International Journal of Innovation and Economic Development
ISSN 1849-7020 (Print)
ISSN 1849-7551 (Online)

URL: http://dx.doi.org/10.18775/ijied.1849-7551-7020.2015.32.2001
DOI: 10.18775/ijied.1849-7551-7020.2015.32.2001

Volume 3
Issue 2
April, 2017
Pages 7-17

Financial Misappropriation in the Nigerian Public Sector: A Determination of the Role of the Internal Auditor

[1]Dr. J. K. Oyadonghan, [2]Dr. S. Ogoun

[1,2] Department of Accountancy and Finanace, Niger Delta University, Wilberforce Island, Yenagoa, Bayelsa State, Nigeria

Abstract: The continued search for a solution to the problem of poor economic management due to financial misappropriation in the public sector, and the public's outcry against internal auditors because of their perceived connivance necessitated the current study. Furthermore, the position canvassed by internal auditors with respect to their scope of responsibility further justified the need for this research effort. Accordingly, this study was undertaken to determine, whether or not, the internal auditor has a role to play in ensuring the proper utilization of the nation's economic resources, bearing in mind the rules specifying the scope of the internal audit function in the public sector. Drawing from the research model of survey design, both a structured questionnaire and oral interview data collection platforms were deployed to collect primary data from audit, and another staff of selected ministries in the State and the least-square regression analysis was adopted in testing the hypotheses. From the analysis, and from personal interview, the researchers were able to find out that internal audit has a responsibility to detect and prevent financial misappropriation in the public sector. It was also found out that the internal auditors in the State Civil Service are not independent, which affects their freedom to report such acts of financial misappropriation to the legislative arm for proper action. Therefore, it is recommended that The State legislative arm should ensure that the independence of the internal auditor is guaranteed by a statute.

Keywords: Internal Audit, Misappropriation, Responsibility, Public sector, Legal duties and standards.

1. INTRODUCTION

The role of the internal auditor when fraud is discovered in an organization, after the audit of financial statements, has continued to engage scholarly attention. Often in such instances, the question asked is why didn't the auditor have a clue and whose responsibility it is to prevent and detect misappropriation of the fund in such instances? Despite the various attempts at extricating the auditor of culpability by inferring that the auditor is not a hound dog, in all instances of fraudulent misconduct, the general opinion is that the auditor must have had a clue, and negligence or collusion may have accounted for the fraudulent practice. Furthermore, there had been several instances of fraudulent practices in the public sector which had been at the hearth of poor economic management in the under-developed world. Various studies by the World Bank and other international development agencies have continued to highlight the menace of fraud as the key foreclosure of economic development in the under-developed world. Against this background, it is not out of place to examine the role of internal audit (by extension internal auditor) in the public sector against the backdrop of the continual prevalence of the incidence of fraud in the public service.

The centrality of the place of internal audit in the proper management of economic resources is well documented in the extant literature. However, its optimization of the purpose of being is a subject of various intervening factors. The extant literature notes that internal audit plays an indispensable role in ensuring that records, documents, and accounts of an organization are properly maintained and that the results of operations and financial position are genuine attestations. Furthermore, auditing has also been a potent factor in ensuring compliance with legal requirements and organizational rules (Farrell and Franco 1999). Therefore, audit in its entirety is central to the proper deployment of economic resources within the rules of financial prudence if allowed to function in optimal capacity.

Furthermore, the problem of information asymmetry which gives undue advantage to managers over and above owners of the business (for non-owner managed enterprises) further gives credence to the place of audit purpose of being. This is as a result of the problem that has always existed when managers' report to owners, and the current resultant scandals that have wrecked both the corporate world and the public sector. Often times, these financial reports may contain errors, undisclosed fraud, be inadvertently misleading, be deliberately misleading, fail to disclose relevant information; and fail to conform to regulations.

The solution to the above problems is the performance of an attestation function via audit through both internal and an external independent entity (unit) to investigate the report and express his findings. Thus, this duty of auditor adds credibility to the financial statements. Not only that, further regulatory reforms have been introduced by way of strengthening corporate governance, and newer tools like forensic accounting are now commonplace for events. The public relies on the auditor to have the expertise to ensure the fair presentation of complex transactions. Hence, the audit function is necessary, as it encourages management to take appropriate action(s) to correct errors that may have been noted; properly report any irregularities and make necessary corrections on the financial statements (Olorede, 2004).

