from the same population. The feedback from this pilot study helped refine the questionnaire before it was distributed on a larger scale

3.6 Research Instruments

The primary instrument used was a structured questionnaire with five sections, starting with Section A: Demographic Information. The remaining sections were:

Section B: Perceived Efficiency of Audit Quality

Section C: Perception of Audit Independence

Section D: Perception of Audit Competence

Section E: Perception of Compliance with Audit Standards

All questions used a 5-point Likert scale, ranging from 1 = Strongly Disagree to 5 = Strongly Agree, for quantitative analysis of subjective perceptions.

3.7 Validity and Reliability Test

To ensure the quality and consistency of the data collection instrument, both validity and reliability tests were conducted.

Validity was ensured through expert review. The questionnaire was evaluated by professionals in the fields of auditing and public sector finance to confirm that the items adequately measured the intended constructs, such as audit quality and financial performance. Additionally, face validity was assessed by obtaining feedback from a small sample of respondents during the pilot study to ensure that the questions were clear and relevant.

For reliability, the internal consistency of the instrument was assessed using Cronbach's Alpha, a commonly used measure. A value of 0.7 or higher was deemed acceptable for the reliability of the instrument. The pilot study was used to calculate this reliability coefficient, confirming that the items within each section of the questionnaire were consistent in measuring the intended constructs.

3.8.1 Theoretical Framework

This study is anchored in Agency Theory, which provides a comprehensive explanation for understanding the relationship between audit quality and financial performance in the Nigerian public sector. The theory focuses on the principal-agent problem, where the principals (e.g., government officials, taxpayers) rely on agents (public sector managers and auditors) to act in their best interest. However, the agents may have different motivations or incentives that could lead to conflicts of interest, affecting their actions and ultimately

influencing the financial performance of public institutions.

Audit independence is a critical element in reducing the agency problem. According to Agency Theory, when auditors are independent, they are more likely to act in the best interests of the principals, ensuring that the financial reports reflect the true state of affairs within public sector institutions. A lack of independence can result in biased audits, leading to inaccurate financial reports and decreased trust in financial outcomes. Therefore, audit independence aligns the interests of the agents (auditors) with those of the principals, improving the financial performance and transparency of public institutions.

Audit competence is another key dimension within Agency Theory. Agents, in this case auditors, must possess the necessary skills, knowledge, and expertise to conduct effective audits. Agency Theory posits that competent auditors are better equipped to identify inefficiencies, errors, or fraud within public sector financial records, thus protecting the interests of the principals. When auditors lack the required competence, they may fail to detect mismanagement, leading to suboptimal financial performance. In this regard, audit competence helps mitigate the principal-agent problem by ensuring that agents can fulfil their role effectively, leading to better financial oversight and improved outcomes for public sector institutions.



Finally, compliance with audit standards is critical in ensuring that auditors adhere to ethical and professional guidelines designed to protect the interests of the principals. Agency Theory highlights that the lack of strict adherence to auditing standards can undermine the credibility and quality of audit reports, resulting in potential conflicts of interest between the agents and principals. When auditors comply with established standards, they ensure that their actions are transparent and accountable, which enhances the reliability of financial reporting. Compliance with audit standards is essential to aligning the actions of auditors with the expectations of principals, ensuring that the audit process contributes positively to financial performance.

By applying Agency Theory, this study explores how the three sub-variables, audit independence, audit competence, and compliance with audit standards, interact to impact the financial performance of public sector institutions. The framework demonstrates how these dimensions of audit quality can mitigate the agency problem, reduce conflicts of interest, and improve financial outcomes in the Nigerian public sector.

