



**AUDITING SYSTEMS AND FINANCIAL INFRACTIONS AMONGST GOVERNMENT ENTITIES IN KWARA STATE**

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**Abstract**

*Financial infractions among government entities in Nigeria, such as embezzlement and misappropriation of public funds, have persisted largely due to ineffective auditing. This study aims to examine the impact of the auditing system on financial infractions by specifically assessing the impact of internal controls and financial audits on the prevention of financial infractions among government entities in Kwara State, Nigeria. The Primary data was collected from a population of 295 auditors across 76 MDAs in Kwara State. A descriptive survey research design was employed, involving 170 senior employees sampled from various MDAs in Kwara State through a random sampling technique. Data were collected through structured questionnaires and analyzed using Multiple Regression analysis. The findings revealed that internal controls have a positive impact on preventing financial infractions ( $\beta = 0.064$ ,  $t = 2.848$ ,  $p = 0.005$ ), while financial audits have a negative and insignificant impact ( $\beta = -0.028$ ,  $t = -0.306$ ,  $p = 0.760$ ). The study concluded that internal controls play a critical role in mitigating financial infractions within government entities in Kwara State, whereas financial audits appear to lack effectiveness in addressing these issues. The study recommended that the Kwara State Government entities enhance internal controls through regular assessments and training, and improve transparency in audit reporting to better mitigate financial infractions.*

**Keywords:** Audit systems, Internal controls, financial audits, financial infractions

**JEL Classification Codes:** M42, M41, M4

**INTRODUCTION**

Financial infractions represent a fundamental threat to the integrity, stability, and sustainable development of economies worldwide. These infractions are manifesting as misappropriation of public funds, fraud, bribery, embezzlement, and other forms of financial misconduct, undermining trust in public institutions, weakening governance systems, and impairing economic growth (Amin et al., 2024). Globally, institutions such as the International Monetary Fund (IMF) and the United Nations (UN) have continually emphasized the necessity of strong auditing frameworks and internal control mechanisms as vital tools for deterring financial infractions and reinforcing fiscal transparency (Wagner et al., 2023). Despite concerted efforts, the prevalence of financial misconduct continues to challenge both advanced and emerging economies, with particularly

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severe consequences in developing nations where oversight mechanisms are often under-resourced or weakly enforced (Nurgaliyeva et al., 2025).

In Africa, the scourge of financial infractions is deeply entrenched, exacerbating poverty and hampering efforts toward economic transformation. Financial infractions such as fraud, corruption, and money laundering have become systemic, obstructing effective public service delivery and eroding citizen trust in government institutions (Akonye et al., 2022). According to Yahaya (2022), these challenges persist despite the adoption of various anti-corruption frameworks and public financial management reforms. Meanwhile, the role of Supreme Audit Institutions (SAIs), including the Office of the Auditor General of the Federation in Nigeria, is increasingly recognized as crucial in ensuring fiscal accountability.

In North-Central Nigeria, Kwara State reflects the broader national challenges associated with financial governance. Despite its abundance of human and natural resources, the state continues to rank among the poorest in the country. This paradox of wealth amidst poverty is largely attributed to underdevelopment, institutional weaknesses, and pervasive financial mismanagement. Meanwhile, the most pressing concerns are persistent financial infractions within government entities, which may have significant hampered progress across key sectors vital to human and economic development in the State (Ijaiya & Ijaiya, 2023).

Government entities across Nigeria frequently experience financial infractions such as embezzlement, misappropriation, and fraud, despite regulatory measures. These infractions reflect a deep-rooted culture where public servants prioritize personal gain over public service (Olujobi & Yebisi, 2023). Reports by the Nigerian Extractive Industries Transparency Initiative (NEITI) and the Economic and Financial Crimes Commission (EFCC) reveal billions of dollars lost or recovered due to corruption and unremitted funds. Likewise, Kwara State mirrors these national issues. For instance, the Auditor-General's report highlighted corruption at the University of Ilorin amounting to over ₦1 billion (International Centre for Investigative Reporting (ICIR), 2024), while the Kwara State Internal Revenue Service (KW-IRS) reportedly failed to remit over ₦5 billion to the state treasury (Economic and Financial Crimes Commission, 2024). These acts severely impact state development, reducing service delivery and economic growth.

