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ROLE OF AUDIT IN ENSURING PROPER ACCOUNTABILITY OF LISTED CEMENT COMPANIES' FUNDS IN NIGERIA

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Abstract

The study assessed the role of audit in ensuring proper accountability of listed cement companies' funds in Nigeria. The study applied conceptual research and content analysis, where related literatures on the study were reviewed and analysed. The literatures were thoroughly reviewed in order to identify the role of audit in ensuring proper accountability of listed cement companies' funds in Nigeria. Based on the reviewed literature, the study found that both the two measures of audit (internal audit and external audit) played a very significant role in ensuring proper accountability of listed cement companies' funds in Nigeria. Meanwhile, internal audit play more role in ensuring proper accountability of listed cement companies' funds. Thus, the study recommends that companies, businesses and public sector should ensure and maintain regular audit as proved to be very significant in ensuring proper accountability of listed cement companies' funds.

Keywords: Audit; Internal Audit; External Audit; Accountability and Cement Companies

Introduction

The importance of cement in the economical development of Nigeria cannot be overstated. It has played a significant role in the growth of the construction industry, job creation, foreign exchange earnings, raw material availability, and government revenue (Sahiti, 2024). Despite the contribution of cement companies in economic growth and development if proper accountability of such companies funds was missing failure is inevitable. Financial accountability results from holding an individual accountable for effectively performing a financial activity, such as a key control procedure within a financial transaction process (Alexander, 2020). A well-defined financial accountability structure serves as the foundation for establishing effective financial processes.

Financial accountability is vital to any organization, be it profit oriented (cement company) or nonprofit oriented (Bean *et al.*, 2018). Lack of proper financial accountability in companies and specifically cement companies' result to embezzlement, fraud and misplacement of fun deteriorations, and profit. The regular nature of the Nigeria economy has made any topic in accountability, financial or otherwise, worth discussing. Nigeria has had her fair share of financial impropriety both in the public and private sectors, this is not unconnected with her political set up, the history of the evolution of her financial institution and of course the level of the country development (Manjo, 2023). Many companies with special reference to cement companies' loose fabulous amounts due to fraudulent acts of some of the employee, these have led to the folding up of some private and public enterprises. To save this ugly situation investigation and correction are to be made as regards those things that cause ineffective internal control is lack of accountability increased losses and eventually reduction in the firms' level of profitability. However, the ability of any business organization to enhance its financial accountability depends mostly on the type and effectiveness of its audit control system should be designed in such a way that it is effective as to benefit primarily the organization.

Similarly, the Nigerian government has for a long time recognized problems relating to mismanagement of public funds evidenced by lack of transparency, poor accountability, corruption, financial leakages and budgeting processes, financial excesses, poor cash management and resource allocation (Olaoye *et al.,* 2021). This is coupled with the fact that there is a near total absence of the notion and ethics of accountability in the conduct of public activities in the country (Lyrio, *et al.,* 2018). Listed cement companies in Nigeria were not also exempted from such as poor accountability, and other related poor practices such as fraud, corruption, mismanagement, and financial leakages and budgeting process etc. This seriously affects the financial performance of the listed cement companies, thereby leading to profitability decline.

Therefore, the need for an audit control system is such an indispensable tool in the hands of management if it wishes to obtain adequate and useful information, protect company asset and control successive operation which land to accountability but despite the established necessity for installing and internal control system, if has been discovered that most business do not maintain any internal control system because they assume that it is expensive to operate many managers do not see the need for installing an internal control system to prevent big losses at every little additional cost. That many control procedure whose effectiveness depend on segregation of duties are being circumvented by the collusion of the employee is yet another problem. Moreover, companies with affective internal control system will benefit from it as that will make for financial accountability. Effective internal control system most often is believe to enable the companies with it, to achieve their objective and it will be for the overall good of any company. It is based on this premise; the study intends to assess the role of audit in ensuring proper accountability of listed cement companies' funds in Nigeria. In trying to achieve this objective, the study examines the role of internal audit control in ensuring proper accountability of listed cement companies' funds in Nigeria. It also investigates the external audit in ensuring proper accountability of listed cement companies' funds in Nigeria.

Methodology

To review the literature and draw conclusions, the study used a content analysis technique. This technique allows the study to observe and analyzes the previous study on the topic. Therefore, the previous studies and case studies found in text books and current reputable journal articles that are related to role of audit in ensuring proper accountability of listed cement companies' funds were reviewed and analysed. This was done, to identify the role of audit in ensuring proper accountability of listed cement companies' funds in Nigeria. Thereafter, conclusion was drawn base on the reviewed, observed and analyzed literature.

