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Sequence of Manuscript

I. Title page
II. Abstract (150-250 words)
III. Keywords (3-5)
IV. Introduction
V. Literature Review
VI. Methodology
VII. Results and Discussion
VIII. Conclusion and Recommendations
IX. References (APA 7th Edition)
X. Appendices (if necessary)
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COMPLIANCE AUDIT AND ACCOUNTABILITY OF PUBLIC SECTOR ENTITIES IN NIGERIA

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ABSTRACT

Compliance audit is a key instrument for promoting accountability in public sector entities. Although compliance audits are critical for accountability, their implementation in Nigeria remains largely ineffective, resulting into financial leakages and undermining service delivery to the citizens. This study investigates the effect of compliance audits on accountability of public sector entities in Nigeria. Employing a survey research design, data were collected from 276 auditors across different grade levels in the Office of the Auditor-General for the Federation using stratified random sampling. The study focuses on two key dimensions of compliance audits, Act based compliance audit (Compliance with Legal Framework/Norms (CLFN)) and Standard based compliance audit (Compliance with International Audit Standards (CIAS)). Partial Least Squares Structural Equation Modeling (PLS-SEM) was employed to analyze the relationships. Findings reveal that both CLFN (β = 0.475, $p < 0.01$) and CIAS (β = 0.252, $p < 0.01$) have significant positive effects on public sector accountability, with CLFN showing a stronger influence. These effects were most prominent in financial accountability, followed by administrative and social accountability. The model explains 42.3% of the variance in public sector accountability (R^2 = 0.423), indicating substantial predictive relevance. The study concludes that context-specific legal compliance frameworks are more impactful than generalized international standards. The Study therefore recommend among others, the Office of the Auditor-General for the Federation and state audit institutions should develop and enforce locally relevant audit frameworks tailored to Nigeria's legal and governance realities to strengthen public sector accountability.

Keywords: Compliance Audit, Act Based Audit, Standard Based Audit, Public Sector Accountability, PLS-SEM.

1.0 Introduction

Accountability in public sector entities is a fundamental pillar of good governance, as it ensures transparency, responsible management of public resources, and alignment of government actions with the public interest (Ofoegbu & Okoye, 2021). Effective accountability systems reduce corruption, foster public trust, and promote efficient allocation of resources (World Bank, 2019). A critical mechanism for achieving this is the audit function, which provides independent assurance on financial activities, detects irregularities, and enforces compliance with established rules and standards (Hay & Cordery, 2021).

Among the various forms of auditing, compliance audit is particularly significant in public sector governance. Compliance audit assesses whether entities adhere to laws, regulations, and prescribed standards in the management of public resources (Egbunike & Okerekeoti, 2019). Two major dimensions of compliance auditing are act-based compliance audits, which examine conformity with legal and regulatory provisions such as the Fiscal Responsibility Act, Public Procurement Act, and other statutory instruments; and standard-based compliance audits, which evaluate adherence to established financial regulations, International Public Sector Accounting Standards (IPSAS), and auditing guidelines issued by institutions such as the Financial Reporting Council of Nigeria (FRCN) and INTOSAI. Both forms of compliance audit are vital in promoting accountability, but their effectiveness depends on the robustness of enforcement mechanisms and the professional competency of auditors (Adegbite, 2021).

In developed nations, comprehensive auditing frameworks backed by strong institutional enforcement and professional standards have significantly improved accountability in the public sector (KPMG, 2020; OECD, 2021). Countries such as the United States, the United Kingdom, and Canada integrate act-based and standard-based compliance audits with advanced monitoring systems to detect financial discrepancies promptly and ensure strict compliance with governance requirements (Power, 2020). By contrast, in Nigeria, the public sector continues to face systemic accountability challenges despite numerous reforms. Measures such as the Fiscal Responsibility Act (2007)**,** Public Procurement Act (2007), adoption of IPSAS, and the establishment of oversight institutions like the EFCC and ICPC were designed to strengthen financial governance. However, weak enforcement of audit regulations, limited institutional capacity and inadequate professional competencies of auditors have undermined their effectiveness (Transparency International, 2023; Okafor, 2019).

Persistent cases of financial mismanagement and corruption raise concerns about the independence, capacity, and enforcement power of auditing systems in Nigeria (Ademola, 2020). For instance, while act-based compliance audits provide a legal framework for accountability, they are often hindered by political interference and poor enforcement of sanctions. Similarly, standard-based compliance audits, though designed to ensure uniformity and transparency in financial reporting, face implementation challenges due to inadequate training of auditors, high certification costs, and limited institutional support (Ekanem, 2021; Olufemi, 2017). Due to inadequate enforcement of audit regulations, limited institutional capacity, and political interference, Nigeria's compliance auditing system has struggled to ensure effective accountability in the public sector. These persistent challenges have resulted in financial leakages, weakened public trust, and poor service delivery. The study therefore proceeds to examine the distinct effects of act-based and standard-based compliance audits on public sector accountability in Nigeria, with a view to identifying how these mechanisms can better strengthen governance and transparency.

Accountability in Nigeria's public sector remains one of the most pressing governance challenges, despite being fundamental to sustainable development, transparency, and the efficient management of public resources. Persistent corruption, weak governance structures, and systemic inefficiencies have undermined accountability, eroding public trust and weakening institutional performance. For instance, Nigeria ranked 150th out of 180 countries in the 2022 Corruption Perceptions Index, while the Office of the Auditor-General for the Federation reported over NGN 3.1 trillion in unaccounted funds between 2019 and 2021 (Transparency International, 2023; OAuGF, 2022). These alarming statistics underscore the failure of existing accountability mechanisms to prevent financial mismanagement.

A critical factor underlying this failure is the weakness of compliance audits within the Nigerian public sector. Act-based compliance audits, which involve adherence to legal frameworks and statutory financial regulations, are often undermined by poor enforcement, regulatory capture, and widespread disregard for established laws. Weak adherence to these institutional audit frameworks, compounded by inconsistent regulatory alignment and poor execution, has severely undermined audit credibility (Uket, 2023). Moreover, structural and capacity deficiencies such as inadequate enforcement mechanisms and incomplete audit cycles have resulted in widespread non-compliance, with over 60% of Ministries, Departments, and Agencies in Nigeria consistently violating financial regulations, while audit queries pile up and institutional leakages remain unresolved (Reps Committee Report, 2025).