Prior to the industrial revolution, auditing was generally concerned with the detection of frauds and errors and was directed mainly at government accounts. But even in modern times, among the objectives of auditing are:
• To detect errors and fraud,
• To prevent the occurrence of error and fraud, Udoayang and James (2004)

Russell (1994) noted that in most cases misappropriation of public fund is perpetuated not without the knowledge of an internal auditor. The rampant loss of trust and confidence on those who have been entrusted to manage public economic resources by the society shows that the reliance on the internal auditor to give credibility to financial claims is void. The general outcry by the citizens against misappropriation of public fund merits serious attention. Given the background that internal auditors are employed by the government to appraise the activities of management. They are to examine the financial records of government to ascertain whether money is disbursed according to what is appropriated. Where a deviation occurs, the internal auditor is to report such irregularity to the Auditor-General, who in turn will report to the legislative arm and the public. It becomes ironical to learn from the standards of the internal audit practice in Nigeria that, their responsibility is not to detect and prevent fraud but that in the normal course of duty, fraud may be detected (Ibanichuka and Onuoha, 2012).

The main problem in today's public sector is the misappropriation of fund. This phenomenon is so common in Nigeria and most other countries that one is forced to ask whether the internal auditors have forgotten their conventional responsibility. To compound the problem is the issue of whether the internal auditors should be responsible for detecting and preventing such fraud, while at the same time contending with their refusal to accept this responsibility. This issue of financial misappropriation is a major problem, which hinders most social and economic reforms aimed at bringing about the prudent management of financial resources to promote economic growth and infrastructure development. Ironically, such resources are channeled to private accounts or shipped out (as it were) to already developed nations to the detriment of the local economy. In Nigeria, the problem of financial misappropriation among government officials had led to the establishment of Independent Corrupt Practices Commission (ICPC), and Economic and Financial Crimes Commission (EFCC), to ensure that such persons are investigated, tried and punished to serve as a deterrent to those seeking public office and political positions.

Thus, this research is aimed at assessing the responsibilities of internal auditors with regards to preventing and detecting financial misappropriation in the public sector. A deliberate attempt was made to evaluate the legal responsibility of internal auditors in the public sector with a view to establishing the relationship between the occurrence of financial misappropriation and the duties of internal auditors to detect, prevent and report such acts.

2. LITERATURE REVIEW

2.1. Internal Audit in the Public Sector

Aigbokhaevbolo (2001) defines internal audit as "the audit work carried out by an employee of the organization. The scope and report are determined by the internal regulation of the organization... It involves internal control, internal check, verification, and investigation". Also, internal audit is seen as an appraisal function of management; it ensures that internal control rules and procedures of the organization are functioning effectively and efficiently in compliance with quality standards, (Adeniyi, 2010; Edet, 1999).
Highlights of this view includes.
1. Internal audit is an appraisal activity established by management to evaluate its functions, operations, services, performance, efficiency, policies and compliance with standards and regulations to achieve the overall objective of the entity.
2. The method of achieving all this is by measuring and evaluating performance and efficiency with set criteria and standards.
3. After evaluation, the results, which are to be reported to management, will be used to effect or make decisions of control measures.

According to Robertson (1976) "on any particular assignment governmental auditors may perform services for the benefit of several interested parties - the management of the auditee, officials of the agency requiring the audit, officials of one or more agencies that fund the auditee's programmes, members and committees of Local Governments, a State legislature or the Federal legislative arm and the public".

The Nigerian standards of auditing and the International Standards of Auditing (NSA 26 and ISA610), on the "Work of Internal Auditors", stated as part of the objectives and scope of the internal audit to include; as per fulfilling the requirements of management. In addition, NSA 5 and ISA 240, specifically mentioned that it is the responsibility of management and those in charge of the governance of the organization are responsible for preventing fraud. Therefore NSA 26 is directing that responsibility or function to the internal auditor. Internal controls are the measures management takes to prevent fraud, material misstatements of fraudulent nature, and misappropriations of all forms. The oversight of this function is vested on the internal auditor.

