

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Auditing has existed as long as man has been required to account for their transactions. A famous example is in St. Mathew's Gospel (Chapter 25) when the rich man went on a journey and delivered his goods to a servant to look after them while he was away. On his return, he asked each of these servants to account for the goods with which he had been entrusted.

In the ancient ages, great land owners would not manage their own land, but would appoint stewards to manage their own land for them. The account of these land owners were checked by having them called out by those who gave them to those in authority (land owners) for hearing otherwise called stewardship accounting.

Auditing can be defined as the process of an independent examination of vouchers, internal control system and financial statements of an organization by a person or a group of persons called auditors so that the auditors can form and express opinion whether the vouchers, internal control system and financial statement, give a true and fair view of the organization.

Auditing is carried in both the public and private sectors. In the case of public sector, there are two foremost types of audit that are carried out namely: Regulatory audit and financial audit and the third type is value for money (VFM) audit which is yet to be fully integrated in most part of the world.

According to Bechberger (2007), it is observed in the past decades that in order to fight global corruption and strengthening transparency and accountability in public sector organization across the world, public sector organizations are now under pressure from the public to integrate value for money principles in their management practices.

Value for money according to National Audit Office (2007) means providing a service or a product in a way which is economical efficient and effective. Value for money audit is therefore, the type of audit that is used to asses the value for money system in any organization. It is an independent examination of the criteria (economy, efficiency and effectiveness) for the value for money to confirm that the organizations available resources are used wholly, necessarily, reasonably and exclusively so as to maximize progress towards the chosen objective.

1.2 STATEMENT OF PROBLEM

The research work “The critical analysis of value of money audit (VFM) and public sector performance in Enugu State centers on the major problems facing value for money audit in Enugu which includes:-

- a. Problem of inconsistency in public sector objectives as a result of political and economic instability.
- b. Diversity in accounting records or lack of uniformity in accounting records system among public sector organization.
- c. The problem of cash basis rather than actual basis in public sector accounting.
- d. The problem of insufficient emphasis of accounting and stewardship in public sector organization.
- e. Inadequate implementation of laws in Nigeria.

1.3 OBJECTIVE OF STUDY

The main objective of the study is to analyze the effects of value for money audit on public sector organization while the specific objectives are:-

- a. To ascertain the problem of inconsistency in public sector objectives which is as a result of political and economic instability.
- b. To examine the problem of diversity in accounting system in public sector organization in Enugu State.
- c. To determine the problem of using cash basis of accounting in public sector organization.
- d. To ascertain the problem of insufficient emphasis on accountability and stewardship in public sector organization.
- e. To investigate the problem of inadequate implementation of laws in public sector organization in Enugu State.

1.4 RESEARCH HYPOTHESIS

In order to achieve the objectives of this research study, the following hypothesis was formulated.

Hypothesis One

Null Hypothesis (Ho)

There is no significant relationship between economic and political instability and performance of public sector organization in Enugu State.

Alternative Hypothesis (Hi)

There is a significant relationship between economic and political instability and performance of public sector organization in Enugu State.

Hypothesis Two

Null Hypothesis (Ho)

There is no significant relationship between cash basis of accounting and performance of public sector organization in Enugu State.

Alternative Hypothesis (Hi)

There is a significant relationship between cash basis of accounting and performance of public sector organization in Enugu State.

Hypothesis Three

Null hypothesis (Ho)

Inadequate implementation of law had no effect on performance of public sector organization in Enugu State.

Alternative hypothesis (Hi)

Inadequate implementation of laws has been effect on performance of public sector organization in Enugu State.

1.5 RESEARCH QUESTIONS

1. To what extent does the inconsistency in public sector objectives which is as a result of political and economic instability affect performance of public sector organization in Enugu State?
2. How does the diversity in accounting records or lack of uniformity in accounting records affect the public sector organization in Enugu State?

3. Could the problem of the use of cash basis rather than accrual basis accounting affect public sector organization in Enugu State?
4. To what extent does the insufficient emphasis on accountability and stewardship affect public sector organization?

1.6 SIGNIFICANCE OF STUDY

This research therefore aims that value for money audit will be relevant in the public sector because of the special needs for government organizations to demonstrate their accountability and their regards for economy, effectively in the use of public funds and other resources. Value for money auditing is particularly appropriate for any organization whose activities cannot be judged solely by their contribution profit.

- a. Budgeting and budgeting control
- b. The development of management information system necessary to plan, cooperate and control an organization.
- c. Human resources management (that is planning procurement appraisal) construction procurement and utilization of physical asset such as property, plant and equipment.

1.7 SCOPE OF STUDY

This work is restricted to Enugu State Water Co-operation; this work will enlighten them on how to achieve their goals with a minimum cost.

1.8 LIMITATION OF STUDY

The limitations involved in the course of this research includes hostility and non co-operation on part of executive respondent unwilling to disclose their necessary and vital information or document which they felt it will be detrimental to their business. Also the financial implication was very high and this imposed certain restrictions. The constraint of time was also a limiting factor as one the areas of interest were not covered as they would have been adequate.

1.9 DEFINITION OF TERMS

Value for money: Providing a service for a product in way that is economical, efficient and effective.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 INTRODUCTION

Government auditing started off as financial auditing. Its main purpose is to ensure the correctness of the transactions of the government accounts. It was considered for a long time as an unimportant activity mainly employed to cross-check the accounts maintained by government accountants. However, with the development of the economy and democracy in many countries, tedious checking of government spending has gradually become impractical. In the past few decades public sector auditing has been evolving into taking a more active and important role in the monitoring of government activities financially and also on the performance of government programmes in general.

There are two factors which trigger this change. First, with the growth in the economy and the expansion of government activities worldwide, the numbers of accounting transactions in many countries have increased tremendously, to the extent that it is impossible now for public sector auditors to check a reasonable proportion of government vouchers and

receipts as in the olden days. On the other hand, the advance in modern technology, and the development of more sophisticated accounting systems with the use of computers have improved the accuracy of accounting transactions and have decreased the risk of accounting errors. Public sector auditors in performing their duty to ensure the correctness and property of government accounts; have to concentrate on the mechanism of control and the legality of system procedures. This enables them to shift their emphasis on figures and accounting rules to overviews of system. Secondly, with the development of democracy in many countries, the public are more conscious of the performance of their governments. To fulfill the need of the people, elected legislators in various countries turn to public sector auditing as an institution suitable for the provision of information on the performance of government programmes. Audit offices are given more authority and independent status to enable them to conduct resources and programme evaluation.

Value for money is an issue which gained much popularity in the last few decades. Butt and Palmer (1985, p5-6) attributed the emphasis of value of money in the society to the change in the economic and social climate.

2.2.1 DEVELOPMENT OF THE MODERN AUDIT

Later developments introduced the right to examine the books and records and to obtain all the information and explanation necessary for giving a report on the truth and correctness of the company's balance sheet. Between the two world wars, greater emphasis was placed on the informational value of the company's balance sheet and prospective investors became increasingly conscious of the need for credible financial information. Responsibility for the detection of error and fraud was regarded as the province of company management.

A major development in company law was the companies Act 1984 which provided inter alia:

- a. The requirements of a professional qualification by the auditor.
- b. Independence
- c. The presentation annually of a profit and loss account and balance sheet, and a report as to be provided by the auditor on the reliability of both statements.
- d. The auditor's rights and duties were defined. Its reporting duties clearly emphasized a change in audit objectives away from detection of fraud

and error. Instead the auditor was required to give an expert opinion on the quality of published information viz.

1. Whether the directors had kept proper records of account.
 2. Whether such accounts agreed with books and records;
 3. Whether returns from branches not visited were adequate for the purposes of the purposes of the audit; and
 4. Whether in this opinion the accounts gave a true and fair view of the company's profitability and state of affairs and the financial statements were presented in a form which complied with statutory requirements.
- e. The 8th schedule of the Act laid down detailed disclosure requirements in order to give shareholders the necessary information about company affairs.

2.2.2 DRAMATIS PERSONAE IN AUDIT

Auditing as a profession arises primarily because of separation in the ownership as well as the administration of a business enterprises. The owners of a business that is shareholders pool their resources together for the purpose of establishing an enterprise, with a common goal of profit making or otherwise. These shareholders may not be available for the day to day administration of the company hence the need to appoint professional

managers whose main responsibility is to utilize the shareholders fund effectively. The managers are expected to prepare an account that is quantitative statement stating how the shareholders resources were utilized during a period being referred to as accounting year. This statement is referred to as stewardship account.

