

Changes and Challenges of Auditing in 21st Century: The Nigerian Experience

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Abstract This paper analysed the changes and challenges of auditing as there is an upsurge in fraudulent activities in financial accounting in the global economy in the 21st Century. Determining how Changes and Challenges has affected Auditing in the 21st century with particular reference to Nigeria is still a subject of discussion in most jurisdiction. Bringing together existing knowledge on the purpose, types, elements, basic principles, environmental changes and challenges, globalization, value for money audit and auditing and expectation gap. Using the desktop approach the analysis shows that lack of audit process affects the promotion of accountability in the Nigerian public sector. The paper recommends the expanding roles of the auditors under a globalized environment especially Nigeria now requires an improvement and development of new techniques and methodologies of other disciplines in the discharge of their duties. It also recommends that there is also the urgent need to attract professionals like ICT experts, fraud experts, statisticians, forensic accountants and forensic auditors in the various audit departments in the country.

Keywords Accountability, Changes and Challenges, Globalization, Public Sector, Value for Money Audit

1. Introduction

Auditing as a utilitarian discipline emanated as a response to offer credibility to the stewardship and accountability functions of financial accounting and in consequence, financial reporting.

The issue of auditing becomes important principally as a result of the separation of ownership from management whether in public or private sector. In the private sector, the separation is between the shareholders on one hand and the Board/Management on the other hand. Shareholders own the resources and the Board/management utilizes these resources to achieve some agreed predetermined objectives. Whereas, in the public sector it is the separation between the electorates (citizens) of the nation and those elected into various offices either as president, governor or chairman of local government. This arrangement however introduces and emphasizes the issue of agency position of either the board/management or the executive arm of government. Since every agency requires stewardship, management is obliged to periodically give report on how resources entrusted to them have been utilized.

As we all know, man is primarily selfish and self-centered. Too often we see or observe this drive or pursuit of self-interest and self-preservation in many respects and

relationships. This pursuit of self-interest can occur overtly and covertly. The pursuit of self-interest can therefore generate conflicts of interest between management and shareholders or between the electorate and those in elective offices and positions.

However, the existence of the conflict of interest between owners and managers of resources has been authoritatively supported by several accounting and business literature. This disparity in interest, no doubt, could sometimes lead to or often generate a financial reporting that tends to serve more of the interest of management/executive almost at the expense of resource owners.

Against this end, the services of an independent and unbiased umpire, termed the auditor in this context, come handy to give credibility to the stewardship report of managers at a specified financial reporting period.

2. Background and Literature Review

Auditing has been variously defined. But a more enduring definition has been offered by the report of the Committee on Basic Auditing Concepts of the American Accounting Association which defines Auditing as a systematic process of objectively obtaining and evaluating evidence regarding assertion about economic actions and events to ascertain the degree of correspondence between those assertions and established criteria and communicating the results to interested users.

However, International Federation of Accountants (IFAC) handbook (1997) Technical Pronouncements defines an

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Audit as a mechanism that enables the auditor to express an opinion on whether the financial statements are prepared in all material respects in accordance with an identified financial reporting framework.

Of course, coming nearer home, the Nigerian Accounting Standard Board (NASB) also offered some insights. For instance, Statement of Auditing Standards (SAS) No. 1 on Codification however sees audit in terms of the objectives of an audit thus: The objectives of the ordinary examination of financial statements by the independent auditor is the expression of an opinion on the fairness with which they represent financial position, results of operations and changes in financial position in conformity with General Accepted Accounting Principles (GAAP).

Therefore from the foregoing, Public Sector Audit can be inductively derived. Public Sector Audit suggests Public accountability which reflects the obligation to answer publicly for the discharge of responsibilities that affect the public or the public interest in very important way. The obligation to report is the accountability; and it is the responsibility of auditors or auditors-general to express an opinion by way of audit report in accordance with the Constitution and other laws of the land on the financial statements.

The Constitution as amended and the Audit Act of 1958 empowers the auditors, among others to report on the adequacy of the accounting system and management control system, including those designed to ensure Economy, Efficiency and Effectiveness. In practice, the approach must go beyond just the mere or mechanical audit exercise. The audit exercise must include and examine thoroughly the management structure and even regulatory administration. Similarly, legal audit, regularity audit and performance audit must be carried out.