State government entities in Nigeria grapple with significant challenges in both internal controls and financial audits, each contributing to the persistence of financial infractions (Faisal et al., 2023). Internal control systems are often weak, poorly enforced, and riddled with gaps that allow for unauthorized transactions, non-compliance with financial regulations, and ineffective monitoring of public resources. These weaknesses create avenues for embezzlement, fraud, and other financial misconduct (Samuel et al., 2021; Moses et al., 2021).

On the other hand, financial audits are frequently undermined by limited auditor independence, insufficient technical capacity, outdated methodologies, and delayed audit processes (Handoyo & Bayunitri, 2021). These audit deficiencies prevent timely detection and correction of irregularities, thereby enabling the continuation of financial malpractices. Collectively, these issues compromise the integrity of public financial management, reduce accountability, and erode public confidence in government institutions (Mahurkar et al., 2023). Consequently, the lack of effective internal controls and audit systems in Nigeria, particularly in Kwara State has contributed to the

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perpetuation of financial misconduct, particularly in public procurement, revenue management, and budget implementation (Amin et al., 2024).

Despite the challenges identified above, a limited number of studies have addressed the audit system and the prevention of financial infractions (Abang & Nkiruka, 2020; Ezejiofor & Okolocha, 2020; Oladejo et al., 2021; Moses et al., 2021; Samuel et al., 2021; Samuel & Augustine, 2022; Omenyi & Emegwa, 2023; Salawu et al., 2023; Nwite et al., 2024), individually focusing mainly on internal audit and or internal control and their role in fraud prevention. However, these prior studies have not explored the impact of the financial auditing system on financial infraction prevention in Nigeria. This study seeks to fill this gap by investigating the effects of the auditing system on financial infractions among government entities in Kwara State, Nigeria. Specific objectives are: to

- i. To assess the impact of internal controls on financial infractions among government entities in Kwara State.
- ii. To evaluate the effectiveness of financial audits in preventing financial infractions among government entities in Kwara State.

## LITERATURE REVIEW

### Conceptual Review

#### Audit Systems

An audit system refers to a structured process designed to evaluate the accuracy, compliance, and reliability of an organization's financial records, internal controls, and operations (Abdulai et al., 2021). According to Abiodun (2020), it involves a systematic review of transactions and activities to ensure adherence to laws, regulations, and best practices. The audit system comprises key components such as planning, fieldwork, reporting, and follow-up (IkbaL et al., 2020), and includes various audit types: financial, operational, compliance, and IT audits (Ismail, 2022). In state government entities, audit systems are vital for promoting transparency, accountability, and efficiency in managing public resources (Cordery et al., 2023). They help detect fraud, misappropriation, and financial mismanagement (Kahyaoğlu et al., 2020). This study emphasizes the two key audit dimensions of audit system which include internal controls and financial audits. Internal controls are policies that ensure accurate reporting, efficiency, and safeguarding of assets. The COSO framework outlines five components: control environment, risk assessment, control activities, information and communication, and monitoring (Rashid, 2022). These controls enhance governance in public entities (OECD, 2022). Financial audits provide an independent assessment of financial statements, ensuring they fairly represent an entity's financial position and comply with regulations (Zdyrko et al., 2022; Mahurkar et al., 2023).

#### Financial Infraction

Financial infractions are violations of financial laws, regulations, or ethical standards, ranging from minor offenses to serious crimes like fraud, embezzlement, money laundering, and tax evasion (Karthek & Bala, 2023). These infractions, often committed by individuals, organizations, or government entities, can result in fines, imprisonment, reputational damage, and economic instability (Gotelaere & Paoli, 2022). In state governments, common infractions include mismanagement of funds, corruption, and financial fraud. To prevent such acts, strong internal controls, regular audits, and strict enforcement of financial regulations are essential (Shah, 2024).

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Majid, et al. (2023) opine that transparency and accountability remain critical aspects of financial infraction reduction.

### **Theoretical Review**

This study anchored two major theories: agency theory and stewardship theory. Agency theory was developed by Jensen and Meckling (1976), assumes the principal-agent relationship, where conflicts may arise due to agents acting in their own interests, often exacerbated by information asymmetry (Goshen & Squire, 2017). In government contexts, auditors serve as agents tasked with ensuring financial accuracy. However, conflicts may emerge from management pressure or the desire to maintain relationships (Yusran, 2023). Agency theory helps explain auditing failures in preventing financial infractions due to weak procedures, limited independence, and inadequate oversight. It is valuable for designing control mechanisms to reduce such conflicts (Partyka, 2022). However, it assumes agents are purely self-interested, overlooking ethical motivations and societal influences (Arthurs & Busenitz, 2003).

