Effect of Cashless Policy on the Financial Performance of Selected Deposit Money Banks (DMBs) in Nigeria

PAM, Bunmi

Department of Accounting
Bingham University
Karu, Nasarawa State
E – Mail: bumipam27@gmail.com, Phone No: +234 8065063329

Abstract

The study investigated the effect of cashless policy on the financial performance of selected deposit money banks in Nigeria**.** *A panel data were* ***Deposit Money Banks in Nigeria"*** *collected from a sample of 14 banks covering 6 years spanning from 2012 when* **Published in International Journal** *of the policy was introduced in Nigeria to 2017. The study used return on Asset as* ***Trend in Scientific Research and*** *proxy for bank performance while the value transactions done through the ATM,* **Development** *POS, Internet Banking, NIP and NEFT platforms (E-banking Products) were used to proxy cash less policy. In other to ensure the validity and the reliability of our data, we therefore subjected our data to a diagnostic test using Descriptive Statistic Analysis, Multicolinearity test, Correlation testing, and Herteroskadaticity testing. Findings from the study revealed that that (ATMV) has a positive and significant effect on return on assets (ROA) of banks in Nigeria while , POSV, WEBV, NIPV and NEFV were found to have a positive but insignificant effect on ROA of quoted banks in Nigeria. The study concluded that E-banking products as a proxy for cash less policy has positive effect on the financial performance of Deposit Money Banks in Nigeria*.

Keywords: Cashless Policy, Financial Performance, Deposit Money Banks

INTRODUCTION

Banks are the linchpin of the economy of any country. They occupy central position in the country's financial system and are essential agents in the development process. By intermediating between the surplus and deficit savings units within an economy, banks mobilize and facilitate efficient allocation of national savings, thereby increasing the quantum of investments and hence national output (Ajayi & Ojo, 2006). In a developing economy such as Nigeria, financial sector development has been accompanied by structural and institutional changes and the sector generally has long been recognized to play a crucial role in the economic development of the nation. Cashless economy depicts an economic situation whereby transactions are done without the necessary movement of cash as a means of exchange or as a means of transaction but rather with the use of credit card or debit card payments. Several scholars have attempted to analyse this policy, but only few of them presented a comprehensive evaluation of its implications in developing countries. The payments system plays a very crucial role in any economy, being the channel through which financial resources flow from one segment of the economy to the other. Therefore, it represents the major foundation of the modern market economy. Essentially, there are three pivotal roles for the payments system namely; the Monetary Policy role, the financial stability role and the overall economic role (CBN, 2011). The cashless policy introduced by the CBN is aimed at achieving a cashless economy. One of the prerequisite for the development of national economy according to (Ajayi & Ojo, 2006) is to encourage a payment system that is secure, convenient and affordable. In this regard, developed countries of the world, to a large extent are moving from paper payment instruments towards electronic ones (Humphrey, 2004).

The policy was conceptualized by the apex bank to migrate Nigeria's economy from a cash based economy to a cashless one through electronic payment systems (e-payment), not only to enable Nigeria's monetary system fall in line with international best practices or discourage movements of huge cash manually, but at the same time, increase the proficiency of Nigeria's payment systems which will in turn improve the quality of service being offered to the banking public. The Nigerian cashless system of payment has been evolving in line with the global payments evolution. Cashless system of payments and instruments are significant contributors to the broader effectiveness and stability of the financial system.

Innovations in technology and business models have implications for the efficiency and safety of cashless system of payments. Cashless system of payment is defined as a society where transactions is functioning, and operated or performed without using coins or banknotes for money transactions but instead using credit cards or electronic transfer of funds (Humphrey, 2004). Cashless economy is an economy where transactions can be done without necessarily carrying physical cash as a means of exchange of transaction but rather with the use of credit or debit card payment for goods and services. The nation's quest of migrating from cash to cashless economy has been on the front burner. Analysts have posited that to meet the target of becoming one of the leading world economies by the year 2020, efforts must be made to embrace electronic payment system in its entirety. It was in this consciousness that the CBN, which is the apex regulatory body of the banking sector, came up with are form of policy to check the increasing dominance of cash in the banking sector in order to enhance e-payment system in the economic landscape. Nigeria's preparedness in adopting this new policy has been questioned by stakeholders given her socio-cultural milieu and other social vices associated with electronic payments that drive cashless policy. Against this backdrop, the study sought to examine cashless policy as regards the Nigerian deposit money banks with a view to exposing the issues relating to it, the possible challenges to be faced by it, as well as the prospects of the policy on the industry.

There is often delay in payment of cheques which led to the adoption of electronic banking system. Adoption of electronic banking which was supposed to ease banking transactions rather resulted to woes to customers. Most customers complain of time wasted in banks, mostly when there is network failure due to linkage problem between the central server and the branches. This aside, banks have since 2000 being introducing payment cards in form of ATM cards, but usage has been very low due to lack of interconnectivity. To resolve some of these problems, most especially to reduce the volume of cash transaction, government decided to encourage the use of e-Commerce instruments to transact business in place of cash, thereby reducing the traffic in the banking hall and other hardships faced daily by customers. The cashless policy was introduced to drive the development and modernization of the Nigerian payment system in line with the nation's vision 2020 goal of being among the top 20 economies in the year 2020 but the use of cash, according to Nwaolisa & Kasie, as a means of carrying out transactions still remains very high in Nigeria. Poor network and connectivity which results most often into debiting customers' account more than once, high transaction cost, as well as security and technical setback, are some of the factors still posing as challenges to the recent move. The current transition to a cashless economy raises a lot of concerns and there is yet no substantial evidence to justify its implementation in Nigeria. Against this backdrop, the study sought to examine cashless policy as regards the Nigerian deposit money banks with a view to exposing the issues relating to it, the possible challenges to be faced by it, as well as the prospects of the policy on the industry.

LITERATURE REVIEW

Concept of Cashless Economy

Cashless economy does not mean a total elimination of cash as money will continue to be a means of exchange for goods and services in the foreseeable future. It is a financial environment that minimizes the use of physical cash by providing alternative channels for making payments. Contrary to what is suggestive of the term, cashless economy does not refer to an outright absence of cash transactions in the economic setting but one which the amount of cash-based transactions are kept to the barest minimum. It is an economic system in which transactions are not done predominantly in exchange for actual cash. It is not also an economic system where goods and services are exchanged for goods and services (the barter system). It is an economic setting in which goods and services are bought and paid for through electronic media. According to Woodford (2003), Cashless economy is defined as "one in which there are assumed to be no transactions frictions that can be reduced through the use of money balances, and that accordingly provide a reason for holding such balances even when they earn rate of return". Basel Committee (1998) expressed the difficult in rightly defining the electronic money but agree that it blends technological and economic characteristics. Other renowned institutions and experts have tried to define concept of electronic money which they all believe is the backbone of the cashless economy. For European Central Bank (1998), electronic money is broadly defined as an electronic store of money value on a technical device that maybe widely used for making payments to undertakings other than the issuer without necessarily involving bank accounts in the transactions, but acting as a prepaid bearer instrument. Electronic payments as argued by scholars have a significant number of economic benefits apart from their convenience and safety. These benefits when maximized can go a long way in contributing immensely to economic development of a nation. Automated electronic payments help deepen bank deposits thereby increasing funds available for commercial loans – a driver of all of overall economic activity.

Efficient, safe and convenient electronic payments carry with them a significant range of macro-economic benefits. The impact of introducing electronic payments is akin to using the gears on a bicycle. Add an efficient electronic payments system to an economy, and you kick it into a higher gear. Add better-controlled consumer and business credit, and you notch up economic velocity even further. In a similar narrative by (Hord, 2005), electronic payment is very convenient for the consumer. In most cases, you only need to enter your account information such as your credit card number and shipping address once. The information is then stored in a database on the retailer's Web server. When you come back to the Web site, you just log in with your username and password. Completing a transaction is as simple as clicking your mouse: All you have to do is confirm your purchase and you're done (Hord, 2005). Hord (2005) further emphasizes the fact that electronic payment lowers costs for businesses. The more payments that is processed electronically, the less money is spent on paper and postage. Offering electronic payment can also help businesses improve customer retention. A customer is more likely to return to the same e-commerce site where his or her information has already been entered and stored (Hord, 2005).

Cashless as the transitory phase of payment systems development

Cashless banking is that banking system which aims at reducing, not eliminating the amount of physical cash (study notes and coins) circulating in the economy, whilst encouraging more electronic based transactions (payment for goods, services, transfers etc.). In other words, it is a combination of two e-banking and cash-based systems. In most developing countries, it represents a middle phase in the development of payment system. A cashlesseconomy forms the middle phase of a three-phased economic model of payment systems. This essentially means that countries (particularly developing countries) would transit from a "cash-based" economic model to "cash-less" economic model before achieving the pure state of a "cashless economic" model. Cash-based economy is defined as one in which day-to-day payments and business activities are predominantly transacted in physical notes and coins. Cashless economy, on the other hand, is an economy where the physical cash circulating in the economy is minimized while other forms of payment especially electronic based payments are utilized. In other words, cashless economy is a combination of the cash-based payment system and electronic payment systems with the latter exceeding the former in terms of utilization. A cashless economy represents the pure state of non-cash payment systems where no more sturdy coins and notes are printed for circulation by the Central Bank. As (Claudia and Grauwe 2001) define it, cashless society is a regime in which currency issued by the central bank has ceased to exist. All the money is private money issued by banks in the form of deposits or some fancier e-money issued by institutions that are not necessarily banks.

Automated Teller Machine (ATM)

This is an automated teller machine that dispenses cash and basically performs all other functions done by a teller in a banking hall like balance inquiry, give mini statements and bills payment, recharge functions etc. A personal identification number (PIN) has to be entered along with credit or debit card to access cash. Some ATMs will allow for cash deposits and bill payments. The CBN has approved N55 as income to the bank from the 4th transaction done by the cardholder of another bank's card on the ATM terminal. It is a cash point that can be used to withdraw cash or do Transfers. A debit card or credit card is used at the machine to withdraw cash. The CBN has stipulated 72 hours for responding to ATM complaints by banks, failing which the customer can escalate to the CBN. The CBN is also trying to establish a card arbitration panel that will act as a payments system ombudsman to fast track resolution of disputes. We should also note that card fraud particularly at the ATM have reduced drastically with the migration of cards to adopt the chip and PIN technology.

Point of Sale (POS) Machine

Point of Sales (POS) machine or terminal is an electronic device used in payment for goods and services. You find it in supermarkets, hotels, filling stations, shops etc. A charge known as Merchant Service Charge (MSC) is charged on all transactions done on POS terminals; this charge is borne by the merchant. The maximum total fee a merchant can be charged for any POS terminal transaction is 0.75% of the transaction value or N1,200.00 cap. Point of Sale refers to the location at which a payment of a card transaction occurs, usually by way of a device such as a credit card terminal or cash register. The industry has endorsed four manufacturers for the supply of Point-of-Sale terminals - PAX, Bitel, Ingenico, and Verifone - with negotiated discounts and local support arrangements. A POS can be purchased from any of these four for as low as N45,000.00 per terminal. However, parties are free to purchase POS terminals from any manufacturer; so far they meet the POS specifications in the Point-of-Sale guidelines.

Internet Banking

It is an electronic payment system that enables customers of a bank or other financial institution to conduct a range of financial transactions through the financial institution's website via electronic devices like mobile phones, Ipads, laptops, Desktops e.t.c right at the comfort of their homes, offices and other places of convenience. In Siyanbola, (2013) internet banking, like uses the electronic card infrastructure for executing payment instructions and final settlement of goods and services over the internet between the merchant and the customers). Internet banking gives customers the opportunity of enjoying banking services from the comfort of their homes and offices. This means that customers can buy goods by placing orders from the net, instruct their banks to pay the vendor the invoice amount involved, and the products are delivered to the destination where the buyer wants.

Nibss Electronic Funds Transfer (NEFT)

Electronic Fund Transfer (NEFT) is an irrevocable electronic fund transfer instruction for payment to a 3rd party bank. It was introduced in Nigeria in 2004. NEFT is usually used for high volume payments such as salaries, vendor payments, etc. and are processed via scheduled batch clearing sessions on NIBSS ACH. NEFT transactions are not real-time but beneficiaries receive same day value for transactions posted before the clearing sessions. NEFT payments are implemented in 2 clearing cycles; same day settlement for the transaction received before clearing sessions. Next day settlement for the transaction received after clearing cycle.You can transfer funds through NEFT by first logging into your bank's internet banking platform using your ID and password. Then you go to fund transfer tab and select add beneficiary (receiver's bank). Select beneficiary type for example transfer to other bank then enter the account number of the beneficiary and click on send. The bank will first debit your account to ensure that the funds are set aside, then the customer's instruction (along with other customers' instructions) are sent to NIBSS by the bank as an electronic file for onward processing.

Empirical Studies

Obiekwe and Anyanwaokoro (2017) in their study investigated the effect of Electronic Payment Methods (EPM) on the profitability of commercial banks in Nigeria. In order to achieve the broad objective, the study specifically investigated the effect of Automated Teller Machine (ATM), Point of Sale (POS) and Mobile Payment (MPAY) on the profitability of commercial banks in Nigeria. A total sample of five (5) banks was considered for the period 2009 to 2015 and the study adopted the Panel Least Squares (PLS) estimation technique as the analytical tool. Data were collected from the Central Bank of Nigeria (CBN)

Statistical Bulletin and Annual Reports and Statements of Accounts of the five banks used in the study. Findings revealed that Automated Teller Machine (ATM) and Mobile Phone payment have a significant effect on the profitability of commercial banks in Nigeria. However, Point of Sale (POS) has an insignificant effect on commercial banks' profitability in Nigeria. Ewa and Inah (2016), investigated 'Evaluating Nigeria Cashless Policy Implementation using Simple percentages and Relative Important Index (R.I.I), found using a four-point Likert scale questionnaire administered to six hundred respondents. The results of the study show that the twin policy objectives investigated were partially achieved. Also, the study reveals that social infrastructures in power and telecommunications need improvement and expansion and the need to create more awareness to encourage the unbanked to embrace banking culture. Umanhonlen, Umanhonlen, and Omoruyi (2015) appraised the impact of e-banking and cashless society in the Nigerian economy. The study explores various aspects of e-banking and cashless economy using the banking sector of the Nigerian economy as a focal point. Specifically, the paper articulates empirical opinions that highlight the possible ways these policy measures have direct links to beneficiaries and the weighted outcomes when divergence is noticed and how to bring back the soundness, sustainable and rebranding policy that ensures economic growth. The paper holds that for a sustainable cashless society to emerge all hands must be on deck; banks should de-emphasize all odds and ensure that efficiencies of e-banking mechanisms are of utmost priority. Osazevbaru, Sakpaide, and Ibubune (2014) in their study examined the impact of cashless policy on the profitability of Nigerian banks, against the backdrop that these banks in a cash-based economy are known for their huge profits even in the face of the associated high cost of operations. Basically, will banks in the cashless regime still make as many profits as they use to make? To address this, secondary data were collected and analyzed using content analysis comparing profits under the cash-based policy with a cashless regime. The results revealed that cashless economic policy positively impacts on banks' reduction profit in the cost of operations through banking the unbanked populace.

Taiwo, Ayo, Afieroho, and Agwu (2017) in their study appraised the implementation of the cashless policy since its introduction into the Nigerian financial system in 2012 and also to examine the persistent challenges facing its implementation. In view of the above-stated objective, primary data were collected with the aid of the questionnaire, which was randomly administered to 120 respondents ranging from First Bank, Zenith Bank and United Bank for Africa. The banks were selected based on their total assets and the information collected covered the activities of the CBN and that of these banks towards implementation of the cashless policy from 2012 to date. The data collected were presented and analyzed with the aid of the Statistical Package for Social Sciences (SPSS) using descriptive statistics and one-sample t-test. The results led to the conclusion that despite the need to operate cashless transactions dominating the modern Nigerian economy, the cashless policy will have the desired impact only if a lot is done to ensure the implementation of an effective cashless system. Princewell (2013) examined issues in economic policy drift in payment systems with reference to Nigeria's shift from a cash-based economy to a cashless society. Using the survey method, the study sampled 650 stakeholders (respondents) comprising of Businessmen, University Students, and civil servants. Results show that the majority of the stakeholders support the policy. The key reason why they support the policy is that of its potential in reducing cash-related robberies, corruption, and other fraudulent practices among others. On the other hand, stakeholders who are against the policy shift hinged their reasons on payment fraud associated with the cashless economy; high rate of illiteracy and infrastructural decay in Nigeria. Okoye and Ezejiofor (2013) examined the significant benefits and essential elements, of cashless policy and to check the extent to which it can enhance the growth of financial stability in the country. Two research hypotheses were formulated in line with the objectives of the study. The descriptive research design was adopted for the study with a sample size of 68. The convenience sampling technique was used. The questionnaire which was structured was the main instrument used for data collection. The data collected was subjected to face validity test, and was tested with ANOVA and chi-square (x2) technique was used to test the hypotheses. The results indicate that: a majority of Nigerians are already aware of the policy and majority agree that the policy will help fight against corruption/money laundering and reduce the risk of carrying cash. Major problems envisaged hampering the implementation of the policy are cyber fraud and illiteracy.

Tunmibi and Falayi (2013) investigated Information technology security and e-banking in the Nigeria banking industry. A total of forty customers were sampled from nine different banks in Nigeria using accidental sampling method and questionnaire was used as the data collection instrument. Information technology has been acknowledged as the life wire of banks in the financial sector as it promotes and facilitates the performance of banks in various countries. However, with respect to IT security in Nigeria, there is a variation in the level of trust that customers have in their banks. Most of the sampled customers responded that network is unreliable and there is an occasional experience of cash deduction without cash withdrawal when using ATM. They noted that IT security is a major challenge to e-banking in Nigeria and the banking industry is not stable enough for e-banking. In his study, Adewoye (2013) examining the impact of mobile banking on service delivery in the Nigeria commercial banks. The study was carried out in Lagos state with One hundred and forty (140) Questionnaires administered and distributed to both senior and junior staff of the selected banks, Thirty-five (35) staff each was picked from the four (4) selected banks. One hundred and Twenty-five (125) Questionnaires were found useful for the purpose of the study representing 83.3% of the total questionnaire distributed. Data collected was analyzed using frequency table, percentage and mean score analysis while the non-parametric statistical test Chisquare was used to test the formulated hypothesis using STATA 10 data analysis package/software to examine the impact of mobile banking on service delivery and also look at the relationship between mobile banking and service delivery in the sampled banks. The results of the findings show that Mobile banking improved banks service delivery in a form of transactional convenience, savings of time, quick transaction alert and save of service cost which has to recuperate customer's relationship and satisfaction.

Ajayi, (2014) in his study examined the effect of cashless monetary policy on the Nigerian banking industry. Out of 5000 Guaranty Trust Bank (GTBank) staff, 370 sample sizes were selected based on Taro Yemane's formula for sample size. The study was carried out in Ekiti State, Nigeria with 370 questionnaires administered to the bank staff in the state. Of the total questionnaires distributed, 350questionnaires (representing 95%) were returned. The data collected were analyzed using frequency table and percentages while for the non-parametric statistical test, Chi-square was used to test the formulated hypothesis. The results of the study showed that there are significant reasons and benefits inherent in the implementation of cashless policy. It also showed that the policy has positively affected the development of banks; as it facilitates ease of operations and reduces queue and congestion in the banking hall, among others. Omotunde, Sunday and John-Dewole (2013) investigated the impact of cashless policy in Nigeria. Survey research was adopted with the questionnaire as data collection instrument. Responses from the respondents show that cashless policy will increase employment; reduce cash related robbery thereby reducing the risk of carrying cash; cashless policy will also reduce cash related corruption and attract more foreign investors to the country. The study, therefore, shows that the introduction of the cashless economy in Nigeria can be seen as a step in the right direction. It is expected that its impact will be felt in the modernization of Nigeria payment system, reduction in the cost of banking services, reduction in high security and safety risks and also curb banking related corruptions. Ezuwore-Obodoekwe, Eyisi, Emengini, and Alio (2014) critically analyzed Cashless Banking Policy in Nigeria. Using survey design, they found that Cashless policy has affected deposits taking, cash withdrawals, money transfers, loan administration; the provision of banking services in several ways, these include quick data processing and retrieval of information increased customers' satisfaction, quick customer service delivery and production of accurate and reliable information, faster access to capital, reduced revenue leakage and reduced cash handling costs.

Odior and Banuso (2013) in their study examined the implications of cashless banking, with a view to exposing the possible challenges and prospects it poses to the Nigerian economy whilst employing the aggregated approach. Descriptive statistics were used to highlights/overview of the effectiveness of the cash-less policy of the CBN in Nigeria. This study also seeks to evaluate the policies of the Central Bank of Nigeria as well as proffer valuable recommendations on the execution of the cash less policy. The result showed that cashless banking has the possibility of stimulating trade and commercial activities as the velocity of circulation (rate at which money changes hands) is likely to increase in the long-run. In 2013, Hassan, Mamman, and Farouk investigated the influence of electronic banking products on the performance of Nigerian DMBs. The study became necessary as a result of increased penetration of electronic banking which has redefined the banking operations in Nigeria and the world over. The population of the study is all the twenty-one Deposit Money Banks (DMBs) listed on the Nigerian Stock Exchange. Systematic sampling technique was used and six (6) banks were selected as the sample of the study. Data were collected from the secondary source through the annual report and accounts of the sampled Banks and insider information from the employees working in the selected banks, respectively. The performance of these banks was measured in terms of returns on equity (ROE) The study revealed that the adoption of electronic banking products (emobile and ATM transactions) has strongly and significantly impacted on the performance of Nigerian banks while on the other hand, it revealed that e-direct and SMS alert have not significantly impacted on the performance of the banks. Morufu (2016) in their study examined the impact of four (ATM, POS, web/Internet and mobile) e-payments adoption and banks specific variables on the profitability of the Nigerian Deposits Money Banks (DMBs). Secondary data were obtained from the annual report and accounts often quoted(DMBs) between 2005 and 2012. Data were analyzed using panel logistic regression. The overall result from data analysis shows that when bank adopts e-payment systems, their performance level, such as gross margin, profits after tax, return on assets and return on equity changes. This is reflected in the positive association between adoption and gross earning of banks. Further, adoption of the four epayment instruments like ATM, WEB, POS and Mobile banking influenced performance indices measured by return on assets (ROA), gross margin and profits after tax (PAT) of the sampled banks. Oyewole, Abba, Gambo and Arikpo (2013) investigated the impact of electronic banking on banks' performance in Nigeria. Panel data comprised annual audited financial statements of eight banks that have adopted and retained their brand name banking between 2000 and 2010 as well as macroeconomic control variables were employed to investigate the impact of e-banking on return on asset (ROA), return on equity (ROE) and net interest margin (NIM). The result from pooled OLS estimations indicate that e-banking begins to contribute positively to bank performance in terms of ROA and NIM with a time lag of two years while a negative impact was observed in the first year of adoption.

Theoretical Discussion

The research is anchored on the Bank focused theory, though two other relevant theories are explained. The Bank focused theory is a theory of branchless banking. It is used here because of the concept of electronic payment anchors on branchless banking.

Bank Focused Theory

This theory was propounded by Kapoor (2010) and anchors on the ground that banks use non-traditional but conventional low-cost delivery channels to provide services to its numerous customers. Such channels include the automated teller machines (ATMs), Internet banking, Point of Sale (POS) among others. By making use of these channels, the bank offers a wide range of services to its customers not minding the location and branch where the customer is. The only thing required is to input the needed information into the system and the transaction is concluded. This theory supports this study since the emphasis here is on electronic platforms as a means of delivering services.

Bank-Led Theory

The bank-led theory of branchless banking was proposed by Lyman, Ivatury, and Stachen (2006) and emphasizes the role of an agent who acts as a mediator between the banks and the customers. In this case, the retail agents have direct interaction with the banks' customers and take up the role expected of the bank by either paying cash or collecting deposits (Owens, 2006). Finally, this agent is expected to transmit all his dealings with the bank's customers to the bank he is representing through electronic means (such as phones, internet, etc).

Non-Bank-Led Theory

This theory was put forward by Hogan (1991). In this theory, customers do not deal with any bank and they do not maintain any bank account. The customers only deal with is a non-bank firm such as mobile network operator or prepaid card issuer who they exchange their cash with for e-money account. The e-money account is then stored in the server of this non-bank agent. This tends to represent the riskiest platform in the electronic payment methods because of the lack of existing regulatory framework upon which these eagents operate.

METHODOLOGY

This study used ex-post facto research design to describe the effects of E-banking products on the financial performance of deposit money banks by using existing data from financial statement of the quoted firms which cannot be manipulated. The study covered all listed Deposit Money banks from 2012 to 2017. The period was chosen as the cashless policy took effect in Nigeria in 2012. This study made use of secondary data as the main source of information and was sourced from the annual report and accounts of the banks and data from CBN payment statistics from 2012 to 2017. The data on the e-banking products (ATM transactions, POS transactions. Internet banking transaction, NEFT and NIP transactions) were analyzed using Descriptive Statistic Analysis, Multicollinearity test, Correlation testing, and Herteroskadaticity testing

Operationalization of Variables:

Variables (code)	Proxies (operational definitions)
Dependent Variable	
Return on Assets (ROA)	Profit Before Interest and Tax/Total Assets
Independent Variables	
ATM Transactions	Volume/Value of ATM transactions
POS Transactions	Volume/Value of POS Transactions
Internet Transactions	Volume/Value of Internet Transactions
NEFT Transactions	Volume/Value of NEFT Transactions
NIP Transactions	Volume/Value of NIP Transactions

Model Specification

The linear regression model used in this study is adapted from the prior studies of Shehu et al (2013) and Ogare, (2013) with modification. Consistent with previous studies, this model modified and extended the model tested by prior studies and the ordinary least square was guided by the following linear model

Y = F[X1, X2, X3, X4, X5]……………………………..……………………. (1)

Performance = ∫ [ATM, POS,IB, NFT, NP,] …………..………………………..(2)

Based on the above model, we specify the following regression equation

ROA = β0+β1 ATM +β2 POS +β3 IB +β4 NFT +β5 NP +Ɛ……………….…..(3)

Where;

ROA denotes the return on assets (the proxy for DBMS Performance)

ATM = Volume of Transactions done through the Automated Teller Machine

POS = Volume of Transactions done through the Point of Sale machine

IB = Volume of Transactions done through the internet
NFT = Volume of Transactions done through the NEFT platform
NP = Volume of Transactions done through the NIP platform ε is the error term of the model and
β0, β1, β2, β3, β4, β5……=Regression model coefficients.

RESULT AND DISCUSSION

Table 1: descriptive statistics

	ROA	ATMV	POSV	WEBV	NIPV	NEFV	FSIZE
Mean	1.68	3981.67	523.17	93.67	25763.50	14200.33	21.06
Median	1.63	3825.00	380.50	83.00	22785.00	14446.00	20.98
Maximum	5.09	6438.00	1410.00	185.00	56166.00	14946.00	22.45
Minimum	-5.59	1985.00	48.00	32.00	3891.00	13087.00	19.310
Std. Dev.	1.65	1449.29	459.02	52.24	17481.75	638.96	0.75
Skewness	-0.98	0.35	0.96	0.56	0.51	-0.65	-0.20
Kurtosis	7.32	2.13	2.66	2.09	2.11	2.03	2.42
Jarque-Bera	78.74	4.38	13.25	7.38	6.36	9.12	1.75
Probability	0.00	0.11	0.00	0.03	0.04	0.01	0.42
Observations	84	84	84	84	84	84	84

Significance, ***10% level of significance.

From Table 1 the mean (average), maximum values, minimum values, standard deviation and Jarque-Bera (JB) Statistics (normality test) were shown. The results expressed in Table 1 helps to provide some insight into the nature of the selected quoted manufacturing firms in Nigerian used in this study. First, it can be observed that on the average, in a 6-year period (2012-2017), the sampled deposit money banks used for this study were characterized by positive ROA = 1.599383. This is an indication that most quoted banks in Nigeria have a positive Return on Assets (ROA). Similarly, the table also shows that on the average during the period under study that volume of transaction for ATMV was 3981.667, the maximum value stood at 6438.000 while the minimum value stood at 1985.000, thus showing a large difference between the minimum and maximum values of the ATMV transaction volume, meaning that large number of Nigeria bank customers are using more ATM facilities in most of their transactions that involves cash transactions. This result therefore justify the need for this study as we expect those banks that are recorded high ATM transactions to perform better than those with less ATM transactions, in terms of ROA of such banks. Furthermore, the table also shows that on the average during the period covered by this study, that volume of transaction for POSV was 523.1667, the maximum value stood at 1410.000 while the minimum value stood at 48.000, thus showing a large difference between the minimum and maximum values of the POSV transaction volume, meaning that large number of Nigeria bank customers have adopted the use of POS facilities in most of their transactions that involves cash. This result therefore justifies the need for this study as we expect those banks that recorded high POS transactions to perform better than those with less POS transactions, in terms of ROA of such banks in Nigeria.

In addition, the table also shows that on the average during the period under study that volume of transaction for WEBV was 93.66667, the maximum value stood at 185.0000 while the minimum value stood at 32.0000, thus showing a large difference between the minimum and maximum values of the ATMV transaction volume, meaning that large number of Nigeria bank customers are using also WEBV facilities in most of their transactions that involves cash transactions. This result therefore justify the need for this study as we expect those banks that are recorded high WEBV transactions to perform better than those with less WEBV transactions, in terms of ROA of such banks. Again, the table also shows that on the average during the period under study that volume of transaction for NIPV was 25763.5, the maximum value stood at 56166.00 while the minimum value stood at 3891.000, thus showing a large difference between the minimum and maximum values of the NIPV transaction volume, meaning that large number of Nigeria bank customers are using more NIP facilities in most of their transactions that involves cash transactions. This result therefore justify the need for this study as we expect those banks that are recorded high NIP transactions to perform better than those with less NIP transactions, in terms of ROA of such banks

Also, the table also shows that on the average during the period under study that volume of transaction for NEFV was 14200.00, the maximum value stood at 14946.00 while the minimum value stood at 13087.00, thus showing a large difference between the minimum and maximum values of the NEFV transaction volume, meaning that large number of Nigeria bank customers are using more NEFV facilities in most of their transactions that involves cash transactions. This result therefore justify the need for this study as we expect those banks that are recorded high NEFV transactions to perform better than those with less NEF transactions, in terms of ROA of such banks. The table also shows that firm size (FSIZE) showed that the sampled banks used for this study are not mainly dominated by either large or small banks and are widely dispersed. This is confirmed by the wide variations recorded in the standard deviation values of the FSIZE variables used. Lastly, in table 1, the Jarque-Bera (JB) which test for normality or the existence of outliers or extreme values among the variables shows that most of the variables are distributed normally at the 1% level of significance except WEBV, NIPV and ATMV that were normally distributed at 5and 10% level of significance respectively. This implies that any variable with outlier are not likely to distort our conclusion and are therefore reliable for drawing generalization. This also implies that the least square estimation can be used to estimate the pooled regression model.

Diagnostic Test to Check for Multicolinearity Problem, Using Correlation Matrix.

Multicolinearity is a near perfect, a high correlation between any two (2) independent variables. It is a problem of crosssectional data and our data have cross sectional characteristics as it cut across fourteen (14) deposit money banks in Nigeria. When there is multicolinearity, all your tvalues, F-statistics value becomes invalid and the R^2 of the regression result becomes unreliable. The study on trying to diagnose for the presence of multicolinearity in our data used, as well as evaluating the association among the variables adopted, employed the Pearson correlation coefficient (correlation matrix) analysis. The result obtained is presented in Table 2. on Assets (ROA) while NEFV= 0.0732, FSIZE= 0.4152 were found to be positively associated with ROA. In checking for multicolinearity, we notice that some of our explanatory

TABLE 2: Pearson Correlation Matrix
Correlation Analysis

	ROA	ATMV	POSV	WEBV	NIPV	NEFV	FSIZE
ROA	1.0000						
ATMV	-0.0386	1.0000					
POSV	-0.0264	0.9739	1.0000				
WEBV	-0.0353	0.9926	0.9880	1.0000			
NIPV	-0.0380	0.9966	0.9855	0.9991	1.0000		
NEFV	0.0732	0.5343	0.5308	0.5042	0.5084	1.0000	
FSIZE	0.4154	0.2762	0.2640	0.2717	0.2735	0.1502	1.0000

Table 2 focused on the correlation between Return on Assets measured as ROA and the independent variables (ATMV, POSV, WEBV, NIPV, NEFV and FSIZE). The finding from the correlation matrix table shows that most of our independent variables, (ATMV = -0.0386; POSV = -0.0264; WEBV= -0.0353, NIPV= -0.0380, and FSIZE= -0.1157) were observed to be negatively and weakly associated with Returnvariables were perfectly correlated (POSV, ATMV=0.9739; WEBV, ATMV=0.9926; WEBV, POSV=0.9880; NIPV, ATMV=0.9966; NIPV, POSV=0.9855; NIPV, WEBV=0.9991). This means that there is problem of multicolinearity between the explanatory variables. Multicollinearity usually results to wrong signs or implausible magnitudes in the estimated model coefficients obtained. There will also be bias in the standard errors of the coefficients. To further check for the presence of multicolinearity problem in our model, the Variance Inflation Factor (VIF) test was used. The results of this test are presented in table3

Table 3: VIF test for Multicolinearity in Regression Model

EXPLANATORY VARIABLES	**VIF**
ATMV	10190.23
POSV	316.74
WEBV	19886.75
NIPV	64643.41
NEFV	15.31
FSIZE	1.09
MEAN VIF	13579.22

The VIF for each of the explanatory variables was much greater than the threshold of 10 and the overall VIF mean value was more than 5. Another major regression estimation problem is the existence of heteroskedaticity (i.e. nonconstant residual term) which is often common with cross- sectional data. The existence of this problem may result in wrong t-values and f-statistics. To test for the existence of this problem, the Breush-Pagan-Godfrey heteroskedaticity test was used. The result of this test is presented in table 4.

Table 4: Breusch-Pagan-Godfrey Heteroskedaticity Test

Test	**Values**	**P-Values**
F-Statistics	3.16	0.0757
Obs*R-squared	5.22	0.64

The F- Statistics and Obs* R-squared values of 3.16 and 5.22 respectively shows that there is the absence of heteroskedaticity problem in our model. The P-value 10% level also confirms that we should accept H0 (Absence of heteroskedaticity) and reject H1 (Presence of heteroskadeticity.

MODEL 1 ROA = $\beta 0+\beta 1$ ATMV $+\beta 2$ POSV $+\beta 3$ WEBV $+\beta 4$ NIPV $+\beta 5$ NEFV + $\beta 6$ FSIZE+ Er

Testing of Hypotheses Formulated for Quoted Deposit Money Banks in Nigeria In other to examine the impact relationships between the dependent variable ROA and the independent variables (ATMV, POSV, WEBV, NIPV, NEFV and FSIZE) and to also test the formulated hypotheses given, the study used a pooled multiple regression analysis, owing to the fact that the data had both time series (2012-2017) and cross sectional properties (14 quoted Deposit Money Banks in Nigeria). The result of the regression analysis is presented in is presented as table 5 and is interpreted below.

Method: Panel Least Squares
Sample: 2012 2019
Periods included: 8

Cross-sections included: 14
Total panel (balanced) observations: 84

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-40.57734	16.90403	-2.400454	0.0188
ATMV	0.012565	0.011904	1.055506	0.0945
POSV	0.006904	0.006591	1.047575	0.2982
WEBV	0.557556	0.464165	1.201202	0.2334
NIPV	-0.002875	0.002494	-1.152843	0.2526
NEFV	-0.000673	0.001022	-0.657914	0.5126
FSIZE	0.972391	0.229492	4.237138	0.0001
R-squared	0.238073	Mean dependent var		1.682143
Adjusted R-squared	0.167896	S.D. dependent var		1.649000
S.E. of regression	1.504214	Akaike info criterion		3.744810
Sum squared resid	171.9620	Schwarz criterion		3.976317
Log likelihood	-149.2820	Hannan-Quinn criter.		3.837874
F-statistic	3.392442	Durbin-Watson stat		1.546802
Prob(F-statistic)	0.003321			

In table 5, R-squared and its adjusted R-squared values were (0.238073) and (0.167896) respectively. This is an indication that all the independent variables jointly explain about 24% of the systematic variations in Return on Assets (ROA) of our sampled quoted banks over the six-year period (2012-2017) while 86% of the systematic variations are captured by the error term. The F-statistics of 3.392442 and its P-value of (0.00) portrays that fact that the ROA regression model is well specified. In addition to the above, the specific findings from each explanatory variable are provided as follows:

Test of Hypothesis One

Based on the t-value of 1.055506 and P-value of 0.09, in table 5 was found to have a positive influence on our sampled quoted deposit money bank's (ROA) and this influence is statistically significant at 10% level of significance as the P-value is within 10% significance level. This result, therefore suggests that we should reject our null hypothesis one ($H0_1$) which states that ATM transactions have no significant effect on return of assets (ROA) of depositmoney banks in Nigeria. This means that in Nigeria, there is a high level usage of ATM machines by customers of the sampled banks in Nigeria and this high usage level of bank's ATM machine influences the ROA of the sampled banks positively, thus, leading to the banks better performance. Therefore, as this influence is statistically significant, management should pay more attention on the activities that will improve the ATM services of their banks if they wish to increase the ROA value of their banks as this will lead to high customer's satisfaction and patronage as the study discovers that such efficient ATM services will influence their ROA positively. Therefore on the basis of efficient use of ATM transactions to generate increased ROA, those firms that embark on more activities that improve their ATM services performance better than those with less ATM transactions in Nigeria.

Test of Hypothesis Two

Based on the t-value of 1.047575 and P-value of 0.30, in table 5 was found to have a positive influence on our sampled quoted deposit money bank's (ROA) and this influence is not statistically significant since the P-value is more than 10% significance level. This result, therefore suggests that we should accept our null hypothesis two ($H0_2$) which states that there is no significant influence of POS transactions on return of assets(ROA) of deposit money banks in Nigeria. This means that in Nigeria, there is a high level usage of POS machines by customers of the sampled banks in Nigeria and this high usage level of bank's POS machine influences the ROA of the sampled banks positively, thus, leading to the banks better performance but this influence is not statistically significant and therefore, should be ignored by managements when planning to improving their ROA value through POS transactions.

Test of Hypothesis Three

Given the t-value of 1201202 and P-value of 0.23, in table 5 was found to have a positive influence on our sampled quoted deposit money bank's (ROA) and this influence is not statistically significant since the P-value is more than 10% significance level. This result, therefore suggests that we should accept our null hypothesis three ($H0_3$) which states that internet banking transactions has no significant influence on return of assets (ROA) of deposit money banks in Nigeria. This means that in Nigeria, there is a high level usage of internet banking (WEBV) machines by customers of the sampled banks in Nigeria and this high usage level of bank's WEBV transactions influences the ROA of the sampled banks positively, thus, leading to the banks better performance but this influence is not statistically significant and therefore, should be ignored by managements when planning to improving their ROA value through internet banking (WEBV) transactions.

Test of Hypothesis Four

Based on the t-value of -1.52843 and P-value of 0.25, in table 5 was found to have a negative influence on our sampled quoted deposit money bank's (ROA) and this influence is not statistically significant since the P-value is more than 10% significance level. This result, therefore suggests that we should accept our null hypothesis four ($H0_4$) which states that NIPV transactions have no significant reactions on return of assets (ROA) of deposit money banks in Nigeria. This means that in Nigeria, there is a high level usage of NIPV services by customers of the sampled banks in Nigeria and this high usage level of bank's NIPV machine influences the ROA of the sampled banks positively, thus, leading to the banks better performance but this influence is not statistically significant and therefore, should be ignored by managements when planning to improving their ROA value through NIPV transactions.

Test of Hypothesis Five

Based on the t-value of -0.657914 and P-value of 0.51, in table 5 was found to have a negative influence on our sampled quoted deposit money bank's (ROA) and this influence is not statistically significant since the P-value is more than 10% significance level. This result, therefore suggests that we should accept our null hypothesis five ($H0_5$) which states that NEFV transactions have no significant improvementon return of assets (ROA) of deposit money banks in Nigeria. This means that in Nigeria, there is a high level usage of NEFV services by customers of the sampled banks in Nigeria and this high usage level of bank's NIPV machine influences the ROA of the sampled banks positively, thus, leading to the banks better performance but this influence is not statistically significant and therefore, should be ignored by managements when planning to improving their ROA value through NEFV transactions.

Test of Control Variable (Firm size)

Given the t-value of 4.237138 and Pvalue of 0.00, in table 5 was found to have a positive influence on our sampled quoted deposit money bank's (ROA) and this influence is statistically significant at 1% level since the P-value is less than 1 significance level. This result, therefore suggests that we should reject our null hypothesis six ($H0_6$) which states that firm size (FSIZE) does not significantly affect return of assets (ROA) of deposit money banks in Nigeria. This means that in Nigeria, large sized firms significantly perform better than small sized firms in terms of their ROA performance. Therefore on the basis of efficient use of firm size(FSIZE) transactions to generate increased ROA, those firms with large firm sizes performance better than those with less firm sizes in Nigeria and since this effect is statistically significant. Management should consider improving their firm sizes as this will increase their ROA significantly positive.

Discussion of Results

This study investigated the effect of CBN cashless policy on return of assets (ROA) of deposit money banks in Nigeria. Using pooled data, the data generated were subjected to different statistical tests such as descriptive statistics, correlation analysis multicolinearity test, heteroskedaticity test and Ordinary Least Square regression analysis. The descriptive statistics revealed the individual characteristics of the variables used in this study which also revealed that the variables were normallydistributed. The regression result shows that (ATMV) has a positive and significant effect on return on assets (ROA) of banks in Nigeria. This finding supports our prior expectation as we expect that the use of ATM will lead high performance of ROA of banks in Nigeria. This our findings agrees with the findings of Obiekwe and Anyanwaokoro (2017) and did not negates the findings of Oyewole, Abba, El-maude, Gambo and Abam (2013) out rightly but that the positive performance is noticed after two years. Secondly, the regression results also show that POSV, WEBV, NIPV, and NEFV all were found to have a positive but insignificant effect on ROA of quoted banks in Nigeria. Theses finding do not support our prior expectation and also agrees with the findings of Abaenewe, Ogbulu, Onyemachi and Ndugbu (2013) and negates the findings of Alagh and Ene (2014). In other words, CBN cash less policy does not significantly affect return on assets (ROA) except ATMV, even though they all have positive effects on ROA of banks in Nigeria.

CONCLUSION AND RECOMMENDATION

This study investigated the effect of CBN cashless policy on return of assets (ROA) of deposit money banks in Nigeria. The study attempted to provide empirical evidence of the effects of the E-banking products (ATMV, POSV, WEBV, NIPV and NEFTV) on the financial performance of deposit money banks in Nigeria. Findings from the study revealed that that (ATMV) has a positive and significant effect on return on assets (ROA) of banks in Nigeria. On the other hand, POSV, WEBV, NIPV andNEFV all were found to have a positive but insignificant effect on ROA of quoted banks in Nigeria. On the basis of the findings and conclusions of the study the paper recommends among others that:

i. Management should pay more attention on the activities that will improve the ATM services of their banks if they wish to increase the ROA value of their banks as this will lead to high customer's satisfaction and patronage.
ii. When planning to improve their ROA value, Management should not just focus on POS transactions but on other activities that would enhance the ROA.
iii. Management while considering the enhancement of the ROA should not depend on WEBV though it is important for the general performance of the bank.
iv. Though the NIPV has insignificant positive effect on the ROA, the bank needs it to remain competitive
v. Management in attempting to improve the ROA should not base its decision on the NEFTV though it is still necessary for customers' convenience and satisfaction.

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Effect of Annual Audit Report on Financial Report Quality of Listed Consumer Goods Firms in Nigeria

MUSA, Umar Farouk

Department of Accounting
Bingham University
Karu, Nasarawa State
E – Mail: meetdagolden@gmail.com, Phone No: +234 8064226601

Abstract

The study examined audit report practice and financial reporting quality of consumer's goods firms listed in Nigeria. Data were sourced from the annual reports of selected firmsfor seven (7) years from 2012-2018. The study used multiple regression analysis to test the hypotheses. The study discovered that Audit report has positive insignificant impact on annual financial reporting quality of listed consumer's goods firms in Nigeria. Based on the findings, it was recommended that the supervisory authorities should reinforce their activity in relation to the aspects addressed herein as relevant to auditor change, as a means of being able to correctly monitor the manner in which audits are conducted and the manner in which the conclusions are supported by these situations, with the aim of guaranteeing that auditors′ independence cannot be influenced, and that the assumption of the importance of the audit report to stakeholders is not affected.

