



**INTERNATIONAL JOURNAL OF  
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# INTERNATIONAL JOURNAL OF SUSTAINABLE DEVELOPMENT

Volume 1, Number 2, 2008

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# INTERNATIONAL JOURNAL OF SUSTAINABLE DEVELOPMENT

Volume 1, Number 2, 2008

| S/No. | Contents   | Authors   | Pages   |
|-------|--|---|---------|
| 1.    | Législation and Institutional Framework Related to Hazardous Waste Management in China   | Liu Yan Yun, and P. Tagwireyi                                 | 1-7     |
| 2.    | Integrated Classrooms and the Psycho-Social Adjustment of Students with Hearing-Impairment and the Hearing   | Olofintoye, Thomas Tunde                                      | 8-14    |
| 3.    | Informal Sector and Political Co-optation in Lesotho: The Case of Street Vendors   | Pius T. Tanga   | 15-21   |
| 4.    | Determinants of Leasehold Investment in Cashews and Management of the Farms in Uturu Abia State, Nigeria   | Emerole, C. O. and Ude P. N.                                  | 22-27   |
| 5.    | Transformation of the Peasant Sector: The Missing Link in African Economic Development   | Nicholas E. Makana  | 28-35   |
| 6.    | Human Resource Development Loss in Nigerian Education System-HIV/AIDS and Brain Drain Challenge  | Eme Okechwukwu Innocent                                       | 36-41   |
| 7.    | The Relevance of St. Thomas Aquinas' Moral Philosophy to the Contemporary African Society  | Obioha, Uwaezuoke Precious                                    | 42-46   |
| 8.    | The Thematic Concerns in Oku Birthsong   | Nekang nee Mbunda Frida Menkan                                | 47-67   |
| 9.    | Globalization, Nigerian Agriculture and Food Security Prospects  | O. W. Olowa   | 68-72   |
| 10.   | The Contribution of Forestry to Rural Employment in Chikun Local Government Area of Kaduna State   | Sodimu, A.I, Akande, M. T., Oladele, N. O. and Obadimu, O. O. | 73-76   |
| 11.   | Organizational Structure in the 21 <sup>st</sup> Century: A Convient Framework of Analysis   | E. A. Dangana, I. S. Dongs                                    | 77-82   |
| 12.   | Reviving the Past: West African Nationalism Rediscovered   | Salawu Adewuni  | 83-90   |
| 13.   | Determinant of Beef Cattle Fattening in Maiduguri, Borno State of Nigeria  | Jibrin, S. A; Amaza, P. S. and Ali, E. A.                     | 91-95   |
| 14.   | Financial Liberalization and Performance in the Ghanaian Insurance Industry  | Ferdinand Ahiakpor  | 96-102  |
| 15.   | Assessing the Relative Effectiveness of Rational emotive Therapy in Remediying Anti-Social Behaviours of Secondary School Adoles Cents in Uyo Metropolis | Jude C. Iwok and Christopher S. Uwah                          | 103-109 |
| 16.   | Financial Reporting and Regulations in Zimbabwean and Swazi Charities: Towards a Practical Underpinning  | Seedwell Tanaka Muyako Sithole                                | 110-118 |
| 17.   | The Contemporary Africa and the African Philosopher: The Question of Relevance   | Obioha, Uwaezuoke Precious                                    | 119-124 |
| 18.   | The Role of Accountant in Accountability   | Dick O. Mukoro  | 125-133 |
| 19.   | Responses of African Universities to HIV and AIDS: Students' Perspectives from University of Cape Coast, Ghana   | Frederick Ocansey   | 134-145 |

**Instruction to Authors**  
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## THE ROLE OF ACCOUNTANT IN ACCOUNTABILITY

