Available online at www.rajournals.in
International Journal of Management and Economics Invention
ISSN: 2395-7220
DOI: 10.47191/ijmei/v11i3.15
Volume: 11 Issue: 03 March 2025
International Open Access
Impact Factor: 8.518 (SJIF)
Page no. 4124-4135

Auditing in Local Governments: Panacea for Accountability, Transparency, and Ethical Standards in Grassroots Governance and Service delivery in the 21st Century

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ARTICLE INFO

Published Online:
26 March 2025

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ABSTRACT

Local Governments (LGs) are grassroots government and the lowest tier in the hierarchy of federal system of government. They play important role in Grassroots Governance and Service Delivery (GGSD). But there have been evidence of poor accountability and transparency; non-compliance to established norms, standards, laws, or regulations; and series of omissions, errors, irregularities, and malpractices in financial records. This called for an independent auditing process to monitor, evaluate, and issue reports on Value For Money (VFM), accountable, transparent, and ethical manner in the use of public resources. Consequently, the study examined auditing in LGs as panacea for accountability, transparency, and ethical standards in GGSD in the 21st century. Furthermore, the study looked at auditing purposes and relevance in LGs, public account committee of the parliament, value for money audit, ethical standards of auditing, accountability and transparency, and corruption and fraudulent acts. The study adopts exploratory research design. The study concluded that auditing will strengthens public governance, accountability, transparency, ethical standards, and VFM in LGs. Moreover, auditing will reduce errors, omissions, irregularities, corruptions, fraudulent acts, and bad governances in LGs. Additionally, auditors' independence, their efficiency and effectiveness will add value to probity, public trust, and good governance. The study recommends the adoption of E-auditing; auditors independence; management supports, continuous training and capacity building for auditors; fiscal autonomy; appropriate sanction for audit irregularities; and culture of accountability, transparency and ethical standards in LGs, while regulatory institutions should be strengthened to complement auditing process and foster GGSD.

KEYWORDS: Accountability, Auditing, Ethical standards, Local government, Transparency, Value for Money

1.0 INTRODUCTION

Local Government (LG) is the government at the grassroots and the lowest in the hierarchy of federal system of government. It is created through a process of democratization to ensure full participation of grassroots citizens in decision making, provide public goods and services for the wellbeing of the citizens, also enhances the socio-economic development of the nation. The word local government is derived from two words "Local and Government". Local means the interaction of peoples by tribe, culture or language in areas like villages, cantonments, districts or municipalities. Government is an independent organization for self-revenue generation, self-governance and direction, and as self-legal entity. Adekoya (2020), opined that LG is the government of local communities in a geographical location, practicing self-government, managing its affairs with derived powers as highlighted in the constitution, statutory laws or regulations. Besides, LG play critical role to foster infrastructural, political, socio-economic development, and qualitative service delivery at the grassroots. However, LG administration has principal/agent relationship. Management or government officials, and political office holders act as agent and they are expected to give account of public resources entrusted in their hands to the principal (citizens). At times, incidence of corruptions, frauds, conflict of interest, errors, consequences, complexities and remoteness occurred, and this required an independent body (auditors) to monitor, evaluate, and issue reports on economy, efficient, effective, and transparent use of public resources. Moreover, the principal (citizens) relies on auditors to carry out independent and objective evaluation of financial resources managed by agent using either financial, operational, value for money, or compliance audit on the truthfulness, completeness, and accuracy of agent's financial accounting records.

Auditing is the systematic investigations of operations, procedures and records of financial statements. It plays a critical role to ensure the integrity of LG financial transactions. It involves examinations of records to safeguard misstatements, errors or fraudulent practices. Auditing in Latin word means "audire" which means to hear in English. The aim is to give opinions on the true and fair view of financial statements; add confidence, trust, and credibility to governance. Also, to affirm management compliance to laws, established norms, ethical standards, rules and regulations. Moreover, the critical role of auditing in LG is to promote good governance, accountability, transparency and ethical standards in the management of public resources. Consequently, demand for good governance, accountability, transparency, probity, value for money, and compliance to ethical standards in the use of public resources and assets in LGs have increased in recent times. These demands are to minimize corruption, enhance financial efficiency, builds public trust and promote their participation in democratic system.

In Nigeria, various Acts and institutions have been promulgated and established to promote accountability, transparency, and ethical standards in public sector, these are Freedom of Information Act (2011), Public Procurement Act (2007), and Fiscal Responsibility Act (2007), and institution bodies likes Code of Conduct Bureau (CCB), Independent Corrupt Practices and other related offences Commission (ICPC), and Economic and Financial Crimes Commission (EFCC). Moreover, accountability means actions and policies justification by those saddled with responsibilities. An obligation to give accounts of responsibilities by those entrusted with such powers. In ethics, accountability is synonymous to concepts of fairness and equity, responsibility, answerability, worthiness, and other terms associated with account or resources rendering. It can be classified into social, financial, political, administrative, ethical and legal accountability. However, transparency is an ability to act openly and keep the citizens informed. It promotes efficient and effective governance and service delivery, orderliness, and financial discipline. According to Kim and Lee (2019) accountability and transparency will improve operational efficiency, qualitative service delivery and organizations performance. Additionally, ethical standards are ethical behavior or conduct of individuals or institutions in manner such as honesty, fairness, probity, and diligence in works place.