2.2.3 NEED FOR AUDIT

It is often argued that since the financial statement prepared by the management of an enterprise may actually not represent the financial position of the organization. There is therefore a need for audit. Some of the reasons for the independent professional opinion on the financial statement will include:

- a. The separations of ownership from management and the need to safeguard the interest of the owners who do not participate in the day-to-day decision of the organization by the management.
- b. The companies and Allied Matters Act, 2004, provides that every company shall at each Annual General Meeting (AGM) appoint an Auditor or Auditors to audit the financial statement of the company.
- c. To provide creditability on reports and accounts prepared by the Directors which may;

- i. Contain errors
- ii. Not disclose fraud
- iii. Be unintentionally misleading
- iv. Be deliberately misleading
- v. Fail to conform with regulations
- vi. Not disclose relevant information

2.2.4 OBJECTIVES OF AUDITING

The primary objective of an audit under CAMA 2004 is for an appointed auditor to express a professional opinion on the financial position of an enterprise as contained in the financial statement prepared by the management so that any person reading and using them can have faith in them. Other secondary objectives include

1. To prevent fraud and errors
2. To detect any form of irregularity
3. To evaluate the effectiveness of otherwise of the internal control system within the enterprise.
4. To assist the management in the establishment of effective auditing system.

5. To advise on financial matters for efficient decision making by the management.
6. To ascertain and ensure that an enterprise conform with statutory and professional requirements.

2.2.5 MERITS OF AUDITING

- i. Auditing serves as a deterrent to fraudulent staff within an enterprise.
- ii. Outing amalgamation or acquisition, audited financial statement serve as a basis for determining the net worth of a business for the purpose of ascertaining the purchase consideration of the portion to be acquired or amalgamated in the business.
- iii. Audited financial statement can be used to negotiate bank loan.
- iv. A financial statement examined independently by an auditor will be readily accepted by the tax authority for the purpose of taxation.
- v. Audited account is one of the requirements of the Nigeria stock exchange for a business that is willing to be listed in Nigeria stock markets.

2.2.6 DEMERITS OF AUDITING

1. Auditing fee is seen as additional expenses to a business enterprise.

2. Audited financial statement if qualified could lead to liquidation of an enterprise, even when there is a solution in sight.
3. Auditing with the enterprise could lead to management shareholders conflict.
4. Auditing could be time consuming as the time being used to attend to members of the audit team could be effectively used on productive matters by members of company.

2.2.7 USERS OF AUDITED STATEMENT

Traditionally the annual financial statements of companies are produced by the directors (as managers) to the shareholders (as owners) and other people were not expected to be interested in them. However, today a much wider range of people are interested in the annual reports and account of companies and other organizations. The following people are likely to want to see and use financial statements.

- a. Actual or potential
 - i. Owners or shareholders
 - ii. Lenders or debenture holders
 - iii. Employees

- iv. Customers
 - v. Suppliers
- b. People who advise the above accountants; stockbrokers, credit rating agencies, financial journalists, trade union, statisticians etc.
 - c. Competitors and people interest in merger amalgamation and takeovers.
 - d. The government including the tax authorities department concerned with price control, consumer protection and the control and regulation of business.
 - e. The public including those who are interested in consumer protection environmental protection, political and other pressure groups.

2.3 THE PUBLIC SECTOR

The economy of any nation can be conveniently classified into two major categories. Namely, the public sector and the private sector. It is a widely held opinion by financial experts that the public sector in Enugu State controls a considerable size asset base of this state. This is likely to be so in most countries of the world, especially in socialist communist economics where the national government plays overwhelming roles. In Enugu state today, there are few endeavours that the Government does not play a vital

role in some directly and many indirectly. In spite of considerable efforts in Enugu state towards divestiture of government's interests and deregulation, the scale of government's activity is still very large. This is self evident in Enugu state and other developing economies as the entire economy appears to be totally inactive until the release of the annual government budget.

2.3.1 DEFINITION OF PUBLIC SECTOR

Public sector can be defined as that sector of the economy established and operated by the government or its agencies. Distinguishable from the private sector and organized on behalf of the whole citizens.

ELABORATION ON DEFINITION OF PUBLIC SECTOR

- a. Public sector organizations are established and operated or directed by the government. This excludes the possibility of individual establishment direction or ownership. Thus they are non-proprietary.
- b. Such organizations are distinguishable from the private sector. The line of difference between the two is unmistakable while one has the distinguishing mark of individuality, the other function as service agency for all.

- c. Public sector organizations are organized on behalf of the general public. The citizens decide through the democratic set up, ideally what services they want and how it should be provided.
- d. Finally, the primary motive of public sector organizations is to provide services to the citizens and not to maximize profit.

The Public Sector Consists of:

- a. The Federal Government viz: Ministries, Departments, Parastatals and Agencies like INEC, NDE, NBTE, NUC etc.
- b. The State Government represented by Ministries, Departments, Parastatals and Agencies.
- c. The Local Government.
- d. The Government Parastatals partly or completely financed by the government. Some government funded Parastatals operate in some private sector fashion. In some cases, government presence comes only in the form of control directives and subventions.

2.4 HISTORICAL BACKGROUND OF VALUE FOR MONEY AUDIT

According to Intosai that is international organization of supreme Audit Institutions, value for money can also be known as performance

auditing. Value for money audit was introduced in the USA, Canada, Great Britain, Sweden and some other countries at the end of the 1960's. The auditing body may for example enjoy a greater or lesser degree of independence in its planning. In the USA for example a congressional committee or an individual congress man must approve the planning proposals. Value for money audit has more controlling function i.e. where less importance is attached to promoting change, planning can often be longer term. Some countries perform value for money audit planned five years in advance. Value for money audit money carried out by different audit offices are given below with the range of problems dealt with.

Topic	Application
Efficiency of procurement	Ministry of supplies
Efficiency of distribution	Distribution of drugs , Distributions of school books
Administrative efficiency The recruitment process	
Efficiency of maintenance	Maintenance of road, repair and maintenance of government vehicles
Capacity utilization	Utilization of the police force
Effects of grants	Grants to farmers

VALUE FOR MONEY AUDIT AND OTHER TYPES OF AUDITING

Value for money audit or performance audit differs in many ways from financial auditing. Financial auditing is sometimes called regularity or compliance auditing. As with value for money auditing, financial auditing has undergone considerable development in many countries. The approach used in financial auditing has progressed from the examination of undivided entries to concentrate on testing the control systems within organizations. Computer-based audit methods have been introduced to facilitate this type of financial auditing. The main differences are summarized in the table below.

ASPECT	VALUE FOR MONEY AUDITING OR PERFORMANCE AUDITING	FINANCIAL AUDITING
Purpose	Asses whether the auditee is effective	Assess whether the accounts are true fair.
Focus on	The organization/programme audits activities	The accounting system and management system
Academic base	Economics, political science, sociology etc	Accounting
Methods	Vary from project to project (manuals of limited importance)	Less subjective standardized criteria suitable for all audits
Assessment criteria	More subjective unique criteria for the individual audit	Less subjective standardized criteria for all audits
Reports	Varying structure and content published adhoc basis	More or less standardized. Published on regular basis

At the same time, value for money auditing and performance auditing and financial auditing have a number of similarities. The two types of auditors carry out the same type of tasks. Namely to assess and explain the performance of the auditee. In this way they also use similar methods for collecting data. While the value for money auditors focus on the effectiveness, economy and efficiency, the financial auditors focus on the correctness and fairness of the accounts.

2.5 CONCEPTS OF VALUE FOR MONEY AUDIT

A value for money audit (VFM) is an objective, professional and systematic examination of the systems and procedures that management has established for the purpose of ensuring that resources, such as financial, human and physical resources are managed with due regards to economy, efficiency and effectiveness.

Economy: Refers to the acquisition of resources in appropriate quality and quantity at maximum cost.

Efficiency: Refers to the maximum output for any given set of inputs or the minimum inputs for any given quantity and quality of goods or services provided.

Effectiveness: Refers to the extent to which any activity achieves the intended results of the above, ensuring effectiveness presents the most difficulty as effectiveness is usually not easy to measure. When commenting on management's procedures for ensuring effectiveness, the auditor should be careful that the organization's policy objectives are not questioned as this would ordinarily go beyond the auditor's terms of reference. It is however the auditor's responsibility to report on management's procedures to review the effects of policy and the arrangements by which policy decisions are reached.

VFM Auditing manual of Canada (2000), defines VFM audit as a systematic, purposeful, organized/and objective examination of government activities. It provides parliament with an assessment on the performance of these activities, with information, observations and recommendations designed to promote answerable, honest and productive government, and encourage accountability and best practices.