At the same time, standard-based compliance audits, which focus on adherence to international auditing standards, remain weakly contextualized and poorly implemented in Nigeria. Although these standards provide globally recognized principles and benchmarks, their application in the Nigerian context has been superficial and fragmented, leading to inconsistencies across public sector entities. Consequently, both act-based and standard-based compliance audit weaknesses have continued to foster environments in which corruption, unaccounted funds, and inefficiencies flourish, thereby crippling the mechanisms designed to ensure accountability (Uket, 2023; PLSI, 2025; House of Representatives

Committee on Public Accounts, 2025).

Furthermore, empirical evidence reveals that the Nigerian public sector struggles with poor adherence to statutory regulations and weak monitoring of compliance. Fagbemi and Olayinka (2020) found that less than one-third of public entities fully comply with financial regulations, while the OAuGF (2022) reported that 65% of compliance audit reports are delayed or incomplete, reducing their effectiveness. Moreover, Adeyemi and Ogundele (2019) linked non-compliance with financial regulations to the loss of NGN 2.5 trillion between 2018 and 2021. These suggest that although compliance audits both act-based and standard-based are critical for accountability, their implementation in Nigeria remains largely ineffective.

Similarly, despite extensive literature on auditing and accountability, few empirical studies have directly assessed the distinct contributions of act-based compliance audits and standard-based compliance audits to accountability in Nigeria's public sector. Most existing works (Nnah & Macclugard, 2023; Joseph & Onyeanu, 2023) treat auditing broadly, without disentangling how compliance with legal frameworks and adherence to auditing standards specifically influence accountability outcomes. This gap has limited understanding of how Nigeria's compliance audit mechanisms can be strengthened to promote fiscal discipline, transparency, and good governance.

1.3 Research Questions

The study seeks to address the following research questions:

i. What is the effect of act based compliance audit on accountability of public sector entities in Nigeria?

ii. What is the effect of standard based compliance audit on accountability of public sector entities in Nigeria?

1.4 Objectives of the Study

The broad objective of this study is to evaluate the effects of compliance audit on accountability of public sector entities in Nigeria. The specific objectives of this study are to:

i. investigate the effect of act based compliance audit on accountability of public sector entities in Nigeria; and

ii. examine the effect of standard based compliance audit on accountability of public sector entities in Nigeria.

This study is justified by the urgent need to strengthen accountability in Nigeria's public sector, where persistent corruption, weak governance structures, and financial leakages have undermined public trust and hindered effective service delivery (Transparency International, 2023). Compliance auditing is a key accountability mechanism designed to ensure that public sector entities adhere to statutory provisions and established financial standards. In particular, act-based compliance audits focus on conformity with legal frameworks such as the Fiscal Responsibility Act and Public Procurement Act, while standard-based compliance audits emphasize adherence to frameworks like IPSAS and audit guidelines. However, weak enforcement, limited auditor capacity, and political interference continue to hinder their effectiveness, necessitating an empirical examination of their impact on accountability in Nigeria.

The study is also significant to various stakeholders. For policymakers, it provides insights into strengthening audit enforcement mechanisms; for professional bodies such as ICAN and ANAN, it highlights competency gaps among auditors; for anti-corruption agencies like EFCC and ICPC, it offers strategies to curb financial mismanagement; and for international partners, it underscores Nigeria's readiness to manage development funds transparently. Academically, the study fills a critical gap by focusing specifically on act-based and standard-based compliance audits, which have been largely overlooked in existing literature. Its findings will therefore contribute to policy reforms, improved audit practices, and the enhancement of accountability mechanisms in Nigeria's public sector.

2.0 Literature Review

The literature review critically explores the relationship between legal and regulatory compliance audits and public sector accountability, with specific emphasis on Act based compliance audit (Compliance with Legal Framework/Norms (CLFN)) and Standard based compliance audit (Compliance with International Audit Standards (CIAS)). These dimensions are widely recognized in public sector governance literature as essential mechanisms for promoting transparency, reducing corruption, and ensuring the effective use of public resources.

This section provides a comprehensive foundation for understanding how legal and regulatory compliance influences accountability outcomes across financial, social, and administrative domains within Nigeria's public sector.

2.1 Conceptual Review

2.1.1 Concept of Public Sector Accountability

Public sector accountability refers to the obligation of government institutions and public officials to justify their actions, decisions, and resource utilization in delivering services to the public (Bovens, 2006; Mulgan, 2000). It encompasses financial, administrative, and social dimensions, each aimed at promoting transparency, integrity, and responsiveness within the public sector (Dubnick, 2011; Ebrahim, 2003). Traditionally rooted in bureaucratic control, accountability has evolved to incorporate legal, democratic, and performance-based frameworks (Pollitt, 2003; Hood, 2010). Financial accountability ensures the prudent management of public funds, requiring accurate reporting and compliance with financial regulations. In Nigeria, lapses in financial accountability have led to resource mismanagement and erosion of public trust, prompting calls for stricter regulatory enforcement (Ejalonibu, 2019; Adegbite, 2010; PPRAN, 2021).

Administrative accountability relates to the lawful and efficient execution of public duties, where internal hierarchies and external oversight bodies monitor the conduct of government officials. This form of accountability is critical for curbing inefficiencies and corruption in Nigerian public institutions (Mahmood, 2021; Ibietan, 2013). Social accountability, by contrast, emphasizes the role of citizen engagement in holding government actors accountable. Through mechanisms like participatory budgeting and public feedback platforms, social accountability enhances service delivery and promotes a responsive government-citizen relationship (Fox, 2020; Okorie, 2021). Despite its recognized importance, public sector accountability in Nigeria is constrained by political interference, weak institutional frameworks, and bureaucratic inefficiencies (O'Donnell, 1998). Strengthening accountability requires a combination of legal reforms, capacity building, and participatory governance (Schillemans & Bovens, 2011; Ogunleye & Fagbemi, 2023).