Despite the importance and roles of public sector auditing, there have been evidence of: poor accountability and transparency; non-compliance to established norm, rules and regulations; and incomplete financial records, omissions, errors, and irregularities at the LGs level. Hence, Thusi and Selepe (2023) reported that unauthorized, irregular, fruitless, and wasteful expenditures without check and balances have been an impediment to sustainable qualitative public service delivery, good governance, and sound LGs performance. Moreover, absence of efficient and effective auditing process in LGs has resulted into endemic corruption, fraudulent acts, infrastructural decayed, and bad governance which had retarded growth and development of LGs. Ogbu (2021) also opined that weak internal control system in the award of contract in the Nigeria public sector has led to corrupt practices and loss of billions worth of public resources. Similarly, Francis and Imiete (2018) opined that weak auditing process in the Nigeria public sector has made public officers to become a pandemic, chronic and cancerous administrators where public resources were misused or embezzled by them. Hence, problems such as audit failure; absence of fiscal accountability and transparency; and non-compliance to ethical standards in the use of public resources in LGs has led to bad governance and inefficient service delivery.

Globally, the New Public Financial Management (NPFM) rely on auditing as key system to affirm assurance of economy, efficient, and effective use of public resources; and compliance to ethical standards in the conduct of financial operations in order to reduce the risk of financial impropriety, corruption, and illicit practices. However, due to the fact that citizens have limited technical and professional knowledge, time, and ability to monitor the day-to-day activities of LG operations and financial transactions, hence, the basic need for auditing (Third Eye) to propel sound financial management; protect the system from financial risks; contribute to safeguard the LGs properties; prevent fraudulent practices; and build trust, confidence in the heart of the citizens. The objective of the study is to assess auditing in local government as mechanism for enhancing transparency, accountability, and ethical standards in grassroots governance and service delivery in the 21st century. The theoretical implication of the study is the contribution to frontier of knowledge and literatures on auditing, local government administration, and public sector accounting. The rest of the paper is divided into sections: the next section discus review of extant literature, thereafter methodology, while the last section deals with summary, conclusion and recommendations.

2.0 REVIEW OF EXTANT LITERATURE

2.1 Conceptual Review

2.1.1 Local Governments (LGs)

LGs are created to provide public goods and services, and facilitate citizens participation in decision making at the grassroots (Adekoya, 2020). Hence, these roles are guided by ethics, and good governance principles in order to promote efficient and effective service delivery. LG creation is subjected to political and socio-cultural structure of self-governance, and it is so unique in terms of economic, socio-cultural, physical, and political characteristics (Adekoya, Agbetunde, & Akinrinola, 2021). In Nigeria, there are 774 LGs listed in the 1999 constitution. Accordingly, Sec 7(1) of 1999 constitution provides for a democratically elected governance at the grassroots while the Fourth Schedule of the same constitution highlights the basic functions and roles of LGs. LG administration is guided by laws, rules, norms, regulations, standards and other controls mechanisms. Its administrative and financial performance is associated with concepts of accountability and transparency; Value for Money; qualitative public goods and services; citizens satisfaction; and responsiveness. However, LG is assumed to be efficient and effective where it minimizes, deters, or prevents fraudulent activities, and other unethical practices. Thus, promote good governance, public trust, and confidence.

2.1.2 Auditing

Audit is a methodical and impartial review of financial statements to affirm their accuracy and reasonable picture of the organization activities for the period under review (Power, 1999). Audit is used to affirm economy, efficient, and effective use of public resources. Auditing is the application of audit techniques in the critical examinations of financial statements and accounting notes to determine the extent of true and fair view portrayed by the examined financial statements (Hassan, 2011). Auditing is a veritable tool to promote good governance and qualitative service delivery in public sector. Good governance refers to public sector conduct in implementing innovative policies and programs to increase the quality of public service and enhanced economic growth. Good governance is boosted by accountability, transparency, public engagement, probity, and qualitative public service. Public sector is shouldered with responsibility to ensure qualitative and quantitative service to the citizens. Therefore, public office holders or management are expected to render account of their activities or the trust entrusted to them by the citizens. This account rendering is to be affirmed by an independent appraisal of auditing and parliamentary scrutiny for true and fair view of financial transactions, value for money on public resources, and compliance to established rules and regulations. Auditors are intermediary personalities in public sector, they protect citizens from self-interest of management. Citizens' trust and confidence in auditors' reports depends on the auditors' credibility, professional ability, expertise and independence. At time, the appointment and deployment of auditors in LGs is influenced by management and this in most cases affects auditors' independence. Although, for financial statement to be trusted, auditing is very important, so also is the independent of the auditors. Therefore, Internal (IA) and External (EA) auditors play an important role to enhance, detect, and reduce fraudulent practices on public resources.