3. MISAPPROPRIATION OF FUND

Misappropriation is an intentional misuse of money. The appropriation of money and other assets meant for a specific purpose for either personal use or for what it is not meant for. Such act is an unauthorized disbursement of money or other assets for personal gain. Misappropriation is the highest type of fraud in the public sector. People deliberately convert public fund to personal use without a blink of fear or conscience disturbance (Ibanichuka and

Onuoha 2012).

This type of fraud is committed by the following means (as provided by Udoayang and James 2004):
• Outright taking away of corporate or government assets for personal use.
• Payment of salary for non-workers.
• Payment for fictitious purchase and contract.
• Payment for no return inwards.
• Teeming and landing.
• Manipulation of any form for personal gains.
• Over-stating of the contract price.
• Conversion of government money into personal use.
• Conversion of office imprest to the personal allowance.
• Unauthorized use of public funds or asset.
• Payment against uncleared cheques.
• The claim of disease staff gratuity and pension benefits.
• Misuse of medical allowances and reimbursements.
• Embezzlement
• Larceny
• Cheque fraud and some fraudulent behavior may include cutting costs and manipulating financial records for personal needs.

The effect of fraud on any organization is always unpleasant. Financial misappropriation in either the public or private sectors has very negative effects as gathered by Kiabel (2002).
Most misappropriation cases have serious economic effects on the organization. It may result in loss of fund and assets of the organization. The loss of liquid assets will further lead to the reduction of revenue for current and capital expenditures, with the attendant reduction in the level of economic operations, reduction in revenue inflow and provision of socio-economic infrastructure for the public.

4. THE RESPONSIBILITY OF INTERNAL AUDITORS IN THE PUBLIC SECTOR

According to Adams (2005), a public sector auditor is:

1. Primarily responsible for ascertaining whether the financial statements present a true and fair view of the State of the financial affairs of the organization.
2. To detect and prevent frauds and errors.

As in 2 above, the auditor is to detect fraud. Making it more applicable to the internal auditor, the public sector auditing standards of Nigeria (1997) states thus:
"In recent years, the number and monetary value of public sector activities have increased substantially. This increase in activities has brought with it added demand for accountability.
1.2 In Nigeria, the law stipulates that accountability reports be produced by public officials and other persons entrusted with national resources...
1.6(c) the public officials and other persons entrusted with public resources are responsible for applying those resources economically, efficiently and effectively.
1.6(g) financial auditing contributes to public accountability since it provides independent reports on:
a) Whether an entity's financial information is presented fairly
b) Its internal controls and
c) Compliance with laws and regulations." (Nigeria, 1997)
And in section 2.3(a) of the Public Sector Auditing Standards of Nigeria states, "the audit of financial statements is to provide reasonable assurance on whether the financial statements

of audited organizations present fairly the financial position and results of operations and cash flows in conformity with generally accepted accounting principles and applicable laws and regulations".

In the matter of the applicable laws and regulations, as in 2.3(a) and 1.6(g) (c), section 7 subsection, 2 of the 1956 Audit Act of Nigeria requires the Auditor-General to ascertain that:

- "All reasonable precautions have been taken to safeguard the collection of public money's and that the laws relating there to have been duly observed and that all directives or instructions relating there to have been obeyed."

- "All money's appropriated otherwise disbursed have been expended for the purpose or purposes for which the grants made by the expenditure conforms to the authority (appropriation Act and other warrants) which governs it," (Nigeria, 1956).

From the above relevant standards and laws, it becomes a responsibility of an internal auditor in the Nigeria context to investigate whether money disbursed is rightly appropriated for the purpose it meant to satisfy by law or is misappropriated in any form and to report appropriately by the reporting standards of public sector audit.

Moreover, the power to audit the federation accounts without any restriction is granted to the auditor-general for the Federation in section 79(2) of the 1979 constitution of the Federal Republic of Nigeria as amended in the 1999 constitution, which is also applicable to the States.

These laws and standards guiding the operation of internal audit in Nigeria are expressive enough to establish in clear terms that it is the responsibility of internal auditors to detect and prevent financial misappropriation in the public sector. However, in the general standards of auditing, this responsibility is too silent for a nation like Nigeria. It gives undisclosed immunity to internal auditors to cover up financial misappropriation in the public sector.

