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Auditors' Independence and Accountability of Federal Higher Institutions in Ogun State

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Abstract

This research work examined the effect of auditors' independence on the accountability of Federal Higher Institutions in Ogun State. It determined the implication of audit fees on the accountability of Federal higher Institutions. Since the nature of the auditors' work requires them to be independent of any party, the study ascertained the influence of tenure of audit firm on the accountability which by extension has provided informative and educative awareness on the understanding of auditors' independence and the idea of accountability of Federal higher Institutions in Ogun State.

The research was carried out based on the survey design. The focused population of the study were the accounting staff of both Federal Higher Institutions in Ogun State and their audit firms which totalled one hundred and ninety-three (193). The sample size selected was one hundred and fifty staff (150) on the basis of systematic sampling technique. The systematic sampling technique was adopted because of the geographical location of the Institutions and their audit firms. The primary method of data collection was employed. The research instrument was the use of questionnaires which were administered to 150 respondents. Data collected from the primary source was analysed through the use of inferential and descriptive statistics. Chi-square was employed as the data analysis technique to analyse the questionnaires and the information was also represented by the use of the pie chart.

The results showed that the auditors' independence significantly impacted on the accountability of Federal Higher Institutions in Ogun State ($\chi^2 = 59.867$, sig. < 0.05). The results also revealed that the tenure of audit had significant effect on the accountability ($\chi^2 = 63.173$, sig. < 0.05). Furthermore, the results revealed that the size of audit fees significantly influenced the accountability of Federal Higher Institutions in Ogun State ($\chi^2 = 35.262$, sig. < 0.05).

In view of the aforementioned findings, the study concluded that the accountability of the Federal Higher Institutions in Ogun State is a function of the Independence of Auditors. So, it is recommended that the auditors must not, by any means, compromise their independence.

Keywords: Auditing, Accountability, Auditors, Financial statement, and Performance.

1.0. Introduction

Auditors' independence has been termed the cornerstone of the auditing profession, since it is the foundation for the public's trust in the attest function (Abdul Nasser, Mustapha and Hudaib, 2006). Auditors' independence helps to ensure quality audits and contributes to financial statement users' reliance on the financial reporting process. McGrath and Siegel, (2001) argued that when independent auditors render unbiased audit decisions, the broader goal of auditors' independence, namely "to support user reliance on the financial reporting process and to enhance capital market efficiency," is accomplished. However, several major instances of misstated funds have been reported over the last several years in federal higher institutions (Adams, 2001). These misstatements have led many to question the effectiveness of various aspects of the audit function, especially auditors' independence.

Public sector audit has experienced considerable expansion throughout the world. The reason for this is closely related to changes in the structure of government and concern for more accountable and transparent governance, which has resulted in a large increase in the number of accounts and sophistication of financial reporting. The expansion has brought with it an added demand for accountability (Dowdall, 2003). Public sector accounting is quite distinct from commercial accounting in terms of objectives, sources of revenue and bases of recording accounts, responsibility and accountability among others.

It is useful however, to distinguish between audit and other forms of regulation and inspection. Public audit applies to almost every public sector body and is relatively wide-ranging, from certifying the accounts to examinations of economy, efficiency and effectiveness. The audit function and the platform, on which audit results are reported, tend to reinforce the traditional line of public sector accountability to elected representatives rather than establish new forms of accountability.

With increasing democratization and concern about corruption, people are demanding to be informed about what their government intends to achieve and what it has actually accomplished. In other words, the public is demanding audit reports in order to access the performance of those entrusted with public sector resources (Bartlett, 1993). Thus proper audit has a distinct role in promoting accountability and ensuring the best use of public money by providing credibility to the information reported by or obtained from management through objectively acquiring and evaluating supporting evidence.

The independence of auditors is regarded as key to their credibility as external verifiers of external financial statements. The requirement for external auditors to be independent of their clients when undertaking an audit is enshrined in the International Federation of Accountant's (IFAC) Code of Ethics and in the European Union's Eighth Directive.

Auditors' independence is a cornerstone of the auditing profession, a crucial element in the statutory corporate reporting process and a key prerequisite for the adding of value to an audited financial statement (Mautz and Sharaf, 1961). However, the familiarity developed from lengthy auditor tenure, and personal relationships built through alumni employees have been alleged to contribute to this erosion of auditors' independence. In order to restore public confidence, policies such as mandatory audit partner rotation, prohibition/disclosure of certain non-audit services have been initiated by regulators and accounting bodies in the US, Australia.

In the IFAC code, this requirement is translated into various situations where observance of certain rules should ensure independence. Recent allegations by Economic and Financial Crime Commission (EFCC) of top management of Universities in Nigeria with clean auditors' reports around them have called to question the validity of the financial statements prepared by those Universities. The case of Federal University of Agriculture, Abeokuta; Obafemi Awolowo University, Ile Ife and University of Benin are clear examples.

According to financial regulations in Nigeria ―statutory auditors are expected to audit the financial statements prepared by the management of the Federal higher institutions and express an independent opinion on them. Therefore, in accounting practice of today, the independence of the auditor is one of the most important issues because it increases the effectiveness of the audit by ensuring that the auditor plans and carries out the audit objectively.

Okolie (2007) also argued that high quality audits enhanced the reliability of the financial reporting process and facilitate optimal allocation of funds/capital given by federal government and other internal sources. The nature of the auditors' work requires him to be independent from the influence of any party so that he can objectively form an opinion on the financial statements examined by him and not tossed by wind from either the management or governing councils of every federal institution.