Purposes of Local Government Audit

1. To prevent fraudulent practices and illicit transactions.
2. To obtain reasonable assurance and issue reports that financial statements are free from material misstatements.
3. To correct omissions, errors, frauds and irregularities in accounting records.
4. To enforce prudent management on public resources.
5. To strengthen established internal control system and ensure strict compliance to laid down rules and regulations
6. To act as watchdog on the executive's excess and for an improved service delivery.
7. To ensure transparency, accountability and value for money in service delivery.
8. To serve as basis of investigation (where necessary).
9. To enhance public confidence and trust in local democracy.

Internal Auditing

Institute of Internal Auditor (IIA) (2006) defined internal auditing as an independent, objective assurance, consulting activity designed to add value, and improve organization's operations. Internal audit is an independent appraisal activity within an organization for the review of financial accounting and other operational guidelines. Also, it helps to manage risk, and improve value for money (efficiency, economy and effectiveness) in service delivery. Ziniyel, Otoo and Audzie (2018) opined that internal auditing is an institutional elements of effectives financial management in public sector. It is a catalyst for improved organization efficiency and effectiveness through insight recommendation on prompt analyses and assessments of financial records and operational process. Internal audit is responsible for operational, functional, organizational, compliance, and managerial audit in an organization. In LGs, Internal auditors serves as monitoring officers to safeguard government assets; prevent, detect, and reduce fraudulent activities in financial transactions. According to Coram, Ferguson and Moroney (2008), internal auditors add values to organization's operations with improved control and monitoring mechanisms to reduce fraudulent practices. Besides, Jamil, Abidin and Alwi (2022) added that internal auditors play critical role on the implementation of ecological auditing practices. Additionally, internal auditors give assurance that government activities are carried out efficiently and effectively, and in line with the laid down rules and regulations.

Relevance of Internal Audit (IA) in Local Governments

1. Governance – IA improves governance process through efficient and effective control on the use of LG resources.
2. Internal control – IA monitor policies and procedures established by management to promote accountability, transparency, and prudency in financial decision. Control is an element of financial management to propel fiscal discipline, efficient and effective allocation of resources. Control can be in areas of:
   - Strategic planning (Budgeting)
   - Managerial activities (procurement and asset management)
   - Advice
   - Routine testing
   - Accounting and reporting
   - Internal and external audit relationship
   - Legislative or parliamentary oversight
3. Risk management - IA enhances strategic management process and implementations of development strategies. Risks are those probability of event with adverse impact on public sector resources which required instant detection and prevention. Some of these risks are frauds, corruptions, pilferages, falsification of records, and misappropriation of assets.

Internal Auditors (IAs) Roles in accountability, transparency, and service delivery

1. Oversight – IAs assist in the monitoring of allocations and utilization of public funds.
2. Detection – IAs identify financial misappropriation, errors, omissions, and fraudulent practices by individuals or institutions. This detection can be through:
   - Tip lines
   - Internal auditing
   - Accident
   - Dedicated department
   - External auditing
   - Whistle blowing
3. Deterrence – IAs identify and reduce the conditions or opportunities for corruptions, errors, fraud, misappropriations, and other breaches of public trust.
4. Insight – IAs provide insight on various policies or programs, and reports on their workability with benchmarking information.
5. Foresight – IAs will help the management to evaluate trends and emerging challenges before they become crises.

External Auditing in Local Governments

External auditing functions in Nigerian Local governments is performed by Office of Auditor General for Local Government (OAGLG). OAGLG perform post audit functions in lines with constitutional provisions and other relevant laws and regulations. OAGLG is to carry out financial and regulatory audit, operational audit, value for money audit, and issue audit reports as appropriate. Consequently, appointment, termination, and mode of operations of Auditor General (AG) is governed by the 1999 Constitution; Finance (Control and Management) Act, 1958; Audit Act, 1956; and other administrative guidelines. AG independence is entrenched and guaranteed by Sec 85(6) of 1999 constitution. However, his appointment and removal is regulated by Sec 125(2) and Sec 87(2), respectively. AG appointment is made by the governor based on the recommendation of the civil service commission and thereafter, ratify and approve by the state house of assembly. AG has the primary role to audit the account of LGs and submit reports to the public account committee of state house of assembly of their observation and recommendations on the financial statements prepared and submitted by management of LGs for auditing. Other roles of OAGLG are:

1. To evaluate how LGs manages their resources as it relates to value for money principles. This is to ensure sound and strategic financial management.
2. To examine how LGs used their financial and physical assets to enhance governance.
3. To examine financial, administrative, organizational, and ethical compliance as it relates to good governance and service delivery.
4. To evaluate accountability, transparency, and probity of any individual entrusted with public funds.
5. To issue audit reports objectively, and ensure credibility of LGs financial statements.
6. To issue audit query for control purposes and to enhance financial discipline.