The standard on Auditors' responsibility to fraud detection NSA 5, which is substantially in accordance with the International Standards on Auditing (ISA 240), directed the internal auditor to conduct a Material Misstatement Risk Analysis on every audit engagement. If the analysis is positive, should consider whether to withdraw from the engagement or report to the management of the auditee. And if the auditor should withdraw, it must consider the professional and regulatory requirements and report to the appropriate authority (ies) stating the reason for such withdrawal in clear terms. That the conducting of such risk analysis and the proper documentation of the findings is significant on the performance of the duties of the internal auditor.

This standard also provided that it is necessary for internal auditors to exercise professional scepticism in recognition of the possibility that a material misstatement of fraud could exist, notwithstanding the integrity of management and those in governance, whether the audit had just audited the previous year’s accounts or he has a good past experience with the management of the entity.

Due to the acute phenomenal losses in public accountability, a controversy has existed concerning the role of the internal auditor and the public's perception of that role. NSA No. 5 "The Auditors Responsibility to Detect and Report Errors and Irregularities," issued by the Chartered Accountants of Nigeria (2006), was originally intended to address this problem. The Public Oversight Board of the AICPA SEC Practice Section concluded in 1993 that management believed that auditors had a greater responsibility for the detection of fraud than was currently being met. Business owners, legislators, judges, juries, and the general public also share such beliefs.

But According to SAS No.1, Codification of Auditing Standards and Procedures of the USA; "The auditor has a responsibility to plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. Because of the nature of audit evidence and the characteristics of fraud, the auditor is able to obtain reasonable, but not absolute, assurance that material misstatements are detected. The auditor has no responsibility to plan and perform the audit to obtain reasonable assurance that misstatements, whether caused by error or fraud, that are not material to the financial statements are detected. "

In an attempt to stifle criticism and appropriately respond to the public's demand for improved auditor performance, the American Institute of Certified Public Accountants issued SAS No. 82. The new auditing standard details the auditor's responsibility to detect and report material misstatement in financial statements due to fraud. This is the first time the AICPA has used the word "fraud" rather than the more discreet word "irregularity." The two types of misstatement relevant to the auditor's consideration of fraud in a financial statement audit are those arising from fraudulent financial reporting and misappropriation of assets. The SAS is effective for financial statement audit periods ending on or after December 15, 1997. However, a further study reveals that over 61% of the respondents disagree to accept this responsibility stating that previous auditing standards do not ensure such responsibility (Farrell and Franco, 1999).

Following the above stands, the current standards of NSA No 5 and ISA No 240, are also silent in pronouncing the internal auditor as being responsible for the prevention and detection of misappropriation and misstatements of all forms. That internal and public sector audit standards do not clearly state detection of financial misappropriation as a responsibility of internal auditors and that such standards had determined the course of audit functions in the past does not make its legitimization rules universally useful.

It is important to understand that the concept of audit in conventional accounting is to help secure the assets of an organization and to let managers render stewardship in the use of resources entrusted to them (Robertson, 1999). Therefore, for an auditor to deviate from this traditional concept because modern standards see it too little a main responsibility is a breach of trust and confidence to the public.

The level of sophistication of misappropriation of the public fund does not require any mild audit standard to detect, or a mild major to express disassociation. The EFCC and ICPC are in line with this review. Therefore, Essia's (2005) recall of history to do things traditionally is worthy to be borrowed by the auditing profession. Accountants, auditors and professional bodies should understand that accounting standards and regulations are made to serve the needs and problems of the society and misappropriation of public fund and assets is a social problem to all Nigerians. So Nigerians should not be forced to serve the regressive standards that fail to serve current social, economic issues that are eating up our existence.

Western auditing standards are originally aimed at solving domestic problems and formulated to achieve a change in attitude and a sense of direction. They had no model to copy they were the modelers. They are less corrupt, and their standard of living is high. We are more corrupting with poverty-stricken, they are less prone to committing fraud, and we are more vulnerable to commit fraud. Their standards are mere to ascertain conformity with generally accepted Accounting principles and consistency. Ours should be the sole responsibility to detect report and prevent financial misappropriation in the public sector.