Furthermore, we must point out straight away that the concept and establishment of audit in government is inherent in public financial administration. And this largely calls for the prudent management of public funds. At some levels in the government, financial recklessness may be going on without being noticed. We must admit that human beings are different in some remarkable respects. For instance, why some are law abiding and ethically conscious, others are not. Some even openly throw integrity, probity and accountability into the winds when economic or monetary advantage or benefits are involved.

It must be noted however, that an audit in itself is an indispensable part of a regulatory system whose primary aim is to reveal deviations from accepted standards and violations of "the principle of legality, efficiency, effectiveness and economy of financial management as far as auditing is concerned". The discovery of deviations from standards and laws by auditors must be made early enough to take corrective action and to make corrective action worthwhile, make those involved accountable to accept responsibility; to obtain compensation where necessary, or to take steps to prevent or at least render more difficult such breaches in government businesses or activities.

As public sector officers became more conscious of the need to ascertain the actual utilization of resources, the concept of value for money audit started to emerge. Ene (2000:10) indicated that value for money audit involves the appraisal of economy, efficiency and effectiveness in utilization of organizational resources.

In Nigeria, the concept became very pronounced because of the economic depression experienced since the 1980s. Government's emphasis shifted from expenditure control towards value for money as the need for effective utilization of economic resources became imminent (Ene, 2000:10). However, Okwoli (2004:80) stated that the concept of value for money audit has not gained the required level of recognition in Nigeria, though it lies within the jurisdiction of internal control, which is a management device for effective operation of the organization.

He further stated that the auditor should confirm that there is adequate accounting and financial system in operation. That the form and content of the accounts rendered confirm with statutory and treasury requirements. That the figures have been properly stated, that funds have been applied to the services and for the services intended, payments and receipts are in accordance with status and financial regulations.

Adeniyi (2004:210) gave the following as the objectives of performance audit or value for money audit: Investigate a system or activity in the organization, judge whether the objectives of the system are being achieved, and if not, why not, judge whether the resources of the organization are being efficiently utilized in achieving the objectives and judge whether the system is being operated economically, or whether there is over spending.

- i. 'Value for money' (VFM) is a term used to assess whether or not an organisation has obtained the maximum benefit from the goods and services it both acquires and provides, within the resources available to it.

Some elements may be subjective, difficult to measure, intangible and misunderstood. Judgement is therefore required when considering whether Value for Money has been satisfactorily achieved or not. It not only measures the cost of goods and services, but also takes account of the mix of quality, cost and resource use, fitness for purpose, timeliness, and convenience to judge whether or not, together, they constitute good value.

- ii. He emphasized further that achieving Value for Money is also often described in terms of the 'three Es' - economy, efficiency and effectiveness. The definition of the three Es approved by the Value for Money Committee is as follows:

- **Economy** - Careful use of resources to save expense, time or effort.
- **Efficiency** - Delivering the same level of service for less cost, time or effort.
- **Effectiveness** - Delivering a better service or getting a better return for the same amount of

expense, time or effort.

The need to expand public sector auditing beyond the financial (regularity and legal) audit, otherwise described as certificate audit in line with modern development in public sector auditing and an increasing demand for public accountability and transparency by members of the public (the tax payers) and other stakeholders.

Besides, and very importantly the Government's white paper of Ayida's Report on the Civil Service Reforms added value for money audit to duties of the Auditor General. Okwoli (2004)

While financial audit is still very essential and important, it has been realized that value for money audits are the more comprehensive approach to conducting audit of public programmes, projects and activities and the reports thereon are more beneficial to the managers of public resources and attract more interest from the members of the public accounts and other stakeholders. Besides, it is the best approach to report accountability and transparency in the management of public resources.

Nigerians expect good governance and accountability from Governments (Federal, State or Local) in return for the tax they pay. Value for money audit provides ample opportunity for satisfying this expectation. Once properly implemented, value for money audit will contribute tremendously to the advancement of discipline and accountability in the implementation of public programmes and projects. Managers will be obliged to demonstrate what results they achieved and disclose the cost of the results.