Keywords: Audit Quality, Financial Reporting, Audit Report, Financial Statement, Management

INTRODUCTION

In the wake of the financial crisis of 2007–2009 and the failure of a number of global corporate entities, investors, analysts and regulators continue to wonder exactly what happened, what could have prevented it, and what measures can be taken to ensure it doesn't happen again. With companies collapsing on the heels of annual financial reports that sounded no alarm bells for current or potential investors, it's understandable that the quality of financial reporting is coming under scrutiny. While there are numerous discussions and activities underway around auditing standards, judgments, estimates and other technical reporting components, audit committees may find it valuable to consider the connection between audit report and the quality of financial reporting. If sound and relevant financial reporting is one of the direct results of a quality audit report – and I believe that it is – then the immediate questions to ask may be: what does "audit report" mean? Will current audit reform proposals improve the quality of audit reports? And how can the audit committee help the process. Financial reports are of great concern to corporate stakeholders especially in investment decisions (Lin & Hwang, 2010). Several studies (Kibiya, Che-ahmad, &Amran, 2016) , have investigated the effects of various board attributes and audit quality variables on Financial Reporting Quality, empirical evidence of their effects is relatively fluctuating. Financial reporting is seen as communicating information on the activities of companies to the users of accounting information; and the quality of financial reporting is a function of the quality of accounting standards and the compatible regulatory enforcement of the standards (Kantudu & Samaila, 2015).
A reliable audit report is imperative in corporate organizations where the retention of public confidence remains of utmost importance. In this regard, the auditors are the essential fulcrum upon which the concepts of objectivity, fairness coupled with independence and integrity of financial reporting rest. This assertion, notwithstanding, it suffices to say that reports from statutory auditors are still challenged. Financial scandal is an undesirable occurrence that had threatened the going concern status of many corporate organizations in Nigeria. In spite of frequent development in technology such as computer assisted audit technique, internet, automated accounting system etc., financial scandals in both public and private organizations still top the headlines of Nigerian newspapers on daily basis. The auditor's report is a disclaimer thereof, issued by either an internal auditor or an independent external auditor as a result of an internal or external audit or public]], among others) as an assurance service in order for the user to make decisions based on the results of the audit. An auditor's report is considered an essential tool when reporting financial information to users, particularly in business. Since many third-party users prefer, or even require financial information to be certified by an independent external auditor, many shareholders

rely on auditor reports to certify their information in order to attract investors, obtain loans, and improve public appearance. Some have even stated that financial information without an auditor's report is "essentially worthless" for investing purposes.Stakeholders too often see the audit report as a relatively discrete document when, in fact, the processes and controls that ensure the broader integrity of the audit report comprise much more than the audit opinion itself. These processes and controls range from the company's collection and recording of financial information to the actual audit, through to the issuance of the annual financial report. The primary objective of this study is to examine effect of audit report on annual financial reporting quality of listed consumer's goods firms in Nigeria For the purpose of this study a null hypothesis was formulated and states thus:

Ho_1: Audit report has no significant impact on annual financial reporting quality of listed consumer's goods firms in Nigeria

LITERATURE REVIEW

Conceptual Framework

Concept of Audit Report

An annual financial report can never be completely free from bias, since economic phenomena presented in annual reports are frequently measured under conditions of uncertainty. Many estimates and assumptions are included in the annual report. Although complete lack of bias cannot be achieved, a certain level of accuracy is necessary for financial reporting information to be decision useful (IASB, 2008). Therefore, it is important to examine the argumentation provided for the different estimates and assumptions made in the annual report (Jonas & Blanchet, 2000). If valid arguments are provided for the assumptions and estimates made, they are likely to represent the economic phenomena without bias. In addition, valid and well-grounded arguments provided for the accounting principles used increase the likelihood that preparers fully understand the measurement method. This will reduce the possibility of unintentional material errors in their financial report (Jonas & Blanchet, 2000; Maines&Wahlen; 2006). Moreover, when the selected accounting principles are clearly described and well-founded, it increases the probability to reach consensus and to detect misstatements for the user of the financial report as well as for the auditor. Verifiability implies that different knowledgeable users of financial reporting information reach general consensus, although not necessarily complete agreement" (IASB, 2008).

The other sub notion of faithful representation is neutrality defined as the absence of bias intended to attain a predetermined result or to induce a particular behaviour. Neutral information does not colour the image, it communicates to influence behaviour in a particular direction (IASB, 2008: 37). Jonas and Blanchet (2000) stated that neutrality is about objectivity and balance. Neutrality refers to the intent of the preparer; the preparer should strive for an objective presentation of events rather than focusing solely on the positive events that occur without mentioning negative events the last construct to measure faithful representation refers to the unqualified auditor's report. Various researchers examined the impact of an audit and the auditors‟ report on the economic value of the firm (Gaeremynck&Willekens, 2003; Kim, Simunic, Stein and Yi, (2007); Willekens, 2008). These researchers concludedthat the auditor's report adds value to financial reporting information by providing reasonable assurance about the degree to which the annual report represents economic phenomena faithfully. Maines and Wahlen (2006) even argue that an unqualified audit report is a necessary condition to perceive the financial reporting information as reliable or faithfully represented.

Importance of the Audit Opinion

Johnson (2002) argue that financial audit reports are the main means of communication betweenstakeholders, and, as such, the auditor´s opinion is usually treated as a source for assessing whether or not theinformation provided is true and accurate in relation to all aspects which are materially relevant to the financialand economic situation and cash flows of the entity being audited. In this perspective, Becker et al. (1998) state that financial audits reduce the information asymmetries existing between managers and other stakeholders in the company, enabling the users of the financial data to believe that the financial statements are credible. Santos and Pereira (2004) endorse this theory to the extent that the audit report is the end product of the auditor´s work.It is by means of the same that the auditor communicates with the users of the financial information, highlightingaspects in relation to the work conducted and the conclusions with regard to the audited entity expressed in theform of an opinion. Thus, the audit report represents the formal means of communication existing between the auditor and the interested parties in relation to the conclusion on the financial audit carried out (Boynton, 2002). In other words, on conclusion of the audit work the auditor´s opinion is published in the financial auditreport, via which the conclusion of the work conducted is disclosed to the users and the informative content ofwhich is gauged in accordance with auditing standards (Almeida and Vasconcelos, 2007).

The opinion that the financial audit report is used by the users in the different decision-making processes is questioned by some authors. According to Hermosa (2002), the auditor´s opinion is of little use in decision-making, as this is a report based on historical values, and, as such, the information is not up to date. Users are increasingly demanding prospective information and are turning to other information systems to obtain it. Thisline of thought is also shared by Barbadillo (1998), who emphasizes the fact that although the financial auditreport has a nominative value which makes it a valuable instrument of information, it is little used. The results obtained by the different authors lead us to conclude that the audit report is regarded as useful by stakeholders, despite the fact they show a lack of satisfaction with the type and adequacy of the information included in thesereports. Stakeholders expect the auditor to provide an impartial and true service, a detailed and thorough analysis of the financial statements, and, where applicable, to report any faults, errors or omissions detected in the auditedfinancial statements. However, at times the company being audited expects exactly the opposite, or in otherwords, that the auditor ignores any issues or omissions detected (Koo and Sim, 1999).

Financial Reporting Quality

Financial reporting involves recording financial information according to relevant accounting standards. According to (Vargiya, 2015), Financial Reporting includes the exposure of related financial information to the different Stakeholders about an organisation over a predefined timeframe. These Stakeholders include – investors, lenders, suppliers, and government organisations. Financial Reporting is considered as the final result of Accounting. It comprises of various important statement which include - financial related explanations from Statement of financial position, Statement of comprehensive income, Statement of cash flow, Statement of changes in equity, notes to financial related explanations, Quarterly and Annual reports (if there should be an occurrence of quoted organizations),Prospectus (if there should be an occurrence of organizations going for Initial Public Offers) and Management Discussion and Analysis (if there should be an occurrence of open organizations).

Financial reporting is a process of reporting financial activities of business on a formal way. It has been considered as an essential resource for any market participant. It also reduces the mystery and the conflict in opinion between all interested users such as managers, investors, regulatory agencies, society and other stakeholders. Every one participates in this process, even each operation related to this process should be submitted carefully, especially the disclosure process, all transactions, the accounting policies and all judgments and opinions made by the staff involved in this process (Gaynor et al., 2016). Explaining variation in firm performance is the central focus of much of the strategy literature. A large part of literature and previous studies try to examine quality of financial reporting and its effects on the subsequent performance of a company. For example, Garcia-Lara et al. (2010), Ahmed and Duellmand (2011), find that there is a positive effect for the quality of financial reporting on the overall higher performance of the company.

Empirical Literature

Mohammad and Chaudhory (2019) explored the impact of audit characteristics on firm performance. In this study, external audit quality (BIG4), frequencies of audit committee meetings, and audit committee size are used as the proxies of audit characteristics and firm performance is measured through ROA, profit margin and EPS. A total of 50 firms are considered as sample size from the listed manufacturing firms of Dhaka Stock Exchange (DSE) during the period of 2013 to 2017 to find out the impact of audit characteristics on firm performance. In this study, multivariate regression analysis is conducted using the pooled OLS method. Moreover, time dummy and lag model of multivariate analysis are also analyzed as robust check. The multivariate regression results find that external audit quality (BIG4) and audit committee size are significantly positively associated with firm performance. This study also finds that there is a significant negative relationship between audit committee meeting and firm performance.
Ikpantan&Daferighe (2019), aimed at assessing the influence of audit quality on financial reports of Deposit Money Banks (DMBs) in Nigeria. The motivation was the corporate collapses and failures experienced in the banking sector amidst the clean audit reports. The methodology adopted was ex-post-facto. Using descriptive and inferential statistics, a sample of 10 deposit money banks was purposively selected for a period of 14 years, resulting in 140 data points. The data were obtained basically from content analysis of published annual reports and accounts, and notes to the financial statements. Using Pearson Product-Moment Correlation and Linear multiple regression; the study revealed that Audit fees and Auditor tenure exert insignificant influence (3.4%, 3.3%) and exhibited significant relationship with the amount of discretionary accruals of deposit money banks in Nigeria. There existed 85.8% positive joint relationship between audit quality and financial reports. However, auditor tenure has more influence on discretionary accruals than audit fees.

Ndubuisi and Ezechukwu (2017),ascertained the determinants of audit quality with a focus on selected Deposit Money Banks listed on the floor of Nigeria Stock Exchange from 2010-2015. This study made use of secondary data obtained frovm fact books, annual reports and account of selected banks under study. The relevant data were subjected to statistical analysis using Pearson coefficient of correlation, Ordinary Least Square (OLS) and Granger causality test with the aid of E-view 9.0. The result of this study revealed that there is a positive and statistically significant relationship between audit fees, audit tenure, audit firm size and audit quality. It was also empirically verified that audit fees, audit tenure, audit firm size have a statistically significant relationship with audit quality of banks listed on the floor of Nigerian Stock Exchange at 5% level of significance. Madakawi (2012) conducted a study on the audit committee characteristics andfinancial reporting quality in Nigerian listed companies. This study aimed toinvestigate the effect of audit committee characteristics on the quality of financialreporting of Nigerian listed firms. The study employed multivariate regressionanalysis with a sample size of 101 firms-year longitudinal panels of 505observations of non-financial listed companies on Nigerian Stock Exchange for the period 2010 to 2014. The results showed that control variables; company age andcompany size are statistically significant. Audit committee share ownership, andfinancial expertise are positive and statistically significant, indicating that auditcommittee monitoring mechanisms influence the financial reporting quality of listed nonfinancial firms in Nigeria.

Theoretical Framework

Agency Theory

The theory underpinning this study is Agency Theory. Agency theory has been widely used in literature to investigate the information asymmetry between principals (shareholders) and agent (management). Sarens and Abdolmohammadi (2007), states that according to the agency theory, a company consists of a set of linked contracts between the owners of economic resources (the principals) and managers (the agents) who are charged with using and controlling these resources. Jensen and Meckling (1976), states that in agency theory, agents have more information than principals and this information asymmetry adversely affects the principals' ability to monitor whether or not their interests are being properly served by the agents. Sarens et al (2007), opines that an assumption of agency theory is that principals and agents act rationally and use contracting to maximize their wealth.

METHODOLOGY

The study adopts Ex post facto design. Ex post facto design is a quasi-experimental study examining how an independent variable, present prior to the study, affects a dependent variable. The population of this study comprises all the twenty three (23) companies under consumables goods that are listed on the Nigeria Stock Exchange (NSE) bulletin and published in the Nigeria Stock Exchange website as at 30th November, 2019. In order to ensure accuracy and reliability of data, the approach adopted in this study for sample size determination is through judgmental or purposive sampling technique. The criteria for the sampled firms are: it must be quoted under NSE for more twenty years, recognized and have a large customer base. The sample firm Cadbury Nigeria Plc., Nestle Nigeria Plc., Nascon Nigeria Plc and Guinness Nigeria Plc.

Model Specification

The researcher adopts the model used by Ikpantan (2019). The model is as follows:

$FRQit= \beta 0+\beta 1ARit+ \mu it$

Where;

FRQ = Financial Reporting Quality
AR= Audit Report

Dependent Variable

FRQ = A dummy variable assigned the value 1 if the company has at least one qualified opinion on Assets, debt, liabilities and the value 0 if it doesn´t.

Independent Variable

AR = the audit report is *measured* by the outcome, that is the *audit opinion* issued. If it is unqualified report =1 and qualified report = 0

RESULTS AND DISCUSSION

In this study, the secondary sources of data collection were used. The secondary source of data for this study includes the annual report of the sampled firm for all the relevant years. The data covers the period from 2012-2018. The reason for using this source is because estimation models used in this study requires the use of time series data.

The data were gathered through the secondary sources to examine the impact of audit report and financial reporting quality sampled firm is processed using a multiple regression analysis to determine the relationship between dependent variable and independent variable The data are analysed for a period of seven years from 2012- 2018.

Table1: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.140[a]	.220	.018	.39354	1.108

a. Predictors: (Constant), AR
b. Dependent Variable: FRQ

From table, the result shows that the co-efficient of the regression which is R^2 is low at 22%. This means that only 22% of FRQ is explained by the explanatory variable while 88% is unexplained. The Durbin Watson (DW) statistics of 1.108 suggests the absence of serial correlation. This indicates that there is a no autocorrelation among the error term of each of the variables used in this study, however, the father this is to 2, the fairer the model which is well fitted.

Table 2: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.080	1	.080	.520	.477[b]
	Residual	4.027	26	.155		
	Total	4.107	27			

a. Dependent Variable: FRQ

b. Predictors: (Constant), AR

SPSS Output Version 25

From table above, the result shows the overall fitness of the model formulated. The F-statistics as presented in the table is 0.520 which is insignificant at 5%. This shows that the model is well fitted as seen from the ANOVA table. This shows that audit report has no impact financial reporting quality.

Table 3: Coefficients

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	T	Sig.
1	(Constant)	.333	.227		1.467	.154
	AR	.173	.240	.140	.721	.477

a. Dependent Variable: FRQ

Ho. Audit report has no significant impact on annual financial reporting quality of listed consumer's goods firms in Nigeria

The result from table 3 shows that AR is having a co-efficient of 0.173 and a p-value of 0.477. This indicates that the variable has a positive effect and it is statistically insignificant at 5% because the p-value is greater than 0.05. This therefore lead to the acceptance of the null hypotheses which states that Audit report has no significant impact on annual financial reporting quality of listed consumer's goods firms in Nigeriaand reject the alternate hypothesis.

Discussion of Findings

The study discovered that Audit report has positive insignificant impact on annual financial reporting quality of listed consumer's goods firms in Nigeria. According to Carmargo*et al.* (2011), the auditor conducts analytical work in order to issue a summarized report on the conclusions drawn from the audit performed. This report provides stakeholders with an opinion on theadequacy of the audited financial statements, and, in turn, the audited parties are those which may be affected bythe decisions made by these stakeholders. Hence, according to Ballesta and García-Meca (2005), the parties withan interest in the financial statements take into account the existence of changes to the financial audit report,which might imply (i) adverse reactions in the market, affecting the relationship between the auditor and the audited party and resulting in the management of the audited company exerting pressure on the auditors, therebyquestioning their independence, or (ii) the existence of legal proceedings filed against the auditors due to errors inthe execution and results of the audit.The financial auditor therefore serves as a mechanism for covering information risk. Or, in other words, that theinformation published guarantees the parameters of quality required to make economic decisions. As a result thefinancial audit report should convey the shortcomings detected in the financial information. Hence, the researcher conclude that auditors play a role of corporate governance in monitoring a company´s financial reporting process.

CONCLUSION AND RECOMMENDATION

The study concludes that Audit report has positive insignificant impact on annual financial reporting quality of listed consumer's goods firms in Nigeria. Thus, the supervisory authorities should reinforce their activity in relation to the aspects addressed herein asrelevant to auditor change, as a means of being able to correctly monitor the manner in which audits areconducted.With the aim ofguaranteeing that auditors´ independence cannot be influenced, and that the assumption of the importance ofthe audit report to stakeholders is not affected.

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Effect of Accounting Information System on Financial Performance of Firms in Nigeria

IDEDEKUMOH, Oyonvwenadjebre Daniel

Department of Accounting
Bingham University
Karu, Nasarawa State
E – Mail: oyonvwen@gmail.com, Phone No: +234 8063837102

Abstract

Financial performance principally reflects business sector outcomes and results that shows overall financial health of the sector over a specific period of time. It indicates how well an entity is utilizing its resources to maximize the shareholders wealth and profitability. Although a complete evaluation of a firm's financial performance takes into account many other different kind of measures but most common performance measurement used in the field of accounting and finance inference is financial ratios. This paper provides a comprehensive study of the financial performance literature with respect to firms in Nigeria. The literature cover studies from conceptual and theoretical foundations as well as empirical literature relating to accounting information system and financial performance of firms. Findings from the review reveals that past studies on effect of accounting information on financial performance limitedly aligned their works to the cost implication of accounting information system as it relates to financial performance of firms. This review also found that most of the studies relied on the use of survey research design to examine this relationship and majority of the studies were carried out in advanced economies where computerized accounting system techniques have been accepted to a large extent. This review therefore recommends further research into this area to fill the gap in literature.

Keywords: Information System, Accounting Information System, Financial Performance

INTRODUCTION

The business world is highly competitive more than ever before due to globalization, technological advancement and transportation improvement all put together has made the world a global village such that businesses can freely enter into new markets with little or no restriction. This means that consumers have a wide range of choice as varieties of goods from all part of the world are made available. The implication of this is that businesses must operate efficiently to be relevant in the market. Not only that competition is mounting up, the effect of technology has promoted an ever growing change in consumers' spending pattern. Businesses must therefore device a system that is proactive to these dynamics. Thus the ever growing need for business development, growth and expansion in today's contemporary business environment has necessitated managers to consider more advanced management strategies targeted at improving decision making in organizations. Most of these strategies are tailored towards sustaining businesses in the wake of rapid technological innovations, increased awareness and challenging demands from customers (Davoren, 2019). Accounting Information System greatly helps to provide internal and external reporting data, financial statements and trend analysis capabilities to affect an organizational performance (Samer, 2016). Thus, one can say that it is the automation of the accounting system to promote effectiveness and efficiency in gathering, processing, generating and distribution of accounting information to users on timely basis using analytical tools of ratio, trend evaluation and financial modeling to aid decision making.

It is expected that accounting information system (AIS) should be correlated with the financial state and outcomes of firms. Financial performance is a composite of an organization's financial health, its ability and willingness to meet its long term financial obligations and its commitments to provide services in the foreseeable future (Weber, 2008). In a broader sense, financial performance refers to the degree to which financial objectives are accomplished. Financial managers need financial and accounting data provided by Accounting Information System to evaluate the firm's past performance and to map out future plans. The outcomes of Accounting Information System which primarily includes financial reports are required at different levels of management and by other stakeholders. In fact, the outcomes of an Accounting

Information System feed into various decision streams at operational, tactical, and strategic levels of the organization (Dandago and Rufai 2014). Users require financial and related information with various degrees of details, accuracy, timeliness and completeness with various levels of relevant analysis to serve stakeholders' interest or needs. Consequently, accounting information system (AIS) as a computer- based application, accompanies itself with innovation and modern ways of accounting practices which most business owners especially in developing countries are not prepared for or find it very difficult to adopt. Yet, organizations are designing even more sophisticated accounting information systems to meet up with strategic goals and enhanced performance (Ebb, Pretorius and Zuva, 2013). Typical problems faced by smaller firms such as the small and medium scale enterprises (SMEs) particularly in developing countries in the adoption of computerized accounting system are lack of capital and technological obsolescence, limited financial resources, management information, limited scale of economies and management's IT-oriented behavior, and lack of funds to improve skills (Malaranggeng, 2009; Marriot and Marriot, 2000). This seminar paper seeks to provide a substantial review on the effect of accounting information system (AIS) on financial performance of firms. Specifically, it attempts to presents empirical researches on accounting information system and to identify research gap related to effect of accounting information system and financial performance of firms as a basis of an empirical future research.

LITERATURE REVIEW

Conceptual Framework

Concept of Accounting Information System

Accounting information system according to Manchilot (2019) is a computer-based electronic system used for collecting, storing, processing and communicating financial and accounting data through financial statements with the aim of supporting and guiding organizational decision making process. Computers are the nucleus of Accounting Information System as they provide a platform for the workability of all information systems. For an accounting information system to be operational, appropriate software application must be on the computer system intending to be used. Borhan and Bader (2018) defined accounting information system as a system which contains a group of harmonized business, components, and resources which processes, manage, and control the data for producing and carrying the relevant information for decision makers in the organization. Accounting information requires series of processes to carry out its function just like any other system. It is a network of a set of resources and different components (human, equipment, finance, etc) that interact simultaneously inside a specific framework to work towards the achievement of organizational goals (Rainer, 2007). According to Borhan and Nafees (2018) accounting information system is the process of collecting, analyzing and converting data into action. This definition justifies accounting information system as a computer based system that collects data, process and analyses data and produces results or output. Kashif (2018) states that accounting information system is a combination of people, equipment, policies, and procedures that work together to collect data and transform it into useful information. AIS is a system that provides people with either data or information relating to an organization's operation to support the activities of employees, owners, customers, and other stakeholders in the organization's environment by effectively supplying information to authorized people in a timely manner.

Concept of Information System

Information system is an integrated set of components for collecting, storing, and processing data and for providing information, knowledge, and digital products. Business firms and other organizations rely on information systems to carry out and manage their operations, interact with their customers and suppliers, and compete in the marketplace. Information systems are used to run inter-organizational supply chains and electronic markets. For instance, corporations use information systems to process financial accounts, to manage their human resources, and to reach their potential customers with online promotions. Many major companies are built entirely around information systems. These include eBay, a largely auction marketplace; Amazon, an expanding electronic mall and provider of cloud computing services; Alibaba, a business-to-business e-marketplace; and Google, a search engine company that derives most of its revenue from keyword advertising on Internet searches. Governments deploy information systems to provide services cost-effectively to citizens. Digital goods—such as electronic books, video products, and software—and online services, such as gaming and social networking, are delivered with information systems. Individuals rely on information systems, generally Internet-based, for conducting much of their personal lives: for socializing, study, shopping, banking, and entertainment Marriot and Marriot (2000).

Concept of Financial Performance

Performance is a word ehich originated from the old French word 'Parfournir'; whose meaning is to bring through, to carry out, to do or to bring forth. Performance is an act of performing, implementing, achieving, and fulfilling of the given tasks that needs to be measured against defined sets of precision, money, fullness and timing. In finance, it refers to the measurements of the company's policies, activities and operational results in financial terms. It is used to check a company's success, compliance and financial position. These results are reflected in the firm's return on investment, assets, equity, capital employed and profitability. Financial performance is an extent to which a company financial health over a period of time is measured. In other words, it is a financial action used in order to generate higher sales, profitability and worth of a business entity for its shareholders through managing its current and non-current assets, financing, equity, revenues and expenses. Its main purpose is to provide complete to the point information to shareholders and stakeholders to encourage them in making decisions. It can be used to evaluate similar companies from the same industry or to compare industries in aggregation. Managing risk and increasing profitability of a firm within the corporate governance compliance is an essence of making good decisions. In order to take timely decision, accurate information and proper analysis of the sector is necessary. The non financial business region is a vital part of a country's financial system. For that purpose, a stable and sound work base is necessary for country economy well being. One of the best ways of evaluating a sector financial performance is by the use of financial or ratio analysis. It shows the relation between one quantity or performance indicators over another, expressed mathematically and tries to summarize huge database for one eye view regarding the financial performance of a firm. According to Max Weber, the relationship between two or more things expressed mathematically is known as financial ratios.

Financial performance is a composite of an organization's financial health, its ability and willingness to meet its long-term financial obligations and its commitment to provide services in a foreseeable future (Weber, 2008). Financial performance refers to the act of performing financial activity. In broader sense, financial performance refers to the degree to which financial objectives being or has been accomplished. It is the process of measuring the results of a firm's policies and operations in monetary terms. Financial performance is broadly viewed as the ability of the firm to meet its financial objectives. Two prominent indicators of financial performance are investor's return and accounting returns. The investors return is measured from the perspective of the shareholders, whereas accounting return focus on how the firm's earning respond to different managerial policies (Ofoegbu, 2003). According to Farah, Farrukh, and Faizan (2016) financial performance is an extent to which a company financial health over a period of time is measured. In other words, it is a financial action used in order to generate higher sales, profitability and worth of a business entity for its shareholders through managing its current and non-current assets, financing, equity, revenues and expenses. Its main purpose is to provide financial information to shareholders and stakeholders so as to enable them make well informed investment decisions. It can be used to evaluate similar companies from the same industry or to compare industries in aggregation.

Concept of Measurement of Financial Performance

According to Lin and Liu (2005) financial ratios are usually one of the indicators used to evaluate a firm's performance. Generally, the financial information of a company's business operations will be reported in the yearly financial statements, and a financial ratio simply constitutes one item divided by another in the financial statement. Financial ratios can be viewed as a preliminary reference for the analysis of the business performance. Traditionally, the measurement of a firm's performance usually employs the financial ratio method, because it provides a simple description about the firm's financial performance in comparison with previous periods and helps to improve its performance of management.

However, Glautier and Underdoon (2009) maintained that there are two aspects of a company's financial performance of interest to investors. First, its financial performance may be assessed by reference to its ability to generate profit. This agrees with Pandey (2004) who asserts that it is assumed that profit maximization causes the efficient allocation of resources under the competitive market conditions, and profit is considered as the most appropriate measure of a firm's performance. Thus, ratios of financial efficiency in this respect focus on the relationship between profit and sales and profit and assets employed. Second, the company's financial performance may be assessed in terms of the value of its shares to investors. In this way, ratios of financial performance focus on earnings per share, dividend yield and price/ earnings ratios. The ratios used to measure the overall profit performance of a firm are termed financial ratios.

Relevance of Accounting Information System

The main function of AIS is to assign quantitative value of the past, present and future business events (Rehab, 2018). Accounting information, in the form of periodic reports or special analyses, is often a source of information for making decisions. These decisions may include pricing, production levels and product mix, outsourcing, inventory policy, customer servicing, labour negotiations, and capital investments (Horngren, Harrison, Bamber, Willis and Jones, 2005; Sprinkle, 2003). Accounting information systems play an important role in the implementation of the managerial functions of the organization such as planning and control (Samer, 2016). In the planning function, AIS provide data relating to study and analyze the goals set for the organization. It also provides information regarding the relationship between cost, volume and profit required to determine the amount of interdependence and interaction between them. AIS under the planning function also helps in preparing lists of future needs and financial flows and planning of budgets for the development of quantitative criteria and converting them into financial standards to reflect the different aspects an organization's activities and presentation of the detailed plans and policies of the work and coordination across different departments (Frezatti, Andson, Guerreiro and Gouvea (2011).

On the other hand, in the control function, it requires a clear and specific plan that shows the desired objectives and defines the foundations on which results are evaluated and analyzed in order to correct distractions. This function is regarded as a practical test of decision making and implementation, follow up the actual implementation in accordance with the plans, policies and standards established, the discovery of deviations and correct them, provide reasons to protect the property of the shareholders and the preservation of their interests, resource development and follow up the activity of the organization, and to achieve the desired goals, thus ensuring the effectiveness of the organization (Onaolapo and Odetayo, 2012). Computerized accounting tools as integral part of AIS are directly related to the economic and financial results of firms (Urquía, Pérez, and Muñoz, 2011). Advantages of an optimal use of AIS in an organization might include: Better adaptation to a changing environment, better management of internal business transactions and a high degree of competitiveness. There is also a boost to the dynamic nature of firms with a greater flow of information between different staff levels and the possibility of new business on the network and improved external relationships for the organization, mainly with foreign customers accessed through the firm's web (Pérez, Urquía and Muñoz, 2010).

Subsystems of Accounting Information System

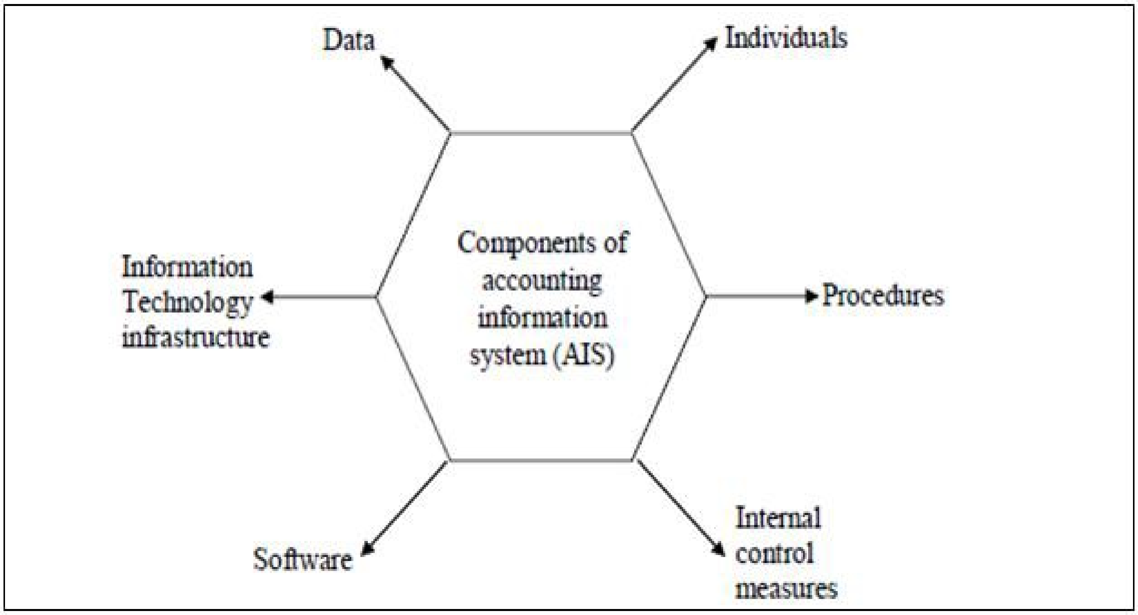
According to Hall (2008) an accounting information system may be divided into four major sub-systems including the transaction processing system, general ledger/financial reporting system, fixed asset system and management reporting system. The transaction processing system supports daily business operations with numerous documents and messages for users throughout the organization. Transaction processing systems (TPS) are the basic business systems that serve the operational level of the organization. A transaction processing system is a computerized system that performs and records the daily routine transactions necessary to the conduct of the business (Laudon and Laudon, 2006). The general ledger/financial reporting system produces the traditional financial statements, such as income statements, balance sheets, statements of cash flows, tax returns, and other reports required by law. This system is designed to collect data and information on AIS, customers, suppliers and wages, closure of accounting books, preparation of trial balance and a list of results and the budget of the organization and the reports of income and expenses and submit these statements to the owners and investors (Samer, 2016). The reliance of this system on the computer help the organization in cutting costs and using the fewest number of workers as well as in the completion of the accounting task in an accurate and orderly manner, and conducting financial control process. Fixed asset system processes transactions pertaining to the acquisition, maintenance, and disposal of fixed assets, while the management reporting system, which provides internal management with special purpose financial reports and information needed for decision making, such as budgets, variance reports, and responsibility reports. Samer (2016) also identified some subsystems of accounting information system to include inventory control system, customer accounts system, suppliers account system and payroll system. The inventory control system is designed to process the bills of stored materials, identify materials that need to be supplied, and generate reports showing the inventory situation. The reliance of this system on the computer helps the organization in customer service, recording changes in the level of inventory, reducing costs, and preparing documents. Customers' accounts system is designed to determine amounts owed by customers in accordance with the information of payment and purchase processes. Additionally, the system is intended to produce a monthly customer accounts and credit reports.

A computer-based customer accounts system provide the organization with accurate bills and monthly reports on credit provided to customers, which in turn enhances the processes of payment, collection and provision of liquidity. Suppliers accounting system provides daily information on procurement and payment to suppliers, preparing checks, pay bills and treasury reports. The reliance of this system on the computer, results in establishing good working relationships and achieving a good credit policy and taking advantage of discounts through the payment to suppliers timely and accurately, and financial control on the amounts paid by the organization. Payroll system is designed to display daily data on workers and attendance cards, generate payment checks and workers' payrolls, and prepare special reports on work analysis. The automation of the system on the computer helps the organization in the timely preparation and submission of special reports related to tax, returns, deductions and analysis of labour productivity and labour costs. The lists of subsystems of accounting information systems are not limited as these systems are designed for management of firms to meet their day to day accounting need.

Components of Accounting Information System

In a typical organization setting, accounting information system (AIS) is made up of several components. According to Rommeny and Stenbart (2006) accounting information system is made up of six components as presented in Figure 1.

Figure 1: Components of accounting information system



Source: Rommeny and Stenbart, (2006)

Individuals play a vital role in ensuring that accounting information system achieves its purpose. They include people who control the functions of the system and undertake diverse functions. AIS just like any other information system require raw data for processing. Data in this regard, refers to all raw facts and figures related to the operations of an organization. Preference is also laid on all methods that collect, operate, store data related to operations carried out by the organization whether manual or automated. Software in this context refers to all applications used to run organizations' operations. Personalization of accounting information systems by organizations is evident in AIS software development and acquisition. They play a vital role in AIS quality. Information technology infrastructure includes all means and devices that serve the AIS while internal control and the requirements of information security both ensures qualitative output from the day to day usage of accounting information systems (Rommeny and Stenbart, 2006).

Empirical Literature

Accounting information System plays an integral role in the financial performance of any organization. Available literature about accounting information and how it affects decision- making, financial performance, profitability, organizational effectiveness, strategy management, foreign ownership and timeliness of financial report has been studied by several researchers using different analytical methods. Khalid and Abdulqawi (2015), analyzed the role of accounting information systems and the effect of their use in improving the value chain of the business organizations using a study tool (questionnaire) based on the theoretical framework and previous studies. Using the appropriate statistical analysis tools for the study data (arithmetic mean, standard deviation, and testing of T-test One Sample) the research found a deficiency in the level of the availability of the basic components of accounting systems and the level of the quality of accounting information required to improve the value chain of business organizations in public shareholding industrial companies in the Kingdom of Bahrain in general, and recommended the need to work on improving the level of the basic components of accounting systems to improve the quality of accounting information, in order to improve the value chain of public shareholding industrial companies in the Kingdom of Bahrain; specifically in regards to the existence of clear and specific work procedures in the accounting system, the level of the ffectiveness of internal control measures, clear definition of responsibilities and authority, andmanagement's attention in training and continuing education programs for employees.

Al-Dalaien and Khan (2018) investigates the impact of AIS on the financial performance of selected real estate companies in Jordan. A well designed questionnaire was used for collecting data from employees working in the companies namely Noor Capital, Jordan International Investment Company (JIIC), Ihdathiat Coordinates, Real Estate Development (RED), and Afaq Holding were the selected real estate companies. The researchers distributed 250 questionnaires wherein 75 questionnaires were rejected and 175 were accepted for analysis. The study employed the linear regression statistics to analyse the collected data. Findings reveal that Jordan International Investment Company has benefitted the most with Accounting Information System but no impact of Accounting Information System was revealed in Ihdathiat Coordinates. Ironkwe and Nwaiwu (2018) examine the effect of accounting information system on financial and non-financial measures of companies in Nigeria. Qualitative and quantitative data of 16 companies were obtained from researchers. Data were obtained from questionnaires and the Nigerian stock exchange (NSE) from 2011 to 2014. Data collected were analyzed using multiple linear regression techniques with the aid of statistical package for social science (SPSS). The empirical investigation found that accounting information system exerts significant positive effect on financial and non-financial measures indicators of companies in Nigeria. Borhan and Nafees (2018) examine the impact of accounting information system on the financial performance of selected real estate companies in Jordan. The study employed a survey research design and collects its data through questionnaires from 175 employees pooled from 5 companies in Jordan. The study employs the linear regression statistics to analyze the collected data. The findings revealed that there is a significant impact of accounting information system on the financial performance of the companies under study. Kashif (2018) evaluates the impact of accounting information system on the financial performance of selected FMCG companies in India. The study adopted a survey research design with a sample size of 400 participants and data were obtained from 177 returned and valid questionnaires. The study analyzed the collected data using the simple linear regression analysis and hypotheses were tested at confidence level of 95%. Findings from the study revealed that that there is a significant impact of accounting information system on the financial performance of selected FMCG companies in India.

Rehab (2018) investigates the impact of accounting information systems on organizational performance. The study collected data through 137 questionnaires from small and medium enterprises (SMEs) in Saudi Arabia and employed smart partial least squares to analyze the data and to test the study hypotheses. Findings revealed that using Accounting Information System has a significant impact on organizational performance generally and on all its dimensions including cost reduction, improving quality and effective decision making. Borhan and Bader (2018) examine the impact of accounting information system on the profitability of selected commercial banks in Jordan. The study adopted a survey design and data were collected through self-administered questionnaires from 206 employees in Jordanian banks. The study analyzed the obtained data using the linear regression analysis. Findings highlights that there is a significant impact of accounting information system on the profitability of banks under study. Akanbi and Adewoye (2018) examine the effects of accounting information system adoption on the financial performance of commercial bank in Nigeria. The study employed a descriptive survey research design where data were obtained from questionnaires administered to 80 respondents randomly of 16 commercial banks. The study also employed secondary data from the financial statements of the sampled banks. Data were collected on return on capital equity (ROCE), return on total asset (ROTA), net operating profit (NOP) and gross profit margin (GPM) within the recent 10 years post AIS adoption years (2007-2017). Linear Regression was employed to test the significant effect of AIS adoption on bank performance. Findings revealed that commercial banks in Nigeria adopted and use AIS in providing their services to their customers and the level of usage is relatively high. The study concluded that AIS adoption has a positive significant with all the performance indicators (ROCE, ROTA, GPM and NOP).

Raed (2017) investigates the impact of accounting information systems (AIS) on banks success in Jordan. The study employs a survey research design. The study obtained data from 112 questionnaires administered to employees of Jordanian banks. Correlations and multiple regressions were applied to answer for the study hypotheses. Findings revealed that accounting information systems, has a significantly effect on banks success. Abdullah (2017) examines the extent to which electronic accounting information systems in the public and private universities in Jordan can provide quantitative indicators of financial performance. The study employed a survey research design and obtains its data from questionnaire administration and personal interview of 20 chief finance officers (CFOs) of public and private universities accredited to the Ministry of Higher Education and Scientific Research of Jordan. Data were analyzed using mean and standard deviation statistics while the hypotheses are tested using the t-test statistics. Findings from the study revealed that accounting information systems in electronic public and private universities in Jordan provide quantitative indicators of financial performance. Teru, Idoku and Ndeyati (2017) review the impact of accounting information system for effective internal control on firm performance. The study employed a qualitative method of data collection with various related previous literature being reviewed. The study also used secondary data to be able to come up with trustworthy conclusions which are based on the empirical data. Findings from the study revealed that when controls are operated efficiently and effectively, there will be improved performance, better accounting information reliability for better decision making for both the internal and external users. Alnajjar (2017) investigates the impact of accounting information systems on performance management and organizational performance. The study employed a survey research design and analyses the data collected from 74 SMEs. Data obtained for the study were analyzed using regression analysis. Findings from the study revealed that accounting managers' knowledge and top management support significantly impact on the accounting information systems in an organization and, accounting information systems also significantly impact the performance management and organizational performance of that organization.

Isa (2017) examines the impact of computerized accounting information system on management performance in public sector in Nigeria. The study adopted an exploratory research method. Data were obtained from secondary sources. The impacts of computerized accounting information system (CAIS) on the executives' officers of government's ministries, departments or agencies were considered in terms of accounting framework and operating procedure in the public sectors in Nigeria. The study pinpoints some of the problems associated with the implementation of CAIS such as high costs of implementations of hardware and software, costs of maintaining the system and it require special skills. Others are reduction of employee, inadequate security and having quality of backup and print accessories. The study further revealed the prospects of implementing CAIS such as to lower operating costs, improve efficiency, increased functionality, better external reporting, improved accuracy and faster processing of data in the system. The study concluded that the impacts of computerized accounting information system on the executives' officers of government's ministries, departments or agencies considered only accounting framework and operating procedure in the public sectors in Nigeria. Khan (2017) examines the impact of accounting information system on the organizational performance in Procter and Gamble. The study employed a descriptive survey design.Data were obtained through questionnaires designed on five point Likert scale. A sample of 174 employees working in P&G Limited is considered for the study. Simple linear regression was used as the statistical tool for analysis. The maximum impact of AIS was revealed on marketing performance, followed by job performance. However, the least impact was found in financial performance. The study concluded that that there is a significant impact of accounting information system on the organizational performance in P&G Limited. Nizar, Ahmad and Mohamad (2016) evaluate accounting information systems (AIS) in meeting the requirements of financial and managerial Performance. The study employed a survey research design and obtains its data from questionnaire administered to 38 sampled employees in various private hospitals in United Arab Emirates. The study analyses data collected using mean and standard deviation statistics. The study's hypotheses were tested using the one samples t-test statistics. Findings from the study revealed that accounting information systems in the United Arab Emirates private hospitals provide information to meet the requirements of the financial performance function.

Akesinro and Adetoso (2016) examine the effects of computerized accounting systems on bank performance in Nigerian banking sector. The study adopts a survey design and adopts a convenience sampling method to arrive at a sample size of 50 from 3 deposit money banks (DMBs) in Nigeria. Correlation analysis was used to analyze data generated for the study. Results show that computerized accounting system has a positive effect on bank's profitability and as well customer patronage. Taiwo (2016) investigates empirically the impact of information technology on accounting systems and organizational performance. This study utilized both primary and secondary data. The study sources its primary data from questionnaires administered to 20 staff in financial services and other related accounting departments in Covenant University Nigeria. Pearson's correlation was used for analyzing the data. Findings showed that there is a significant positive relationship between ICT system and accounting system and a significant positive relationship between ICT and organizational performance. Esmeray (2016) examines the impact of accounting information systems on firm performance. The study adopted a descriptive survey research design. Data relating to the study were obtained from interviews with 60 firms. Data were analyzed using generalized least squares. Findings suggest that there is a positive and statistically significant relation between the use of AIS and educational status of managers. Samer (2016) examines the effectiveness of Accounting Information Systems (AIS) and its impact on the operational performance of the industrial public-listed companies in Jordan. The sample of the study consisted of 42 Jordanian companies from different sectors listed in Amman Stock Exchange (ASE) at the end of 2012. The findings indicated that AISs employed in industrial companies were effective, particularly, in meeting planning requirements. The results also revealed that most of companies' decisions were taken based on executives' personal opinions supported by the board of directors who affected by those opinions.

Ali, Bakar and Omar (2016) investigate the effect of accounting information system (AIS) success factors on organizational performance. Four types of AIS success factors namely service quality; information quality, data quality and system quality have been used in this study as the determinants performance. Data were collected with a structured questionnaire survey from 273 respondents in Jordanian banking sector. The collected data were analyzed with PLSSEM technique. The findings revealed that service quality, information quality and system quality are the significant AIS success factors for increasing organizational performance. The study concluded that organizations involved in banking sectors can increase their performance by adopting and implementing AIS success factors. Mehdi, Mahmoud, Mostafa and Ebadollah (2015) examine the effect of implementation of accounting information system on efficiency, profitability and productivity of SMEs in Iran. The study employed a descriptive-survey research design. Data were obtained from 118 small and medium scale enterprises (SMEs) listed on Tehran Stock Exchange from 2007-2013. Data were obtained via questionnaires. The study analysed the collected data using descriptive statistics, Pearson correlation coefficient, and ordinary least squares (OLS) regression. Findings from the study revealed that effective implementation of AIS in SMEs listed on the Tehran Stock Exchange is positively associated with performance, productivity, and profitability (measured by P/E ratio and Tobin's Q). Dekeng and Prabowo (2015) explore the empirical research investigating the relationship between accounting information systems (AIS) alignment and small and medium enterprises (SMEs) performance. The study employs secondary data obtained from journals and publications. Results from the review revealed that AIS alignment is influenced by organizational characteristics, individual characteristics and situational factors which affect SMEs performance.

Hla and Teru (2015) examine the efficiency of accounting information system on performance measures. The study employed an exploratory approach solely relying on secondary data. Findings revealed that the biggest impact Information technology has made on accounting is the ability of companies to develop and use computerized systems to track and record financial transactions in facilitating management decision making, internal controls, and quality of the financial report. Patel (2015) investigates the impact of AIS on the profitability of an organization. The study employed an exploratory research method making use of solely secondary data. Findings from the review of literature revealed that there is a positive significant relationship between the accounting information systems used by the enterprises and its profitability. The study concluded that the effectiveness of accounting information systems helps in better decision making by managers, more effective internal control systems, improvement of the quality of financial reports, enhancement of performance measures, facilitating financial transaction processes and helps in expansion of profitability of the organization. Saeidi (2014) examines the impact of accounting information systems on financial performance. The study employed a survey research design and obtains data from 40 top managers in Tata consultancy services (TCS) companies in India through questionnaire. The study analysed the collected data using the statistical package for social sciences (SPSS) and uses the one samples t-test statistics to test the hypotheses. Findings revealed that accounting information system has a significant relationship with knowledge and understanding of managers and accountants, decision making, financial performance and organizational resources. The study concluded that there is a positive relationship in Knowledge and understanding of managers and accountants, decision making, financial performance and organizational resources.