5. METHODOLOGY

The main purpose of this research is to discover the effect of an efficient performance of internal audit function and a strong internal control system on fraud prevention in the public sector. The study focuses exclusively on selected ministries and local government councils in Bayelsa State. The choice of Bayelsa in Nigeria is informed by proximity and cost effectiveness to the researcher. Bayelsa is among the 36 states of the federal republic of Nigeria in the south/south part of the country and was created in 1996.

A questionnaire was used by the researchers to collect primary data from fifty respondents made up of internal auditors, accountants, and directors of finance in the selected ministries and local government councils. The questionnaire was structured with options varying from agreeing to disagreed being ranked as 2 for agreeing and 1 for disagreeing. Copies of the questionnaire were distributed by hand by the researchers. A total of forty six (46) questionnaires were retrieved from Feb. 2017 to April 2017. Also, oral interview was deployed in complementing the questionnaire.

The results from the instrument were analyzed using version 19 of E-VIEW with ordinary least square regression analysis. This is to test the existence of a relationship between
(1) Fraud prevention and efficiency in the performance of internal audit functions
(2) Fraud prevention and strong internal control system

To determine the significance of the relationship between the two tests, Mann-Whitney U test is used. These models were considered appropriate for ordinal measurement.

(Gupta and Gupta, 2011; Gujarati and Porter 2009)

6. MODEL SPECIFICATION

The ordinary least square was guided by the following linear model:
Y = f(x) ---------------------- (1)
Where x is for the regressors and Y for the regressant
The regresant is Fraud Prevention (FUPR)
The regressors are: efficient performance of internal audit functions (AUDIT),
Strong internal control system (INCO)
Hence,
Y = f (x1, x2,) --------------------- (2)
Where x1 = efficient performance of internal audit functions (AUDIT),
X2 = Strong internal control system (INCO)
FUPR = a + βAUDIT + βINCO + e -------------3
The a priori expectation of the linear model is:
$\partial AUDIT/\partial FUPR>0$; $\partial INCO/\partial FUPR; > 0$.
"a" is the intercept of the regression and "e" is the error term capturing other explanatory variables not included in the linear model.

7. RESULTS AND DISCUSSIONS

Table 1 Regression analysis of variables

Dependent Variable: FUPR				
Method: Least Squares				
Date: 04/20/17 Time: 17:22				
Sample: 46				
Included observations: 46				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	6.154906	26.06844	0.236106	0.8173
AUDIT	0.135032	0.134837	1.001452	0.3364
INCO	0.347626	0.124311	2.796424	0.1620
R-squared	0.603691	Mean dependent var		72.68750
Adjusted R-squared	0.504613	S.D. dependent var		15.37409
S.E. of regression	10.82085	Akaike info criterion		7.813145
Sum squared resid	1405.090	Schwarz criterion		8.006292
Log likelihood	-58.50516	F-statistic		6.093122
Durbin-Watson stat	2.441970	Prob(F-statistic)		0.009227

Source: E-View result with primary data generated by researcher, 2017.

The result in Table 1 above shows that a one 1% increase in the efficiency of the performance of internal audit functions (AUDIT), will result in a 0.135032 increase in fraud prevention (FUPR) in public sector. With a t-statistics of 1.001452, the null hypothesis is rejected, and the alternative accepted that there is a significant relationship between fraud prevention and efficient performance of audit functions in the public sector at a probability of 0.3364 which is greater than 0.05.

Again, with a 1% increase in the strength of the internal control system (INCO) will increase fraud prevention by 0.347%. With a t-Statistics of 2.7964 which is greater than the t critical value of 1.96, the null hypothesis is rejected, and the alternative is accepted at 0.162 probability which is greater than 0.05, which states that there is a significant relationship between a strong internal control system and fraud prevention in the public sector.The probability of F-statistics is 0.009227, indicating the overall fitness of the variables in the research model. With the Durbin-Watson text of 2.4419, there is no evidence of the existence of positive first order autocorrelation in the model, which indicates that the result from this model can be used for long-term forecasting. Finally, the R-Square of 0.60 and the adjusted R-Square of 0.50 means that the variables, AUDIT, and INCO explains at least 50% of the behavior of Fraud Prevention in the public sector.