The foregoing discussions show that the independence of an auditor is fundamental when the issue of accountability is concerned and is influenced by many factors within and outside the control of the auditor himself. In addition, most literature appears to concentrate on the developed countries and the Asian countries.
In Nigeria, much evidence from literature dwells more on private sector audit. Very few literatures exist, particularly about audit in the public sector. That is why this study is concerned about Auditors' Independence and Accountability of Federal Higher Institutions in Ogun State.

1.1 Statement of Research Objectives

Specifically, the objectives of this research work are to:

i. examine the impact of auditors' independence on the accountability of Federal Higher Institutions in Ogun State

ii. determine the effect of the tenure of audit firm on the accountability of Federal Higher Institutions in Ogun State and;

iii. ascertain the influence of the size of audit fees on the accountability

1.2 Statement of Research questions

i. What impact does auditors' independence have on the accountability of Federal Higher Institutions in Ogun State?

ii. What is the effect of tenure of an audit firm on the accountability?

iii. What influence does the size of audit fees have on the accountability of Federal Higher Institutions in Ogun State?

1.3 Statement of Research Hypotheses

i. $H_{0:}$ Auditors' independence impacts not on the accountability of Federal Higher Institutions in Ogun State.

ii. H_0: Tenure of an audit firm does not significantly affect the accountability of Federal Higher Institutions in Ogun State.

iii. H_0: The size of audit fees has no significant influence on the accountability of Federal Higher Institutions in Ogun State.

2.0 Review of Related Literature
2.1 Concept of auditors' independence
Mautz and Sharaf (1961) developed a concept of independence with components: practitioner's independence and professional independence. According to them, practitioner's independence, on the one hand, is a state of mind and equates the notion of integrity and objectivity of the individual auditor. Professional independence on the other hand, is apparent independence of auditors, as a professional group, to the public.

The American Institute of Certified Public Accountants' (AICPA) Code of Professional Conduct defines independence as "the Certified Public Accountants'(CPA)'s ability to maintain an objective and impartial mental throughout the engagement". In addition, it requires that the relationship between CPAs and their clients must be such that the accountants will appear independent to third parties.

The Institute of Chartered Accountants of Nigeria (ICAN) (1999) defines independence from an objectivity point of view. It defines objectivity as "independence of mind" which is "a state of mind which has regard to all considerations relevant to the task at hand but no other". These two positions require external auditors to be objective and impartial if their opinions on the financial statements must be credible.

Commenting on the position of Mautz and Sharaf (1961), Okolie (2007) argues that the appearance of independence can be evaluated at two levels – the user's perception of the individual auditors' ability to be independent particularly to unique circumstances and the general public's view towards public accountants as a professional group. He maintains that both levels exist in authoritative literature but accounting standards tend to attach greater importance to professional independence. Thus, according to Okolie (2007), "the official definition of audit independence equates the term with an attitude and approach of objectivity (being unbiased, fair and impartial) and integrity (being intellectually honest)".

The preceding arguments on auditors' independence can only lend credence to one position: auditors' independence implies that the auditors' judgement is not subordinate to the wishes of directives of other parties – directors or top management or his own self-interest. According to Mcgrath, Siegel, Dunfee, Glazer and Jaenicke (2001) however, the definition of independence does not require the auditor to be completely free of all the factors that affect the ability to make unbiased audit decisions, but only free from those that rise to the level of compromising that ability. Similarly, the Independence Standards Board (ISB) framework doesn't spell out specific examples of what would constitute "rising to the level of compromising" an auditor's independence, but it does offer a structure that will allow an auditor to analyse whether undue bias exists in a particular situation (Myring and Bloom, 2003).

Auditors' tenure is also noted to be an important factor in determining the auditors' independence when handling the audit activities of an institution, and hence it has an effect on the auditors' independence, this relationship however is influenced by other moderating factors that might affect the direct effect.

It is also clear that the size of the audit fees has an effect on the auditors' independence; a firm that charges little fees might be influenced by the institution management who may decide to offer more money for the auditor to compromise his professionalism hence interfere with his independence. In such cases the firms policy and regulations and the individual auditors independence has a big influence in the effect that arises from the auditor fees.

The auditors' independence in providing appropriate financial reports is highly influenced by the competencies of the audit committee both from the external auditors and the internal auditors. If these committees are able to stand by the principles and the truth then the auditors' independence was upheld, but if this committee is not competent the chances of it being manipulated is very high.

In November 2000, the Independence Standards Board (ISB) of America issued an exposure draft (ED) of a conceptual framework for auditors' independence containing the concepts and basic principles that will guide the board in its standard setting. The framework defines auditors' independence as "freedom from those factors that compromise, or can reasonably be expected to compromise, an auditors' ability to make unbiased audit decisions".

The framework was aimed at helping practitioners, investors, regulators and other standard setters understand the significance of auditors' independence and provide a common language so that those involved in the on-going independence debate can contribute to the development of ISB standards. Although, the framework does not provide easy answers to specific independence questions, it supplies a structure and methodology for analysing issues. In their opinion, Elliot and Jacobson (1998), it is unlikely that a conceptual framework worthy of the profession's heritage will emerge without a frank admission past independence concepts (to the extent they exist) left much to be desired. This view is also supported by Mcgrath, Siegel, Dunfee, Glazer and Jaenicke (2001). They argued that the need for a framework arose from the jumble of confusing independence rules and regulations - many in the form of interpretations issued in response to specific independence questions - that applied to public companies and their auditors. McGrath et al, (2001) believe that the guidance in those interpretations, issued over the years and under changing circumstances, sometimes conflicted and lacked theoretical consistency.