Audit Query as Mechanism for Control and Good Governance

Audit queries are observations raised by the auditor about errors, irregularities, omissions, or fraudulent acts in a particular transaction. These could be in the form of pre-audit queries by internal auditor or by post-audit queries by external auditor. It serves as critical part of financial control to detect and prevent errors, omissions, irregularities, frauds or other malpractices. However, audit queries should be given prompt attention and accurately responded to with necessary documents required. Queries have time limit for response with possible sanctions for failure to meet the deadline, therefore, it should be handled by responsible officers in line with financial memoranda and other LG guidelines. Query may be raised on:

1. Irregularities that resulted into losses for LG. This could be as a result of negligence, incompetence or fraudulent practices of the officers.
2. Irregularities that infringe on budgetary provision and financial management, but did not result into losses for LG.
3. Irregularities that arise due to poor or inefficient financial management and accounting, which may lead to losses to the LG.

Audit Reports

Audit reports are outcomes of examination on LGs financial statements, internal controls, and accounting policies. Audit report is the end product of audit, it is usually very short but its importance cannot be underestimated. Audit reports show whether the financial statements are true, fair, accurate, or complied with established rules, regulations, and accounting standards. A clean audit report is where auditor found no issues with LGs financial records. It increases government legitimacy, public trust, and show the evidence of accountability and good financial management. Thus, adverse report is where auditor finds financial impropriety, misrepresentations, and irregularities in the financial statements. For LGs, audit reports are issued by OAGLG and summitted to Public Account Committee of the state house of assembly for evaluations, sanctions or clearance. The audit reports could be:

1. Unqualified/Clean audit report- a report that shows that financial statements have no issues but true and fair without any material misstatements. This means management strictly followed the established rules and regulations.
2. Qualified audit report- reports that shows that financial statements are misguided and have materials misstatement. Where auditor is not confident about specific process or transactions or where management failed to complied with established norms, rules and regulations.
3. Adverse audit report- a report that shows errors, omissions, irregularities, mistrust or misrepresentations in accounts prepared and submitted for audit exercise.
4. Disclaimer audit report- where the auditee fails to provide sufficient documents to back accountability, transparency and probity in the use of public resources. Where auditor is unable to form an opinion on the financial statements due to conflict of interest, lack of independence, or limitations of scope.

2.1.3 Public Accounts Committee (PAC) of the Legislative Assembly

PAC is a legal institution created by Sec 85(5) and 125(5) of Nigeria 1999 constitution. Its creation was in response to growing concerns about accountability, transparency, efficiency and effectiveness in public expenditures. It is a special committee of the legislative assembly. The committee examined cases of public funds mismanagement and financial misappropriation by public officers or institutions in LGs as reported by OAGLG. The committee has power and responsibility to review OAGLG reports, enforce the audit recommendations and impose sanction where necessary to curtail corruption, inefficiency, wastages, and fraudulent practices. It procures evidences in written or oral form from individuals or institutions for scrutiny and decision making, also it can require any individual or institution to produce any documents, books, or records as it may deem fit and desirable. Both PAC and OAGLG represent external control mechanism or oversight organs or watchdog on LGs finances. However, PAC has challenges in the course of their duties. Some of these are where:

1. Resolutions are not always followed or implemented.
2. Members are not knowledgeable in accounting reporting.
3. Political instability leads to frequent change in the composition of the committee.
4. Financial statements or AG reports to be examined are often in arrears.
5. Lack of cooperation from the council's management delay decisions on auditors' recommendation or sanctions.

2.1.4 Value For Money (VFM) Audit

VFM audit also known as performance audit or economy and efficiency audit is a relationship of 3Es (Economy, Efficiency, and Effectiveness). VFM audit is to examine and reports on whether economy, efficiency and effectiveness have been achieved in the application of public resources or not. VFM audit relationship are:

1. Economy – judicious use of public resources that result into costs, times, or materials savings. It is the minimization of expenditures to achieve a set goal.
2. Efficiency – provision of quantitative and qualitative service with minimal costs, times or materials. The relationship between the level of service provided and the resources used to achieve that level or task.
3. Effectiveness – achieving better output at the same costs, times or materials. It focuses on how target set for programmes or activities are achieved.

VFM audit is to affirm whether LG acquired, managed or utilized its financial, human and physical resources in an economy, efficient and effectives manner or to report on any cases of inefficient or ineffective activities. It helps LG to comply with established norms, standards, rules, and regulations; identify cost savings areas; improve efficiency; enhance accountability and transparency; and bridge the gap between self-interest and good governance.