Table 2. Pairwise Granger Causality Tests

Date: 04/20/17 Time: 17:26			
Sample: 46			
Lags: 2			
Null Hypothesis:	Obs	F-Statistic	Probability
AUDIT does not Granger Cause FUPR	121	4.41589	0.04610
FUPR does not Granger Cause AUDIT		0.05842	0.94361
INCO does not Granger Cause FUPR	121	1.96425	0.19594
FUPR does not Granger Cause INCO		0.17060	0.84582
INCO does not Granger Cause AUDIT	121	0.33028	0.72708
AUDIT does not Granger Cause INCO		0.35805	0.70856

Table 3 Descriptive statistics.

	FUPR	**AUDIT**	**INCO**
Mean	72.68750	142.5625	142.2500
Median	72.50000	144.5000	150.0000
Maximum	92.00000	173.0000	173.0000
Minimum	35.00000	102.0000	96.00000
Std. Dev.	15.37409	21.23509	23.15599
Skewness	-0.727564	-0.533393	-0.967753
Kurtosis	3.216824	2.327578	2.856491
Jarque-Bera	1.442941	1.060122	2.511184
Probability	0.486037	0.588569	0.284907
Observations	46	46	46

From Table 3 above, the skewness is less than 0 and the kurtosis is approximately three indicating that the variables are not perfectly distributed in the model.

Table 4. ARCH Test:

F-statistic	0.974783	Probability	0.325510
Obs*R-squared	0.983183	Probability	0.321414

Table 4 above presents arch serial correlation LM test. The result indicated that there is no auto-correlation with probabilities of 0.3255 and 0.321414 which are greater than the critical value 0.05

Table 5 White Heteroskedasticity Test:

F-statistic	2.360546	Probability	0.034687
Obs*R-squared	13.37167	Probability	0.037499

The result indicate that there is heteroskedasticity with probability of 0.034 which is less than 0.05

Table 6. Ramsey RESET Test:

F-statistic	1.024233	Probability	0.397978
Log likelihood ratio	4.309326	Probability	0.365759

The table above presents the Ramsey reset test for model specification; the result indicate that the model is well specified with a probability of 0.397978 and 0.365759 which are both greater than 0.05 critical value

Table 7. Breusch-Godfrey Serial Correlation LM Test:

F-statistic	3.314385	Probability	0.39860
Obs*R-squared	6.594502	Probability	0.36985

The Table 7 above indicate that there is no serial correlation at 0.3968 and 0.36984 greater than 0.05 Critical value.

8. FINDINGS, CONCLUSION AND RECOMMENDATIONS

From the analysis, and from personal interview, the researchers were able to find out that internal audit has a responsibility to detect and prevent financial misappropriation in the public sector. It was also found out that the internal auditors in the State Civil Service are not independent, which affects their freedom to report such acts of financial misappropriation to the legislative arm for proper action. Furthermore, from the theoretical framework, internal auditors can detect and prevent financial misappropriation if they will perform their duties with reasonable care and diligence without bias. The independence of internal auditors will create the enabling environment for them to be honest and efficient in carrying out their duties, but this is not guaranteed in the Public Sector.

Fraud detected in the public sector by internal auditors is not reported to the appropriate authorities in most instances as indicated in response to question seven in the questionnaire, because they do not consider the reporting of financial misappropriation as a legal responsibility to the public.

To achieve the objectives of this study, the researchers wish to make the following recommendations to solve the problem of financial misappropriation in the public sector:

- Since a careful and reasonable audit can detect financial misappropriation (NSA 5 and ISA 240), the government, the public and other corporate and non-governmental organizations should try to motivate and sensitize the internal auditors, to be honest, and faithful in their legal responsibility of reporting misappropriation of public fund. This can be achieved by organizing seminars and workshops on audit integrity, honesty and transparency from time to time and inviting all the internal audit staff of the State to attend such seminars.

- The State legislative arm should ensure that the independence of the internal auditor is guaranteed by a statute, such that he will discharge his duties without fear of any form of molestation or duress. To do this, the Auditor-General for the State should be encouraged to strictly comply with the law to report any act of financial misappropriation directly to the State House of Assembly which must have a "House Committee on State Audit Matters" to promptly look into such reports and query such affected officers either appointed or employed, relieve them of their duties and hand them to a relevant agency of Jurisdiction for trial.

