



INSTITUTIONALIZING ACCOUNTABILITY: A STRUCTURAL EQUATION MODELLING OF THE IMPACT OF REGULATORY FRAMEWORKS ON FINANCIAL DISCIPLINE IN NIGERIA

**Abdul-Hakeem Shuaib¹, Abdulrasheed Taiwo Abdullahi², Salaudeen Ibrahim³, Muhammed
Basiru Mustapha⁴ & Yusuf Alabi Olumoh⁵**

Department of Accounting and Finance, Faculty of Management and Social Sciences, Kwara State
University, Malete, Nigeria

¹+2348106546400: shuaibhakeem@gmail.com orcid: 0000-0002-8430-9464¹,

²+2348023949506: abdulrasheed_t2000@yahoo.com

³+2348037017053: ibsaldeen@gmail.com

⁴+2348057323625: asagunna1000@gmail.com

⁵+2347032508205: olumoh.yusuf@gmail.com

Abstract

This study investigates the structural relationship between the Supreme Audit Institution (SAI) regulatory framework and financial accountability within the Nigerian public sector, specifically; it investigates the adequacy of current constitutional provisions governing the Office of the Auditor-General for the Federation (OAuGF) and examines how a lack of direct prosecutorial powers hinders effective financial accountability. Adopting a convergent parallel mixed-methods research design, data was gathered from both quantitative and qualitative populations. The quantitative sample comprised 237 senior field officers derived via Krejcie and Morgan tables, while the qualitative data was obtained from interview conducted on four purposively selected experts across academia, law, accounting, and the OAuGF. The quantitative data was analysed using descriptive statistics and Partial Least Squares-Structural Equation Modeling (PLS-SEM) while the qualitative data was analysed using thematic Noivo. Findings revealed that while formal constitutional provisions establishing the OAuGF exist ($M = 3.61$, $SD = 0.971$), the existing legal mechanisms are widely considered inadequate for enforcing robust financial accountability due to an obsolete colonial-era framework (Audit Ordinance of 1956). It also reveal that granting the SAI explicit powers to prosecute financial infractions directly would significantly strengthen financial accountability in the public sector ($M = 3.21$, $SD = 1.077$). Guided by Institutional Theory, the study recommends amongst others that the Executive immediately assent to the Federal Audit Bill, the National Assembly expand the legislative oversight mandates of the SAI, and constitutional amendments be instituted to formalize modern administrative structures.

Keywords: Supreme Audit Institution (SAI), Financial Accountability, OAuGF, Regulatory Framework, PLS-SEM, Prosecutorial Power.

INTRODUCTION

Public officers are agents of the state, statutorily mandated to act on its behalf in the delivery of essential services. The effective execution of this role requires a high level of transparency and accountability, as public funds are entrusted to these officers for the collective good. Consequently, the state is expected to establish robust monitoring mechanisms to ensure that these funds are used effectively and held in trust for the citizenry (Lassou, et al. 2019 & Oyedele, 2015). In the context of modern governance, the strength of these monitoring mechanisms is inextricably linked to the quality of the regulatory environment in which they operate.

Shuaib, *et al.*, (2025). Institutionalizing accountability: a structural equation modelling of the impact of regulatory frameworks on financial discipline in Nigeria. *Malete Journal of Accounting and Finance*, 6 (1), 354 – 369

However, many developing nations have struggled to realize these objectives. The failure of the public service to act as a catalyst for development is often attributed to a lack of financial accountability (Ogunbodede & Lawal, 2018). This deficiency carries significant socioeconomic risks, as a lack of transparency contributes to unethical behaviors that undermine the democratic process (Javed & Zhuquan, 2018; Yiannoulis, 2019). The global community, through organizations such as the United Nations, World Bank, and the International Organisation of Supreme Audit Institutions (INTOSAI), has intensified the campaign for strengthened Supreme Audit Institutions (SAIs) as a remedy for these fiscal pathologies.

In Nigeria, the SAI (represented by the Office of the Auditor-General for the Federation) is the primary watchdog of the nation's finances. Its efficacy, however, is not merely a function of its existence but is largely dependent on the "rules of the game" which is the regulatory framework. Saghal (1998) emphasized that strengthening the audit function is directly linked to greater accountability and improved fund management. For any SAI to provide value, it must be independent, objectively supported by a clear legal mandate, and shielded from executive interference (Bringselius, 2018). When the regulatory framework is obsolete or fragmented, as seen in many post-colonial African states, the audit process becomes a ceremonial exercise rather than a disciplinary tool.

Statement of the Problem

The persistence of financial infractions in the Nigerian public sector suggests that the SAI has faced significant impediments in discharging its statutory duties. A primary driver of this failure is the regulatory lacuna that governs public sector auditing. Current operations are largely guided by the 1999 Constitution and remnants of colonial-era legislation (Audit Ordinance f 1956), which do not align with contemporary international best practices. Specifically, the regulatory framework in Nigeria faces a lack of power of prosecution. While the Auditor-General can identify and report fraud, the office lacks the statutory power to prosecute offenders directly. This renders audit queries toothless and permits a culture of impunity within Ministries, Departments, and Agencies (MDAs). Furthermore, attempts to modernize this framework through the Federal Audit Service Bill have been met with legislative and executive delays, leaving the Office of the Auditor-General for the Federation (OAuGF) to operate under a mandate that has not been substantially updated to address modern digital and forensic complexities. The contradiction between the constitutional guarantee of independence (Section 85(6) of the 1999 CFRN) and the practical reality of executive control over the SAI's funding and administrative structure represents a significant theoretical and practical crisis in Nigerian public finance. Thus, this study seeks to investigate the extent to which regulatory frameworks influence financial discipline in Nigeria and to assess their role in institutionalizing accountability through the application of Structural Equation Modeling (SEM).