In addition, auditors faced challenges in applying such guidance if the facts and circumstances of an auditor's relationship with his or her audit client did not match those in the interpretation. Therefore, while the independence regulations helped to ensure quality audits and contributed to the high level of financial reporting, in today's increasingly complex business environment the ISB believes that some revisions are in order (McGrath et al, 2001).

2.1.2 The need for auditors' independence

Independence is an essential auditing standard because the opinion of the independent accountant (auditor) is required to add justification and credibility to financial statements prepared by the management. The auditor's opinion still adds credibility to the financial statements even when there are no material misstatements or omissions in the financial statement by validating the absence of such omissions (Okolie, 2007). Since reliability is a major characteristic of financial information, Teoh (1992) states: 'the audit of financial information adds significant assurance that the information is reliable and thereby enhances its credibility'.

Therefore, the need for auditors' independence is well established. According to Gupta (1999), 'if he is not independent of management, his opinion would mean nothing to stakeholders'.

2.1.3 Safeguards for auditor's independence

In Nigeria, safeguards for auditors' independence are provided in the Companies and Allied Matters Act, 1990, the ICAN Code of Professional Conduct in other enabling laws and discussed by Gupta (1999) and Okolie (2007). According to Myring and Bloom (2003), these safeguards are the controls, which mitigate against the effects of threats, and provide greater incentives to the auditors to make appropriate independent decisions. The ISB (2000) identifies about five different types of safeguards, which may help reduce one or more threats.

These include:

(i) authoritative guidance, which may be prohibitions or restrictions on some specific activities, relationships or other circumstances requiring disclosure of such activities, relationships or other circumstances;
(ii) auditing firm's policies, procedures and practices;
(iii) institutional arrangements such as the threat of disciplinary action and legal liability;
(iv) environmental conditions, which is the value placed on the reputation of audit firm and individual auditors.
According to Okolie (2007),
Safeguards also include restrictions on an auditors'-client relationships, such as prohibitions on owning stock of an audit client or on assigning to an audit client firm, professionals whose family members are employed in certain positions at the client's firm. Standard setters must analyse the significance of threats and the effectiveness of potential safeguards to ensure that their standards sufficiently reduce dependence risk.
Gupta (1999) and Okolie (2007) also agree that one of the most effective safeguards is the rotation of auditors. They believe that auditors' reappointment may result to the risk of self-interest and self-review. They argue that while each of these risks may be below tolerable limits, their combined effect could produce an unacceptable level of independence risk. This however, sharply contrasts with the position of Diane and Dunn (2000) who argue that the auditor's reappointment will enable him to achieve commercial efficiency; enhance better understanding of client's business and industry; help the auditor to advise on business controls; and help the auditor to achieve time efficiency.

Although, many authors in literature agree that measuring or quantifying the benefits of safeguards is not easy. Okolie (2007) identifies some of the indirect benefits to include: improved audit quality; reduced cost of capital for audit clients; enhanced reliability of financial information for users; enhanced reputation and esteem for individual auditors, the audit firm and the audit profession as a whole; reduced litigation and related costs; and setting an appropriate 'tone at the top' for both client and auditor.

2.1.4 Evolution of Financial Statement

The earliest attempts to record information date back to 3500bc, when it was thought necessary to record payments made to armies of the Egyptian pharaoh's. Payments were not in terms of money but by means of cattle, sheep, precious stones etc. via trade by barter system. Records of this early civilization were erratic in their form, but this was to be expected, given the absence of any adequate system and monetary level of trade. This made it possible for transaction to be recorded not as many pounds of silver, cowries etc., but in terms of a consistent measure of value.

The evolution dramatically changed by the founder of doubled entry book-keeping system Luca Pacioli. In his famous ''de summa'' a treatise on mathematics and book-keeping, the idea of double entry book-keeping was enunciated which allowed concepts such as trial balance and statement of financial position to emerge. Due to expansion of trade provided the ground for further development in financial reporting. Business became large and complex, and more attention was focused on the stewardship function. This separation of ownership from management and the increased importance of proper stewardship created the need for detailed reporting to owners on the results of operation of entity. Hence, the need for proper bookkeeping and an independent assessment of the accountability of management to owners was developed.

Financial statements (or financial report) are the formal records of the financial activities of a business, person, or institutions. This is a generic term for profit and loss account, balance sheets, cash flow statement, five year financial summary, value added statement, receipt and payment, income and expenditure account, statement of accounting policy etc.(Blay, 2005).
Balance sheet: also referred to as statement of financial position or condition, reports on a company's assets, liabilities, and ownership equity at a given point in time.
Income statement: also referred to as profit and loss statement (or a "P&L"), reports on a company's income, expenses, and profits over a period of time. Profit & loss account provides information on the operation of the enterprise. These include sale and the various expenses incurred during the processing state.
Statement of retained earnings: explains the changes in a company's retained earnings over the reporting period.
Statement of cash flows: reports on a company's cash flow activities, particularly its operating, investing and financing activities.
For large corporations, these statements are often complex and may include an extensive set of notes to the financial statements and management discussion and analysis. The notes typically describe each item on the balance sheet, income statement and cash flow statement in further detail. Notes to financial statements are considered an integral part of the financial statements.