Theoretical Discussion

Contingency Theory

The contingency theory was first proposed by Fiedler in 1964 as managerial leadership theory. According to Fiedler (1964) the contingency theory suggests that there is no one best way of leading and that a leadership style that is effective in one situation may not be successful in others. Gordon and Miller (1976) however laid out the basic framework for considering accounting information systems from a contingency perspective where the accounting information systems also need to be adaptive to the specific decisions being considered within a framework. Contingency theory suggests that an accounting information system need to be adapting to desired specific decisions while considering the environment and organizational structure confronting an organization (Dandago and Rufai, 2014). Applying this to the subject, contingency theory suggests that in order to improve performance, managers of firms must devote particular attention to their use of accounting information system, taking care to adopt the systems best tailored to their special circumstances. There are some criticisms of the Fiedler's contingency theory. However, one of the biggest criticisms of the contingency theory that best relates to the study under review is lack of flexibility (Mitchell, Biglan, Oncken, and Fiedler, 2017). Fiedler (1964) believed that because natural leadership style is fixed, the most effective way to handle situations is to change the leader. The theory does not allow for flexibility in leaders (Mind Tools, 2018). Relating this to the study indicates that managers will incur more cost to change accounting information system that does not tender to their required decision needs rather than carryout modifications.

Resource-based view Theory

The resource-based view theory was propounded by Barney in 1991. According to Barney (1991) the resource-based view avers that the source of sustainable advantage derives from doing things in a superior manner; by developing superior capabilities and resources. The resource-based view proffers a means of evaluating potential factors that can be deployed to confer a competitive edge for business organizations. A key insight arising from the resource-based view is that not all resources are of equal importance, nor do they possess the potential to become a source of sustainable competitive advantage. The resource-based theory is divided into three levels; capability, competence and skills, (Cragg, Caldeira and Ward, 2011). Capability refers to how firms manage their resources; competence, refers to how well those resources are managed, and skills are associated with ranges of skills such as technical, managerial and general management skills. Accounting information systems also form part of resources available to firms. Inclining the resource-based view theory with accounting information systems and performance will imply that firms properly and adequately manage accounting information systems to utilize its capability competence and skill sets for improved organizational performance.

The resource based view theory has faced several criticisms. One of such criticism is that the theory lacks substantial managerial implications or operational validity (Priem & Butler, 2001). It seems to tell managers to develop and obtain valuable, rare, inimitable, and non-substitutable resources and develop an appropriate organization, but it is silent on how this should be done (Connor, 2002; Miller, 2003). Lado, Boyd, Wright and Kroll, (2006) also argues the resource-based view theory suffers a tension between descriptive and prescriptive theorizing. However, Barney and Clark (2007) posits that the resource-based view theory is a theory aspiring to explain the sustained competitive advantage of some firms over others and, as such, was never intended to provide managerial prescriptions. In concurrence with this assertion, any explanations the resource-based view theory might provide may not be indicative, yet still of value to managers, so there may be no reason to oblige the resource-based view theory to generate theoretically compelling prescriptions.

Agency Theory

The agency theory was championed by Jensen and Meckling in 1976. The agency theory describes the owners' (principals') delegated authority to manager (the agent) to run the firm on his or her behalf with the owners' welfare depending on the manager accordingly (Jensen and Meckling, 1976). The agency theory seeks to address the potential conflict of interests between owners and managers, because the interests of managers may opportunistically utilize firm resources to satisfy their personal interests (Brammer and Millington, 2008). Basically, firms aim to maximize the wealth of shareholders, and it might be different with personal interest of managers. The agent (managers) might have more relevant information compared with shareholders, the information asymmetry occurs, and this would raise the possibilities that agent can behave in ways to pursue their own interests. This review examines the effect of accounting information system on financial performance of firms. The primary purpose of a firm is to maximize the wealth of shareholders (principals). This solely rests on the shoulders of managers (agents). Therefore, the adoption of accounting information system by managers for enhance performance is fulfilling the agency obligation, managers owe to their respective owners or principals.

Activity Theory

Activity theory is an approach to understanding human work and technology which emphasizes the long-term well-being of workers or users. Eschewing "one best way" task design for user-determined task procedures, action theorists seek to design work practices that are enriching and that lead to development of skills and knowledge. Activity theorists argue that acceptance of technology is contingent on the extent to which it meets these goals in the context of the user's own work. Activity theory largely aligns itself with the broad humanistic aims and the methods of the socio-technical approach. It is at least partially distinguishable by its emphasis on the product of the organizational process which characterizes socio-technical systems thinking (Martin and Leben, 1989). This research work is based on the activity theory.

METHODOLOGY

This is research is an exploratory research. It focus is to examine the theoretical and empirical literature review. The effect of AIS implementation on financial reporting quality has been studied by several researchers using different analytical methods. This paper is an empirical study on the effect of accounting information system on financial reporting quality. It employs the tool of literature review as its source of information by making use of available relevant literature on accounting information systems with respect to enhancing financial reporting quality.

RESULT AND DISCUSSION

As an exploratory research this paper seeks to provide a substantial review on the effect of accounting information system (AIS) on financial performance of firms. Specifically, it attempts to document empirical researches on accounting information system and to identify research gap related to effect of accounting information system and financial performance of firms as a basis of an empirical future research. The intention is to infer from available literatures the relationship between the Accounting Information System and Financial Performance of firms.The finding from the empirical literature review shows that an effective Accounting Information System has significant positive impact on the Financial Performance of every corporate and non-corporate organization alike in the following ways:

Support Policy Decision

Policy decisions are strategic to the success of any organization. They are decisions that determine how people act in alignment with set objectives and goals of organizations. Hence, when policies are made they should be based on factual evidences that are accurate, timely, reliable and verifiable so that the organization can be better positioned to enjoy competitive advantage.

Preparation and Excusion of Budgets

An ideal Accounting Information System supports preparation of budget. This is so because the Accounting Information System generates the data for the preparation of the budgets. Beyond this, it provides the basis for tracking and monitoring the execution of the budget to enable management knows the extent to which budget is executed within the set target or below it.

Financial Reports

An effective Accounting Information System has it as its prime focus to keep track of all financial transactions within the organization for prompt preparation of the organization's financial statements in order to report on the organization's performance to both internal and external stakeholders. The information used in preparation of financial statements is generated from the Accounting Information System. Thus it is the financial information bank of the organization.

Information for Budgeting, Analysis and Reporting

A major need for Accounting Information System is the information for budgeting, analysis and reporting. This is so because the Accounting Information System is the financial information bank of the organization. As a result it is needed to provide information for budgeting, analyses and reporting. These three key high level functions of any organization cannot be discharged without an effective and efficient financial information management system to provide accurate and verifiable information on a timely basis.

Audit Trail

A fundamental need for setting up an Accounting Information System is to keep an accurate, timely and verifiable track of all financial transactions within the organization in a consistent manner so that transactions can be traced. This in turn enhances the audit process as internal control is automated through the Accounting Information System which guarantees smooth audit process. Thus by keeping an accurate track of every single transaction within the business, the financial information management system helps in carrying out an audit of the organization effectively.

Collection of Information

Every Accounting Information System is designed to help an organization to serve its obligation. This presupposes that Accounting Information System must gather information that is accurate, timely, complete, reliable and consistent so that the information can be trusted for decision making. Therefore, at the heart of any organization is the need to have an effective and efficient Accounting Information System for the accurate and timely gathering of all financial transactions of the organization consistently.

Reports

An Accounting Information System is designed to gather, analyze and prepare reports based on findings using some predetermined margin of safety modeling such as ration analysis and trend evaluation to guide management on the alternative cause of action for the organization to stay afloat. For instance the Accounting Information System will produce reports on operations and capital budgets, accounting, working capital, forecast of cash flow using various tools such as ratio analyses, trend evaluation etc to report on various scenarios to guide management in decision making.

It Makes the Decision-Making Process Faster

The decision making process of any organization with an effective and efficient Accounting Information System is faster. This is owing to the fact it integrates the organization as the financial information bank of the organization. With the timely generation of supportive evidence upon which decisions are based, management is able to response promptly as information is supplied timely.

It Helps in Planning

As pointed out above, a need for setting up an effective and efficient Accounting Information System is to generate, analyze and reports on financial data using the tools of ratios, trend evaluation and financial modeling to provide management with predetermined alternative cause of actions to aid effective planning. Thus, Accounting Information System aimed at promoting organizational planning by providing accurate information which management can rely on to plan operations.

It Makes the Business More Efficient

One of the needs for setting up Accounting Information System is to provide a platform for the organization to manage its financial obligations. Therefore, an effective and efficient Accounting Information System seeks to manage a firm's financial obligations as they fall due. The Accounting Information System seeks so to do while using the least possible financial resources within the limit of some predetermine margin of safety that are cost effective and that places the organization in a position that is free of any financial risk.

It Makes the Business More Efficient

A business with Accounting Information System is obviously likely to be more efficient than a business which does not have. The Accounting Information System as the information bank of the business gathers information from every aspect of the organization and quantifies them in monetary form to analyze them in order to measure their impact on the financial performance of the organization. In this way prompt response is made by way of management decision to address any shortcoming that impairs performance below budgeted result or outcome. Beyond this is the fact that and effective and efficient Accounting Information System helps to eliminate redundant activities thereby reducing waste which promotes efficiency of the organization.

It Allows for Integration

A major benefit of Accounting Information System is the fact that it provides the basis for integrating the operations of the organization making it much easier for generating financial information within the organization. This is why it makes organization more efficient and promotes management planning. The integration of the processes within the organization helps for timely generation of financial transactions and onward transmission for timely reporting to meet organizations' need. Shared responsibilities are then centralized and redundant operations eliminated. This leads to lower cost of operations and business becomes more robust proactive in responding to customers' needs through quality service thereby promoting customers' loyalty hence efficiency. This of course is the inspiration behind Accounting Information System.

CONCLUSION AND RECOMMENDATION

Accounting information system had been widely used by many organizations to automate and integrate their business operations, efficiency and competitive advantages. This review focuses on the effect of accounting information system (AIS) on financial performance of firms. It is envisaged that the information technology (IT) component of accounting information system is one of the biggest impact of AIS to firms as it enables firms to track, record and produce financial and accounting reports with much ease. Paper ledgers, manual spreadsheets and hand-written financial statements have all been translated into computer systems that can quickly present individual transactions into financial reports. From the empirical works reviewed, it is evident that majority of the studies employed a survey research design to examine the relationship between accounting information system and firm performance. In addition to using survey research design, most of the studies made use of a relatively small sample size for this investigation. Most of the reviewed works were in Europe and Asia which have attained meaningful economic developed as compared to parts in Africa. Also, majority of the researchers measured accounting information system with indicators developed by themselves and previous authors. Finally, a good number of studies examine the impact of accounting information system on the general performance of firms and not the financial performance. To this end, more research can be carried out on this subject to address these issues. The vast directions of accounting information system on financial reporting quality presents the most important relations between the challenges and technological responses in pointing out the way for future research in order to improve the alignment between adopted technology and organization performance. The study therefore recommends further investigations into the relationship between accounting information system and financial reporting quality especially in technological adapting economies such as Nigeria.

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Information and Communication Technology (ICT) and the Development of Accounting Profession in Nigeria

KWABE, Mode Vandihe

Department of Accounting
Bingham University
Karu, Nasarawa State
E-Mail:kwabemode2019@gmail.com, Phone No: +234 8055735689

Abstract

The study seeks to know how the rapid development of Information and Communication Technologies (ICTs) has effectively facilitated the accounting profession in a way of improving the provision of its products and services in Nigeria. The study focused on the role of ICT in the development of accounting profession in Nigeria. In employing the survey research design, the opinions of 60 Accountants was sampled and drawn from practicing Accountants, those working in National agency for food and drug administration and control (NAFDAC) and those working in some reputable organisations around Abuja using an instrument labelled role of ICT in Accounting Questionnaire (RIAQ). In analysing the data collected, the chi-square statistic was used to test the extent to which ICT has benefited the accounting profession, while the regression analysis was used to test the relationship between ICT and job proficiency in the accounting profession. In summary, the study discovered that there is a significant relationship between the use of ICT and accounting proficiency. The research revealed that ICT is of great importance towards the development and attainment of accounting in Nigeria. It has been recommended thatthere should be a continuous training of accounting professionals towards the acceptance and integration of ICT in accounting practice in Nigeria.

Keywords: Information Communication Technology, Development, Accounting Profession

INTRODUCTION

The rapid development of information and communication technologies (ICTs) has effectively facilitated the reorganising firm's business process and streamlining the provision of its products and services in today's dynamic business environment (Lientz and Laissen, 2008). Such adoption helps modern organisation develop and maintain their competitive advantage for ensuring their profitability and survival in the business (Ruddock, 2006). The technological innovations are changing the professional's environment in which todays accountants work is simplified. The role of an accountant is moving from a normal financial accountant to a financial analyst and management accountant, requiring a broader set of knowledge, professional aptitude, critical thinking skills, and decision-making capabilities than prior generations. Accounting plays a critical role in the success or failure of contemporary business institutions. Accounting system are responsible for recording, analysing, monitoring and evaluating the financial condition of companies, preparation of document, necessary for tax purposes, providing information support to many other organisational functions and so on. Prior to the advent of personal computer, businesses were limited to keep track of financial data. According to Tavakolian (1995), the manual accounting systems consisted of paper ledgers, typewriters, and calculators. Typewriters were used to type invoices and cheques, and all calculations were performed using calculators.However, with this system it was possible or errors to be introduced into the data since they could go undetected for quite some time. Like many other industries, the accounting industry change with the arrival of personal computers. On this note, the study will examine the role of ICTs in developing accounting profession.

According to Chaffield (2007), the history of accounting in Nigeria can be traced prior to the establishment of professional accounting bodies in the country. The first indigenous professional accounting body in Nigeria is the Institute of Chartered Accountants of Nigeria (ICAN), which was established in 1965 by an act of parliament. ICAN was and is still responsible for the training and certification of professional accountants in Nigeria. The institute is also saddled with the responsibility of issuing out guidelines on the practice of accounting in Nigeria. In 1993, however, another professional accounting body was formed via a decree. The body is called Association of National Accountants of

Nigeria (ANAN). The association is also responsible for ensuring the best practices in the profession and also participates in the general regulation of accounting practice in Nigeria. The two recognized accounting bodies in Nigeria, ICAN and ANAN, in most cases do not work together. They spend much time arguing on unnecessary issues relating to superiority and who is legally responsible for what and who is not (Uche 2002). The level of cohesion between the two bodies is weak though it is improving over the recent years. This cannot be said about other professional accounting bodies in the United Kingdom, United States, and other western countries.

ICT affects all processes associated with modern day banking. From the daily routines of preparing payroll and order entry, to strategic activities such as the acquisition of a company, ICT surfaces as a key element. Despite the significance of information and communication technologies (ICT) in accounting practice, and its widespread use, there has been relatively little research in the area. Stefanou (2006) noted that a number of authors in various countries share similar views on the lack of research in the area. Stefanou (2006) noted that a number of authors in various countries share similar views on the lack of research in the area of AIS. It is against this backdrop therefore, that the present study is focused on the role of ICT in the development and improvement of accounting profession in Nigeria.

LITERATURE REVIEW

Conceptual Clarifications

Concept of ICT

Information and Communication Technology (ICT) is a wide range of activities and equipment including all the tools, application and information, which are available and accessible through computers. It encompasses various forms of information delivery system such as televisions, radios, newspapers, computers, the internet (Unchidiuno, Information and communication tools that are necessary and useful in the development process.

Accounting as a Professional Field of Research

As a professional field, accounting encompasses a wide range of activities, practices and concepts with accounting professionals acting in various capacities such as auditors, financial controllers and financial executives just to mention but a few. Hence, in their efforts to impact of these decisions, accounting researchers or accountants in the academics rely on a broad set of theoretical and methodological tools that are drawn from various disciplines (Chaffield, 2007).

Utilizing ICT in Accounting Education Via Education Blogging

In accounting education, blogs facilitate ongoing discussion that may take place between an accountant and their client or vice versa. In accounting, a problem may be presented, analyzed, discussed and then a viable solution developed. Thus blogs becomes the facilitator of this discourse. An educational blog will help in developing knowledge, skills, and attitude that will be used by the student throughout their professional and personal lives. In the past students have been required to write journals or diaries that allowed them to reflect on their learning but online edublogs have extended this experience to allow for interactivity with their peers and external commentators too. In the word of Lowe and Williams (2006) "with the teacher no longer the overly predominant active reader and responder of students texts, students, as a community, take more ownership of their writing".

Accounting as an information and Communication System

We had earlier defined accounting broadly as the process of identifying, measuring and communicating economic information to permit informed judgment and decisions by user of the information. It is clear from the foregoing definition that accounting is an information and communications system in most organizations. In view of the landmark technological breakthrough of the present age which include the computer and the convergence of information and communication technology (ICT) in the information super highway, it is obvious tha the traditional method and procedures of accounting will not be workable in an electronic commerce environment. It is necessary to underscore the fact that an accountant whether in prvate or public practice in the academia ought to be current with the high technology communications capabilities which have reduced the world into a global village (Umeh 2010). According to Umeh (2010), Computerization for effective financial reporting is a part of professional management. The explosion of information technology, particularly the computers have brought about far-reaching changes in effective reporting system. With the computerization of accounting methods in many sectors of the economy, the idea of resisting innovation within an organization may no longer be the case in the context of effective reporting in an enterprise.

Theoretical Discussion

Technology Acceptance Model (TAM)

The origins of the TAM came from Ajzen and Fishbein's (1980) theory of Reasoned Actions (TRA). It posits that beliefs and attitudes are related to individual's intensions to perform. According to the TRA, attitude toward behaviour is based on the information available or presented to the individual) and the effective evaluation of those consequences on the part of the individual. Introduced and developed by Davis (1989) the TAM is a model that addresses the issue of how users come to accept and use a technology. There are two specific variables, perceived usefulness and perceived ease of use, which are hypothesized to be fundamental determinants of user acceptance. The TAM posits that user's behavioural intentions determine actual technology acceptance. Behavioural intentions will be influenced by the user's attitude towards technology. Davis (1989) stated that perceived usefulness and perceived ease of use are beliefs that lead to favourable attitudes and intentions to accept and use technology.

METHODOLOGY

The study adopted the survey design. The population of the study includes all practicing accountants in Delta State University and banks operating in Abraka Metropolis. The Purposive sampling technique was used. The sample size comprises of 60 accountants purposively drawn from the teaching and bursary staff of Delta State University Abraka and the six banks operating in Abraka Metropolis. To guide this study, an instrument labelled Role of ICT in Accounting Questionnaire (RIAQ) was developed. This was used to elicit information form the subjects of the study. The questionnaire was four point modified likert scale that was scored in a continuum of strongly agree, agree, disagree and strongly disagree. Respondents were free to agree or disagree to any of the statement in the questionnaire. To validate the instrument, the assistance of two research experts was solicited who helped to validate the instrument constructed to make sure it covered the face validity. Thus, after determined by the application of test-retest method to ensure its stability, The response/score of both score when compared and correlated using Pearson Product Moment Correlation Coefficient. The coefficient yield 65 level of confidence, which the researcher considered high enough for the study. To ensure high percentage return of the research instrument, the researchers administered the questionnaire personally to the respondents. However, out of the 60 questionnaires that was administered, 56 were returned which was in turn used for the analysis.

RESULT AND DISCUSSION

The analysis and presentation of results are organized around the research questions and null hypotheses formulated in this study.

Research Question 1: Is there any relationship between job proficiency and the utilization of ICT tools?

Table 1: ICT and Accounting Proficiency

S/N	ITEM	Agreed		Disagreed	
		F	%	F	%
1	ICT is not relevant to Accounting profession	-	-	56	100
2	I use ICT for Professional Purposes only	15	27	41	73
3	I do not fee threatened with the use of ICT in my Job	6	11	50	89
4	I seek out new Ideas about the accounting profession through the use of ICT tools	51	91	5	9
5	There are ICT packages that I use to ease my Job	52	93	4	7
6	I use ICT in the enhancement of accounting practice based on the recommendation of another professional colleague	48	86	8	14
7	ICT is an enhancement tool for my job delivery	56	100	-	-

The table above, showed the relationship between ICT andaccounting proficiency. Thus, in item one all the respondents disagreed to the statement that ICT is not relevant to Accounting Profession, in item 2, 41 (73%), on item three, 50 (89%) of the respondent disagreed that they do not fee threatened with the use of ICT on their job. On item for 51 (91%) of the respondents agreed to fact that they seek out new ideas about the accounting profession through the use of ICT tools. On item five, 52 (93%) of the respondents agreed that there are ICT packages that they use to ease their job. Thus, in item six (48(86%) of the respondents agreed that they use ICT in the enhancement of accounting practice based on the recommendation of another professional colleague. Finally, item seven on the instrument all the respondents agreed that ICT is an enhancement tool doe their job delivery. This therefore showed a high level of ICT contribution to the delivery of job and proficiency in the practice of accounting by practicing accountants.

Research Question 2: What are the benefits of ICT adoption in the practices of accounting in Nigeria? The answer to this question was evaluated by responses to items on questions 8, 9 and 10 of the research instruments that evaluated the contributions of ICT to accounting profession in Nigeria.

S/N	ITEM	Agreed		Disagreed	
		F	%	F	%
8	I seek our new ideas about the accounting profession through the use of ICT tools	51	91	5	9
9	There are ICT packages that I use to ease my Job	52	93	4	7
10	ICT is an enhancement tool for my job delivery	56	100	-	-

From the table above, it can be inferred that the benefits of ICT in accounting profession in Nigeria includes easy access to new ideas and innovations and speedy/fast tracking of job delivery.

Test of Hypothesis

Ho1: There is no significant relationship between job proficiency and the use of ICT tools. In testing this hypothesis, the regression analysis of responses to ICT knowledge and use was done against accounting job proficiency.

Table: 3a: ANOVA[b] Summary of Relationship Between Use of ICT tools and Accounting Job Proficiency.

Model Sum of Squares Df Mean F Sig

					Square	
1.	Regression	85.345	1	85.345	5.578	.19[a]
2.	Residual	3029.535		54	15.301	
	Total	3114.880		55		

a. Predictors: (Constant, Use of ICT Tools.

Table 3b: Coefficients of Relationship Between Use of ICT Tools and Accounting Job Proficiency

Unstandarlized Coefficients | Standardized Coefficients

Model B | Std. Error | Beta | T Sig

1. (Constant) 16.188.952 16.997.000 Use of ICT .227 0.96.166 2.362-019

a. Dependent Variable: Accounting Job Proficiency

b. T-crit =2.005

Table 3a and 3b above showed that the calculated F and t of 5.578 and 2.362 is greater than the tabulated F and t of 5.34 and 2.005 respectively leading to a rejection of the null hypothesis that there is no significant relationship between the use of ICT tools and Accounting proficiency. This therefore signifies that there is a significant relationship between the use of ICT and accounting proficiency.

HO2: There is no significant benefit of ICT adoption in the practicing of accounting profession in Nigeria.

Table 4: Test of Significant benefits of ICT in Accounting Practice

S/N	ITEM	Agree	Disagree	DF	X2Cal.	X2Crit	P-value	Decision
9	I seek out new ideas about the accounting profession through the use of ICT tools	51	5					Reject Null Hypothesis
10	There are ICT packages that I use to ease my Job	52	4	2	99.3	5.991	0.05	
11	ICT is an enhancement tool for my job delivery	56	-					
EXPECTED FREQUENCIES		34	22					

The table above showed that the calculated Chi squared is greater than the table chi-squared value, which led to the rejection of the null hypothesis. This therefore shows that there is a significant benefit in the adoption of ICT in accounting profession in Nigeria.

Discussion of Results

This study investigated the role of ICT in the development of accounting profession in Nigeria beyond 2020. The first research sought to know the relationship between job proficiency and the utilization of ICT tools. Results presented in table 1 showed a high level of ICT contribution to the delivery of job and proficiency in the practice of accounting by practicing accountants. In testing the hypothesis, the regression analysis of relationships between attitude and knowledge o ICT tools and contribution of ICT to job proficiency as shown in tables 3a and 3b above showed that the calculated F and t of 5.578 and 2.362 is greater than the tabulated F and t of 5.34 and 2.005 respectively leading to a rejection of the null hypothesis that there is no significant relationship between the use of ICT tools and Accounting proficiency and the acceptance of the alternative hypothesis that there is a significant relationship between the use o ICT and accounting proficiency. These observations are in line with that of Umeh

(2020) who opined that with respect to the IT revolution and its challenges to the accountancy profession in the 21st century for the Nigerian accountant, he must appreciate information and communication technology as an unavoidable tool rather than a mystery.

The second research question also sought to investigate the Benefits of ICT utilization to the Nigerianaccountant in practice. From the result presented in table 5 above it can be inferred that the benefits of ICT in accounting profession inNigeria includes easy access to new ideas and innovations and Speedy and fast tracking of job delivery the chi-squared analysis also showed that these benefits were significant thus confirming the earlier claims made in this study b the fist Hypotheses testing. The implication of this therefore, isthat the continuous utilization of ICT tools will continuously improve job delivery while contributing to Job /proficiency.

CONCLUSION AND RECOMMENDATIONS

This study concludes that ICT is of great importance towards the development and attainment of accounting profession beyond vision 2020 in Nigeria as a first class profession. From the findings summarized above, the following and recommended:

i. There should be continuous training of accounting professionals towards the acceptance and integration of ICT into accounting practice.
ii. ICT related courses should be integrated into the course of all accountants in training at the tertiary school level so as to keep them at breast with recent trends in ICT development to achieve the vision 2020

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Effect of Ownership Structure on Accounting Conservatism of Listed Industrial Firms in Nigeria

UGBAH, Nduka Chibuike

Department of Accounting
Bingham University
Karu, Nasarawa State
E-mail: ndukaugbah@gmail.com, Phone No: +234 803607620

Abstract

The study investigated the effect of external audit report on corporate governance in Nigeria. The board objective of the study is to ascertain the relationship between external auditor's report and corporate governance and also to find out if auditing and corporate governance serves as a tool of control used by management to ensure achievement of organizational goals. This study was carried out using regression analysis on secondary data obtained from the annual report and accounts of twenty one sampled non- financial firms using a purposive sampling technique. The findings showed that the influence external auditors report on corporate governance is positive. The research has concluded that there is no influence between external auditor's report, audit size, audit hour as well as audit fees are not predicators of corporate governance.

Keywords: External auditors, Corporate Governance, Annual reports

INTRODUCTION

Global business development, as well as the emergence of joint stock companies, has created an agency relationship between business owners and managers. In practice, management of corporate entities are divorced from the owners and this warrants corporate owners to entrust management with resources and permit them to act on their behalf with the exception of the adoption of strategies, policies and actions among others that will enhance shareholders value creation and maximization. Corporate governance means the way a firm controls and directs its institutional systems, ethics, social responsibility and accounts. The idea is to promote transparency and fairness, by monitoring performance and looking for accountability (Ferreira, 2018). Thus, external auditors serve as one of the primary protectors of corporate governance in any entity. The most important role of external auditors in corporate governance should be to protect the interests of shareholders. The external audits are done independent of the organization's influence. External auditors report the state of a company's financial situation and certify the validity of financial reports that may have been released. All the information must be accurate and reliable. The accounting principles used by the firm should be appropriate. Another role of external auditor is to introduce policies to ensure accountability in the company. External auditors review the security measures that a firm has in place against corporate fraud or corruption. Besides assessing potential risks, auditors also analyze the overall risk tolerance of the firm, as well as, all the initiatives the company has made toward mitigating risks.

External auditors should play a very important role in establishing good governance. This should, or not, mean to expect them to cross the established borders of original audit functions. The idea is to make the auditors much more conscientious of their responsibilities and, in consequence, to be more effective while restricting themselves to their term of reference. For that, auditors are not required to traverse their area of operation. Whatever they are expected to contribute towards good governance shall therefore be from within their range or sphere of activity. The essence of good corporate governance is to do right things and to do them in the right way. Everyone involved in corporate governance, that board of directors, shareholders and auditors, should work together to run efficiently the organizations for interest of all. In addition, good corporate governance implies strong internal control systems, procedures and policies. Corporate governance means acceptance of management as trustees on behalf of the stakeholders and should maintain commitments to ethics and values. The objective of this investigation is to conclude, or not, if there is a significant direct relationship in the fulfillment of the recommendations of corporate governance and its verification by the external auditor.

LITERATURE REVIEW

Conceptual Framework

Concept of Corporate governance

Corporate governance is the process by which the business activities of an institution are directed and managed (CBN).Adebsi, Akeke, Aribaba and Adebisi (2013) explained that corporate governance is a set of rules and incentives through which the management of an organization is being directed and controlled. Lemo,(2010) emphasized that corporate governance consists of body of rules of the game by which companies are managed. The whole essence of corporate governance is to ensure that the business is run well and investors receive a fair return. A firm is said to have observed corporate governance rule if the firm is managed with diligence, transparency, responsibility and accountability aimed at maximizing shareholders' wealth.A study by Akinsulire (2006) explained that, corporate governance is a term which covers the general mechanisms by which management is led to act in the best interest of the company owners. Corporate governance is the system by which companies are directed and controlled. Boards of directors are responsible for the governance of their companies.

The shareholders' role in governance is to appoint the directors and the auditors and to satisfy themselves that an appropriate governance structure is in place. The responsibilities of the board include setting the company's strategic aims, providing the leadership to put them into effect, supervising the management of the business and reporting to shareholders on their stewardship. Corporate governance is therefore about what the board of a company does and how it sets the values of the company, and it is to be distinguished from the day to day operational management of the company by full-time executives. But good governance can have wider impacts to the non-listed sector because it is fundamentally about improving transparency and accountability within existing systems. One of the interesting developments in the last few years has been the way in which the 'corporate' governance label has been used to describe governance and accountability issues beyond the corporate sector.

External Auditors' Report

The company and Allied Matters Act 1990 (as amended) has made it compulsory for an audit report by an independent auditor to be presented alongside the financial statement of companies which are presented during the Annual General Meetings (AGM). According to auditing standards, an audit is an independent examination of and expression of opinion on the financial statement of an enterprise. Companies stakeholders like shareholders, creditors, lenders and government are interested in timely and credible financial statements (Akinguola, Soyemi and Okunga (2018). To meet the information need of these diverse shareholders, directors who act on behalf of the principals on agency capacity and prepare a financial statement and report to the stakeholders particularly shareholders as to the use of resources of which they are stewards. As vital as financial statements are in meeting the information need of different stakeholders, it must be certified by an independent auditor. Then the audit is conducted on the annual financial statements so to make it credible and reliable for the information need of its users. The audit report is the outcome of the overall audit exercise conducted on the financial statement of a client. The main objective of an audit is therefore to boost users' confidence as to the reliability of the financial statements' items. This objective is then achieved through expression of opinion as to the true and fair view of the financial statement audited by the auditor. The auditor based the opinion on some fundamentals such as the level of compliance with the appropriate reporting and ethical standards which are considered a sine qua none for reliable and relevant financial information. The report of the auditor on a financial statement is usually expressed through opinions such as qualified audit opinion or unqualified audit opinion. Though in some rare cases, auditors may express subject to, the emphasis of the matter and except for audit opinions. As the financial statements serve as useful in making investment decision by investors, companies that report quality financial information on a timely basis may, therefore, attract more investments and thus improves its capital strength. Also, lenders need the financial statement to ascertain the liquidity and profitability and as well as the power of the entity in terms of its physical assets as this information gives them confidence about the ability of the company to fulfill the payment of the debt. The government also needs timely financial information to charge appropriate tax on companies.

Empirical Literature

Corporate governance is essential in today's business world. Special attention is given to the importance of corporate governance and transparency indecision-making (Wu, 2002; Palmrose & Scholz, 2002), especially after Enron's demise and the massive manipulation of financial statements and the link of this scandal to audit reporting. Several changes in accounting, financial reporting and audit have been designed to provide protection to investors. An increase of the importance of audit within corporate governance can be seen in both international literature, from which we have tried to extract the most relevant ideas. A failure in the audit function can occur because of many reasons: undetected irregularities during the audit tests (Arenset al, 2008) or if the auditor's independence is impaired (Law, 2007). A series of studies identify that the audit function, with its three components–internal audit, external audit, and the Audit Committee) is a base function of corporate governance (Anderson, Francis & Stokes, 1993). Tricker (2009) addresses the fact that the audit must become once-more the "watchdog" it used to traditionally be. The role of audit should be expanded to increase corporate control in the benefit of both stakeholders and the society. Weaver (2008), Dimitriu (2010) and Manolescu et al. (2010) analyse the importance and role of communication between the external auditor and those in charge of corporate governance. These studies underline the importance of communication by considering that the "communication with those charged with governance should be seen a crucial product in audit reporting". Thus, the management can be informed regarding any problems that might have occurred in the audit mission; also, the management have the opportunity to fix potential problems in order to improve the financial reporting process. Hence, we note the importance of communication between various functions within the company in order to obtain better results.

Another important issue studies by Dobroțeanu, Dobroțeanu & Răileanu (2010) concerns the independence of auditors in the context of corporate governance. The study results indicate that the creation of audit committees can lead to securing the independence of internal auditors. Also, the authors show that regulations offer a degree of independence to external auditors, but there are still some doubts regarding this because the auditors are hired by the management, but should work in the interest of shareholders: this could be a cause for suspicion regarding independence. One direct implication and effect of corporate governance on audit reporting can be considered the revision of standards put forth by the International Audit and Assurance Standards Board (IAASB),the regulating body of International Standards for Audit (ISAs).The IAASB's primary concern in the last years has been the clarification of auditing standards, with a focus on audit reporting and audit quality. Starting with the "Clarity Project", in 2009 the IAASB has revised all current audit standards to improve quality, comprehensibility and clarity (IAASB, 2009). Starting with 2011, the international regulating body for audit and assurance has released several invitations to comment on proposed new regulations for audit and assurance, such as the 2011 consultation paper "Enhancing the Value of Auditor Reporting: Exploring Options for Change", the 2012 invitation to comment "Improving the Auditor's.

Theoretical Framework

This article reviewed literatures on the range of theories in corporate governance and auditing The fundamental theories in corporate governance and auditing began with the agency theory, expanded into stewardship theory, lending credibility theory and stakeholder's theory. The combination of various theories is best to describe an effective and good governance practice rather than theorizing corporate governance based on a single theory.

Policeman Theory

The policeman theory claims that the auditor is responsible for searching, discovering and preventing fraud (Hayes et al. (2005). 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.

Agency Theory

In agency theory, conflict of interest between the principal (shareholders) and agents (managers) is reduced through corporate governance mechanism (Yunos, et al., 2011; Habbash; 2010). Managers are therefore obliged to act in the best interest of the shareholders rather their interest. Studies conducted by Al-Ajimi, 2008; Shukeri & Islam (2012) have demonstrated a significant influence of corporate governance mechanisms on timely presentation of financial reporting. The theory emphasizes conflict of interest which may arise from the opportunistic tendency Soyemi, Sanyaolu & Salawu. Jensen and Meckling (1976) argue that agency conflicts arising from the divorce of ownership from management and low participation of owners in the affairs of the business. Thus, a financial statement audited by an independent and professional external auditor serves as a tool for mitigating agency problems. Prior research indicates that agency costs comprise of costs associated with monitoring and controlling agent behavior. Therefore, external audits are a mechanism for regulating opportunistic managerial expression and provide credibility to the financial reporting framework (Shukeri & Nelson, 2010). The pervasiveness of agency problems, therefore, unnecessary delays auditor's report as this problem requires them to spend ample time on auditing (Leventis et al., 2005). This theory is therefore relevant to this as arising from auditor's reporting delay which agency problem may cause.

Stewardship Theory

Stewardship theory was introduced by Donaldson and Davis (1989) as a normative alternative to the agency theory. The executive manager, under stewardship theory, far from being an opportunistic shirker, essentially wants to do a good job, to be a good steward of the corporate assets. Grounded in psychology, sociology and leadership theories, stewardship theory argues for the possible alignment between the principals and agents which is reflective of a psychological contract or a close relationship with agent behaving in a community-focused manner, directing trustworthy moral behavior towards the firms and its shareholders (Davis, Frankforter, Vollrath, & Hill, 2007). Thus, stewardship theory holds that there would be no inherent, general problem of executive motivation (Donaldson & Davis, 1991). Davis, Schoorman and Donaldson (1997) argued that, among other factors, managers who identify with their organizations and are highly committed to organizational values are more likely to serve organizational ends.

Lending Credibility Theory

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). This theory perceives the whole process of audit exercise as a means of lending credence to the financial statement. The audited financial statement, therefore, boosts investors' confidence or otherwise in the financial report based on the attributes of the audit firm. Arising from this confidence that the audit imposes on the users of financial statement, the investors' confidence is boosted and this reflects in their investment decision by investing in a company with the ability to make their investment fruitful. It also assists the company in raising sufficient capital from its users due to the inspired confidence arising from the faith which the audit has imposed on the financial statement. This theory is therefore relevant to this study in the sense that timeliness is one of the critical attributes of quality of financial statement, its ability to, therefore, inspired confidence to suggest that it should be ready at the appropriate time of its use for decision making involving investment decision.

Stakeholders Theory

The stakeholder theory evolved from the deficiency observed in agency theory. Freeman propounded this theory in 1984. The theory holds that there is more than one stakeholder to business unlike the agency theory that only identifies the relationship between the principals and the agents. Other stakeholders who affect and are likely to be affected by the company's operations like government, external environment, employees, shareholders, creditors are captured in this theory. Freeman argued further that arising from the array of stakeholders to a business, the accountability scope of the business becomes wider than what the agency theory can capture. Therefore, the audited report must be prepared with due care and on a timely basis to meet the information need of all these numerous stakeholders. This theory is therefore relevant as it recognizes the interest of different stakeholders to business while preparing the financial reports.

METHODOLOGY

The study adopted an ex post facto research design which is informed by the nature of data. The data relates to events that have taken place in the past. Necessary data for the study were sourced from the annual reports and accounts of the sampled company which was obtained from their websites. The population for the study comprised of all the listed non-financial firms out of which a sample of 21 was drawn via purposive sampling technique. Going by the panel nature of the data, regression analysis involving fixed effect was used in testing the hypotheses. The choice of this method is informed by Hasumen test specification which is significant at 5% level. The variable used in this study comprises of one dependent and six independent variables. The independent variable is the external auditor's report while the dependent variables are corporate governance proxies like board size, board independence, board meetings, audit committee independent and audit committee meeting.

Model Specification

The model is specified to as to examine the link between External auditors report and corporate governance practices This model is similar to that of Ilaboya and Lyafekhe (2014).

The model is presented below:

$AUDRPit = \beta0+ \beta1LBSit+ \beta2BIit+ \beta3LBMit+ \beta4GDit+ \beta5ACIit+ \beta6ACMit+ \beta7LSIZEit+ \mu it$

Where:

AUDRLAGit =Auditor's Report of firm i in period t
LBSit = Natural Logarithm of board size of firm i in period t
BIit= Board Independence of firm i in period t
LBMit= natural logarithm of the board meeting of firm i in period t
GDit= Gender Diversity of firm i in period t
ACIit=Audit Committee Independence of firm i in period t
LACMit= Natural logarithm of Audit Committee Meetings of firm i in period t.
LSIZEit= Natural logarithm of total asset of firm i in period t.
μ = error ter

RESULTS AND DISCUSSIONS

Descriptive statistics results are shown in Table 1

Table 1: Descriptive Statistics

Variable	mean	minimum	maximum	Std.	skewness	Kurtosis

				deviation		
LBS	2.267	1.609	2.833	0.281	-0.189	2.844
BI	0.722	0.111	1.100	0.169	-1.474	6.068
LBM	1.678	1.386	2.303	0.340	0.719	2.947
GD	0.147	0.000	0.455	0.133	0.467	2.147
ACI	0.521	0.231	3.000	0.423	4.763	27.987
LSIZE	17.399	12.475	22.396	2.054	-0.335	2.555

The table shows that the average log of board size is 2.267 and this ranges from 1.609 to 2.833. Average board independence stood at 0.722 and ranges from 0.111 to 1.100. The log of board meeting has a mean of 1.678 and ranges from .386 to 2.303. Gender diversity has mean value of 0.147 and varies from 0.000 to 0.455. Audit committee independence is averaged 0.521and ranges from 0.231 to 3.000. Log of audit committee is averaged 1.254 and varies from 0.000 to 1.609. Finally, firm size as a control variable has an average log value of 17.399 and ranges from 12.475 to 22.396. The variable with the highest variability from the mean is FSIZE with a standard deviation of 2.054 and the one with the least variability is GD with a standard deviation of 0.133. The result of the regression shows that the F-statistic for the models is significant at 1% level (prob value = 0.000). It shows the fitness of the explanatory variables in the model. Also, with Durbin-Watson values of 2.550, 2.108 and 2.550 for the OLS, fixed effect and random effect respectively are within the acceptable threshold of 1 to 3 (Gujarati, 2003, Asaeed, 2005, and Gujarati and Porter, 2009) and this means that the models do not suffer from problem of serial Autocorrelation. Adjusted R2 is 60.5%. F-stat value is 6.6394 and Durbin-Watson value of 2.108 indicates the fitness of the model and absence of autocorrelation.

Discussion of findings

This outcome is in line with that external auditors report was found to exact positive but no significant effect on board size. This means that larger board size does not translate to a reduction in auditors reporting. The positive coefficient means that a higher board size contributes to delay in auditor's report but was however found to be insignificant. The findings as to the effect of board independence on auditors reporting show negative and insignificant effect. This means that the higher the proportion of non-executive director, the lesser the delay in the report of the auditors. Also, gender diversity has no significant negative effect on auditors report. This implies that board with more females tends to be associated with lesser auditors report, it was however found not to be significant. Contrarily, audit committee independence has no significant positive effect on auditors reporting. Finding as to the effect of audit committee meeting on auditor's report was found to be positive but insignificant. The audit committee meeting was also found to positively but insignificantly influence auditors reporting of Nigerian non-financial companies. Size has a negative but insignificant influence on auditor's report, this implies that larger size is able to reduce their auditor's report. This may be due to access to sophisticated technology and availability of experts. Going by the result of Hausman specification which is significant at 0.05 significant levels, we, therefore, test the hypotheses of the study using the fixed effect model. A period of auditor's report has no significant negative effect on current year auditor's report. This finding implies that larger board can reduce auditor's report even though it is not substantial. This finding validates the a priori expectation of the study also in line with that that of Imen and Anniss 2015; but contradict that of Ayoib (2016) and Azubike and Aggreh (2014)which found among others the existence of significant influence of board size on auditors reporting lag of Nigerian banks and manufacturing companies respectively Arising from this, the study fails to reject the null hypothesis

Board independence as one of the surrogates for corporate governance has a significant negative influence on auditors reporting lag. This finding confirms that the more non-execute directors in the board, the higher the timeliness of auditor's report. In other words, a board with more non-executive directors is able to reduce auditor's report delay. This finding conforms with the a priori expectation and is in line with that of Khaldoon, Ku and Nor (2015), Mohamad-Nor, Shafie & Wan-Hussin, (2010);

Hashim & Rahman (2010)which found the existence of significant influence of board independence on auditor's reporting lag but contradicts that of Yenny and Yulia (2017) and Ilaboya and Iyafekhe (2013) which found that board independence does not significantly influence auditor's reporting lag of Indonesian Industrial Sector and Nigeria respectively. We, therefore, accept the null hypothesis H02 that board independence has no significant negative effect on auditor's reporting lag of Nigerian listed non-financial firms Board meeting exerts negative but no significant influence on auditors reporting lag of the selected listed companies.

The implication of this finding is that frequent board meetings translate to the timeliness of auditor's report. This may be due to the fact that as the board meets regularly, they are able to discuss the issue relating to financial statement and auditors reports. Even though, it was found to be insignificant. This outcome validates the a priori expectation of the study and confirms the result of earlier studies of Baatwah, Salleh and Ahmad (2015) but contradicts that of Ayoib (2016) which discovered that board meetings havea significant influence on auditor's reporting lag of Nigerian banks. We, therefore, fail to reject the null hypothesis H03 that board meeting has no significant effect on auditor's reporting lag of Nigerian listed non-financial firms. Gender diversity also has negative but no significant influence on auditors reporting lag of the sampled companies. This means that the existence of female directors in the board assists in the timeliness of audited financial report. This finding is in conformity with the a priori expectation as to its coefficient but disagrees with the findings by Ayoib (2016). Due to this result,the study fails to reject the null hypothesis H04 that gender diversity has no significant negative effect on auditor's reporting lag of listed non-financial firms in Nigeria. Audit committee independence is however found to negatively and significantly influence auditor reporting lag of the sampled non-financial firms. This implies that the existence of more non-executive directors in the audit committee assists in the timeliness of audited financial reports. This is also in tandem with the study a priori expectation but contradicts the finding of Kogilavani and Marjan (2013) which found the existence of no significant influence of audit committee independence on auditor's reporting lag in Malaysia. The study, therefore, rejects the null hypothesis H05 of no significant negative effect of audit independence on auditor's reporting lag of listed non-financial firms of Nigeria.Audit committee meeting was however found to negatively and insignificantly influence auditors reporting lag. This finding confirms the result of prior studies by Kogilavani and Marjan (2013) which found that audit committee meeting has no significant influence of auditors reporting lag in Malaysia but agrees with a prioriexpectation. The study, therefore, fails to reject the null hypothesis H06 of no significant negative effect of audit committee independence on auditor's reporting lag of listed non-financial firms in Nigeria. Lastly, board size as a control variable exerts negative but insignificant influence on auditors reporting lag. This implies that board with large size in the form of asset is able to reduce the delay of auditor's report, although not significantly. This finding is in line with that of Rina, Asmara and Rini (2018

CONCLUSION AND RECOMMENDATION

The study focused on the investigation of the effect of External Auditors Report on Corporate Governance practices in Nigeria, of 21 purposively selected non-financial firms between the periods 2012 to 2017. The findings revealed that board independence and audit committee independence are the critical drivers of timely audited reports of the sampled companies. The study could not, however, establish the significant influence of external Auditors Report on other variables of corporate governance of other that is (Board size, board meeting, gender diversity, and audit committee meeting). Hence, owing to these findings, companies in the non- financial sector must take advantage of the board and audit committee independence to ensure the quality of audited reports. In the same vein, the board should ensure that there are sufficient members with financial literacy, have more independent directors in the board and audit committee and also consider the issue of timeliness and quality of audited reports in their meetings. For future studies, the time frame and size in terms of year and sample should be increased.