LITERATURE REVIEW

Conceptual Review

Financial Accountability

This refers to tracking and reporting on allocation, disbursement, and utilization of financial resources (Brinkerhoff, 2003); the money trail helps to determine who is doing what to whom, when, and how (Okewole, et al, 2016 & Hellowell & O'Hanlon, 2018). According to Adeyemi et al. (2012), financial accountability is the establishment of the pattern of control over the receipts and

Shuaib, *et al.*, (2025). Institutionalizing accountability: a structural equation modelling of the impact of regulatory frameworks on financial discipline in Nigeria. *Malete Journal of Accounting and Finance*, 6 (1), 354 – 369

expenditures that permits a determination either by the executive or by the legislature (or both) that public monies have been used for public purposes. It is concerned with the establishment of a pattern of control over the receipt and expenditure of public funds. Thus, it is the justification of estimates, the superintendence of the use of appropriated funds, the devices for timing the rate of expenditure, and the auditing of accounts

Financial accountability implies an obligation on the part of the person(s) handling resources or holding public office or any other position of trust, to report on the intended and actual use of the resources (Rondinelli & Cheema, 2003). There is an obligation on the part of any public office that is entrusted with financial resources or any other position of trust, to report on the intended and actual use of the resources or of the designated office (Onuorah & Appah, 2012). A paper published by the World Bank (2001) claims that SAIs are useful in managing public spending, ensuring financial accountability, and strengthening public institutions. In the public sector, accountability is linked to the processes that obligate public officials and institutions to explain, justify, rectify and accept the consequences of their actions and decisions taken in their capacity as public trustees (Rehman & Batool, 2013).

The concept of accountability in the public sector, according to Akinbuli (2013) involves two stages: answerability and enforceability. Answerability refers to the obligation of the government, its agencies, and public officials to provide information about their decisions and actions and to justify them to the public and those institutions of accountability tasked with providing oversight. Enforcement on the other hand suggests that the public or the institution responsible for accountability can sanction the offending party or remedy the contravening behavior. As such, different institutions of accountability might be responsible for either or both of these stages (Akinbuli, 2013).

Supreme Audit Institutions (SAIs)

A Supreme Audit Institution (SAI) is the highest public sector auditing body in a country, tasked with overseeing the management of public funds. SAIs' mandates and internal organizations vary significantly from country to country, hence, to understand public sector audit, it is important to look at the different types and characteristics of SAI audit models or systems used across the globe in terms of their effectiveness in enhancing public finance management. There are three SAI audit models namely the Westminster model; the Board model and the Judicial model which are briefly discussed below (TIZ, 2020).

Under the Westminster Model, the work of the Auditor General using the is directly linked to the system of parliamentary accountability. The legislature authorizes expenditure and revenue through the budgetary system and Government departments spend and produce annual accounts while the Auditor General audits the implementation of the authorized expenditure. The Auditor General can either undertake a financial audit to test the accuracy of the financial records and the reliability of the systems underlying them and examines whether the accounts are in agreement with the records and thus fairly represent the transactions or a Compliance audit to ensure that expenditure is in accordance with the intention of the legislature, has been authorized by the Ministry of Finance, and complies with the provisions of the relevant statute, regulations or other rules and reports back to the legislature. (Westphalen, 2014; Ogbaisi & Asenuga, 2018) this may be the reason why the OAuGF cannot enforce punitive measures on financial infringements.

Shuaib, *et al.*, (2025). Institutionalizing accountability: a structural equation modelling of the impact of regulatory frameworks on financial discipline in Nigeria. *Malete Journal of Accounting and Finance*, 6 (1), 354 – 369

Nigeria adopts the Westminster Model which is commonly referred to as the Anglo-Saxon or parliamentary model. The Audit Office is headed by the Auditor General who does not hold punitive power. These SAIs are mandated to audit the public administration and to issue recommendations for improvements. Hence, Westminster SAIs tends to privilege audits of performance over audits of compliance (Santiso, 2015) and adopt the role of consultants of the public administration or independent think tanks that measure the costs and benefits of public policies (Chene, 2018). This role is performed by the Office of the Auditor-General for the Federation (OAuGF) in Nigeria.

Legal Framework

The Regulatory Framework refers to the totality of constitutional provisions, statutes, and professional standards that define the SAI's mandate, scope of work, and degree of independence. The foundation for the SAI's existence needs to be recognized in the State's legal framework. This legal status thus should emphasize the institutional basis for the SAI's operations to support the understanding of how the SAI performs as an organization. Therefore, the establishment, roles, powers, and operational modes of SAI should be entrenched and guaranteed in the country's supreme law to ensure the appropriate sustainability and authority of the organization (INTOSAI-P1, 2019). More particular, for any SAI to be effective, its regulatory framework must align with the Lima Declaration of Guidelines on Auditing Precepts (1977) and Mexico Declarations which emphasizes that audit institutions can only fulfill their tasks if they are independent of the audited entity and protected against outside influence. . Both the legislative framework and SAI's practices ought to reflect them (SAI.PMF 2016; INTOSAI-P1; & P 10, 2019).

In the Nigerian context, the framework is anchored in Sections 83–85 of the 1999 Constitution (as amended) and the Audit Ordinance Act of 1956. However, the 1956 Act is widely criticized as being obsolete, predating modern financial complexities and the digital tools now used in Public Financial Management (PFM). The establishment of the OAuGF, the appointment, removal, powers, roles, functions tenure of office of the Auditor General for the Federation (AuGF) are entrenched in Sections 83 – 85 of the Constitution of the Federal Republic of Nigeria, (CFRN) 1999; the Audit Ordinance No. 28, 1956 (provided for the audit and accountability for the public funds by the government in Nigeria). Further more, the CFRN, (1999) in Section 83 (2-5) of the Constitution empowers the auditor-general or other person authorized by him to undertake audits of all income and expenditure of the Federal Government of Nigeria, however, S 83(3) of the Constitution prohibits the Auditor-General from auditing or appointing auditors to audit the accounts of; “government statutory corporations, commissions, authorities, agencies, including all persons and bodies established by an Act of the National Assembly “(S 83(3)). As a result, the Office of the Auditor-General for the Federation cannot audit the financial statements of these parastatals, although it can undertake periodic checks on such state-owned entities. The meaning of periodic checks in the context of the Constitution has not been properly defined.