Stewardship theory, by contrast, sees agents as stewards who align with principals' interests. It posits that financial audits enhance accountability and transparency by fostering cooperation rather than controlling behavior (Donaldson & Davis, 1991). In government, audits reinforce ethical behavior, promote public trust, and serve as preventive tools against financial misconduct. Financial infractions like fraud violate the stewardship role by betraying the public trust (Ebimobowei & Binaebi, 2013). Regular audits help detect and address risks, supporting responsible financial management and credibility. (Hernandez, 2012). Overall, the audit process under stewardship theory builds integrity and reduces financial infractions.

### **Empirical Review**

#### **Internal Controls and Financial Infractions**

Numerous studies across both developed and developing countries consistently highlight the significance of internal controls in mitigating financial infractions, especially fraud. For instance, Efremova et al. (2023) in Russia and Rashid (2022) in Iraq revealed that strong internal control systems help prevent financial statement falsification and detect fraud in commercial entities. A related study conducted in Ukraine, using mixed-method and review approach, Lonto et al. (2023) and Sulistiyo et al. (2022) indicated that internal audit controls include audit independence, risk management, whistleblowing systems, and big data analytics enhance fraud prevention efforts.

In Indonesia, Nugraha and Bayunitri (2020), Fernandhytia and Muslichah (2020), and Setyaningsih (2020) found that internal control, individual morality, and quality of accounting information significantly reduce fraud risk in banking, startups, and SMEs. Similarly, Faisal et al. (2023) affirmed the negative relationship between morality/internal control and financial statement fraud, studies by Aye (2023), Musyoki (2023) showed strong associations between effective internal controls (especially monitoring, communication, and risk assessment) and fraud prevention in financial institutions in Kenya. Mwaringa (2020) and Mabelane et al. (2022) linked internal control elements to fraud mitigation and audit prediction accuracy in Kenyan and South African public institutions.

Several studies in Nigeria have examined the relationship between internal controls and financial infractions with mixed findings. Samuel et al. (2021), Moses et al. (2021), Samuel and Augustine

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(2022), Solomon, et al. (2023), and Fabiyi et al. (2025) revealed that internal control systems, organizational culture, and internal audit effectiveness play a critical role in preventing fraud in deposit money banks, public institutions and manufacturing firms. Omenyi and Emegwa (2023) showed that compliance with internal audit procedures is vital for financial accountability in public/private colleges.

### **Financial Audit and Financial Infractions**

Empirical findings demonstrate that when performed effectively, financial audits strengthen the detection and prevention of financial infractions. For instance, in England, Grosu et al. (2020) found that Key Audit Matters (KAM) in audit reports enhance the communicative value of audits, and financial audit quality ensures fraud management. Contrarily, in Europe, Bergman (2023) found that government audits may not immediately reduce procurement violations but can create modest long-term impacts.

A study by Faradiba et al. (2020) emphasized the need for clear audit standards during crises (e.g., COVID-19) to ensure transparency and prevent financial abuse. Similarly, Lari-Dashtbayaz et al. (2022) revealed that auditor opinions are significantly influenced by the presence of internal control weaknesses, particularly in fraudulent firms in Iran. Rahman et al. (2023) showed that accounting/financial experts on audit committees improve financial reporting quality and reduce earnings manipulation in Malaysia. Okute & Enah (2019) and Abang & Nkiruka (2020) investigated effects of audit systems on fraud controls in Nigeria. The study revealed that auditing reforms and practices (internal, forensic, external) significantly enhance fraud control in tertiary and public sectors in Nigeria. Ezejiofor & Okolocha (2020) showed that internal audit positively influences commercial bank performance and fraud prevention. A study by Oladejo et al. (2021) linked internal audit quality attributes to improved financial reporting quality and firm performance.