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Effect of Indirect Tax Revenue on Government Expenditure in Nigeria

INNOCENT, Agada Samuel

Department of Accounting
Bingham University
Karu, Nasarawa State
E – Mail: agadainnocent@yahoo.com, Phone No: +234 7085226677

Abstract

Government expenditure has continued to grow in a stepwise direction without a proportionate increase in revenue generation. The Nigeria economyhas witnessed spiral fall in oil revenue which accounts for its major source of income with less emphasis on indirect taxation. The objective of the study is to determine the effect of indirect taxation on government recurrent expenditure and capital expenditure in Nigeria. Ex post facto research design was adopted to test the cointegration between indirect taxation (independent variable) and government recurrent and capital expenditure (dependent variable). Time series data are used in this study.For this study secondary data was collected from the Central Bank of Nigeria Statistical Bulletin and Organization for Economic Cooperation and Development (OECD) for the period 1995 to 2018. The data were analysed using the Ordinary Least Squares (OLS) regression technique. The analyses revealed that indirect tax revenue has a positive and significant effect on both government recurrent and capital expenditure. The result also revealed that indirect tax revenue is contributing to government recurrent expenditure than government capital expenditure in Nigeria. Therefore, the Government needs to consider merging its Agencies and Parastatal to reduce the high personnel and administrative cost. Reduce borrowing to curb the high debt servicing which accounts for the huge recurrent expenditure. Increase and diversify its revenue base to indirect taxation considering the dwindling oil revenue, while similar studies have proven that taxation remains the most sustainable means of government revenue. Development of an automated tax collection system should be deployed across the Federation for seamless tax administration.

Keywords: Recurrent Expenditure, Capital Expenditure, Indirect Tax Revenue

INTRODUCTION

Taxation accounts for the major source of revenue to the government. Government expenditures on recurrent and capital projects are driven by the revenue generated through direct and indirect taxation.Indirect tax is taxes levied on the consumption of goods and services. However, tax is broadly categorized into direct tax and indirect tax. Direct tax is levied on the income of individual and corporate bodies while indirect tax is imposed on goods and services consumed for a specified time. According to Anyanwu (1993), Government Expenditure can be described as expenses which any government incurs for its maintenance, for the good of society and the economy, and assistance to external bodies and other countries. Globally, governments are saddled with theresponsibility of providing some basic infrastructures for their citizens. Functionsor obligations the government may owe her citizens include but are not restrictedto stabilization of the economy, redistribution of income and provision ofservices in the form of public goods (Abiola & Asiweh, 2012).

Government expenditure has significantly decreased overtime without a corresponding increase in revenue.Theserious decline in the prices of oil in recent times has led to a decrease in thefunds available for distribution to the federal, state, and local governments(Afuberoh& Okoye, 2014). Similarly, the recent Coronavirus (COVID-19) pandemic has further decreased oil revenue, hence the need to navigate the revenue base of the nationto sustain recurrent expenditure and execute capital projects. It is on this backdrop that the research seeks to determine the effect of indirect tax revenue on both government recurrent and capital expenditure in Nigeria.

LITERATURE REVIEW

Conceptual Framework

Taxation is an instrument employed by the government for generating public funds (Anyaduba, 2004). It is a required payment imposed by the government on the income, profit or wealth of individuals, group of persons, and corporate organisations. Piana (2003) opines that it is a result of the application of tax rate to a tax base. According to Brautigam (2008), a well-designed tax system can help governments in developing countries prioritize their spending, build stable institutions, and improve democratic accountability. The main purpose of a tax is to enable the public sector to finance its activities to achieve some nation's economic and social goals. It can also be for redistribution of wealth to ensure social justice (Ola, 2001). Therefore, taxes can be used as an instrument for achieving both micro and macroeconomic objectives especially in developing countries such as Nigeria. However, Musgrave and Musgrave (2004) comment that the dwindling level of tax revenue generation in the developing countries makes it difficult to use tax as an instrument of fiscal policy for the achievement of economic development.

Revenue generation for the government to settle its expenditures as well as providing socialamenities and welfare for the populace is the primary purpose of taxation (Ihenyen & Mieseigha, 2014). Taxation is seen as a burden which every citizen must bear to sustain his or her government because the government has certain functions to perform for the benefits ofthose it governs (Afuberoh& Okoye, 2014). According to Ogbonna and Appah (2012), theimposition of taxes for financing state activities and for the provision of a basis forapportioning the tax burden between members of the society was justified to enablegovernment generates revenue to finance its expenditure. Omesi and Nzor (2015) stated thattaxation is the life wire of every country and its level of development at times depends on theincome generated from the tax. Taxation is one of how revenue is generated bythe government to meet the desire of both government and citizens. Anyafo (1996) describes expenditure as an actual payment or the creation of an obligation to make a future payment for some benefit, items or service received. Hales (1994) defines expenditure as payment, or promise of future payment and the obligation incurred thereunder, for goods and services delivered.Attamah (1999) writes that the traditional function of government expenditure is the maintenance of the bureaucratic structure (i.e. the civil service) and defence.

Empirical Review

Emelogu and Uche (2010) studied the relationship between government revenue and government expenditure in Nigeria using time series data from 1970 to 2007. They utilized the Engel-Granger two-step co-integration technique, the Johansen co-integration method and the Granger causality test within the Error Correction Modeling (ECM) framework and found a long-run relationship between the two variables and a unidirectional causality running from government revenue to government in Nigeria. Saeed and Somaye (2012) investigated the causality and the long-run relationships between government expenditure and government revenue in oil-exporting countries during 2000-2009 using P-VAR framework. Using oil revenue as a proxy for total revenue, their result revealed that there is a positive unidirectional long-run relationship between oil revenue and government expenditures. Ogujiuba and Abraham (2012) also examined the revenue-spending hypothesis for Nigeria using macro data from 1970 to 2011. Applying correlation analysis, Granger causality test, regression analysis, lag regression model, vector error correction model and impulse response analysis, they report that revenue and expenditure are highly correlated and that causality runs from revenue to expenditure in Nigeria. The vector error correction model also proves that there is a significant long-run relationship between revenue and expenditure.

However, Nazim (2016) examined the relationship between government revenue and government expenditure. The study sought to find out the theoretical relationship between the revenue and the expenditure inMalaysia using the four hypotheses from the literature study. The study findsout that although the majority of the government revenue is from direct tax, government spending only varies due to change in indirect tax revenue andnon-tax revenue. The study is analytical and based ondata collected from published sources focusing on the impact of therevenue and the expenditure on the continuous development of Malaysia. Finally, we try to suggest to the authority to follow the properrules and guidelines at the time policy-making whereby they will be able tocoup up with the optimum revenue and relevant expenditure in the state. Furthermore, Tracy and Kester (2009) investigated the interrelationship between total government expenditure and total tax revenue in Barbados applying Granger Causality on both bivariate and multivariate co-integrating models. The result of the multivariate error correction model suggests that a unidirectional causality exists from tax revenue to government expenditure. It is very clear from the reviewed literature that numerous studies have queried about whatinfluence public expenditure, mostly from the developed economies to emerging anddeveloping countries' counterpart.In this study, we want to find the relationship between government indirect revenue and government recurrent and capital expenditure.

Theoretical Framework

Wagners Law of Increasing State Activity

The Law of increasing State activity was propounded by Adolf Wagner a nineteen-century German economist to explain the growth of the share of public expenditure in GNP. He divided government expenditures into three categories, namely, administration and defence; cultural and welfare, and provision of direct services by the government in case of market failure. It is well known that rather than allow for a monopoly to emerge, the government usually creates Statutory Corporations such as NITEL, Post Office, Water Boards, PHCN to cater for the welfare of the people. Wagner's Law states that as per-capita income increases, the relative size of the public sector will grow. According to Wagner as the economy becomes industrialized, the population tends toconcentrate in the urban areas. This, in turn, leads to externalities (market failure) and congestion which require government intervention and regulations. Legal authorities and the police emerge to address problems of law and order, peace and security.

Banking services by the State arise to link surplus funds with those who have investment opportunities. The increase of public expenditures on education, recreation, health, and welfare services is explained in terms of the high population in the urban centres. Wagner argued that as real income increase, public expenditure on education, health etc would increase more than the increase in real income. This explains the increasing ratio of government expenditure to gross national product. Wagner's theory of increasing State activity has many defects. First, it is not a well-articulated theory of public wants; rather it is an organic theory of the State where the State behaves as if it were an individual and takes decisions independent of members of the society. Secondly, the predictive power of the theory is very much in doubt. It is not always true that as par-capita income grows, the share of public expenditure in GNP increases. The share of public expenditure may decrease as the economy grows particularly when the private sector is strong and dynamic.

Peacock and Wiseman Theory of Public Expenditure

Allan Peacock and Jack Wiseman theory, otherwise known as PWT, was based on the political theory of public expenditure determination which states that government likes to spend more money, that citizens do not like to pay more taxes, and that government needs to pay some attention to the aspiration and wishes of their people. PWT attempted to explain the circular trend or time pattern of change in government expenditure in response to the development in the political economy while the taxable capacity of the electorate acts as a constraint. Their theory is known as Displacement Hypothesis and is based on the experience of Great Britain. The Displacement hypothesis states that government expenditure grows in a stepwise fashion. During periods of catastrophe or wars, government expenditure grew rapidly in Great Britain and remain constant during the war, famine, or disaster otherwise catastrophe period. They argued that government expenditures are largely determined by government revenue or taxation, PWT maintains that as the economy and income grew, tax revenue would rise thereby enabling government expenditures to rise in line with GNP.

The acceptance of the existence of a tolerable level of taxation which acts as a constraint on government behaviour is consistent with Clark's "Catastrophe School" of taxation. PW make a destination in government expenditure growth between normal or peak time and war, crisis or social upheaval period. According to PW, during peak, public expenditures would tend to experience an upward trend, even though there may be some discrepancy between a desirable level of government expenditure and a desirable level of taxation. During war, famine or social upheaval this normal and steady growth in government expenditures would be disturbed. This was as a result of the displacement hypothesis as unproductive government spending during social upheavals displaced productive government expenditure leading to a rapid increase in public expenditure. The government imposes higher taxes which are regarded as acceptable during the period of crisis. During this period, public expenditure is displaced upward (i.e. displacement effect). War-related expenditure displaces private and other government expenditure. However, after the war or crisis, aggregate public expenditures does not fall back to its original level since war is not fully paid for from taxation alone. Inspection effect may also occur as government attempts to increase expenditures to improve social conditions which have deteriorated during the period of the crisis. Government finances the high expenditure from the increase and tolerable level of taxation that does not return to its former level. There are two possible scenarios which may occur after the war or social upheaval. First, total private expenditures may return to its original growth path and second, government expenditures experienced during the war may continue in the post-war period along with an increase in civilian government expenditures until the desired growth is reached.

Ability to Pay Theory

The cannons of taxation give credence to this theory and stress thecapacity of the contributor to the common pulse of the State to make suchcontribution at a time and in a manner that it is most convenient. Taxes to the Stateare made without quid pro quo benefits (Chigbu et al, 2012). To this extent, thetheory holds that persons should pay taxes in proportion to their capacity. This means that people with higher income should pay more thanpeople with lower income. In the context of this study one's ability to pay maysuggest that as more and more expenditures are incurred by a person the sameshould pay more tax and vice versa. The ability-to-pay theory is also termed the equality of sacrifice theory(Adam, 1776 in Adam Smith Institute, n.d.) which has gained popularity on thegrounds of the true meaning of 'ability' of the individual. This appears to be ajust and fair means of taxing citizens. This is the reason why most economies ofthe world today accept income as the best measurement of one's ability to pay.

Expediency Theory

According to Adam (1776) cited in Adam Smith Institute (n.d.), everytax proposal must pass the test of practicality and that must be the onlyconsideration government authority should consider in choosing a tax policy.This theory which is embedded in the cannon of economy explains the economy,effectiveness and efficiency of tax collection instrument. Taxation is seen toprovide a powerful set of policy tools to the authorities and such tools should beeffectively used for remedying economic and social ills of the society such asincome inequalities, regional disparities, and unemployment and so on. (Chigbu,Eze &Ebimobowei, 2011)

METHODOLOGY

The *Ex post facto* research design was adopted for this study. The justification for the use is that the required data are not manipulatable.Time series data are used in this study.For this study secondary data was collected from the Central Bank of Nigeria Statistical Bulletinand Organisation for Economic Cooperation and Development (OECD) for the period 1995 to 2018. The data were analysed using the

Ordinary Least Squares (OLS) regression technique. The research technique has been employed and found to be suitable in similar researches, such as those of Ihenya and Mieseigha (2014); Grace, David and Oliver (2016). An econometric model was developed to examine the nexus or linkage between indirect revenue and expenditure.

$GREXP_{it} = \beta0_{it} + \beta_1 (INDREV)_{it} + e_{it}$ .... (1)

Where:

GREXP = Government Recurrent Expenditure (dependent variable)
INDREV = Indirect Revenue (independent variable)
β0= Constant term
β1 = Coefficient of the parameter estimates
e = Error Term

The emphasis of the study is to test whether indirect tax revenue (INDREV) has a significant and positive effect on Government Recurrent Expenditure (GREX) to agree or disagree indirect revenue is a driver for government expenditure in Nigeria.

$GCEXP_{it} = \beta0_{it} + \beta_1 (INDREV)_{it} + e_{it}$ .... (2)

Where:
GCEXP = Government Capital Expenditure (dependent variable)
INDREV = Indirect Revenue (independent variable)
β0= Constant term
β1 = Coefficient of the parameter estimates
e = Error Term
The emphasis of the study is to test whether indirect tax revenue (INDREV) has a significant and positive effect on Government Recurrent Expenditure (GREXP) and on Government Capital Expenditure (GCEXP).

RESULT AND DISCUSSION

Hypothesis One

A summary of the results of the Ordinary Least Square (OLS) regression is presented in table 1 below:

Dependent Variable: GREXP
Method: Least Squares
Date: 06/05/20 Time: 12:58
Sample (adjusted): 1998 2018
Included observations: 21 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	306.8420	77.07165	3.981256	0.0008
INDREV	9.156040	0.386897	23.66529	0.0000

R-squared	0.967187	Mean dependent var	1611.353
Adjusted R-squared	0.965460	S.D. dependent var	1328.186
S.E. of regression	246.8410	Akaike info criterion	13.94576
Sum squared resid	1157680.	Schwarz criterion	14.04524
Log likelihood	-144.4305	Hannan-Quinn criter.	13.96735
F-statistic	560.0458	Durbin-Watson stat	0.670241
Prob(F-statistic)	0.000000		

Source: Author's computation using E-views 10

The analyses revealed that indirect tax revenue has a positive and significant effect on government recurrent expenditure. The coefficient of determination $R^2$is 0.967, meaning that 96.7% of the variation in GREXP (dependent variable) was influenced by the INDREV (independent variable). Hence, 3.3% variability in GREXP was explained by other factors outside INDREV. The F-statistics of 560.0458 shows the overall significance of the regression model. F-sig. level 0.0000 is less than 0.05 which suggest that the Ho is not true. Therefore, indirect revenue has significant and positive influence on government recurrent expenditure in Nigeria

Hypothesis 2

Dependent Variable: GCEXP
Method: Least Squares
Date: 06/05/20 Time: 13:05
Sample: 1995 2018
Included observations: 24

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	334.0055	63.36874	5.270825	0.0000
INDREV	1.691048	0.232011	7.288642	0.0000

R-squared	0.707152	Mean dependent var	663.0543
Adjusted R-squared	0.693841	S.D. dependent var	393.7212
S.E. of regression	217.8525	Akaike info criterion	13.68517
Sum squared resid	1044113.	Schwarz criterion	13.78334
Log likelihood	-162.2220	Hannan-Quinn criter.	13.71121
F-statistic	53.12430	Durbin-Watson stat	0.916353
Prob(F-statistic)	0.000000		

Source: Author's computation using E-views 10

The analyses revealed that indirect tax revenue has a positive and significant effect on government capital expenditure. The coefficient of determination R^2 is 0.707, meaning that 70.7% of the variation in GCEXP (dependent variable) was influenced by the INDREV (independent variable). Hence, 29.3% variability in GCEXP was explained by other factors outside INDREV. The F-statistics of 53.12430 shows the overall significance of the regression model. F-sig. level 0.0000 is less than 0.05 which suggest that the Ho is not true. Therefore, indirect revenue has significant and positive influence on government capital expenditure in Nigeria

5. CONCLUSION AND RECOMMENDATIONS

This study examined the effect of indirect tax revenue on both government recurrent and capital expenditure in Nigeria. The result indicated that indirect tax revenue has a positive and significant effect on government recurrent expenditure. The regressing gave R-squared results of 96.7% and adjusted R-square of 96.5%. the result is different when indirect tax revenue is regressed against government capital expenditure. Regressing INDREV against GCEXP presented an R-square result of 70.7% and adjusted R-square of 69.3% that is lower than that of GREXP. The implication is that indirect tax revenue is contributing togovernment recurrent expenditure than government capital expenditure in Nigeria. The increasing tax revenue should have been channelled into the provision infrastructural amenities that would, in turn, create a productive economic thereby increasing the revenue baseof government.Therefore, the Government needs to consider merging its Agencies and Parastatal to reduce the high personnel and administrative cost. Reduce borrowing to curb the high debt servicing which accounts for the huge recurrent expenditure. Increase and diversify the revenue base to indirect taxation considering the dwindling oil revenue, while similar studies have proven that taxation remains the most sustainable means of government revenue.Development of an automated tax collection system should be deployed across the Federationforseamless tax administration.

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Management Information System and Managerial Decision Making of Business Organisations

DINAH, Dinatu Samuel

Department of Accounting
Bingham University
Karu, Nasarawa State
E – Mail: s.dinah@yahoo.co.uk, Phone No: +234 8034510104

Abstract

Decision making is a fundamental aspect of managing any organization, it is the primary function of management. Decisions play significant roles as they determine both managerial and organizational activities of all business organizations. Managers take hundreds of decisions during the course of running a business to ensure objectives are achieved, making it a key component in the role of a manager. The business sector is a highly competitive, volatile and dynamic environment, the success of an organization relies mainly on the decisions made by its management, and therefore it is imperative that managers have the right information at the right time in order to bridge the gap between need and expectation. This paper reviewed and analysed relevant literature pertaining to the research which revealed that decision making strongly depends on information systems, it also identifies that Management Information System is one of the most important information systems that provide help to the manager for taking effective decision in an organization. A management information system collects and processes data and provides it to managers at all levels who use it for decision making, planning, program implementation, and control.

Keywords: Management Information System (MIS), Information Technology, Decision-making, Management, Business Organization

INTRODUCTION

The role of information in decision-making cannot be overstated; and effective decision-making demands accurate, timely and relevant information. As the numbers of employees, customers and transaction increases in an organization the more it becomes multi-layered, and the information needed for effective management, planning, decision-making and control unvaryingly becomes more complex. Decision-making is the task of every top management in an organization and they need relevant and timely information to assist in taking decisions. According to Lucey (2005), relevant information increases knowledge, reduces uncertainty and is usable for the intended purpose. However, there are difficulties in producing relevant and timely information, but with the advent of information systems most business organizations in Nigeria collect data which is processed to produce useful and meaningful data which can be used for decision-making which affects the current and future operations of the organization.

Laudon defined information systems as a set of interrelated components that collect, process, store, and distribute information to support decision-making, coordination, and control in an organization. In addition to supporting decision-making, coordination, and control, information systems may also help managers and workers analyse problems, visualize complex subjects, and create new products.Examples of information systems for decision making cover management information systems, decision support systems, executive information systems, artificial intelligence applications, data warehousing & data mining, and business intelligence/business analytics. Management information system (MIS) has played a crucial role in the business environment, it has evolved over time to become an integral part of its business operations. The global environment today is highly competitive, it is the basic requirement of the organization to set up management information system to compete in the market to become profitability, invest in innovation,and grow their businesses. All of these factors transformed the information system from data processing systems to decision support systems and have become the foundation of the new business environment. This study examines the role management information system play in the managerial decision making of business organizations in Nigeria.

LITERATURE REVIEW

Conceptual Framework

Concept of Information System

Information systems can be defined as an arrangement of people, data, process, information presentation and information technology that interact together to support day to day operations of business as well as support the problem solving and decision making needs of a management (Whitten, 2002). From the definition stated above, information system is a set of interrelated components that retrieve, process, store, and distribute information to support operations, management and decision making activities of an organization. Information systems develop for the purpose of solving business problems and helping to the people of business community (users). These people are important part of an information system. Data are raw facts about the organization and its business transactions. Most data items have little meaning and use by themselves. Data are the observations, measurement and recording from the source where source are consisting of the physical activities and objects, which are relevant to the business. On the other hand information is data that has been refined and organized by processing and purposeful intelligence. Information systems present the information according to the needs of the decision maker. Information technology is a contemporary term that describes the combination of computer technology (hardware and software) with telecommunication technology (data, image, and voice networks).

Concept of Management Information System

Management information system is used in organization for its business operation (Manish Kumar,2011). It provides strong advancement in the field of information technology through which an organization can easily achieve its strategic objectives. It helps in decision support, venture management, resource and people management and data base retrieval application. The use of management information system in business organization support business processes, competitive strategies and business operation which result and impact the performance of the work force of the specific organization. MIS plays the life blood role for an organization as no human can survive without it. Investment in MIS by the organization support it in core competencies, it also help in production process, human resources records, financial records and controlling and monitoring of the various activities which in turn impact the organization growth and development and also provide sound basis for strategic decision making process. The system of Management Information System shows that communication is needed to carry out the managerial functions and for linking the organizations with its external environment. Management Information System provides communication link that makes the activities and responsibilities surrounding management or managers possible, Burns, J.M. (1998).

The focus in Management Information System coupled with improved processing as led to the reduction in bottlenecks attached to management process. Managers have re-organized for years so that traditional accounting information aimed at the calculation of profit have been of limited value for control. Yet in many companies, this has been virtually the only regular collected and analyzed type of data. Managers need all kinds of non-accounting information about the externalenvironment such as social, economic, political, and technical development. In addition, managers need non accounting information on internal operations. The information should be quantitative. Weihrich and Koontz [2001] defined Management Information system as a functional system of gathering, comparing, analyzing, and dispersing internal and external information to the enterprise in a timely, effective, and efficient manner. Management information system can be defined as a support to management to provide the competitive advantage which must support the goals of the organization, Kenneth and JaneLaudon (2003) Dos Santos (1991), Define Management information system as a planned system of collecting, processing, storing, disseminating data in the form of information needed to carry out the functions of management. It can also be a documented report of the activities, planned and executed.

According to Dantes and Hasibuan, (2011) MIS is a generic term for the computer systems in an organisation that provides information for its business processes as it is utilised to refer to individuals who manage these systems. Typically, the term "MIS" or "MIS department" is used by large organisations to refer to a central or centrally coordinated system of computer experience and management, predominantly involving central computer systems, but also involving the full network of computer resources of the company (Gikang, 2016). Both Arrawatia & Meel, (2012); and Nowduri, (2011) unanimously agreed that MIS refers to a system that utilises information in order to ensure the appropriate administration of organisations. Essentially, all aspects of MIS work in conjunction to ensure the efficiency of the entire system. Therefore, failure in one part results to the total failure of the other parts as they are all designed to work in a coherent manner (Davenport, & Short, 1990).Based on previous definitions, MIS denotes a system consisting of a set of elements of inputs, processes, outputs, and feedback is intended to process the data and transform it into significant information to help upgrade the decision-making.

Decision-making in an organization

Trewatha and Newport defined decision making as “a process that involves the selection of a course of action from among two or more possible alternatives in order to arrive at a solution for a given problem.” Decision making process is carried by an individual or a group to drive better functioning of any organization. It is a continuous and dynamic activity that pervades all other activities pertaining to the organisation. Decision making process can be regarded as a check and balance system that keeps the organisation growing, it seeks to achieve the pre-set business objectives, company missions and vision. To achieve company set goals is not an easy task as various obstacles in administrative, operational, marketing aspects of the business, such problems are sorted out through comprehensive decision making process. P.P. Drucker in his book “Practice of Management,” observes “whatever a manager does, he does through making decision.” The job of management involves the making of innumerable decisions, management is decision making. Decision making is carried out at various levels of management. Top management is responsible for the overall management of an organization. These people are called executives. They establish operating and guide the organization’s interactions with its environment. They actually take the decisions on non-programmer facts and those are strategic. Non-programmed decisions are used for unstructured, novel, and ill-defined situations of a nonrecurring nature. DSS and ESS help to the top level manager to take effective decisions.The middle level of the management hierarchy includes supervisors, college deans, project director, and regional sales coordinator. These managers receive the broad overall strategies, missions and objectives from executive level managers and translate them into specific action program. The middle level manager implements semi-structured decisions. They have taken routine decisions and taken strategic decisions collaboration with top executives. MIS directly provides Semi-structure decisions and they aid to the mid-level manager.First line manager supervises employees and resources at the lowest levels of the organizational hierarchy. Most of their concerns is with ensuring that specific work assignments are carried out on time. They have taken structured decisions and taken help from their top. TPS aids to the first line manager by providing routinedecisions.

Management Information System and Decision-making

This is a universally accepted fact that all managerial functions are performed through decision making. For taking rational decisions, timely and reliable information is essential and is procured through a logical method of information collecting, processing and disseminating to decision makers. In today’s world of ever increasing complexities of carrying out business, every organization, in order to survive and grow, must have a properly planned, analyzed, designed and maintained MIS. This need is even more increased because organizations now have to compete not only locally but also globally. MIS assist decision makers, by providing the required information at various stages of decision making and thus greatly help the organization to achieve its goals and objectives. On the other hand, if an MIS is poorly planned and constructed, it may provide inaccurate, irrelevant or obsolete information, which may even prove fatal for the organization.

In today's business, decision-making is very important. Wherever the level, management of the organization make decisions on the basis of information, information may be manual or may be computerized. MIS is one of the important information system applications that help the different level managers to take effective decisions. MIS directly helps the mid-level manager by providing routine reports on the basis of TPS information that are collected from organizations'operational activities. DSS also facilitate the decision making process of semi-structured tasks. These systems are designed not to replace managerial judgment but to support it and to make the decision process more effective (Weihrich and Koontz, 2000). ESS also helps the senior manager by providing critical information from a wide variety of internal and external sources (O'Brien, 2003). On the basis of information transferring process i.e. bottom–up and decision-transferring process i.e. top–down, middle level manager makes decision based on MIS reports and transfer information to the top executives that are strategic. Mid-level manager gets strategic decisions from top executives for proper implementation.

Empirical Studies

An information system as described by Encyclopedia Britannica, is an integrating component for collecting, storing and processing data; and for delivery information, knowledge and digital products. Business firms and other organizations rely on information systems to carry out and manage their operations, interact with their customers and suppliers, and compete in the market place. As major and new technologies for recording and processing information have been invented over the millennia new capabilities have appeared. One of the first computers used for information processing was the UNIVAC I installed at the U.S Bureau of the census in 1951 for administrative use and at General Electric in 1954 for commercial use. Starting in the late 1970s, personal computers brought some of the advantages of information systems to small businesses and to individuals. Early in the same decade the Internet began its expansion as the global network of networks. In 1991 the World Wide Web invented by Tim Berners-Lee as a means to access the interlinked information stored in the computers connected by the Internet was installed to become the principal service delivered on the network. The introduction of the Internet without any doubt has enabled access to information and other resources; this has facilitated forming relationships among people and organizations at an unprecedented scale. Rhodes added that Management Information Systems (MIS) give managers quick access to information. This may include interaction with other decision support systems (DSS), information inquiries, cross referencing of external information and potential data mining techniques. Nowduri highlighted in his related study that MIS provides a fitting platform for good decision-making. He further declared that without the established systems of getting information in MIS, it would be extremely difficult for organizations to make their decisions. Agwu, submitted in their study that information systems directly affects how decisions are made in an organization by altering the manner and frequency by which information is delivered to key decision makers. In corroborating the effects of information systems on decision-making, Ajayi stressed the need for MIS decision-making as it provides information that is needed for better decision-making on the issues affecting the organization regarding human and material resources. Obi in his publication submitted that Management Information Systems (MIS) is useful in the area of decision-making as it can monitor by itself disturbances in a system, determine a course of action and take action to get the system in control.

Theoretical Discussion

Management Information system is interested in the use of information technology to carry outthe functions of management. It is concerned with information related to people, product, procedures and technologies. As with any field of research, MIS research requires theories whichprovide a framework through which scholars and other researchers view phenomena in the field. Early research in MIS focused on problems focused by professionals in the field of information management, and were borrowed from other fields, such as management and computer science. The key theories in MIS include cognitive fit theory, cognitive dissonance theory, task technology fit, competitive strategy and socio-technical theory.

Cognitive fit theory

Vassey and Galletta (1991) define cognitive fit theory as the match between task, problem representation and individual problem solving skills. Goodhue (1995) defines it as the "extent that technology functionality matches task requirements and individual capabilities." Cognitive fit theory provides a guideline for the best way to present information that is relevant for solving a given problem.itsuggests that any information pertaining to the organization must be well presented in order to affect the task performance of the organization positively.

Cognitive dissonance theory

Leon Festinger's theory proposes that inconsistency among beliefs or behaviors causes an underlying psychological tension. This underlying tension then motivates an individual to make an attitude change that would produce consistency between thoughts and behaviors. Therefore this theory is concerned with change to eliminate inconsistency between attitudes and behavior in the organization.

Task-Technology fit theory

This theory holds that information technology capabilities must match user tasks in order for the technology to have a positive impact.

Competitive strategy theory

This theory is concerned with how a firm competes in its business environment, how it intends to create and maintain competitive advantage with respect to competitors. It draws on economy concepts to determine factors that make a market attractive.

Socio-technical theory

Socio-technical theory refers to the relationship between social and technical aspects of an organization. It recognizes the interaction between people and technology in workplaces.It emphasizes the need for consistency among independent sub-systems for the larger system to achieve optimal performance.

METHODOLOGY

The study employed the use of secondary data. The main source of data for the research is basically secondary sources considering the array of variables involved in investigating the role of management information system in managerial decision making of business organisations in Nigeria. So for the purpose of the research, data was sourced using published and unpublished documentations such as reports, magazines, journals, newspapers, internet and journals that provide the conceptual framework and a definite meaning to the topic.

RESULTS AND DISCUSSION

MIS provides information to company decision makers. Regardless of whether it is a marketing, financial or operational issue, managers need quick access to information so that they can make good decisions that will have a positive impact on the company's performance. Management Information Systems enhance this by strategically storing vast amounts of information about the company in a central location that can be easily accessed by managers over a network. This means that managers from different departments have access to the same information hence they will be able to make decisions that collectively help solve the company's problems in the quickest way. In any large company, there are many situations that call for input from several individuals or departments before decisions can be made. Without an efficient communication channel, these decisions can take a very long time. Even with good communication channels, if the different stakeholders don't have access to all the available data, the process would hit a number of snags before it's complete. Management Information Systems ensure that all the members of the decision-making group have access to all the data that's required to make the decision even if they are working from different physical locations. Before making a decision that will affect the overall standing of the business, a lot of precaution must be taken. There is a need to check and verify that the company will not suffer after making a decision. Management Information Systems enable executives to run what-if scenarios so that they can see how some of the important metrics in the business will be affected by a given decision. The data is presented in easy to understand reports and graphs that make interpretation easy. For example, a human resource manager will be able to tell what will happen to the revenue, production, sales and even profit after reducing the number of workers in a manufacturing department. Another example would be the effect of a price change on profitability. Once executives have been able to see whether or not the decision will be beneficial to the company, it is easier to make good decisions that will not leave the company in chaos.

Management Information system also gives accurate projections of the company's standing in the short and long term. Most of the decisions made by top executives in companies have an effect on the company strategies. As a result, some of them may need some modifications done on the company goals or strategies. Most Management Information Systems come with trend analysis features that will enable you to project the performance of a business with the current configuration and how they will be affected once you have implemented any changes that you are considering. The Management Information Systems that don't have the trend analysis feature will still provide you with enough information to accurately carry out the analysis using external tools. Management Information Systems help track the implementation of particular decisions in a company. Before making a decision, executives use these systems to make projections of the expectations from the particular decision. If they decide to go ahead with the changes, there will be a need to keep monitoring the performance to see if you are on track to achieving the desired results. Management Information Systems give detailed reports and recommendations so that the evaluation of the goals moves smoothly and effectively. You get data that shows if your decisions have had the desired effect. If not, you will be able to take the necessary corrective measures early so that you can get back on track. MIS plays an important role when it comes to time management in an organization. As the saying goes "time is money," employees do not have to collect data manually for filing and analysis. Information can be documented swiftly and with ease into a computer program. Subsequently. Inflow of data becomes too large for employees to analyze, business analysts can build programs to access the data and information in line with the demands by management. With faster access to essential information, managers can make better decisions about strategies, future guidelines, developments by competitors.

CONCLUSIONS AND RECOMMENDATIONS

This study examined the role of management information system in managerial decision making of business organizations in Nigeria. The study revealed that information system contribute significantly in management's decision making process. The adoption of information systems has influenced the ways decisions are made at various levels of management by changing the manner and rate at which information is provided for decision makers. It was also made known in the study that information systems provide relevant, timely and accurate information for the management for effective decision-making. The management of various business organizations in Nigeria are coming to the realization that information systems can be used to produce meaningful, relevant and accurate information which they can base their decisions. In view of this, it is recommended that business organizations in Nigeria should develop the various information system strategies to meet organizational needs in the ever changing business environment. Also, the companies need to develop productivity enhancing strategies that will enable them to successfully integrate the new technologies with their present operations; and the information systems unit in the sector should be well financed and given adequate maintenance to ensure adequate flow of information for decision-making on short term and long term planning. Lastly, organizations should give their staff adequate training and proper orientation to ensure the effective use of information systems in the provision and circulation of information for efficient and effective decision-making.

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Impact of Audit Practice on Professional Ethics of Listed Firms in Nigeria

EMEBO, Jessica Nkechi

Department of Accounting
Bingham University
Karu, Nasarawa State
E – Mail: jessyemebo@gmail.com, Phone No: +234 8064956325

Abstract

This study assesses the impact of audit practice on professional ethics. Audit practice in Nigeria, as in many other countries, is guided by professional ethical codes of conduct, in addition to statute. The Institute of Chartered Accountants of Nigeria regulates the professional conduct of its members in the performance of their auditing functions with a view to ensuring the highest possible professional practice comparable and acceptable internationally. The institute issues code of professional conduct for its members which outline the propriety of conducts in matters of professional practice. Such codes of conduct relate to the requirements on the part of members in matters of: independence; integrity; honesty; technical competence; compliance to technical standards; confidentiality and accountability. In the light of this, this study was undertaken with the main objective of examining the impact of audit practice on professional ethics in some listed firms in Nigeria. The study adopted exploratory assessment methods by reviewing research work done by other writers and authorities in related fields. To achieve these, a large volume of library and internet materials were deployed and subjected to a critical review. Based on the review, it was discovered that lack of professional ethics contributes to the ineffectiveness of quality duty disbursement as it relates to some listed firms in Nigeria which would have encouraged keeping of accurate records of accounts to aid a discouraged corrupt practice among staff. The study also revealed that "The Nigerian Companies and Allied Matters Act, 1990" (as amended) particularly Sections 358- 363 also made provisions that could enable an auditor to avoid relationships that result in undue pressure and conflict of interest so that his report can be taken as being of high quality thus an important factor contributing to the success of the audit, is the ability to be independent, to act as a watchdog' and to conduct audits timorously. In view of these findings, the study recommends the adherence to the existing ethical code of conduct is considered an essential guide for every professional accountant and auditor in practice and also that there must be a total commitment to the rules of ethics and professional conduct by the auditors in order to positively impact on audit quality practice.

Keywords: Audit Practice, Professional Ethics, Audit

INTRODUCTION

Professional ethics is essential in Audit practice as it enhance independence of auditors and also a major tool for a justified and well consented audit report. The nature of the work carried out by auditors requires a high level of ethics as shareholders; potential shareholders and other users of the financial statement rely heavily on the audit report on financial statements of listed companies and firms to make an informed decision about investment. Auditors have obligations to shareholders, creditors, employees, suppliers, the government, the accounting profession and public at large to maintain the highest standards of ethical behavior. Ethics is fundamentally about what is good and right for human beings. As such, it demands a consideration of what factors will encourage the flourishing of society and what factors inhibit society's development and well-being. Reminding accountants and auditors that ethics is a community enterprise, not a matter of individual opinion, highlights the service role of these professionals in the efficient and effective operation of our market-based system.

Accountants and auditors operate in teams. Of necessity, ethics cannot be treated as a matter only for the individual – as the Abilene Paradox demonstrated, a failure to take the 'right' action/decision is often a collective responsibility. Adopting an approach that emphasizes the communal context of ethics (whether that be work teams, departments, accounting firms or business corporations) means that accountants and auditors must take responsibility for building a culture within that community that fosters and develops personal and community integrity, competence and excellence. Aristotle saw ethics as a question related to how power was shared among the members of society and how power was employed to benefit or harm society's well-being. The notion of how power is exercised dovetails very well with the everyday activities and responsibilities of accountants and auditors, who are frequently in positions of power relative to clients, investors and others because of their technical expertise, legal duties and access to privileged information. Without the ability to consciously reflect on how their actions or inactions might harm others, accountants and auditors can (and have) misused their power to harm investors and other parties. The Financial Reporting Council believes that users of financial reports must be able to rely on an audit report giving a robust and objective opinion that the financial statements concerned show: a true and fair view; have been properly prepared in accordance with the applicable accounting framework; and have been prepared in accordance with the relevant legal requirements.

LITERATURE REVIEW

Conceptual Clarifications

The topic of ethics is at the very core of all clubs. Every company, such as a nation and sub-societies such as a family, a social group and a business organization must work according to some ethical guidelines. Without such guidelines, the society would sink into anarchy and eventual crash. The term "ethics" is delineated as the study of moral precepts and values that govern the actions and decision of an individual or group. Where such decisions are not morally acceptable it is stated to be "unethical" to the larger company. Ethics involves learning what is right and wrong, and then doing the right thing. Moral philosophy is also identified as the process by which individuals, social groups and societies evaluate their activities from the view of moral precepts and values (Blackburn, Klayman and Malin, 1985).

Ethics is a term subject to numerous, sometimes conflicting, intergradations (Luoma, 1989). Ethical problems are a very relevant issue present in many aspects of real life. These situations can be examined through several branches and under several grids of analysis, modern or classic (Filipe et al 2011). A squishing mark of the accounting profession is its acceptance of the responsibility to act in the public interest (IFAC, 2005). Key qualities which appear in the codes of ethics of professional bodies include independence, integrity, objectivity, competence and judgment for example, the ICAEW"s introduction to its Guide to professional ethics (ICAEW, 1997) include a list of five fundamental principles which either expressly mentions or clearly implies all of these qualities,

The first is Integrity and this is the quality being honest and having strong moral principles. It implies not merely honest but fair dealing and truthfulness. This principle of integrity imposes an obligation on all accountants to be straight forward and honest in professional and business relationships. Secondly is objectivity. The Principle of objectivity imposes the obligation on all professional accountants to be fair intellectually honest and free from conflicts. This principle requires four basic needs of credibility, professionalism, quality of service and confidence. Professional competence: A professional accountant, in agreeing to provide professional services implies that he is competent to perform the service. Accountant should refrain from agreeing to perform professional services which they are not competent to carry out unless competent advice and assistance are obtained. Thirdly is confidentiality and a professional accountant should respect the confidentiality of information acquired during the course of performing professional services. They should not use or disclose any such information without proper and specific authority. Fourthly is independence and this suggets having a position to take an unbiased viewpoint in the performance of professional assignments. Accountants must not only maintain an independent attitude in fulfilling their responsibilities, but the users of financial reports must have confidence in that independence. The fifth is technical standards and this implies that professional service should be carried out in accordance with the relevant technical and professional standards. The services should conform to the technical and professional standards of relevant accounting bodies and other legislation.

Factors Influencing Auditors' Professional Skepticism and Ethics

Accounting research on decision-making suggests that cognitive studies need to consider the context in which accounting judgments are made (Fuller & Kaplan, 2004). One context under which such decisions are made is accounting ethics. Ethics requires individuals to perform tasks to an acceptable standard (Schlenker, 1997). The auditing literature reports that when auditors perform their roles in line with the ethics of the profession, it has a significant impact on their decisions. These studies (De Zoort et al., 2006) suggest that accounting ethics increases the auditor‟s effort in applying due diligence and professional skepticisms in the discharge of their duties. In addition, accounting ethics makes auditors more cautious, that is, auditors are possibly more skeptical (Morton & Felix, 1991). Peecher (1996) found that auditors made more conservative judgments when they act in line with ethical standards. Similarly, Nieschwietz et al. (2000) suggested that accounting ethics should increase the effectiveness of the audit because it makes auditors more objective. The results of the above studies suggest that the enforcement of accounting ethics is likely to increase professional skepticism because auditors will increase cognitive effort and vigilance which makes them proceed cautiously.

Audit tenure is the length of time the concerned auditor has conducted an audit of a unit/ business unit/ company or agency. The researcher assumes that the longer the auditor conducts the audit, the poorer the resulting quality of the audit. This is because the auditor has had less challenges and the auditing procedures performed are less innovative or may fail to maintain a high level of professional skepticism (Syamsuddin and Abdul 2014) America‟s most iconic companies, such as General Electric and Coca-Cola, have been audited by the same accounting firms and their predecessors for over 80 years (Le Vourc'h and Morand 2011). Some investors and regulators fear that auditors who have maintained these long relationships with clients will fall victim to the halo-effect. Defined as the human tendency to like or dislike everything about a person (even the unobserved), the halo effect could cause an auditor to unconsciously give management the benefit of the doubt because of their long-term relationship (Selling 2012). While the halo effect could conceivably impact and auditor‟s judgment, the relationship between auditor tenure, professional skepticism, and audit quality is quite complex. The traditional argument for reducing the length of auditor-issuer relationships is that doing so will increase skepticism and thus improve audit quality. However, decreasing the length of these relationships could also result in the loss of a great deal of institutional knowledge by auditors (McGarry, 2012).

Many financial experts believe the greatest threat to the independence and professional skepticism of the external auditor isn't long audit tenures or the increased provisioning of non audit services, but rather the pay structure of the external audit itself. Since the inception of the external audit, many investors, regulators, and academics have argued that auditors cannot truly be independent of their clients, because auditors are hired and paid by the people whose work they are auditing. McGarry (2012) opined that this isn't technically true; as per SOX, the hiring, firing, and compensation of auditors is controlled by the audit committee of each company's board of directors (rather than the company's management), a body that represents the interests of investors. Furthermore, the appointment of the auditor must be decision, since it is management that works with the auditors on a day-to-day basis ratified each year by the majority of shareholders. In reality, however, audit committees usually rely heavily on management. For the same reason, ratification of the auditor by shareholders is considered a routine vote, and management's recommendation is rarely challenged. Thus, management is widely considered to exert considerable influence over the appointment and compensation of external auditors.

Furthermore, the experience of auditors is also another effective factor that can influence professional skepticism. Experience of auditor means the period of time they have audited the financial statements. So it said that whatever their experience is more, they can explain their findings more decisively. Experience like the formal and informal training improves the capabilities of auditors to judge professionally (Gunasti, 2010). Experience along knowledge of auditors is an important factor in audit process Experienced auditors have comprehensive knowledge about the financial misstatements and deficiencies of accounting system of audited unit. Studies of Kalber and Fogarty (1995) showed that experience of auditors has positive effect on their other professional skepticism and improve their professional behavior.

Empirical Discussion

Various studies have been carried out on auditors' ethical conducts. For instance, Fatt (1995) considers the perceptions of the public, students, and accountants of the values of accountants in the working world. In the course of the research by Fatt (1995), a questionnaire was given to a sample population of 500 which included the public, accounting students, and accountants.

The questionnaire was designed to examine the personal qualities of accountants. It is discovered that the perceptions of the personal qualities of accountants are that accountants should be ethical and have integrity. These perceptions reflect the importance of ethics in the accounting profession. Gendron, Suddaby and Lam (2006) explore the relationship between work context and professional ethics. They generated data through an online survey of auditors on the degree to which changing work conditions have altered individual auditors' commitment to the core professional value of auditor independence. They observed that auditors working outside of public accounting have a higher commitment to independence than auditors working in the context of public accounting firms. They further observe that auditors in large international audit firms report lower commitment to auditor independence than do others in public accounting. Satava, Caldwell, and Richards (2006) describe how the rule-based traditions of auditing became a convenient vehicle that perpetuated the unethical conduct of firms such as Enron and Arthur Andersen. They present a model of ten ethical perspectives and briefly describe how these ten ethicaland principle based ethical conduct for auditors. They conclude by identifying six specific suggestions that the auditing profession should consider to restore public trust and to improve the ethical conduct of accountants and auditors. Nwayanwo (2010 examines the observed and expected acceptance of the significance of ethics in accounting practice in Nigeria using Chi-square test. He disclosed that a large difference exists between observed and expected acceptance of the significance of ethical standards in accounting practice.