Conceptual Model

This study assessed the role of audit in ensuring proper accountability of listed cement companies' funds in Nigeria. The independent variable is audit and was measured by internal audit and external audit. However, the dependent variable is proper accountability of funds. Based on antecedent literature, a theoretical framework for role of audit in ensuring proper accountability of listed cement companies' funds in Nigeria can be built as follow using internal audit and external audit:

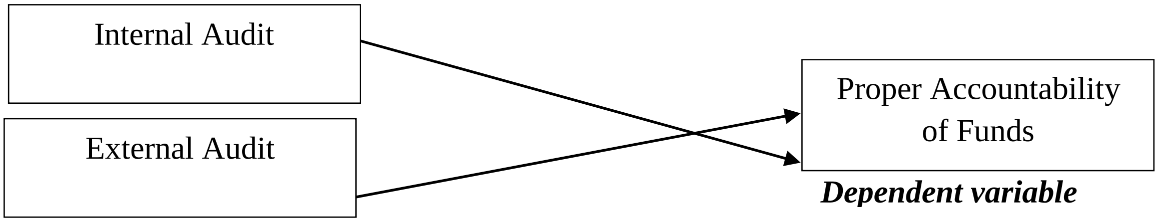

Figure 1: Conceptual Framework of the Study adopted by the Researcher 2024.

Literature and Empirical Review

Financial Accountability

Accountability is an essential concept in corporate finance. It is defined as an entity's actions to take responsibility for their actions (Kenton & Kindness, 2024). This can range from accounting for financial discrepancies, conduct toward employees, financial mismanagement, or losing shareholder confidence. Financial accountability results from holding an individual accountable for effectively performing a financial activity, such as a key control procedure within a financial transaction process. A well-defined financial accountability structure serves as the foundation for establishing effective financial processes (Chen & Stapleton; 2022). Financial accountability is the responsibility for the way money is used and managed: The budget is an important part of financial accountability and the final accounts often include budgetary information.

Audit

An audit is a formal review of a person or company's financial records by professional accountants (Tuovila & James; 2024). Audits can be conducted internally, by employees of the organization, or externally, by an outside certified public accountant (CPA) firm. Auditing is defined as the on-site verification activity, such as inspection or examination, of a process or quality system, to ensure compliance to requirements (Liberto & Mansa; 2024). An audit can apply to an entire organization or might be specific to a function, process, or production step. Some audits have special administrative purposes, such as auditing documents, risk, or performance, or following up on completed corrective actions. An audit refers to an examination of the financial statements of a company. Audits are conducted to provide investors and other stakeholders with confidence that a company's financial reports are accurate. Audits also provide regulators with the assurance that a company is adhering to the appropriate legal and regulatory standards.

Internal Audits

Internal audits evaluate a company's internal controls, including its corporate governance and accounting processes (Kenton & Mansa; 2024). These types of audits ensure compliance with laws and regulations and help to maintain accurate and timely financial reporting and data collection. Internal audit refers to an independent service to evaluate an organisation's internal controls, its corporate practices, processes, and methods. An internal audit helps in securing compliance with the various laws applicable to an organisation. Clark (2022) sees internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

External Audit

External Audit is defined as the audit of the financial records of the company in which independent auditors perform the task of examining the validity of financial records of the company carefully in order to find out if there is any misstatement in the records due to fraud, error or embezzlement and then reporting the same to the stakeholders of the company. An external audit is an independent analysis of your business and its accounting methods (Team & Vaidya; 2024). We explain exactly what an audit of this kind involves. An external audit is a financial review that is conducted by a party not associated with the company or department that is voluntarily or involuntarily under audit. An external audit takes place within a defined set of rules or laws. Taneja (2024) suggest that an external audit is a financial review that is conducted by a party not associated with the company or department that is voluntarily or involuntarily under audit. An external audit takes place within a defined set of rules or laws. The Sarbanes-Oxley Act of 2002 (SOX) imposed strict requirements on external auditors in evaluating internal controls and financial reporting of public companies in the U.S. An external audit results in impartial reporting to be used by investors, government agencies, the general public or the company itself.