2.1.5 Quality of Financial Statements

Understandable: it is very important that any information produced must be understandable.
Financial statement is intended to be understood by readers who have economic and business knowledge. As business owner, you have to think of the different accounting backgrounds of different types of people who will be reading your reports.
Relevant & material: it is important to disclosed and report information that is relevant for anyone to make a decision. Accounting information must also deal with those things that are significant to impact decision that are made by those who use financial reports
Reliable: the figures and facts printed on your financial statement must be true and fair. Your financial statement must be verifiable and free from error.
Comparable: comparability relates to the ability of information to be compared with those of other similar institutions so that decision-makers can compare which of the choices or decision they should take. Generally accepted accounting principles (GAAP) allow for certain choices of different accounting methods for depreciation and inventory management.

2.1.6 The concept of accountability

Accountability is all about being answerable to those who have invested their trust, faith, and resources to you. Knapp (1985) defined accountability as the obligation to demonstrate that work has been conducted in accordance with agreed rules and standards and the officer reports fairly and accurately on performance results vis-à-vis mandated roles and or/plans. It means doing things transparently in line with due process and the provision of feedback.

Adesola (2001) says that public accountability is an essential component for the functioning of our political system, as accountability means that those who are charged with drafting and/or carrying out policy should be obliged to give an explanation of their actions to their electorate.

Sylvester (2013) observed that the capacity to achieve full accountability has been and continued to be inadequate, partly because of the design of accountability itself and partly because of the widening range of objectives and associated expectations attached to accountability. He further argues that if accountability is to be achieved in full, including its constructive aspects, then it must be designed with care. The objective of accountability should go beyond the naming and shaming of officials, or the pursuit of sleaze, to a search for durable improvements in economics management to reduce the incidence of institutional recidivism. The future of accountability consists in covering the macro aspects of economic and financial sustainability, as well as the micro aspects of service delivery. It should envisage a three-tier structure of accountability: that of official (both political and regular civil employees), that of intra governmental relationships and that between government and their respective legislatures.

According to Wallman (1996), the various approaches to accountability based on the language of account can be grouped into:
Process Based Accountability: This approach measures compliance with pre-set standard and formally defined outcomes. This includes fiscal and managerial accountability with reliance on the use of accounting methodologies.
Performance Based Accountability: This approach measures performance against broad objectives. This measure may be qualitative and the criteria against which performance is measured less precisely defined. Knapp (1985) also noted that there are three pillars of accountability, which the UNDP tagged ATI (Accountability, Transparency and Integrity).
Accountability which is segmented into:
(i) Financial Accountability: The obligation of any one handling resources, public office or any other positions of trust, to report on the intended and actual use of the resources or of the designated office.
(ii) Administrative Accountability: This type of accountability involves a sound system of internal control, which complements and ensures proper checks and balances supplied by constitutional government and an engaged citizenry. These include ethical codes, criminal penalties and administrative reviews.
(iii) Political Accountability: This type of accountability fundamentally begins with free, fair and transparent elections. Through periodic elections and control structure, elected and appointed officials are held accountable for their actions while holding public office.
(iv) Social Accountability: This is a demand driven approach that relies on civic engagement and involves ordinary citizens and groups exacting greater accountability for public actions and outcomes.

2.1.7 Public financial management in Nigeria

Public financial management is concerned with the planning, organizing, procurement and utilization of government financial resources as well as the formulation of appropriate policies in order to achieve the aspirations of members of that society. Sylvester (2013) sees public financial management as the link between the community's aspirations with resources, and the present with future. It lies at the very heart of the operations and fiscal policy of government.

The stages of public financial management include:

i. Policy formulation: Policy formulation is one of the most important stages in public financial management structure. According to Sylvester (2013), "the transformation of the society's aspirations into feasible policies with well-recognized financial implications is at the heart of financial management. Issues not addressed during policy formulation tend to grow in magnitude during implementation and may frequently contribute to major reversals in the pursuit of policies or major slippages that may lead to contrary results". Public financial management should be designed to achieve certain micro and macro-economic policies. It entails a clearly defined structured and articulated system that moves to promote cost-consciousness in the use of resources. The government needs to have an estimate of revenue and expenditure to achieve the policy objective of government.

ii. Budget formulation: The budget formulation is the step that involves the allocation of resources before the submission to the legislature for review and final approval. According to O'Malley (1993), in Nigeria the budget formulation involves the articulation of the fiscal, monetary, political, economic, social and welfare objectives of the government by the President; based on these,

(i) the department issues policies and guidelines which form the basis of circulars to Ministries/Departments requesting for inputs and their needs for the ensuring fiscal periods;

(ii) accounting officers of responsibility units are required to obtain and collate the needs of their units; and

(iii) accounting officers of ministries, in this case the Permanent Secretaries are required to collate these proposals which would be defended by unit heads before the supervising minister.

iii. Budget structures: According to Prozesky and Mouton (2005), budget structure addresses the question of how the budget is or should be composed. In Nigeria, budgets have revenues and expenditure sides. According to Sylvester (2013), many governments have yet to put in place cash management systems, which would pave way for coordinated domestic management. The practice of limiting outlays to collected revenues has exacerbated this problem. He, further argued that there is a massive underfunding of programs and projects provided for in the budget.