Schematic Representation of the Model

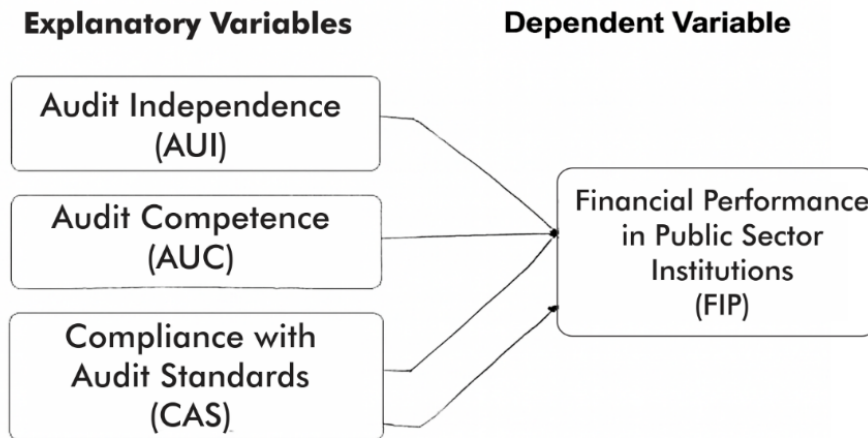


Figure 1: Schematic representation of the model developed by the researcher, adapted from the Agency Theory (Jensen and Meckling, 1976)

Researcher compilation, 2025

3.8.2 Model Specification

The model for this study is specified as follows:

Functional Form of the Model:

$$FIP = f(AUI, AUC, CAS)$$

The model can be expressed econometrically as:

$$FIP_t = \beta_0 + \beta_1 AUI_t + \beta_2 AUC_t + \beta_3 CAS_t + \varepsilon_t$$

Where:

FIP_t = Financial Performance of Public Sector Institutions at time t

AUI_t = Audit Independence at time t

AUC_t = Audit Competence at time t

CAS_t = Compliance with Audit Standards at time t

β_0 = Intercept

$\beta_1, \beta_2, \beta_3$ = Coefficients

ε_t = Error term

t = Time index (e.g., year)

\therefore *A priori* expectation

β_1 to $\beta_3 > 0$ (Audit Quality has a positive influence on FIP)

3.9 Method of Data Analysis

The data collected for this study were analysed using both descriptive and inferential statistics to derive meaningful insights from the survey responses.

The first step in the analysis involved data cleaning and preparation. This process checked for errors, missing values, and inconsistencies in the dataset. Any incomplete or invalid responses were excluded to maintain the quality of the data. The data were then coded and, if necessary, transformed to fit the model specifications for analysis.

Once the data were cleaned, descriptive statistics were used to summarize and describe the basic features of the data. This included calculating frequencies, percentages, mean values, and standard deviations to provide an overview of the respondents' demographic characteristics and their perceptions of audit quality and financial performance. Descriptive statistics helped identify trends and provided a clearer understanding of the overall distribution of the data.

For testing the relationships between variables, inferential statistics were employed. Specifically, Ordinary Least Squares (OLS) regression analysis was used to examine how the independent variables (audit quality dimensions: audit independence, audit competence, and compliance with audit standards) influenced the dependent variable (financial performance of public sector institutions). OLS regression was ideal for this study, as it allowed for determining the strength and direction of these relationships while accounting for the influence of multiple variables simultaneously.



The study tests the following hypotheses:

H₀₁: There is no significant relationship between audit independence and the financial performance of public sector institutions in Nigeria.

H₀₂: There is no significant relationship between audit competence and the financial performance of public sector institutions in Nigeria.

H₀₃: There is no significant relationship between compliance with audit standards and the financial performance of public sector institutions in Nigeria.

These hypotheses were tested at a 5% significance level. If the p-value was found to be less than 0.05, the null hypothesis was rejected, indicating a significant relationship between the respective audit quality dimension and financial performance.

The results of the regression analysis were carefully interpreted to determine how each dimension of audit quality affected the financial performance of public sector institutions. The strength of these relationships was evaluated based on the regression coefficients, and statistical significance was assessed through p-values and t-statistics.

Additionally, to ensure the reliability and robustness of the analysis, Cronbach's Alpha was used to assess the reliability of the instrument. Moreover,



multicollinearity was checked to ensure that the independent variables (audit independence, audit competence, and compliance with audit standards) were not highly correlated with one another, as this could distort the results.