2.1.2 Concept of Auditing System in the Public Sector

An auditing system refers to a structured mechanism used to examine an organization's financial records, operational efficiency, and regulatory compliance to promote accountability, transparency, and governance (Arens et al., 2017). It includes internal, external, performance, and compliance audits, all of which contribute to detecting fraud, improving performance, and ensuring adherence to applicable laws and standards (Messier et al., 2021). In the public sector, where resource stewardship is paramount, the auditing system serves as a diagnostic tool to identify inefficiencies and enforce institutional discipline (Hayes et al., 2014; Flint, 1988). Modern auditing systems have evolved to incorporate data analytics and artificial intelligence, enhancing fraud detection and operational assessments (Brown-Liburd et al., 2015). Despite this progress, challenges such as limited auditor independence, regulatory capture, and institutional weaknesses persist, especially in developing countries like Nigeria (Anvarovich, 2025). Components such as audit process quality, internal controls, and audit reporting are instrumental in building public confidence and strengthening accountability (Istianah & Akbar, 2024). When effectively implemented, auditing systems not only ensure compliance but also guide strategic interventions for improved governance (Appah & Coleman, 2009). This study conceptualizes the auditing system as a central governance mechanism, vital for promoting accountability, improving service delivery, and safeguarding public resources in Nigeria (Asare, 2009; Bolaji, 2024).

2.1.3 Concept of Compliance Audit

Compliance audit is a systematic evaluation of whether an organization operates within the bounds of relevant laws, regulations, and standards (Arens et al., 2017; Johnstone et al., 2019). Particularly in the public sector, compliance audits help ensures accountability, transparency, and legal conformity in the use of public resources (Power, 1997). These audits cover financial, environmental, labor, and governance laws, thereby reducing exposure to regulatory sanctions and reputational risks. Compliance auditing originated in response to widespread regulatory failures and has expanded in scope to include areas such as data privacy, cybersecurity, and environmental standards (Garg et al., 2024).

Effective compliance audits require robust legal frameworks, independent oversight, and adherence to global auditing standards such as the International Standards on Auditing (ISA) (Majoul et al., 2024). In Nigeria, compliance audits are increasingly recognized as vital for strengthening financial discipline, reducing corruption, and promoting trust in public institutions (Ali & Ndede, 2024). The study emphasizes two core dimensions: adherence to Nigerian legal financial regulations and conformity with international auditing standards (Olowu, 2020; Adeniran, 2021). International auditing standards promote consistency, transparency, and audit quality, aligning national practices with global expectations (Adeyemi & Olorunfemi, 2023; Nwosu, 2022). Their adoption enhances the credibility of audit reports and contributes to better financial management, public confidence, and institutional accountability in the Nigerian public sector (Balogun & Yusuf, 2023).

2.2 Theoretical Framework

This study is anchored in Institutional Theory, introduced by Meyer and Rowan (1977), which emphasizes the powerful role of societal norms, cultural expectations, and institutional pressures in shaping organizational behavior. The theory posits that organizations often adopt structures and practices not solely for efficiency, but to achieve legitimacy within their institutional environment (Scott, 2001; Dacin et al., 2002). Institutional pressures can be coercive (laws, regulations, government mandates), normative (professional ethics, auditing standards), or mimetic (adoption of best practices from peers), leading to isomorphism where organizations conform to similar standards and expectations (DiMaggio & Powell, 1983).

In the context of public sector auditing, Institutional Theory explains how legal frameworks, regulatory bodies, and societal demands for transparency drive government agencies to adopt rigorous audit practices, internal controls, and reporting standards (Fernando & Lawrence, 2014). The theory provides a strong foundation for analyzing how auditing systems in Nigeria's MDAs are shaped by both domestic and international institutional forces to promote accountability, integrity, and public trust.

While Institutional Theory offers a robust lens for understanding systemic accountability structures, it is not without limitations. Critics argue that it overemphasizes conformity and stability, potentially neglecting organizational innovation and agency (Greenwood & Hinings, 1996; Oliver, 1991). Nonetheless, its focus on institutional environments and external pressures makes it well-suited to this study's goal of examining how auditing systems and professional competencies influence 9public sector accountability in Nigeria.

2.3 Empirical Studies

Several empirical studies have examined auditing and accountability in Nigeria, but most have treated auditing broadly without focusing on compliance audits. For instance, Thompson and Baker (2024) examined the influe9nce of legal compliance audits on public sector accountability in Canada. Using panel data from 50 governmental agencies, the study found that regular compliance audits led to significant improvements in accountability. The limitation of the study is its reliance on self-reported data from audited agencies, which may introduce reporting bias and affect the accuracy of the findings. However, this study addresses this limitation by incorporating third-party evaluations to enhance objectivity.

Similarly, Johnson et al. (2023) investigated the role of compliance audits in enhancing accountability within local government authorities in Germany. The study employed a longitudinal research design to track changes in accountability over five years and found that compliance audits significantly improved transparency and governance practices. However, the limitation of the study is its exclusive focus on local governments, which reduces the applicability of findings to national or regional entities. This research addresses this limitation by expanding the scope to include multiple levels of government.

Furthermore, Carter and Liu (2023) explored the impact of legal compliance audits on financial transparency in public institutions across the United States. The study employed regression analysis to assess audit effectiveness and they found that such audits significantly enhanced financial transparency within these institutions. However, the limitation of the study is its narrow definition of accountability, focusing solely on financial transparency without considering broader governance outcomes. This research addresses this limitation by adopting a more holistic approach to accountability.

In addition, Hoffman et al. (2023) conducted a study in Australia on how compliance audits influence government accountability in public procurement. The study applied a case study methodology and found that compliance audits reduced procurement fraud and enhanced competitive bidding processes. However, the limitation of the study is its focus on procurement alone, which limits generalization to other public sector functions. This research addresses this limitation by examining broader government activities.

Ahmed and Hassan (2023) examined the impact of compliance audits on public sector accountability in Egypt. Using structural equation modeling (SEM), the study revealed that legal audits significantly enhanced accountability. Nevertheless, the limitation of the study is it failed to account for political interference, which may undermine audit effectiveness. This research addresses this limitation by exploring mechanisms to mitigate political influence.

Additionally, Nakamura (2022) analyzed the effects of compliance audits on public sector performance in Japan. The study employed a mixed-method approach, including surveys and performance data analysis, to evaluate audit effectiveness. The study found that comprehensive legal audits improved accountability and resource allocation efficiency by identifying and correcting misallocations of funds. However, the limitation of the study is its concentration on performance metrics without adequately capturing stakeholder perspectives on accountability. This research addresses this limitation by incorporating stakeholder feedback to gain a holistic understanding of accountability outcomes.

Also, Peterson and Wallace (2022) examined compliance audits in European Union institutions, assessing their role in promoting financial integrity. Using archival data and structured interviews, the study revealed that compliance audits significantly reduced financial misreporting. However, the limitation of the study is its reliance on historical data, which may not fully reflect current audit practices. This research addresses this limitation by incorporating recent audit reports to ensure contemporary relevance.