iv. Payments system: This involves the operational procedures for receiving monies for the public and for making payments to them. In Nigeria, governments make payments using a variety of procedures. These include book adjustments, issue of cheques, and payment authorities and electronic payment systems.

v. Government accounting and financial reporting: Government accounting and financial reporting is a very important component of the public sector financial management process in Nigeria. As Adams (2001) noted that government accounting entails the recording, communicating, summarizing, analysing and interpreting financial statement in aggregate and in details. In the same vein, Sylvester (2013) argues that government accounts have the dual purpose of meeting internal management requirements while providing the public with a window on government operations. Government financial reports should be prepared with the objective in mind of providing full disclosure on a timely basis of all material facts relating to government financial position and operations (Achua, 2009). Financial reports on their own do not mean accountability but they are an indispensible part of accountability.

vi. Audit: One of the fundamental aspects of public sector financial management in Nigeria is the issue of audit of government financial reports. Audit is the process carried out by suitably qualified Auditors during the accounting records and the financial statements of enterprises are subjected to examination by the independent Auditors with the main purpose of expressing an opinion in accordance with the terms of appointment. The high level of corruption in the public sector of Nigeria is basically as a result of the failure of auditing. As Sylvester (2013) puts it "many audit agencies are legally prevented from reviewing policies. Most of them cannot follow the trail of money, as they do not have the right to look into books of contractors, and autonomous agencies". One fundamental failure of audit is the absence of value for money in the Nigerian public sector.

vii. Legislative control: The legislature (House of Representative and Senate) in Nigeria is expected to perform this very important task of controlling and regulating the revenue and expenditure estimates in any fiscal year. It is the responsibility of the members of the National Assembly to ensure that the budget estimates are properly scrutinized to ensure accuracy, effectiveness and efficiency of government revenue and expenditure.

2.1.8 The role of public sector auditing

Auditing is a cornerstone of good public sector governance. By providing unbiased, objective assessments of whether public resources are managed responsibly and effectively to achieve intended results, auditors help public sector organizations achieve accountability and integrity, improve operations, and instil confidence among citizens and stakeholders. The public sector auditor's role supports the governance responsibilities of oversight, insight, and foresight. Oversight addresses whether public sector entities are doing what they are supposed to do and serves to detect and deter public corruption.

Insight assists decision-makers by providing an independent assessment of public sector programs, policies, operations, and results. Foresight identifies trends and emerging challenges. Auditors use tools such as financial audits, performance audits, investigations, and advisory services to fulfil each of these roles.

2.2 Theoretical review

There are several different theories that may explain the demand for audit services. Some of them are well known in research and some of them are more based on perceptions.

The four audit theories according to Altman and Bland (1999) are:

The lending credibility theory suggests that the primary function of the audit is to add credibility to the financial statements. In this view the service that the auditors are selling to the clients is credibility. Audited financial statements are seen to have elements that increase the financial statement users' confidence in the figures presented by the management (in the financial statement). The users' are perceived to gain benefits from the increased credibility, these benefits are typically considered to be that the quality of investment decisions improve when they are based on reliable information.

The theory of inspired confidence (Theory of rational expectations) Oshisami and Dean (1984) addressed both the demand and the supply for audit services. The demand for audit services is the direct consequence of the participation of third parties (interested parties of a company) in the company. These parties demand accountability from the management, in return for their investments in the company.

Accountability is realized through the issuance of periodic financial reports. However, since this information provided by the management may be biased, and outside parties have no direct means of monitoring, an audit is required to assure the reliability of this information. With regard to the supply of audit assurance, Oshisami and Dean (1984) suggested that the auditor should always strive to meet the public expectations.

Agency theory Whittington and Pany (1978, 1986a, 1986b) suggested that the auditor is appointed in the interests of both the third parties as well as the management. A company is viewed as a web of contracts. Several groups (suppliers, bankers, customers, employees etc.) make some kind of contribution to the company for a given price. The task of the management is to coordinate these groups and contracts and try to optimize them: low price for purchased supplies, high price for sold goods, low interest rates for loans, high share prices and low wages for employees. In these relationships, management is the agent, which
tries to gain contributions from principals (bankers, shareholders, employees etc.).

The most prominent and widely used audit theory is the agency theory.

The policeman theory claims that the auditor is responsible for searching, discovering and preventing fraud. In the early 20th century this was certainly the case. However, more recently the main focus of auditors has been to provide reasonable assurance and verify the truth and fairness of the financial statements.

The detection of fraud is, however, still a hot topic in the debate on the auditor's responsibilities, and typically after events where financial statement frauds have been revealed, the pressure increases on increasing the responsibilities of auditors in detecting fraud. The policeman theory which has been described as that in which an auditor is responsible for discovering fraud, like a policeman? Think of this idea as the Policeman Theory. Up until the 1940s it was widely held that an auditor's job was to focus on arithmetical accuracy and on prevention and detection of fraud. However, from the 1940s until the turn of the century there was a shift of auditing to mean verification of truth and fairness of the financial statements.

According to Limperg's theory of inspired confidence, "the demand for audit services is the direct consequence of the participation of outside stakeholders (third parties) in the economy" (Altman and Bland, 1999). Therefore, since the information given to the stakeholders by the management might be biased, an audit of this information is needed. The fourth theory explaining the demand for audit services is the policeman theory. It restrains the auditor's responsibilities on "arithmetical accuracy and on the prevention and detection of fraud" (Altman and Bland, 1999). However, after several financial statement frauds and company collapses in the past this theory has been reconsidered.