2.1.5 Ethical standards of Auditing

Audit ethics is to strengthen management and behavioral ethics in the public sector. Thus, management ethics are the standards that guide how public officers behave. It is the applications of ethical principles such as honesty, fairness, accountability, transparency and integrity in financial decisions making. Likewise, audit ethics are the principles like integrity, objectivity, and confidentiality that guides auditors in their professional conduct. This help to build trust with the citizens. Auditors have a duty to adhere to ethical behaviors of honesty, fairness, integrity, objectivity, and confidentiality in the course of their work. The benefit of ethical auditing is to improve compliance with laws and regulations; identifies and mitigates potentials risks; foster citizens’ trust; enhance good reputation; and ensure financial statements reflect true and fair view of financial transactions.

Auditors’ Independence

Auditors’ independence is crucial to accountability and transparency principles in public sector. Auditors’ independence is characterized with confidentiality honesty, professionalism integrity, objectivity in audit exercises. However, audit value depends on public perception of the independence of auditors. Independence is crucial to ensure that auditors are not influenced by any external forces or have conflict of interest that could compromise their objectivity, integrity, and reports.

Threat to Auditors Independence in LGs

Independent of mind by auditors is critical to form an opinion and issue reports on the content of financial statements. However, there are threats to auditors’ independence which affect their judgment and reporting. Threats to auditor independence represent pressures or other factors that impair their objectivity and integrity. Some of these are:

- Self-interest threats - such as emotional, financial or personal (poor remuneration)
- Self-review - review of own work. Auditor auditing his own work
- Advocacy threat – auditor advocating for or against management or public officers
- Familiarity or trust threats – close relationship with management or public officers
- Intimidation threats – pressure from management, public officers or other interested parties

2.1.6 Accountability and Transparency

Accountability and transparency are two important elements of good governance and qualitative service delivery. Both are not easily separated but they encompass many of the same activities in public reporting. Transparency encompasses accountability and accountability demands transparency. Accountability is a matter of trust and confidence among the citizens. It is the hallmark of modern democratic governance and the cornerstone of government system (Ryan, 2019). Accountability refers to the legal and reporting framework, organization structures, strategies, procedures and actions that help to ensure:

- Issuance of reports on public officers’ compliance to laws, rules and regulations on the efficient use of public funds
- Audit report on budget performance
- Financial activities have been done in accordance with VFM principles to enhance good governance and qualitative service delivery
- Public officer gives account of their stewardship to the electorate
- Management answerable to those who invested their trust, faith, and resources for them to managed

Accountability rest on effective performance and results. This can be classified into:

1. Compliance accountability- strict compliance to established norms, standards, rules and regulations on performances, procedures, and service deliveries.
2. Negotiated accountability- to ensure improvement to management and governance as a result of changes in citizens’ demand.
3. Discretionary/professional accountability- initiative to promote professional standards, service delivery, technological and management system.
4. Anticipatory accountability- to assist in enhancing new accountability standards.

Transparency is openness to the public eye. This refers to stakeholders timely, reliable, clearly and full access to reports on status, mandates, activities, operations, financial management, and performance in public sector. It enables citizens at the grassroots to hold LG executive or public officers accountable for the use of public resources. Transparency is a pre-condition for accountability exercise. Nevertheless, without access to timely, clear, accurate and complete information, it is impossible to determine the level of compliance to laid down rules and regulations. Therefore, transparency promotes good governance; and foster confidence, assurance and public trust in democratic governance. It guides against corruption, fraudulent practices, maladministration, and mistrust in modern day public administration.

2.1.7 Corruption and Fraudulent Acts as impediment to grassroots governance

Corruption is the misuse of public office for personal gain. It is dishonest or illegal behavior of people in authority which make them to change from moral to immoral standard of behavior. This encompasses abuses by public officials and employees in manner likes frauds, briberies, nepotisms, misappropriations, extortions, embezzlements and misallocation of funds. It is a cankerworm that has eaten deep into the fabric of Nigeria and had strong negative effect on economic growth. Besides, fraud is a deliberate action of deceit, suppression of truth, and manipulation of financial records in order to gain an unfair or illegal advantage by the perpetrators or fraudsters (Olaoye & Adekoya, 2022). It involves use of deceits to have illicit gain or unjust advantage over another person or organization. All frauds are trust violation (Adekoya, Oyebamiji & Lawal, 2020). It is a stigma that destroys reputation of a nation; deter investment opportunities; erode economic growth; and contribute to infrastructural decayed, poverty and unemployment. In most cases, corruption and fraudulent act occurred due to weakness in quality of internal and external audit functions, inefficient internal control system, and lack of moral attitudes by individuals. According to transparency international corruption perception index, it ranked Nigeria as follows:

Transparency International Corruption Perception Index (CPI)

• 144^{th} out of 180 countries in 2018	• 154^{th} out of 180 countries in 2021
• 146^{th} out of 180 countries in 2019	• 150^{th} out of 180 countries in 2022
• 149^{th} out of 180 countries in 2020	• 145^{th} out of 180 countries in 2023

Between 2018 and 2023, Nigeria CPI shows yearly worse reports as a corrupt nation compared to Denmark, Finland, New Zealand, Norway, Sweden, and Singapore reported as the least corrupt nations.