In summary, a review of the literature in Nigeria reveals a notable gap in research concerning the relationship between auditing systems and financial infractions. Although several studies (Okute & Enah, 2019; Abang & Nkiruka, 2020; Ezejiofor & Okolocha, 2020; Oladejo et al., 2021; Moses et al., 2021; Samuel et al., 2021; Ogwiji & Lasisi, 2022; Samuel & Augustine, 2022; Omenyi & Emegwa, 2023; Salawu et al., 2023; Solomon et al., 2023; Nwite et al., 2024) have explored related topics, they have largely focused on internal audit and control systems. Notably, these studies have overlooked the role of financial audits in preventing financial infractions and have predominantly addressed fraud prevention rather than broader financial infractions. This study addresses this gap by specifically examining how auditing systems, including both internal controls and financial audits, impact financial infractions among government entities in Kwara State, Nigeria.

## **METHODOLOGY**

This study employed a descriptive survey design to explore the relationship between internal control systems, financial audits and financial infractions. This study utilized a quantitative approach, and data were collected from 295 auditors across 76 MDAs in Kwara State, including 145 external auditors and 150 internal auditors. The inclusion of both groups provided a balanced view of auditing effectiveness. To ensure representation, three senior accounting officers and two auditing staff were selected per MDA, maintaining a 4:6 ratio. This method ensured diverse perspectives and minimized selection bias, offering valuable insights into the auditing systems and

financial oversight in government entities. The sample size of this study is 170 senior employees of MDAs. This sample size was computed using the Taro Yamane formula,  $n = N / (1 + N(e)^2)$ . Where: n = sample size N = population size e = margin of error (commonly used as 0.05 or 5%) By plugging in the values: N = 295 (given population) e = 0.05 (assuming a 5% margin of error) The formula becomes:  $n = 295 / (1 + 295(0.05)^2)$ , n = 169.78 Rounding up to the nearest whole number:  $n \approx 170$ . Therefore, using Taro Yamane's formula with a population of 295 and a 5% margin of error, the calculated sample size is 170.

This study used stratified random sampling, dividing the population into external and internal auditors to ensure adequate representation. Each subgroup was sampled independently to provide comprehensive insights into auditing systems and financial infractions in Kwara State. This method reduces variability within each group, resulting in more precise and reliable estimates than simple random sampling. By ensuring balanced representation, the technique supports a thorough and accurate analysis of the auditing processes across government entities. Table 3.1 presents a clear breakdown of the selected employees from each category, ensuring that the total sampled respondents add up to the total sample size of 170. This maintains the specified ratio between external auditors and internal auditors.

**Model Specification**

To test the hypotheses of this study, in line with agency theory, a model of Nwite, Uguru, Chukwu and Elom (2024) was adapted. Nwite, et al. (2024) examined the effect of internal control on fraud prevention in Ebonyi State Ministries Department and Agencies (MDAs). The model is stated as follows:

$$FP = f(IC) \dots \dots \dots (3.1)$$

Econometrically, it was stated as:

$$FP = \alpha_0 + \alpha_1 IC + \mu \dots \dots \dots (3.2)$$

Where: FP = Fraud Prevention as dependent variable, while IC= Internal Control as independent variables.  $\mu$  is the error term

For this study, the model is modified to suit the objectives of this study and extended to capture more variable components (financial auditing) of the auditing system adopted among government entities. The model is re-stated as:

$$FINF = \alpha_0 + \alpha_1 IC + \alpha_2 FAU + \mu \dots \dots \dots (3.3)$$

Where: FIN= Financial Infraction, IC= Internal Control, FAU= Financial Auditing.  $\mu$  is the error term

**Table 1: The Distribution of the Sample Size of 170 Audit Staff of MDAs**

Category	Selected Employees of MDAs	No of staff selected	Calculation
1	External Auditors of Officer of Auditor General Office	145	$145 \times 170/295 = 84$
2	Internal Auditors of Other MDAs	150	$150 \times 170/295 = 86$
	Total sampled respondents	295	Total = 170

Table 1 shows the sample included 84 external and 86 internal auditors, totaling 170 respondents. Data was collected using structured questionnaires on a five-point Likert scale. Quantitative analysis involved descriptive statistics and Multiple Regression Analysis to examine how financial auditing systems and internal controls influence financial infractions among government entities in Kwara State.

## RESULTS AND DISCUSSIONS

### Descriptive Statistics

Table 2 - 4 provides a comprehensive snapshot and summary of the central tendency, variability, and shape of the distribution for each auditing-related variable assessed.