2.3 Empirical review

The majority of empirical studies on the perceived auditors' independence focused upon finding the significance of the factors which potentially influence independence, and in looking whether these factors are positively or otherwise related with perceived auditors' independence.

Sylvester (2013) worked on Assessment of accountability in the public sector in Nigeria, he opined that there are legal instruments that require public officers to account to the public while they are in office in Nigeria. He said that the rate of adherence to these principles by public officers is very low. The effect of this is that Public Accountability in Nigeria has not significantly improved since the research work of Omolehinwa in 2001. Most Public Officers are corrupt and failed to render accounts of their stewardship, some of the government agencies established to enhance public accountability were not effective and their performances are not satisfactory, hence, they failed to meet the public expectation.

Finally, he said that effective Public Accountability is an essential ingredient for good governance but that the present procedures for Public Accountability in Nigeria need to be reviewed.

Onatuyeh, & Aniefor (2013) worked on the Impact of effective internal audit functions on public sector management and accountability in Nigeria, the study noted that the general belief that the public sector can do without the internal audit function might not have helped matters, and that the general impression among public sector management that internal auditors do not have the liberty to exercise the unbiased and independent attitude so necessary to an auditor should be corrected. Furthermore, the system of auditing public sector accounts in the State does not seem to enhance effective accountability. This may be attributed to the political interference experienced and non-independence of internal audit personnel and this prevents them doing their work as required by the constitution.

Oladele (2001) worked on Auditor’s independence and accountability in Nigeria public enterprises, the findings of the study showed that the auditor must be independent of any self-interest that may distort his judgement consciously or unconsciously. It also showed that litigation risks often present the independent auditor with an economic incentive because a realization by the public or market participants that the auditor‘s report is not honest can trigger a very costly litigation. Thus, litigation risk is often proposed as a safe guard to mitigate the risks of independence.

Gul & Teoh (1984) investigated the effects of combined audit and management consulting services by public accounting firms on a sample of the Malaysian public comprising public accountants, bankers, managers and shareholders. They found that the expansion by audit firms into non-audit services reduced their confidence in the auditor’s independence. It was also found that shareholders believe that auditors could still remain independent if the audit firms provide non-audit services, while there are no definite conclusions for other categories of respondents.

On a separate study, Teoh & Lim (1996) investigated the effects of five selected variables on the perceptions of auditor independence (PAI) of Malaysian public and non-public accountants. They employed a repeated measures experimental design. Results showed a large audit fee received from a single client is the most important factor leading to the impairment of perceptions of auditor independence (PAI) followed by the provision of management consultancy services. The non-rotation of audit firms is not a dominant factor. The formation of audit committees is found to have a strong positive impact on enhancing auditor independence, while the positive impact of disclosure of non-audit fees is considerably less.

3.0 Methodology

3.1 Research design

The research design was survey. Both the descriptive and inferential statistics were adopted. The rationale for adopting them was because the characteristics of the population or phenomenon being studied would be captured.

3.2 Sources and procedure for data collection

Primary method of data collection was used in this study. The primary data was used because the variables measured were qualitative in nature. The decision to structure the questionnaire was predicated on the need to reduce variability in the meanings possessed by the questions as a way of ensuring comparability of responses.

3.3 Research population

The targeted population for this study were the one hundred and ninety-three (193) staff of both bursary unit in the Federal institutions in Ogun state and their audit firms.

3.4 Sampling technique and sample size

A systematic sampling technique was employed to select a sample size of one hundred and fifty (150) staff from which information was elicited. This sampling technique was used to ensure that the required data were collected economically and accurately from the population so that inferences could be drawn.

3.5 Research instrument

The primary data was collected by the use of questionnaires which were administered personally by the researcher. The items were measured on a (5) point Likert scale with anchors, “strongly agree” (5), “Agree” (4), “Neutral” (3), “Disagree” (2), “Strongly disagree” (1).

3.6 Reliability test

A reliability test was carried out on some of the questionnaires distributed and a Cronbach's Alpha was established for every variable which formed a scale, the overall reliability of all items was 0.898. This result was reliable as its reliability value exceeded the prescribed threshold of 0.6.

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	No of Items
0.898	0.880	15

Source: Field Survey, 2016.

It seems fairly common to describe Cronbach's alpha values as follows:

If alpha is greater /equal to 0.9 **Excellent**
If alpha is less/equal 0.7 & less than 0.9 **Good**
If alpha is less/equal 0.6 & less than 0.7 **Acceptable**
If alpha is less/equal 0.5 &less than 0.6 **Poor**
If alpha is less than 0.5 **Unacceptable**

From the data computed, we could see that Cronbach's Alpha was **0.898**, which indicated "GOOD" level of internal consistency for our scale with this specific sample.

3.7 Method of data analysis

The data was edited to ensure its completeness, accuracy, uniformity and consistency. The data was analysed using both descriptive and inferential statistics. A non-parametric method, Chi-Square (X^2) was used for data analysis. The Chi-square method has enjoyed wide popularity in social sciences literature. This is so because of its simplicity of application. On the other hand, its application requires the barest minimum assumptions to be met, one of which is that the variables be measured on at least the nominal level.