Factors responsible for high rate of corruption index in Nigeria are:

- Weak PAC and regulatory or oversight institutions of government
- Weak auditing system in public sector (Internal and external)
- Dysfunctional legal system
- Lack of transparency and accountability
- Lack of moral value
- Seeing political office as avenue for illicit wealth

2.2 Theoretical Framework

Four theories are adopted for the study. These are credibility, agency, inspired confidence, and legitimacy theory.

2.2.1 Credibility theory: The theory explain how auditing adds credibility to the financial statements. Hence, audited financial statements are used by management to reduce information asymmetry and enhance principal (citizens) faith in agency relationship.

2.2.2 Agency theory: The study adopts agency theory promulgated by Jensen and Meckling (1976). The theory explains the relationship between principal and agent. The principal (citizens) hired the agent (management and elected political office holders) to perform duties on their behalf. The agent has delegated powers to take decision on the use of public resources with utmost trust of upholding principal interest. Trust is critical in agency relationship. In Latin word, trust means "Fiducia" literally in English it means assurance, belief, faith, reliance, and security. According to Adekoya, Agbetunde and Lawal (2022), trust is the currency of exchange between resources providers and resources managers, public officers and the citizens. In most cases, conflict of interest occurred through asymmetric information. Therefore, this called for an independent body to examine, monitor and render opinion on the true and fair view of the financial statements. According to Cordery and Hay (2021) check and balances is to ensure answerability in decision making by political office holders and management (agents) to the citizens (principal) in a democratic system. Auditing plays a critical role in minimizing malpractices in financial decision making and utilization of public resources. Furthermore, Hay and Cordery (2021) reported that political office holders or management in public sector should be audited to affirm their fairness, honesty, and efficiency on the use of public resources entrusted in their hands.

2.2.3 Theory of Inspired Confidence: The theory was developed by Theodore Limperge in the late 1920s. It focusses on demand and supply of audit services. Demand for audit services occurred due to conflict of interest between the principal and the agent. Hence, principal will demand for financial and administrative accountability, transparency and ethical standards from the agents in return for their tax payment and interest in governance. Supply for audit is to give credibility to management financial records, and to inspired confidence on citizens through an independent assurance on the fairness and truthfulness of accounting records to meet reasonable public expectation.

2.2.4 Legitimacy theory: The theory revolves round organization activities based on societal values, norms, and expectation for public acceptance. Legitimacy theory of auditing in LG is to ensure that auditors carry out their duties and render reports on the financial statements in an effective and efficient manner.

2.3 Empirical Review

Joseph and Onyeanu (2023) studied impact of public sector auditing on accountability and transparency in North Central zone of Nigeria. The study revealed that both financial and performance audit were statistically significant to explain accountability and transparency in government public resources. Fakoti (2020) also investigated the impact of auditing on accountability in LGs. The study revealed that there is no significant relationship between auditing and accountability in LGs. The study recommends that LG auditing process should be a fundamental mechanism for effective and efficient stewardship of account by council's management. Moreover, Khasodi. Mahlala and Hofisi (2023) looked at the assessment of clean audit outcomes as an effective determinants of good service delivery in midvaal local municipality. The study revealed that several municipalities obtain clean audits report despite their poor service delivery performance. In other municipalities, audit reports showed efficient and effective service delivery as a result of effective management process, sound internal controls, and prudent management. Thusi and Selepe (2023) also examined the impact of irregular, unauthorized, fruitless and wasteful expenditures on service delivery in South African LGs. The study revealed that Auditor General's reports on public finance in LGs showed irregular, fruitless and wasteful expenditures due to lack of public accountability and transparency which has negative impact on service delivery.

In addition, Nkwagu and Nwamgbebu (2019) looked at value for money auditing and service delivery in LG. The study revealed that economy principle in the procurement process and the effectiveness principle in budget implementation have no significant effect on LG service delivery. But, efficiency principle in resources utilization has positive effect on LG service delivery. Besides, Bhul (2023) looked at the role of government auditing to combat corruption and promote integrity in Nepal. The study revealed that the monitoring effort of the office of Auditor General has positive impact on corrupt practices. Furthermore, Mahmud (2023) studied the adoption of electronic audit system for auditing financial statements in LGs. The study concluded that the implementation of E-audit will improve LGs audit performance and add value to effective and efficient audit reports. Moreover, Moji, Nhede and Masiya (2022) investigated the factors that impended the implementation of auditors' oversight roles in South African municipalities. The study revealed that ineffective internal control tracking; futile audit committees; auditor appointments; lack of follow up on recommendations made by AG; and inability to enforce audit reports by management were major problems that contributes to municipalities inefficiency and ineffectiveness in service delivery.