**Table 2. Descriptive Statistics for Internal Controls**

Items	Items	Mean	Standard deviation	Excess kurtosis	Skewness
IC-1	Tone at the top	3.404	1.252	-0.924	-0.531
IC-2	Ethical standards and communications	3.494	1.228	-0.743	-0.468
IC-3	Laws, regulations, and policies	3.506	1.228	-0.723	-0.568
IC-4	Formal process for identifying and assessing risks	3.326	1.068	-0.454	-0.294
IC-5	Compliance, financial management,	3.247	1.104	-0.696	-0.304
IC-6	Program delivery,	3.326	1.412	-1.221	-0.429
IC-7	Cybersecurity and other operational areas effectively assessed and prioritized?	3.079	1.376	-1.243	-0.197
IC-8	policies and procedures for key financial transactions, such as revenue collection, etc.	3.315	1.488	-1.253	-0.474
IC-9	Segregation of Duties	3.169	1.201	-0.874	-0.292
IC-10	Prevent errors and fraud	3.348	1.608	-1.511	-0.372
IC-11	Authorization and approval processes	3.258	1.303	-1.043	-0.277
IC-12	Physical security measures	3.382	1.259	-1.039	-0.313
IC-13	capturing, processing, and communicating financial	3.382	1.370	-1.153	-0.402
IC-14	operational information in a timely and accurate manner	3.506	1.273	-1.040	-0.362

Source: Author's Computation (2024)

Table 2 presents data on internal control measures across 14 variables (IC-1 to IC-14), all rated on a 5-point scale where 1.000 represents the lowest possible score. Mean scores range from 3.079 to 3.506, indicating generally moderate to high levels of internal control reported across the variables. Standard deviations vary from 1.068 to 1.608, suggesting notable variability in responses around the means, with IC-10 exhibiting the highest dispersion and IC-4 the lowest. Excess kurtosis values range from -1.511 to -0.294, indicating varying degrees of distribution shape relative to a normal distribution, with several variables (IC-6, IC-7, IC-8, IC-10) showing notable negative kurtosis, signifying flatter distributions with heavier tails. Skewness values range from -0.568 to -0.197, indicating slight left skewness for most variables, with IC-7 showing the least skew and IC-6 the most.

**Table 3: Descriptive Statistics for Financial Auditing**

Variables	Items	Mean	Std. Dev.	Excess Kurtosis	Skewness
FAU-1	Reliability of Financial Data	4.101	0.794	4.354	-1.556
FAU-2	Communication with Stakeholders	4.022	0.834	1.776	-1.106
FAU-3	Sufficiency of Audit Evidence	3.899	0.750	2.207	-0.967
FAU-4	Management's Response to Audit Findings	4.247	0.754	3.065	-1.250
FAU-5	Quality of Working Papers	4.135	0.782	2.826	-1.249
FAU-6	Ethical Conduct in Auditing	4.090	0.869	2.559	-1.325
FAU-7	Reliability of Financial Data	4.270	0.699	0.027	-0.634
FAU-8	Communication with Stakeholders	3.910	0.882	0.295	-0.620
FAU-9	Sufficiency of Audit Evidence	4.000	0.734	0.330	-0.519
FAU-10	Management's Response to Audit Findings	4.146	0.801	4.462	-1.608

Source: Author's Computation (2024)

Table 3 presents statistical summaries for ten variables related to financial auditing (FAU-1 to FAU-10). The table includes the mean, standard deviation, excess kurtosis, and skewness for each variable. Across the variables, the mean scores range from 3.899 to 4.270, indicating a generally positive perception or assessment within the scale's range of 1 to 5. Standard deviations range from 0.699 to 0.882, suggesting moderate variability around the mean scores. Excess kurtosis values are notably high for several variables (ranging from 1.776 to 4.462), indicating some degree of peakedness and potentially heavy tails in the distributions. Skewness values, ranging from -1.608 to -0.519, suggest generally negative skewness for most variables, implying that while most responses tend towards higher scores, there are some instances of lower ratings.