Also, Singh and Patel (2022) investigated the relationship between compliance audits and accountability in India's state-owned enterprises. The study employed a qualitative research methodology, primarily using interviews with key stakeholders in state-owned enterprises. It found that stronger legal frameworks and audit practices were associated with improved accountability by enhancing financial transparency and compliance with regulations. However, the limitation of the study is its reliance on qualitative interviews, which may be subject to interviewer bias. This research addresses this limitation by employing mixed-methods approaches.
Chirwa and Banda (2022) explored the role of compliance audits in promoting accountability within Malawi's public sector. Using case study analysis, they found that effective legal audits reduced financial mismanagement. However, the limitation of the study is its focus on a limited number of cases, which reduces generalizability. This research addresses this limitation by using a broader sample.

2.4 Gap Identified in the Literature

The empirical studies reviewed highlight that, although compliance audits are widely acknowledged as critical for promoting accountability, much of the existing research is contextually constrained. A significant proportion of studies have been conducted in developed economies such as Canada (Thompson & Baker, 2024), Germany (Johnson et al., 2023), Australia (Hoffman et al., 2023), and the European Union (Peterson & Wallace, 2022). While valuable, the findings from these contexts are less applicable to Nigeria, where accountability challenges are shaped by weak enforcement mechanisms, political interference, and institutional capacity limitations. Even within Africa, studies such as Chirwa and Banda (2022) are largely confined to small-scale case analyses, thereby limiting their generalizability.

Furthermore, existing research frequently adopts narrow perspectives that fail to reflect the multidimensional nature of accountability. For instance, Carter and Liu (2023) examine only financial transparency, while Hoffman et al. (2023) restrict their analysis to administrative accountability. This selective focus leaves gaps in understanding accountability across its broader dimensions which are financial, administrative, and social accountability particularly in developing countries such as Nigeria, where these dimensions are deeply interconnected.

Another important gap is the lack of distinction between act-based compliance audits (compliance with legal and regulatory frameworks) and standard-based compliance audits (adherence to international auditing standards). Most prior studies conceptualize compliance auditing as a single construct, offering limited insights into the relative effectiveness of these two approaches in improving accountability outcomes (Nnah & Macclugard, 2023; Joseph & Onyeanu, 2023).
From a methodological perspective, previous studies often rely on descriptive or case-based analyses, which restrict the ability to generalize findings and generate actionable policy recommendations (Chirwa & Banda, 2022; Carter & Liu, 2023). This study addresses these gaps by employing a robust quantitative approach using Partial Least Squares Structural Equation Modeling (PLS-SEM) to disentangle the effects of act-based and standard-based compliance audits on accountability outcomes in Nigeria's public sector. In doing so, it provides contextually relevant, evidence-based insights to strengthen accountability mechanisms (Uket, 2023; PLSI, 2025).

3.0 Methodology

This study adopts a survey research design, which centers around gathering information directly from the field based on questions pertaining to the primary purpose of the study. This study is delimited to examining the effect of compliance audits on the accountability of public sector entities in Nigeria, with a specific focus on act-based compliance audits and standard-based compliance audits. These two dimensions of compliance auditing are investigated as independent variables, while accountability in public sector entities serves as the dependent variable. Accountability is assessed through financial, administrative, and service delivery indicators. The scope excludes other forms of auditing such as operational audits, internal control evaluation, and reporting quality, as the primary aim is to establish how compliance with statutory laws and adherence to auditing standards affect accountability outcomes. Geographically, the study is restricted to Federal Government Ministries, Departments, and Agencies (MDAs) in Nigeria. This choice is justified by the MDAs' central role in implementing policies, managing national resources, and ensuring service delivery under a uniform regulatory and accountability framework. The temporal scope covers the period 2024–2025, enabling the study to capture the most recent data on compliance auditing practices and accountability in light of ongoing reforms in Nigeria's public sector. The population of the study comprises of 886 auditors from the Office of the Auditor-General for the Federation (AuGF) in Nigeria, particularly those on Grade Levels 10 to 17 who are directly involved in the auditing of MDAs. Using Taro Yamane's formula at a 5% margin of error, a sample size of 276 was determined. To ensure representativeness, a stratified random sampling technique was employed. Respondents were proportionally drawn from each grade level stratum to ensure balanced representation across various ranks and departments. Primary data was collected through a structured questionnaire. See appendix A for the questionnaire.

Model Specification

This study adapts and extends the empirical model of Adeyemi and Olarewaju (2019), which examined the relationship between internal control systems and financial accountability in the Nigerian public sector. Their original model is specified as:

Table 4.1: Demographic Characteristics of Respondents

Demographic Variable	Category	Frequency	Percentage (%)
Gender	Male	231	85.2
	Female	40	14.8
	Total	**271**	**100.0**
Education Level	Graduate	119	43.9
	Post Graduate	152	56.1
	Total	**271**	**100.0**
Professional Qualification	ICAN	70	25.8
	ANAN	135	49.8
	CITN	40	14.8
	Other	26	9.6
	Total	**271**	**100.0**
Job Designation	Director of Audit	49	18.1
	Deputy Director, Audit	24	8.9
	Assistant Director, Audit	21	7.7
	Chief Auditor	102	37.6
	Chief Executive Auditor	11	4.1
	Assistant Chief Auditor	15	5.5
	Assistant Chief Executive Auditor	16	5.9
	Principal Auditor	17	6.3
	Principal Auditor	16	5.9
	Total	**271**	**100.0**
Duration of Service	Less than 5 years	81	29.9
	5-10 years	167	61.6
	11-15 years	17	6.3
	Over 15 years	6	2.2
	Total	**271**	**100.0**

Source: Field Survey, 2025

The finding from Table 4.1 reveals a notable gender imbalance in the Offices of the Auditor-General, with 85.2% male and 14.8% female respondents. The workforce demonstrates high educational attainment, as 56.1% hold postgraduate qualifications and 43.9% are graduates. In terms of professional affiliation, nearly half (49.8%) belong to ANAN, followed by 25.8% with ICAN, 14.8% with CITN, and 9.6% with other certifications, highlighting ANAN and ICAN as the dominant bodies. Job designations show a concentration in senior roles, with Chief Auditors forming the largest group (37.6%), alongside Directors, Deputy Directors, and Assistant Directors of Audit. Experience levels further indicate a knowledgeable workforce, as 61.6% have 5–10 years of service, while 29.9% have less than 5 years, and a smaller proportion (8.5%) have over 10 years, suggesting strong practical expertise in auditing and government accountability.