3.10 Measurement of Variables

This study used a structured questionnaire to collect data on key variables: Audit Independence (AI), Audit Competence (AC), Compliance with Audit Standards (CAS), and Financial Performance (FP) of public sector institutions. All variables were measured using Likert scale items, allowing for the quantification of subjective perceptions, with responses ranging from 1 = Strongly Disagree to 5 = Strongly Agree.

S/N	Variable	Acronym	Measurement Scale	A'priori expectation
1.	Financial Performance of Public Sector Institutions (Dependent Variable)	FIP	Questions 1-5	Nil
2.	Audit Independence	AUI	Questions 6-10	+ve
3.	Audit Competence	AUC	Questions 11-15	+ve

4.	Compliance with Audit Standards	CAS	Questions 16-20	+ve
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Source: Researcher's compilation, 2025



CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 Introduction

In this section, the various variables employed in this study are tested, presented and interpreted in order to give meaningful results that can be used for decision purposes and policies. The section starts with descriptive statistics, followed by normality test, correlation analysis, heteroskedasticity, serial correlation. The interpretation of hypothesis and discussion of findings bring the chapter to a close.

4.2 Empirical Analyses

This section presents the empirical analyses of the study. It begins with descriptive statistics, which summarize the characteristics of the variables. This is followed by the correlation analysis to examine the relationships among the variables. Several diagnostic tests including tests for heteroskedasticity, serial correlation, and model specification were conducted to confirm the reliability of the model. Finally, a panel least squares regression was performed to assess the effects of independent variables on the dependent variable.

4.2.1 Descriptive Statistics

Descriptive statistics basically gives a descriptive coefficient that

summarizes a given set of variables. It includes measures of central tendency and measures of variability (spread). Measures of central tendency include the mean, median and mode while measures of variability include standard deviation, variance, minimum and maximum variables, kurtosis and skewness. The table below shows the summary statistics for the variable of the study:

Table 4.1: Summary of Descriptive Statistic

	FIP	AUI	AUC	CAS
Mean	15.23760	22.51958	23.12010	22.27676
Median	17.00000	22.00000	23.00000	23.00000
Maximum	17.00000	25.00000	25.00000	24.00000
Minimum	12.00000	21.00000	22.00000	21.00000
Std. Dev.	2.185973	1.563326	0.924471	1.191883
Skewness	-0.473588	0.467904	1.014201	0.039190
Kurtosis	1.310051	1.571067	3.279996	1.363439
Jarque-Bera	59.89274	46.55980	66.91027	42.83976
Probability	0.000000	0.000000	0.000000	0.000000
Sum	5836.000	8625.000	8855.000	8532.000



Sum Sq. Dev.	1825.379	933.6031	326.4752	542.6632
Observations	383	383	383	383

Source: Author’s compilation (2025) using Eviews 10.0

Table 4.1 presents the descriptive statistics of the variables used in this study, including Financial Performance (FIP), Audit Independence (AUI), Audit Competence (AUC), and Compliance with Audit Standards (CAS), based on 383 observations. The table provides insights into the distribution and characteristics of the variables through their mean, median, standard deviation, skewness, kurtosis, and normality tests.

The mean value of Financial Performance (FIP) is 15.24 with a median of 17.00, indicating that, on average, the sampled public sector institutions maintain a moderate level of financial performance during the study period. The standard deviation of 2.19 suggests a reasonable level of variation across institutions. The variable is negatively skewed (-0.47), implying that most institutions exhibit above-average financial performance, while a few record lower outcomes. The kurtosis value of 1.31 reflects a platykurtic distribution, and the Jarque-Bera probability (0.0000) confirms a significant deviation from normality.

Audit Independence (AUI) shows mean of 22.52 and median of 22.00

suggest that audit independence levels are relatively consistent across the sample. The standard deviation of 1.56 indicates low variability. The positive skewness (0.47) shows that a few institutions have higher independence levels, while the kurtosis of 1.57 suggests a flat distribution. The Jarque-Bera probability (0.0000) indicates non-normality, implying that independence levels may not be evenly distributed across entities.