Theoretical Framework

The Institutional Theory (IT)

Institutional Theory (Meyer & Rowan, 1977) suggests that organizations adopt structures and practices not necessarily for efficiency, but to gain legitimacy. In many developing nations, SAIs are established to meet international standards (Isomorphism) but are separated from actual power. In

Shuaib, *et al.*, (2025). Institutionalizing accountability: a structural equation modelling of the impact of regulatory frameworks on financial discipline in Nigeria. *Malete Journal of Accounting and Finance*, 6 (1), 354 – 369

Nigeria: While the OAuGF exists on paper to satisfy international transparency requirements, the lack of an updated Audit Act prevents it from exercising real authority, creating a symbolic rather than a functional institution. According to institutional theory, organizations care about legitimacy in order to defend their existence and the actions they take. This theory contends that organizations adopt high social value structures and practices in response to external changes in expectations and formal rules. This theory helps to explain why organizations tend to be similar by explaining how organizations respond to pressures from their institutional environments (Polsby, 1968; Ragsdale & Theis, 1998). Arising from the above, six dimensions from which institutional structure can be judged as suggested by Huntington (1965; 1968) which are autonomy, adaptability, complexity, and coherence and Goetz and Peters, (1999)'s Congruence and Exclusivity. SAI can be recognized as an institution upon which these dimensions can be applied for it to be effective and efficient in the discharge of its roles.

Empirical review

In developed economies, the SAI is often viewed not just as a watchdog, but as a catalyst for public management reform. The literature suggests that while regulatory frameworks are robust, the impact is often conceptual rather than purely instrumental. The regulatory framework governing Supreme Audit Institutions (SAIs) has evolved from mere financial oversight to a sophisticated mechanism for enhancing public trust and governmental performance. Lassou and Hopper (2019) examined the modernization of audit frameworks in Western contexts, arguing that the integration of real-time data analytics—often referred to as 'Continuous Auditing'—serves as a technical mediator that enhances the speed of accountability. They found that in countries with high digital literacy, the regulatory framework's impact on fiscal discipline is significantly higher due to reduced detection lag. Pierre and Licht (2019) explored the "autonomy-impact" trade-off in Australia, New Zealand, Norway, and Sweden. Their study suggests that SAIs manage autonomy through distinct strategies, meaning there is no singular "optimal" regulatory design. However, Cordey and Hay (2021) warn of Isomorphic Pressures, where SAIs adopts standard international models to gain legitimacy, potentially ignoring country-specific political-legal influences.

In developing contexts, the challenge is rarely the absence of a regulatory framework, but rather the isomorphic mimicry where institutions look like their developed counterparts but lack the functional teeth to enforce fiscal discipline. The research highlights a stark divergence between the *De Jure* (legal) and *De Facto* (actual) independence of SAIs. Wangrakanda and Ganyam (2019) emphasize that in developing economies, the lack of horizontal accountability; that is where other institutions like the judiciary fail to act on SAI reports renders the regulatory framework a toothless bulldog. Assakaf, et al (2020) conducted an empirical investigation into the role of SAIs in the Middle East and North Africa (MENA) region. Their study used SEM to demonstrate that Institutional Strength and External Political Support are significant predictors of an SAI's ability to deter corruption. They argued that a regulatory framework is only effective when it has the Sanctioning Power; this is the legal authority to enforce consequences on audit findings.

The Nigerian perspective is characterized by a historical regulatory lag and a profound lack of political will. The primary regulatory framework which includes the Constitution of the Federal Republic of Nigeria, 1999 as amended (CFRN,1999), the Audit Act of 1956, have been widely criticized as obsolete. The Nigerian SAI (OAuGF) is governed by Section 85 of the 1999 Constitution.

Shuaib, *et al.*, (2025). Institutionalizing accountability: a structural equation modelling of the impact of regulatory frameworks on financial discipline in Nigeria. *Malete Journal of Accounting and Finance*, 6 (1), 354 – 369

Okwoli and Okorie (2020) identified that Regulatory Framework and Political Will are the strongest latent variables influencing Financial Accountability in Nigeria. This was corroborated by Ebimobowei and Aladago (2020) and both studies agreed that without a change in the institutional design, that is, that until Nigeria adopts a Supreme Audit Institution Bill that provides for the administrative and financial autonomy of the Auditor-General's office and, allows for the automatic sanctioning of audit queries, financial accountability will remain an elusive goal. This study emphasizes that Enforcement Power is a missing latent variable in the Nigerian accountability equation. Akhidime (2021) evaluated the effectiveness of the Nigerian Audit Ordinance and the subsequent regulatory reforms. The study found that despite numerous anti-corruption agencies (EFCC, ICPC), the primary SAI remains sidelined due to outdated laws (the 1956 Audit Act in some jurisdictions) and a lack of judicial powers to enforce sanctions on erring officials. This confirms the need for a structural shift from mere reporting to enforcement. At the regional level, the SAIs of South Africa and Ghana have moved toward Audit Service Acts that provide greater prosecutorial support, resulting in higher levels of financial compliance compared to Nigeria.

METHODOLOGY

The study adopts convergent parallel mixed method where questionnaire and interview survey research methods was used to collect data. The primary data was sourced from both well planned and structured questionnaire as well as semi-structured interviews which availed the researcher the opportunity of a face-to-face interaction with the targeted respondents to collect detailed information about their perceptions, candid opinion and share experiences on the subject matter. The data obtained was therefore used to test the hypotheses and provide answers to the research questions. The study population is divided into two; the quantitative and qualitative population. The quantitative population comprises of 740 respondents comprising of Senior Staff who are field officers on Grade Levels 8 to 17 while the population for the qualitative population is four drawn from academia, law, professional accountant and OAuGF .

The sample size of two hundred and fifty-three (253) was derived from a quantitative population of seven hundred and forty (740) using Krejcie and Morgan (1970) sample size table. While all the qualitative population of 4 was adopted as the qualitative sample size. Structured questionnaires were administered to both groups. The instrument included closed-ended and Likert-scale items measuring the legal framework of SAI, Adequacy of the legal framework, powers to prosecute and financial accountability. The structured format enabled consistent and analyzable responses (Kumar, 2022).