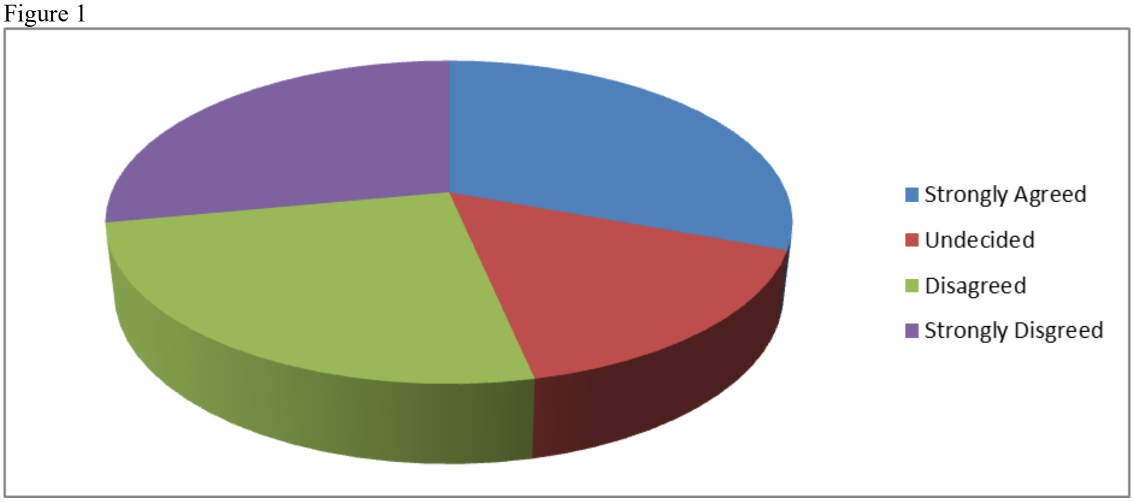
4.0 Results and Discussion of Findings

Table 1. Auditor's independence has no significant effect on accountability of Federal Higher Institutions in Ogun state.

	Observed N	Expected N	Residual
Strongly Agree	46	37.5	8.5
Undecided	24	37.5	-13.5
Disagree	38	37.5	0.5
Strongly Disagree	42	37.5	4.5
Total	150		

Source: Field Survey, 2016.

Figure 1



Source: Field Survey, 2016.

Table of Test Statistics 1.

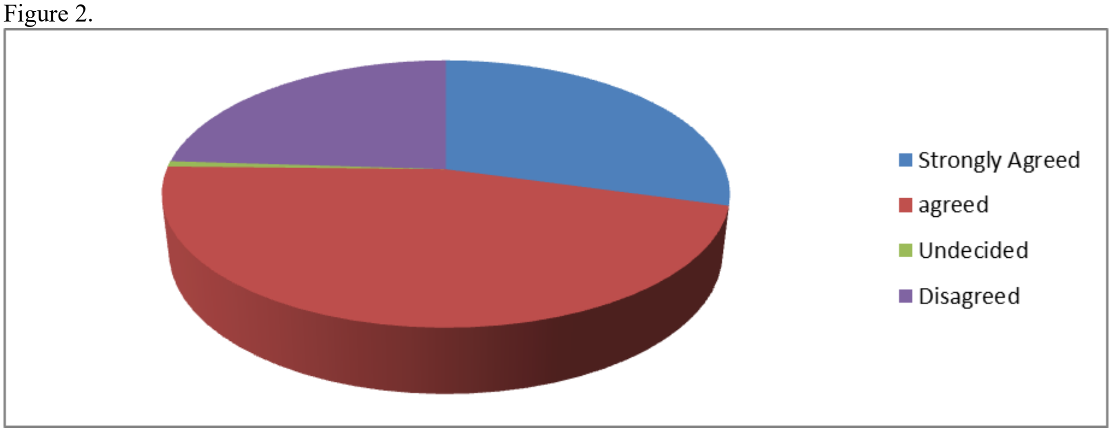
	The independence of auditors has an effect on the accountability of federal higher institutions.
Chi- Square	59.867[a]
Degree of freedom	3
Asymptote Significance	.000

Table 2. Tenure of an audit firm has no significant effect on accountability of Federal Higher Institutions in Ogun state.

	Observed N	Expected N	Residual
Strongly Agree	44	37.5	6.5
Agree	69	37.5	31.5
Undecided	1	37.5	-36.5
Disagree	36	37.5	-1.5
Total	150		

Source: Field Survey, 2016.

Figure 2.



Source: Field Survey, 2016.

Table of Test Statistics 2.