**Table 4 Descriptive Statistics for Financial Infraction**

Variable s	Items	Mean	Std. Dev.	Excess Kurtosis	Skewness
FINF-1	Irregularities in budget execution	3.348	1.082	-0.622	-0.520
FINF-2	Misuse of public funds	3.910	0.729	1.979	-0.743
FINF-3	Fraudulent financial reporting	3.843	0.806	1.350	-0.882
FINF-4	Embezzlement:	3.764	0.948	1.627	-1.195
FINF-5	Bribery and corruption	3.697	0.879	1.605	-1.074
FINF-6	Non-compliance with financial regulations	3.843	0.748	0.698	-0.714
FINF-7	Unexplained wealth	3.820	0.829	0.075	-0.613
FINF-8	Conflict of interest	3.584	0.922	1.119	-0.997
FINF-9	Non-disclosure of financial information	3.876	0.832	2.342	-1.189

Source: Author's Computation (2024)

Table 4 summarizes nine financial infraction variables (FINF-1 to FINF-9), rated on a 5-point scale. Mean scores (3.348–3.910) suggest moderate infractions. Standard deviations (0.729–1.082) indicate varying dispersion, with FINF-2 lowest and FINF-1 highest. Most variables show negative kurtosis, but some (e.g., FINF-2, FINF-5) have heavier tails. Skewness ranges from -1.195 to -0.520, indicating slight to moderate left skew, especially in FINF-8 and FINF-9. Overall, infractions vary in magnitude, distribution, and shape.

### Assessment of Reliability and Collinearity

**Table 5 Reliability and Collinearity Assessment**

Constructs	Cronbach's alpha	Composite reliability	Tolerance	VIF
Internal Controls (IC)	0.966	0.874	.935	1.069
Financial Audits (FAU)	0.855	0.885	.267	3.739
Financial Infraction (FINF)	0.818	0.864		

Source: Author's Computation (2024)

Table 5 presents the reliability and collinearity assessment for the study constructs. Internal Controls (IC) exhibit excellent reliability with a Cronbach's alpha of 0.966 and composite reliability of 0.874, with low collinearity indicated by a tolerance of 0.935 and a Variance Inflation Factor (VIF) of 1.069. Financial Audits (FAU) show good reliability (Cronbach's alpha = 0.855, composite reliability = 0.885), but have higher collinearity with a tolerance of 0.267 and a VIF of 3.739. Financial Infraction (FINF) demonstrates acceptable reliability with a Cronbach's alpha of 0.818 and a composite reliability of 0.864 but lacks collinearity data.

### Regression Analysis

**Table 6 Coefficients Estimation**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.019	0.232		0.080	0.936
	Internal Controls (IC)	0.064	0.022	0.129	2.848	0.005
	Financial Audit (FAU)	-0.028	0.093	-0.026	-0.306	0.760
<b>a. Dependent Variable: Financial Infraction (FINF)</b>						

Source: Author's Computation (2024)

#### Restatement of Hypotheses

Ho<sub>1</sub>: There is no significant impact of internal controls on financial infractions among government entities in Kwara State.

The coefficient for Internal Controls is 0.064 with a standard error of 0.022, indicating that for every one-unit increase in internal controls (IC), there is a corresponding 0.064 increase in financial infractions (FINF). The standardized coefficient (Beta) of 0.129 suggests that IC contributes positively to financial infraction (FINF), though to a modest extent. The t-value of 2.848 is statistically significant (p = 0.005), indicating that higher levels of IC are associated with higher levels of financial infractions. The null hypothesis previously stated is thus rejected, and the alternative hypothesis is accepted. This result indicates that internal controls have a significant impact on financial infractions among government entities in Kwara State.

Ho<sub>2</sub>: Financial audits do not have significant effects on financial infractions prevention among government entities in Kwara State.

The second result pertains to the impact of financial audits (FAU) on financial infractions (FINF) among government entities in Kwara State. The unstandardized coefficient for FAU is -0.028 with a standard error of 0.093, and the standardized coefficient (Beta) is -0.026. The t-value is -0.306

with a significance level (p-value) of 0.760. These results indicate that the relationship between financial audits and financial infractions is not statistically significant, as the p-value is much greater than the conventional threshold of 0.05. The null hypothesis of this study fails to be rejected. The negative coefficient, while close to zero, suggests a minimal and statistically insignificant impact of financial audits on preventing financial infractions.