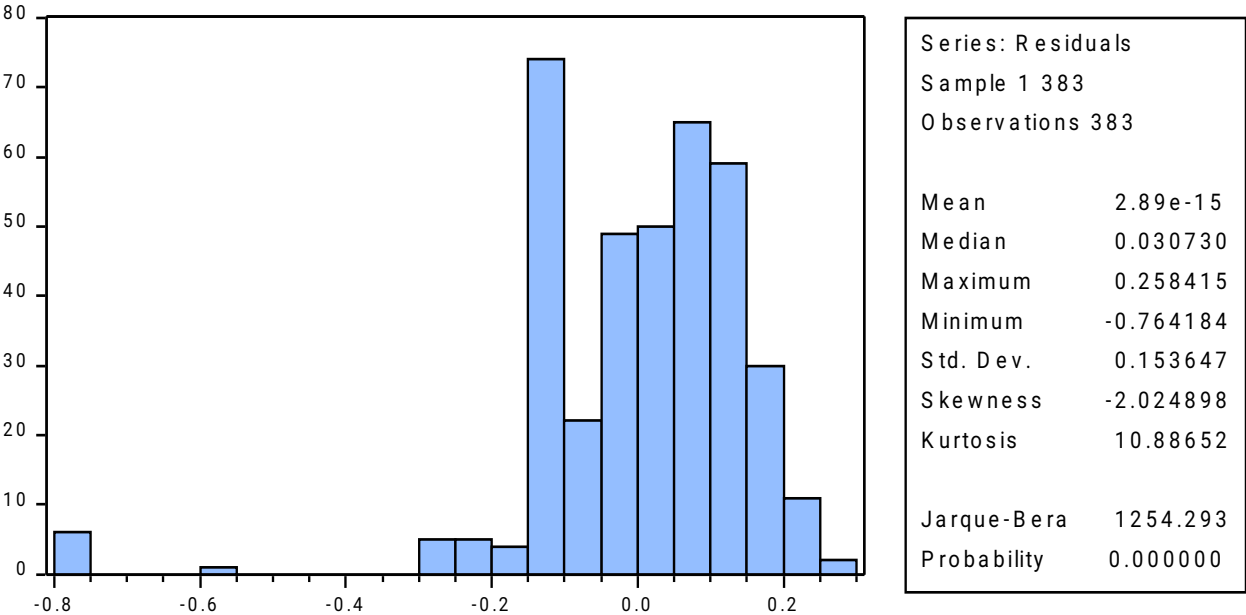
The mean of Audit Competence (AUC) is 23.12, with a median of 23.00, showing that most auditors demonstrate a relatively high level of competence. The standard deviation of 0.92 reveals limited variability, suggesting that auditors across the institutions share similar professional skill levels. The variable is positively skewed (1.01) and exhibits mild leptokurtosis (3.28), implying that a few institutions have exceptionally high levels of audit competence. The Jarque-Bera probability (0.0000) indicates that the variable departs significantly from normality.

Compliance with Audit Standards (CAS) has a mean value of 22.28 and a median of 23.00, indicating that public sector institutions generally comply with auditing standards. The standard deviation of 1.19 reflects moderate variation. The skewness value (0.04) suggests a near-symmetric distribution, while the kurtosis of 1.36 indicates a flat distribution with light tails. However, the Jarque-Bera probability (0.0000) shows that CAS does not follow a normal distribution.



The mean skewness, kurtosis and Jarque-Bera statistics are reported in the results of the histogram normality test in Table 4.2.

Table 4.2: Result of the Histogram Normality Test



The result of the histogram normality test reported a negative mean skewness of -2.024898, which means leftward-tailed distribution. The mean kurtosis is 10.88652 which is in excess of the benchmark of three (3) and indicates a leptokurtic distribution. The mean standard deviation of 0.153647 shows a deviation from the mean. The mean Jarque-Bera statistic of 1254.293 and the probability value of 0.0000 are relatively small and indicate that the data do not follow the Gaussian normal distribution.