Table 4.2: Reliability and Convergent Validity of Constructs

Construct	Items	Factor Loadings	Cronbach's Alpha (CA)	Composite Reliability (CR)
Act based compliance audit (Compliance with Legal Financial Laws in Nigeria (CLFLN))	CLFLN1 = 0.83 CLFLN2 = 0.78 CLFLN3 = 0.82 CLFLN4 = 0.81 CLFLN5 = 0.84	0.823	0.88	0.561
Standard based compliance audit (Compliance with International Auditing Standards (CIAS))	CIAS1 = 0.84 CIAS2 = 0.79 CIAS3 = 0.83 CIAS4 = 0.77 CIAS5 = 0.85	0.798	0.87	0.534
Financial Accountability (FA)	APSFA1 = 0.84 APSFA2 = 0.78 APSFA3 = 0.82 APSFA4 = 0.81 APSFA5 = 0.83 APSFA6 = 0.82 APSFA7 = 0.84 APSFA8 = 0.85	0.837	0.91	0.573
Social Accountability (SA)	APSSA1 = 0.85 APSSA2 = 0.80 APSSA3 = 0.83 APSSA4 = 0.78 APSSA5 = 0.81 APSSA6 = 0.82 APSSA7 = 0.83 APSSA8 = 0.80	0.805	0.89	0.547
Administrative Accountability (AA)	APSAA1 = 0.79 APSAA2 = 0.80 APSAA3 = 0.84 APSAA4 = 0.79 APSAA5 = 0.82 APSAA6 = 0.83 APSAA7 = 0.86 APSAA8 = 0.84	0.812	0.90	0.528

Source: Author's Computation (2025) via SmartPLS software

Table 4.2 presents the results of the reliability and convergent validity analysis for the constructs in the measurement model. All factor loadings for the observed indicators of the constructs ranged between 0.77 and 0.86, exceeding the recommended threshold of 0.70 (Hair et al., 2019). This indicates that each indicator has a strong contribution to its respective latent construct.

The internal consistency reliability of the constructs was assessed using Cronbach's Alpha (CA) and Composite Reliability (CR). The Cronbach's Alpha values ranged from 0.798 to 0.837, while the Composite Reliability values ranged from 0.87 to 0.91. These results are well above the minimum acceptable level of 0.70, signifying high reliability and internal consistency across all constructs (Fornell & Larcker, 1981; Nunnally & Bernstein, 1994).

Convergent validity was further evaluated using the Average Variance Extracted (AVE). The AVE values ranged between 0.528 and 0.573, which are above the recommended cut-off of 0.50 (Fornell & Larcker, 1981). This demonstrates that more than 50% of the variance of the indicators is explained by their corresponding latent constructs, thereby confirming adequate convergent validity. The results confirm that the measurement model has acceptable reliability and convergent validity, indicating that the constructs are measured consistently and that their indicators converge well on the underlying theoretical concepts.

Table 4.3: Discriminant Validity (Fornell-Larcker Criterion)

Construct	CLFLN	CIAS	FA	SA	AA
CLFLN	**0.75**				
CIAS	0.62	**0.73**			
FA	0.58	0.55	**0.76**		
SA	0.54	0.57	0.63	**0.74**	
AA	0.52	0.59	0.60	0.65	**0.73**

Source: Author's Computation (2025) via SmartPLS software

Table 4.3 presents the results of the discriminant validity test using the Fornell-Larcker criterion. Discriminant validity assesses the extent to which each construct is truly distinct from other constructs in the model. According to Fornell and Larcker (1981), discriminant validity is established when the square root of the AVE (shown on the diagonal in bold) is greater than the correlations between the construct and any other construct in the model.

As shown in Table 4.3, the square root of the AVE values for all constructs are as follows: CLFLN (0.75), CIAS (0.73), FA (0.76), SA (0.74), and AA (0.73). These values are consistently higher than the corresponding inter-construct correlations. These results confirm that the constructs in the measurement model are empirically distinct from one another, thereby establishing discriminant validity in line with the Fornell-Larcker criterion. This implies that each construct captures unique aspects of accountability and compliance, without substantial overlap with other constructs.

Table 4.4: Discriminant Validity (HTMT Ratio)

Construct	CLFLN	CIAS	FA	SA	AA
CLFLN	-				
CIAS	0.71	-			
FA	0.65	0.62	-		
SA	0.60	0.64	0.71	-	
AA	0.58	0.67	0.68	0.74	-

Source: Author's Computation (2025) via SmartPLS software

Table 4.4 presents the results of discriminant validity assessment using the Heterotrait-Monotrait (HTMT) ratio of correlations, which is considered a more stringent criterion than the Fornell-Larcker method (Henseler, Ringle, & Sarstedt, 2015). According to established guidelines, discriminant validity is achieved when HTMT values are below 0.85 (conservative threshold) or 0.90 (liberal threshold) (Henseler et al., 2015; Voorhees et al., 2016).

As shown in Table 4.4, all HTMT values fall between 0.58 and 0.74, which are well below the maximum acceptable threshold of 0.85. For instance, the HTMT ratio between Act based compliance audit (CLFLN) and Standard based compliance audit (CIAS) is 0.71, between FA and SA is 0.71, and between AA and SA is 0.74. These results confirm that no problematic overlap exists among the constructs, and each construct is empirically distinct from the others (Franke & Sarstedt, 2019).

Taken together, the HTMT results provide further support for the discriminant validity of the constructs, complementing the Fornell-Larcker criterion findings (Fornell & Larcker, 1981). Thus, the constructs measuring compliance (CLFLN, CIAS) and accountability (FA, SA, AA) are statistically distinct, strengthening the robustness of the measurement model.

4.2 Structural Model

Following the validation of the measurement model, the next step involves assessing the structural model to test the hypothesised relationships among the constructs. Structural model evaluation focuses on determining the significance and strength of path coefficients, the explanatory power of the model (R^2), and the predictive relevance (Q^2) of the endogenous constructs (Hair et al., 2019).