### **Discussion of Findings**

First, the study reveals that the internal control system has a positive significant effect on the prevention of financial infractions in government entities in Kwara State, implying that internal controls in Kwara State when properly structured and applied, are capable of reducing the occurrence of financial misconduct. This effectiveness can be attributed to several factors, including robust design, comprehensive implementation, and stringent enforcement of internal control measures such as control environment, control activities, risk assessment, information and communication and monitoring are essential for reducing financial irregularities and enhancing financial integrity within these entities. This finding aligns with the outcomes of previous studies, such as those by Ogwiji and Lasisi (2022), Sammuel and Augustine (2022), Solomon et al. (2023), Omenyi and Emegwa (2023), and Fabiyi et al. (2025), which reported significant positive impacts of internal controls on mitigating financial misconduct. The alignment with these studies suggests that well-designed, effectively implemented, and adequately enforced internal control systems can play a crucial role in deterring financial infractions. Agency theory, which posits that internal controls serve to reduce information asymmetry and align the interests of principals (government authorities) and agents (public officials), supports the theoretical relationship between compliance audits and financial infraction prevention. The positive impact of internal controls in this context underscores the importance of continuous training, sufficient resource allocation, and strict adherence to established protocols to maintain and enhance their preventive capabilities.

Second, the study's finding shows that financial auditing has an insignificant effect on the prevention of financial infractions in government entities in Kwara State presents a notable insight into the complexities of financial oversight within public institutions. This result aligns with the findings of Omenyi and Emegwa (2023), who also reported a minimal impact of financial audits on reducing financial misconduct and enhancing financial accountability in their study. This consistency suggests that in certain contexts, the expected role of financial audits as a deterrent to financial infractions may not be as effective as theorized. However, this finding contrasts with the outcomes of several other studies. For instance, Mwaringa (2020), Grosu et al. (2023), Abang and Nkiruka (2020), and Faradiba et al. (2020) all reported significant positive effects of financial audits on the prevention of financial infractions. These discrepancies highlight the potential influence of contextual factors, such as the effectiveness of audit processes, the regulatory environment, and the inherent challenges within specific regions or institutions. Theoretically, the agency theory supports the relationship between financial audits and the prevention of financial infractions.

According to agency theory, audits are a mechanism to reduce information asymmetry between principals (e.g., government authorities) and agents (e.g., public officials or employees), thereby mitigating the risk of opportunistic behavior and ensuring accountability. The presence of regular and rigorous financial audits should, in theory, deter financial misconduct by increasing the likelihood of detection and subsequent consequences. The findings of this study, therefore,

challenge the practical application of agency theory in the context of government entities in Kwara State. It raises questions about whether the current audit practices are adequately robust or if other factors, such as political interference, lack of enforcement, or limited auditor independence, diminish their effectiveness. Moreover, the insignificant effect of financial auditing on financial infraction prevention in this context might indicate the need for a multifaceted approach to financial governance. While audits are crucial, they must be complemented by strong internal controls, transparent reporting systems, and a culture of ethical behavior within the institutions.

### CONCLUSION AND RECOMMENDATIONS

The study concludes that the internal control system significantly affects the prevention of financial infractions in government entities in Kwara State. Well-designed and rigorously implemented internal controls, including control environment, activities, risk assessment, and monitoring, are effective in reducing financial misconduct. This highlights the importance of strong internal controls for improving financial governance and integrity within the public sector. In contrast, the study concludes that financial auditing has an insignificant effect on preventing financial infractions, suggesting that audits alone may not effectively deter financial misconduct. This points to the need for a multifaceted approach to financial governance, combining audits with robust internal controls and transparent reporting systems.

Based on the conclusions drawn from the study, the following recommendations are proposed: The Kwara State Government entities should further prioritize continuously improving their internal control systems. This includes regular assessments and updates to control frameworks, emphasizing the segregation of duties, and ensuring the effectiveness of control activities across all departments. Additionally, consistent training and awareness programs should be provided to employees to reinforce the importance of internal controls and compliance.

Additionally, to strengthen financial governance, government entities should focus on enhancing the clarity and transparency of audit reports. Audit findings should be communicated clearly, with actionable recommendations and timelines for addressing any identified issues. Audit committees and management must be actively involved in reviewing these reports and implementing the necessary corrective actions to improve oversight and governance. These recommendations aim to enhance financial governance in Kwara State's government entities, reduce financial infractions, and ensure that internal controls and auditing systems are effectively utilized to maintain the integrity of public sector operations.

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