4.3 Correlation Analysis

CORRELATION ANALYSIS

Table 4.3: Result of the Correlation Analysis

Covariance Analysis: Ordinary

Date: 10/07/25 Time: 22:37

Sample: 1 383

Included observations: 383

Correlation				
t-Statistic				
Probability	FIP	AUI	AUC	CAS

FIP	1.0000			

AUI	-0.4552	1.0000		
	-9.9799	----		
	0.0000	----		
AUC	-0.7111	0.3516	1.0000	
	-19.740	7.3304	----	
	0.0000	0.0000	----	
CAS	-0.0836	0.0182	0.7585	1.0000
	-1.6372	0.354482	22.720	----
	0.1024	0.7232	0.0000	----

Source: Researcher (2025)

Table 4.3 presents the correlation results examining the relationships between financial performance (FIP), audit independence (AUI), audit competence (AUC), and compliance with audit standards (CAS) in public sector



institutions in Nigeria. The results show that the correlation between financial performance (FIP) and audit independence (AUI) is negative and statistically significant ($r = -0.4552$, $p = 0.0000$), indicating that higher levels of audit independence are associated with lower financial performance. This suggests that while increased independence enhances objectivity, it may reduce flexibility and managerial cooperation, which could affect performance outcomes.

The correlation between financial performance (FIP) and audit competence (AUC) is also negative and statistically significant ($r = -0.7111$, $p = 0.0000$), implying that as auditors become more competent, financial performance tends to decline. This could indicate that more skilled auditors are better at detecting inefficiencies or irregularities, leading to more conservative reporting and lower reported performance. However, the correlation between financial performance (FIP) and compliance with audit standards (CAS) is weak and statistically insignificant ($r = -0.0836$, $p = 0.1024$). This suggests that adherence to audit standards does not have a direct relationship with financial performance, although it may enhance transparency and accountability indirectly.

Among the independent variables, audit competence (AUC) and compliance with audit standards (CAS) exhibit a strong positive and significant correlation ($r = 0.7585$, $p = 0.0000$), indicating that competent auditors are more likely to comply with professional auditing standards. Also, audit independence

(AUI) and audit competence (AUC) have a moderate and significant positive correlation ($r = 0.3516$, $p = 0.0000$), suggesting that independent auditors tend to demonstrate higher professional competence.

4.4 Regression Diagnostics

Test of Heteroskedasticity

Table 3: Test of Heteroskedasticity

Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	0.962998	Prob. F(3,379)	0.4292
Obs*R-squared	3.876717	Prob. Chi-Square(3)	0.4229
Scaled explained SS	7.060542	Prob. Chi-Square(3)	0.1327

Source: Eviews 10

Table 3 displays the results of the Breusch-Pagan-Godfrey test for heteroskedasticity. The probability value obtained is 0.4292, which is greater than 0.05. This suggests that there is no issue of heteroskedasticity in the model. Therefore, the alternative hypothesis of homoskedastic residuals is accepted, indicating that the variance of the residuals in the regression model is constant.

Test of Serial Correlation

Table 4: Result of the Breusch-Godfrey Test of Serial Correlation

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	3.695341	Prob. F(2,377)	0.0789
Obs*R-squared	6.457185	Prob. Chi-Square(2)	0.0711

Source: Eviews 10

The results from the Breusch-Godfrey Serial Correlation LM Test suggest that there is no significant issue with serial correlation in the model. The F-statistic is 3.695341, and its associated probability value (Prob. F(2,377)) is 0.0789, which is highly insignificant. This indicates that the null hypothesis of no serial correlation is accepted, suggesting that there is no serial correlation present in the residuals of the regression model.

Ramsey Reset Test

Table 5: Results of the Ramsey Reset of Model Specification

Ramsey RESET Test

Equation: UNTITLED

Specification: FIP AUC AUI CAS C

Omitted Variables: Squares of fitted values

Value	df	Probability
-------	----	-------------

t-statistic	1.280377	378	0.2012
F-statistic	1.639365	(1, 378)	0.2012
Likelihood ratio	1.657458	1	0.1979

Source: Eviews 10

The probability value of 0.2012, which is higher than 0.05, as indicated by the Ramsey RESET model specification test findings. This result implies that a regression model with a misspecified null hypothesis cannot be maintained. As a result, the study's alternate hypothesis of a well-defined model is approved.