Its scope includes the examination and of economy, efficiency, cost of efficiency, cost of effectiveness and environmental effects of government

activities; procedures to measure effectiveness, accountability, relationship, protection of public assets and compliance with authorities. The subject of the audit can be a government entity or activity (business line), a sectoral activity or a government wide functional area.

Central to the concept of value for money in public sector organizations is the principle that public funds should be put to the best possible use and that those who conduct public business should be accountable for the economical, efficient and effective management of the resources entrusted to them. Public sector managers have an obligation to demonstrate that resources such as people, goods and money are used as productively as possible that is, with due regards for VFM in achieving the intended results. Although there may be no reason to believe that problems exist. An objective review and resulting recommendations can be of benefit to the organization being reviewed.

A VFM audit has a broader scope than a financial statement audit. It calls for a variety of techniques. In examining both financial and management controls and could well require a multi-disciplinary audit team. A VFM audit may be conducted by internal auditors reporting to management or by external auditors providing an independent report to those to whom

management is recognized as being accountable. These may be legislators, elected representatives, senior administrators and the general public.

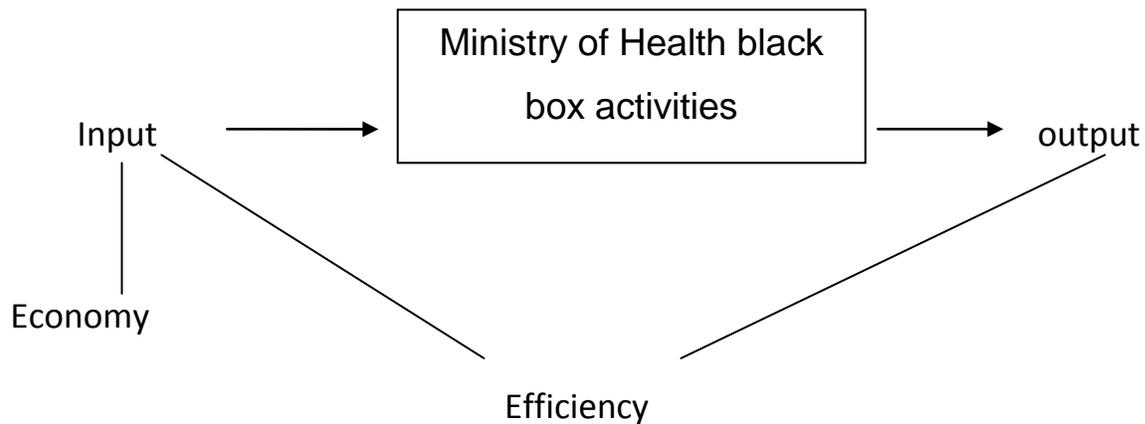
ECONOMY AND EFFICIENCY

Here we use malaria example to illustrate the concepts of economy, efficiency and effectiveness. In relation to a problem which usually takes the form of providing information to influence people's behavior. Malaria has been chosen because it is a world-wide disease. It is also one of the most dangerous diseases in the world, killing more than one million people per year.

We will assume the Ministry of Health is trying to reduce the number of deaths caused by malaria. Responsibility for this task is divided between two sections of the ministry. The health education section informs and educates people on the risks of malaria and how to protect themselves. The protection section deals with the distribution of protective equipment such as mosquito nets and the covering of water holes etc.

In the figure below, the work being done by the health education section is described using a basic input-output model. In this model, the section convert inputs (paper, stationery, staff etc) in the production process

into output, which we will assume consists mainly of brochures and other information materials.



The basic input-output model.

The conversion of the input into the output takes place within the ministry in terms of the model sometimes called the black box, through a great number of activities. These include both direct activities to produce the brochures, eg writing, taking photos, printing etc and support planning activities. Economy focuses on minimizing the use of resources while efficiency is the relationship between output and input which should be maximized.

EFFECTIVENESS

	Goals	
Input	Ministry of health black box	Output
	Activities	
	Feedback	

ECONOMY**EFFICIENCY****EFFECTIVENESS**

The complete input-output model

In the model a feedback system is included to make the model dynamic.

A feedback system may be very simple, consisting a reports personal contacts etc. this system will provide the organization with information on its performance which will enable it to change the way the work is organized.

The Ministry of Health in this model has an overall goal. This may be formulated as a desired status, such as “a healthy life for all citizens” may take into consideration contributions by many different parties other ministries etc in the country.

ECONOMY, EFFICIENCY AND EFFECTIVENESS APPROACH**The Economy Approach**

If the auditor focuses on economy it will be important to define expenditure correctly. This is often a problem. Budgets may not be allocated to our sections fighting malaria. Only for aggregate, such as the Ministry of Health. Sometimes it will be possible to introduce approximations of the real

cost figures. For example by defining the costs in terms of number of employees etc.

A performance audit of the malaria programme based on the economy approach may deal with these questions.

- To what extent are resources like raw materials equipment etc utilized?
- How far is actual expenditure comparable to budget?
- To what extent are all the resources utilized?
- Are the staff members often unoccupied or are they fully utilized?
- Is the organization using the optimum mix of input (eg should less staff have been employed and more money spent on computers?)

THE EFFICIENCY APPROACH

If the auditor aims at measuring efficiency, he or she will start the audit by analyzing the different types of output of the ministry. In our example, there were outputs from the education section such as different types of brochures, lectures etc. From the protection part of the programme there were outputs such as distribution of mosquito nets. The auditor may also analyze the output such by asking “is the mixture of different output reasonable?” or by looking into the quality of the output when using an

efficiency approach to this project. The auditor, in analyzing how the programme has been carried out will assess how well the ministry has managed to make the best out of its working situation. This means studying the audited organization or programmes to check how work has been organized.

Questions that may be out in the efficiency analysis of the malaria project are:

- Were the feasibility studies for the project realistic and formulated so that operations could be based on them?
- Could the project have been implemented in another way which would have resulted in lower production costs?
- Are the working methods the most national ones?
- Are there any bottle-necks which should have been avoided?
- Is there any unnecessary overlap in the delegation of duties?
- How well do the different units co-operate in promoting the common goals?
- Are there any incentives for the staff involved to aim for cost reduction and complete the work on time?

THE EFFECTIVENESS APPROACH

If the auditor focuses on effectiveness, he or she will start by identifying the goals of the programme and operationalize the goals to measure effectiveness. The auditor will also need to identify the target group for the programme and search for answers to questions such as:

- Have the goals been achieved at a reasonable cost and within the time-limit set?
- Was the target group defined correctly?
- Are people satisfied with the education or equipment provided?
- To what extent does the equipment serve the needs of the target group?
- Is the equipment being used by the citizens?
-

USEFULNESS OF THE ECONOMY, EFFICIENCY AND EFFECTIVENESS FOR THE AUDIT

Assessing and promoting economy, efficiency and effectiveness (the three EEs) in the public sector is the main purpose of performance auditing, and consequently these concepts form the theoretical basis of performance auditing or value for money auditing.

From our experience we know that economy, effectiveness and efficiency are useful concepts in guiding the auditor when formulating problems and outlining the general direction of the audit.

To define the concepts we have used a model, the input-output model. A model is a picture or a simplification of reality. The model is used as a tool for handling different situations and for different purposes, to describe, understand, organize thoughts and observations, measure and explain etc.

The input-output model has a number of advantages; it is quite simple for the auditor to handle and it demonstrates pedagogically the concepts of the economy, effectiveness and efficiency.

The input-output model is based on the assumption that is possible to arrange activities in chains and to identify the way these activities influence each other. The input-output model as described throughout the chapter also uses rationalistic theories of society; that organizations establish goals, have clear ideas on what they want to achieve etc.

2.5.1 CHARACTERISTICS OF VALUE FOR MONEY AUDIT

According to Aqs 7, below are major characteristics of value for money audit.

Basic Auditing Principles

As with the financial audit, the VFM audit should be carried out in accordance with the basic principles and essential procedures as set out in Nigeria standards on Auditing and other pronouncements issued by the institute in so far as they are applicable. This would ensure that the report is independent and reliable, and based on a disciplined examination of appropriate evidence.

Audit cycle

The broad scope of VFM audit may necessitate a cyclical approach. It would not usually be envisaged that all the major aspects of the organizations activities, systems, procedures and controls be audited simultaneously. Instead the audit may be conducted on a selected basis over a designated period of time. The actual length of the audit cycle will be determined by such factors as the size and complexity of the statutory board, the degree of change being experienced, the extent to which its key systems can be relied on to ensure continuing regard for value for money. It is envisaged that a review of overall VFM procedures will be carried out in the first year and updates as necessary in each subsequent year. This overview would provide

the auditor with a basis for planning in-depth reviews of specific arrears for the cycle period.