Prior to testing the hypotheses, the nature of the data distribution for each construct was confirmed by conducting a diagnostic preliminary test of normality (skewness statistics and kurtosis statistics), linearity and multi-collinearity (correlation matrix, tolerance value, variance inflation factor) to fulfil the basic underlying assumptions of the regression analysis (Creswell & Poth, 2018; Bryman, 2016). Descriptive statistics (frequencies, means and standard deviation) were used for initial analysis, while Partial Least Squares Structural Equation Modeling (PLS-SEM) via SmartPLS4 served for inferential analysis. PLS-SEM enabled modeling of complex relationships among latent variables and interactions (Field, 2018).

Shuaib, *et al.*, (2025). Institutionalizing accountability: a structural equation modelling of the impact of regulatory frameworks on financial discipline in Nigeria. *Malete Journal of Accounting and Finance*, 6 (1), 354 – 369

Model Specification

The model for the study is as stated

$$FAC = f(LFW) \dots\dots\dots (i)$$

$$LFW = f(PTP, ALP) \dots\dots\dots (ii)$$

Where:

LFW = Legal Framework

Therefore,

$$FAC = f(PTP, ALP) \dots\dots\dots (iii)$$

The above can therefore be restated in equation form thus:

$$FAC = \beta_0 + \beta_1 PTP_i + \beta_2 ALP_i + \varepsilon_i \dots\dots\dots (iv)$$

Where:

FAC = Financial Accountability

PTP = Power to Prosecute

ALP = Adequacy of Legal Provisions

ε = error term of the model

β_0 = The intercept of equation.

$\beta_1 \dots \beta_2$ = Coefficients for independent variables

RESULTS AND DISCUSSIONS

Descriptive Statistics

The descriptive statistics of the variables, are as presented in Table 1 and Table 2, shows the mean, median values and standard deviation of the study constructs and their respective items

Table 1 OAUGF Legal Framework

Items	Description	Mean	Std. Dev.
LWF1	Constitutional provisions and/or enabling legislation exists which specifically address the establishment, status, mandate and powers of the Auditor General, as opposed to establishment by Executive action	3.61	0.971
LWF2	There is a no statutory provision for the post of Deputy Auditor General by the constitution.	3.06	1.066
LWF3	There is separate audit legislation to ensure that Parliamentary debate is focused on the Auditor General’s role, functions and independence rather than being diluted by broader debate on wider financial legislation	3.37	1.012
LWF4	There is interference in the Auditor General's role by a Parliamentary Committee to ensure that the role is seen to be accountable to the Parliament	3.60	0.989
LWF5	The Auditor General does not have the power to prosecute officials on financial infractions observed by him in the course of carrying out his audit assignments	3.37	1.011
LWF6	There legal provisions as contained in the constitution is not adequate enough to ensure financial accountability	3.32	1.021

Shuaib, *et al.*, (2025). Institutionalizing accountability: a structural equation modelling of the impact of regulatory frameworks on financial discipline in Nigeria. *Malete Journal of Accounting and Finance*, 6 (1), 354 – 369

LWF7	There is the need to amend the existing Audit Act and the Constitution to make the OAuGF more effective and efficient to meet international best practice	3.05	1.079
------	---	------	-------

Source: Author's Field Survey (2025)

As shown in Table 1, the means and standard deviation showed seven items reflecting OAuGF Legal Framework. All items found had above average mean score levels. Item LWF1 with the description of “Constitutional provisions and/or enabling legislation exists which specifically address the establishment, status, mandate and powers of the Auditor General, as opposed to establishment by Executive action” has the highest mean score (M = 3.61; SD = 0.971), while LWF7 has the lowest mean score (M = 3.05; SD = 1.079). This result shows that “Constitutional provisions and/or enabling legislation exists which specifically address the establishment, status, mandate and powers of the Auditor General, as the main characteristics of OAuGF legal framework. This suggests that, as opposed to establishment by executive action, the majority of respondents believe that the Constitution and/or enabling laws clearly address the establishment, status, mandate, and powers of the Auditor General.

Descriptive Statistics for Accountability

Table 2 Accountability Overview

Items	Description	Mean	Std. Deviation
AOV1	Accountability means being answerable to your actions	3.17	1.075
AOV2	Accountability connotes independence	3.17	1.077
AOV3	SAI has assisted in entrenching accountability in Nigerian public sector in the discharge of its constitutional role	3.16	1.163
AOV4	Misappropriation of public fund has a negative effect in public service accountability	3.02	1.075
AOV5	Financial accountability, if properly done could improve or increase service delivery in the public service	3.18	1.079
AOV6	Accountability depicts increase in credibility level in the Nigerian public service activities	3.16	1.163
AOV7	Lack of accountability can result to fraud in public sector	3.16	1.163
AOV8	SAI having power to prosecute will increase / strengthen financial accountability in Nigerian public sector	3.21	1.077

Source: Author's Field Survey (2025)

As shown in Table 2, the means and standard deviation showed eight items reflecting accountability overview. All items found had above average mean score levels. Item AOV8 with the description of SAI having power to prosecute will increase / strengthen financial accountability in Nigerian public sector has the highest mean score (M = 3.21; SD = 1.078), while AOV4 has the lowest mean score (M = 3.02; SD = 1.075). This result implies that majority of the respondents agree that if SAI has the power to prosecute, it will increase and strengthen financial accountability in Nigerian public sector.

Shuaib, *et al.*, (2025). Institutionalizing accountability: a structural equation modelling of the impact of regulatory frameworks on financial discipline in Nigeria. *Malete Journal of Accounting and Finance*, 6 (1), 354 – 369

Normality Test

Table 3 Test of Normality

Variables	N	Skewness	Kurtosis
Financial Accountability	237	-0.291	-0.866
OAuGF Legal Framework	237	-0.447	-0.039

Source: Author's Field Survey (2025)

The normality test was conducted using Skewness and Kurtosis statistics to determine whether the data for the study are normally distributed. As shown in Table 3, all research variables fall within this range. This indicates that the data approximate a normal distribution, which satisfies the assumption required for many parametric tests. Consequently, the findings in Table 3 support the conclusion that the dataset is fairly normally distributed, validating the use of inferential statistical methods for further analysis. All Skewness and Kurtosis values for each research variable, as shown in Table 3, are within Kline's (1998) recommended range of -3 to +3. In many parametric statistics, the scores on each variable are assumed to be normally distributed (i.e., follow the shape of the normal curve).