Under value for money audit, focus is on achievement of results. Auditors will have to answer some basic questions before commencing detailed audit. Such questions are: What is the mission of the organization under audit? What is the objective of the programme, project or activity under audit? What are the goals and how are they being measured? The answers to these questions cannot come easily. It requires constant and vigorous training to be able to answer them.

A public sector auditor conducting value for money audit painstakingly examines and assesses the performance of government officials executing programmes, project, or activity to determine whether they are achieved at a minimal cost. The primary objective is therefore to confirm that relevant results expected from the programmes, projects and activities are achieved economically and efficiently. The auditors accumulates evidences to confirm that those entrusted with public resources are utilizing them economically, effectively, and achieving stated objectives. Causes of uneconomical practices are established and reported to the management for corrective action.

To confirm that the functions are performed economically and efficiently, the auditor will consider whether the organization is complying with the significant laws, regulations, rules, circulars, and guidelines relevant to the particular functions. It will be appropriate to confirm whether the organization is following sound procurement practices in the acquisition of goods and services. Whether

organization is acquiring the appropriate cost and properly protecting and maintaining them. The audit will confirm that the organization is complying with laws and regulations that will significantly affect the acquisition protection and use of the organization and there is in place adequate management control system for measuring, monitoring and reporting on the application of economy and efficiency.

In the light of the above, this paper therefore, provides a conceptual analysis on Changes and Challenges of Auditing in 21st Century with reference to Nigerian experience.

2.1. Sundry Issues

There are two types of audit – statutory and non-statutory audits.

a. Statutory Audits: This types of audit obviously includes the accounts of government and its agencies, commission and parastatals, also included under this type of audit are the accounts of Limited Liability Companies and those audits that are required by the Constitution and Companies and Allied Matters Act 1990 (CAMA) as amended.

b. Voluntary or Non-statutory Audits: They include the accounts of partnership, enterprises that are not incorporated, political parties, associations, clubs, etc. Our emphasis is on government audit exercises which can take three (3) forms viz: pre-audit, post-audit and performance audit.

i. Pre-Audit: This involves a review of administrative and financial activities of government and its agencies. Pre-audit is indispensable for sound management of public funds. It should be encouraged. Government should lay emphasis on this along with **Due Process**.

ii. Post-Audit: This is a type of audit conducted after the fact or occurrence of the events or transactions. This type of audit exercise is capable of holding people accountable and may sometimes require those found culpable or guilty to make compensation for damages and so help to prevent breaches from recurring.

iii. Performance-Audit: This is primarily concerned with the performance, economy, efficiency and effectiveness of public administration. Performance audit covers financial operations, organizational and administrative systems. It enhances the audit of the economy of administrative activities in accordance with sound administrative principles and practices, and management policies. It equally embraces the audit of the efficiency of utilization of human, financial and other resources. The examination of information systems, performance measures and monitoring arrangements. In this regard there should be a proceedings to be followed by audited entities for remedying identified deficiencies and of course the audit of the actual impact of activities compared with the intended impacts. In practice, the regularity and performance

audits tend to overlap. Both can actually be carried out in one operation since they are mutually reinforcing.

The key elements of effective audit functions which are also in tandem with global practice and standard and in particular, the International Organization of Supreme Audit Institutions (INTOSAI) include:

- Organisational Independence. This enhances objectivity of audit;
- Formal Mandate.
- Unrestricted access to all records;
- Sufficient Funding;
- Competent Leadership;
- Competent Staff;
- Stakeholders' support; and
- Professional Auditing Standards to guide the conduct of an audit.

Similarly, in line with Principle No. 3 of the Mexico Declaration on Independence. Auditors are empowered to audit the following with respect to government accounts and operations:

- The use of public monies, resources or assets by a recipient unit, department, agency, commission, etc. or any beneficiary in government regardless of its legal nature;
- The collection of revenues owed to the government or public entities;
- The legality and regularity of government or public entities accounts;
- The quality of financial management and reporting; and
- The economy, efficiency and effectiveness of government or public entities operations as explained by Adeniyi 2004:210.