Co-ordination and co-operation with client personnel

The opportunities for the auditor to rely on work done by client personnel would be greater in the VFM audit than in the financial statement audit. In order to reduce time costs and demands on management of time, the auditor should co-ordinate with and rely on the work of the internal audit department as well as those departments which are not necessarily of a strictly audit nature for example, the management planning unit or quality control circles.

The benefits of the VFM audit are likely to be achieved only if there is a spirit of co-operation and interest among all parties concerned. It is essential that a continuing dialogue be maintained between the auditor and clients personnel management should be kept regularly informed of the progress of the audit and the final reports should contain no surprises.

Constructive Report:

The VFM report is not analytical that is in addition to identifying weakness it makes constructive recommendations as to what improvements can be made. The report is future oriented and intended to be helpful. For

this reason, although criticism of past performance may sometimes be necessary, the report should avoid languages which generate defensiveness and opposition. The emphasis in the report should be on the steps necessary to effect improvement.

Audit Process

The VFM audit process may be divided into three main areas – planning, review and reporting. As these areas are applicable also to the financial statement audit only those aspects which are of particular relevance to the VFM audit are mentioned.

Planning

The engagement letter should set out the nature and scope of the work to be performed, the approach to be adopted and the nature of the report to be submitted. Appendix 1 identify certain issues that may be addressed in an engagement letter.

When planning staff requirements for the VFM audit, it needs to consider whether the audit team should include consultancy or specialists. The team may be supervised by a management consultancy manager. In the first year of the engagement an overview of the entity's structure and VFM procedures should be carried out. The overview would form a basis for

planning the strategy of future VFM audits for say, a five year cycle. One or more areas for review would then be selected for the first year.

This process involves several layers of activity that interact in a complex manner before an audit begins. These include the identification of office-wide policies that apply to all audits. The selection of entities, functional areas and sectors to be examined over time, and the choice of programs or activities to be examined. All states are driven by the same three criteria: the significance of the area, relevance of proposed audit activities to the offices mandate and audit ability.

Entrance interview/opening conference;

During this meeting, the audit describes or is asked about the department or system to be reviewed, available resources and other relevant information. If required the auditor meets with other department under review and any staff members he/she wishes to include it is important that the auditee identify issues or areas of special concern that should be addressed.

Survey:

In this phase the auditor gather relevant information about the department in order to obtain a general overview of operations. He/she talks with key personnel and reviews reports files and other sources of information.

Internal Control review:

The auditor will review the department internal control structure a process which usually time consuming. In doing this the auditor uses a variety of tools and techniques together and analyze information about the operations. The review of internal controls helps the auditor determine the areas of highest risk and design test to be performed in the fieldwork section.

Audit Program:

Preparation of the audit program concludes the preliminary phase. This program outlines the fieldwork necessary to achieve the audit objectives.

Executing:

Conducting the fieldwork is the main activity under the executing stage and it concentrates on transaction testing and informal communications. It is during this phase that we the auditors determine whether the controls identified during the preliminary review are operating properly and in the manner

described by the auditee. The stages conclude with a list of significant findings from which we will prepare a draft of the audit report.

a. Transaction Testing

After completing the survey the auditor performs the procedures set out in the audit program. These procedures usually test the major internal controls and the accuracy of transactions.

b. Advice and informal communications:

As the fieldwork progresses the auditor discusses any significant findings usually, these communications are oral. However, when dealing with more complex situations written communications (memos, interim reports and emails are used. There are times when we may have an informal meeting with management or present an interim report if we think our findings must be addressed immediately.

c. Audit Summary

Upon completion of the fieldwork the auditors summarize the audit findings conclusions and recommendations necessary for the draft audit report.

d. Working Papers

Working papers are vital tools of the audit profession. They are the support of the audit opinion and they connect all the dots, that is the auditee records to what auditors found. They are comprehensive and serve many functions such as reference materials and providing a history of the audit relationship between the auditee and the office of the auditor general (OAG).

Review

A detailed programme of work defining the scope of the review in a particular area should be drawn up. A programme for the VFM audit should be flexible and framed in broad terms so as to encourage an open-minded approach.

Before commencing the review the scope should be discussed with the chief executive the finance officer and the internal auditor. It is important to establish with all levels of client staff that the VFM audit is primarily to offer them constructive assistance in carrying out their duties useful ideas are often gained from client personnel and their co-operation would be enhanced if all findings are discussed with officers involved before they are reported to their supervisors or included in the final report. The report should be addressed to the persons with whom the arrangements for the engagement were made.

Report format generally comprises of the following:

- a. Engagement objectives scope and approach: a summary of these provides a framework for considering the included:
- A general description of the procedures employed for example, interviews, flowcharts)
 - A discussion of the rationale for selecting procedures and a description of the origin and application of the measurement criteria used;
 - A reminder that the report generally focuses on weaknesses and areas for improvement rather than on the strengths of the entity.
- b. Specific findings and recommendations the structure of the report is not as important as the content. It may be organized by operation or by subject (for example organization, data processing controls, productivity). The related findings and recommendation would be presented in each section. The report may include recommendations for further study of areas where appropriate recommendations were not developed due to the constraints of the engagement. A recommendation for further study is generally supported by an explanation of why it would be beneficial.

Reporting

It is important for draft reports to be cleared with each level of management concerned before the final report is submitted. Management's response to the report or management's comments may be included in the report. In the following year action taken on reports previously submitted should be followed up on a formal basis.

- a. Exit Conference: When audit management has approved the draft report, we meet with the department management team to discuss findings and recommendations.
- b. Draft Report: the auditor then prepares a formal draft, taking into account any revisions resulting, from the exit conference and other discussions. After the changes have been reviewed by audit management the draft is issued to the audit for management response. The auditee has the opportunity to respond to the audit finding prior to issuance of the final report which can be included or attached to our final report.
- c. Audit Comments: Finally as part of the OAG's evaluation program, we ask auditees to comment on our performance. This feed back has proven to be very beneficial to us, and we have made changes in our procedures as a result of auditee's suggestions.

- d. Audit follow-up: At our next audit of a particular department we will perform a follow-up review to verify the resolution of the previous report findings.

2.5.2 TYPES OF VALUE FOR MONEY AUDITS

Value for money audit manual of Canada (2000) has designed a number of VFM audit approaches in order to make the audit products more relevant to parliament. Government activities and projects often cross departmental lines. Reporting on the activity or projects as a whole is normally more useful than commenting on a segment carried out by a specific entity. The types of VFM audits are:

- a. Entity or program audits: This audit provides a substantive review of the whole or part of the operations of a department or agency.
- b. Government-wide audits: This audit focus on government-wide issues or functional areas, such as human resource management in a number of departments selected by the office.
- c. Sectoral audit: This focus on program areas delivered by a number of entities, for example, search and rescue operations.

- d. Audit notes: This audit focus on single –issue audit mini-chapter, often a by product of other audits, and
- e. Follow up: this type of audit reports on government actions in response to previous recommendations and observations of the office of the parliamentary committees.

There are many different reasons for carrying out value for money audits.

ACCOUNTABILITY AND DEMOCRATIC INSIGHT

Public accountability means that those put in charge of government programmes or ministries are held responsible for the efficient running of that programmes or ministry.

Accountability in turn presupposes that there is public insight into the activities of the programme or ministry. Value for money auditing is an important way for taxpayers, financiers, members of parliament, ordinary citizens and the media to obtain insight into the running and outcome of different government activities.

Insight is facilitated by the fact the performance auditing or value for money is independent of the government ministries whose activities are subject to the audit. In this way, an independent and alternative view of the performance of the auditee is obtained. The value for money audit does not

represent any vested interest and has no ties, financial or otherwise, with the auditee. The auditors view often stands in contrast to the picture presented by those responsible for the activities in question.

SUBSTITUTE FOR MARKET MECHANISM

The private sector has no automatic system for assessing a company's success, namely the market mechanism and the making of profits. A successful company will make a profit and stay on the market while an unsuccessful one eventually will go bankrupt and will be forced to leave the market. Such a mechanism does not exist in the public sector. The most unsuccessful health ministry will never go bankrupt. In this sense, value for money auditing in the public sector may serve as a substitute for the market mechanism of the private sector.

BASIS FOR DECISION MAKING

When resources are scarce, emphasis must be put on deciding which programmes and ministries should be given priority value for audit may serve as a basis for decisions on future investments and priorities.