Common Method Bias (CMB)

Table 4 Full Collinearity Test

Variables	Tolerance (1 - R ²)	VIF	Interpretation
LFW	1.603	0.624	No collinearity issue
FAC	2.874	0.348	No collinearity issue

Source: Author's Field Survey (2025)

This study applied the full collinearity test to investigate CMB, as suggested by Kock (2017). All variables are regressed against a common factor to check for possible collinearity issues in the Full Collinearity Test. The result, as shown in Table 4, showed that all variables' VIF values were below the 3.30 threshold as suggested by Kock (2017). Therefore, based on the result, CMB is not an issue for this study's data.

Assessment of the Measurement Model

This study assessed the measurement model to determine the validity and reliability of the measurement items using indicator reliability, Composite Reliability (CR), Convergent Validity (AVE), and discriminant validity. The internal composite reliability, convergent validity, and discriminant validity of each individual constructs for Legal Framework and Financial Accountability were evaluated. **Table 5 Summary of the Construct Loadings, Convergent Validity and Reliability**

Constructs	Items	Loadings	CA	CR	AVE
Financial Accountability	AOV1	0.901	0.885	0.929	0.813
	AOV2	0.911			
	AOV3	0.893			
	AOV4	0.876			
	AOV5	0.923			
	AOV6	0.897			
	AOV7	0.856			

	AOV8	0.907			
OAuGF Legal Framework	LWF1	0.886	0.845	0.901	0.699
	LWF2	0.825			
	LWF3	0.723			
	LWF4	0.767			
	LWF5	0.772			
	LWF6	0.801			
	LWF7	0.742			

Source: Author's Field Survey (2025)

Table 5 shows the item loadings, internal composite reliability, and convergent validity results. According to Hair et al. (2016), item indicators outer loadings should not be less than 0.708 threshold value. All indicators loaded above 0.708. Similar to Cronbach's Alpha, the Composite Reliability (CR) test evaluates the consistency of the measurement items, and this method is better appropriate for PLS-SEM (Hair et al., 2016). The CR of each construct is more than 0.7. As a result, CR is considered to be satisfactory. The Average Variance Extracted (AVE) computed from the SmartPLS 3.3.0 algorithm, as suggested by Hair et al.(2017) was employed to determine the convergent validity of this study. Hair et al. (2017) stated that an AVE value of 0.5 and higher should be attained in order to show that the latent variable explains more than half of the variance of its indicator. Table 5 shows that all of the constructs' AVE values are above the 0.5 minimum cut-off point for this study.

Structural Model

Path Coefficients Results

The conceptual model of the study is established upon the investigation of the legal framework of Supreme Audit Institutions' influence on financial accountability in Nigerian public sector

Table 6 Hypothesis Testing

		β	Std Error	T-Value	P Values	Confidence Interval	
						5.00%	95.00%
H ₀ 1	LFW -> AOV	0.077	0.037	1.919	0.019	0.013	0.138

Source: Author's Field Survey (2025)

Table 6 showed that Legal framework of the OAuGF also influences accountability positively and significantly (H₀1: $\beta = 0.077$, $t = 1.919$, $p < 0.05$).

Coefficient of Determination

The R squared values of the endogenous constructs were examined in order to estimate the coefficient of determination. The outcome of this study was evaluated based on the classification of R² values by Hair et al. (2017); 0.75 = Substantial, 0.50 = Moderate, and 0.25 = Weak.. The results are displayed in Table 7 below.

Table 4.7 Coefficient of Determination

Endogenous Variable	R Squared Value	Decision
Financial Accountability in the Public Service (FAC)	0.570	Moderate

Source: Author's Field Survey (2025)

As shown in Table 7, the coefficient of determination shows that legal framework of SAI explains 57% of the total variance for accountability in the public service. This implies that the Supreme Audit

Shuaib, *et al.*, (2025). Institutionalizing accountability: a structural equation modelling of the impact of regulatory frameworks on financial discipline in Nigeria. *Malete Journal of Accounting and Finance*, 6 (1), 354 – 369

Institutions can explain a moderate part of Accountability in the public service. Therefore, the relationship between Supreme Audit Institutions and Accountability is moderate based on this study.

Assessment of Effect Sizes (f^2)

The effect sizes of the endogenous constructs were examined against the exogenous constructs based on the parameter of Cohen (1998). The parameter states that f^2 of 0.35 = Large, 0.15 = Medium, and 0.02 = Small. The results are presented in Table 4.8

Table 8 Result of the Effect Size (F^2)

Exogenous Variables	F^2 Values on the Endogenous Variables	Implication
LFW	0.106	Medium

Source: Author's Field Survey (2025)

Table 8, shows that SAI legal framework has a medium effect sizes on Financial Accountability in Nigerian Public Sector. This implies that SAI legal Framework contributes meaningfully to explaining financial accountability in Nigeria public sector.

Assessment of Predictive Relevance (Q^2)

Table 9 Summary of the Predictive Relevance (Q^2)

Endogenous Construct	SSO	SSE	Q^2 (=1-SSE/SSO)
AOV	1107	611.803	0.447

Source: Author's Computation, 2025

Table 9 shows that Financial Accountability (FAC) showed a Q^2 value of 0.447, indicating strong predictive relevance. This value, derived using the blindfolding technique, aligns with the large threshold benchmark, confirming that the model reliably predicts financial accountability by the SAI legal framework.