Internal audit and accountability of funds

Aminu & Sulaiman (2023) examine the effect of internal control system (internal accounting control, internal audit quality and audit committees' quality) on fund management in Sokoto state industrial training fund. The population of this study comprised all the staff of Nigeria industrial training fund (ITF) in Sokoto state therefore in. line with Krejcie and Morgan the sample size of the study is 40 and simple random sampling technique without replacement is adopted to select the sample size represented the population of the study. The study used a simple descriptive statistical technique using table, frequencies and percentage and a regression analysis to analyse the data. The result of the study reveals that Internal accounting control, Internal audit quality and Audit committees' quality has significant effect on fund management in Sokoto state industrial training fund. Therefore, the study recommends that Anti-corruption agencies in Nigeria such as economic financial crime commission (EFCC), Independent Corrupt Practices Commission (ICPC) should be restructured by the government for better performance. Professional accountancy bodies in Nigeria should ensure that accountants are trained with the current development accounting procedures. The financial reporting council should ensure that best standards and regulations are established. This study also suggests that sound personnel policies to attract people with good moral standing as industrial training fund internal auditors. Industrial training fund management need to build continuous improvement in the aspect of internal audit quality. Lastly, audit committee quality should be given appropriately attention in order to enhance fund management prevention techniques.

Aduda *et al,.(*2018) determine the intervening effect of internal audit on the relationship between governance and performance of National Government Constituencies Development Funds (NG-CDFs) in Kenya. The study was anchored on Agency theory. A census survey was carried out on the performance of all the 290 NG-CDFs in Kenya. A positivistic research philosophy and a descriptive cross-sectional survey design were used. Data collected using structured questionnaires was collated, cleaned, sorted, edited, analyzed and interpreted based on descriptive statistics, simple, stepwise and multiple regression analysis. The questionnaire was administered through a drop and pick method to all the 290 NG-CDFs out of which 185 filled and returned the questionnaires whichpresents a 66.07% response rate. Secondary data was easily accessible from the National Treasury, Kenya National Bureau of Statistics, the Auditor General's reports and NG-CDF website which was collected for the period 2014 to 2018. The objective had corresponding hypothesis which was stated and tested at 95 percent confidence level. It was established that internal audit as an intervening variable has statistically significant effect on the relationship between governance and performance of NG-CDFs. The study benefits policy makers in the sense that the NG-CDF board should ensure that all NG-CDFs have homogeneous governance practices and adhere to internal audit mechanisms which ensure performance in the NG-CDFs. Managers in NG-CDFs may consider strengthening governance interaction and combine with internal audit variable of the study to enhance performance. The NG-CDFs management may also apply DEA technique to measure the performance. In addition, future studies need to use similar variables in the other funds such as youth fund, women fund among others

Nankunda (2018) sought to determine the effect of internal audit and accountability of public funds in local governments in Uganda. Internal audit and accountability of public funds was looked at from the perspective of internal audit standards, professional competency, internal controls and independence of internal audit. The study selected one senior manager in the finance department. The researcher administered a survey questionnaire to each member of the target population since it was the most appropriate tool to gather information. Quantitative analysis and regression analysis were used as data analysis technique. Descriptive statistics such as mean, standard deviation and frequency distribution were used in the analysis of data. Data presentation was done by use of tables for easy of understanding and interpretation. From the findings, the study concludes that internal audit standards, independence of internal audit, professional competency and internal control had a positive relationship with accountability of public funds of local governments. The study found that a unit increase in internal audit standards would lead to increase in accountability of public funds of local governments, a unit increase in independence of internal audit would lead to increase in accountability of public funds of local governments, a unit increase in professional competency would lead to increase in accountability of public funds of local governments and further unit increase in internal control would lead to increase in accountability of public funds of local governments, The study recommends that management in local governments in Uganda should adopt effective internal audit practices such as internal auditing standards, independence of internal audit, professional competency and internal controls to enhance accountability of public funds in local governments.

Niwebyona (2019) investigated the role of internal audit in the accountability of public funds in local governments, case of Mharara district local government. The study was guided by the following objectives; to study the nature of Internal Audit System in the accountability of public funds in local government~, to investigate the nature of accountability of public funds in local governments and to examine the relationship between the Internal Audit and accountability ofpublic funds in local governments. Various methods were used to collect data from the respondents. The main primary data collection methods used were questionnaires, Key informant interviews and Focus Group Discussion (FGD) guides. Documentary sources were used as secondary data collection method. Data analysis was done thematically with the use of computer package known as excel and SPSS for tabulation and generation of tables, graphs and Pie Charts. From the study findings, it was concluded that internal Audit has a great stake in the accountability of Public funds, in this regard in local Governments because internal Audit is described as a consulting activity. The implied situation being that all the stakeholders in the use of public funds have to be aware of the nature of internal Audit. Internal Audit and accountability of public funds in local governments were realized faced by a number of challenges such as Limited skills~ Political interference, Limited number of employees, Low involvement, Limited independent, Low payments to employees, Low level of Audit reports implementation, Limited corporation, No/less development internal Audit Committee, However, these above challenges were established to have the following remedies/ solution Improved skills through training, Political focused interaction, Increased number of employees, Adequate independence, Improved involvement 4 Improved rewards, Increased level of Audit reports, Improved corporation, Installation of developed internal Audit committee.