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### ABSTRACT

*The prime objective of this paper is to indicate the aims of accountants in providing a service available through the modern approach to internal audit. It endeavours to demonstrate through Engineering-managed activities, the objectives in the audit role adopted in the Gas Industry. The paper also suggests that there is some evidence of a gap between the understanding of figures, which accountants produce for financial control purposes, and the understanding of those same figures by executives and user departments. It poses the question whether this applies in the Gas industry. It is outside the scope of this paper to discuss accounting techniques, but it would be wrong at this time to overlook completely a revolution in accounting, which occurred on the 1<sup>st</sup> December, 1976. After almost 30 years of debate, draft definitive proposals on accounting for inflation were published, which will have far-reaching effects, not least in Power Holding Industry.*

### THE GROWTH OF THE ACCOUNTING PROFESSION

Modern accounting is the child of the industrial revolution, and more specially the tremendous growth in commerce. It was the joint stock company that brought modern auditing into being, and the bankruptcy of companies consequent upon the railway madness of 1845 that led to the growth of the profession. In 1799 the Directory of London, Westminster and Southwark listed 11 accountants – by Queen Victoria's Jubilee there were 464. Although it was not obligatory until the Companies Act of 1900 for the accounts of limited companies to be subject to audit, the practice had been developing over the years and it was in 1854 that a group of accountants practicing in Edinburgh met and then formed "The Association of Chartered Accountants in Edinburgh", the first professional accountancy body in the world. The numbers of qualified accountants have grown steadily since then and at present in Great Britain total some 10,000 and in Nigeria about 14,000 Accountant at present.

### THE WIDENING ROLE OF THE ACCOUNTANT IN INDUSTRY

Whilst not perhaps being able to go back to 1854, the reader can reflect on the role of the accountant in the immediate post war era. The accountant was primarily the scorekeeper, the man who kept the books and could produce quantities of facts and figures when asked. He had a certain prestige, rather like that of the alchemist of the Middle Ages, because he was one of the privileged few outside the Board who know the financial position. His main areas of concern were three:

- He kept the cash – This in itself gave him a certain power over his management colleagues which could generate envy if wrongly used.
- He prepared the financial accounts
- He would be in charge of the Costing System, which would probably be a historical costing system with some rudimentary budgeting.

Contrast the situation today. Cash keeping has expanded into a whole new technique of financial management; financial accounting is now beset by accounting standards; costing has developed into and beyond standard costing and flexible budgeting, extending into forecasting, planning, sensitivity analysis and so on.

### THE DEVELOPMENT OF MODERN INTERNAL AUDITING

There used to be a song a long time ago called "Happiness is different things to different people". Whether this is true or happiness is questionable, but it is certainly true in relation to Internal Audit. If it were necessary to give the essence of internal auditing in 20 words it would probably read something like this: "INTERNAL AUDITING IS SIMPLY DOING WHAT THE BOSS-MAN WOULD DO IF HE HAD TIME AND IF HE KNEW HOW." Let us ponder that one for a while, and go back to easier, slower, more relaxed days; days when firms were much smaller; days when pressures were less severe; days when relationships were much closer. In those days the "boss-man" had a firm personal grasp of his organization's operations. He knew his people by name, because he probably hire them; he knew all about his payroll because he fixed

## The Role of Accountant in Accountability

the pay rates. He knew his capital dedicated to long-range plans and purposes. The boss-man, and in turn the various lower levels of boss-men, became encased in a glass bubble of insistent demands on time that hemmed them in within the confines of the office and the conference room. But the operations must still go on in the organization – problems must be identified and solved. How do the boss-men know whether their sections; departments or organization is functioning in the way they like it to? All good managers, whatever their level, want to achieve good results, especially in matters which measure their effectiveness. Another characteristics of good managers are that they want to know what is really going on. They want to know that what they read and what they hear is for real. They want to be assured that functions for which they are responsible, are working smoothly or where this is not the case, where the trouble spots are and what can be done to fix them. There seemed a need for someone else; someone to do what the boss-man no longer had the time to do. With the new complexities of the organization, someone trained to analysis, in objective appraisals. Someone to say with personal knowledge “This is good” They called them Internal Auditors. The message that internal auditors want to convey is that the real value of internal auditing is an independent appraisal function which keeps responsible officers informed of the effectiveness of their controls – in all aspects of the business. This approach is formally adopted in the Power Holding Company of Nigeria through the “Internal Audit Statement of Responsibilities” which states, inter alia: “the objective of Internal Audit is to assist all levels of management... by carrying out appraisals and analyses, and by making recommendations...” It would be wrong not to comment on some other terms, which are often bandied around in relation to auditing. There is, for example, a good deal of questioning as to what management auditing is. Is it an audit of managers? Some people say positively that it is. Is it an audit by managers? Is it an audit for managers and which managers – executive, middle or line? It is suggested that the term management audit should be abandoned together with performance auditing, operational auditing, functional auditing, comprehensive auditing and the like. Where does that leave us? With a title “internal auditing” – “simply doing what the boss-man would do if he had the time and if he knew how.”