Aikins, Mensah and Kumi-Kyereme (2022) investigated the conditions under which internal auditing is carried out in selected local governments in central region, Ghana. The study revealed that internal auditors faced unfavorable conditions such as intimidation, threats, and administrative interference in the course of their duties. This affects good governance and qualitative service delivery. Quampah *et al.* (2021) also studied factors that affect the internal audit effectiveness in LG institutions in Ghana. The study reported that even though where internal auditors possess the requisite educational and professional qualification to perform their functions, they still lack management support, and skill on information technology for audit exercises. Also, poor monitoring and failure to implement audit recommendations has rendered the audit exercises ineffective. Moreover, Jamil, Abidin and Alwi (2022) examined governance structure and roles of internal auditors in environmental auditing practices in Malaysian local governments. The study revealed that government structures such as independence of internal audit department, tenure of chairman, and NGO watchdog group influence the roles of internal audit department. Similarly, Rahayu, Yudi and Rahayu (2020) investigated the internal auditors' roles and their support for good governance. The study revealed that internal auditors' roles can be enhanced with management support. However, in public sector, internal auditors presently act as watchdog while in the future they could act as consultants, analyst or catalyst. However, George and Meela (2024) from their studied on the determinants of internal audit effectiveness in LGs in Morogoro region in Tanzania reported that top management support is critical to foster the culture of accountability while internal audit independence, their competency, and use of information technology will ensure objectivity, unbiased, and quality of reports. Moreover, Ratmono and Darsono (2022) added that auditors' independence, competency, cooperation, and management support will increase the effectiveness of internal audit functions in LGs.

Naluga and Kalikola (2024) examined internal audit and its impact on service delivery. The study revealed a positive relationship between internal audit and service delivery. Thus, a good internal audit practices will improve the efficiency and effectiveness of service delivery. Besides, Awe and Adelaja (2023) studied internal audit and financial management in Akure South LG, Ondo state, Nigeria. The study revealed that positive and significant relationship exist between audit quality, audit time cycle and financial management. Therefore, independent variables jointly influence financial management. The study recommends adequate training and capacity building for internal auditors to improve audit quality. Abubakar *et al.* (2022) also examined the impact of internal audit on financial control in some selected LGs in North-Eastern Nigeria. The study revealed that independence, competence, and scope of internal audit are key factors for effectives financial control. In addition, Nurdiono and Gamayuni (2018) looked at the effect of internal auditor competency on internal audit quality and its effect on LGs accountability. The study revealed that internal auditor competency positively and significantly influences internal audit quality. Then, internal audit quality positively and significantly influences LG financial accountability. Furthermore, Nwoba and Ede (2024) studied the effect of internal audit techniques on LGs performance. The study revealed that internal audit check and confirmation techniques have significant positive effect on fraud detection, reduction and performance.

Oti and Otalor (2024) looked at transparency, accountability and LGs autonomy in Nigeria. The study revealed semblance of accountability in the management of LGs resources but pretense of transparency as a result of fiscal information deficiency. The study concluded that fiscal autonomy in LGs is important for qualitative service delivery and good governance. Rasyid, Blongkod and Rasjid (2024) also investigated accountability and transparency analysis on LGs financial performance. The study revealed that accountability and transparency have positive and significant impact on LGs financial performance. Moreover, Egugbo (2022) looked at ethics and accountability in governance as panacea for efficient and effective public service delivery in Nigeria. The study revealed that inefficient and ineffective service delivery in Nigeria public sector occurred as a result of management failure to complied with ethics and accountability principles. Besides, Krah and Mertens (2023) examined financial transparency, trust and willingness to pay LGs revenues in Sub-Saharan Africa. The study revealed that financial transparency positively influences citizen's trust in LGs and their willingness to pay taxes and levies. Additionally, Zamzami and Rakhman (2023) studied the determinants of LG financial performance in Indonesia. The study revealed that financial reporting quality and timely monitoring on audit recommendations positively influences financial performance. Therefore, strong financial reporting quality and accountability will improve citizens trust and willingness to pay taxes. Furthermore, Husnan *et al.*, (2023) studied the effects of government internal control system, financial management, accountability, transparency, financial reports accessibility, and local government performance. The study revealed that government internal control system has negative and insignificant effect on LG performance while financial reports accessibility, transparency and accountability have positive and significant effect on LG performance. Furthermore, Azzahra (2023) looked at good governance and public service delivery in LG. The study revealed that good governance and qualitative service delivery is propel by management compliance with accountability, transparency, and ethical standards principles.

3.0 METHODOLOGY

The study adopts exploratory research design. Relevant books, journals, and other literatures in the field of accounting, auditing, finance, public sector accounting, local government administration, and Nigeria constitution were reviewed, highlighted, conclusion drawn, with appropriate recommendations for added value to the frontier of knowledge.