According to Ogbonna (2010), when we talk about things, which we think, say and/or practice that may not necessarily violate the rules of the organization or infringe the law of the land or amount to outright crime or felony, but which borders on our sense of morality, our sense of right and wrong. They concern issues like conflict of interest, insider's dealings, compromising integrity, objectivity, independence, confidentiality, disclosure of official secret and destruction of official documents for financial benefits and other similar acts that are against moral principles and ethical standards. Nwagboso (2008) argue that ethics or morality as matter of right and wrong and subscribes to the fact that "we are living today in an ethical wilderness". Nwagboso believes that ethics is in ferment and chaos among all people Hayes et al (1991) opined that ethics represent a set of moral principles, rule of conduct or values. Ethics apply when an individual has to make decision from various alternative regarding moral principles. Ethical behavior is necessary for society to function in an orderly manner. The need for ethics in society is sufficiently important that integrity, loyalty, and pursuit of excellence cannot be incorporated into law. They further stated that the following ethical principles incorporate the characteristics most people associate with ethical behavior & honesty, integrity, promise keeping, loyalty, fairness, caring for others, pursuit of excellence and accountability.

Ajibolade (2008) states that the field of ethics can be divided into Meta ethics, ethical theories and applied ethics. Meta ethics reflection is upon ethics concepts and theories ethical theories is the substantive proposals regarding those considerations that would determine morally acceptable conduct and applied ethics is the deliberation related to a specific field of enquiring. Examples include ethics in business, public service and general professional ethics. Mathew and Perera (1996) states that a formal code of ethics ensures that professional members will be more aware of the moral aspects of their work, an accessible reference tool for managers to keep ethical concerns in mind; abstract ideas will be translated into concrete terms applicable to every situation, members as a whole will act in a more standardized fashion throughout the profession. According to Jenfa (2000) and Nwagboso (2008), professional ethics provides account with these advantages: it helps the accountants to determine the prosperity of his conduct in his professional posture the accountant must maintain if he is to succeed; it gives potential clients a basis for feeling confident that the professional sincerely desires to serve them well and places service above financial reward; it gives client assurance that standards of competence independence and integrity shall remain the goal regulatory authorities to fulfill their responsibility of ensuring that the professional accountants have the capabilities and competence expected of them by employees, clients and public interest is protected and the credibility of the profession is enhanced.

THEORETICAL FRAMEWORK

Utilitarian Theory

Utilitarian is one of the best known and widely used moral theories. It is a normative ethical theory that places the locus of right and wrong solely on the outcomes (consequences) of choosing one action/policy over other actions/policies. As such, it moves beyond the scope of one's own interests and takes into account the interests of others. The Utilitarian Theory according to Mill (1863) states that one should do the most good over harm. In making the decision, one must evaluate the alternatives to decide on the one which benefits the most people.

Theory of Inspired Confidence

This theory focuses on both the demand and supply of audit services. The relationship of accountability is realized with financial statements; however, as outside parties cannot monitor any material misstatement, the demand for an independent reliable audit arises. The supply of audit services should satisfy the public confidence that arises from the audit and fulfill community expectations, as the general function of audit is derived from the need for independent examination and an expert opinion based on findings; due to the confidence society places in an independent auditors' opinion. It can be assumed that if society lost confidence in audit opinion, the social usefulness of audit would cease; as audit delivers benefits to the users of financial statements. The auditor should maintain appropriate business practices to maintain his independence from the firm being audited, in order to satisfy his obligation to examine business practices and provide a credible opinion on the financial statements.

The Credibility Theory

Audited financial statements boost users' confidence in an organizations financial records and management's stewardship; in turn, improving their decision quality such as, investment or new contracts, based on reliable information. This is because stakeholders need to have faith in the financial statements. The credibility gained by financial statements would affect decisions by stewardship. (E.g. Credit limits provided by suppliers) and also helps shareholders put trust in management; reducing the 'information asymmetry' between stakeholders and management.

The Theory of Stewardship

A steward is one who takes on the responsibility of caring for something on behalf of another person or group of people. Therefore, stewards do not have ownership of what they have responsibility to take care of, but must, nevertheless, carry out their duties conscientiously since they have to render account of what they have done. Stewardship theory is a framework which argues that people are intrinsically motivated to work for others or for organizations to accomplish the tasks and responsibilities with which they have been entrusted. It argues that people are collective minded and pro-organizational rather than individualistic and therefore work toward the attainment of organizational, group, or societal goals because doing so gives them a higher level of satisfaction. Stewardship theory therefore provides one framework for characterizing the motivations of managerial behavior in various types of organizations. Stewardship theory also holds that an organization requires a structure that allows harmonization to be achieved most efficiently between directors and shareholders. Thus it might be thought that issues of "motivation, goal congruence, trust and organizational identification have been captured in the stewardship theory of management." (Van Puyvelde et al 2013: 65)

This research work aligns with the utilitarian theory because Utilitarian beliefs emphasize the importance of the greatest good to the greatest number of people (Duska & Duska, 2003). As described by Preuss (1998) utilitarianism is applicable within the accounting context as it tends to link self-interest with moral behavior and a company's actions are invariably self-interested. Additionally the weighing of benefit and harm is comparable to the general audit practice and therefore likely to be easily understood by auditors. "Virtues are dispositional properties that enable auditors to meet their ethical obligations to the organization, users of financial information and third party. For instance, in order for an auditor to act objectively in performing professional services, such as auditing the financial statements of a client, the auditor must have the inclination to be impartial and open-minded" (Mintz, 1995: 251). Finally the universal rules set by Kant emphasize actions that will result in the greater good for society. These actions revert to the principle -based foundation of accounting and auditing (Satava et al., 2006), which if followed will steer the professional's ethical decision making towards the greater good and away from any possibility of self-interest motivated actions.

METHODOLOGY

The study adopted exploratory assessment methods by reviewing research work done by other writers and authorities in related field. The study relies on many previous studies from internet, books and already existing journals to explain the underlying need for an upheld professional ethics conduct, concept of audit practice in Nigeria and its alignment with professional ethics code. The research builds on an analysis of discourses within the range of archival evidence.

RESULT AND DISCUSSION

The aim of the research was to explore the impact of audit practice on professional ethic. A lot of existing works were discussed which made a vast contribution to the body of knowledge concerning professional ethics and audit practice. The research has shown that the impact of professional ethics on audit practice cannot be over emphasized. International Federation of Accountants (37) and its subsequent amendments provide code of ethics for auditors. In the same vein, "The Nigerian Companies and Allied Matters Act, 1990" (as amended) particularly Sections 358- 363 also made provisions that could enable an auditor to avoid relationships that result in undue pressure and conflict of interest so that his report can be taken as being of high quality thus an important factor contributing to the success of the audit is ability to be independent, to act as a watchdog' and to conduct audits timorously.

CONCLUSION AND RECOMMENDATION

The researcher has noted that lack of professional ethics contributes to the ineffectiveness of quality duty disbursement as it relates to some listed firms in Nigeria which would have encouraged keeping of accurate records of accounts hence discouraged corrupt practices among staff. Empirical studies in this research work shows that faithful compliance with codes of ethics increases the quality of audit report. Auditors, like other professionals need these ethical principles such as credibility, honesty, integrity, loyalty, respect, responsibility, show of concern for the benefit of others, caution, justice and adherence to the laws and regulations as outlined CAMA 1990, as the result of their work affects the general public, customers, shareholders, community, stakeholders etc. Therefore, there must be a total commitment to the rules of ethics and professional conduct by the auditors in order to positively impact on audit quality. The existence of ethical code of conduct is considered an essential guide for every profession accountant and auditor in practice. The adherence to professional ethics will help ensure that auditors are able to withstand such factors as incentives and pressures affect the objectivity and skeptical nature of the auditor which is required for financial reporting credibility to be maintained. However, scholars do not agree on the extent to which the auditors abide by the ethical code nor the reasons for non-compliance.

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Effect of Audit Independence on Public Sector Performance in Nigeria

NJOKU, Ikenna Obinna

Department of Accounting
Bingham University
Karu, Nasarawa State
E – Mail: ikenna.obinna@yahoo.com, Phone No: +234 9073463294

Abstract

Audit independence has been acknowledged as an important mechanism in mitigating information asymmetry. This is because it ensures that the auditor presents objective views, which are reliable and truthful about the financial reports prepared by managers. The study adopted a descriptive survey design. Purposeful sampling method was adopted and primary sources of data were used through a well-structured questionnaire distributed to 120 respondents in Federal Ministry of Finance in Abuja in which 100 respondents submitted. The data collected were analyzed using spearman rank correlation method. The result revealed that there is a moderate statically significant relationship between internal audit independence and public sector performance in Nigeria. The study recommends that internal auditor's independence should be encouraged to achieve better performance in the public sector of the economy.

Keywords: Internal Audit, Public Sector Performance, Presidential Initiative on Continuous Audit

INTRODUCTION

Globally, and especially in Nigeria, there are calls for governments to be accountable for the huge resources they hold on trust and manage for the people who gave them the political and administrative authority. The public sector represents a principal-agent relationship, where the public sector officials act as the agents while the citizens are the principals. Achua (2009) says government spending is a very big business and the public demands to know whether the huge outlays of money are being spent wisely for public interest. The features of public sectors accounting are different from the private sector in various ways (Samelson, Lowensohn & Johnson., 2006). Specifically, the usual audit procedure in the private sectors has to be altered to address government unique features such as fund accounting, compliance to law and regulations, encumbrances, budget-to-actual comparison statements, specific audit reports, basis of accounting and assessment of internal reports. Also, the nature and objectives of public sectors lead to different accounting concepts and principles in the public sectors accounting practices. Government departments are established to serve the public. Many of these services, such as health, education and utilities, are more of social obligations and not profit seeking. As accounting in public sectors has different sets of account to cater for different users of financial statements, the accountants and auditors in the government sectors abide to more rules and regulations.

Furthermore, those in authorities assume fiduciary status with the attendant responsibilities requiring them to render accounts of their stewardship to the citizens for whom the authority is held in trust. Thus, the agents are expected to periodically render accounts of their stewardship to the principals for the use of resources and the extent to which the public's objectives have been accomplished. The citizens (the principals) have contributed resources through taxes and other duties to national budget for economic and social development. They need an independent third party to lend credibility to the stewardship accounts rendered by the agents, that is, the government. They rely upon the auditors to provide an independent, objective evaluation of the accuracy of the agent's accounting and to report on whether the agents have used the resources in accordance with the principal's wishes (Al-Matarneh, 2011 & Al-Shammari, 2010).
In the light of these, this study is being carried out to investigate the effect of internal auditor's independent on Public Sector performance in Nigeria using Federal Ministry of Finance as a case study. To the best knowledge of the researcher, we discovered that much work has not been carried out in this context especially in Nigeria, major work has been on the private sector of the economy and some have

related auditor's independent to other variables like audit quality among others (Roland & Frank, 2009; Egbunike & Egbunike, 2017 and Mburunga, Walubuka & Gichana, 2019). This research has been carried out to fill this gap and to contribute to what others have done so far, to add to knowledge. The main objective of this study is to investigate the effect of internal auditor's independence on Public Sector performance in Nigeria. The hypothesis stated in null form guides this study:

H_{01}: There is no significant relationship between internal auditor's independence and the public sector performance in Nigeria

LITERATURE REVIEW

Conceptual Framework

For a long time, internal audit was considered as an administrative unit aimed at checking documents, counting assets, and reporting on past events for management purpose. However, these days, many factors have led to an improvement in internal audit practices in private and public entities. Democracy requires government and its entities to be accountable in the use of public funds and in providing effective, efficient, and economic service delivery to its citizens (Arena, & Azzone, 2009). To achieve its objectives, government develops strategies that could help in effective management of public funds, and the audit independence is one of those strategies (a governance tool) which help it to effectively manage and achieve its objectives (Cohen & Sayag, 2010). The tasks, functions and roles of internal auditing have expanded, changed and shifted more to management oriented matters than accounting matters; reporting lines have also been transformed and in many countries the structure has been transformed but are they really independent in doing their job (Feizizadeh, 2012 & Hellman, 2001).

Arens, loebbecke, Iskandar, Susela, Isa and Boh (1999), listed three types of audits, namely; financial statement audit, where the overall financial condition of a company is determined; operational audit that evaluates efficiency and effectiveness of a company's operating procedure; and compliance audit which determines whether relevant laws and regulations are complied. Government auditors are concerned with accordance with laws and regulations (Arens et al., 1999). Suleiman, Fatimah & Mohamed, (2018), highlighted at least three objectives in conducting audit in the government sectors, namely: (1) to ensure compliance with law and regulations; (2) to expose factors that contribute to inefficiency, ineffectiveness, diseconomy and embezzlement of resources; and (3) to form an opinion on the financial statements.
Hence government auditors conduct different audit tasks and are governed by more laws to achieve these objectives.

Auditors' Independence

The integrity of auditors is the cornerstone of the auditing profession (Ahamad, 2009). The independence of the auditor is also, according to the Independent Standard Board (2000), the freedom from certain limitations that affects an auditor's ability to make fair audit decisions or compromise quality. According to (Ndubuisi & Ezechukwu 2017) prompt opinions of an auditor increase the trust of stakeholders' in the financial statements. These further improve confidence and efficiency of operation in capital markets.
Generally, auditors' independence has been acknowledged as an important mechanism in mitigating information asymmetry. This is because it ensures that the auditor presents objective views, which are reliable and truthful about the financial reports prepared by managers. Ndubuisi and Ezechukwu (2017) suggest that auditors' independence reflects an objective, rational approach when presenting a financial statement. While other researchers say that independence is the unique characteristic of the auditors (Albeksh, 2017). Empirical evidence on this subject is much more concern about threats to the credibility of audit report (Ahamad 2009). These include: auditor tenure, non-audit services, client importance and auditors' client's relationship. Furthermore, the independence of the auditor, in fact as well as in appearance, warrants independence. The objectivity and exhibition of professional skepticism without undue influence is suggesting absolute independent in both fact and appearance and interpreted by many

as integrity and good practice (Tepalagul and Lin 2015). Hence, it can be concluded that quality reporting is crucial as it influence the performance and decision making (Albaqali & Kukreja, 2017).

According to Baharud-din, Shokiyah and Ibrahim (2014) a factor that may contribute to effective government audit is the need for independence and objectivity which can allow the auditor to carry out work without interference by any party. The independence and objectivity of internal audit is with respect to both assurance services and consulting for the organization. In certain extent there is a confusion of the role of internal auditors, as internal auditors are part of the management team and at the same time to independently evaluate management's effectiveness and efficiency (Baharud-din, Shokiyah & Ibrahim, 2014). This could affect the effectiveness of internal auditing as even though internal auditors are charged with upholding the best interests of their employer, they may be reluctant to counter management, regardless of consequences (Sarens & De Beelde 2006). Separation of duties is the concept of having more than one person required to complete a task. In business the separation by sharing of more than one individual in one single task is an internal control intended to prevent fraud and error. They are those controls, which ensure that separate individuals or groups of individuals carry out the main functions of an organization of authorization, executive, custody and recording (National Open University of Nigeria [NOUN]). Separation of duty involves breaking down tasks that might reasonably be completed by a single individual into multiple tasks so that no one person is solely in control (Botha & Eloff,2001, and Dittenhofer 2001].

Also Independence is a primary requirement for auditing. According to Bakar, Rahim and Rashid (2005) the trust that the public and other stakeholders develop toward a company's financial report can be a reflection of the perception of autonomy in the firm. The concept of auditor independence implies that practitioners execute their functions objectively without the fear of compromise or intimidation.
Maintaining independence remains a challenge for many practitioners. Despite the many controls that have been developed to ensure autonomy, regulatory agencies have expressed their concern on the risks of the auditor being compromised (Church, Davis & Mccracken, 2008; Fitzgerald, Thomas &Thompson, 2017). One problem that has been highlighted involves the familiarity that may exist between auditors and the management. Some firms have kept the same auditor for long periods. The closeness that may develop between the auditor and the company presents a significant threat to autonomy (Lennox, Wu & Zhang, 2014; Jenkins & Vermeer, 2013). Another issue is the increase in the number of advisory services among accounting firms (Zhang, Hay & Holm., 2016). Furthermore, some factors also affect independence of internal auditors in the public sector among others are management determines the scope of internal auditor work, internal auditors performing functions other than auditing nature of distribution of task, domineering presence of the executives and so on. If all these factors are properly handled, automatically public sector performance will be efficient, effective and economical. Although, Nigerian government put a body called Presidential Initiative on Continuous Audit (PICA) in place in 2016 to improve the independence of the auditors and aid performance in the public sector.

Presidential Initiative on Continuous Audit (PICA)

Presidential Initiative on Continuous Audit is a new body/office created by the Federal Government of Nigeria in the year 2016 and under the control of the Hon. Minister of Finance, the office is being supervised by an Executive Secretary with the mandate to review and cut down on the Recurrent Expenditure of the Federal Government of Nigeria. PICA adopted an internal audit technique of continuous auditing and validation of controls for early detection of errors and frauds, focusing on risk, advice to management, trigger alarm and recommend way forward to ensure transparency and accountability as well as to ensure compliance with public financial management reforms. Consequently, the achievement and savings made by the PICA since inception are enumerated below

National Nominal Roll as at 15th May 2016

S/N	MDA	Pre-Audit (Staff)	Post-Audit (Staff)	Variance (Staff)
1.	Non IPPIS MDAs	312,427	288,581	23,846
2.	Police Pensioners (PTAD)	220,568	220,016	522
3.	Military Pensions	107,250	88,920	18,330
4.	IPPIS MDAs	4,399	4,022	396
	Total	**644,644**	**601,539**	**43,122**

Source: Presidential Continuous Audit Team

Summary of Savings Recorded by PICA

Payroll as at 15th May, 2016

S/N	MDA	Pre-Audit (N)	Post-Audit (N)	Variance/Savings (N)
1.	Non IPPIS MDAs	24,089,951,070.00	20,485,226,030.46	3,604,725,039.54
2.	Police Pensioners (PTAD)	632,122,000.00	614,761,717.42	17,360,282.58
3.	Military Pension	5,558,609,098.83	4,983,602,396.92	575,006,708.92
4.	IPPIS MDAs	Nil	Nil	21,380,000.00
	Total	**30,280,682,168.83**	**26,083,590,144.80**	**4,218,472,024.03**

Source: PICA Team Report

Note; Additional monthly savings recorded from non IPPIS MDAs as at June 30th, 2016 = **N1, 476,226,061.41**

In summary, the achievements and savings made by PICA on MDAs were as a result of their independent auditing being carried out, together with proper funding and experienced and motivated staff.

Public Sector Performance

Measuring the public's sector performance has lately become an increasingly important topic. In moments of increasing the pressure over the public expenditure, which arise from demographic trends and globalization, improving efficiency, effectiveness and performance should be a priority for any political agenda. Intensive orientation to improve performance in the public sector aims to reduce the tax burden, increase public confidence in the government and increasing the overall productivity. Most studies regarding the public sector performance address the problem of defining and measuring it by external stakeholders. Defining performance in the public sector is however a difficult task which derives from the complex role of the public sector. One way to define performance in the public sector requires the existence of a relationship between objectives, means and results, so performance is the result of the simultaneous exertion of efficiency, effectiveness and of a proper budgeting (Profiroiu, Tapardel & Mihaescu, (2013). Performance in the public sector describes the results of an activity in a specific area or aggregate results from several or all activity fields of a public body, being measured either in absolute terms (as an index) or in relation to the results achieved in the previous periods (Handler, Koebel, Reiss, & Schratzenstaller, 2006). From a theoretical point of view, they mentioned the possible methods for measuring the performance of a public organizations, namely: a) measuring the economy of resources; b) measuring the costs (input); c) measuring outputs; d) measuring the effects (outcomes); e) measuring efficiency; f) measuring effectiveness; g) measuring the quality of services. Although measuring the performance in the public sector hits some obstacles when put in practice: the multidimensional nature of the objectives whose fulfillment level must be measured; the necessary information (Reichelt & Wang, 2010).The performance measurement system is defined as a system that allows making some decisions and implementing some fundamental actions because it is based on quantifying the efficiency and effectiveness of past actions using appropriate information infrastructure (Neely, Adams & Kennerley, 2002).

Current systems for measuring performance in the public sector present some limitations because they are based only on efficiency, effectiveness and economy indicators, which are mainly financial that fail to measure the fulfillment of environmental and social objectives of the public organizations. A solution for this is the transition from the system of the "3 E's" (effectiveness, efficiency and economy) to a system of the "5 E's": Economy, Efficiency, Effectiveness, Environmental and Equity (Chai-Ah & Karlsson, 2010). The construction of some performance indicators in the public sector is a difficult task because not all goals are measurable, so it is often resorted to benchmarking analyzes. Establishing the performance of a public organization can be a difficult task, caused by the difficulties that exist in defining performance: the first difficulty arises from the meaning of the concept of performance; the second from the method of obtaining the performances and the third from the performance evaluation. The difficulty of objectively measuring performance in the public sector is driven by the complexity and multidimensional nature of the concept (Meier, O'Toole, Boyne & Walker, 2007). Ndubusi & Ezechukwu (2017) presented some problems which may represent obstacles in implementing a system of performance measurement in the public sector, namely: communication difficulties, the lack of a necessary analytical skill of the people involved, the lack of skills designed to operate with methods the influence of the political factor. Also, to access the performance of an economy, so many things can be considered among others are promotion of equality among all groups in the society, reaching the target beneficiaries, especially the poor, delivering adequate citizen and community satisfaction, achieving the economic development goals, reduction in corruption level, and reduction in poverty level and so on.

Internal Audit Independence and Performance

Internal audit independence is one of the most critical factors for achieving internal audit quality which invariably determine its effect on the performance, (Alzeban and Gwilliams, 2014). Internal audit independence, a practice advisory board is an instrument that allows internal audit department to function and conduct its responsibilities without interference. Internal Audit (IA) departments required organizational structure that will allow them to operate effectively on strategic organizational operations. That is, if internal audit is strategically positioned and has necessary managerial support, can deal with issues that can improve the organizational performance. However, against this arrangement can raise serious concern about the overall independence of internal audit functions for organizational effectiveness. This is supported by Ahmad and Tylor, (2009), they stated that the fundamental positioning of internal auditor's role results to a challenges in their effort to function independently. Internal auditor's responsibilities were seen as oversight activities which involved monitoring and evaluation of organizational operations. It is considered to be instrumental in guiding and evaluating the performance of an organization (Christopher, 2015). The internal auditor's ability to exercise their responsibilities with a certain degree of independence was very critical to the profession and this challenge is typically the requirement by the corporate governance codes which indicated that internal audit should channel their report functionally to the Audit Committee (AC) of the board or council and administratively to the Chief Executive Officer (CEO) (Ahmad and Tylor, 2009).

However, Cohen and Sayag, (2010) stated that internal audit independence reduces misunderstanding and conflict of interest in the managerial operations. Even though internal auditors are part of the management and equally expected to evaluate the activities of entire management, the required organizational independence allow them to function efficiently to the overall performance of the organization. Chie and Karlsson, (2010) on the other hand opine that threats to auditor's independence undermine the auditors' effectiveness in executing their responsibilities. In an empirical examination conducted by Mihret, James and Joseph (2010) on "the antecedent and organizational performance implication of internal audit effectiveness: some proposition and research agenda" found that internal auditor's independence and organizational performance has significant relationship. Abu–Azza, (2012) equally indicated a positive relationship between internal audit independence and organizational performance in the study conducted on perceived effectiveness of internal audit in Liberian public institutions. Qualitative approach through the use of institutional and matrix theories were employed. Faruk & Hassan, (2014) study on impact of Internal audit quality and financial performance of quoted cement companies by Nigerian Stock Exchange, shows a significant relationship between internal audit independence and financial performance after applying multiple regression analysis. Studies on internal audit independence and organization performance are more glaring in private sectors and which the results of their findings are generally positive and significant, however, public sector are not receiving much attention from researches in which this research has being carried out to fill this lacuna.

Theoretical Framework

Agency Theory

The research work builds on the agency theory by Jenkins and Vermeer (2013) and surveys the most important empirical literature. Agency theory holds a central role in the corporate governance literature. It describes the fundamental conflict between self-interested managers and owners, when the former have the control of the firm but the latter bear most of the wealth effects. Jenkins and Vermeer (2013) original model illustrates this by describing how lower managerial stakes lead to increases in non-pecuniary spending by the managers as they do not fully internalize the costs. Agency theory is a principle that is used to explain and resolve issues in the relationship between business principals and their agents. Most commonly, that relationship is the one between shareholders, as principals, and company executives, as agents. Based on agency theory, in a democracy country, parliament as a representative of the community can be considered as a principal, whereas government is an agent. Both are different institutions and each function is interrelated to the survival of a country. The function of the government itself is providing services to the public in accordance with regulations, while the function of Parliament is to oversee government performance. This will probably lead to asymmetry of information that creates agency problems. The information presented authorities may require verification of the other party. Therefore, an independent party is needed to overcome asymmetry information. In the context of local government, one of the independent parties is regional inspectorate. In this such condition, the regional inspectorate auditors should be able to act independently in carrying out their functions. In order to carry out an audit, auditors of regional inspectorate should have a greater degree of auditor independence. Yusri (2013) reveal that auditor independence might improve the performance of the auditor of regional inspectorate and generally improve the overall performance of the government. Similarly, Augustine (2019) finds that the auditor independence affects the effectiveness of the internal audit and invariably performance of the government.

Empirical Literatures

As earlier mentioned much work has not been carried out in public sector as related to audit independent and performance, and few that are available are more of theoretical in nature, notwithstanding we were able to get those that has been carried out in related areas. Roland and Frank (2009) investigated the use of performance measurement systems in the public sector. They used survey research design through questionnaires to collect data from 101 public sector organizations. Their findings showed that contractibility of performance moderates the relationship between the use of the performance measurement system and performance. Using the performance measurement system for incentive purposes negatively influences organizational performance, but this effect is less severe when contractibility is high. It is also find that an exploratory use of the performance measurement system tends to enhance performance. This positive effect is independent of the level of contractibility. Finally, they found that stakeholders' demands for information on goal achievement lead to a more intense use of performance measurement systems for exploratory purposes.

Egbunike and Egbunike (2017**)** examined the challenges faced by internal auditors in public sector audit in South-Eastern, Nigeria. The study specifically examines whether independence of internal auditors, compliance with set out rules and regulations of public fund management and, improper segregation of duties poses a challenge to internal auditors of public sector entities. The study adopted the survey research design. The population of the study was drawn from accountants and auditors in the offices of the Accountant-General and Auditor-General of Anambra State. The study employed Independent-Samples Mann-Whitney U Test technique in testing the formulated hypotheses. The study found out that while independence and the compliance with set out rules and regulations of public fund management pose a challenge to internal auditors of public sector entities, however, that improper segregation of duties does not pose a challenge to internal auditors of public sector entities. The study recommended that the independence of internal auditors in public institutions should be enthroned. And, secondly, to ensure compliance with rules and regulations of public fund management ensured.

Mburunga, Walubuka and Gichana (2019) assessed the influence of internal auditors' independence on financial performance of listed banks at the Nairobi Securities Exchange (NSE). The study used descriptive survey research design with population of 76 Audit Managers and Internal auditors. A sample size of 76 final sampled subjects was used and respondents selected using Census sampling technique. They used questionnaire for data collection from the target final sampled subjects. Descriptive statistics was employed in the analysis of quantitative data while narratives guided by themes under research were employed in the reporting of qualitative data. Chi Square was employed to test hypothesis. The research established that limited or minimal internal auditors' independence negatively influenced financial performance of listed banks at the NSE. They found out that internal auditors' independence has a significant influence on the financial performance of listed banks. The research recommends that as a measure of enhancing internal auditor independence, commercial dependable banks listed at the Nairobi Securities Exchange (NSE) should invest financial resources in the form of a budget to their internal audit department. Ubaidillah and Widagdo (2018) examined the effect of auditor independence, group cohesiveness, and individual factors on internal audit effectiveness of regional inspectorates. Population of this study is regional inspectorates located in some regencies/municipalities in Central Java Province and East Java Province, Indonesia. They used structural equation modeling by using Smart PLS for their data analysis. The results indicated that auditor independence has a positive and significant relationship with internal audit effectiveness. Interestingly, this study proves that group cohesiveness partially mediates relationship between auditor independence and internal audit effectiveness. Unfortunately, individual factors do not have significant relation with audit effectiveness.

Nyaga, David and Kamau (2018**)** explored the relationship between internal audit independence and internal audit effectiveness in the Kirinyaga County Government. A descriptive research design was adopted. The target population of the study consisted of all the forty-six (46) staff members from the Directorate of Internal Audit of Kirinyaga County Government. Primary data was collected through a self-administered questionnaire composed of closed ended questions. Descriptive and regression analysis were used for the analysis of the data with the help of SPSS. The findings indicated that the audit function was less than independent in evidence analyzed. Regression analysis revealed that internal audit independence had positive and significant effect on internal audit effectiveness at p value ≤0.05. The study concluded that internal audit independence was an important predictor of the effectiveness of the audit function in the county government. The study recommended that the county government ensure that the county directorate of internal audit is autonomous and freely accesses audit evidence necessary in the course of their audit work. The function should not perform non audit work, freely determine their scope of audit, and always functionally report to county audit committee. Nurand Fitri (2015) examined the effect of the independence and competence of auditors on the performance of auditors. The study population was all auditors in Maros District Inspectorate Office. The sampling method is purposive sampling, so that the overall sample used in this study were 25 auditors. The analytical tool used is regression. The data used is primary data, while data collection technique using interviews and questionnaires. Result of research showed that the independence and competence of auditor affect the performance, the value of independence have significance of 0.001> 0.05 and the value of competence have significance 0.005 > 0.05. This proves that the auditor's performance depends heavily on the level of independence and competence of the Internal Auditor in the Inspectorate of Maros**.**

METHODOLOGY

The study adopts a descriptive survey design. The population of this study is the 120 staff in the account department of Federal Ministry of Finance, Abuja. We employed purposeful sampling method and used the total population as the sample size which include 100 accountants and 20 auditors. Primary method of data collection was used through the aid of a well-structured questionnaire distributed to the respondents. 120 questionnaires were distributed out of which 100 were returned.

The model is thus specified as:
PERF = β0 + β1AI

Where: PERF = Performance

AI = Auditor independence
μt = Error term.
β0…β1 = Regression coefficients of the model.
A priori expectation: β1 > 0

The demographic data collected from respondents were summarized into tables and analysis using descriptive statistic (Mean). In testing the validity and the reliability of the instrument Cronbach's Alpha method was used to check the internal consistency of the variables and spearman rank correlation was used in testing the hypothesis of the study. The regression analysis would have been appropriate but because of the nature of the data (ordinal scale) we were unable to use it because it doesn't meet up with some of the assumptions of running a regression analysis (normality) hence, spearman rank correlation was adopted. It is a non-parametric test that is used to measure the degree of association between two variables. The Spearman rank correlation test does not carry any assumptions about the distribution of the data and is the appropriate correlation analysis when the variables are measured on a scale that is at least ordinal.
The following formula is used to calculate the Spearman rank correlation:

$$\rho = 1 - \frac{6\sum d_i^2}{n(n^2 - 1)}$$

ρ= Spearman rank correlation
di= the difference between the ranks of corresponding variables
n= number of observations

4. RESULTS AND DISCUSSION OF FINDINGS

Table 1:

GENDER

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	MALE	53	53.0	53.0	53.0
	FEMALE	47	47.0	47.0	100.0
	Total	100	100.0	100.0	

Source: Researcher computation

Table 1 above, which is the descriptive table of value showing the gender of respondents, from the result, it can be ascertain that 53% of the respondent are male while 47% are female.

Table 2

AGE

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	BELOW 30YEARS	28	28.0	28.0	28.0
	30-40YEARS	46	46.0	46.0	74.0
	41-50YEARS	20	20.0	25.0	99.0
	ABOVE 50YEARS	6	6.0	1.0	100.0
	Total	100	100.0	100.0	

Source: Researcher computation

Table 2 above, which is the descriptive table of value showing the age of respondents, from the result, it can be ascertain that 28% of the respondent are below 30years of age, 46% are between the age of 30 to 40years, 20% are between the age of 41 to 50years and 6% are above 50years, hence we concluded that respondents between the age of 30 to 40years are highest

Table 3

EDUCATIONAL_QUALIFICATION

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	HND/BSc/ BA	62	62.0	62.0	62.0
	MSc. /MBA	37	37.0	37.0	99.0
	Ph.D	1	1.0	1.0	100.0
	Total	100	100.0	100.0	

Source: Researcher computation

Table 3 above, which is the descriptive table of value showing the qualifications of respondents, from the result, it can be ascertain that 62% of the respondent are HND/BSc. / BA graduates, 37% are having MSc. /MBA, 1% are having Ph.D. hence we concluded that respondents having HND, BSc. /BA were highest.

Table 4

PROFFESIONAL_AFFILIATION

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	ICAN	23	23.0	23.0	43.0
	ANAN	50	50.0	50.0	73.0
	NON	27	27.0	27.0	100.0
	Total	100	100.0	100.0	

Source: Researcher computation

Table 4 above, which is the descriptive table of value showing the professional affiliation of respondents, from the result, it can be ascertain that 23% of the respondent are ICAN members, 50% are ANAN members while 27% does not belong to neither ANAN nor ICAN yet. Hence we concluded that respondents that are ANAN member were highest.

Table 5

LENGTH_OF_SERVICE

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1-5YEARS	28	28.0	28.0	28.0
	6-10YEARS	41	41.0	41.0	69.0
	11-15YEARS	16	16.0	16.0	85.0
	16-YEARS AND ABOVE	15	15.0	15.0	100.0
	Total	100	100.0	100.0	

Source: Researcher computation

Table 5 above, which is the descriptive table of value showing the work experience of respondents, from the result, it can be ascertain that 28% of the respondent has 1 to 5years experience, 41% has 6 to 10years experience, 16% has 11 to 15years experience and 15% has 16years and above experience, hence we concluded that respondent that has 6-10years were the highest.

Table 6

MARITAL_STATUS

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SINGLE	41	41.0	41.0	41.0
	MARRIED	59	59.0	59.0	100.0
	Total	100	100.0	100.0	

Source: Researcher computation

Table 6 above, which is the descriptive table of value showing the marital status of respondents, from the result, it can be ascertain that 41% were single, 59% were married, hence we concluded that the single was the highest.

Table 7

DEPARTMENT

	Frequency	Percent	Valid Percent	Cumulative Percent

Valid	INTERNAL AUDIT	16	16.0	16.0	16.0
	ACCOUNTS	84	84.0	84.0	100.0
	Total	100	100.0	100.0	

Source: Researcher computation

Table 7 above, which is the descriptive table of value showing the department of respondents, from the result, it can be ascertain that 16% of the respondent were in internal audit department and 84% were in accounts department, hence we concluded that accounts department were the highest.

Table 8
Reliability Statistics for Audit independence and Performance

	Variable	Cronbach's Alpha
AI	Auditor's Independence	0.988
PER	Performance	0.998

Source: Researcher computation

Using the rule of Frank and Hassan (2014), the table 4.8 above which shows the reliability test of the variables auditor's independence and performance. The result for the variable shows an excellent result of 0.988 for auditor's independence and 0.998 for performance. Based on this we assumed that the degree to which an instrument yields is consistent.

Test of hypotheses

Decision rule: we accept the null hypothesis if the probability value for the coefficient alpha rho is >0.05 significant level and otherwise we reject the null and accept the alternate hypothesis

Hypothesis I

Internal Auditor independence does not have any significant relationship on the performance of public sector in Nigeria.

Table 9
Correlations

			AI_M	PER_M
Spearman's rho	AI_M	Correlation Coefficient	1.000	.634**
		Sig. (2-tailed)	.	.000
		N	100	100
	PER_M	Correlation Coefficient	.634**	1.000
		Sig. (2-tailed)	.000	.
		N	100	100

**. Correlation is significant at the 0.01 level (2-tailed).

Source: Researcher computation

From the table 9 above, focusing on the performance of the correlation coefficient above, we observed that the value for the correlation coefficient is 0.634 which shows a moderate positive relationship and the p- value shows 0.000 which means the relationship is statically significant. It is significant both at 0.05 and 0.01 alpha values. This implies that there is a moderate positive and statically significant relationship between auditor's independence and performance in public sector in Nigeria. Based on this premises we reject our null hypothesis 1 that says, there is no relationship between auditor's independence and public sector performance in Nigeria and accept our alternate hypothesis that says there is relationship between auditor's independence and public sector performance in Nigeria.

Discussion of Findings

The empirical analysis show that there is a moderate positive and statically significant relationship between auditor's independence and public sector performance in Nigeria, which also supported the research of Mburunga, Walubuka and Gichana (2019) and Roland and Frank (2009). Although no work was found that contradict our result because much work has not been carried out in this area.

CONCLUSION AND RECOMMENDATIONS

The importance of audit independence cannot be overemphasized both in private and public sectors of any economy because of the greater role that it can play in the performance of the organization. From the review of this paper, it has been shown that auditor's independence has a positive and significant relationship on the public sector performance in Nigeria. Therefore, the results strongly support and encourage auditor's independence so as to achieve better performance. The following recommendations were proffered from the conclusions of this study:

i. The Public sector (ministries, parastatals and agencies) should encourage and put better procedure for auditor's independence so as to improve their performance.
ii. Also, policies that can improve Internal Auditor's independence should also be put in place to help in reduction of corruption in the public sector.

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Effect of Information Management System on Revenue Generation in Nigeria

OKWOLI, Sunday

Department of Accounting
Bingham University
Karu, Nasarawa State
E – Mail: sokw7524@gmail.com, Phone No: +234 8089962543

Abstract

At the inception of business environment, it was all man and organization both in public and private sectors in respect of the desire for huge revenue intended to be generated. Little or complete absence of technological involvement or application for enhancement of performance leading to increase in revenue generation was conspicuously in place. While private business organizations need adequate funds to remain afloat in business, the government at the other extreme end needs funds to meet its daily increasing financial obligations involving both capital and recurrent expenditure respectively for the benefit of its citizens. This, therefore, necessitates the need for galvanizing effort towards enough revenue generation to cater for financial loads that are being shouldered by the government. The study concludes that MIS has come to stay in social organizations particularly in revenue generating business set up both in private and public sectors. It is therefore recommended that there is a need for continuous integrating of same for effective functioning of the whole organization.

Keywords: Man, Organization and Technology

INTRODUCTION

To say that either business organization or government is not in search of ways and means to improve performance in its operations resulting to increase in revenue generation is not only fallacy but absolutely an understatement. The quest for efficient and effective performance with its resultant effect in increasing revenue generation makes Management Information System a necessity of all organizations and even government and its agencies, especially those shouldered with the responsibility of raising or generating revenue for the government; for example, Nigerian Ports Authority (NPA), Federal Inland Revenue Service (FIRS), Nigerian National Petroleum Corporation (NNPC), Stock Exchange Commission (SEC) just to mention but few. The initial concept of MIS was to process data for the organization and presents it in the form of reports at regular interval. The concept was further modified when a distinction was made between data and information. Information is a product of analysis of data, which is similar to raw material and finished product. What is needed is information not a mass of data! According to David M. Kroenke of University of Washing I his book "Using MIS", MIS is defined as " the development and use of information system that help business achieve their goals and objectives" and that system is "a group of components (hardware, software, data, procedures, people) that interact to achieve some purpose. Organisation uses information in many ways to reduce business risk and help managers make decisions. It is safe to say that today; information system can mean the different between success and bankruptcy for many organizations. The purpose of information system in modern organization is to carry information system three functions: handling the present, remebering the past and preparing for the future. Regardless of how well transactions are processed or the resulting data are stored in organisational memory along with information and knowledge, if employees and managers do not make good decisions, the survival of the organization can be in doubt. In the 1970s, managers realized that they could use computer-based information system for planning, control, decision making, and problem solving, rather than just for reporting transactions. The new types of information system came to be known as Management Information System, or (MIS).

The importance of the management information system in generating revenue for government was, for instance, strongly emphasized in 2013 by the then Managing Director (MD) of the Nigerian Ports Authority (NPA), Mallam Habib Abdullahi at the commissioning of the Port Information Management System (PIMS) for the Lagos Port Complex, Apapa, Lagos, as "a bid to fulfil Nigerian Ports Authority (NPA) goals of disseminating real time and accurate information that will enhance efficient service delivery in the nation`s Seaports". This was buttressed by the Project Consultant, Mr. Fredrick Agbai that "the system provides real time information on ship arrival on daily basis, including the agents husbanding the vessels. messages on operations at terminals, and so on". The saving of cost by MIS was further supported by the NPA Executive Director, Maintenance and Operations, Engineer David Omonibeke, that "the system provides a first hand information to enable them act proactively and at the same time save cost". In the 1st Quarter of 2013, for eample, the Nigrian Ports witnessed increased Gross Tonnage pf Coastal Vessels And Laden Container. Laden Container Throughout was 216,110 TEUs, a growth of 2.9% over its 1st Quarter of 2012 figures of 210,057 TEUs (Nigrian Ports Today, Pg.25; vol.1 No.9 ISSN 2276-6413 J, 2013). Cargo Throughput: in 2014, a total of 86,603,903 metric tonnes of cargo were moved through Nigeria Ports, showing a increase of 12.64 percent over the 2013 figure of 76,886,997 metric tonnes (Operational Reports, pg.58, Nigerian Ports Today vol. 4 No.16 April 2015). The combination of the efforts of man with the aid of technology carried on data result to information that enhance performance leading to high productivity at diminished cost and high revenue.

LITERATURE REVIEW

Conceptual Framework

Conceptual of Man

According to Concise Oxford English Dictionary, Luxury Editio, Man is s a male member of a workforce, team, etc. Economically, man (labour) is considered as a factor of production. Man therefore, is at the entre of productivity processes. The MIS concept was initially to process data (by man) for the orgnisation and present same in report form at regular interval. The involvement of man in data processing constitutes a central element in making data to become information. Patrick Mckeown (an English Author) "Information and Technology The Network Economy" opined that regardless how well transactions are processed or the result data are stored in organisational memory along with information and knowledge, if people, the employees and managers do not make good decisions, the survival of the organization can be in doubt". Of course, the result is decrease in revenue generation. The synergy between man and technology in management I nformaiton system was emphasized by Effy Oz (Fourth Edition) thst omputers carry out instructions given to them by humans. It process data accurately at far greater speed than people can, yet limited in many respect – mostly importantly they lack common sense. He is of th opinion thzt notwithstanding, combing the strengths of these machines with human strengths creats synergy. No independent decision or formulation of steps problem-solving except programmed to do so.

Concept of Organisation

According to Ndulue (2011), orgaisation as a function is "the process of identifying an grouping of the works to be performed, defiing and delegatiting respeonibility ans authority an tablishing relationships for the puropos of enabling people to work most efficiently". Effy (2012) revealed that Information system in organization is made up of data, hardware, software, telecommunications, people, and procedures, computers, collections, store and process data into information according to instructions people provide via computer program. This assertion is upheld by Lambe Isaac (Dr) under the "Concept of Information Communication Technology (ICT)" of his book Computer Application And Data Processing (pg. 61). Information is used in organization in many ways to reduce business risks. Failure of an organisation to process transactions accurately and in a timely manner, it will not continue to exist for very long.

Concept of Technology

The involvement of technology in disseminating messages (information) gave rise to the Information Communication Technology (ICT) that has today come to stay and becomes one of the cornerstones of every organisation either business or non-business, profit-making or non-profit making entity. Lambe Isaac (Dr) (2018) in his aforementioned book (pg. 61), stated that "Information and Communication Technology basically refers to the tecnologies designed to access, process and transmit information". The United Nations Development Programme (UNDP) defined ICT as "the building block of the networked world. Relating it to the management information system therefore, it is entirely agreeable with Lambe Isaac (Dr) in his assertion that "generally ICT stands for various technologies used to collect, store, order, edit, process and pass on information necessary in implementation of predetermined task", business the computerization of business processing system in generating information for the people in the organization to meet the information needs for decision making to achieve objectives of the organization makes MIS not out of place in the organizational system. As an attestation, the Nigerian Ports Authority (NPA) recorded in 2014 a total of 9,603,903 metric tonnes of cargo movement through out Nigeria Ports, showing an incease of 12.64 percent over thde 2013 figure of 76,886,997 metric tones (Operational Reports, pg.58, Nigeria Ports sToday Vol.4 No.16 April 2015).

The Federal ministry of Finance in its publication "National Tax Policy (April 2012)" emphasized the importance of MIS when it was said inter alia that "in addition, there shall be the use of technology and related systems in tax administration particularly in the payment and collection process (pg.22). A further attestation was revealed by the Federal Inland Revenue Service (FIRS) in it 2009 Annual Reports and Accounts: Information and Communication Technology that "the departmn achieved a lot in the area of system/internet/web portal availability for all FIRS offices (pg.33). The Revenue Analysis; In 2009 total collection of all taxes stood at N2,196.47 billion compared to N2,972.1 billion in 2008. The performance surpassed the budgeted revenue target of N1,908.97 billion by 15%. Non poil contributed 57% to the total collection as against that of oil revenue of 43% (pg.36). The Annual Report Table 5.0 below shows Budget and Actual Collection for 2009, as an instance:

Table 1: Budget And Actual Collection, 2009

Tax Type	2008 Actul Collection (N`B)	2009 Budgeted Tax Revenue (N`B)	2009 Actual Tax Collection (N`B)	2009 Performance Against Budgeted Tax %
PPT	2,060.88	638.78	939.41	47.06
CIT	420.58	587.00	600.59	232
VAT	401.74	580.00	481.41	-17.00
EDT	59.47	63.11	139.53	121.09
Consolidation	26.97	35.67	28.71	-19.51
NITDEF	2.46	4.40	6.82	55.00

Total	2,972.10	1,908.96	2,196.47	15.06
Total Non Oil Collection	911.22	1,265.75	1,250.24	
4% of Collection	36.45	50.63	50.07	

Source: FIRS 2009 Annual Reports and Accounts.