Qualitative Results and Analysis

The study engaged four purposively selected experts representing Academia, Professional Practice, the Office of the Auditor-General for the Federation (OAuGF), and the Legal profession. Using Nvivo 12 for thematic analysis, the study identified nine core themes. The respondents' high level of experience (ranging from 9 to over 30 years) lends significant credibility to the findings. The study conducted in-depth interviews with 4 respondents involved in audit process and practices, legal framework and accountability randomly selected from the Professional Accountant in practice, legal practitioner, Academia and a staff of Auditor general for the federation. The demographic information of respondents is represented in Table 4.10.

Table 10 Respondents' Background Information

		RESPONDENT 1	RESPONDENT 2	RESPONDENT 3	RESPONDENT 4
1	Place of work / Organisation	Academia	Professional Accountant	OAugF	Justice
2	Designation	Lecturer	Principal Partner	staff (Retired in 2021)	Principal Partner

Shuaib, *et al.*, (2025). Institutionalizing accountability: a structural equation modelling of the impact of regulatory frameworks on financial discipline in Nigeria. *Malete Journal of Accounting and Finance*, 6 (1), 354 – 369

3	Qualification	BSc, MSc, PhD, ACA, ACTI, ACIS	BSc, FCA	BSc, CNA	BL, LLB, SAN
4	Experience	Over 9 years	Over 15 years	Over 30 years	Over 30 years
5	Specialization	Lecturing	Statutory & forensic Audit	Statutory Audit	Law

Source: Author’s Compilation (2025)

Theme Two

The second theme evaluated the view of the respondents on the adequacy or otherwise of the SAI regulatory framework in Nigeria. The interviewees responded thus:

“the current regulatory framework has been considered inadequate as it harbors loopholes of varying degrees which allows for leakages, infractions and corruptible practices. Attempts have been made to produce a new Audit Bill to cater for these inadequacies but the Bill is still on the table of the President” (interviewee 1)

“this is the foundation upon which the office operates. This framework lacks enforceability and contains many other flaws which has been the main challenge affecting the effective performance of the office” (Interviewee 3).

“...the present SAI regulatory framework lacks enforceability as a key missing link in ensuring the achievements of its roles” (Interviewee 4)

Discussions of Findings

Based on research question, hypothesis one was formulated to assume that the regulatory framework of Supreme Audit Institution will not predict financial accountability in Nigerian Public Sector. The descriptive statistics in Table 4.1 shows that out of the seven (7) items used in measuring the legal framework, Item LWF1 with the description of “Constitutional provisions and/or enabling legislation exists which specifically address the establishment, status, mandate and powers of the Auditor General, as opposed to establishment by Executive action” has the highest mean score (M = 3.61; SD = 0.971). The respondents agreed that the SAI legal provisions as contained in the constitution of the Federal Republic of Nigeria is not adequate enough to ensure financial accountability. It also does not empower the Auditor General to prosecute any officials, found wanting for financial infractions in the course of carrying out his audit assignments.

The respondents further agreed that there is the need to amend the existing Audit Act and the Constitution to make the OAuGF more effective and efficient to meet international best practice (LFW 7; Mean=3.05;SD=1.079)

Furthermore, the qualitative reports in Theme Two shows that all the four interviewees unanimously agree that the regulatory framework which is the foundation on which the OAuGF operates is inadequate and needs a complete review to meet the realities of our time. According to DiMaggio and Powell (1983), Institutional theory emphasised that organizations care about legitimacy to justify their existence and the activities they carry out. Hence the need to ensure that the regulatory framework which gives legitimacy to the establishment of SAI as an institution exist. Therefore, based on The Path Coefficient Result as shown in Table 4.6, the study concludes however, that Legal framework of the OAuGF influences accountability positively and significantly ($\beta = 0.077$, $t = 1.919$, $p < 0.05$). This conclusion is in line with the findings of Yamamoto and Kim (2019), Reichborn-

Shuaib, *et al.*, (2025). Institutionalizing accountability: a structural equation modelling of the impact of regulatory frameworks on financial discipline in Nigeria. *Malete Journal of Accounting and Finance*, 6 (1), 354 – 369

Kjennerud, et al (2019), Johnsen et al. (2019) Smith, et al (2020) Machinjike et al (2021) Sumiyana et al (2021)

CONCLUSIONS AND RECOMMENDATIONS

The operational strategies of the SAI are designed to align the public sector with international standards, ensuring quality service delivery and good governance. This study concludes that while a foundational legal framework exists in Nigeria, it is currently stuck in the past. There is strong evidence that constitutional provisions address the establishment of the Office of the Auditor-General for the Federation (OAuGF). While this framework significantly influences accountability, it is insufficient and requires a complete overhaul to remain effective in the face of evolving financial complexities.

To enhance the efficacy of the SAI and bolster accountability in Nigeria, the following recommendations are proposed:

- i. The President should immediately sign the Audit Bill into law. This would provide the necessary legislative teeth for the Auditor-General to function effectively.
- ii. The National Assembly should incorporate expanded roles for the SAI within the Act to address the increasing demand for transparency in the public sector.
- iii. The National Assembly should modernize the constitution to include modern administrative roles (e.g., Deputy Auditor-General) to ensure a more robust leadership structure.

References

- Adeyemi, O.O, Akindele, S.T, Aluko, O.A and Agesin, B (2012). Institutionalizing culture of accountability in local government administration in Nigeria. *African Journal of Political Science and International Relations*. 6(4), 81-91. DoI: 10.5897/AJPSIR1 L.127.
- Adeyemi, T. M., & Akande, O. O. (2020). Technological Adoption and Audit Effectiveness in the Nigerian Public Sector. *Journal of Public Accounting and Finance*, 12(3), 88-104.
- Akbari Mohammad Asif (2017) A Review of the Legislation and Evaluation of the Performance of the Supreme Audit Office of Afghanistan. A Master Thesis Presented to Ritsumeikan Asia Pacific University (APU) in Partial Fulfillment of the Requirements for the Degree of Master of Business Administration
- Akhidime, A. E. (2021). Accountability and public sector audit in Nigeria: A review of legal and institutional frameworks. *Journal of Accounting and Financial Management*, 7(2), 45-59.
- Akinbuli, S. F. (2013). An Assessment of Accountability in the Public Sector in Nigeria *Arabian Journal of Business and Management Review (Nigerian Chapter) Vol. 1, No. 3, 2013*
- Assakaf, E., Samsudin, R. S., & Abu Bakar, R. (2020). The Impact of Supreme Audit Institutions on Corruption: An SEM Approach in MENA Countries. *Journal of Financial Crime*, 27(4), 1121-1138.
- Bringselius, L. (2018). Efficiency, economy and effectiveness – But what about ethics? Supreme audit institutions at a critical juncture. *Public Money & Management*, 38(2), 105–110. <https://doi.org/10.1080/09540962.2018.1407137>
- Brusca, I., Rossi, F.M., & Aversano, N. (2017): Accountability and Transparency to Fight against Corruption: An International Comparative Analysis, *Journal of Comparative Policy Analysis: Research and Practice*,