2.5.4 THE ROLE OF VALUE FOR MONEY AUDIT

The role and the degree of independence of value for money auditing has varied. At times the RRV has emphasized the role of independence. For

the practical performance audit work this meant fewer constants between RRV and the ministries etc. if the audit function is looked upon in terms of having a controlling or an advisory role such periods have been characterized by an emphasis on the controlling function. During other periods, the function of providing advice and recommendations has become more important and as consequence the links between ministries and RRV have been strengthened.

THE AUDIT OBJECT

During some periods the audit object has been defined as individual government ministries, while at other time focus has been on all these ministries which contribute to the fulfillment of a particular task. In the latter case the studies have been defined as system studies. The system studies have been motivated by the need for investigating complex problems in the public sector. At the same time they have turned out to be difficult to handle requiring long periods of investigation etc.

Today examples of all types of VFM audit can be found concerning a single activity or a single ministry as well as comprehensive system studies. One often finds that the performance audit focuses on a particular part of a

ministry's activities a programme, an obligation, certain tasks or specific grant subsidies.

ECONOMY OR EFFECTIVENESS

At times more attention has been paid to assessing the effects achieved while during other periods the resource or economy aspect has been in focus due to the poor fiscal state of the public sector.

LINKS TO RESEARCH

The influence of academic research has changed over the years. At times the link to academic research has been very strong and the audit reports have to a great extent based on theories borrowed from different academic disciplines, while during other periods the reports have been more practically oriented based on audit experience and commonsense.

2.6 STANDARD IN THE APPLICATION OF VALUE FOR MONEY AUDIT

According to VFM audit manual of Canada (2000); The following standards must be put into consideration of value for money audit in a public sector organization.

DUE CARE:

The audit team must exercise due care. Due care requires the auditors to carry out their audit work diligently, conscientiously and with rigor. It requires that the audit be performed in accordance with professional standards. Following professional standards means that auditors exercise sound judgment when deciding the audit objective, what and when to audit the basis for measuring performance the audit approach and methodology the extent of audit, the issues to be reported and the overall audit conclusions. Due care also requires that those supervising the audit work and providing review and challenge on the major audit decisions exercise similar vigilance.

OBJECTIVITY AND INDEPENDENCE

The audit team must be made up of individuals who have an objective state of mind and are independent. Auditors must maintain an objective state of mind. This means that the auditors does not direct the audit toward areas of personal interest or prejudice findings. The findings and report can be influenced only by evidence obtained and assembled in accordance with the other audit standards and guidance contained in this manual. The auditor needs an unbiased point of view when making decisions about scope criteria, audit evidence, significance of observations, and conclusions.

Independence requires that the office and members of the audit team whether staff or contract personnel, be free of any hindrances of their independence that could impair (or be seen to impair) their impartiality in carrying out their work, making judgments, forming opinions and conclusions or making recommendations.

Audit staff are encouraged to develop and maintain good relations with officials and staff in the audited organization. The audit standards require the auditor to recommend corrective actions when reporting deficiencies. This conduct is to be carried out in a way that does not impair the independence of the office or the auditor.

COMPETENCE OF THE AUDIT TEAM

The audit team must have collective knowledge of their subject matter and auditing proficiency necessary to fulfill the requirements of the audit. The audit team leader should identify at an early stage in the planning process if specialized or technical skills not available on the audit team are required to complete the audit. The early identification will allow the necessary lead time to acquire suitable staff from within the office or to obtain persons under contract.

The quality of a VFM audit is directly related to the people assigned to the audit. An audit procedure that requires the exercise of judgment beyond the ability of the audit team to possess, experience to carry out the audit effectively.

The audit team should have:

1. Knowledge of VFM audit concepts and techniques and the ability to apply the knowledge.
2. Experience and technical skills to effectively deal with the subject matter of the audit.
3. Knowledge of the audit entity and
4. A general knowledge of the government environment.

The audit team should consult with functional responsibility leaders (FRLs) and other support groups in the office to obtain expert advice, where necessary as well as with FRLs when attempting to identify persons with appropriate skills to work in specialized areas of the audit.

Audit advisors should have the appropriate background and knowledge to effectively review and challenge the key decisions of the audit, where appropriate competence is not available the audit should be redefined or deferred until appropriate personnel are available.

SUPERVISION

The audit team must ensure proper supervision of all its members. Supervision involves directing audit staff and monitoring their work to ensure that the audit objectives are met. Supervision is an essential and continuous process that requires that the audit principal directors and other supervisors should:

- a. Ensure that all team members fully understand the audit objectives.
- b. Delegate audit projects to team members with a clear outline of what is expected from the project.
- c. Provide appropriate counsel advice and on the job training based on the experience of the team members;
- d. Ensure that audit procedures are adequate and properly carried out.
- e. Ensure that the VFM audit standards and the audit reporting process are followed.
- f. Ensure that audit evidence is appropriate, sufficient and documented and that it supports audit observations and conclusions;
- g. Ensure that only necessary audit work is carried out and the budgets, time tables and schedules are met.

ENTITY MANAGEMENT'S INPUT TO THE AUDIT

The audit team must seek entity management views about critical elements of the audit. Good relations between audit staff's and entity management are built on the basis of respect and trust where this type of relationship exists, both management and the office can benefit when the audit team seeks input throughout the course of the audit. As noted earlier under the section dealing with objectivity and independence, such relationships do not compromise the auditors independence or the quality of the audit report.

For larger entities, principals should annually their usual contact in the department with a five year audit plan including details on audit topics and timing for the first two years and less precision for the next three years, as well as a list of potential government wide audits, and offer to meet with the audit and evaluation committees of the department or other pertinent senior level committees to discuss the audit plan. AAEs /CESO should communicate this plan to the deputy minister. The audit team should seek entity managements input when:

- a. Planning the audit to obtain views on the critical success factors for the activity being audited, sources of criteria risks management concerns, and other audits or studies carried out in the area;
- b. Finalizing the audit plan to obtain views on the approach and the criteria selected for the examination phase;
- c. Developing findings to agree on the facts, or to obtain alternative sources of evidence;
- d. Developing recommendations to obtain managements views on the best ways to correct the problem;
- e. Obtaining agreement on the facts, observations, issues and recommendations contained in the audit chapter or to point out any disagreements; and
- f. Finalizing the draft chapter to obtain the deputy heads comments and planned departmental actions to correct any deficiencies and any disagreement with the report.

CONSULTATION AND ADVICE

The audit team must obtain sufficient and appropriate consultation and advice throughout the audit VFM audits are often complex undertakings requiring a wide range of skills expertise and experience to be completed cost

effectively. As noted throughout this manual considerable judgment is required at all stages of the audit. The requirement to have an audit advisory committee a second AAE named to each audit, and FRLS and support groups in the office ensures that appropriate advice and assistance are available to the audit team, audit advisory committee and subject matters specialists, and other support groups as appropriate on critical decisions made during the audit and also hold an informal brainstorming internal methodology meeting during the planning process to obtain advice and guidance before finalizing the audit plan.

AUDITING AND VALUE FOR MONEY

Audit of public sector organizations are normally carried out by the office of the Auditor-General for the federation or approved firms of accountants. The approach to value for money includes:

- Undertaking studies which make recommendations for improving economy efficiency and effectiveness.
- Preparing statistical profiles of each organization, which contrast cost and other data with national averages. These may be published in national

newspapers in order to inform consumers. Examples would be league tables ranking universities, tertiary institutions in terms of pass rates.

- Encouraging organizations to learn from each other, thus disseminating best practices.
- Undertaking local projects.
- Assessing effectiveness of management arrangements.

Value for money auditing is concerned with obtaining the best possible combination of services from the least resources. In Enugu State value for money auditing had its origin from the office of the Auditor-General for the Federation in the early 80s as a means of controlling the volume of expenditure and ensuring that money that was spent were spent efficiently. Its success led to its use in the Federal, States, local Government, Government Parastatals and the organized private sector. In the private sector it is the internal Auditor who had brought it under the wing of operational audit.

2.8 AUDIT OF CORPORATIONS AND PARASTATALS

Corporation and Parastatals are usually audited by firms of Chartered Accountants who are in the registered list of the Auditor-General for the

Federation. However, at the end of the audit. The firm is expected to submit six copies of audit report to the Auditor-General for the Federation for vetting and follow-up where necessary. The audit procedures therefore remained the same right from the letters of appointment to issuance of the audit report.