4.5 Analysis of the Regression Result

Table 6: Result of the Regression Analysis

Dependent Variable: FIP

Method: Least Squares

Date: 10/07/25 Time: 23:05

Sample: 1 383

Included observations: 383



Variable	Coefficient	Std. Error	t-Statistic	Prob.
AUC	-0.009368	0.074706	-0.125398	0.9003
AUI	0.108579	0.074088	1.465553	0.1436
CAS	0.239725	0.074669	3.210485	0.0014
C	1.828126	0.081061	22.55255	0.0000
R-squared	0.284365	Mean dependent var		2.816743
Adjusted R-squared	0.278701	S.D. dependent var		0.181627
S.E. of regression	0.154254	Akaike info criterion		-0.890038
Sum squared resid	9.018085	Schwarz criterion		-0.848805
Log likelihood	174.4423	Hannan-Quinn criter.		-0.873682
F-statistic	50.19995	Durbin-Watson stat		1.605793
Prob(F-statistic)	0.000000			

Source: Eviews 10

Table 6 above displays the regression analysis's outcome. According to the preliminary analysis, the independent variables taken into consideration in this study are audit independence, audit competence and compliance with audit standard, and they contribute to 28.44% of the variation in the dependent variable which is financial performance of public sector, with a coefficient of multiple determination of 0.284365 and an adjusted value of 0.278701. The error term, however, captures the remaining 71.56%. The combined statistical significance of all the explanatory factors is indicated by the F statistics value of 50.19995

which is more than 2.

4.6 Test of Hypotheses

Hypothesis One: There is no significant relationship between audit independence and the financial performance of public sector institutions in Nigeria.

The coefficient for Audit Independence (AUI) is 0.108579, indicating a positive relationship between audit independence and financial performance of public sector. This means that, holding other variables constant, an increase in the level of audit independence is associated with an improvement in the financial performance of public sector institutions. However, the t-statistic of 1.465553 and the corresponding probability value of 0.1436 show that the effect is not statistically significant at the 5% level. Therefore, the null hypothesis of audit independence having no significant effect on financial performance is accepted at the 5% significance level. This implies that while audit independence may enhance objectivity and credibility, it does not significantly influence the financial performance of public sector institutions in Nigeria.

Hypothesis Two: There is no significant relationship between audit competence and the financial performance of public sector institutions in Nigeria.

The coefficient for Audit Competence (AUC) is -0.009368, indicating a



negative relationship between audit competence and financial performance. This suggests that, holding other variables constant, an increase in the competence of auditors is associated with a decrease in financial performance among public sector institutions. However, the t-statistic of -0.125398 and the corresponding probability value of 0.9003 reveal that this relationship is not statistically significant at the 5% level. Therefore, the null hypothesis that audit competence has no significant effect on financial performance is accepted. This implies that the level of auditor competence does not have a meaningful influence on the financial performance of public sector institutions in Nigeria within the study period.

Hypothesis Three: There is no significant relationship between compliance with audit standards and the financial performance of public sector institutions in Nigeria.

The coefficient for Compliance with Audit Standards (CAS) is 0.239725, indicating a positive relationship between compliance with audit standards and financial performance. This suggests that, holding other variables constant, an increase in adherence to audit standards is associated with an improvement in the financial performance of public sector institutions. The t-statistic of 3.210485 and the corresponding probability value of 0.0014, which is less than the 5% significance level, show that this relationship is statistically significant. Therefore,



the null hypothesis that compliance with audit standards has no significant effect on financial performance is rejected. This implies that strict compliance with audit standards enhances transparency, accountability, and overall financial performance in public sector institutions in Nigeria.