- Shuaib, *et al.*, (2025). Institutionalizing accountability: a structural equation modelling of the impact of regulatory frameworks on financial discipline in Nigeria. *Malete Journal of Accounting and Finance*, 6 (1), 354 – 369
- Bryman, A., & Bell, E. (2016). *Business research methods* (Vol. 4th). Glasgow: Bell & Bain Ltd.
- CFRN (1999) Constitution of the Federal Republic of Nigeria, as amended
- Chene, M. (2018) The role of supreme audit institutions in fighting corruption. U4 Anti-Corruption Helpdesk A free service for staff from U4 partner agencies
- Cohen, J. (1988). *Statistical power analysis for the behavioral sciences* (2nd ed.). Lawrence Erlbaum Associates.
- Cordery, C.J. & Hay, D.C. (2021), *Public Sector Audit in Uncertain Times, Financial Accountability & Management* published by John Wiley & Sons Ltd Routledge, Abingdon, Oxford.
- Creswell, J. W., & Poth, C. N. (2018). *Qualitative inquiry and research design: Choosing among five approaches* (4th ed.). Sage Publications.
- DiMaggio, P. J., & Powell, W. W. (1983). The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields. *American Sociological Review*, 48(2), 147–160. <https://doi.org/10.2307/2095101>
- Ebimobowei, A., & Aladago, S. (2020). Supreme Audit Institutions and Public Sector Accountability in Nigeria. *International Journal of Economics and Business*, 8(3), 112-125.
- Gideon, Z. & Tawanda, Z. (2012) Auditing Government Institutions in Zimbabwe Frameworks, Processes and Practices *International Journal of Accounting and Financial Reporting* ISSN 2162-3082, Vol. 2, No. 2
- Goetz, K. H. & B. G. Peters (1999) *Institutional Theory and Political Executives: Creating Executive Organizations East and West*, Paper presented at *Conference on Institutional Theory, Ross Priory, Dunb., Scotland, October 18–19*.
- Hair, J. F., Black, W., Babin, B., & Anderson, J. (2016) “Multivariate data analysis: A global perspective. New Jersey: Pearson Prentice Hall,”.
- Hair, J. F., Hult, G. T. M., Ringle, C. & Sarstedt, M. (2016). *A primer on partial least squares structural equation modeling (PLS-SEM)*. Sage Publications.
- Hellowell, M. & B. O’Hanlon, (2018). *Managing Markets for Health (MM4H) Training Course*, University of Edinburgh and the Global Financing Facility, <https://edge.edx.org/courses/course-v1:UniversityofEdinburgh+MM4H101+2018T1/about>
- Huntington, S. P. (1965) *Political Development and Political Decay*, World Politics 17.
- Huntington, S. P. (1968) *Political Order in Changing Societies* (New Haven: Yale University Press).
- INTOSAI-P 1 (2019) Lima Declaration of guidelines on auditing precepts (1977) at the IXth INCOSAI in Lima Peru. (Formerly known as ISSAI 1). INTOSAI principles are issued by the International Organisation of Supreme Audit Institutions, INTOSAI, as part of the INTOSAI Framework of Professional Pronouncements. www.issai.org
- INTOSAI-P 10 (2019) Mexico Declaration on SAI Independence (2007). (Formerly known as ISSAI 10) INTOSAI principles are issued by the International Organisation of Supreme Audit Institutions, INTOSAI, as part of the INTOSAI Framework of Professional Pronouncements. www.issai.org
- Javed, M., & Zhuquan, W., (2018). Analysis of accounting reforms in the public sector of Pakistan and adoption of cash basis IPSAS. *Universal Journal of Accounting and Finance*, 6(2), 47-53, <https://doi.org/10.13189/ujaf.2018.060203>
- Johnsen, A°, Reichborn-Kjennerud, K., Carrington, T., Jeppesen, K. K., Taro, K., & Vakkuri, J. (2019). Supreme audit institutions in a high-impact context: A comparative analysis of performance

Shuaib, *et al.*, (2025). Institutionalizing accountability: a structural equation modelling of the impact of regulatory frameworks on financial discipline in Nigeria. *Malete Journal of Accounting and Finance*, 6 (1), 354 – 369