Therefore, in the conduct of an audit exercise in all the 3 tiers of governments in a country like ours, Principle No 8 of the Declaration advocates for Financial and Managerial/Administrative autonomy. You must continue to strive to encourage and promote this as far as audit departments and functions are concerned in government. Similarly there must be the availability of appropriate and reasonable human, material and monetary resources which should be provided for in separate budget allocation to enable Supreme Audit Institutions (SAIs) have the proper resources to fulfill their mandate in the conduct of government audits.

There are about some basic principles which International Organisation of Supreme Audit Institutions (INTOSAI) embraces and recommends that auditors of government accounts should be very familiar with especially when they are conducting such audit exercises.

- For instance, it is required of auditors to apply their professional judgment to the diverse situations that arise in the course of government auditing. Without doubt diversity do occur in the different levels or tiers of government or even within a particular tier of

government.

- With increased public consciousness and interest both locally and internationally today, the demand for public accountability of persons in position of power or entities who are also managing public resources has become increasingly evident so that there is now a greater need for the accountability process to be in place. Auditors are to report explicitly on this today.
- Public enterprises are also required to fulfill public accountability obligations. Consequently, it is required that every audit report must specially indicate this fact specifically too.
- The development of adequate information, control, evaluation and reporting system within the government will facilitate the accountability process. Thus, where there are weaknesses in the system it is expected that the auditors should point them out and offer appropriate suggestions for improvements.
- As usual, management is responsible for correctness and sufficiency of the form and content of the financial reports and other information. Auditors are, therefore, expected to examine and report accordingly the correctness and sufficiency of information disclosure.
- The full scope of government auditing should include regularity and performance audits.

Regularity audit embraces the following:

- The attestation of financial accountability of accountable entities which obviously involves the examination and evaluation of financial records and expression of professional opinions on those financial statements, prepared by the Accountant – General;
- The attestation of financial accountability of the government administration as a whole;
- The audit of financial systems and transactions including an evaluation of compliance with applicable statutes and regulations;
- Audit of the probity and propriety of administrative decisions taken within the audited entity in a given year; and
- Reporting of any other matters arising from or relating to the audit that the Supreme Audit Institutions (SAI) considers should be disclosed.

The Lima Declaration of Guidelines on Auditing Institutions are grouped under International Organisation of Supreme Audit Institutions (INTOSAI) in all the countries. Our audit environment in Nigeria is gradually moving into this international arrangement. Globalization is affecting every country's financial reporting system. The Declaration contains a comprehensive list of all goals and issues relating to government auditing. Audit professionals should be aware of these changes and challenges they pose to their work.

The principal aim of the Declaration in 1977 in Lima (Peru) is the call for independent government auditing. However, the call for independence is primarily anchored or should be anchored in each country's legislation. In practical terms, therefore, I will admit that this is only possible under a

democratic dispensation based on the rule of law. Rule of Law and Democracy are therefore the essential premises for effective independent government auditing. In the past regimes, the Rule of Law was placed behind the burner by most government officials and chief Executives in this country.

However, it is a cheering news and development that the present democratic Administration is taking worthy steps in that direction today. Never in the history of this country has the Rule of Law and Democracy enjoyed a romance as this government is promoting. This environment, if sustained, will pave way for quality audit work in the country. I totally disagree with those local critics who think that the administration is slow. If they know the enormity of the wanton destruction of the system before the last and present administrations, they will be slow in condemning the current administration.

For instance, if the electoral and other reforms contemplated by the government are faithfully and sincerely pursued and carried out and sustained thereafter along with the constitutional review as well as the review of Audit and other Financial Instructions, Financial Regulation and Financial Memorandum, the audit environment in this country would have received a significant boosting because accountability, transparency and probity seem to naturally be the bedrock of the reforms. In fact, this is also what the International Organisation of Supreme Audit Institutions (INTOSAI) is advocating globally.