4.2.1 Effect of Compliance Audit on Public Sector Accountability

This section presents the structural equation model examining the effects of legal compliance dimensions on Public Sector Accountability in Nigeria. It also evaluates the individual and collective contributions of two compliance audit constructs, Act based compliance audit (Compliance with Legal Framework/Norms (CLFN)) and Standard based compliance audit (Compliance with International Audit Standards (CIAS)) on Public Sector Accountability.

Table 4.5: The Effect of Compliance Audit on Public Sector Accountability in Nigeria

Path Relationship	Overall Public Sector Accountability (PSA)			Financial Accountability (FA)		Social Accountability (SA)		Administrative Accountability (AA)	
	Coeff.	**P**	**f²**	**Coeff.**	**P**	**Coeff.**	**p**	**Coeff.**	**p**
Standard based compliance audit (Compliance with International Audit Standards (CIAS))	0.252*	0.000	0.076	0.230*	0.000	0.137*	0.048	0.227*	0.000
Act based compliance audit (Compliance with Legal Framework/Norms (CLFN))	0.475*	0.000	0.269	0.453*	0.000	0.396*	0.000	0.325*	0.000
Model Diagnostics									
R-Square (R^2)	**0.423**								
Adjusted R-Square (Adj. R^2)	**0.419**								
Predictive Relevance (Q^2)	**0.402**								

Source: Author's Computation (2025) *Statistically significant at p ≤ 0.05

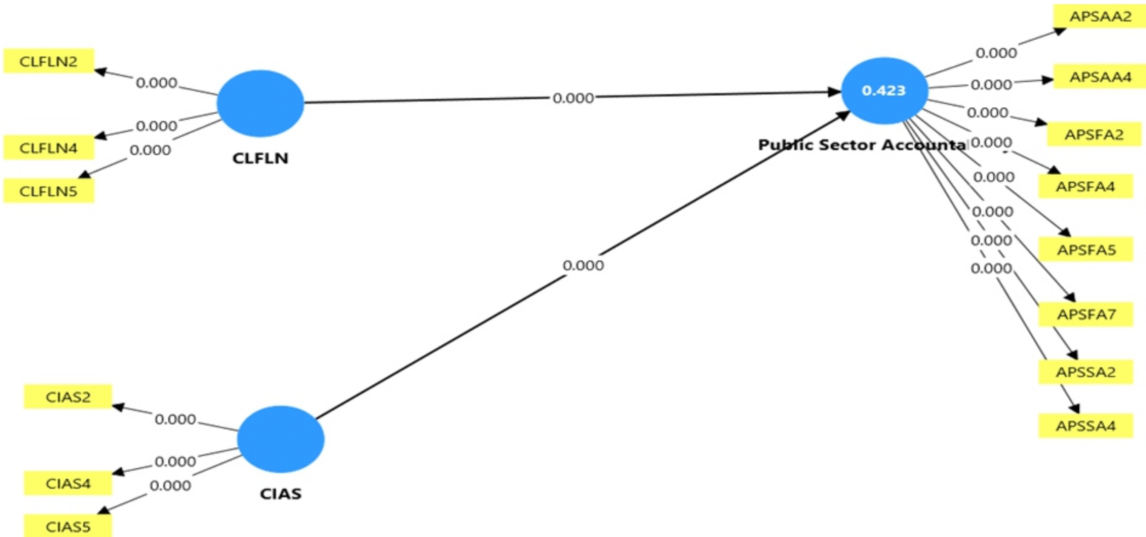
Table 4.5 presents the structural equation modelling (SEM) results assessing the impact of act based compliance dimensions (Compliance with Legal Framework/Norms (CLFN) and standard based compliance audit (Compliance with International Audit Standards (CIAS)) on overall Public Sector Accountability and its components: Financial, Social, and Administrative Accountability. CLFN emerges as the most influential predictor, with a strong and statistically significant effect on overall accountability (coefficient = 0.475, p = 0.000, f^2 = 0.269), and consistently robust impacts on Financial (0.453), Social (0.396), and Administrative Accountability (0.325). These findings highlight the central role of adherence to domestic legal frameworks and regulatory norms in strengthening public sector accountability in Nigeria.

In contrast, CIAS shows a moderate but still significant effect on overall accountability (coefficient = 0.252, p = 0.000, f^2 = 0.076), with its strongest influence observed in Financial (0.230) and Administrative Accountability (0.227), and a relatively weaker effect on Social Accountability (0.137, p = 0.048). This suggests that while international standards are important, their influence is less pronounced, particularly in social accountability contexts. Comparative analysis reveals that Financial Accountability is most responsive to both CLFN and CIAS, highlighting the importance of act based and standard based compliance audit in ensuring fiscal responsibility. The stronger effect size of CLFN reaffirms the primacy of local legal mechanisms in enhancing accountability across all dimensions.

The model demonstrates moderate explanatory power with an R^2 of 0.423 and an adjusted R^2 of 0.419, indicating that the legal compliance dimensions explain about 42% of the variation in public sector accountability. The model also exhibits substantial predictive relevance (Q^2 = 0.402). Figures 4.1 to 4.4

visually reinforce these findings by illustrating the varying degrees of impact each compliance dimension has on different aspects of public sector accountability, offering a comprehensive understanding of their relative importance in the Nigerian context.

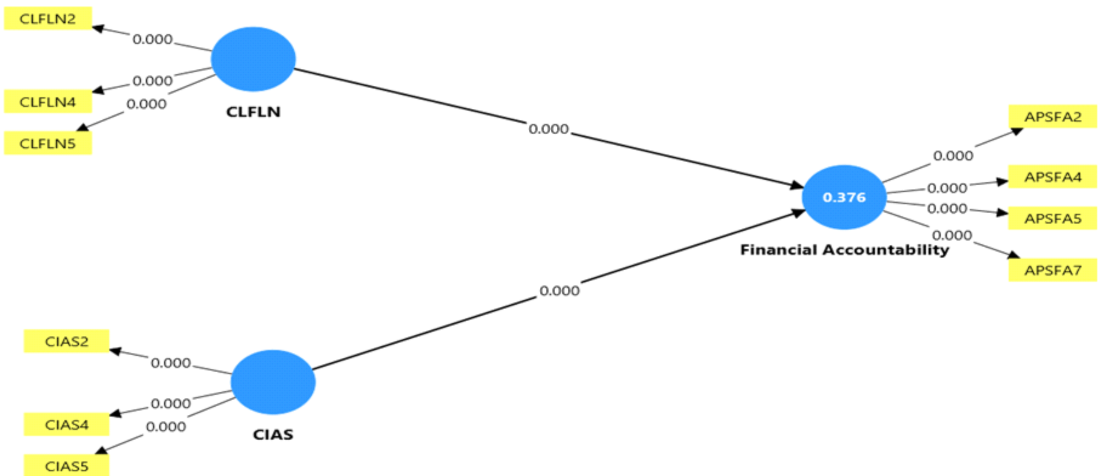
Figure 4.1: Visual Illustration of the Effect of Individual Legal Regulatory Compliance Audit Dimensions on Public Sector Accountability in Nigeria.