- The present fight ageist corruption in Nigerian should include an assessment of the performance of internal auditors. This will certainly not be out of place because it will be the act of performance audit to ascertain whether the auditor has performed credibility well in his duties.

- This study also points to the fact that auditors are financial performance role models and as role models, they have a role expectation gap to satisfy the public. Their inability to satisfy this role expectation will lead to role incompatibility and goal incongruence in a role set. The consequence is role failure which is accounting for the public lack of confidence in audited financial statements in recent times.

The State legislative arm should propose and enact statutes which will centre on "the Practice of Internal Audit and Responsibility in the State Public Sector", stating in clear terms the duties of internal auditors and responsibility to detect and prevent financial misappropriation in the public sector, the meaning of a reasonable and diligent audit exercise, responsible for reporting any act of financial misappropriation detected to the public.

Establish an "audit trial committee" to investigate any internal auditor for any act of refusal to report, or involvement in financial misappropriation reported against him and to forward such findings to the "House Committee on Internal Audit Matters" for proper action. These steps are intended to bring sanity, respect, and credibility to the audit profession in the public sector.

REFERENCES

- Adams, R. A. (2005) Public Sector Accounting and Finance Made Simple (4th Edition) Lagos. Corporate Publishers Ventures.
- Adeniyi A A (2010). Auditing and Assurance Services; Lagos, Value Analysis Consult
- Association of Certified Fraud Examiners (1999) "Report on the nation occupational fraud and Abuse" (online) www.comcfenet.com/summary.html.
- Capizzi,J.A.(2005) Employee theft and dishonesty and fraud examination. (online) www.capizzi@internalauditservices.com.
- Curtin University of Technology (2001) fraud control policy.uk. (online) http://www.curtin.edu.au/curtin!auditliad7a.htm.
- Edet, R. I. (1999) Internal Control system for drugs in Hospitals and Health Centres in Cross Rivers and Akwa Ibom States. The journal of Accounting and Management Vol. 2, June. Uyo: faculty of Business Administration, University of Uyo.
- Essia, U. (2005) Nigeria Social Reconstruction of the Economic Reality, Calabar. Seasprint Publishers.
- Federal Republic of Nigeria: Model Financial Memoranda for Local Government (2nd Edition). Abuja. States and Local Government Affairs office; Presidency.
- Farrell, B. R. and Franco, R. I. (1999) "The Role of the Auditor in the Prevention and Detection of Business fraud, SAS No. 82" Western Criminology Review 2/1 (online) http://wcr.Sonoma.edu/v2N/v2ni.html.
- Ibanichuka E.A.L. and Onuoha T.E. (2012) Principles of Auditing. Port-Harcourt, Thompson & Thompson Publication
- Kiabel, B. D. (2002). Auditing: Basic Principles. Owerri: Springfield Publishers.
- Olorede, J. A. (2004) Cooperation between internal and External Auditors: AN overview. ICAN Students' Journal Vol 9, No. 2. April/June.
- Public Sector Auditing Standards (1997) issued by the Auditor-General for the Federation and all States Auditors-General in Nigeria.
- Russell, R. C. (1995) "Understanding Fraud and Embezzlement" Ohio CPA Journal Vol. 54/1: Pp. 37 - 39.
- The Audit Ordinance (1956) Federal Government of Nigeria.
- Udoayang, I. O. and James, F. U. (2004) Auditing & Investigation. Calabar.University of Calabar Press.
- Wyden, Ron. (1995). "Requiring Auditors Who Really Audit: A Decade After the Darkest Days of the S&L Collapse, the Financial Fraud Detection and Disclosure Act will answer the Questions: Where Were the Accountants and Why Didn't They Speak Up? It will Also Put Well Armed Auditors Back Where They Belong." Roll Call (March 27).

ACKNOWLEDGEMENTS

We wish to acknowledge the support and assistance given to us by staff of the office of the auditor general of Bayelsa state of Nigeria, for taking time to provide us with the necessary information in the questionnaire. We are also very grateful to Miss Frank Charity, Miss Tonye Esana and Mr Alex Okpako, project students in the Niger Delta University who assisted us in the distribution of questionnaires in the respective offices in the local government councils.