- audit in four Nordic countries. *Financial Accountability and Management*.
<https://doi.org/10.1111/faam.12188>
- Kline, R. B. (1998). Principles and practice of structural equation modeling. Guilford Press.
- Kock, Ned. (2017). Which is the Best Way to Measure Job Performance: Self-Perceptions or Official Supervisor Evaluations? *International Journal of e-Collaboration*. 13. 1-9.
[10.4018/IJeC.2017040101](https://doi.org/10.4018/IJeC.2017040101).
- Krejcie, R. V. & Morgan, D. W. (1970). Determining sample size for research activities. *Educational and Psychological Measurement*, 30(3), pp. 607–610.
- Lassou, P. J., & Hopper, T. (2019). Government Accounting Reforms in Post-colonial Contexts. *Accounting, Auditing & Accountability Journal*, 32(5), 1320-1345.
- Limperg, T. (1985). The social responsibility of the auditor. A basic theory on the auditor's function. Amsterdam: Limperg Institute.
- Machinjike, N., Bonga, W. G. & Hundi, S. (2021) Effectiveness of The Office of the Auditor General in Enhancing Public Sector Accountability in Zimbabwe. *Researchjournali's Journal of Economics* Vol. 9 | No. 1 February | 2021 ISSN 2347-8233
- Meyer, J. & Rowan, B. (1977). Institutionalized organizations: formal structure as myth and ceremony. *American Journal of Sociology*, 83: 340- 63
- Odia, J. O. (2014). Public Sector Audit and Accountability in Nigeria: The Role of the Auditor-General. *Asian Journal of Business and Management*, 2(5), 446-454.
- Ogbaisi, S. A. & Asenuga, B. S. (2018) Supreme Audit Institutions and Public Accountability: Evidence in Nigeria Public Policy and Administration Research. ISSN 2224-5731(Paper) ISSN 2225-0972(Online) Vol.8, No.5.
- Ogunbodede, N. & Lawal, T. (2018). Transparency, Accountability and Service Delivery in Nigeria: A Focus on Public Service. *Afro Asian Journal of Social Sciences Volume IX, No II. Quarter II 2018* ISSN: 2229 – 5313
- Ogunyemi, A. O. (2014) Auditing and Corruption in Nigeria: A Review of the Legal Weight of the Audit Act of 1956 *Historical Research Letter* Vol.15, 2014 www.iiste.org ISSN 2224-3178 (Paper) ISSN 2225-0964 (Online)
- Okewole, J. A., Mobolaji, M. A. & Olaitan O. O. (2016). The role of professional accounting bodies in public fund accountability in Nigeria. *Specialty Journal of Accounting and Economics*. 2(2). pp. 48-54
- Okwoli, A. A., & Okorie, C. J. (2020). Predictors of Fiscal Discipline in the Nigerian Public Sector: A Structural Equation Modeling Approach. *Nigerian Journal of Accounting Research*, 15(1), 12-28.
- Okwoli, A. A., & Okorie, C. J. (2021). Legislative Responsiveness and Fiscal Discipline in Nigeria: A Path Analysis. *Nigerian Journal of Accounting Research*, 16(2), 25-41.
- Onuorah, A. C., & Appah, E. (2012). Accountability and Public Sector Financial Management in Nigeria. *Arabian Journal of Business and Management Review*, 1(6), 1-17
- Oyedele, S.O. (2015). The Nigerian Public Service and Service Delivery under Civil Rule. *Journal of Public, Finance and Law*, 7(1), 33-43.
- Pierre, J., & Licht, J. F. (2019). How do supreme audit institutions manage their autonomy and impact? A comparative analysis. *Journal of European Public Policy*, 26(2), 226–245.
<https://doi.org/10.1080/13501763.2017.1408669>
- Polsby, N. (1968) The Institutionalization of the U.S. House of Representative, *American Political Science Review* 62, 144–68.

- Shuaib, *et al.*, (2025). Institutionalizing accountability: a structural equation modelling of the impact of regulatory frameworks on financial discipline in Nigeria. *Malete Journal of Accounting and Finance*, 6 (1), 354 – 369
- Ragsdale, L. & J. J. Theis, III (1997). The Institutionalization of the American Presidency 1924–92, *American Journal of Political Science* 41, 1280–1318.
- Rehman M. & Batool S. (2013). Mechanism of public services' accountability. *Middle-East Journal of Scientific Research*. 18(4). pp. 539-545
- Reichborn-Kjennerud, K., González-Díaz, B., Bracci, E., Carrington, T., Hathaway, J., Jeppesen, K. K., & Steccolini, I. (2019). SAIs work against corruption in Scandinavian, South-European and African countries: An institutional analysis. *British Accounting Review*, 51(5). <https://doi.org/10.1016/j.bar.2019.100842>
- Rondinelli, D. A., & Cheema, G. S. (2003) (eds.), *Reinventing Government for the Twenty- First Century: State Capacity in a Globalizing Society*. Bloomfield, CT: Kumarian Press (2003).
- Saghal, V. (1998). *Strengthening Legislative Audit Institutions: A Catalyst to Enhance Government and Combat Corruption*, Performat, January.
- SAI.PMF (2016) Supreme Audit Institutions Performance Measurement Framework *INTOSAI Working Group on the Value and Benefits of SAIs* Version 3.2 19 February 2016
- Santiso, C. (2015), Why budget accountability fails? The elusive links between Parliaments and audit agencies in the oversight of the budget. *Brazilian Journal of Political Economy*, Vol. 35, No. 3, pp. 601–621.
- Smith, F.H., Retief, F.P., Roos, C. & Alberts, R.C. (2020). The evolving role of supreme auditing institutions (SAIs) towards enhancing environmental governance, Impact Assessment and Project Appraisal, DOI: 10.1080/14615517.2020.1834835
- Sumiyana, S., Hendrian, H., Jayasinghe, K., & Wijethilaka, C. (2021) *Financial Public sector performance auditing in a political hegemony: A case study of Indonesia*. *Accountability & Management* published by John Wiley & Sons Ltd
- TIZ (2020), The Role of Public Sector Audits in the Anti-Corruption Agenda, *weekend Digest, Transparency International Zimbabwe*, 21 November, 2020
- Wangrakanda, J., & Ganyam, A. I. (2019). The Role of Supreme Audit Institutions in Enhancing Public Sector Accountability. *Journal of Accounting and Finance*, 5(2), 45-58.
- Westphalen, L. G. (2014) Evaluating the Prosecutorial Mandate of the Supreme Audit Institution of Peru. *International Journal of Public Administration*, 37: 436–443. DOI: 10.1080/01900692.2013.858357
- World Bank (2001); Features and functions of supreme audit institutions, Prem Notes #59, downloaded from: <http://siteresources.worldbank.org/INTLAWJUSTINST/Resources/premnote59.pdf>
- Yamamoto, K., & Kim, M. J. (2019). Stakeholders' approach on government auditing in the supreme audit institutions of Japan and Korea. *Financial Accountability & Management*. <https://doi.org/10.1111/faam.12187>