Author's Computation, (2025)

Figure 4.1 presents the structural model illustrating the effect of Act-based Compliance Audit (CLFLN) and Standard-based Compliance Audit (CIAS) on Public Sector Accountability (PSA) in Nigeria. The diagram shows that both CLFLN and CIAS have direct and positive paths to PSA, with significant contributions reflected in the statistical outputs. The coefficient (R^2 = 0.423) indicates that the two constructs jointly explain about 42% of the variance in public sector accountability, demonstrating substantial explanatory power.

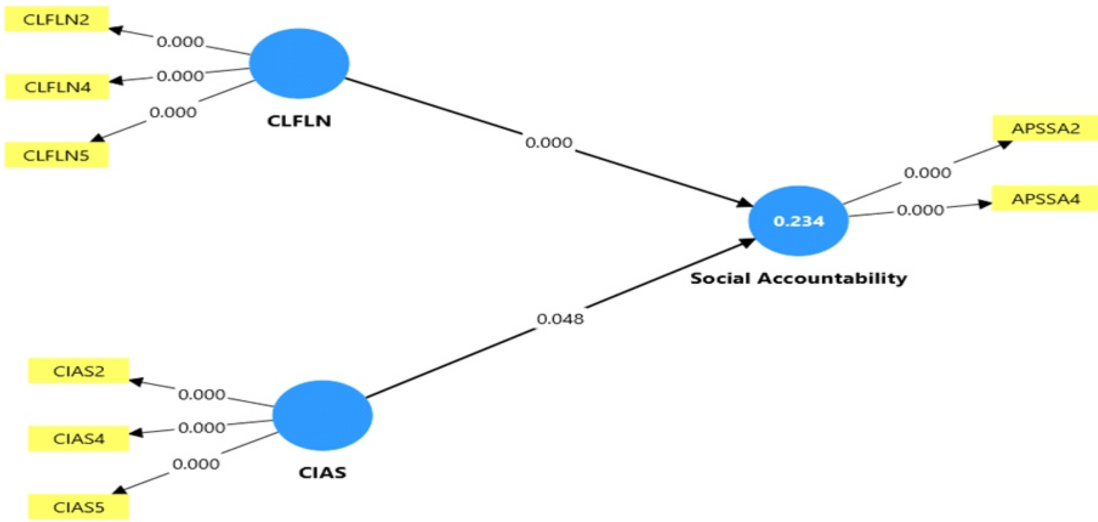
Figure 4.2: Visual Illustration of the Effect of Individual Legal Regulatory Compliance Audit Dimensions on Financial Accountability in Nigeria.



Author's Computation, (2025)

Figure 4.2 illustrates the effect of Act-based Compliance Audit (CLFLN) and Standard-based Compliance Audit (CIAS) on Financial Accountability (FA) in Nigeria. The results show that both compliance audit dimensions positively influence financial accountability, with CLFLN exerting a stronger effect than CIAS. This indicates that adherence to Nigeria's legal and regulatory audit frameworks is more critical for ensuring sound financial accountability than compliance with international audit standards. The coefficient (R^2 = 0.376) indicates that the two constructs jointly explain about 38% of the variance in financial accountability, demonstrating substantial explanatory power.

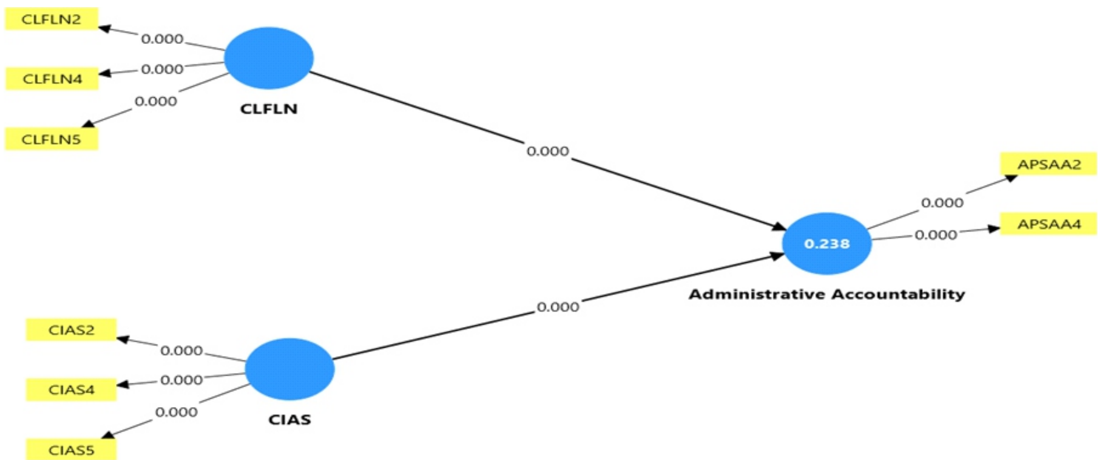
Figure 4.3: Visual Illustration of the Effect of Individual Legal Regulatory Compliance Audit Dimensions on Social Accountability in Nigeria.



Author's Computation, (2025)

Figure 4.3 illustrates the effect of Act-based Compliance Audit (CLFLN) and Standard-based Compliance Audit (CIAS) on Social Accountability (SA) in Nigeria. The results reveal that both compliance audit dimensions positively influence social accountability, with CLFLN exerting a stronger effect than CIAS. This suggests that adherence to Nigeria's legal and regulatory audit frameworks plays a more decisive role in strengthening social accountability compared to compliance with international audit standards. The coefficient (R^2 = 0.234) indicates that the two constructs jointly explain about 23% of the variance in social accountability, reflecting a moderate explanatory power.

Figure 4.4: Visual Illustration of the Effect of Individual Legal Regulatory Compliance Audit Dimensions on Administrative Accountability in Nigeria.