All the Taxes had a strong performance. Petroleum Profit Tax (PPT) exceeded the Government`s target by 47.06%, Companies Income Tax (CIT) also surpassed target by 20.32% while Education Development Tax (EDT) and NITDEF levy were 121.09% and 55% above budget respectively (pg.337)

Empirical Review

Lambe (2018) emphasized on the gains of using information system to reduce cost when he said in his book mentioned (pg.70) under Electronic Commerce that “one of the advantages of e-commerce is the reduction of transaction cost”. The central objective of MIS is to provide information to every resource of company so that they can make an instant decision. The application of management information system in organisation for efficient and effective daily operations which lead to the high performance at reduce cost and increase in revenue generation is upheld by the Federal Inland Revenue Service (FIRS) in its publication of 2012 titled: “Federal Inland Revenue Service and Taxation Reforms in Democratic Nigeria”, that “automated processes would minimize or eliminate leakages in the system, which may be due to error or misconduct on the part of officials or taxpayers, safeguard the integrity of the system and lead to greater professionalism on the part of tax officials and greater confidence on the part o taxpayers (pg.25). The NPA Executive Director, Maintenance and Operations, Engineer David Omonibeke (in the aforementioned NPA publication) affirmed this when he said that “the system (MIS) provides first han information to enable them act proactively and save cost”.

Ayem, G. Terna and Igoche, B. Igoche (Fundalmentals of Computer Organization and MIS) agreed that the production of appropriate information system is the goal of MIS for the end users. The producing of feedback about organization`s input, processing, output and the system and meeting of established performance standards are factors that reduce costs and increase revenue generation. Without information, they said, no organization is capable of survival and generates revenue. The importance (and management) of information is empathized by (Scann 1982), for any modern organization leading to increase in productivity and efficiency. Lucey (2011, Ninth Edition, Management Information Systems) under the “Closed systems and open systems” emphasized on the interaction of the business organization with its environment as it receives inputs and influences from its environment, and in turn passes back output and influences to the environment. The organization`s adapt to changes in the environment is the key element in an organization`s success and its very survival cum revenue generation. He is further of the opinion under “The nature of planning and decision making and technique available” that the primary task of management is planning and decision making. The application of MIS has assisted management in planning as a process of deciding in advance what is to be done and how it is to be done.

Theoretical Review

Richard (2014) in his Organizational Theory and Design agreed with the strong impact of MIS on revenue generation in the service sector or functional business areas. He was of the opinion that information system play such a central role in the service sector that they are often the backbone of service organizations such as banks that use Automated Tellers Machines (ATMs). The harmonizing of Information Technology (IT) to increase productivity through the usage of MIS by service sector are more than any other sector. David M. Kroenke, in his book: “Using MIS”, emphasized on the uses and development of MIS that helps businesses achieve their goals and objectives – by extension: profit making (revenue generation). Lambe Isaac (2018) pointed out (some) benefits of application of ICT business and E-Commerce resulting to fast communication within firms, and thus make the management of organization`s resources more efficient. Lucey (2011) recognizes the effect of MIS on revenue generation that is borne out of the need for changes in line with environmental dynamism. He is of the view that "the existing work patterns and practices need to be updated more pr ess continually to keep paced". He further opined I his "theory for the drive for productivity and quality" made another that "the drive for productivity is also apparent in numerous service industries; tht the improved method and use of information technology have enabled, (for example) banks and building societies to increase business". He further attested to the fact that MIS acts an aid to monitoring and control by providing information about performance and extent of deviation from planned levels of performance.

Lambe (2018) writing on Contemporary Issues in Computer Forensic and Accounting did acknowledge the role of hardwares as MIS tools, that have their own tools for recovering or carrying out deleted data that have already been collected, processed and stored in the computer for management decision and future use. This aversion of manipulation of financial records certainly helps the organization to maintain its actual cash levels and working capital for expansion and growth. BUJAB (2020) under the Impact of e-Payment Systems on the Management Of Public Fund in Ngieria, amplified the voice of Nwankwo (2009) assertion that "e-payment involves the use of web-based technologies a d electronic communication (information) networks for payments for goods and services", - thereby facilitating business transactions, reducing processing costs and increasing efficiency.

METHODOLOGY

This study is to examine the extent to which Management Information Systems (MIS) has effect on revenue generation in Nigeria. The study design adopted herein is predominantly exploratory, using secondary; data are sourced from books of authoritative Authors and Journals/Annual Reports of reputable organizations and that of a reputable University.

RESULT AND DISCUSSION

The birth of MIS into the business environment is not as old as business itself, This is because the former (MIS) is a child of necessity for ll business for the purpose of enhancing performance , reducing cost effective control and assist mnzgmdnt in decision making. Notwithstanding, it is fast making in-rod into all sectors of social organizations. Conceptually, MIS is associated with man, machine, marketing and methods for collecting information from internal and external service and processing this information for the purpose of decision making of the business. It is no doubt that MIS provides the data to identify non-performing and leads to better business productivity and efficiency, better decision making, better communication and better data and better knowledge of customer need. Terna & Igoche readily recognize this when they said that for organization tp reach its objectives, it must be able to plan, control, coordinate its activities which are achieved by the data processing or information system within the organization. With what MIS stands to achieve, it has some pitfalls such as "No management to build upon as MIS must be built on top of a management system which includes the organizational arrangements, the structures and procedures for adequate planning and control, the clear establishment oF objectives and all other manifestations of good organization and management. Another pifll I "understanding what kind of business the organization is into" it; as not having the crispy stated mission and purpose for the company or organization is a c ommon weakness. "Orgaization of MIS Functions" is also a factor that stands tall in front of management of various organizations. The lack of proper organization of the EDP and MIS constitute a significsnt cause of computer failure.

CONCLUSION AND RECOMMENDATIONS

The incapability of an organization without MIS is not an understatement. Obviously, it is nothing than total embracing Of management information system. MIS havig been operatig smoothly for a short period Of time, calls for an evaluation of each step in the design, and final system of performance should be made without delay. The evaluating should not be delayed beyond the time when the system analysts have completed most of the data debugging as longer delay will make it difficult for the designers to remember details. Identification of cost savings and increased profit directly should be attempted by the designers. Since information is the raw material of decision making, and if information is not generated, disseminated and used for management, then no system – manual or computer is going to solve the problem.

Understanding the mission of the organization will avert it from being shaken and seeing any major challenge as a complete new challenge, and must be analyzed from groud up. In order not to make chances of MIS satisfying management needs unsuccessful, the business objectives must be clearly stated. There is no discuss of MIS without mentioning of people, and since there is no substitute for competence, good performers of people will worth the price. To avoid computer failure, there should be proper organization of EDP and MIS. Knowledge Management (KM) is vital in MIS. It is the process by which an organization formally creats, gathers, organizes, and analyses, shares and applies the knowledge in terms of resources, documents, experiences and people skills. Knowledge which is derived from previous understanding and experience, enables information to be processed and used more effectively in solving managerial problems. In conclusion, MIS has come to stay in social organizations particularly in revenue generating business set up both in private and public sectors. The justification for the advent is seen from its stand as a means for feedback and feedforward! Positive feedback causes the system to amplify an adjustment or action. On feedforward, a close examination of any real system such as a private or public sector organization will show that there are two types of control loops: feedback loops which monitor past results to detect and correct disturbances to the plan, and feedforward loops which react to immediate or forthcoming dangers by making adjustments to the system in advance in order to cope with the problem in good time.

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Impact of Management Information System on E-Commerce and Digital Markets

NEV, Juliet Mure

Department of Accounting
Bingham University
Karu, Nasarawa State
E – Mail: nevjuliet0@gmail.com, Phone No: +234 9093244713

Abstract

Digitization is having profound effects on how enterprises function. Its impact on accounting is growing as the rise of the internet, mobile technologies and digital economy tools generate depth, breadth and variety of data that far exceed what researchers have had access to in the past. The continuous expansion of electronic commerce in the last years and the fact that the Internet has become an indispensable tool in everyday life, building a quick and easy connection for business, prompted us to investigate the implications of e-commerce and the digital markets. But whilst social scientists interested in organizational issues are starting to question conventional methodological approaches to the study of contexts where digital data forms are drawn upon, little such concern has been voiced in the management information literature. This paper seeks to explore the continued applicability of conventional methodological thinking when carrying out investigations within digital data environments to inform management information system and also aims at the impact of digital markets and e-commerce accounting operations in the context of faster development of Internet transactions. The need for this study is determined by the current context, where social networks are used increasingly successful as platforms for electronic business promotion.

Keywords: Management Information System, E-Commerce, Digital Markets

INTRODUCTION

Ecommerce (Electronic commerce) involves buying and selling of goods and services, or the transmitting of funds or data, over an electronic network, predominantly the Internet. E-commerce (Electronic commerce) is a paradigm shift influencing both marketers and the customers. Rather e-commerce is more than just another way to boost the existing business practices. It is leading a complete change in traditional way of doing business to an advanced way of business in a digital market. A massive internet penetration has added to growth of E-commerce and more particularly start-ups have been increasingly using this option as a differentiating business model. Moreover E-Commerce has significant influences on the digital market. The impact of electronic commerce on the social and economic environment is treated in a number of research papers and studies, but very few deal with the fiscal and accounting issues risks of transactions on the economies of various countries.

The measurement of organizational efficiency underscores in real terms the viability and feasibility expectancy of that organization. How profitable and effective an organization becomes is a matter of how competent the overall management is. In other words, organizational competency is heavily anchored on its efficiency while efficiency itself is a function of effectiveness which are both jointly used to appraise the consequential outcome of the operational activities of an organization. Efficiency is less precise and more definite than effectiveness because it denotes the relationship existing between inputs and resultant outputs. In a comparative analysis of corporate efficiency, Kax and Kahn (1987) as cited in Okeke (2000) states that more efficient organizations produce more outputs, for the same amount of given inputs; and, therefore, performs financially better. Therefore, efficiency and effectiveness are the basic properties upon which Business or Management Information System such as accounting must be propelled.

LITERATURE REVIEW

Conceptual and Empirical Discussion

Management Information System (MIS) exists to provide managers with tactical, strategic and operational information that they require in the day-to-day running of their various organizations. The objectives of a good management information system are to provide cutting-edge decision making information to the organization's management at; the shortest possible term; the lowest possible cost; and with The least ambiguous terms. Where information used in decision making is inaccurate, surely the outcome of the decision would be failure also if the data used in processing the information employed in the decision process is already stale, then the same measure of failure in the decision outcome is expected. In this contemporary corporate world of fast business and competitive opportunities, a good management information system (MIS) embedded in cutting edge information technology is deployed to gain competitive edge and fast-forward the progress and economic development of a firm or industry. If we are to view accounting as an instrument of attaining accountability, then accountability itself plays the most important role towards the growth and sustenance of any entity by:

- Ensuring proper application of the organization's assets and other resources;
- Protecting the entity's assets;
- Preventing the misappropriation of the entity's liquid assets;
- Protecting the organization from unnecessary liabilities and litigation;
- Ensuring the accuracy and dependability of all financial records and operating information;
- Analyzing and comparing operating efficiency and ensuring adherence to the organization's established policies.

For accounting to play its roles in an organization successfully, the accountants must recognize their full expectations which are outlined as follows:

- Preparing and communicating financial and managerial accounting information to the various users;
- Assisting management with relevant information to curb or eliminate wastage;
- Setting up and running an efficient system of internal controls;
- Preventing and investigating frauds;
- Treasury management;
- Tax planning and inventory management;
- Securing the assets of the organization.

The above list is not in any way exhaustive as modernity has tended to perpetually expand the responsibility of the contemporary accountant. However, the quality, accuracy and timeliness of the managerial information generated will determine the success and the effectiveness of the decision to be taken with them. This is the main area of concern to the accountant. It is also the reason why most of the author's scholarly works centered majorly on producing efficient and effective foundational platforms upon which managerial decision variables and reports are based. The basis for the measure of performance using capital employed was also improved upon by the author through the introduction of the Enhanced Return On Capital Employed (EROCE) with a study which proved that the most effective Return On Capital Employed (ROCE) can only be achieved by measuring the Profit Before Tax (PBT) against the actual amount spent on generating the profit – the total operating cost, rather than the capital employed at the end of the financial year (Enyi, 2006). These claims are boldly supported by evidences of global applicability of the new innovations through confirmatory and comparative research findings from jurisdictions such as India, Malaysia, Philippines, Iran, Turkey, Kenya, UK and even by local researchers here in Nigeria (Ghodrati & Ghanbari, 2014; Adeleh, Hamidreza & Enyi, 2014; Edy-Ewoh, 2013; Singh & Asress, 2010).

Users of accounting information can be broadly classified into two – internal and external. Internal users are those persons who take decisions on the kind, type, and quantity of resources available and the way the resources can be applied to achieve the organization's objectives. External users consist of shareholders, potential investors, suppliers, creditors, state agencies and the public. More than before, Nigerians are becoming increasingly interested in investing in the organized business environment. This is evidenced in the quantum of trading that takes place on the floor of the Nigerian Stock Exchange (NSE) especially between the years 2003 and 2009. To be a successful investor you need the financial information of the companies which shares are traded in the market. Making this information available to all at the right time is the primary responsibility of the directors through their accountants. The introduction of the first commercial computer named ENIAC (Electronic Number Integrator And Computer) by the International Business Machines (IBM) in 1945 gradually changed the modus operandi of accounting as this noble discipline was one of the foremost application to which the new number crunching monster was initially deployed. ENIAC was followed in 1951 by UNIVAC (Universal Automatic Computer) by John Presper Eckert and John Mauchly. It was noted that these were indeed gigantic machines used traditionally for scientific applications compared to what we now see as computers today. Thereafter, many others of more power, speed, smaller sizes and more defined applications were developed. This was then followed, of course, by more user friendly operating systems and not too long ago, the Internet.

These more powerful computers, software, graphics, networking capability – including the internet, have helped organizations worldwide to become more flexible and highly responsive to the needs of the business world giving power to both shop floor operatives/workers and their management. In the opinion of Alter (1996), Information and Communications Systems enable new forms of organization, new ways to work and new ways to compete. They give new meaning to everyday things such as money, books, offices, advertisements and entertainment through YouTube and other internet based social networking. Awoyelu (2001), noted that Nigerian banks improved their effectiveness and competitiveness through the use of Information and Communications Technology, which resulted into fewer and shorter queue lines, customer satisfaction, elimination of the need to carry bulky amount of money to do business in distant locations as it is now possible for a customer whose account is in a Sokoto branch to withdraw from or pay-in money into his account at another branch of the same bank at Aba. Due to the immense benefits of the computer already being enjoyed and the fast rate at which ICT is evolving, Professor S. Moore of Cambridge University argued in 2004 that by the year 2010 the world would be immersed in a sea of miniature computers. With the influx of Smart phones, iPads and palmtops; needless to say that his prophesy has come to fulfillment even before that time. To stress more on the contributions of digital accounting, a new wave of online businesses recently sprang up among urban dwellers in Nigeria; this is called online marketing or E-commerce with chains of virtually connected stores.

As posited earlier, accounting was one of the earliest beneficiaries of the introduction of the digital computer and accountants have equally risen to embrace the benefits offered by the digital machine. As early as 1979 the duo of Dan Bricklin and Bob Frankston invented the electronic spreadsheet which in their explanation is intended to replace the accountants' *pencil and columnar analyses sheets and pads*. A spreadsheet is a popular program used to analyze numeric information which helps to make meaningful business decisions possible. However, before the advent of the electronic computers, businessmen and their accountants were known to have relied on accounting aids or instruments to help manipulate large numbers, manage their cash and credit resources and balance their books. The ancient scribes (accountants) and their employers (kings, emperors and businessmen) made extensive use of the Abacus and Napier bones in their day to day analysis of their business transactions, tax collections and management of entrusted resources and fortunes. It is noteworthy that the principles underlying the computational operations of the Abacus which origin is still the subject of some debate and Napier bones developed by John Napier (a Scot) in the 17th century helped in the eventual development of the modern day electronic computer.

METHODOLOGY

By means of an exploratory approach, the Impact of Management Information System on E-Commerce and Digital Markets is examined. The contemporary discussions around this phenomenum which cannot be overemphasized are all articulated in the discussions.

RESULT AND DISCUSSION

The electronic spreadsheet application is an automated version of the traditional accountant's columnar ledger sheet or pad. Spreadsheets are used by accountants (now extended to non-accountants) for a variety of applications ranging from share price analysis, sales, inventory, and expense analyses, production planning and monitoring, budgeting and budgetary control, cost estimation to simple household record keeping. In the words of Haag and Perry (2002), under the manual method, changes made to a hard copy worksheet can take a lot of time to be effective for even the simplest alteration because many values that are dependent on the change must be recalculated afresh. However, with electronic spreadsheet changes made automatically triggers the recalculation of the values in all dependent cells. This is achieved by the use of formulas and cell address references. VisiCalc is probably the first commercially available spreadsheet; there are many others in use today. These include; Multiplan; Lotus 123; Quattro; and Microsoft Excel. Of those mentioned Microsoft Excel remains the most popular and is fully integrated with other members of Microsoft Office business suites. Today, with a plethora of other system based accounting packages in use all over the world, it can be rightly argued that the digital age has helped to break the managerial information barrier. This is because all the three major requirements of a good management information system have been met. Information processing is now being done at [economically affordable costs], [when required] and [as required]. We buttress our argument here by making reference to some of the contributions of the digital age to accounting and general information processing; Reduction in routine clerical activity through automated documentation e.g. placement orders online, acknowledgment of correspondences, Provision of accurate and up-to-date essential for routine decision making; Improvements in managerial exception reporting; Automated budgetary control and variance analysis; Coping with heavy and fluctuating workload; and Reduction in order and transaction processing time.

The list is endless as there seems to be more and more electronic payment and receipt accounting solutions being churned out on daily basis. Still on the benefits of e-payment, Okwuke (2013) quoting the then Central Bank of Nigeria (CBN) Governor, Mallam Lamido Sanusi indicated that electronic payment in Nigeria surpassed the ₦1trillion mark in the first half of 2012. This he stated resulted from the increased use of e-payment channels for transactions. In the same period, CBN reported that the value of electronic payment transactions rose by 32.8% to ₦1.01471trillion up from ₦764.14billion of the same period in the previous year. To clarify the terminologies used in electronic finances, Ayo (2009) stated that there are two types of payment systems in electronic payment – e-payment, which is used mostly in conjunction with e-Commerce and m-payment which is used in m-commerce.

Just as the Sovereign Lord created everything male and female, positive and negative; there is also the other side of the digital age despite the overabundance of its positive benefits on accounting. The over-simplification of the accounting information generation and retrieval system gave rise to a number of hitherto unforeseen problems. These include:

- Increase in fraudulent activities as criminals tend to take advantage of less human control and over-exposure of important private information on the web or other public networks to hack into business financial databases and falsify or steal valuable information (remember the 419 or yahoo-yahoo boys);
- There are instances where information processed with the computer was based on faulty operating software thereby producing information with spurious accuracy; and if that is the case, of what use would that information be to the decision maker?
- Not all activities requiring financial analysis can be computerized; some of these activities may be so complicated and algorithmically distorted that only the complexity of human thinking can handle such;
- Computerized transactions leave less audit trails than manual transactions; and these may be required in certain circumstances and at certain periods to help in internal managerial analysis;

- In a society where basic infrastructure like electricity is at short supply, using computers to process accounting transactions could lead to problems worse than the manual method;
- What about education? The fact that about 60% of Nigerians are illiterates is already a natural barrier; and even among the so called educated persons, how many are computer literate?
- Information stored on computer media can easily be lost without hope of replacement; and
- The rapid development associated with the computer industry could lead to infrequent changes in computer hardware and consequently making the changeover from one system to another unpalatable.

CONCLUSION AND RECOMMENDATION

It will be evident that the world of accounting has embraced the digital age. This is visible from every aspect of modern business transactions. Most other organizations have followed suit as no entity want to be left behind in the digital race. To truly remain in contention, every discerning business entity must endeavor to embrace a responsive financial information processing system that can take advantage of favorable global economic events and ward off unfavorable ones. Accounting in the digital age has helped to leapfrog the benefits of doing business by creating values for corporate and non-corporate stakeholders far in excess of its costs. The digital age through the application of the internet or world wide web (www) has made the world a global village with this development, one does not need to physically visit a shopping complex to get his/her shopping done and so also with banking. All that one has to do to shop or bank is simply to own a smart phone. The author can proudly say that he makes most of his banking and shopping transactions at the very comfort of his bedroom. Needless to say that such new form of online businesses have quadrupled the economic benefits of productive activities in Nigeria and has opened up new employment opportunities for the youths. Ovia (2005) also agreed that e-payment has greatly enhanced the efficiency of transactions and payment system in Nigeria.

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Impact of Contributory Pension Scheme on Workers' Investments and Savings in Nigeria

ABDULKADIR, Magdalene Ugwuatuamara

Department of Accounting
Bingham University
Karu, Nasarawa State
E – Mail: megkad@yahoo.com, Phone No: +234 8036072470

Abstract

This paper analyses the Impact of Contributory Pension Scheme on employee savings and investment in Nigeria. The study derived its source of data mainly from Secondary Data and not a Primary Data. The paper concentrated on information and data on publications from National Pension Commission (PENCOM), from Journals from Insurance Brokers, Pension Fund Custodians, Pension Fund Administrators, Office of the Accountant General of the Federation and Pension Transitional Directorate (PTAD). The information gathered from majority of the publications showed that, younger people in both the Public and Private Sectors who commenced work shortly before the advent of the Contributory Pension Reform or Scheme or those who commenced work in 2004 or beyond will save more of their contributions since they have longer years in the service compared with workers who worked a longer years before the advent of Contributory Pension Act in 2004. The Defined Benefit Pension Scheme which is unfunded but totally provided in the Annual Statutory Budget is administered by the Pension Transitional Arrangement Directorate (PTAD), which will exist until the last pensioner under that scheme is dead. Accrued Pension Liabilities which attract a coupon rate 5% kept as a Bond with the Central Bank of Nigeria are also paid to Employees who were in service on or before the advent of the Contributory Pension Scheme on the 30th of June, 2004, repealed and re-enacted on the 1st of July, 2014 and are also part of the Contributory Pension Scheme. The study therefore concludes among others that the Nigerian Government should create more awareness and enlightenment campaign on the workers' contributory pension scheme geared towards retirements. The scheme also encourages personal contribution, above the mandatory contribution of 8% by the Employee and 10% by the Employer as re-enacted in 2014.

Keywords: Pension Schemes, Contributory Pension Scheme, Defined Benefit Pension Scheme

INTRODUCTION

There is no gain saying the fact that individual and collective savings and investments are key to individual and family development including National Development. Contributory Pension Scheme ensures that a savings habit when imbibed by workers will lead to investments necessary for economic development. Moreover, the benefit provided by pension scheme like tax incentives for both Employers and Employees encourages savings among the Employees (Adetola, 2006). Accordingly, he further posited that since pension scheme saving is long-term in nature, it is useful as a macro-economic tool for National Development through the investment process, which in turn promotes economic growth. A Pension Fund is any collective arrangement or scheme which has the objective of providing retirement benefits for working persons either in the form of regular income during retirement years or a lump sum at retirement. Pension Funds are usually established by the constitution with the declaration that the funds would be managed in accordance with the rules governing the fund. The reason why Employers offer pension benefit is mainly to attract Employees; meanwhile, Employees rely on retirement benefits as a form of financial security during period of retirement.

Nigeria had operated a Defined Benefit Pension Scheme which was largely unfunded and Non-Contributed before the enactment of the Pension Reform Act of 2004, which establishes a contributory pension scheme for all Employees in Nigeria. However, it must be noted that the earlier pension scheme led to massive accumulation of pension debts and lack adequate and timely budgetary provisions, as well as increase in salaries and pensions. The administration of the scheme was very weak, inefficient, less transparent, leading to bureaucracy and highly liable to corrupt practices. Due to lack of reliable records of pensioners, huge amount of resources on what became yearly verification exercises were expended which did not result into the timely and efficient payment of pension benefit. In the private sector, on one other hand, the employees were not covered by the pension schemes put in place by their employers and many of these schemes were not funded, where the schemes were funded, the management of the pension funds was full of malpractices between the fund managers and the Trustees of the Pension Funds. This bad scenario within the pension administration led the Nigeria Government in the year 2004 to introduce a pension scheme the Government believed would be sustainable and has the capacity to achieve the ultimate goal of providing a stable, predictable and adequate source of retirement incomes for each worker in the country (Eme and Uche, 2014). The Pension Reform Act of 2004 ushered in a Contributory Pension Scheme (CPS) that is fully funded, privately managed and based on individual accounts for both the public and private sector Employees in Nigeria (PENCOM, 2005). The Act also established the National Pension Commission (PENCOM) as the sole Regulator and Supervisor of all pension matters in the country. Under the new contributory scheme, the Employees contributed a minimum of 7.5% of Basic Salary, Housing and Transport Allowances and 2.5% for the Military, while the Employers contributed 7.5% in the case of the public sector and 12.5% in the case of the Military. But in 2014 when the Contributory Pension Act was re-enacted, the contribution rates were increased to 10% for the Employers and 8% for the Employees, translating to a total of 18% from the 15% that it was in 2004. The Military was eventually exempted or removed from the contributory pension scheme and placed back to the Defined Benefit Pension Scheme funded through the Annual Statutory Budgetary Allocation managed by Military Pension Board. Employers and Employees in the private sector also contributed 7.5% each in 2004 Act and 10% and 8% respectively as stipulated in the 2014 Act.

The advantage of the new pension scheme is that participants are allowed to open individual Retirement Savings Accounts where contributions are credited and accumulated with interest on investments till retirement. The scheme also permits members to make voluntary contributions as an additional percentage of their salaries into their individual capitalized accounts and are also allowed to change their Pension Fund Administrators (PFAs) once in a year with the transfer of their contributions or savings to the new PFA effortlessly. Similarly, the mandatory requirement for PFAs to provide regular/periodic statement of accounts to Retirement Savings Account (RSA) holders ensures that close monitoring of the account which could also guarantee quick report and correction of the errors. Since the introduction of the contributory pension scheme in Nigeria, one still doubts whether the scheme has been able to address the problem of scarcity of funds for long term investment in Nigeria. Empirical studies have shown that only 27 States in Nigeria have signed into the Contributory Pension Scheme, aside the Federal Government and this accounted for 75% of the working population of the country. Again, low coverage of the scheme suggests that the scheme is still operating far below its capacity. Problems of corruption, poor monitoring, evaluation and supervision of pension fund still characterizes the contributory pension scheme. The overall objective of this study is to examine the impact of the contributory pension scheme on workers' savings and investment in Nigeria.

LITERATURE REVIEW

Conceptual Framework

A Pensionable job can specify a Defined Benefit Pension Scheme (DBS) or a Contributory Pension Scheme (CPS). A Defined Benefit Pension Scheme usually states the entitlements of workers after qualifying years of service, while CPS defines pension entitlements in relation to stated contributions of the Employer and the Employee (Diamond, 1995). The CPS is funded in the sense that the contributions and the returns from the investment of such funds provide the resources for meeting the pension obligations. The DBS, on the other hand, is unfunded because the pension obligations are met from the general current revenue, taxation in the case of the Government and this is the reason why it is referred to as a 'pay-as-you-go' system. Payment of pension obligations in the unfunded pension scheme thus depends on general productivity and tax revenue growth in the economy as well as a host of demographic features of the economy. In the funded pension system, payment of pension obligations would encounter problems if there were earnings problems with pension investments due to management problems and adverse movements in macroeconomic variables. Pensioners under both schemes face risks as to what the feature value of their benefits would be, with pensioners under a publicly managed system facing largely political risks and the privately managed CPS facing investment risks. While the risks are spread through market mechanism in the CPS, in the DBS it is through the legislative mechanism, which modifies the benefits plan in the future. A DBS is said to have more potential choice, limited requirement for reporting to individual accounts regularly by Fund Managers, low expenditures on advertisement and sales personnel. A major advantage of CPS with the mandated investments in private assets is its potential contribution to the development of capital markets. A CPS is also recommended for its potential in raising national savings which increases investment and National Income (Orszag and Orszag, 2000, Barr, 1995). The world over, pension schemes are in trouble due to mismanagement of pension funds, adverse macroeconomic developments, unfavourable demographic trends and fiscal indiscipline among Governments(World Bank, 1994).

A pension is a contract for a fixed sum to be paid regularly to a pensioner, typically following retirement from service. It is different from severance pay, because the former is paid in regular installments while the latter is paid in one lump sum(Eme and Uche, 2014). A pension plan created by an employer for the benefit of employees is commonly referred to as an occupational person or employer. Labour Unions, the Government and other organizations also fund pensions. Many pension plans also contain an additional insurance aspect, since they often will pay benefits to survivors or disabled beneficiaries. Ayegba et al (2013) described the term pension as payments a person receives upon retirement, usually under pre-determined legal and/or contractual terms. The Nigerian new Pension Scheme increased the coverage of the Defined Contributory Pension Scheme in the private sector entities with three employees and above, in line with the drive towards informal sectors participation.

Contributory Pension Scheme In Nigeria

The Nigerian Contributory Pension Scheme came through the Pension Reform Act 2004. The new pension scheme is called contributory because it is fully funded, on individual accounts that are privately managed by Pension Fund Administrators (PFAs) with the pension fund assets held by Pension Fund Custodians (PFC). Under the system, in the 2014 Contributory Pension Act, the employees now contribute a minimum of 8% of their Basic Salary, Housing and Transport Allowances, while the employers shall contribute 10% in the case of public sector. Employers and Employees in the private sector will contribute a minimum of 10% and 8% respectively. An Employer may elect to contribute on behalf of the Employees such that the total contribution shall not be less than 18% of the Basic Salary, Housing and Transport Allowances of the Employees. The recent amendments to the Act exempted military personnel from contribution. According to PRA, an Employer is obliged to deduct and remit contributions to a PFC within 7 days from the day the Employee is paid his salary while the PFC shall notify the PFA within 24 hours of the receipt of contribution. However, the contribution and retirement benefits have tax exemption. The employee opens an account known as 'Retirement Saving Account in his name with a PFA of his choice. This individual account belongs to the employee and will remain with him throughout his life time. He may change employers or PFAs but the account remains the same. The employee may only withdraw from this account at the age of 50 or upon retirement thereafter. Meanwhile every employer shall maintain Life Insurance Policy in favour of an employee for a minimum of three times the Annual Total Emolument of the Employee. Based on the guidelines of Pension Commission of Nigeria (PENCOM) and National Insurance Commission (NAICOM) for Group Life Insurance, Employers must bear all costs related to life insurance for its employees, separate from contributions made under the scheme. The contributory pension scheme requires pension funds to be kept by PFCs and privately managed by PFAs. PFAs are private organizations that have been duly licensed to open retirement savings accounts for employees, invest and managed the pension funds in fixed income securities listed and other instruments as the commission may from time to time prescribe, maintain books of accounts on all transactions relating to the pension funds managed by it, provide regular information on investment strategy to the employees or beneficiaries and pay retirement benefits to employees in accordance with the provision of the Act. The Table 1 below shows a breakdown of the Pension Fund Operators from 2011 to 2018:

PENSION OPERATORS	2011	2012	2013	2014	2015	2016	2017	2018
PENSION FUND ADMINISTRATORS	24	20	20	21	21	21	21	21
PENSION FUND CUSTODIANS	4	4	4	4	4	4	4	4
CLOSED PENSION FUND ADMINISTRATORS	7	7	7	7	7	7	7	6
TOTAL	35	31	31	32	32	32	32	31

SOURCE: 2018 ANNUAL REPORT OF PENCOM

Membership of the RSA Scheme

The total RSA Registration in the private and public sectors recorded an increase of 475,883 as total registration moved from 7,823,911 in 2017 to 8,410,184 in 2018, representing an increase of 7.49%. The private sector accounted for a larger proportion of total registration in 2018 at 4,800,834 which was 57.08% of the RSA registrations. The increase in private sector RSA registrations could be explained by such factors as the activities of Recovery Agents to recover outstanding pension contributions from private sector employers as well as interest penalties on the outstanding contributions and also to ensure that private sector organizations that employ 3 or more employees comply with the scheme. In addition, there was the enforcement of the requirement of the Public Procurement Act 2007 that bidders for Federal Government contracts must provide evidence of compliance with PRA 2014. Similarly, the level of awareness created in the private sector through intensive sensitization workshops and seminars by the Commission and Operators had facilitated increased registration from the private sector. A review of RSA registration by age distribution shows that the contributors in the age bracket of 30 – 39 accounted for the largest proportion of RSA holders in 2018 as shown in Table 2 below:

	PUBLIC SECTOR		**PRIVATE SECTOR**		**TOTAL**		**GRAND TOTAL**	
AGE BRACKET	**MALE**	**FEMALE**	**MALE**	**FEMALE**	**MALE**	**FEMALE**	**NUMBER**	**WEIGHT (%)**
LESS THAN 30 YEARS	92,146	50,744	434,536	226,469	526,682	277,213	803,895	9.56
30 – 39	699,052	353,531	1,428,686	569,073	2,127,738	922,604	3,050,342	36.27
40 – 49	661,128	403,449	994,954	289,474	1,656,082	692,923	2,349,005	27.93
50 – 59	571,858	330,075	507,172	102,914	1,079,030	432,989	1,512,019	17.98
60 – 65	221,090	90,917	140,744	17,914	361,834	108,831	470,665	5.60
ABOVE 65	105,917	29,443	80,793	8,105	186,710	37,548	224,258	2.67

YEARS								
TOTAL	**2,351,191**	**1,258,159**	**3,586,885**	**1,213,949**	**5938,076**	**2,472,108**	**8,410,184**	**100.00**

SOURCE: 2018 ANNUAL REPORT OF PENCOM

The implication of the foregoing is that, RSA Holders are relatively young, thus providing ample opportunity for investing pension funds in relatively long-term investments such as alternative assets, without the risk of investment mismatch. It is expected that RSA registration will continue to grow with the kick-off of Micro Pension Plan in 2019 and also increased participation by the organized private sector in view of compliance efforts of PENCOM and the marketing strategies of the Pension Fund Administrators.

Tables 3 and 4 show the Pension Contributions from 2004 to 2018.

Public Sector Pension Contribution

YEAR	AMOUNT(₦ BILLION)	PERCENTAGE OF TOTAL
2004	15.6	0.68
2005	34.68	1.51
2006	37.38	1.63
2007	80.63	3.51
2008	99.28	4.30
2009	137.1	5.90
2010	162.46	7.07
2011	228.92	9.90
2012	302.24	13.15
2013	278.50	12.12
2014	237.49	10.35
2015	200.05	8.71
2016	225.86	9.83
2017	257.11	11.19
2018	266.84	10.41
TOTAL	**2,564.41**	**100.00**

SOURCE: 2018 ANNUAL REPORT OF PENCOM

Private Sector Pension Contribution

Table 4

YEAR	AMOUNT(₦ BILLION)	PERCENTAGE OF TOTAL
2006	23.03	0.91
2007	68.34	2.70
2008	80.81	3.19
2009	91.21	3.60
2010	103.03	4.07
2011	119.53	4.72
2012	159.52	6.30
2013	225.42	8.91

2014	343.89	13.59
2015	358.91	14.18
2016	262.33	10.37
2017	353.73	13.98
2018	340.72	13.46
TOTAL	**2,530.47**	**100.00**

SOURCE: 2018 Annual Report of Pencom

The implementation of the Multi-Fund Structure for RSA Funds took effect in July, 2018, which led to the creation of two additional Funds, bringing the total RSA Funds to four. Table 5 below gives a breakdown of the various Fund Types and their respective assets allocation as at 31st December, 2018:

	RSA				**AES**	**CPFA**	**TOTAL**	
ASSET CLASS	**FUND I**	**FUND II**	**FUND III**	**FUND IV**				
	AMOUNT (N' Bn)	**AMOUNT (N' Bn)**	**AMOUNT (N'Bn)**	**AMOUNT (N'Bn)**	**AMOUNT (N'Bn)**	**AMOUNT (N'Bn)**	**AMOUNT (N Bn)**	**WEIGHT (%)**
QUOTED ORDINARY SHARES	0.76	401.05	85.81	6.65	79.18	32.8	606.25	7.02
FGN SECURITIES	5.351	2828.45	1698.02	502.35	638.8	640.13	6313.101	73.09
STATE GOVT. SECURITIES	0.073	68.05	30.52	12.11	13.74	14.23	138.723	1.61
CORPORATE DEBT INSTRUMENTS	0.82	168.15	70.43	46.49	41.05	141.73	468.67	5.43
MONEY MARKETS INSTRUMENTS	0.65	312.57	172.2	105.71	84.77	33.25	709.15	8.21
OPEN/CLOSE-ENDED/ HYBRID FUNDS	0	11.81	0.84	0	1.53	9.85	24.03	0.28
SUPRANATIONAL BONDS	0	2.84	0.64	2.19	0	1.24	6.91	0.08
PRIVATE EQUITY FUNDS	0	18.61	0	0	0.09	12.65	31.35	0.36
INFRASTRUCTURE	0.1	13.72	0	0	0.64	4.05	18.51	0.21

FUNDS								
REAL ESTATE PROPERTIES	0	0	0	0	109.41	122.1	231.51	2.68
FOREIGN INVESTMENTS	0	0	0	0	0	59.07	59.07	0.68
- FOREIGN EQUITIES	0	0	0	0	0	55.86	55.86	0.65
- FOREIGN MONEY MARKET SECURITIES	0	0	0	0	0	3.21	3.21	0.04
CASH & OTHER ASSETS	0.15	1.09	5.77	8.35	8.72	6.47	30.55	0.35
NET ASSET VALUE	**7.90**	**3,826.34**	**2,064.23**	**683.85**	**977.93**	**1,077.57**	**8,637.82**	**100.0**

SOURCE: 2018 ANNUAL REPORT OF PENCOM
Note:
RSA = RETIREMENT SAVINGS ACCOUNT
CPFA = CONTRIBUTORY PENSION FUND ASSETS
AES = APPROVED EXISTING SCHEME FUND

The Table above indicated that investments were predominantly in Federal Government Securities(FGN Bonds, Treasury Bills, and Agency Bonds), which accounted for about 73% of total pension fund assets, an increase of 3% from the 70% allocation as at 31st December, 2017. This was due to several factors, such as subdued investor sentiment that characterized the financial markets leading up to the general elections that held in 2019. These prompted pension operators to adopt a 'flight to safety' strategy by investing in FGN Securities pending the outcome of the 2019 elections and a clearer view of the direction of macro/micro economic policy. Several studies have tried to provide a comprehensive insight into the Contributory Pension Scheme but none has shown its relationship with private domestic saving in Nigeria. The new contributory pension scheme in Nigeria has its relationship with capital market development (Walker and Lefort 2002, RaddatzandSchmukler, 2008, Meng and Pfau 2010; Mesike and Ibiwoye; 2012 and Gunu, and Tsado, 2012), but large proportion of the pension funds are been taken by Government as Bond (PENCOM). Athukorala and Sen(2004) for India discovered a significant positive effect of increasing real interest rates on private savings. Yet, no scholar has shown any findings on defined contributory scheme and private savings across the countries especially developing Nation like Nigeria. Against this backdrop, this study tends to fill the gap. To add to the existing body of knowledge, the study employed ordinary least square (OLS).

Empirical Literature

The impact of contributory pension scheme has been overemphasized in the literature. Poterba, Venti and Wise (1996, 1998) examined the effect of tax deferred savings accounts on overall savings rate. They opined that tax deferred savings mechanism like Individual Retirement Accounts lead to a net increase in savings, while others(Gale and Scholz 1994, Engen et al, 1996; and Gale, 1998) argues that the balances in these savings vehicles are offset by reductions in other forms of household wealth(Card and Ransom, 2007). Thaler and Benartzi (2004) assessed the effectiveness of contributory pension scheme at increasing employee savings rate. From the study, employee who opted into an automatic annual 3% increase in their contribution rate saw their average contribution rate increase almost 4 folds from 3.5% of pay to 13.5% of pay, over the course of 4 years. In the opposite direction, employees who did not elect contribution pension scheme saw their average contribution rate increase by much less over the same time period, from 5.3% - 7.5%. Interestingly, this latter group started saving much more than those who opted into contributory pension scheme but the relative positions were reversed 4 years later. The literature is also of the opinion that people with a future orientation save more than people who live for here and now. (Munnell et al, 2000).

Further in the literature, Komolafe (2004) submitted that the Nigerian Pension System in general is fragmented, lacks an adequate overall policy, a legal and regulatory framework and an empowered co-ordinating body to supervise it. Babatunde (2012) on the Nigerian scenario summarized that there is significant relationship existing between contributory pension scheme and savings. He therefore reiterated on the advice of Adegbayi, that Nigeria must avoid minor pension reforms that are repeated periodically because of political problem associated with such adjustment. However, Eme and Uche(2014) has added to the fact that in the 10 year period, the pension industry in Nigeria has experienced phenomenal growth from a deficit of N2 Trillion in the form of pension liabilities in 2004 to an accumulation of pension fund assets of up to N4.1 Trillion by the end of 2013, a firm backing to the economy by the huge pool of funds. Umar and Tsado (2012) on the contributory pension scheme as a tool of economic growth in Nigeria reveals that pension fund investments in domestic quoted equities amounted to N240.38 Billion(2.36% of total market capitalization) in 2007, 3.17% in 2008, 4.42% in 2009 and 4.53% in 2010, also the value of total Pension Fund Assets stood at N2,029 Billion as at 2010. Robelo (2002) asserted that pension is also a method whereby a person pays into pension scheme a proportion of his or her earnings during his working life. The contributions provide an income (or pension) on retirement that is treated as earned income. This is taxed at the investors' marginal rate of income tax. On the other hand, gratuity entails a lump sum of money payable to a retiring officer who has served for a minimum period of time. Adams(2005) in his assessment of pension, declared that pension is the amount paid by Government or company to an employee after working for some specified period of time, considered too old or ill to work or have reached the statutory age of retirement. Similarly, Ozor (2006) explained that pension consists of lump sum payment paid to an employee upon his disengagement from active service. He further stated that pension plans may be contributory or non-contributory, fixed or variable, group or individual, insured or trustee, private or public, and single or multi-employer. According to Adebayo (2006) and Ugwu (2006), there are four main classifications of pensions in Nigeria, namely, retiring pension, compensatory pension, superannuating pension and compassionate allowance. This was supported by Amujiri (2009) who defined compassionate allowance as a pension scheme that is not incompetence or inefficiency. In the same vein, Dhameji and Dhameji (2009) tried to link commitment to motivation and opined that commitment is also tied to how well an employee is motivated. Motivation here entails the process of influencing employees' behavior towards the attainment of organizational goals. Accordingly, Sule and Ezugwu (2009) assert that a good pension guarantees employees' comfort and commitment to the organization during his or her active years.

Theoretical Discussion

Many Theories have been developed in relation to Pension Reform across the globe. Three of them that are practically germane to this study are Utility and Preference, Life Cycle and Productivity Theories of Pension. But this study underpinned on the Theory of Life Cycle, which is related to the consumption pattern and saving decision of individuals who are involved in administering improved conditions of service, provisions of adequate resources etc are greatly off-set by the workforce, improved output or productivity. There is also the perspective that the supply side of the theory serves as an incentive for personnel to remain in the organization for a long time. The theory enhances the average wealth of a pensioner, especially when the assets are invested to generate large income for redistribution to participants or contributors. The Theories and Concepts also inform that a good pension scheme motivates the workforce to put in their best in the work place as they look forward to a rewarding retirement period by virtue of their savings or contributions that are invested wisely.

METHODOLOGY

Time Series Data were used in the study and they are entirely secondary data. The Time Series covered the period 2004 – 2018. This period is believed to be long enough to capture both short and long-run relationship between contributory pension plan and private savings in Nigeria. The data were sourced from the publications of Central Bank of Nigeria, Statistical Bulletin and the National Bureau of Statistics. Since the study makes use of Time Series secondary data, my data analysis involves: checking the temporal properties of the variables in the model via unit root tests in order to determine the stationarity of the variables(The Augmented Dickey-Fuller(ADF) or Phillips-Perron(PP) tests); determination of a meaningful long-run equilibrium relationship among the variables, that is, to determine if the variables in the equation are co-integrated(using Johansen's multi-equation methods test) estimation of the dynamic(short-run and long-run) regression equation for the model(that is, the error correction model estimated by ordinary least square, instrumental variable test etc) and the application of a series of diagnostic tests to determine the sturdiness and significance of the empirical model(i.e. standard error test, correlation coefficient test, t-statistics test, F-test and serial autocorrelation test). Also, the study employs Error Correction Mechanism (ECM) to overcome the problem of spurious regression. The ECM reveals that the change on a variable, at times, is not only dependent on the variable, but also on its own lagged changes. This helps to induce flexibility by explaining the short run and long run dynamics in a unified manner in the estimated model for the period of 2004 – 1018 in Nigeria.