The objectives of audit in respect of contracts were to ensure that all the due process in the award of the contract were meticulously followed, payments in respect of the contract are usually based on the certificate of job completion issued by the site engineer or architects and to ensure that such payments are inline with the terms and conditions of contract.

AUDIT OF NIGERIAN FOREIGN MISSION AND AGENCIES

The Office of the Auditor-General for the Federation also carries out the audit of Nigeria foreign missions and agencies in line with section 85 (2) of the constitution of the Federal Republic of Nigeria. 1999, the finance (control and management) Act of 1958 and the Audit ordinance of 1956. The purpose of the audit was to ensure strict compliance with all laid down rules and regulations applicable in the public service.

BUDGETARY EXECUTION AND ACHIEVEMENT OF TARGETS

Matters to which attention should be focused here include:-

Annual Cash Plan: The Accountant-General of the Federation shall draw up an annual cash plan in each financial year. Setting out projected monthly cash flows. This shall be revised periodically to reflect actual cash flows.

Disbursement schedule: The Minister shall, within 30 days of enactment of the appropriation Act, prepare and publish a disbursement schedule from the Annual Appropriation Act.

Appropriation Act: Use of Appropriation sums appropriated for specific purposes shall be used solely for those purposes specified in the appropriation Act.

Virement Approval: The Ministry may in exceptional circumstances and in the overall public interest, recommend to the National Assembly for its approval, virements from one sub-head account to another within the same head and without exceeding the amount appropriated to such head of account.

Monitoring Budget Implementation: The Ministry of Finance, through the budget office of the Federation, shall monitor and evaluate the implementation of the Annual budget, assess the attainment of fiscal targets and report to the fiscal responsibility commission and the joint finance

committee of the National Assembly. In implementing their annual budgets, state and local governments may adopt those provisions.

PUBLIC REVENUE

- a. Estimated revenue shall be broken down by the Executive Arm of Government into monthly collection targets, indicating measures to combat tax fraud and evasion.
- b. The Executive Arm of Government shall at least 30 days before the deadline for the submission of its budget proposals, place at the disposal of the National Assembly, the revenue estimates for the following year.
- c. Any fund due to the federation from any tier of government may be set off by the federation in or towards payment or remittance of any sum due to that tier of government from the federation.

PUBLIC EXPENDITURE

Public Sector Resources Management requires that government annual expenditure be kept below its revenue level or at worst at par with annual revenue from all sources so as to avoid the need to get involved in deflect

financing sometimes, however, the need to provide a higher level of and high quality socio-economic services to the people may demand increase expenditure.

CHAPTER THREE

3.0 RESEARCH METHODOLOGY

This chapter is concerned with the research methodology employed in this study for the facilitation of the understanding and achievement of the objectives for which the study was designed.

This chapter discusses among others things, like Research design, Source of data, Area of study, determination of sample Size, Reliability test, validity test and finally techniques for data analysis, methods of data analysis.

3.1 RESEARCH DESIGN

The research method employed in any research is determined by the nature of the research problem and by the objectives of the study. Since this research is aimed at value for money audit on public sector of an organization in the office of Auditor-General of Enugu State. The research method that was appropriate is the survey approach. The survey design comprises of the use of oral interview, questionnaires and personal observations. The data collected were presented, analyzed and interpreted.

Survey research, according to Onah and Ovute (1998:8) is the one in which a group of people or thing is studied by collecting and analyzing data

from people or items (samples) considered to be representation of the entire population. Since the survey method aims at studying the entire population using the sample. It does appear that the survey approach is the appropriate design for the work.

3.2 SOURCES OF DATA

Primary and secondary data sources were used in conducting the research work.

Primary Data

According to Oriji (2009:45) primary data includes direct accounts of events or phenomena which are obtainable from observation. Participations, questionnaires, interviews etc. it is called raw or original data. The data collected from this source are usually fresh not stale or outdated and satisfy the requirements of this research work.

Different sources of primary data were used.

i. Oral interview

The researcher applied the oral interview method of data collection where the researcher met some of the respondents and asked them necessary questions. The responses from these respondents were recorded instantly.

The researcher considered the oral interview necessary as respondents who did not quite understand the objectives of the study tried to avoid answering some of the question in the questionnaire.

ii. Questionnaire administration

A well- structured questionnaire was designed by the researcher for the service or the intermediate staff of the auditor-general. The questionnaire was personally presented to the respondents by the researcher. The questionnaire consisted of printed questions in which the respondents have to fill in the answers. The research made use of multiple choices in the questionnaire.

3.2.2 SECONDARY SOURCE OF DATA

The researcher also generated the secondary data from government and audit report and recommendations, textbooks, ICAN and ANAN journals, newspaper, library, seminar report etc.

3.3 METHOD OF DATA ANALYSIS

The result of the questionnaires were analyzed by the use of tables, simple percentages were computed and findings were presented, discussed and interpreted, deductive reasoning relevant to the research objective and hypothesis were also used.

The Chi-square (χ^2) was used in testing the hypothesis

χ^2 = Chi-square

Σ = Summation of value

f_o = observed frequency

f_e = expected frequency

THE CHI-SQUARE (χ^2)

The Chi-square is one of the standardized statistical distribution used in hypothesis testing. It was developed in 1930 by Karl Person. It enables us to know whether the discrepancy between the actual outcomes and the expected outcomes could be observed reasonably. This is to determine if the observed outcome can be attributed to enhance efficiency. It is given by the formular

$$\chi^2 = \frac{\sum(f_o - f_e)^2}{f_e}$$

DECISION RULE

If the calculated Chi-square value (X^2_o) is greater than the value gotten from the chi-square distribution table (X^2_e), then reject the null hypothesis (H_o) and accept the alternative hypothesis (H_i). But if the chi-square distribution table value is greater than the calculated value, then reject H_i and accept H_o .

3.4 AREA OF THE STUDY

The area of this research study is restricted to office of the Auditor-General of Enugu State Government.

3.5 POPULATION OF THE STUDY

According to Uzoagulu (1998:63) "The population is the target of the study" The population of the study is the number of subjects that are concerned with the matter under discussion. It defined the limit within which the research study findings are applicable. The researcher found out that the population of staff are 62 which is made up of professional auditors, accountants and audit personnel in the Office of the Auditor-General of Enugu State Government. The reliance was determined by considering the technical nature of the research topic where experience is of prime importance.

3.6 DETERMINATION OF SAMPLE SIZE

In order to ensure a more purposeful and methodical research work, statistical approach or technique was employed in determining the sample size. According to Churchill (1979:302) a typical formula requires knowledge of the level of significance, the amount of variation to be permitted in the estimate of population standard deviation.

The sample size was determined from the total staff strength using the Yaro Yamane formular for selection of a sample from a finite population.

The Yaro Yamane formular is stated thus:

$$n = \frac{N}{1+N(e)^2}$$

Where n = the sample size

N = Finite or total population size

e = level of significant (or limit of tolerable error)

1 = is unity (a constant)

Five percentage (5%) error margin was considered suitable for the study. Through substitution of values from the above formula we have that

$$n = \frac{62}{1+62(0.05)^2}$$

$$n = \frac{62}{1+ 62 (0.0025)} = 1.155 = \frac{62}{1.155}$$

$$= 54$$

Therefore, the sample size used for the study was (54) respondents. The proportion of the questionnaire given to each category or staff was determined using the Bowlers proportion allocation formular.

The Bowler's proportion formular is stated thus

$$n_1 = \frac{n_1 (n)}{N}$$

Where n_1 = The population of each element

n = The sample of the study

N = The population for the study

Through substitution of values from the above formula we have that:

$$\begin{aligned} \text{Professional auditors (n1)} &= \frac{22(54)}{62} \\ &= 19.16 \end{aligned}$$

$$\begin{aligned} \text{Accountant (n2)} &= \frac{20(54)}{62} \\ &= 17.42 \end{aligned}$$

$$\begin{aligned} \text{Audit Personnel (n3)} &= \frac{20(54)}{62} \\ &= 17.42 \end{aligned}$$

3.7 RELIABILITY TEST

The research instrument referred here is the questionnaire. It is used to measure the extent at which the research is certain. Data from the primary sources are very reliable. It has been tested over and over again and same result were obtained which means the information presented are very reliable.

3.8 VALIDITY TEST

The research study has been read, and corrections were made by the supervisor and revisions were modified.

3.9 TECHNIQUES FOR DATA ANALYSIS

There are so many sampling techniques, such as cluster method, systematic, stratified, simple random method and judgmental method. The researcher adopted the simple random techniques which gives room for every member of the population equal chance of being selected.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION OF DATA

4.0 INTRODUCTION

This chapter examined the presentation, analysis and interpretation of primary data which were obtained through the administration of questionnaires. A total number of 54 questionnaires were distributed to the respondents of which 43 were completed and returned to the researcher.