2.2. Powers of Auditor-General

The powers and authority of the Auditor General are derived from a number of sources, principally the 1999 Nigerian Constitution, the Audit Act of 1958. FI, FR or FM depending on the tier of government. In specific terms, sections 85 and 86 of the Constitution states that “there shall be an Auditor General whose responsibilities, among others, are to ensure that there is accountability by the executive arm of government for good governance; and such audit in government relates, and is restricted to:

1. Audit of the Treasury Accounts which are prepared by the Accountant General.
2. Audit of Ministries, Departments and Agency Accounts.
3. Audit of Accounts of Parastatals.

These audits, no doubt, place some onerous responsibilities on the Auditors who must be versed, versatile and trained in the business of governance and government. This is because users do expect that financial statements prepared by management must first be examined by the auditors. So, any financial statement prepared by management and translated too outsiders without first being examined by the auditors naturally leaves a credibility gap.

From the foregoing function of giving credibility to financial report by the auditors, external users of financial statements tend to regard such Audit reports as sacrosanct. This is true when it is believed that the extent to which users

rely on financial statements depend on the Auditor certification which is viewed by some as a tool for fraud prevention and detection.

However, what is required of the auditor by the relevant standards such as Companies and Allied Matters Act (CAMA), International Public Sector Accounting Standard (IPSAS), International Standard of Accounting (ISA), International Financial Reporting Standards (IFRS), Constitution, Financial Instruction and Regulations, Financial Memorandum and other legislative enactment of government for government financial reporting do not categorically include fraud detection and prevention as the primary function of any audit.

This does not suggest however that the auditor should not be put on enquiry when circumstances point to the existence or presence of fraud or misrepresentation. As an auditor you must dig deep and widely when you are put on the enquiry. Currently, too many auditors are shallow; some do not go further and some are afraid of assassinations or threats to their lives.

It must be emphasized that the spate or audit failures in recent times has necessitated a shift in paradigm to go beyond mere certification of financial data in reports. Modern auditing emphasizes planning and control in such a way as to be able to detect and prevent fraud. This therefore places more responsibility on the auditors’ shoulders to approach auditing with the modern tools and techniques majority which are now in the form of software packages to enable them meet such challenges.

2.3. Paradigm Shift

The shift in paradigm is again noted in the recent promulgation of the Sarbanes Oxley Act of 2002 (in USA) which was intended to enhance credibility of audit practices. The Nigerian Accounting Standard Board (NASB) Act of 2003 remains a fall out of attempts by Sarbanes Oxley Act to enhance credibility of financial statements in Nigeria indirectly. The increases in responsibilities have come to reinforce the independence of auditors to enable them carry out their audit function.

It is settled that auditors’ increased responsibilities and enhanced independence are no excuse of negligence on the path of auditors. In specifics, the Sarbanes-Oxley Act of 2002 provides for an oversight Board (The Public Companies Accounts Oversight Board) which has oversight functions over public accounts. In other words, the Public Companies Accounts Oversight Board is the “auditor of the auditors”.

At the global level, the Sarbanes-Oxley Act 2002 was a response by the US government to regulate accounting and auditing practices and ultimately to enhance credibility in financial reporting and stewardship. We must wake up in this country. So the issue of Accountability and credibility is not just for the developing economies. Even the advanced economies like USA, UK, Japan, France and Germany all need accountability and credibility very badly because human beings are the same everywhere.

In Nigeria, the Nigerian Accounting Standard Board (NASB) has been saddled with similar powers as those of Public Company Accounting Oversight Board (PCAOB); and it is now legally empowered to sanction any erring auditors and corporate executives for violating compliance with relevant standards. All the same we are yet to have a body that audits the auditors in Nigeria. Legislation action is actually overdue in this respect.

2.4. Environmental Changes

The world environment changes; so is Nigeria. Accounting overtime has developed from responses to environmental demands placed on it; and which accounting similarly exerts on the environment. The utilitarian nature of accounting, no doubt, makes it a “demand-side” discipline. This means that the discipline mainly responds to the needs of stakeholders rather than it evolving from itself or on its own. This also makes it a multidisciplinary disciplines, serving the needs of various disciplines, industries and other endeavours at varied degrees.