Author's Computation, (2025)

Figure 4.4 illustrates the effect of Act-based Compliance Audit (CLFLN) and Standard-based Compliance Audit (CIAS) on Administrative Accountability (AA) in Nigeria. The findings show that both compliance audit dimensions positively influence administrative accountability, with CLFLN exerting a stronger effect than CIAS. This highlights that compliance with Nigeria's legal and regulatory frameworks is more critical for promoting efficient administrative accountability compared to adherence to international audit standards. The coefficient (R^2 = 0.24) indicates that the two constructs jointly explain about 24% of the variance in administrative accountability, signifying substantial explanatory power.

4.4 Discussion of Findings

This study examined the effect of compliance audits on public sector accountability in Nigeria, providing both aggregate and disaggregated perspectives. The results from the composite model, which integrated Compliance with Legal Framework and Norms (CLFN) and Compliance with International Audit Standards (CIAS), indicate that both dimensions positively influence accountability. However, when analyzed independently, the legal compliance audit Compliance with Legal Framework and Norms (CLFN) demonstrated a significantly stronger effect. Specifically, CLFN emerged as the dominant predictor of accountability with a large effect size, outperforming CIAS. This finding suggests that adherence to Nigeria's legal and regulatory frameworks plays a more decisive role in enhancing accountability than compliance with international audit standards. Recent scholarship similarly highlights that context-specific legal and regulatory compliance frameworks exert a stronger influence on accountability outcomes in developing countries than externally imposed standards (Okafor & Olaoye, 2023; Ibrahim & Salihu, 2024).

This finding also aligns with Adewale and Olufemi (2023), who found that compliance with local legal frameworks led to improve financial reporting and reduced corruption in Nigerian federal institutions. Similarly, Chukwu and Adebayo (2023) reported that effective legal audits enhanced transparency in Nigerian local governments. The stronger influence of Compliance with Legal Framework and Norms (CLFN) reflects its contextual relevance, aligning with previous studies that demonstrate its impact on reducing corruption, enhancing transparency, and improving financial reporting in Nigeria. Comparable results were reported by Singh and Patel (2022), who found that stronger legal frameworks were associated with improved accountability in India's state-owned enterprises, underscoring the importance of context-specific applications. In contrast, while Compliance with International Audit Standards (CIAS) also shows a positive and significant effect, its comparatively weaker influence highlights the need to adapt international standards to local governance environments for greater effectiveness. This finding is consistent with Ahmed and Hassan (2023), who found that legal audits significantly enhanced accountability in Egypt's public sector.

From the perspective of Institutional Theory, these results suggest that public sector accountability in Nigeria is shaped by the interplay of coercive, normative, and mimetic pressures (DiMaggio & Powell, 1983). The dominance of Compliance with Legal Framework and Norms (CLFN) reflects the role of coercive isomorphism, where compliance with legally mandated frameworks is enforced by regulatory authorities and embedded within the Nigerian governance system. These coercive pressures make CLFN a more immediate and enforceable driver of accountability compared to Compliance with International Audit Standards (CIAS), which reflects normative and mimetic isomorphism. Thus, the findings reinforce the Institutional Theory argument that accountability outcomes are more strongly determined by coercive pressures (local laws and regulations) than by normative or mimetic pressures (international standards), particularly in developing country contexts where enforcement capacity is critical (Scott, 2014; Adegbite et al., 2025).

Across different accountability dimensions, CLFN and CIAS both showed their strongest effects on financial accountability, emphasizing the importance of legal compliance in ensuring fiscal responsibility and transparency. Their influence on administrative accountability was also substantial, while social accountability, although positively affected, demonstrated relatively weaker responsiveness, particularly to CIAS. This finding is consistent with Ogunleye and Fagbemi (2023), who reported that regular audits significantly improved financial management and accountability in Nigerian state ministries, highlighting the administrative benefits of legal compliance. Interpreted through the lens of Institutional Theory, these findings highlight how Nigeria's auditing practices are strongly shaped by coercive pressures (laws, regulations, anti-corruption mandates) and NORMS (professional standards and ethical norms), with international audit standards reflecting mime to adopt global best practices. The stronger performance of CLFN highlights the role of localized legal frameworks as key institutional forces that drive organizational conformity and accountability. By contrast, the relatively weaker impact of CIAS illustrates that global standards, while symbolically valuable for legitimacy, require contextual adaptation to achieve tangible outcomes. Moreover, the limited influence on social accountability suggests that while institutional mechanisms effectively enforce fiscal and administrative discipline, they may not fully address broader citizen engagement and ethical accountability dimensions.

5.0 Conclusion and Recommendations

This study examined the effects of compliance Audits on public sector accountability in Nigeria, focusing on financial, administrative, and social dimensions. The findings revealed that both CLFN and CIAS significantly enhance accountability, with CLFN exerting a stronger influence.

Based on the findings, this study concludes that compliance audits are crucial determinants of public sector accountability in Nigeria. The statistically significant coefficients of the compliance components affirm that such audits play a vital role in enhancing accountability outcomes. Notably, Act based compliance audit (Compliance with Legal Framework/Norms (CLFN)) demonstrated a stronger positive relationship with accountability than Standard based compliance audit (Compliance with International Audit Standards (CIAS)), emphasizing the critical importance of locally grounded legal frameworks. This suggests that while international standards offer useful benchmarks, their effectiveness depends on contextual adaptation to Nigeria's legal and institutional environment. The particularly strong influence of CLFN on administrative accountability further highlights its role in reinforcing internal governance and control mechanisms within public sector entities. The study recommends that:

i. Given the significant positive impact of compliance audits on public sector accountability, particularly the stronger influence of Compliance with Legal Framework/Norms (CLFN) compared to Compliance with International Audit Standards (CIAS), the Office of the Auditor-General for the Federation and state audit institutions should further prioritize the development, implementation, and strict enforcement of locally relevant audit frameworks. These frameworks should be tailored to reflect Nigeria's unique legal structures, governance challenges, and institutional realities to ensure greater effectiveness and relevance in promoting accountability
ii. While international audit standards offer valuable principles and benchmarks, their full effectiveness in Nigeria depends on proper contextualization. Regulatory bodies such as the Financial Reporting Council of Nigeria should develop comprehensive public sector auditing standards that integrate international best practices with local legal provisions. These harmonized guidelines would serve as a standardized reference for compliance audits across all tiers of government, ensuring consistency, legal alignment, and improved accountability outcomes throughout the public sector.

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