The research recognizes that the achievements of the study objectives largely depends on the careful presentation and analysis of data derived from the questionnaires using relevant mathematical and statistical tools.

4.1 PRESENTATION OF DATA

Table 4.1 Administration of questionnaires

Number of questionnaire distributed	54
Number of questionnaire returned	43
Number of questionnaire not returned	11

Office	Numbers Issued	No returned	Percentage
Professional auditors	18	14	26%
Audit personnel	18	15	28%
Accountant	18	14	26%
Total	54	43	80%

Table 4.1 shows that out of 54 questionnaires distributed to respondents, only 43 were completed and returned to the researcher which shows 80% response.

4.2 ANALYSIS OF DATA

In analyzing the answered questionnaires, attentions were placed on the research questions which were relevant to the research objectives and hypothesis formulated. The statistical tool used in testing the hypothesis is the Chi-square and also simple percentage shall be used in analyzing the data collected.

Question 7: Do you have the knowledge of the new auditing discipline called value for money audit?

Table 4.2

Options	Frequency	Percentage
Yes	43	100%
No	0	0
Total	43	100%

The result of table 4.2 above shows that 43 (100%) of respondent said that they are aware of new audit discipline called value for money audit (VFM)

Question 8: Had the application of value for money audit be effective in government.

Table 4.3

Options	Frequency	Percentage
Yes	43	100%
No	-	-
Total	43	100%

The table above shows that 43 (100%) of the respondents said that they have the service of application of value for money audit in government.

Question 9: Do you agree that the application of value for money audit requires due care and competence in an organization?

Table 4.4

Options	Frequency	Percentage
Strongly Agree	31	72.1%
Agree	8	18.6%
Disagree	4	9.3%
Strongly Disagree	Nil	Nil
Total	43	100%

Results from table 4.4 shows that 31 (72.10%) of respondents strongly agree that the application of value for money audit requires due care and competence in an organization; 8(18.6%) of the respondent agree; 4(9.3%) disagree while none strongly disagree.

Question 10: Do you agree that use of value for money audit helps in proper utilization of government resources.

Table 4.5

Options	Frequency	Percentage
Strongly agree	38	89.40%
Agree	5	11.60%
Disagree	Nil	Nil
Strongly disagree	Nil	Nil
Total	43	100%

The results from table 4.5 above shows that 38 (89.40%) of the respondents strongly agree that the use of value for money audit helps in proper utilization of government resources 5(11.60%) of the respondents agree while none of the respondents disagree nor strongly disagree.

Question 11: Do you agree that adequate application of value for money audit in an organization assist in proper decision making.

Table 4.6

Options	Frequency	Percentage
Strongly Agree	30	69.76%
Agree	7	16.28%
Disagree	3	6.98%
Strongly disagree	3	6.98%
Total	43	100%

The table above shows that 30 (69.76%) of the respondents strongly agree that the adequate application of value for money audit. In an organization assist in proper decision making 7(16.28%) of the respondents agree; while 3(6.98%) of the respondents disagree and strongly disagree.

Question 12: Do lack of budget implementation in government agency in Parastatals affect public sector accounting in Nigeria.

Table 4.7

Options	Frequency	Percentage
Strongly agree	25	58.14%
Agree	15	34.88%
Disagree	3	6.97%
Strongly disagree	Nil	Nil
Total	43	100%

The result shown in table 4.7 shows that 25(58.14) of the respondents strongly agree that the lack of budget implementation in government agency in parastatals affect public sector accounting in Enugu State. 15(34.88%) of the respondents agree; 3(6.98%) disagree while none of the respondents strongly disagree.

Question 13: Does insufficient and accountability stewardship affects public sector accounting in Enugu State.

Table 4.8

Options	Frequency	Percentage
Strongly agree	20	46.51%
Agree	15	38.88%
Disagree	5	11.63%
Strongly disagree	3	6.98%
Total	43	100%

Table 4.8 above shows that 25(46.51%) of the respondents strongly agree that the insufficient and accountability of stewardship affects public sector accounting in Enugu State; 15(34.88%) of the respondent agree; 5(11.03%) disagree while 3(3.98%) of the respondent strongly disagree.

Question 14: Does inadequate implementation of government laws and regulations affect public sector accounting in organization.

Table 4.9

Options	Frequency	Percentage
Strongly Agree	30	69.76%
Agree	5	11.62%
Disagree	4	9.30%
Strongly Disagree	4	9.30%
Total	43	100%

From the above table 30 (69.76%) of the respondent strongly agree that the inadequate implementation of government laws and regulations affect public sector accounting in organization, 5(11.62%) of the respondent agree, 4(9.30%) of the respondent disagree and strongly disagree.

Question 15: Do you agree that the application of cash basis in public sector affects public sector accounting in Enugu State

Table 4.10

Options	Frequency	Percentage
Strongly agree	28	65.13%
Agree	10	23.4%
Disagree	2	4.5%
Strongly disagree	3	6.98%
Total	43	100%

Table 4.10 above shows that 28 (65.13%) of the respondent strongly agree that the application of cash basis in public sector affects public sector accounting in Enugu State. 10(23.4%) of the respondent agree, 2 (4.5%) of the respondent disagree while 3(6.98%) strongly disagree.

Question 16: Does the diversity or lack of uniformity in accounting records affect public sector in organization.

Table 4.11

Options	Frequency	Percentage
Strongly agree	25	58.14%
Agree	18	41.8%
Disagree	Nil	Nil
Strongly disagree	Nil	Nil
Total	43	100%

Table 4.11 shows that 25 (58.14%) of the respondent strongly agree that the diversity or lack of uniformity in accounting records affects public sector in an organization while 18(41.8%) agrees and none disagrees nor strongly disagrees.

Question 17: Do you agree that the inconsistency in public sector objectives affects public sector accounting in Enugu State.

Table 4.12

Options	Frequency	Percentage
Strongly Agree	32	74.42%
Agree	6	13.95%
Disagree	3	6.98%
Strongly disagree	2	4.65%
Total	43	100%

Table 4.12 shows that 32 (74.42%) of the respondent strongly agree that the report and recommendation of inconsistency in public sector objectives affects public sector accounting, so far 6(13.95%) agree, 3(6.98%) of the respondent disagree while 2(4.65%) of the respondent strongly disagree.

4.3 TEST OF HYPOTHESIS

This section deals with the statistical analysis of the data already presented in order to determine whether to accept or reject the hypothesis. The decision rule to be used in this study is Chi-square distribution.

$$X^2 = \frac{\sum(f_0 - f_e)^2}{f_e}$$

Where

χ^2 = Chi-square

f_0 = Observed value

f_e = the corresponding expecting value

χ^2_0 = Calculated chi-square

χ^2_e = Chi-square value calculated from chi-square distribution table.

The hypothesis will be tested at 0.05 error limit and the degree of freedom will be used to determine the value of critical point of chi-square table.

$$D.F = (R - 1) (C-1)$$

Decision Rule

Here if the calculated chi-square value (χ^2_0) is greater than chi-square value calculated from distribution table (χ^2_e); then reject the null hypothesis (H_0) and accept the alternative hypothesis (H_1)

Test of hypothesis One

H_0 : There is a significance relationship between economic and political instability and performance of public sector organization in Enugu State.

H_1 : There is a significant relationship between economic and political instability and performance of public sector organization in Enugu State.

Contingency Table

Table 4.3.1

Options	Frequency	Percentage
Strongly agree	38	89.40%
Agree	5	11.60%
Disagree	Nil	Nil
Strong disagree	Nil	Nil
Total	43	100%

Computation of X^2 for hypothesis one

Response	Observed	Expected	(O-E)	(O-E) ²	(O-E) ² /E
Strongly agree	38	10.75	27.25	742.56	69.08
Agree	5	10.75	-5.75	33.06	3.075
Disagree	Nil	10.75	-10.75	115.56	10.75
Strongly disagree	Nil	10.75	-10.75	115.56	10.75
Total	43				93.655

$$D.F = (R-1) (C-1)$$

$$(4-1) (2-1)$$

$$= 3$$

$$D.F = 3, \text{ calculate } X^2 = \frac{\sum(O-E)^2}{E} = 93.655$$

Critical $X^2 = 7.82$ at 0.05 error limit

Decision rule

Since the calculated Chi-square of 93.655 was greater than the critical value of 7.82 at 0.05 error limit and 3 degrees of freedom, the null hypothesis (H_0) was therefore rejected while the alternative hypothesis (H_1) was accepted. Therefore, it was accepted that there is a significant relationship between economic and political instability and performance of public sector organization in Enugu State.