4.7 Discussion of Findings

The first hypothesis stated that there is no significant relationship between audit independence and the financial performance of public sector institutions in Nigeria. The result shows a positive but statistically insignificant relationship, with a coefficient of 0.108579, a t-statistic of 1.465553, and a p-value of 0.1436, which is greater than the 0.05 significance level. This implies that while an increase in audit independence tends to enhance financial performance, the effect is not statistically strong enough to be significant. Therefore, the null hypothesis is accepted. This finding aligns with the study by Olowookere and Inneh (2022), who found that although auditor independence promotes objectivity and credibility, its effect on financial performance in the public sector may be limited by institutional weaknesses and political interference.

The second hypothesis posited that there is no significant relationship between audit competence and the financial performance of public sector institutions in Nigeria. The coefficient for audit competence (AUC) is -0.009368,



with a t-statistic of -0.125398 and a p-value of 0.9003, which is far above the 0.05 significance threshold. This indicates a negative and statistically insignificant relationship between audit competence and financial performance. Therefore, the null hypothesis is accepted. This suggests that the professional competence of auditors, though essential for quality assurance, does not have a direct or measurable effect on financial performance in this context.

The third hypothesis findings reveal a positive and statistically significant relationship between compliance with audit standards and the financial performance of public sector institutions in Nigeria, with a coefficient of 0.239725, a t-statistic of 3.210485, and a p-value of 0.0014, which is below the 5% significance level. This indicates that compliance with audit standards significantly improves financial performance. Therefore, the null hypothesis is rejected. This finding implies that adherence to established audit procedures and professional guidelines enhances accountability, transparency, and effective financial management. It is consistent with the results of Ijeoma and Nwosu (2021), who found that compliance with audit standards strengthens public confidence in financial reports and promotes fiscal discipline in public sector institutions.



CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION, AND RECOMMENDATIONS

The findings from the analysis of the data on the relationship between audit quality and the financial performance of public sector institutions in Nigeria are summarized in this section from which conclusions are drawn, and recommendations are made.

5.1 Summary of Findings

1. Audit Independence (AUI) has a positive but statistically insignificant relationship with financial performance (FIP). This indicates that while greater audit independence is associated with improved financial performance, the effect is not significant at the 5% level.
2. Audit Competence (AUC) shows a negative and statistically insignificant relationship with financial performance (FIP). This suggests that higher audit competence does not significantly affect the financial performance of public

sector institutions within the study period.

3. Compliance with Audit Standards (CAS) has a positive and statistically significant relationship with financial performance (FIP). This implies that adherence to audit standards significantly enhances financial performance, promoting transparency and accountability in Nigeria's public sector institutions.

5.2 Conclusion

The study examines the effect of audit quality on the financial performance of public sector institutions in Nigeria. The study data was gathered from a well-structured questionnaire filled by 384 employees in key public sector institutions like the Federal Inland Revenue Service (FIRS), public universities, and various government ministries and agencies. Different statistical and econometric measures were carried out and the empirical results revealed both a positive and negative relationship between the variables considered. Conclusively, the findings indicated that audit competence has a negative and statistically insignificant impact of financial performance in public sector institutions. Auditor independence has a positive and statistically insignificant impact of financial performance in public sector institutions. While compliance with audit standard has a positive and statistically significant impact of financial performance in public sector institutions

5.3 Recommendations

Based on the findings from the regression analysis, the following recommendations are made:

1. Public sector institutions should implement policies that reinforce auditor independence, such as reducing management influence over audit processes, to potentially enhance financial performance.
2. Institutions should evaluate and improve auditor training programs to ensure skills are aligned with practical financial performance needs.
3. Public sector organizations should prioritize strict adherence to auditing standards to promote transparency, accountability, and improved financial performance.

5.4 Suggestion for further studies

Future researchers should consider expanding the scope of this study by incorporating more public sector institutions across different geopolitical zones in Nigeria to enhance the generalizability of the findings. In addition, longitudinal studies can be conducted to assess the long-term effect of audit quality on financial performance over multiple fiscal periods.

Further studies may also explore other dimensions of audit quality, such as audit tenure, audit firm size, and the use of technology in auditing, to provide deeper insights into factors influencing public sector financial performance. Finally, a

comparative study between public and private sector institutions could help identify sector-specific differences in the relationship between audit quality and financial outcomes.