4.0 SUMMARY, CONCLUSION AND RECOMMENDATIONS

4.1 Summary

Auditing in LG is to promote good governance and increase the qualitative service delivery. Auditors' independence, their credibility, expertise and professional ability to detect and reduce fraudulent practices is critical for good governance, qualitative service delivery, citizens trust and confidence. Auditing is fundamental for efficient and effective stewardship of accounts by council's management to enhance good governance and qualitative service delivery. Internal auditors act as watchdog or oversight mechanism on public resources but in carrying out their audit functions, they faced unfavorable condition, threats, intimidation, and administrative interference (Aikins *et al.*, 2022). Besides, Naluga and Kalikola (2024) reported that financial mismanagement from inefficient audit process hinders qualitative service delivery. Quampah *et al.*, (2021); Moji *et al.*, (2022) also opined that unethical behavior, ineffective internal control, futile audit committee, lack of management support, knowledge gap on ICT, and poor implementation of audit queries and recommendations affects audit functions, performances and credibility. Additionally, inability to detect or deterred irregular, fruitless, and wasteful expenditures, mostly lead to financial mismanagement, corrupt practices, and impropriety in governance (Thusi & Selepe, 2023). Egugbo (2022) also concluded that management failure to complied with ethics and accountability principles resulted into inefficient and ineffective service delivery in Nigeria.

However, George and Meela (2024); Rahayu *et al.*, (2020); and Ramono and Darsono (2022) opined that top management support for auditing will promote culture of accountability, transparency, financial reports accessibility, efficiency, and effectiveness in audit service. Also, auditors' independence will enhance unbiased, objective, and qualitative reports. This will enhance citizens trust to willingly pay taxes and levies to LG (Krah & Mertens); improve LG financial performance (Husnan *et al.*, 2023); enhance efficient and effective audit reports with the adoption of electronic audit (Mahmud, 2023). In addition, Abubakar *et al.*, (2022) concluded that auditors' independence, competency, and scope of auditing remains the key factors for efficient and effectives financial control while Nwoba and Ede (2024) reported that internal audit routine checks and confirmation techniques are critical method for reducing fraudulent practices, and the promotion of good governance and qualitative service delivery. Additionally, Cordery and Hay (2021) from their studied concluded that performance audit in public sector is importance as it will contribute significantly to financial accountability, transparency, and management control.

Auditors have critical roles to play to achieve audit objectives with paradigm shift in auditing process and reporting. Theoretically, demand for audit services arises due to conflict of interest and information asymmetry. Hence, accountability, transparency, probity, credibility, and ethical standards is required from the agent (management) to the principal (citizens). The essence of this is to reduce financial malpractices and information asymmetry; and increase auditors’ efficiency and effectiveness in audit service. In the past, auditors are regarded as watchdog or detectives like policemen with strict compliance with both relevant and irrelevant policies. Their focus is on areas of weakness or where management deviate from established standards, although they have limited communication channel with the management. Their mode of operations is only financial or compliance audit in which they issue reports. However, in a modern-day concept, and for efficient and effective audit process in the LGs, auditors should be ready to have paradigm shift in auditing process by looking at financial, compliance and operational audit. Besides, they should have regular communication with management and embrace constructive argument and settlement. They should also widen their scopes and roles into being a consultant and analyst. In addition, auditors should adopt preventive approach to auditing with focus on only relevant policies in order to save time and have credible reports. On career development, auditors should acquire knowledge and skill on forensic auditing, this will add value to auditing process and reduce LGs exposure to corruption and financial impropriety. Finally, auditors should see themselves as partners for the enhancement of good governance and the provision of qualitative service in grassroots governance.

4.2 Conclusion

Government audit is key to good public governance and qualitative service delivery. However, it is crucial to maintain an appropriate standard for broad mandate to achieve the LGs objectives. Auditing will strengthen public governance, accountability, transparency, ethical standards and core value of government. Therefore, auditing will reduce errors, financial misappropriation, corruption, poor budget performance, and bad governance in LGs. Above all, auditing will bring about attitudinal changes and ethical value in the use of public resources. Also, the independence of auditor (IA and EA), their efficiency, effectiveness, and integrity will add value to probity, public trust, and good governance in LGs. Additionally, PAC and other regulatory institutions should be strengthened to foster accountability and transparency in public dealing and to complement auditing process. This will curtal the propensity to loot or commit fraudulent practices, it will also enhance good governance and qualitative service delivery.

4.3 Recommendations

To achieve accountability, transparency and ethical standards in LGs governance and ensure qualitative service delivery from auditing process in the 21st century. Government or audit service should embrace:

1. The adoption of information and communication technology in auditing. This will add value to audit performance, efficient and effective governance, and service delivery.
2. Audit reform and management support for the independence of Internal Audit.
3. Continuous training and capacity building for internal auditors in order to enhance their efficient and effective operations.
4. Appropriate punishment or sanctions for audit irregularities.
5. Fiscal autonomy in LGs to enhance the quality of audit reporting.
6. Cultures of transparency, accountability and ethical standards among the management.
7. A way to strengthens regulatory institutions as complement to auditing.
8. Audit awareness and enlightenment among the citizens.
9. Departmentalization of the internal audit for auditors’ independence.

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