TEST OF HYPOTHESIS TWO

Alternative hypothesis (H_{i2})

There is a significant relationship between cash basis of accounting and performance of public sector organization in Enugu State.

Null Hypothesis (Ho₂)

There is no significant relationship between cash basis of accounting and performance of public sector organization in Enugu State.

CONTINGENCY TABLE

Options	Frequency	Percentage
Strong agree	20	46.51%
Agree	15	34.88%
Disagree	5	11.63%
Strongly disagree	3	6.98%
Total	43	100%

Response	Observed	Expected	(O-E)	(O-E) ²	(O-E) ² /E
Strongly agree	20	10.75	9.25	85.5625	7.90
Agree	15	10.75	4.25	18.0625	1.68
Disagree	5	10.75	-5.75	33.0625	3.076
Strongly disagree	3	10.75	-7.75	60.0625	5.587
Total	43				18.303

D.F = 3

Calculated $X^2 = 18.303$

Critical $X^2 = 7.82$ at 0.05 error limit

Decision rule

Since the calculated chi-square of 18.303 was greater than the critical value of 7.82 at 0.03 error limit and 3 degrees of freedom, the null (H_0) hypothesis was therefore rejected while the alternative hypothesis (H_i) was accepted. Therefore it was accepted that there is a significant relationship between cash basis of accounting and performance of public sector organization in Enugu State.

TEST FOR HYPOTHESIS THREE

Null hypothesis (H_03)

Inadequate implementation of law has no effect on performance of public sector organization in Enugu State.

Alternative hypothesis (H_i3)

Inadequate implementation of laws has an effect on performance of public sector organization in Enugu State.

CONTINGENCY TABLE

Response	Frequency	Percentage
Strongly agree	25	58.14%
Agree	15	34.88%
Disagree	3	6.97%
Strongly disagree	Nil	Nil
Total	43	100%

COMPUTATION OF X^2 FOR HYPOTHESIS THREE

Response	Observed	Expected	$(O-E)^2$	$(O-E)$	$(O-E)^2/2$
Strongly agree	25	10.75	14.25	203.0625	18.8895
Agree	15	10.75	4.25	18.0625	1.6802
Disagree	3	10.75	-7.75	60.0625	5.5872
Strongly Disagree	Nil	10.75	-10.75	115.5625	10.75
Total	43				36.9069

DECISION RULE

Since the calculated Chi-square of 36.9069 was greater than the critical value of 7.82 at 0.05 error limits and 3 degree of freedom, the null hypothesis (Ho) was therefore rejected while the alternative hypothesis (Hi) was accepted. Therefore it was accepted that there is inadequate implementation of laws has an effect on performance on public sector organization in Enugu State.

4.3 DISCUSSION OF THE FINDINGS

According to the questionnaires, oral interview, research and calculation made. The result showed that there is a need for value for money audit because it has a positive impact in an organization.

It helps in assessing and controlling the volume of government spending to ensure that government spend with the least resources and achieve their chosen objectives efficiently, effectively and economically, it will help to eradicate the manipulation of financial statement, financial crimes and will help an auditor to present an accurate financial statement in the organization.

CHAPTER FIVE

SUMMARY AND FINDINGS, CONCLUSIONS AND RECOMMENDATIONS.

5.0 SUMMARY OF FINDINGS:

This study examined the analysis on value for money audit in public sector of an organization.

After data collection and empirical analysis the study revealed the following findings which were in line with the previous studies reviewed earlier on this study.

The use of senior managers across public sector help to improve value for money audit performance in their organization corporate services. These have being identified by the government as promoting area for securing efficiency, improve and releasing resources for the use of delivering front-line services. Value for money audit report helps to provide new ideas for the law makers particularly the public Account Committee of the National Assembly and the legislative Arms of government in carrying out their over sight functions and Executive Arms in fiscal monetary policies.

Value for money audit helps in public sector organization because it helps government organizations to demonstrate their accountability and their

regards of economy, efficiency, effectiveness, in the use of public funds and other services.

Value for money audit helps in the examination of

- budgeting and budgeting control
- Human resources management
- The development of management information system necessary to operate and control an organization.

5.1 CONCLUSION

The researcher is of the opinion that there is a need for value for money audit to be a requirement under statute in Enugu state and public auditors should have audit policy memorandum that would contain standing matters that could help to achieve value for money audit objectives. And value for money audit can be achieved if there is a spirit-of co-operation and interest among all parties concerned.

5.2 RECOMMENDATIONS

After a thorough consideration of the facts and findings of this study, the following recommendations were made.

The practice and procedures of value for money audit in public sector organizations should be in accordance with the 1999 constitution.

There is need for audit policy memorandum. Audit policy memorandum is a documentary evidence that adequate standing plan is carried out. This audit plan is used again and again but it should be flexible and framed in broad terms so as to encourage an open-minded approach. Audit policy memorandum should cover the following:

- a. Letter of engagement
- b. Acceptance of appointment and re-appointment as Auditor.
- c. Value for money auditors and value for money Auditee/management.

Professional ethics must be considered. This includes good knowledge of the theory and practice of accounting, confidentiality, objectivity, integrity, independence sector experience, competence methodology and painstaking.

The introduction of Internal control is fundamental to the success of value for money system because authorization, appraisal, appraisal and control of resources are essential elements for economy, effectiveness and efficiency.

Time table policy should be made mandatory that audit assignment must be completed to meet stated deadline for the submission of reports according to the constitution or any other statute.

There should be uniform policy report format for all findings and be integrated into the audit policy memorandum.

Nigerian Public Sector Auditors need professional indemnity insurance cover. It is essential in this era of client high level of awareness. In this event that a client suffers a financial loss as a result of an alleged negligence that professional indemnity insurance will meet or defray the cost of defending the damage payable.

BIBLIOGRAPHY

BOOKS

- Afemikhe, S.O (2004). *The Pursuit for Value for Money*. Ibadan: Spectrum Publisher
- Aigbokhaevbolo, O.M. (2006). *Auditing for Accountants and Bankers*, Benin City: Frantide Publishers.
- Churchill G.A (1979). *Marketing Research Methodological Foundations*. Hinsdale, Illinois: The Dryden press.
- John, O (2009). *Business Research Methodology*. Marland Enugu: Meteson Publicity Company.
- Onah, P.C and Ovute A.O (1998). *A Handbook on Education Research*. Nsukka: Prize Publishers.
- The Institute of Chattered Accountant of Nigeria, (2009). *Study Pack Advanced Audit and Assurance*, Lagos, VI Publishers.
- Uzoagulu, A.E (1998) *Practical Guide to Writing Research Project Interitary Institution*. Enugu: John Jacob's Classic Publishers Limited.
- Mohammed, M. (2000). *Value for Money Auditing Manual of Canada*. Broma Publisher
- Yamane, T. (1964) *Statistics: An Introduction Analysis* New York. Harper and Raw Publishers.

JOURNALS

- Bechbereger, E (2007). *Introduction to Value for Money (VFM) Auditing* Retrieved June 20 2011 <http://www.eipa.edu> respository.
- Butt and Palmer (1985). *Journal of Value for Money* pg 5-6.
- International Organization of Supreme Audit Institutions (INTOSAL) of Nigeria (1960). *A practical guide on performance auditing*.
- National Audit Office (2007). *Concepts and purpose of Value for Money Auditing*. Retrieved June 2011, from <http://www.epia.edu>.

Department of Accountancy,
Caritas University,
Amorji-Nike,
P.M.B 01784,
Enugu State.
21st June, 2013.

Dear Respondent,

I am a final year Bachelor of Science (B.Sc) student of the department of Accountancy in the above mentioned school. I am carrying out a research work on the topic: A critical analysis on value for money audit on public sector of an organization. (A case study of selected Parastatals in Enugu State).

The research is purely for academic purpose and any information received from you shall be treated with utmost confidentiality.

It will be appreciated if you could answer the questions honestly with bias.

Yours faithfully,

Chibuoke Chioma
(Researcher)

	public sector accounting in an organization				
14	Does inadequate implementation of government laws and regulations affect public sector accounting in an organization				
15	Do you agree that the application of cash basis in public sector affect affects public sector accounting in an organization				
16	Does the diversity or lack of uniformity in accounting records affects public sector in an organization				
17	Do you agree that the inconsistency in public sector objectives affect public sector accounting in an organization				