Model Specification

This study adopts Solow Swan (1956) model. According to him, savings(S) is a constant function of income(Y). The propensity to save determines the net output to be saved and invested. Hence:

Sy = SF (K)

Where: S = Saving

Y = Income

K = Stock of Capital

In reality, saving is not only determined by the stock of capital in any economy. The level of disposable income, interest rate differentials and some relevant variables can determine private saving in Nigeria by workers. In other to reflect the peculiarities of the Nigerian Pension Scheme, this study modified the Solow model by adding the aforementioned variables and re-specified equation (i) as follows:

Sy = SF (K)(PENF, INTR, DISP, SAV R)………………………………………..(ii)

Equation (ii) can be written in linear form. By adding the stochastic term, we have:

$PDSt = \alpha0 + \alpha1PENFt + \alpha2INTRt + \alpha3DISPt + \alpha4SAVRt + Ut$………………. (iii)

Where:	PDS	=	Private Domestic Savings
	PENF	=	Pension Funds
	INTR	=	Interest Rate
	SAVR	=	Saving Rate
	DSPI	=	Disposable Income
	Ut	=	Error term

The study transforms the series on disposable income to lag-form while others were used at level. Equation (iii) is modified as:

$PDSt = \alpha0 + \alpha1PENFt + \alpha2INTRt + \alpha3InDISPt + \alpha4SAVRt + Ut$…………………. (iv)

From the model, the priori expectation may be denoted as:

$\alpha\ 1 \geq 0$, $\alpha\ 2 \geq 0$, or $\alpha\ 2 \leq 0$ $\alpha\ 3 \geq 0$, $\alpha\ 4 \geq 0$

In line with economic theory, it is expected that the contributory pensions fund to a large extent determine the private saving in Nigeria. Holding other things equal, if individuals voluntarily save for retirement in any case, then a rise in mandatory institutional saving, either by legislation or by collective agreement to widen the scope of pensions will be largely offset by a fall in voluntary saving. Thus, positive relationship is expected between pension fund and private saving. The relationship between interest rate and private saving cannot be determined a priori. The relationship can either be positive or negative. Negative interest rates discourage saving mobilization and channeling of the mobilized savings through the financial system. However, when interest rate is relatively high and competitive, it encourages savings mobilization and motivates private investment and engenders economic growth (Obamuyi & Olorunfemi, 2011). In the standard neo classical view, a higher interest rates increase the opportunity cost of consumption, household increase their savings(the substitution effect), on the other hand, with higher interest rates, positive savers increase consumption because of their rising wealth(the income effect). Empirical evidence from cross-country studies shows that interest rates have little or no effect either on savings(Edwards, 1996, Masson, Bayoumi&Samiei 1998) or on consumption levels(Deaton, 1992). Similarly, positive sign is expected through the independent variables identified with the saving rates. This agreed with the study of Feldstein (1996) found that, one of the benefits claimed for the privatized Defined Contributory Pension Plan is that, it rises national saving. In relating to this, shifting to funding pensions will have a positive effect on economic growth and long term sustainability of the public finances; it is also assumed that private savings have positive sign on disposable income. Increase in disposable income will raise the level of private savings with decrease in consumption.

RESULT AND DISCUSSION

This section is basically on data presentation, analysis and discussions of the data used from the secondary source for this study. Data used on the Variables(Savings, Pension Funds, Interest Rate, Disposable Income and Saving Rate were all in percentages) for the period 2004 – 2018. The paper tests for the stationarity of the variables, co-integration test and regression analysis to examine the implications of contributory pension scheme on workers' savings and investments in Nigeria.

Test for Stationarity

VARIABLES	TEST STATISTICS	CRITICAL VALUES 5%	LEVEL S/NS
WS	5.517062	2.967767	1(1)S
PENF	5.346532	2.967767	1(1)S
INTR	5.862222	2.971853	1(1)S
DISP	3.321254	2.967767	1(1)S
SAVR	3.507374	2.967767	1(0)S

The result from the above table reveals that workers' savings, pension fund, interest rate and disposable income were stationary at 5% level of significance at first difference whereas saving rate was stationary at a level of significance. This result means that the variables are not characterized by unit root problem, since their test statistics are greater than the critical values in absolute terms.

Co-Integration Result

HYPOTHESIZED NO. OF CE(S)	TRACE STATISTICS	0.05 CRITICAL VALUE	PROBABILITY
NONE*	100.4904	69.81889	0.0000
AT MOST 1*	64.31726	47.85613	0.0007
AT MOST 2*	32.86544	29.79707	0.0215
AT MOST 3*	16.52326	15.49471	0.0349
AT MOST 4*	4.613394	3.841466	0.0317

Basically, differencing of variables to achieve stationarity, leads to loss of long –run properties. The next step after confirming the stationarity of the variables is to establish whether the variables which are not stationary at levels are co-integrated. The concept of co-integration implies that if there is a long - run relationship between two or more non-stationary variables, deviations from this long-run part are stationary. The table above shows that the trace statistics indicated one co-integrating equation at the 5% level. The implication is that a linear combination of all the five series was found to be stationary and thus, the variables are said to be co-integrated. In other words, there is a stable long-run relationship between them and so we can avoid both the spurious and inconsistent regression problems which otherwise would occur with regression of non-stationary data series.

Regression Result

DEPENDENT VARIABLE:	WORKERS' WAGES & INVESTMENTS		
METHOD:	LEAST SQUARES		
SAMPLE(ADJUSTED): 2004 – 2018			
INCLUDED OBSERVATIONS:	15 AFTER ADJUSTMENTS		
VARIABLEPROB.COEFFICIENT STD. ERROR			
CONTRIBUTORY 5.638848	0.0000	14.43551	2.560011
PENF 2.234893	0.0359	0.057251	0.025617
INTR 3.843352	0.0009	0.527295	0.137197
DISP 0.006598	0.9948	0.000908	0.137673
DISP(-2) -3.908741	0.0008	-0.532216	0.136160
SAVR 2.366608	0.0272	0.254014	0.107333
ECM(-1) 4.315118	0.0003	-0.655617	0.151935
R-SQUARED 75862	0.890093	MEAN DEPEND. VAR.	8.3
ADJUSTED R-SQUARED	0.860119	S.D. DEPEND. VAR.	5.103756
S.E. OF REGRESSION	1.908840	AKAIKE INFO. CRITERION	4.337373
SUM SQUARED RESIDUAL 10	80.16072	SCHWARZ CRITERION	4.6674
LOG LIKELIHOOD	-55.89192	HANNAN-QUINN CRITERION	4.440737
F-STATISTIC 464260	29.69499	DURBIN-WATSON STAT.	2
PROB(F-STATISTIC)	0.000000		

From the Table above, the signs and size of the co-efficient of the estimated variables revealed the theoretical implications of the model for the period 2004 – 2018. As revealed by the results, the coefficient of contributory pensions fund is correctly signed being positive. This implies that a unit percent increase in pension fund (PENF) will contribute 5.7% to workers' savings (WS) in the economy. This result is in accordance with the theoretical proposition as expected and agreed with the claim by Feldstein (1996) claim that privatized Defined Contributory Pension Plan raises National savings. Shifting to funding pension's scheme will have a positive effect on economic growth and long-term sustainability of the public finances. The coefficient of interest rate(INTR) shows a positive relationship with workers savings(WS) and statistically significant in the estimated model. This result simply means that 1% increase in interest rate(INTR) leads to 53% rise in workers savings(WS) within estimated years. In consonance with this result, (Obamuyi and Olorunfemi, 2011) opine that when interest rate is relatively high and competitive, it encourages savings mobilization and motivates private investment and engenders economic growth. Also, in the standard neoclassical view, this result indicates that a higher interest rates increase the opportunity cost of consumption. Therefore, household increase their savings (the substitution effect). On the other hand, with higher interest rates, positive savers increase consumption because of their rising wealth (the income effect). Disposable income has a positive sign in the long run as expected with a priori expectation but not statistically significant, but in two lagged periods it turns negative and statistically significant. The result means that, a percentage change in disposable income will bring about a reduction in workers savings by 0.0053 units in Nigeria. This is in conformity with the study of Loayza, Schmidt-Hebbel, and Serven (2000), which found that a one percentage point increase in the ratio of credit flows to income reduces the long-term savings rate and workers savings. This shows that a unit percent rise in saving rate bring about 25 percent increases in Workers Savings (WS) in the estimated model. In support of this, Nwachukwu, et al(2011) found that, the coefficient estimate shows that a unit change in income growth will bring about a 0.3 percent change in savings.

Furthermore, the value of the adjusted R2 is pegged at 0.860119 or 86.0%. The value of the R2 implies that contributory pension fund, interest rate, disposable income and saving rate explained about 86.0% systematic variation in the workers savings in Nigeria over the observed years while the remaining 14% variation is explained by other variables outside the model. The standard error test revealed that the contributory pensions fund, interest rate, saving rate and disposable income were statistically significant. When compared half of each coefficient with its standard error, it was found that the values of the standard errors were less than half of the values of the coefficients. The disposable income was not statistically significant at level but turns negative at second difference. The t-test statistics confirms the standard error test. Testing at 5% level, the variables fall within the acceptance region to confirm the alternative hypothesis that contributory pensions fund, interest rate, saving rate and disposable income are statistically significant. In other worlds they do contrinute significantly to workers savings in Nigeria. Disposable incomes were statistically significant in the long –run and have an inverse relationship with workers savings in Nigeria. The F-statistics is used to test for stability in the regression parameter coefficient when sample size increases, as well as the overall significance of the estimated regression models. Thus, we compare the calculated (F*), with the critical value at 5% level. From the statistical table, the F- statistics is 2.512255, while estimated F* is 29.69499. Obviously, the estimated F* is greater than the F value obtained from the table (that is 29.69499 greater than 2.53). This implies that, there exist significant relationship among the identified independent variables and the dependent variables and that the regression coefficients are stable.

CONCLUSION AND RECOMMENDATION

This study was to investigate the impact of contributory pension reform on workers savings and investments in Nigeria. The study employed ordinary least square method approach to examine the relationship between contributory pension funds and savings in Nigeria for the period from 2004 to 2018. The findings report the existence of a positive relationship between contributory pension funds and workers savings. This implies that a unit percent increase in contributory pension funds will contribute 5.7% to workers savings and investment in the economy. There is also positive relationship between interest rate, savings rates and workers savings and investments in Nigeria. The study reveals that a unit percentage increase in interest rates and saving rates contribute 53% and 25% rise in workers savings and investments. The result shows that a higher interest rates increase the opportunity cost of consumption. Furthermore, disposable income signed positive in short-run but not statistically significant, at the second differenced turns negative and statistically significant. The result means that, a unit rise in disposable income caused 52% decrease in workers savings and investments in Nigeria. Note that, workers savings

and investments constitute the main source of capital accumulation for investment purposes. Amongst other things, Savings serve as the main source of financing investment and related economic activities.
The paper concluded that contributory pensions fund, interest rate, disposable income and saving rate influenced workers savings and investments in Nigeria. A jointly funded pension programme is naturally better than one that is not funded. The study suggested the need for massive enlightenment concerning the scheme to address the issues of ignorance of the retirement scheme by workers especially those in the private sector like artisans. Workers should plan well for retirement by saving ahead and investment in fixed income. Also effective supervision and regulation of the system in compliance with modern approach which stipulate a percentage contribution by both employer and employee and managed by an independent pension administrator is of immense value to the Scheme.

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Effect of Creative Accounting Technique on Financial Statement of Organizations in Nigeria

ADEYEYE, Janet

Department of Accounting
Bingham University
Karu, Nasarawa State
E-Mail: adematic@gmail.com, Phone No: +234 8027433088

Abstract

This study empirically examined the impact of creative accounting techniques on firm financial statement. Creative accounting was measured by asset structure (Using Cookie Jar Reserves), capital structure (Creative Acquisition Accounting), deposit liabilities (Manipulating Inventory), loan structure (Abuse of Materiality Concept). Exposit facto research design was adopted. Data were collected from Nigeria Security and Exchange Commission on listed deposit money banks in Nigeria from 2008-2018. Descriptive analysis and ordinary least square were adopted for analysis. Findings from the analysis revealed asset structure and equity capital are negatively and insignificantly related to return on asset; Loans and advances is positively and insignificantly related to its returns on assets while Total deposit liabilities is positively and insignificantly related to return on assets. However, it can be concluded that banks asset structure and management in Nigeria has been poor and their assets have not been effectively used to enhance their profitability. Based on the findings, the study recommends that, there is need to employ statutory auditor in reducing the effect of creative accounting techniques on the reliability of financial reporting. Again active corporate governance principles can be used to control the practices of creative accounting by using independent non-executive directors.

Keywords: Creative Accounting, Financial Statement, Equity Capital, Asset Structure, Capital Structure, Loan Structure

INTRODUCTION

Financial statements, the outputs of the accounting process, are the mediums by which both the internal and external stakeholders can gain an understanding about the financial performance of a firm. Many of the important decisions taken by these stakeholders are based on financial data extracted from the financial statements (Susmus & Demirhan, 2013). Therefore accuracy and reliability of them are crucial for these people in order to make appropriate decisions. This fact has become more important in recent years starting from 2001 by the collapse of Enron and its importance intensified with the recent financial crisis because of the bankruptcy of major financial institutions. To produce transparent, timely and reliable financial statements, accounting process should follow objective and consistent set of rules. Even if there exists strong accounting standards (GAAP and IAS) to guide financial accounting activities, sometimes it becomes impossible to prevent the manipulative behaviour of financial statement preparers, who wants to effect the decisions of the financial statement users in favour of theircompanies. Complexity and unpredictability of constantly changing environment makes it difficult to consider all possible situations in advance when setting standards. Even if the accounting standards cannot prevent manipulative behaviour in advance, they can curb it afterwards (Wang, 2008).

Creative accounting and earnings management are euphemisms referring to accounting practices that should follow the letter of the rules of standard accounting practices, but certainly deviate from the spirit of these rules. According to Asuquo (2011), they are characterized by excessive complication and the use of novel ways of characterizing income, assets or liabilities and the intent to influence readers towards the interpretations desired by the authors. The terms "innovative" or "aggressive" are sometimes used. Financial statement is arguably the most useful and important to all users especially for the shareholders or investors in decision-making process. Based on the financial statement itself, they can obtain useful information about the effectiveness of the organization. However, inadequate or misleading income disclosure may result when income is deliberately and artificially smoothed (Ashari, Koh Tan & Wong, 1995). The effect of creative accounting may lead shareholders and investors to have inadequate information when evaluating the organization's effectiveness. The Cadbury saga in Nigeria discovered a significant overstatement of its financial position over a number of years. The story is similar but also not palatable in the United States, where Enron which grew in just 15 years to be America's seventh largest company went underground after it was discovered that the company has been fiddling with profit figure (Amatorio, 2005). There are many reports of price manipulation, profit overstatement, and accounts falsification by some dubious stewards which rendered the financial reporting ineffective. This represents the transformation of the accounting figures from what they are in accordance with the economic reality into what the managers want using the advantages of the existing regulations and/or ignoring some of them. Leyira and Okeoma (2017) put it in his so-called bible of the business world "Creative Accounting:" "It is the biggest con trick since the Trojan horse. They are of the opinion that Creative accounting is the root of numerous accounting scandals. But real world experience reveals that it is in most cases practiced in an undesirable way to attract investors by presenting an exaggerated financial report. Thus, two perspectives of this term may be identified. The first one recognizes genuine changes in the business accounting practices while the second one reflects undesirable window-dressing that tends to distort financial information. According to the creative accounting theories there is a connection between the use of creative accounting techniques and managers' incompetence. A company that has reached an unstable situation will undoubtedly begin to use creative accounting techniques in order to artificially increase profit, and thus, the financial situation to be temporarily concealed.

This theory according to Leyira and Okeoma (2017) is that incompetent managers try to hide the lack of performance by using creative accounting techniques, which leads to the idea that sometimes creative accounting may be associated with failure of the company and to postpone the "fatal" day. According to Gupta (2015), fast growing economies in recent decades had observed a high increase in corporate frauds, posing serious questions before academicians, researchers and professionals on the effectiveness of corporate governance mechanisms, government regulation mechanisms and the role of corporate and individual ethics. After every scam or fraud, the government and regulatory machinery had been strengthened to reduce the number of financial statement frauds that essentially imposed a check on the nexus between the company and professionals and between banks and administrators, which would have been achieved through more disclosures, by imposing and fixing responsibilities on each party involved. The Securities and Exchange Commission (SEC) became more aggressive at pursuing Companies for financial statement fraud in the post-Enron environment. These frauds often crossed several reporting periods, thus creative accounting appears to be a mechanism for boosting reported earnings to appease financial analysts, investors and shareholders. The motivation for this ensured a rising stock price and thus increased executive remuneration. The continuous improper revenue recognition through recording of fictitious revenues or recording revenues prematurely remained the most preferred method for deception.

LITERATURE REVIEW

Conceptual Framework

The term creative accounting is considered as deceptive accounting, it is widely used to describe the accounting techniques that allow corporations to report inaccurate financial results of their business activities (Akenbor & Ibanichuka, 2012). Creative accounting refers to the use of accounting knowledge to influence the reported figures, whereas remaining within the jurisdiction of accounting rules and laws, so that instead of showing the actual performance or position of the company, they reflect what the management wants to tell the stakeholders (Yadav, 2014). (Bankole, Ukolobi and McDubus (2018) also defined Creative accounting as accounting practices that follows the letter or rules of standard accounting practices but certainly deviate from the spirit of those rules. Creative accounting practices are different from fraudulent practices and thus are not illegal but immoral in terms of misguiding investors. Michael (2011) stated that the wider US definition sees creative accounting as including fraud whereas the UK definition sees creative accounting as using the flexibility within the accounting system, but excludes fraud. Conclusively, this paper would therefore look at methods of applying creative accounting like increase income, decrease expenses, increased Assets, decreased liability, use of provisions accounting, inventory, increase in operating cash flow, and adjustments or being generous with bad debt to distort the information to be presented in the financial statements. Creative accounting is as old as the accounting profession itself, although the accounting scholars have over the years carried out several researches to understand and address it, it is still considered as a problem and it continues to be practiced by various corporations in the world (Kamau, Namusonge&Bichanga, 2016).

Brendan and O' Connell (2009) postulated that the current business environment and the economic recession had in recent times pushed the top management of many organizations into paying attention on how to make the financial statements of their organizations look better. This was perpetrated in order to attract investors by manipulating figures in their financial statements, either by increasing or by decreasing the figures depending on what they wanted to achieve at that moment using aggressive or creative accounting otherwise known as financial statement fraud. Richard, Yip and Johnson (2009) carried out investigations on high profile accounting scandals such as Enron and WorldCom (financial statement fraud) committed by management which had shown different figures so as to compete with other companies and there after collapsed. Financial statement is the result of the financial accounting process that accumulates, records, analyses, classifies, summarizes, verifies, reports, and interprets the financial data of a business firm, which reflect the financial position, performance and change in financial position of an enterprise (Elliott, 2005). To produce transparent, timely and reliable financial statement, accounting process should follow "objective" and "consistent" set of rules. Recent unpleasant events in the economy, coupled with frequent scandals, have raised questions about the effectiveness of transparency and disclosure practices, especially in the global corporate sector. Collapses of large number of high-profile companies due to widespread and frequent abuse of Creative Accounting practices across the world have left a dirty smear on the effectiveness of the Corporate Governance system, the quality and transparency of the financial reports, and credibility of the audit functions. As a result, the Corporate Governance structures evolve that help in mitigating these agency conflicts (Bankole, Ukolobi&McDubus, 2018). Earning management and income smoothing consider as the most form of creative accounting.We can define them as follow:

i. Income smoothing is a conscious behavior which reduces periodic income fluctuations. One of the income smoothing goals is to increase the return (Garizi, Homayoun&Firouzi, 2011). 1. Income smoothing refers to a conscious behavior which occurs for the purpose of decreasing fluctuations of income cycles (Venouss, Karami, & Tajik, 2006).

ii. Earnings management may be defined as reasonable and legal management decision making and reporting intended to achieve stable and predictable financial results (Rahman, Moniruzzaman, & Sharif, 2013). Kelly (2011) illustrates that the factors that affect the flow of earnings managementare pattern of earning management, good earning management, bad earning management, motivations of earning management, and accounting implication.

Creative Accounting Techniques

Getting Creative with the Income Statement

It includes the practice of communicating a different level of earning power using the format of the income statement rather than through the manner in which transactions are recorded. For example, companies may report a non-recurring gain as other revenue, a recurring revenue caption, or a recurring expense might be labeled as non-recurring. This will result in higher apparent levels of recurring earnings without altering total net income.

Manipulating Inventory

Firms may engage in inventory manipulation by either manipulating the quantity of the inventory or by valuing it. In years when profits need to be increased the quantity can be manipulated by doing a particularly rigorous stocktake. Provisions for absolute and slow-moving inventory and changing the actual method of inventory valuation are the practices of manipulating inventory values (Jones, 2011).

Creative Acquisition Accounting

IFRS 3 provides extensive guidelines on how the purchase price of business acquisitions should be distributed. Yet it leaves room for manipulation of amortizing levels.

Lack of regulation: there is lack of regulation in some areas in every domain. In most countries accounting regulation is limited in some areas, for example in Nigeria there are standards yet for recognition and measurement of financial instruments.

Regulatory Flexibility

Generally, accounting regulations often allow a choice of policy; for example, in respect of assets valuation (International Accounting Standards permit a choice between recording non-current assets at either depreciated historical cost or revalued amounts). The management may decide the change of the policies, and these shifts are difficult to be identified a few years later (Schipper, 1989).

Abuse of Materiality Concept

It includes misusing the concept of materiality by intentionally recording errors within a defined percentage ceiling. Firms indulging in this practice try to find an excuse for it by arguing that the effect on the net income is too small to matter.

Big Bath Charges

In this technique, instead of showing losses for a couple of years, a big loss is shown for a single year by charging all expenses in that year. This may be done if there are apparent reasons for poor profitability in that year and the management feels that by lumping all expenses in one bad year, they can start showing better profits in following years.

Using Cookie Jar Reserves: This refers to over-provisioning for accrued expenses when revenues are high, in order to bring profits down to a level that is safe to sustain in the future." It also includes failure to provide all the accrued expenses to show larger profits during tougher times when needed (Shah & Butt, 2011).

Financial Performance

Profit is one of the major reasons for venturing into business. Profitability therefore, means a state of producing a profit or the degree to which a business is profitable. Profitability is the primary goal of all business ventures. Without profitability the business will not survive in the long run. Conversely, a business that is highly profitable has the ability reward its owners with a large return on their investment. Accordingly, achieving acceptable financial result is crucial. Achieving acceptable financial performance is a must, otherwise the organization's financial standing can alarm creditors and shareholders, impair its ability to fund needed initiatives and perhaps even put its very survival at risk. This makes measuring current and past profitability and projecting future profitability a very important issue. Profitability is therefore identified as criteria for organizational effectiveness. It may be expressed in terms of net income and earnings per share or return on investment. A variety of profitability ratios can be used to assess the financial viability

Creative Accounting and Firm Performance

Financial reports are produced to show the true and fair state of affairs of business entities so that stakeholders and other users of such information can make informed decisions. However, Bankole, Ukolobi and McDubus (2018) noted that certain loopholes in the accounting standards provide avenues for the use of Creative Accounting practices, such as the flexibility in the International Financial

Reporting Standards (IFRS) that allow companies to choose method and rate of depreciation of assets and inventory valuation method. According to Osisioma and Enahoro (2006) accounting processes and choice of policies resulting from many judgments at the same time are capable of manipulations which have resulted in creative accounting. Much has been written on creative accounting. Anglo-Saxon is the first person, who wrote about creative accounting in his literature in 1970s (Watts and Zimmerman, 1990). In general, the management's objective is to achieve the highest profit and earning and if some circumstances prevail to reach this objective then the management of the firm maybe changes its accounting method, deferring or accelerating expense or revenue transactions, or use any policy which fraud in financial statements and reporting to show the earnings at a certain level in financial reporting standards. Shah, Butt and Tariq, (2011) assert that creative accounting is a weapon which is used in a critical situation of a firm. They also conclude that creative accounting is not that bad if firm shows some flexibility in its accounting regulations. It also depends on the ethical environment of any firm that how and why management is using creative accounting techniques as a weapon. Some analyst shows the dark side of creative accounting practices. They think that mostly setbacks happen because of unethical conduct of creative accounting for example Enron and WorldCom etc.

As Gherai and Balaciu (2011) predict in their literature, they said that enterprise stake is at risk when it indulges in practices of creative accounting. Because these practices give a firm only short term benefits. At the end enterprise would be surrounded with scandals. So there is really a need of close governance of financial reporting. It also concludes that management should try to find out all those causes which may provoke practices of creative accounting. Managers and auditors play an important role in any firm. At the end manager gets rewards from the company's performance. Auditor's close supervision may reduce the chances of applying creative accounting. Yadav (2013) finds that involvement of outsides director may reduce the practices of creative accounting. And more the outside users, less creative accounting practices. He says that involvement of professionals in financials decision can build a trust of stakeholders on enterprise. So, qualified accountants can help companies about the use of creative accounting techniques. The study also suggests that corporate governance is a best way to reduce these practices. Kassem (2012) argues that the ethical practices of creative accounting are there basically to help the external auditors to increase their efficiency and accuracy in finding any fraudulent act. It is difficult for people to differentiate between earning management and fraud. For an external auditor it is necessary to be able to differentiate the minor hair line difference between the two. External auditors can do the job of finding out whether it was a fraud or a financial error which resulted in the loss and in order to stop the future fraud he should be able to find out the methodology of the fraudulent person and to have the external auditors work at their best the regulators should provide them with the best guidance information and help them as much as they can.

Yadav, Kumar and Bhatia (2014) also find the ways that help to reduce the effect of creative accounting on balance sheet. They present quite positive picture of creative accounting practices. According to them creative accounting practices may arise because of agency problem. As Diana and Beattrice (2010) describe the manipulative behaviors of users and also talk about that how could the creative accounting practices be beneficial for the users as well as lead them into crisis. Yet, creative accounting practices are a name of deception and unwanted practices. Largay (2002); Mulford and Comiskey (2002) stated that six principle which show the maximum use of creative accounting practices. For example flexibility in regulation, a dearth of regulations, assumptions about future, use of artificial transaction, timing, reclassification and presentation of financial number games. Fraudulent financial reporting has resulted in big corporate failures as in the cases of Enron scandal (2001), WorldCom (2002) which led to introduction of Sarbanes-Oxley Act in USA, Saytam Computer Services Limited (2009) in India and American Insurance Group (2005). Also in Nigeria, Akintola Williams and Deloitte were indicted for facilitating the falsification of accounts of Afribank Plc. (Main Stream Bank PLC) and for deliberately overstating the profits of Cadbury Nigeria PLC. It has reported that between 1990 and 1994, Nigeria lost more than N6 billion ($42.9million) within the banking sector alone (Oluwagbuyi&Olowolaju, 2013).

This has not only led to loss of investment and jobs but has also made users of financial statement of companies doubt the truth and fairness of the accounting information and the accounting profession as a whole.

Schiff (1993) warn investors in general that, taking a company's financial statements at face value can be a recipe for disaster. Earnings per Share (EPS), the only number to which investors regularly go wrong by paying too much attention, can be increased by the stroke of an accountant's creative pen. Schiff mentioned six of the many ways companies can manipulate their earnings: (i)hidden pension liabilities, (ii) capitalizing expenses instead of writing them off, (iii) receivables or inventories growing faster than sales, (iv) negative cash flow, (v) consolidating owned subsidiary's income and net worth, with the impossibility of receiving the same, and (vi) following seemingly conservative practice in a situation of reverse direction (for example, if layers of lower priced LIFO (last-in, first-out)-cost of inventory are inflated and sold at current prices, current earnings power is overstated)(Akenbor&Ibanichuka,2012). Kamau, Mutiso and Ngui (2012) are of the opinion that tax avoidance and evasion is a motivator of the practice of creative accounting for the purposes of evading and avoiding tax among companies in Kenya. Their study found out that creative accounting is widely practiced among companies in Kenya. The study established that the tax avoidance and evasion is a major motivation that drives practice of creative accounting. Since tax is calculated on the basis of income, it is highly likely that the companies may understate their income so as to reduce the tax burden. Mangers have role to shows fluctuating profits which puts firms into financial crisis after showing profits and growth in beginning year then they collapsed. To exclude creative accounting from balance sheet auditors and management have to play a big role and provide true and fair view by financial reporting. It is not possible to eliminate creative accounting completely. Sanusi and Izadonmi (2014) observed that the reason behind the creative accounting in Nigerian commercial banks is to boost the market value of share.

Empirical Review

Tassadaq and Malik (2015) investigated the issue of creative accounting in financial reporting. Data has been collected through structured questionnaire from industrial sector. Descriptive and inferential statistics were used to generalize the results and conclude the findings. The study concluded that a company is involved in frauds or scandals because of several factors like unethical behaviors, agency problem and non-professional attitude. Creative accounting is neither an illegal nor legal only the maximum use of it pushes a company in scandals. Creative accounting plays significant role in financial reporting but has been negatively correlated that means more managers involved in it may decrease the value of financial information. Government regulation/international standards have positive and significant role if it is flexible in financial reporting. As auditor's comment also plays positive and significant role in financial reporting. Ethics plays an important and positive role in financial reporting. The more ethical values mean lesser manipulative behaviors. So the manipulative behaviors only destroy the image of any company. Al-Dalabih (2017) tried to identify the practice of creative accounting on the Jordanian banking sector. The sample of this study comprised 150 selected from three banks in the northern region of Jordan. A questionnaire survey was designed and distributed to them. A total of 121 questionnaires were retrieved that are valid for statistical analysis formed about 80.7% of overall distributed questionnaires; and the questionnaires have been analyzed using SPSS statistical software. The results of the study indicate that there is a statistical significant relationship between the practice of creative accounting and both the profitability and the size of the Jordanian commercial banks.

Leyira and Okeoma (2017) use survey data and financial reports on fourteen manufacturing firms over five year period to find out whether creative accounting and organizational effectiveness has any significant relationship. Using correlation statistics, all the hypotheses were found to be statistically significant and positively correlated. However, we found weak evidence of a positive correlation between income smoothing, artificial transaction and market share. These results are sensitive to our apiriori expectation but we believe they may not be consistent over time. The study concludes that many manufacturing firms in Nigeria underperform but practice creative accounting to appear legitimate. Umobong and Ironkwe (2017) examined creative accounting and firm's financial performance using secondary data obtained from Nigeria Stock Exchange and tries to ascertain whether food and beverage firms in Nigeria massage income using seasonal trading reports. Seasonal trading report (STR) was subjected to Hausmann test for selection of appropriate model and regressed against performance variables return on assets, returns on equity and earnings per share. Test of causality was conducted to determine whether there is causal relationship amongst the variables of study. Result showed STR has no significant relationship with ROA, ROE and EPS and not used to manipulate ROA, ROE and EPS. STR has negative relationships with performance variables and we conclude that an increase in STR decreases performance. Bankole, Ukolobi and McDubus (2018) carried out a study to establish the effect of creative accounting on shareholders' wealth. Inventory valuation, depreciation policy and debtors ageing schedule were used as proxies for creative accounting. The study reviewed the theories and techniques of creative accounting as well as the determinants of shareholders wealth. Empirical studies on creative accounting were reviewed. So were the scandals caused globally by creative accounting? The study found that frequent changes in inventory valuation and in depreciation policy affect shareholders wealth. It found that frequent manipulation of ageing schedule for the purpose of determining bad and doubtful debts provision had no significant effects on shareholders wealth.

From the foregoing, it is obvious there several studies have been carried out on the relationship between creative accounting and organizational financial performance. However, one can also observe that various methods have been adopted by researchers which include the use of questionnaires, theoretical review of past studies and financial report analysis. More recently, the CBN reported that more than half of the deposit money banks are facing liquidity challenges which resulted in the apex bank pumping more money into the banks thus creating an avenue for more investigation on creative accounting since these banks have been declaring profits over the past five years while the case of Diamond Bank which was once considered the darling and envy of deposit money banks only to merge with a less glamorous and less popular Access Bank suggesting that there is more to the problem of creative accounting in Nigeria. This shows that there is still gap in literature on how to effectively measure the impact of creative accounting on firm's financial performance of deposit money banks, a bridge this present study seeks to fill.

Theoretical Framework

Agency relationship occurs when owners of a business (principal) engage other individual (s) as worker (agent or steward) to execute tasks on their behalf. This relationship requires delegation of decision-making authority to the steward by the principal and the resulting division of labour is advantageous in enhancing an efficient and productive economic activity. However, such delegation also implies that the principal requires placing trust in an agent to act in the principal's best interests (Umobong&Ironkwe, 2017). Sometimes agents in the exercise of its responsibilities deviate from the goal of the principal and pursue self-interest. The extent of uncertainty about the agents desire to embark on self-interest motives rather than conform with the expectations of the contract represents an agent risk (which leads to agency cost) for an investor (Fiet, 1995). The principals will be desirous of knowing if agent actions yield profit or not. A simplistic agency model proposes that, as a consequence of information asymmetries and self-interest, principals lack reasons to trust their agents and will seek to resolve these concerns by putting in place mechanisms to align the interests of agents with principals and thus reduce the extent of information asymmetries and opportunistic behaviour.

Agents probably will have different motives from that of the principal. They may be motivated by factors such as financial rewards, employment opportunities, and relationships with other parties that are not directly relevant to the interest of the principals. This probably results in a tendency for agents to be more optimistic about the economic performance of an entity or their performance under a contract than the reality would suggest. Agents may also be more risk averse than principals. As a result of these disparities of interests agents may have an incentive to bias information flows. Principals may resent information asymmetries where agents are in possession of superior information to which principals do not access. These conflicts of interest may produce creative accounting practices or manipulation of financial statements with the resultant effect of bankruptcy of firms. Opportunistic behaviour by agents may be aimed at fulfilling debt covenants, increasing wage compensation, smoothing income and mitigating political costs. It is an important postulation by agency theory that accounting has a significant role in providing information; the so called stewardship function of accounting where agents report on the activities of the entity to the principal. According to Revsine (1991) agency theory give managers the laxity to search for existing gaps in financial reporting and to adjust accounting figures to the extent possible to meet their aims.

METHODOLOGY

The study uses ex-post facto design because it relies on past data derived from financial statements. The secondary data was mainly used in this study. Secondary source used was financial report of deposit money banks listed on the Nigeria Stock Exchange. The need to focus on banks is the challenge they continue face with their financial report suggesting they are healthy yet continue to face liquidity problem. The data include reports on return on assets, assets structure, equity capital structure, loan structure and deposit liabilities. The population of this study covers all deposit money banks listed on the Nigeria stock exchange. However the period covers 2008-2018 which thus forms a sample size of 11 years. In this study, variables are observed and correlation is performed to test the level of relationship between the economic events. In explaining creative accounting model, it is imperative to identify the variables that constitute creative accounting. Based on our literature, the focus of most manipulation is the asset structure (Using Cookie Jar Reserves), capital structure (Creative Acquisition Accounting), deposit liabilities (Manipulating Inventory), loan structure (Abuse of Materiality Concept)

H01: There is no significant relationship between asset structure and banks return on assets.
H02: There is no significant relationship between equity capital structures on banks return on assets
H03: There is no significant relationship between loan structure and banks return on assets.
H03: There is no significant relationship between banks deposit liabilities and banks return on assets.

Return on assets =f (cash assets structure, equity capital structure, loan structure and deposit liabilities)

In evaluating the model,

ROA= F (ASET, EQT, LOANS, TDL)
The mathematical form of the model is constructed as
$ROA= b0+b1ASET+b2EQT+b3LOANS+b4TDL+\mu$
However, the variables will be converted into natural log
$Log(ROA) = b0+b1log(ASET)+b2Log(EQT)+b3log(LOANS)+b4log(TDL)+\mu$

Where; ROA= Return on assets

ASET= Assets structure
EQT= Equity capital
LOANS= Total loans
TDL= total savings and demand deposits
b1 b2 b3 b4 = parameter estimates of the variables
b1 = estimate of the constant
μ= stochastic term or unexplained variable
log= natural log sequence

RESULT AND DISCUSSION

Table 1: Stability and Normality of Variables Test

Date: 22/07/2020
Sample: 2008- 2018

	ROA	ASET	EQT	LOANS	TDL
Mean	0.015033	5024328.0	391048.3	1479790	2328073
Median	0.016200	5891410	397511.5	1465563	2445200
Maximum	0.025700	6790540.0	486087.0	1794037.	2570719
Minimum	0.000100	1990910.0	254524.0	1144461.	1784490.
Std. Dev.	0.009381	2082605.0	84140.47	238230.3	303328.4
Skewness	-0.483161	-0.6072960	-0.515508	-0.022593	-1.055116
Kurtosis	2.086813	1.6163810	2.179152	1.875004	2.681018
Jarque-Bera	0.441923	0.8474090	0.434196	0.316914	1.138707
Probability	0.801748	0.6546171	0.804851	0.853459	0.565891
Sum	0.090200	30145970.	2346290.	8878742.	13968438
Sum Sq. Dev.	0.000440	2.17E+11	3.54E+10	2.84E+11	4.60E+11
Observations	11	11	11	11	11

SOURCE: E-View 8

The result shows that an average of 1.5% is made on return on assets annually while average asset value stands at N5024328.0m. Again equity capital for the firms stands at N391048.3m for the period under review which is about 20%% of the total asset structure of the firms. Furthermore, total deposit liabilities stands at 2328073m which is implies that it forms more than 60% of the banks liability structure. Loans structure also stand at an average of N1479790 which is higher than the banks' capital structure more than 65% of the deposits. The Jarque-Bera statistics for all the series shows that ROA has a prob-value of 0.801748, CASH has a prob-value of 0.654617, EQT has a prob-value of 0.804851, LOANS has a probvalue of 0.853459, while TDL has a prob-value of 0.565891. It indicates that ROA, CASH, EQT, LOANS and TDL are not significant and normally distributed.

Table 2: Relationship between Creative Reporting and Financial Performance
Dependent Variable: LOG(ROA)

Method: Least Squares
Date:22/07/2020
Sample: 2011- 2016
Included observations: 6

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-384.9073	94.34366	-4.079842	0.1530
LOG.(CASH)	-10.22123	2.544060	-4.017685	0.1553
LOG.(EQT)	-3.392171	3.431930	-0.988415	0.5037
LOG.(LOANS)	19.50125	5.725264	3.406176	0.1818
LOG.(TDL)	19.10366	8.078868	2.364646	0.2547

R-squared	0.965717	Mean dependent var	-4.932862
Adjusted R-squared	0.828587	S.D. dependent var	2.126726
S.E. of regression	0.880508	Akaike info criterion	2.458273
Sum squared resid.	0.775295	Schwarz criterion	2.284739
Log.likelihood	-2.374818	Hannan-Quinn criter.	1.763603
F-statistic	7.042327	Durbin-Watson stat	2.054131
Prob.(F-statistic)	0.274560		

SOURCE: E- View 8

Estimated model from the e-view shows that the model is linear and given as

LOG.(ROA)=-384.9073-10.22123LOG(ASET)-
3.392171LOG(EQT)+19.50125LOG(LOANS)+ 19.10366LOG(TDL).

ASET is negatively related to ROA. This means that the higher the assets, the lower the return on asset which conforms to apriori expectation. The standard error of CASH is 2.544060 which is greater than its coefficient implying that asset structure is statistically significant on return on asset. The t-test shows a prob. value of 0.1553 thus indicating that there is no significant relationship between asset structure and banks return on assets. EQT is negatively related to ROA. This means that the higher the equity capital, the lower the return on assets which does not conform to expectation. The standard error of EQT is 3.431930 which is higher than its coefficient implying that equity capital is statistically insignificant on return on assets. The t-test shows a prob.value of 0.5037 thus indicating that there is no significant relationship between equity capitals structures on banks return on assets.

LOANS is positively related to ROA. This means that the higher the loans and advances, the higher the return on assets which conform to apriori expectation. The t-test shows a prob.value of 0.1818 thus indicating that there is no significant relationship between loan structure and banks return on assets.
TDL is positively related to ROA. This means that the total deposits, the higher the return on assets which conforms to apriori expectation. The t-test shows a prob.value of 0.2547 thus indicating that there is no significant relationship between banks deposit liabilities and banks return on assets. The coefficient of determination R2 is 96.57%, indicating that the variables are perfectly fitted. The adjusted coefficient of determination is 82.86% implying that 82.86 percent of the total variation found in ROA is explained by the presence of CASH, EQT, LOANS and TDL while the remaining 3.43% is the presence of the unexplained variable. The F-statistics shows that F-cal is 7.042327 with a prob-value of 0.274560 which implies that the overall regression is statistically significant and the variables jointly impact on return on assets

CONCLUSION AND RECOMMENDATION

Managers may falsify turnover figures to upswing performance and outperform competitors to create a positive signal or outlook that the firm is better than other firms or a downward swing with negative outlook to present a worse image of the firm. This is essentially such that a worse image currently will result in higher bonuses in future when performance improves. It could also imply that a worse image and reported losses is to avoid tax. The big bet method can also be deployed to boost the financial report of firms. The result of this study suggests that companies such as deposit money banks are always in dilemma on sweetening the quality of their assets or simply showing the true nature to avoid sanction which supports the earlier study of Nwude, Itiri, Agbadua, and Udeh (2016). Okpara (2009) had questioned banking returns in the face of high level liquidity problem. He concluded that banks declare unearned profit to please investors. Solomon (2016) also confirms this when he noted that banks non-performing loans were too high to provide any cover for their shareholders capital and earnings and are therefore having high level of toxic assets. The present findings in our study support all these assertions. Securities and exchange commission (SEC) require that all quoted firms in Nigeria must publish audited financial statements on quarterly basis, this increases the possibility of detection of falsified trading reports and serve as a disincentive to falsify trading reports. The Nigerian stock exchange impose sanctions on that firms that present falsified trading and shares of defaulting firms are trading on the floor of the exchange. It is possible that firms being aware of the sanctions carefully avoid being penalized.

The empirical findings showed some interesting and questionable results. Banks return on assets has negative and weak relationship with equity capital. Findings from the study further showed a positive and insignificant relationship exist between loans and advances, deposits and return on assets. The result thus makes one to wonder how the banks got improved profitability over the years as shown in their financial reports when their returns on assets are depreciating. There is need to employ statutory auditor in reducing the effect of creative accounting techniques on the reliability of financial reporting. Again active corporate governance principles can be used to control the practices of creative accounting by using independent nonexecutive directors. It is recommended that effective rules and regulation of accounting practice should be put in places within organizations to forestall the incidence of Creative Accounting. Also, it was recommended that GAAP usage should be subjected to basic IFRS and IAS standards. Adopting of the set of global financial reporting standards known as international financial reporting standards (IFRS) must be embrace by all operators of accounts and those performing accounting duties. Greater emphasis must be placed on enforcement of code of corporate governance and ethics. Proper enforcement of changes in accounting regulations, ethical standard government code by regulatory authorities will prevent companies from employing misleading reporting practices of creative accounting. Regulatory agencies should draft rules that minimize the use of judgement estimation and prediction in the treatment of certain entries in financial reporting example extra ordinary items. Auditors should have a part to play in identifying and reporting dishonest estimates, and they should be given the responsibility of detecting and reporting all instances of Creative Accounting practices

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Impact of Auditor Independence on Accountability and Transparency in Corporate Organizations in Nigeria

YOHANNA, Longdi Faith

Department of Accounting
Bingham University
Karu, Nasarawa State
E-Mail: longdiyret@gmail.com, Phone No: +234 8138831376

Abstract

The study seeks to examine the impact of auditor independence on accountability and transparency of corporate organization in Nigeria. There are factors that constitute threats to the independence of an auditor. The literature development was guided by the credibility theory, Theory of inspired confidence, Agency theory and the Quasi-judicial theory. The exploratory assessment method was adopted in this study. The study used the secondary method of data collection basically sourced from journals, internet and other relevant publications; which includes a survey of published research. The study had the following research questions: Are there threats to auditor independence that affect accountability and transparency in corporate organizations in Nigeria, How crucial is auditor independence as regards the reliability of financial information reported to the public(stakeholders) and if auditor independence affect audit quality in corporate organizations in Nigeria. The study found out that there are threats or impediments to auditor independence. The independent auditor performs a key function in ensuring that the public (stakeholders) rely on financial report. The study also revealed that audit quality is affected by the auditor independence; increasing the independence of auditor is to contribute to improving the quality of the audit. The study concludes that auditor independence has an impact on accountability and transparency of corporate organization in Nigeria. The study therefore recommends that there should be more framework on auditor independence, study should be carried out on the factors that lead to the threat of auditor independence and how to mitigate them and study should also be carried out on accountability and transparency as it affects audit.

Keywords: Auditor Independence, Accountability, Transparency, Corporate Organizations

INTRODUCTION

Independence is one of the most important attributes of the accounting profession. Investors rely on information from management regarding the financial position of the company. Managers have an obligation to uphold the continuity of the company's profits and growth. Managers thus have their own goals and interest in mind apart from the investors- that is to make the company appear to be in good standing at all times. The investors are interested in knowing the correct position of the company, so they can decide whether or not they will continue to invest in the corporation. Therefore an intermediary is involved (the auditor) to protect the investors from the self-interests of managers. The investors' confidence in the auditor depends on the auditor's credibility on how well the intermediary has been correctly verifying managers' assertions of the financial statements. As a result, auditors have to maintain and appear to maintain their independence at all times. This becomes difficult, because managers are responsible for hiring and firing the auditors under their own authority. This allows the auditors to be influenced because of conflict of interest, and perhaps lose his independence.

Auditing ensures the effectiveness, proper, and economic use of resources in the organization through the objective examination, evaluation and reporting on the adequacy of internal control. The effectiveness of the auditing function lies on its independence. The independence in terms of organizational status and personal objectivity of the internal auditors facilitates the proper and effective performance of his duties. Also, there are changes in globalization in general which carries significant influence on the development of the world's economy. This change is a change in the external business environment that is pressing the company to be able to produce strong competitiveness so as to receive the benefit of globalization. Investors from various countries can invest in other countries that provide better returns by studying and analyzing the relevant information before making an investment decision. And one of the relevant information is the financial statement. For the financial statement to be trusted, an audit is very necessary, so also is the independence of the auditor and also the accountability and the transparency of the corporate organization. According to Saputra (2015), auditing is the accumulation and evaluation of evidence about information to determine and report on the degree of correspondence between those assertions and established criteria. As cited by Okafor, C. N. (2012), auditing is the systematic process by which a competent, independent person objectively obtains and evaluates evidence regarding assertions about an entity or event, for the purpose of forming an opinion about and reporting the degree to which assertion conforms to an identified set or standards. Also, Izedonmi(2000) defined auditing as an independent examination of the financial statement of an enterprise by an appointed person called auditor, in order to express as professional opinion whether or not those financial statement show true and fair view of the financial period in accordance with the auditor's term of engagement as well as other relevant statutory and professional regulations.