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APPENDICES
RESEARCH INSTRUMENT

FACULTY OF MANAGEMENT SCIENCES
DEPARTMENT OF ACCOUNTING
UNIVERSITY OF BENIN, BENIN CITY

QUESTIONNAIRE ON
AUDIT QUALITY AND FINANCIAL PERFORMANCE OF PUBLIC SECTOR
INSTITUTIONS



Dear Respondents,

I am a final year student in Accounting Department at the University of Benin. I am researching on a study assessing The Impact of Audit Quality and Financial Performance of Public Sector Institutions.

This questionnaire is designed for academic purpose. Please kindly respond sincerely to the questions by ticking [✓] where applicable. The questions will only take about 5 minutes to complete. Your response is vital to the success of this study, as it will provide valuable insights into the role and potential of audit quality and financial performance of public sector institutions. All information provided will be treated with the utmost confidentiality.

Thank you for your time and cooperation.

Wari Faithful Torisheju

07044426159

faithfulwari4@gmail.com

DEMOGRAPHIC INFORMATION

Please provide the following basic information:

1. Age Group

- 18 – 24 years
- 25 – 34 years
- 35 – 44 years
- 45 – 54 years
- 55 years and above



2. **Gender**

- Male
- Female
- Other: _____

3. **Highest Level of Education**

- SSCE
- BSc/BA
- MSc
- Ph.D
- Other: _____

4. **Years of Experience in the Public Sector**

- Less than 1 year
- 1 – 3 years
- 4 – 6 years
- 7 years and above

5. **Sector**

- Public Sector
- Private Sector
- Non-profit Sector
- Other: _____

Instructions: Please indicate your level of agreement with each statement by ticking [✓] the appropriate box. Use the following scale:

- SA = Strongly Agree
- A = Agree
- N = Neutral

- D = Disagree
- SD = Strongly Disagree

Section A: PERCEIVED FINANCIAL PERFORMANCE OF PUBLIC SECTOR INSTITUTIONS



S/N	FINANCIAL PERFORMANCE OF PUBLIC SECTOR INSTITUTIONS	SA	A	N	D	SD
1	Public sector institutions demonstrate efficient financial management and accountability					
2	The financial performance of public sector institutions is regularly monitored and evaluated					
3	The allocation and utilisation of public funds are transparent and efficient					
4	Financial reports from public sector institutions are comprehensive and reflect their actual performance					
5	Public sector institutions are able to meet their financial obligations in a timely manner					

Section B: PERCEPTION OF AUDIT INDEPENDENCE

S/N	AUDIT INDEPENDENCE	SA	A	N	D	SD
6	Relationships between auditors and clients can affect the independence of the audit process.					
7	The fees paid by clients to auditors may influence the independence of the audit					
8	Regulatory oversight helps maintain the independence of auditors during the audit process					
9	Long-term relationships between auditors and clients can challenge audit independence					
10	Audit independence is essential for ensuring the reliability of financial reports					



Section C: PERCEPTION OF AUDIT COMPETENCE

S/N	AUDIT COMPETENCE	SA	A	N	D	SD
11	Auditors' knowledge of industry-specific standards is crucial for conducting effective audits					
12	Auditors' expertise plays a key role in identifying potential financial misstatements or fraud					
13	The competence of auditors is vital for ensuring the accuracy of financial reporting					
14	Auditors' experience and qualifications are critical for maintaining the integrity of the audit process					
15	Auditors are well-equipped to adapt to new and complex financial reporting requirements					

Section D: PERCEPTION OF COMPLIANCE OF AUDIT STANDARDS

sS/N	COMPLIANCE WITH AUDIT STANDARDS	SA	A	N	D	SD
16	Compliance with audit standards is crucial for ensuring the accuracy and reliability of financial reports					
17	Auditors face challenges in maintaining full compliance with audit standards during complex audits					
18	Failure to comply with audit standards can lead to significant risks in financial reporting					
19	Strict compliance with audit standards is essential for maintaining the transparency of financial audits					
20	Audit standards provide clear guidelines that auditors must follow to ensure consistent reporting					