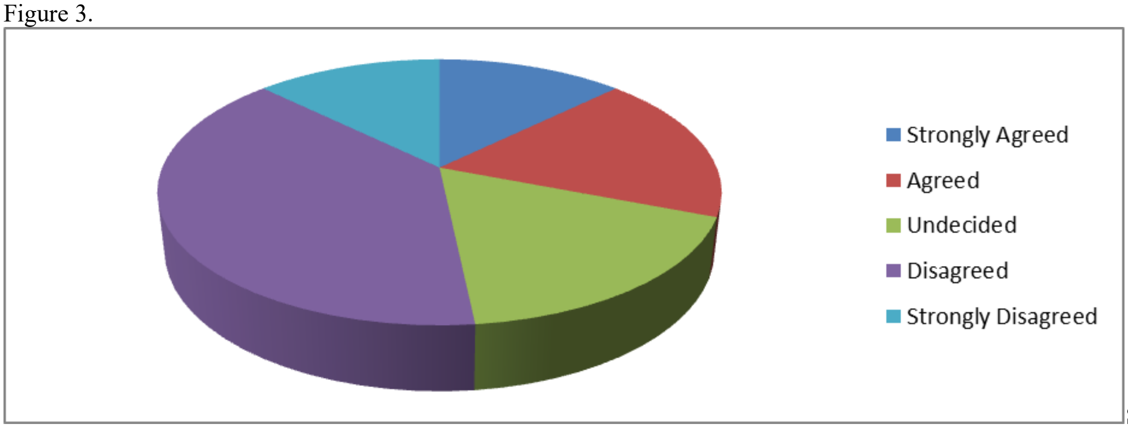
	The audit firm's tenure has no effect on the accountability of federal higher institutions.
Chi- Square	63.173[a]
Degree of freedom	3
Asymptote Significance	.000

Table 3 Size of audit fees has no significant effect on accountability of federal higher institutions in Ogun state.

	Observed N	Expected N	Residual
Strongly Agree	19	29.8	-10.8
Agree	27	29.8	-2.8
Undecided	26	29.8	-3.8
Disagree	58	29.8	28.2
Strongly Disagree	19	29.8	-10.8
Total	149		

Source: Field Survey, 2016.

Figure 3.



Source: Field Survey, 2016.

Table of Test Statistics 3.

	The accountability is dependent on the size of audit fees.
Chi- Square	35.262[a]
Degree of freedom	4
Asymptote Significance	.000

4.1 Hypothesis testing at 5% level of Significance

For the test of hypothesis, a non-parametric test (chi-square) was used to check if we were to accept or reject the null hypothesis.

Hypothesis one:

H_0: Auditors' independence has no significant effect on accountability of federal higher institutions in Ogun state.

From the table above, 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 37.5.

From the test of statistics 1, we rejected the null hypothesis (H_0) which states "Auditors' independence has no significant effect on accountability of federal higher institutions in Ogun state" (χ^2 = 59.867, sig. <0.05). Hence, we accepted the alternative hypothesis (H_1) that auditors' independence significantly impacted on accountability of federal higher institutions in Ogun State.

Hypothesis two:

H_0: Tenure of an audit firm has no significant effect on accountability of federal higher institutions in Ogun state.

From the table above, 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 37.5.

From the test of statistics 2, we accepted the alternative hypothesis (H1) which says "Tenure of an audit firm has significant effect on accountability of federal higher institutions in Ogun state" meaning that we rejected the null hypothesis (χ^2 = 63.173, sig. <0.05).

Hypothesis three

H_0: Size of audit fees has no significant effect on accountability of federal higher institutions in Ogun state.
From the table above, 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 29.8.
From the test of statistics 3, the null hypothesis (H_0) which states "Size of audit fees has no significant effect on accountability of federal higher institutions in Ogun state" was rejected.
Hence, we accepted the alternative hypothesis (χ^2 =35.262, sig. <0.05).

4.2 Discussion of Findings

From the field of study the following findings were discovered:
The result revealed that auditors' independence significantly affected accountability of federal higher institutions in Ogun State. This means the extent to which auditors maintain their independence go a long way in impacting on the accountability of federal higher institutions. Therefore, all factors that can weaken this independence must be avoided by the auditors.
Similarly, the result showed that tenure of an audit firm had significant effect on accountability of federal higher institutions in Ogun State. This denotes that the longer the period of engagement the higher the level of familiarity that can be established which in turn may reduce the degree of independence. As a result, the tenure of audit firm should be put under control.
It was also found that the size of audit fees significantly influenced the accountability of federal higher institutions in Ogun State. The rate of audit fees impacted on accountability, hence, the firms should be well paid so as not to be enticed by illegal money.

5.0 Conclusion

Having tested the hypotheses and discussed the findings, the study concluded that auditors' independence has significant effect on the accountability of higher institutions in Ogun State likewise the tenure of an audit firm as well as the size of audit fees.

5.1 Recommendations

Based on the findings of this study, the following recommendations were made:
i. The auditors must not, by any means, compromise their independence as it enhances timely and fair accountability of federal higher institutions in Ogun State.
ii. Government should ensure that the financial statements and the books of accounts of federal higher institutions are continually subjected to independent examination by the external auditor and coordinated by the office of the Auditor-General for the Federation.
iii. The remuneration of the external auditor should be determined by office of the Auditor-General for the Federation rather than by the management of the federal higher institutions being audited in order to guarantee greater independence of the auditor.
iv. The tenure of audit firms should always be regulated by the Auditor-General for the federation so as to bring the act of stewardship under control.

5.2 Contributions to knowledge

The researcher has been able to shed more light on the importance of auditors' independence and accountability by:

i. enlightening the government about the need for the independence of auditors.
ii. adding to the body of existing literature on independence of auditors as well as the idea of accountability.
iii. educating the management of federal higher institutions in Ogun State on the need to give way for accountability by not influencing the auditors for a tailored report.

5.3 Suggestions for further studies

i. Further researches may look at the study from the point of secondary source of data.
ii. Also, further studies may widen the geographical scope to cover the whole nation that is Nigeria rather than Ogun State.
iii.Future researchers may use other techniques aside from the Chi-square (χ^2)

5.4 Acknowledgements

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