External audit and accountability of funds

Mwombeki (2023) examined the influence of EAO and AC on managing financial resources taking Tanzania government entities as a reference. It uses resources dependency theory to explain the main topic. Data were collected on 230 government entities from Controller and Auditor General (CAG) reports and audited financial statements for 2014/15 to 2019/20.

Descriptive statistics and the Fixed effect technique were used to analyze data. The results show that unqualified audit opinion occurred most among public entities. Specifically, the qualified audit opinion occurred most in LGAs. Also, a significant frequency of AC weaknesses appeared in LGAs and Public BICA.Moreover, the estimation results show that audit report positively and significantly influences financial resource management (FRM), whereas AC weakness has a negative relationship with FRM. Therefore, the President's office and the Parliament should emphasize the management of resources strategies in public entities, especially LGAs. This paper will add knowledge on EAO and AC as tools for financial resources management in government entities.

Kinyua *et al.,* (2024) examine whether government procurement contracts and external audit certifications jointly influence financing access and whether ownership, size, and firm age matter. We find that access to finance is more likely to be an obstacle to the operations of small- and medium-sized enterprises (SMEs) with government procurement contracts than those without such contracts, regardless of whether they seek external audit certification. Additionally, the effect of external audit certification on the likelihood of access to finance being an obstacle to SME operations reduces sharply with foreign ownership, size, and age for SMEs involved in government procurement. We also find that the impact of government procurement contracts reverses for SMEs in low- and lower-middle-income countries. Our findings have policy implications, especially with the growing implementation of affirmative action programs to promote the involvement of SMEs in government procurement.

Saeed et al., (2020) examined the role of internal and external auditing on public sector governance in Kurdistan Regional government. Data was retrieved using questionnaires. The ordinary least Squares regression method was used to estimate the model. Results of the study showed that risk management, internal control and compliance had significant positive effects on public sector governance. The results of the study revealed that public sector performance and governance are mutually and positively related to risk management, internal opportunity and compliance roles of auditing. The results further showed that factors such as providing assurance that risks are being appropriately managed, reviewing individual systems and processes, assessing performance management and ensuring that spending is within budgetary are significantly essential towards improving public sector governance. Policy implications advocated for an increase in efforts to be exerted towards improving risk management, internal control and compliance initiatives.

Usman *et al.,* (2023) analyze the relationship among the internal auditors' characteristics, external auditors' reliance and audit efficiency in one comprehensive research model with the institutional environment as a moderating variable in the relationship between the level of external auditors' reliance and the audit efficiency. This study is conducted in government organizations with the consideration that the reliance of external auditors on internal audit work is one of the strategies for dealing with the limited resources faced by government external auditors in Indonesia. Surveys are conducted to collect research data. The research subjects are 164 external auditors (BPK) from 34 representative offices in Indonesia. The data are analyzed using Partial least Square-Structural Equation Modeling. The results of this study show that the level of external auditors' reliance on internal audit work has a significant effect on audit efficiency. Furthermore, the results also show that there is a moderating effect of the institutional environment on the relationship between the level of external auditors' reliance and audit efficiency. This study contributes to the application and development of relational coordination theory and institutional theory in accounting and auditing fields, especially in government sector audits.

Conclusion and Recommendations

Determining and ensuring proper accountability of funds by companies and business set up is very important for survival. However, proper control through auditing plays a very significant role in ensuring the proper accountability of companies' funds. Currently, the financial accountability of most organization is it public or private is not impressive. Based on this, the study examined the role audit in ensuring proper accountability of listed cement companies' funds in Nigeria. Based on literature reviewed on the study, the study found that both internal audit and external audit have significant role in ensuring proper accountability of listed cement companies' funds in Nigeria. Meanwhile, internal audit play more role in ensuring proper accountability of listed cement companies' funds. Based on these findings, the study recommends that;

i. Both public and private organization (Firms, business and government) should ensure and maintain proper internal auditing as good internal auditing play a very significant role in ensuring proper accountability of listed cement companies' funds in Nigeria.

ii. Both public and private organization (Firms, business and government) should ensure and maintain inviting external auditor as good external auditing play a very significant role in ensuring proper accountability of listed cement companies' funds in Nigeria.

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