As much as accounting is relevant, virtually in all respects, the importance of Auditing is no less either. Auditing is practiced in every level of human endeavour whether formally or informally, expressly or implicitly. Since Auditing is a response from the need of accountability, it cannot be gain said that changes in the environments must also reflect in the practice of auditing. For instance, changes in information technology have significantly changed financial reporting and audit practice. To this end, auditing tools and techniques must be re-aligned to meet the challenges posed by environmental changes. As a corollary, auditors must re-skill and retrain to remain relevant in the face of these changes and developments not only in the country but also in line with global realities.

Besides, the pressure by stakeholders, such as the civil societies on the need to incorporate financial effects and externalities of the environment in today’s corporate social responsibility accounting. This no doubt, has implication for the evolving of environmental accounting and environmental audit which auditors must be aware of and be prepared to tackle.

Auditing as an accountability profession has always had history of developing and responding favourably to new approaches and expertise in dealing with new audit challenges and requirements. For instance, environmental auditing is a clear example of such challenges. Environmental auditing evolved as a result of the increased public concern of environmental problems as well as increased pressure to remedy environment and make it friendlier to mankind. Consequently, there are both domestic and international increasing demands for better governance and accountability in relation to:

- Government Environmental Policies and Programmes
- Water and Waste Management
- Reduction of Pollution
- Ecosystem

- Biodiversity

There is now a growing demand for environmental auditing services and expertise from auditors. This expectation is equally high all over the world. In the Niger-Delta region of Nigeria, environmental accounting and environmental auditing will help to protect and promote the interest of the government. Performance audit now includes Economy, Efficiency, Effectiveness and Environment.

The political process in Nigeria is growing and also becoming more complex and challenging. In fact, it poses more challenges to auditors. The government’s emphasis on credible corporate reporting particularly by the last and present administrations in the country in the light of demand by Transparency International and World Bank is also very challenging too. To this end, government’s effort in ensuring credibility in accounting and auditing practices have given rise to the Nigerian Accounting Standard Board (NASB) Act of 2003 which is expected to strengthen corporate governance and auditor’s independence.

There has been a growing demand to incorporate ethics into the main-stream accounting. This has implication for audit function. The collaboration of Nigerian Accounting Standard Board (NASB), Body of Accountants and World Bank in this direction is not in doubt. Beside, universities in Nigeria are required to build ethics into accounting curriculum. Institute of Chartered Accountants of Nigeria (ICAN) and Association of National Accountants of Nigeria (ANAN) are championing this move with the backing of the World Bank Grant. However, all this calls for a change in orientation and ethical values on the one hand and greater challenge which requires the auditors’ keen or eagle eyes attention on the other hand. This is because a lot of government officials whether high or low tend to pay lip-services to integrity, transparency and accountability especially in a very weak ethically sensitive environment like ours where even some local government chairman, states executives have been found to have corruptly enriched themselves from the states.

Auditors need to be more ethically sensitive today than ever if their relevance, professional opinions and certifications will be taken very seriously by publics especially in the era where professional ethics and standards have been thrown into the winds by some professional accountants and auditors as displayed in the ENRON (USA) & CADBURY (Nigeria) sagas.

2.5. Challenges of Auditing in Public Sector

Change is an inevitable issue. We as human beings change. Environment whether economic or otherwise also changes. There is nothing really constant in this world except change itself. Changes sometimes create or induce challenges. Flowing from changes in the corporate world or even political environment are challenges faced by the auditors.

One fundamental aspect of this challenge is mammoth fraud in the public sector on the one hand and fraud in ICT

environments on the other hand. How does the auditor resolve or prevent fraud in public sector and in an ICT-ridden, environment? This is a big question and challenge today for audit practice in Nigeria both in the public and private sectors. Fraud is not only a phenomenon in the public sector neither is it only economic in nature. It goes much more than these.

So many people are now clamoring even for e-government in the country. This obviously calls for auditors to be trained and retrained in ICT environment in order to be able to grapple with the complexities inherent in such an environment.

If I may ask, how will the untrained auditors be able to trace transactions in the highly sophisticated computer environment or in an ICT-laced transaction? What about the rapidly growing corruption in the country and the other third world countries? These are some of the complexities to be resolved.