Audit refers to an examination of the financial report of a firm by an independent entity. The separation of business ownership and management in modern society has created a need for accountability; causing the role of audit to change as the needs of stakeholders' change. Audit in itself caters to the relationship of accountability, independent from other parts of the firm to provide a true and fair view of the financial report of an organization. Whereas the 'value relevance' refers to the auditors' ability and responsibility to provide reasonable assurance that financial statements are free of material misstatement, either due to fraud or error; or both. Auditing was also seen and defined by many "as a review of a statement of account prepared by the appointed officer of an organization or by some other persons"(Okolo,2001). In other words, an auditor's objectivity must be beyond questions when conducting an audit. Hence the approach of an audit work must be with integrity and objectivity and spirit of independence of mind. According to Arens, A. A. &Loebbecke, J. K.(1997), audit is the process by which a competent, independent person accumulates evidence about quantifiable information related to a specific economic entity for the purpose of determining and reporting on the degree of correspondence between quantifiable information and established criteria. Audits are categorized by purpose, including financial statements audit, compliance audit, and performance audit. According to the International Federation of Accountants (2007), audit is about auditors examining and expressing their opinions on financial statements. Consequently, the main aim of this study will be to examine the impact of auditor independence on accountability and transparency in corporate organization in Nigeria. In order to achieve the objective, the following hypotheses are formulated thus:

Ho 1: There is no significant relationship between threats and auditor independence as it affects accountability and transparency.
Ho 2: There is no significant relationship between auditor independence and reliability of financial information reported to the public (stakeholders).
Ho 3: There is no significant relationship between auditor independence and audit quality in corporate organizations in Nigeria.

LITERATURE REVIEW

Conceptual Framework

Auditor Independence

Independence has traditionally been defined as the ability to act with integrity and objectivity. According to the American Institute of Certified Public Accountants (AICPA 1948) independence, both historically and philosophically, is the foundation of the public accounting profession and upon its maintenance depends the profession's strength and its stature. International Auditing Practices Committee of the International Federation of Accountants (1980), in its International Auditing Guidelines (AG-3), defines the auditor independence in these words. The auditor should be straight forward, honest and sincere in his approach to his professional work. He must be fair and must not allow prejudice or bias to override his objectivity. He should maintain an impartial attitude and both be and appear to be free of any interest which might be regarded, whatever its actual effect, as being incompatible with integrity and objectivity".

Arens (2012) explains that independence requires an attitude of responsibility separate from the client's interest. The auditor must maintain an attitude of healthy professional skepticism.According to BahramSoltani (2007) as cited by Saputra, W.(2015), auditor independence refers to the auditor's ability to maintain an objective and impartial mental attitude throughout the audit. Independence is described as having a position to take an unbiased viewpoint in the performance of audit tests, analysis of results, and attestation in the audit report. Based on the above understanding can be concluded that the independence of the auditor is the auditor's ability to maintain mental attitude objectively and impartially in the interests of the client in conducting the audit, analyzing the results, and attestation in the audit report. Independence Standard Board (ISB) (2000) defines auditor independence as freedom from those factors that compromise, or can reasonably be expected to compromise an auditor's ability to make unbiased audit decisions. ISB does not specify independence questions, but it supplies a structure and methodology for analyzing issues. The need for a framework arises from the jumble of confusing independence rules and regulations. The framework is the product of an open process. A task force of academics, lawyers, audit committee members regulators, auditors and others helped to identify the issues and reviewed for clarity and completeness.

Dimensions of Independence of Auditor

According to Le-Doan (2019), independence is the cornerstone of auditing and is essential for the reliable corporate financial statement. In common with the International Federation of Accountants in Vietnam, independence is defined in the professional ethics of accounting and auditing issued in accordance with Circular 70/2015/TT-BTC dating 8 May2015(VMF, 2015), the Vietnam's Ministry of Finance has classified independence into two parts: independence in fact (real independence) and independence in appearance (perceived independence). Arens et.al (2012), explains that the independence of the auditor is divided into two parts as follows: "independence as consisting of two components: independence in mind and independence in appearance. He also cited that Mautz and Sharaf (1993), stated that the independence of auditors is composed of three dimensions: the independence of the audit program, the investigative independence, and the independence of the audit reporting.

Threats to Auditors Independence

Threats to auditor independence represent pressures or other factors impairing an auditor's objectivity. To be independent, an auditor must be able to overcome the threats that compromise objectivity. Identifying sources of threats help to illuminate their nature and impact on the auditor's independence. Conceptual Framework for Auditor Independence (CFAI) illustrates five potential threats; self- interest threats relating to auditors acting in their own self-interest (such as emotional, financial or personal). Self-review threats arising from auditors reviewing their own work or that of other firm members, as auditors must not audit their own work. Next is advocacy threats which relates to auditors advocating for or against an auditee or its position rather than serving as unbiased attesters of the financial information. Familiarity (or trust) threats is from auditors influenced by a close relationship with an auditee, while intimidation threats are threats from auditors overtly or covertly coerced by auditees or other interested parties. Both the probability and materiality of each threat should be evaluated. The foregoing threats encompass two familiar concepts: "acting in the capacity of management and having a mutuality of interests with the client ". Auditors must not act as managerial decision makers. Auditors must not favor their clients' interests or goals. Instead, they must be watchdogs for the public.

The Vietnam's Ministry of Finance Circular also mentioned some threats affecting the independence of auditors as: self-interest, self-review, familiarity, advocacy and intimidation. While independence of mind is key factor to forming a judgment about the contents of the financial statements, there are threats to auditor's independence that affect their judgment. Impediments to independence are often viewed in terms of financial considerations or personal relationships.In Vietnam, Dang(2011) has found four main factors affecting the quality of services of auditing companies in Vietnam: (1) the auditing firm and client relationship; (2) the process of training and capacity building of auditors; (3) the audit cycle; (4) the effectiveness of the audit process. Other studies have also found the cause of impairment of the values of auditing services in the auditor client relationship. Researches carried out by Nguyen and Ha (2015) have reviewed the views and opinions on the subjects related to financial reports and independence of not only the auditors in Vietnam (but also the accountants, bank creditors and investors) and factors that affect this independence. The authors found that eight factors: (1) non-audit services, (2) audit fees; (3) audit's tenure; rotation of auditor's/audit firms, (5) the auditing committee appointed, (6) the competition in auditing market (7) the size of the auditing companies, (8) the risks of disclosure of financial relationships have different levels of impact that increase or threaten the independence. Recent research by Vo (2016) shows that there are four factors that have the opposite effect (non-audit services, auditing costs, tenure and rotation of auditors) to the independence of the auditor.

Accountability and Transparency

Accountability is all about being answerable to those who invested their trust, faith, and resources to you. Arena (2010) defined accountability as the obligation to demonstrate that work has been conducted in accordance with agreed rules and standard and that officer reports fairly and accurately on performance results vis-à-vis mandate roles and plans. It means doing things transparently in line with due process and provision of feedback. Badara (2012) posits 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. Theofanis (2011) observed that the capacity to achieve full accountability has been and continuous to be inadequate, partly because of the design of accountability itself and partly because of the widening rage 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. According to Shrivastara (2015), transparency is a process or a mechanism of knowing. Transparency in its literal meaning refers to the state of being easily visible throughout.

Accountability is a concept of varied interpretations. In literal meaning it deciphers to be responsible. Accountability is a channel to reach better amount of transparency. Transparency and accountability are mutually beneficial to each other. Transparency encourages accountability and accountability demands transparency. Transparency is also a necessary precondition for the exercise of accountability since without access to clear, accurate and up-to-date information, it is impossible to judge whether the standard promised has been met. According to MacGee&Gaventa (2010), both transparency and accountability have emerged over the past few decades as being appropriate way to tackle democratic deficits and developmental failures. Based on the developmental framework, multiple arguments have emerged postulating that the " leaky pipes" of inefficiency and corruption could be mended, aid channeled in a more transparent and effective way, and developmental initiatives could lead to the generation of better results through greater accountability from the concerned individuals. MacGee and Gaventa (2010) claim that accountability is the path to empowerment and enhanced effectiveness in the operations of many organizations based on their responses to the needs of the people that they serve.

Concept of Audit Quality

Arenset (2011) as cited by Saputra (2015) defines the quality of the audit to mean how well an audit detects and reports material misstatements in financial statements, the detection aspects are a reflection of auditor competence, while reporting is a reflection of ethics or auditor integrity, particularly independence. Furthermore, The US Government Accountability Office (GAO) (2015) explains the notion of audit quality as an audit conducted in accordance with Generally Accepted Auditing Standards (GAAS) to provide reasonable assurance that the audited financial statements and related disclosures are (1) presented in conformity with GAAP and (2) are not materially misstated whether due to errors or fraud. Public Company Accounting Oversight Board (PCAOB) (2015) defines audit quality as meeting investors' needs for independent and reliable audits and robust audit committee communications. Australian Public Policy Committee (2014) defines audit quality as meeting investors' needs for independent and reliable audits and robust audit committee communications on: Financial statements, including related disclosures; Assurance aboutinternal control; and going concern warnings. Based on the above understanding can be concluded that the quality of the audit conducted in accordance with auditing standards generally acceptable that can detect and report material misstatements in the financial statements include disclosure relating either caused by an error / fault or fraud, is able to provide assurance of internal controls, and capable to provide going concern warnings. IFAC (2015) in the statement of a "a framework for audit quality indicator" describes the dimensions and indicators to assess the quality of audit as follows; Values, Ethics and Attitudes.

Empirical Review

The study carried out by Austin, et al (2014), in a research paper, 'Auditor independence': a review of literature in which they surveyed 16 auditor independence – related research articles, which were published during the time frame of 1992-2010. According to them, selecting this time period proved beneficial and provided astounding insight into the emerging concerns about auditor independence, amidst an increase in scandals which ultimately has led to the economy being forced into recession. Their submission is that, in these times of worldwide recessions and rebuilding of the economy, auditor independence will continue to remain at the forefront of importance to the accounting profession. Auditor independence is crucial to the key information investors and corporations rely for the sustaining of capital market's profit and growth. They added that one factor alone is not the reason itself but just part of the reason; therefore, one factor should not be deemed as the primary cause. They recommended that auditor independent-related research be centered on all factors such as: audit fees, low balling, audit firms hiring clients, non-audit services, and litigation and risks. Findings of Saputra (2015) titled, " The Impact of Auditor's Independence on Audit Quality" : A Theoretical Approach; the study discloses that to carry out an audit in a manner that meets the reasonable expectations of users of audited financial statements, it is essential that work is performed with due regard for audit quality. The quality of auditing is an audit conducted in accordance with auditing standards generally acceptable that can detect and report material misstatements in the financial statements include disclosure relating either caused by an error / fault or fraud, is able to provide assurance of internal controls and capable to provide going concern warnings. The independence of the auditor is the auditor's independence. The independence of the auditor is the auditor's ability to maintain mental attitude objectively and impartially in the interests of the client in conducting the audit, analyzing the results, and attestation in the audit report. It is composed of three dimensions namely programming independence, investigative independence, and reporting independence. Based on theoretical approaches, it can be concluded that audit quality is affected by the auditor's independence, thus the more independent an auditor then increasing audit quality.

Furthermore, Saputra (2015) cited that various theories were put forward by the experts stated that the independence of the auditor affect the quality of the audit include: Ross L. Watts, et al (1986) states that to create a demand for audit services, auditors have to convince the market that they have some competence and they will have some independence from the client. The same thing was also confirmed by Arens, et al (2014) that the value of auditing depends heavily on the public's perception of the independence of auditors. Similarly, David N. Ricchiute (2006) states that in practice, independence is powerfully important to the profession's reputation as a trusted player in the market for audit services. The financial community values the reports of certified public accountants precisely because CPAs are perceived as having no vested financial or personal interest in the outcome of the engagement. Some recent research also said similar thingsabout the impact of auditor independence on audit quality, among others: Enofe, et. al (2013) stated that as auditor independence increase, the quality of the audit also improves. That the same thing was also confirmed by EkoSuyono (2012) stated that independence of auditor and accountability affect audit quality. Similarly, NovieSusantiSuseno (2013) asserts that auditor independence significantly influences the audit quality.

Several researches have come to the conclusion that one of the major factors which affect the auditor independence is the non-audit services, especially MAS. To reduce the effect of the audit independence, one should reduce the restrictions of the audit and non-audit engagements between the accounting firms and their clients as per the proposed regulatory framework which in turn reduces the auditors' incentives leading to the involvement of the audit-client in fraudulent activities. The premise is that auditors need to operate in the framework that discourages immoral behaviors (Gavious, 2007). Furthermore, there are additional regulatory frameworks for the auditors and to establish higher standards for the corporate governance (Rezuee, 2005). Myers (2005) perceived that audit independence was fundamental to the credibility of the profession. The audit independence can be viewed from two angles: (i) Actual independence is the achievement of actual freedom from bias, personal interests, prior commitment to an interest, or susceptibility to undue influence or pressure, and (ii) the perceived independence is the belief of financial report users that actual independence has been achieved. Briloff (1990) observes that the client hires the auditor and pays the fees but the auditor is supposed to conduct the audit in an independent fashion adhering to profession's "covenant with society". The auditor is required to express an opinion on the financial statements as to whether they are presented fairly or not. It is assumed that he or she is independent and acts honestly. Independence is a function of the auditor's mental attitude, and one must look at the various factors which influence the auditor's behavior to determine whether his psychological makeup allows him to be objective, honest and independent. Thus it is necessary to consider the position advanced by behaviorists (Alleyn et al, 2006). The literature has shown that the key factors to be considered include consequentialism and deontology (Moizer, 1997), cognition (Dillard and Yuthas, 1997; Moore et al, 2003) and structurization (Giddens: 1984). The concept of independence envisions both real independence and apparent independence. It is observed that an auditor will be lost if the auditor owns a stock, participates in managerial decision making, is a relative of the member of the board, takes up an executive position or is an employee.

Theoretical Framework

The Lending Credibility Theory

This theory suggests that adding credibility to financial statements is an integral part of auditing, making it a fundamental service auditors provide to clients. Audited financial statements boost users' confidence in an organization's financial records and management's stewardship; in turn, improving their decision quality such as, investment or new contracts, based on reliable information. This is because stakeholders need to have faith in the financial statements would affect decisions by stakeholders (example credit limits provided by suppliers) and also helps shareholders put trust in management, reducing the 'information asymmetry' between stakeholders and management. The credibility theory provides the primary function of auditing to increase the reliability of financial statement, Ittonen (2010), in which the auditor independence provides public trust Beatti, Brandt, &Fearnley (1999). It is fundamental to the existence of auditing (Bakar& Ahmad, 2009) to act in accordance with social expectations (Suchman, 1995). Based on the theoretical view of legality, many studies have shown that when attitudes and social expectations change audit independence should be appropriately adapted within the framework of standards (Deegan, 2006; Lindblom, 1994).

Theory of Inspired Confidence

This theory was developed in the late 1920s by the Dutch Professor Theodore Limperg (Hayes et al; 1999). Limperg's theory addresses both the demand for and the supply of audit services. According to Limperg, the demand for audit services is the direct consequence of the participation of outside stakeholders in the company. These stakeholders demand accountability from the management, in return for their contribution to the company. The auditor's job should be executed in such a way that the expectations of a rational outsider are not thwarted. So given the possibilities of audit technology, the auditor should do everything to meet reasonable public expectations. The relationship of accountability is realized with financial statements; however, as outside parties cannot monitor any material misstatement or bias in financial reports, the demand for an independent reliable audit arises. The supply of audit services should satisfy the public confidence that arises from the audit and fulfil community expectations, as the general function of audit is derived from the need for independent examination and an expert opinion based on findings; due to the confidence society places in an independent auditor's opinion. It can be assumed that if society lost confidence in audit opinion, the social usefulness of audit would cease; as audit delivers benefits to the users of financial statements. The auditor should maintain appropriate business practices to maintain his independence from the firm being audited, in order to satisfy his obligation to examine business practices and provide a credible opinion on the financial statements.

Agency Theory

According to Jensen and Meckling (1976), agency theory analyzes the relationship between two parties: Investors and managers. The agent (i.e manager) undertakes to perform certain duties for the principal (i.e investors) and the principal undertakes to reward the agent. According to this theory, Anderson and Emander (2005) assert that the role of the auditor is to supervise the relationship between the manager and the owners. A gab expectation occurs when the distribution of the responsibility is not well defined. The responsibility of every part is well defined in the regulation. The manager and the owners have to realize that the auditor does not have responsibility of the accounting, but only sees that the auditing is done properly. Donaldson and Davis (1991) argued that in a corporation in which ownership is widely spread, managerial behavior does not always maximize the returns of the shareholders. The degree of uncertainty about whether the will pursue self-interest rather than comply with the requirements of the contract represents an agent risk for an investor. According to Hermanson et al (1993), there are four conditions in the business environment which create a demand for an independent audit – conflict of interest, consequence, complexity and remoteness.

Quasi – Judicial Theory

In this theory, the auditor is regarded as a judge in the financial distribution process (Hayes et al, 1999). However, Porter concludes that (i) an auditor's decisions and decision process are not publicly available; (ii) the doctrine of precedence/consistency is not guaranteed in auditing; and (iii) an auditor's independence differs from a judge's independence because of the different reward system involved.

METHODOLOGY

This study adopted exploratory assessment method by reviewing research work done by other writers in related field. The data for this research study were adequately sourced using the secondary method of data collection basically sourced from journals, internet and other relevant publications.

RESULTS AND DISCUSSION

In conducting this research, data were sourced from relevant publications, internet and from journals. Among others, the work of Austen and Herath (2014) 'Auditor independence: a review of literature', Int. J. Economics and Accounting, Vol. 5, No. 1. It suggests that a wide range of topic areas has been discussed and this learning can be incorporated in revising auditor independence related curricula. Findings from the study revealed that there are threats to auditor independence. This aligns with the study conducted by Austen, et al (2014) that auditor independence is crucial to the key information investors and corporations rely for the sustaining of capital market's profit and growth. The study also revealed that depending on the circumstance and individual, independence can be impaired. Researchers have searched for an explanation as to why an auditor might lose his/her independence. The public's concern for auditor independence became heightened as companies wanted to ensure a company's adherence to professional accounting standards and principles. Summarizing the findings of auditor independence studies conductedin developed countries, such as the United States (Bamber&Iyer, 2007; Blay& Geiger, 2013; Carcello& Nagy (2004), UK (Beattie et al, 1999), and in developing countries such as China (Wu & Ying, 2016); Malaysia (Bakar& Ahmad, 2009,) Taiwan (Chi et al., 2009), Thailand (Boatham & Ussahawanitchakit, 2009), Vietnam (Dang, 2009, 2011; Giang, 2010; Nguyen & Ha, 2015; Vo, 2016), a combination of factors impacting on auditors independence and audit quality such as non-audit services, the audit fee, the relationship between the auditor and the client, the size of the auditing companies and the audit term has been established. Many studies have not been published extensively on the impact of corporate governance on the independence of audit.

These studies have not fully investigated the factors that affect independence through the threat of compromising audit independence: the threat of self- interest, the threat of self-review, and the risk of self-defence, friendly risk, threats and safeguards. These risks and safeguards constitute audit independence. Each risk has many factors. Therefore, it is important to study the factors that lead to the threat of auditor independence. The stakeholders or the public will rely on reported financial information if they believe the auditor is independent of other parties, more specifically company directors. Furthermore, the finding from the study also revealed that auditor independence affect audit quality. This aligns with Saputra (2015), based on his theoretical approaches; revealed that audit quality is affected by the auditor independence. The more independent an auditor then increasing audit quality.NovieSusantiSuseno (2013) asserts that auditor independence significantly influences the audit quality.Duc et al (2015), increasing the independence of auditors is to contribute to improving the quality of the audit.

CONCLUSION AND RECOMMENDATION

In the light of the above, the study concludes that auditor independence has impact on accountability and transparency in corporate organizations in Nigeria. EkoSuyono (2012) states that independence and accountability affect audit quality. The auditor carries out his work freely and in an objective manner and that work is conducted in accordance with agreed rules and standards and the auditor reports fairly and accurately on performance results vis-à-vis mandate roles and plans. The value of auditing depends heavily on the public's perception of the independence of auditors and independence is of utmost importance to the reputation and credibility of the profession. Based on the findings and conclusion drawn from the study, the following recommendations are made:

i. There should be more frameworks on auditor independence so as to ensure more accountability and transparency.
ii. The researcher also recommends that more studies should be carried out on the factors that lead to the threat of auditor independence and how to mitigate them.
iii. Also, study should be carried out on accountability and transparency as it affects audit quality.

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Impact of Forensic Accounting on Fraud Prevention in Nigeria Public Sector

OGAH, Inalegwu

Department of Accounting
Bingham University,
Karu Nasarawa State.
E – Mail: richogah@gmail.com, Phone No: +234 0867186950

Abstract

The study examines forensic accounting and fraud prevention in Nigeriapublic sector by using some selected studies from within and outside Nigeria. The objectives of the study are to determine how forensic accounting prevents fraud in Nigeria Public Sector and to determine whether in reality forensic accounting prevents fraud in Nigeria Public Sector. For the stated objectives to be achieved, data was collected from different sources including secondary sources. Based on the analysis, the study found that a considerable positive influence exists between forensic accounting techniques and fraud prevention. To draw an indebt insight about how fraud occurs a number of theories were explored and vividly explained for clarity of purpose in this study. Amongst other recommendations for improvement clearly suggested by this work, the paper is of the opinion that more steps should be taken to ensure fraud prevention with the application of forensic accounting techniques. Also worthy of mention is that more forensic accountants be involved in fraud prevention, a stitch in time they say saves nine, preventive measures for fraud is always more beneficial than detection. Moreover, an effective and thorough legal framework should be developed and be provided for effective enforcement of what the law say by government agencies that were saddled with such responsibility on behalf of the government.

Keywords: Forensic Accounting, Fraud prevention, Public Sector, Fraud Triangle Theory

INTRODUCTION

Fraud is part and parcel of a cancerous threat that negatively affects the Growth and Development of any nation which should not be underestimated globally. It is part of the reasons why there is need for forensic accounting to play a major role towards the prevention of fraud in Nigerian public sector. Fraud can be seen as a deliberate act of doing something unlawful which portrays the violation, concealment of trust, while forensic accounting aims at the detection and prevention of an individual or a corporate body from engaging in questionable character which affects integrity. Now, if forensic accounting is expected to be seen as an aspect of accounting that is suitable for legal review and offering the highest level of assurance, then why in spite of the fact that some law enforcement agencies such as an Independence Corrupt Practices and other related offences Commission (ICPC), Economic and Financial Crimes Commission (EFCC), and Code of Conduct Bureau (CCB) these agencies are working day and night in tracing hidden assets, funds and many more but still fraud is at alarming rate in Nigeria.

According to Effiong (2013), from studies conducted previously it was observed that the rate at which fraud is carried out in the Nigeria Public sector is seriously worrying. Moreover, Kasum (2009) has also clearly shown that corruption has affected the lives of citizens of third world countries negatively, which is deeply rooted in the systems; it is alarming and seriously devastating. Therefore, Forensic accounting is necessary towards reducing frauds, fraudulent activities and corruption capable of destroying national image and economic growth. In Nigeria, fraudulent practices have become much endemic and systemic, particularly in the public sector. However, Nigeria’s case is unique owing to the fact that both the magnitude and the frequency of occurrence of the menace are very high (Agbiboa, 2012; Gbegi & Okoye, 2013; Modugu & Anyaduba, 2013; Nekede & Oko, 2013). Nigeria has remained among the developing countries of the world and it is certain that the nations with high incidence of fraud cannot forge ahead (Owojori & Asaoulu, 2009). Nevertheless, with the incoming present administration things have started taking shapes but at minimal level due to the outrageous epidemic of fraudulent acts been committed by the past administrations. For instance, Foreign Reserve increased from \$29.6bn to \$47.5bn as at May, 2018. It is understood that forensic accounting has evolved in response to certain emerging fraud related cases. For example, ENRON and WorldCom scandals have drawn or shocked the world and exposed corporate deceit and greed embedded in human minds to the field of forensic accounting, more and more attention is now given to the field (Ozuomba, Ofor & Okoye, 2016). Moreover, financial related fraud and increase in financial crime has led to the need of forensic accounting in order to aid investigation and prosecution of the syndicates of financial crimes just liked in the case of some prominent political parties ex-governors in Nigeria are presently facing trials on money laundering, embezzlement, misappropriation of funds, security fraud, breach of contract from different court of laws within the country and many more including some public civil servants that converted public treasury as personal assets to their pockets.

The related reviewed literatures revealed that majority of these frauds in the public sector are perpetrated by management officials who under normal circumstances are supposed to be the custodians and supervisors of internal control system and internal auditors respectively (Adebisi & Gbegi, 2015). It is on the basis of these high increase in the cases of fraud and other questionable acts that called for the need of thorough research to be carried out on forensic accounting in Nigerian Public Sector by looking at the previous findings of other researchers and to do comparative analysis on whether there is cordiality between forensic accounting and fraud prevention or the researchers were just merely wasting their time in establishing the relationship where there is no relationship. This study is targeted toward achieving the following specific objectives: To determine whether forensic accounting techniques prevent fraud in Nigeria Public Sector and to find out how forensic accounting techniques prevents fraud in Nigeria Public Sector. Fraud in Nigeria is something that keeps on reoccurring. Indeed, the report presented by the FBI in 2018 highlighted that Nigeria is among the top 5 countries where fraudsters come from. Central Bank of Nigeria (2018) report and Nigeria Deposit Insurance Corporation (2018) report both reported large sums of money banks lost to fraud annually. The Economic and Financial Crimes Commission (2018) corroborated this report by pointing out that large companies and influential individuals in Nigeria continue to fall victims of fraudsters losing large sums of money in the process. In recent times, both private and public sectors of the economy have fallen victims of fraud. All these frauds committed usually have insiders like the internal auditors of the organisation involved. Thus, forensic accounting has emerged as a way of checkmating fraud since the conventional accounting and auditing systems have failed in the areas of checking fraud. Forensic accounting is an advanced technique in the prevention and detection of fraud management. However, its efficiency and effectiveness have been questioned as it is seen to be used mainly after fraud has taken place and to also find the people responsible and prevent against future reoccurrence. There hasn't been enough evidence of how forensic accounting can help reduce or eliminate crimes. Consequently, the Objectiveof this study is to assess the effect forensic accounting has on fraud management and to determine the impact forensic accounting has on fraud prevention in Nigeria Public sector.

LITERATURE REVIEW

Conceptual and Empirical Discussion

Forensic Accounting and Fraud Prevention

It is a well-known fact that there is no worldwide or universally acceptable definition of forensic accounting and fraud. Nevertheless, some scholars made an attempt to define it based on their little understanding. For instance, (Ozuomba, Ofor & Okoye, 2016) looked at Forensic accounting as the utilization of accounting, auditing and investigative skill to assist in legal matters and applies the specialized body of knowledge to the evidence of economic transaction and reporting suitable for court proceedings and accountability. Joshi (2003) defined forensic accounting as the application of specialized knowledge and specified skill to stumble upon the evidence of economic translations. Crumbley (2003) opined forensic accounting as an accounting analysis that can uncover possible fraud that is suitable for presentation in court. Coenen (2005) stated that forensic accounting involves the application of accounting concepts and techniques to a legal problem. Zysman (2004) defined forensic accounting as the integration of accounting, auditing, and investigative skills. From the researcher's point of view, forensic accounting can be seen as the application of specialized accounting skills and scientific bases to investigate the rudimental level of perpetrators act of artificial accounting activities that deals with financial record of that particular organization be it public or private sector from within and outside the dormant of the organization for legal justification in a court of law. While, from the concept of fraud, Watoseninyi (1996) opines that fraud is an irregularity which involves criminal deception to obtain an unjust or illegal advantage. Fraud is an intentional misrepresentation of financial information by one or more individuals among management, employees or third parties (Dandago, 1997). The research define fraud as an act of criminal deception and intentional misrepresentation of financial information by one or more individuals among the top, lower or middlecadre employees, management or third parties with the sole aim of obtaining unjust or illegal advantage of one or more selfish interest in the organization.

Conceptual and Empirical Studies on Forensic Accounting from within and outside Nigeria were reviewed: Okoye and Gbegi (2013) examined forensic accounting as a tool for fraud detection and prevention in Kogi State, Nigeria. The findings revealed that the top management and senior staff are aware of forensic accounting while very few of the lower cadre have knowledge of forensic accounting. The study recommended that government and the private sector organizations in the light of present-day fraud related activities in the public sector need to develop an interest in forensic accounting and accountants for monitoring and investigating any suspected and confirmed management fraud. Dada, Owolabi, and Okwu (2013) study the relevance of forensic accounting in the effective reduction in fraudulent practices in Nigeria. The results of their hypotheses tested revealed that fraud reduction is significantly and positively related to fraud investigation and detection through forensic accounting.
Sowjanya and Jyotsna (2013) showed some data mining techniques for fraud detection and prevention using fuzzy set theory to support the study and concluded that using only financial statements data may not be sufficient for detections of fraud without the application of data mining. Iztok (2013) examined the perceptions of criminal investigators and state prosecutors with respect to the investigation of corporate fraud and forensic accounting which the study concluded that criminal investigators and state prosecutors do not feel that they possess sufficient accounting knowledge to effectively investigate records during corporate fraud investigation that involves accounting and financial reports. Dada, Enyi, and Owolabi (2013) examined the application of forensic accounting technique for effective investigation of cases of bribery to ensure proper prosecution of those accused of such practices. The study concluded that applying forensic accounting technique is a viable tool in investigating and detecting cases of bribery and it has a positive relationship with bribery prevention but it has not been applied by anti-corruption agency. Moreover, Owolabi, Dada, and Olaoye (2013) determined the extent to which employment of forensic accounting technique can ensure effective prevention of corruption with effective investigation and detection of embezzlement in Nigeria.

Theoretical Framework

There are two prominent theories of fraud (i.e. Fraud Triangle Theory and Fraud Diamond Theory). The theoretical framework that underpins this study is Fraud Diamond Theory (FDT) based on the following justifications of comparative analysis of the two theories.

The Fraud Triangle Theory (FTT)

Sutherland (1949) was the first to coin the term “white collar crime theory as cited in Ozuomba, Ofor & Okoye (2016), and he hypothesis white-collar criminals, where he attributed different characteristics and motives of fraudulent corporate workers than typical street criminals. Later on Cressey (1919-1987) a criminologist who was also a student of Sutherland builds on the initial works of the forma, where he set forth the Fraud Theory of Triangle. Cressey (1953) his study focuses on embezzlers whom he termed “trustviolators”. His hypothesis stated that:

‘’ Trusted persons become trust violators when they conceive of themselves as having a financial problem which is non-shareable, are aware this problem can be secretly resolved by violation of the position of financial trust, and are able to apply their own conduct in that situation verbalizations which enable them to adjust their conceptions of themselves as trusted persons with their conceptions of themselves as users of the entrusted funds or property’’ (Cressey,1973 cited by Coenen, 2005 and Adebisi & Gbegi (2015)

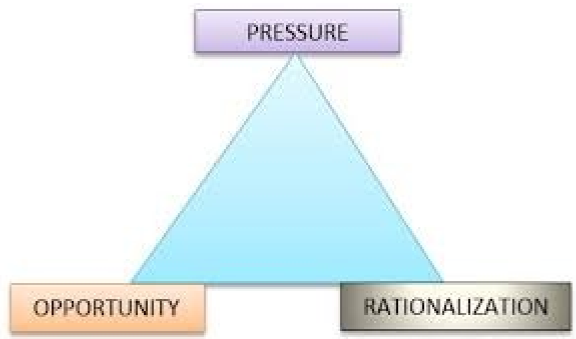

Figure 1: Fraud Triangle Theory (FTT) Source: Coenen (2005) and Adebisi, & Gbegi, (2015)

The Fraud Triangle Theory (FTT) has three postulated assumptions which are enumerated below:

i. **Pressure:** the individual has a need which could not be shared with persons who from a more objective point of view, probably could have aided in the solution of the problem. It can be personal; employment or external pressure, or it can be financial or non-financial pressure.
ii. **Opportunity:** An opportunity affords itself for the individual to solve his financial problem by violating the position of financial trust he holds in his organization. The opportunity could be in the form of inefficient control and supervision in the organization.
iii. **Rationalization: -** he makes attempts at self-justification to rationalize and explain his actions and silence his conscience.

Moreover, there are so many criticisms levelled against fraud triangle theory (FTT), among the prominent ones are: Albrecht (2009) criticizes the fraud triangle theory as being limited because it took into cognisance only one-dimensional psychological analysis of the initial perpetrator of the fraud. In addition to that, Donegan and Ganon (2008) criticize the theory because it has no any actual empirical support and it also failed to consider other factors that may contribute perpetrators in committing fraudulent act in other words, the theory neglects other factors that contribute to fraud act. Moreover, Cieslewicz (2012) criticizes the theory because it does not explain cultural influences. In a study by Trompeter, Carpenter, Desai, Jones and Riley (2013), criticize fraud triangle theory by taken into cognisant and assuming a single individual act alone while ignoring group dynamisms. Trusted persons become trust violators when they conceive of themselves as having a financial problem which is non-shareable, are aware this problem can be secretly resolved by violation of the position of financial trust, and are able to a apply their own conduct in that situation verbalizations which enable them to adjust their conceptions of themselves as trusted persons with their conceptions of themselves as users of the entrusted funds or property’ (Cressey, 1973 cited by Coenen, 2005 and Adebisi, & Gbegi, (2015). In a nut shell, this study criticises this theory based on the following reasons that the theory failed to addressed: It does not take into cognisant, religion differences, cultural differences, Group perpetrators with different ideological act of committing the crime (i.e. Clash of interest of perpetrators).

Fraud Diamond Theory (FDT)

Wolf and Hermanson (2004) proposed a new advanced fraud theory called Fraud Diamond Theory (FDT), which is a replacer of fraud triangle theory (FTT). They argue that the FDT offers a better view of the factors leading to fraud. They added the fourth variable, capacity in addition to three factors theory of Cressey.

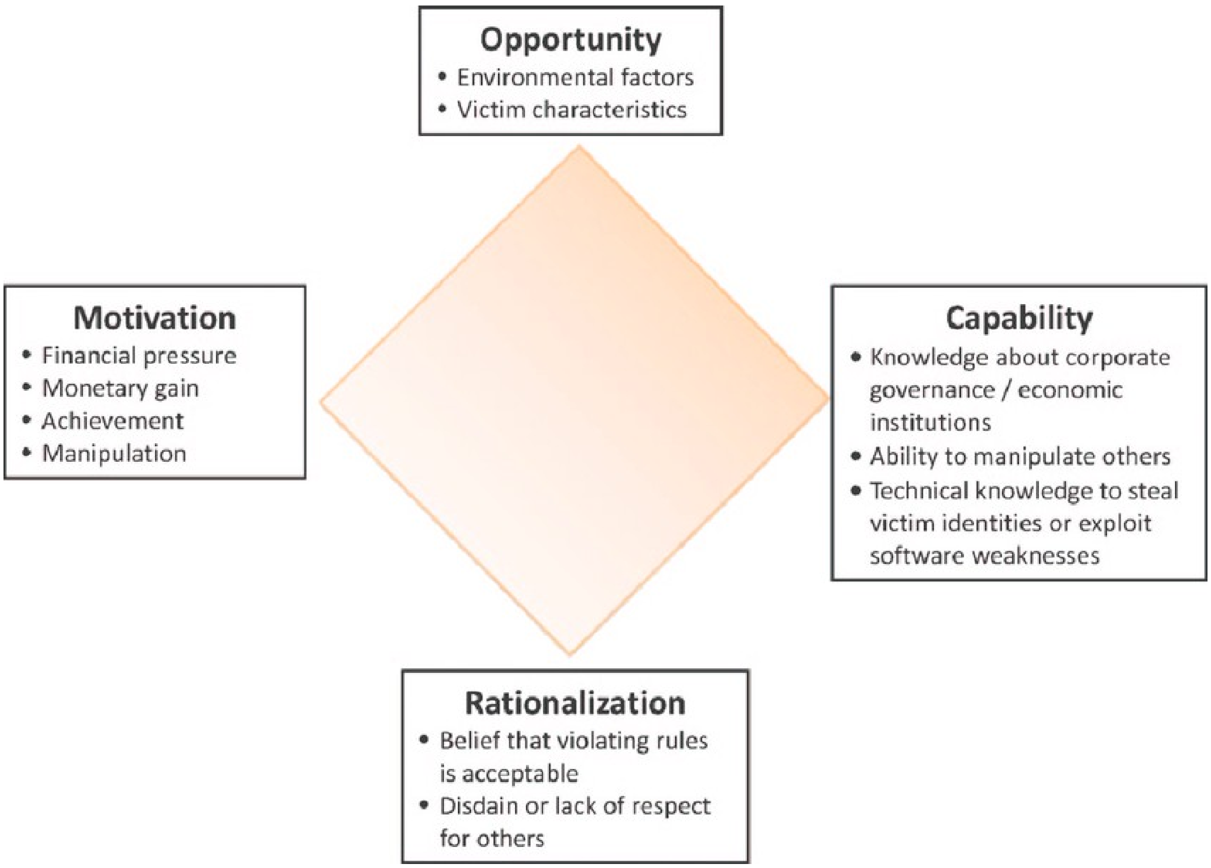

Figure 2: The Fraud Diamond Theory (FDT) Source: Wolf and Hermanson (2004)

Capability means, the fraud perpetrator must have the necessary traits, abilities, or positional authority to pull off his crime act. Fraud Diamond Theory (FDT) offers a better view of the factors to fraud. They are of the believed that many frauds would not have occurred without the right person with the right capabilities implementing the details of the fraud. He must have the capacity to understand and exploit accounting systems and internal control weakness. For the purpose of this study, the theoretical framework that is underpinning this study is fraud diamond theory, because, Fraud diamond theory (FDT) is complete in exploring the hiding characteristic of fraudster. Moreover, Fraud Diamond theory was premised on the fraud triangle theory with one additional variable which Fraud Triangle Theory (FTT) failed to address (i.e. Capacity) which enable the theory of fraud diamond to have four angles instead of three.

METHODOLOGY

The study is based on content analysis. By means of reviewing the findings of other researchers, thereby taken a stand based on the justifications given by the previous studies. Moreover, the study is descriptive research in nature. Since descriptive research specifies the nature of a given phenomenon.

RESULT AND DISCUSSIONS

The research questions formulated revolved around issues as to whether; does a forensic accounting technique really prevent fraud in Nigeria Public Sector? How does a forensic accounting technique prevent fraud in Nigeria Public Sector? Based on the findings from the study; research has clearly shown that the typical organization loses about or getting to about 5% of its annual revenue each year due to employee fraud in an organization as rightly cited by Reed (2014). It is therefore, pertinent to initiate some techniques that need to be applied so as to curtail and detect the level of it occurrence within an organization. It is also, therefore becomes necessary for every organization to have a master plan of preventing fraud than allowing fraud to be committed and later on to put strong mechanisms of detecting it. In real sense preventing fraud is much easier than recovering losses from the committed fraud. The paper discovered that application of forensic accounting techniques are the only remedy of curtailing the issue of fraud more especially in the case of Nigeria and the study also disclosed the consequential side effect of fraud and it detriment. Moreover, many Studies have also equally established positive relationship between forensic accounting and fraud prevention/detection. It has been observed that Fraud significantly affects the economic growth and development of any nation (i.e. Nigeria). In addition to that, the rate at which prevalence of fraudulent practices occurred in the Nigerian public sector has brought set back to the economy, hardship to the citizens of the country as a whole and lack of integrity and respect before the international leaders of the recognized world. For empirical study, primary data or secondary data can be used to do the analysis either by using simple percentages or even tables. Then for testing hypothesis, Analysis of Variance (ANOVA) can be used (Ozuomba, Ofor & Okoye, 2016, Adebisi, & Gbegi, 2015). Likewise, Descriptive statistics can be used to analyse data (Masoyi, Ernest & Ogere, 2014).

Techniques of Fraud Prevention

Research has clearly shown that the typical organization loses about or getting to about 5% of its annual revenue each year due to employee fraud in an organization as rightly cited by Reed (2014). It is therefore, pertinent to initiate some techniques that need to be applied so as to curtail and detect the level of it occurrence within an organization. It has also, becomesnecessary for every organization to have a master plan of preventing fraud than allowing fraud to be committed and later on to put strong mechanisms of detecting it. In real sense preventing fraud is much easier than recovering losses from the committed fraud. These are the recommended techniques of fraud prevention based on the perception of Reed (2014)

Know your Employees

The researcher looked at it that Fraud perpetrators often display behavioural traits that can indicate the intention to commit fraud since from inception. Observing and given a listening ear to employees can help you identify potential fraud risk. It is therefore, crucial for management to be interacting with their employees and take time to get to know them more and more and listening to employees may also reveal other hidden agendas. For example, as a way of taking revenge an employee may decide to commit fraud because of lack of appreciation and incentive from the business owner. The researcher further reiterated that this may not only minimize a loss from fraud, but can make the organization a better and more efficient place with happier employees.

Make Employees Aware and Set up Reporting System

It is the responsibility of the management to ensure that each and everyemployee within the organization is aware of the fraud risk policy including the classifications of fraud and the consequences associated with committing such an offense. It will also send a signal to those that are planning to commit fraud that management is watching them. Honest employees who are not tempted to commit fraud will also be made aware of possible signs of fraud or theft in an organisation. While most tips come from employees of the organization, other important sources of tips come from vendors, customers, competitors and acquaintances of the fraudster. Since many employees are hesitant to report incidents to their employers, consider setting up an anonymous reporting system.

Implement Internal Controls

Internal controls are mechanisms, plans and programs implemented to safeguard company's assets, ensure the integrity of its accounting records, and deter and detect fraud and theft in an organisation. Segregation of duties to employees is an important component of internal control that can reduce the risk of fraud from occurring in an organisation. For example, a wholesaler store has one cash register employee, one salesperson, and one manager. The register receipts of cash and check should be tallied by one employee while another prepares the deposit slip and the third brings the deposit to the bank. This can help reveal any discrepancies in the collections process. Since, internal control system is a continue process, it should be monitored and revised on a consistent basis to ensure they are effective and up to date with technological and other advances. Even, if the management does not have an internal control process or fraud prevention program in place, then they should hire a professional with experience in this area. An expert will analyse the company's policies and procedures then recommend appropriate programs and assist with implementation of such recommended policies and procedures.

Monitor Vacation Balances

The management might be impressed by those employees who have not missed a single day of work in many years. While these may sound and be considered as loyal employees, it could also be signed that these employees have something to hide and are worried that someone will detect their fraudulent act if they were out of the office for some time being. It is therefore good idea to rotate employees to various jobs within the same company. This may also reveal fraudulent activity as it allows a second employee to review the activities of the forma.

Hire Experts

It should be noted that professional bodies like Certified Fraud Examiners (CFE), Certified Public Accountants (CPA) and CPAs who are certified in Financial Forensics (CFF) can help you in establishing antifraud policies and procedures. These professionals can provide a wide range of services from complete internal control audits and forensic analysis to general and basic consultations.

Live the Corporate Culture

A favourable conducive environment or positive work environment can prevent employee from committing fraud and theft. There should be a clear organizational structure, written policies and procedures and fair employment practices. An open-door policy can also provide a great fraud prevention system as it gives employees open lines of communication with management. Business owners and senior management should lead by example and hold every employee accountable for their actions, regardless of position.

CONCLUSION AND RECOMMENDATIONS

The analytical reviews revealed that there is a significant relationship between forensic accounting techniques and fraud detection in the Nigerian public sector. The study is of the opinion to make the following recommendations as follows. The application of 'know your employees' may not only minimize a loss from fraud, but can make the organization a better and more efficient place with happier employees. In addition, the management should make employees aware and set up reporting system. This is by creating more awareness about fraud risk policy including the classifications of fraud and the consequences associated with committing such an offense which will invariably send a signal to those that are planning to commit fraud that management is watching them. Honest employees who are not tempted to commit fraud will also be made aware of possible signs of fraud or theft in an organisation.

There should be segregation of duties among the employees because it is an important component of internal control that can reduce the risk of fraud from occurring in an organisation. Since, internal control system is a continue process, it should be monitored and revised on a consistent basis to ensure they are effective and up to date with technological and other advances. The study is of the opinion that it is good idea to rotate employees to various jobs within the same organisation. This may also reveal fraudulent activity as it allows a second employee to review the activities of the forma. Moreover, the organisation should hire experts or professional bodies that are certified in Financial Forensics (CFF) can eventually help organisation in establishing antifraud policies and procedures. These professionals can provide a wide range of services from complete internal control audits and forensic analysis to general and basic consultations.

More steps should be taken to ensure fraud prevention with the application of forensic accounting techniques by government agencies that were saddled with the responsibility of overseeing this aspect of forensic accounting and fraud prevention on behalf of the government. Moreover, an effective and thorough legal framework should be developed and be provided for an effective enforcement of what the law say by government agencies that were saddled with such responsibility. All money recovered from public sector through forensic accounting should be channelled to capital projects so at it will be a basis for justification of the judicious used of recovered funds to the humanity. In addition to that, Nigerians should embrace the issue of integrity, objectivity, fairness and accountability in their daily life activities in both the public and private sectors. On aggregate, analytical reviewed from the recognized scholars within the field of forensic accounting revealed that forensic accounting has significant influence toward preventing fraud in Nigerian public sector (Eiya & Otalor, 2013).

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