In addition, auditors are now being forced or encouraged to re-skill and retool in order to be able to grapple with environmental demands placed on Accounting and auditing practices. Training, indeed constant retraining makes one more current. And if you are not current, you may not be correct. This is the reason I advocate for both general and specialized training programmes for auditors in all the audit departments whether in the local government or state or even the federal to acquaint them with new developments on the field at a global level. For instance, there are the International Public Sector Accounting Standard (IPSAS), International Financial Reporting Standards (IFRS), International Organisation of Supreme Audit Institutions (INTOSAI) to mention just a few which the auditors must know and utilize correctly in their assignments. It is not just enough to own and admire a PC or Laptop on your table in the office but to use them as tools to facilitate your work.

Similarly, growth in Global Capital Markets has increased the opportunities for the auditors, but not without adding more responsibilities. Auditors must familiarize with Generally Accepted Accounting Principles (GAAP), International Accounting Standards (IAS), International Public Sector Accounting Standard (IPSAS), and International Standard on auditing (ISA), etc. existing in their different countries where their clients' interests lie. Besides, the auditors must also appreciate the various listing requirements; especially where the government invests in international securities.

There is also the strong advocacy for the auditors to be versed in different industries. For instance, knowledge in telecom or ICT, Oil and Gas, and banks is required to fit into such environments. The extent to which they understand the business of a sector goes a long way to influence the quality of their audit of that sector. Empirical studies revealed that the quality of audit work has strong relationship with audit specialization. This can also improve the level of fraud detection and prevention. The need for auditor specialization in government has not been given the serious attention it deserves. Specialization could be on the basis of sector.

There is now an increasing global interdependency and interconnectedness with asymmetrical threats to lives, properties, international peace and environment. There is also the transition to a knowledge-based economy. In today's world, no nation can afford to be an island or go it all alone. We need others and others need us. Every nation has inter-dependencies and shares common values, challenges, changes and concerns. For instance, there is a concern for increasingly high level corruption in government business, money laundering and environmental pollution degradation. These have attracted both domestic and international concern. As a result, there is an increasing demand for greater oversight function, insight function and foresight function. Auditors in Nigeria should help to fight corruption, enhance performance, improve transparency and assure the accountability of government for the benefit of the citizens.

Technical competence and independence of the auditors are inseparable twins in auditing. They represent the qualities auditors are expected to have in the discharge of their audit function. The auditors must be technically competent and independent. But the nagging questions are these:

1. Are auditors really independent? What is the degree of independence of auditors (private sector) or the Auditor-General if any?
2. Are the Public Account Commissions (PACs) or Audit committee really independent and up and doing?
 - What about their qualifications and competence?
 - What happens if a corrupt executive be it a President or Governor or Local Government Chairman influences your appointment as an auditor-general, can you really as a matter of good conscience and integrity publish an adverse report on him?
 - What happens with Audit alarm in a corrupt environment?
 - Are auditors safe or secured in terms of their lives and jobs in corrupt environment? These are some of the challenges we must face as auditors today. Your approach and correct answer are purely a matter of your conscience.

Auditors must be committed to the value for money audit. But the questions as to what constitute true measures of Economy, Effectiveness and Efficiency have been asked. The issue has not been finally settled either. Auditors must go beyond projects execution. This entails that the auditors must not only be credible and competent but must be seen as such. In that light, auditors must obtain the evidence of the cost, value and existence of audited projects to ensure that they comply with specifications. Their work should actually enhance the Due Process which has suddenly gained greater attention in the government Lexicon in Nigeria today.

Corrupt government poses a serious challenge to auditors. Whereas an honest government is otherwise. Where a greater proportion of those in power are corrupt or fraudulent then, a traditional audit or audit style becomes weak or saddled with

several challenges. There is a need for a shift from the traditional auditing in such circumstances to forensic auditing or investigation.

In a corruption – ridden environment, the auditors cannot but face the uphill task of audit practice. He must be prepared to work in collaboration with Independence Corrupt Practice Commission (ICPC), Economic and Financial Crimes Commission (EFCC), Code of Conduct Bureau as well as other anti-corruption units of the various ministries and parastatals. The ICPC and EFCC are statutorily empowered to fight corruption by investigating, reporting and prosecuting persons found to have contravened the provisions of the Acts establishing them. To this end, the roles in assisting in such investigation in line with the relevant legal constraints cannot be down played. Auditors should note that EFCC & ICPC are not doing audit jobs at all. They are only complementing the tenet of auditing.

As a corollary, the EFCC has sweeping powers to prosecute persons that contravene not just the specific provisions of the EFCC Act of 2004 but also:

- The money laundering Act of 1995;
- Advance Fee Fraud and other fraud related offences Act of 1995;
- Banks and other Financial Institution Act 1991; and
- Miscellaneous Offences Acts 1995.

Section 40 of the EFCC Act of 2004 defined Economic and Financial crimes to mean “the non-violent criminal and illicit activity committed with the objective of earning wealth” This challenge again confers on the auditors of the need to be trained as forensic auditors/accountants who would require investigative and special knowledge in the resolution of any audit challenges.

3. Conclusions

There is no doubt that Auditors in the public sector must understand and respond to the dynamics of governance, changes and challenges in an ever-changing Nigeria political environment, otherwise they will be left behind. Nigeria auditors in the public sector cannot engage in audit practice in isolation from other countries as the world is now a global village and Nigeria remains part of the world. She must respond to global changes and demands and maintain a level of competitiveness as well.

The ever-increasing changes and challenges in the world today simply indicate that the public sector Auditors must brace-up to face audit practice with renewed zeal, determination to learn new techniques and tools, unlearn those aspects of training whose relevance to the needs of audit practices is no longer obvious and be prepared to relearn as well. It is hoped that with better training and retraining, retooling and re-skilling, the 21st century Auditing will remain interesting as it is changing and challenging.

4. Recommendations

As part of the paper’s recommendations:

- The various offices of the auditors-general should endeavour to train their staff to make them more current especially in the areas of fraud detection, forensic accounting, forensic investigation and the audit of ICT environment. Training makes men current. And when men are current, they are likely to be correct. Training is a major way of building environment auditing capacity.
- The expanding role of the auditors under a globalized environment now requires them to improve and develop new techniques and methodologies of other disciplines in the discharge of their duties.
- There is also the urgent need to attract professionals like ICT experts, fraud experts, statisticians, forensic accountants and forensic auditors in the various audit departments in the country. But to achieve these successfully, the remuneration must significantly improve and be sufficiently motivating to attract and retain the young brains. The present reward system in the country must be reviewed.
- Stability and continuity in the polity is a must. The electoral reforms and constitution review being contemplated by the past/present administration must be encouraged by all and sundry as it will enshrine and promote the rule of law and democracy, all which in turn will enhance quality of audit in the country.
- There is the need for collaborative links with international organizations and institutions like the World Bank, Nations Environment Programme and International Community of environmental auditors. For instance, the World Bank is extending some grants to countries and sub-regional professional accountancy bodies to ensure that the quality of audit and accounting reporting is enhanced. Auditors-general at the local government should take advantage of such opportunities for quality training in auditing, forensic investigation and fraud detection and prevention.
- More than ever, there is now the need for the development of specialized environmental audit skills to handle environmental auditing.
- There is an urgent need for the Federal Government to create an Environmental Audit Department in the Presidency or even as an independent accountability expert unit to be saddled primarily with the environmental audit functions. Such unit should be made to monitor how government commitments to environment and sustainable developments especially in environmentally volatile areas like the Niger Delta and even in the industrial areas where industrial wastes are discharged into either air or water. Such unit should audit the environment and report same to the presidency or National Assembly depending on the mode of

creation of such unit.

- In the areas that are highly vulnerable to fraud, waste, abuse or even public fund mismanagement, auditors should develop new approach to such issues through forensic auditing.
- Auditors should be able to report faithfully and very sincerely too on internal controls, performance reporting and long range fiscal projections of government.
- Auditors-General should lead by example at all times in what they do and how they do it and how they do business and how they carry on their private and official lives. Auditors should really be the solid rocks of integrity and model public servants.

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