### RELATIONSHIPS WITH OTHER FUNCTIONS

The general philosophy of audit is that things will be better as a result of the auditor's endeavours. Auditors are conscious that in the absence of executive authority their job is one of persuasion, and are aware, therefore, of the part inter-personal skills play in achieving results. The audit image and effectiveness is conditioned by success at the interface with the auditee – whatever the level – i.e. the reaction at the ‘meeting of the minds’. Inter-personal skills play an important part in all our lives, e.g. interviews for job vacancies. To emphasize that auditors are concerned with the human implications of their work it may be helpful to quote from a book on the ‘Philosophy of Auditing’ by Mantz & Sharaf:

“Internal Control is people. A system of internal control is made up of people and procedures; procedures in which people are expected to perform and report in a normal fashion. But unknown to the reviewer the pressures which motivate the people in the ‘system’ may change sufficiently that they cease to act in an expected fashion, whereupon the internal control procedure loses its effectiveness.” Early in 1975 the University of Lancaster concluded an investigation into the behavioral aspects of auditing and CIPFA issued a Research Report. Basically the research was on the lines of a Gallup Poll on the re-action of auditors and auditees to questions on:-

- (i) Factors concerning the individual
- (ii) Factors concerning the Internal Auditors role situation
- (iii) Factors concerning the Internal Auditors behavior situation.

Although the answers provided a surprisingly wide similarity of views by auditors and auditees, there were fundamental differences, which are worthy of note. For example, in Local Authorities auditees think that:-

- (i) ‘Internal auditors act as inspectors rather than advisors’ – auditors disagree
- (ii) Those under audit think that “Internal auditors seldom give their opinion on how well financial systems are being operated” – auditors did not agree.

The conclusion of the research was that there is much evidence to suggest that auditees tend to view the way in which the internal auditor behaves in his audit activities in a manner, which is quite different from the way in which the internal auditor sees himself. In the Holding Company of Nigeria the auditor perceives his role as advisor, and as in the Research Report, he does not see himself as part of the bureaucratic process. Yet whilst all employees are affected by the ‘rules of the game’ one of the services the auditor provides is to draw attention to non-compliance with the rules. If the auditee does not appreciate the relevance of rules to the performance of his own role then the internal auditor is placed at a distinct disadvantage. He will be seen as the bearer of punitive measures which conflict with the objectives of the auditee. Thus in the Holding Company of Nigeria, as elsewhere, this role conflict between the auditor and auditee exists in practice.

every audit situation. Auditors are conscious of this and attach great importance to discussion as an aid in correlating practice and theory. Consultation is the keynote, and open discussion of problem areas, the circumstances which generated them and the formulation of joint solutions is the objective. Through this co-operation, a balanced judgement and fair conclusions on a situation can be reached based on knowledge of the full facts. The important fundamentals in the relationship of the auditor with those he is auditing may be summarized:-

- (i) The auditor must never usurp the powers of management and give instructions to staff.
- (ii) The integrity of the auditor must be beyond reproach
- (iii) The auditor must work within the framework of laid down policies and procedures whether he agrees with them or not. If he disagrees the best he can do is to try and persuade management at the appropriate levels to make the change.
- (iv) The auditor must be seen to be completely impartial, concerned only with the facts.
- (v) The auditor can never change systems he can only recommend, but he has a right to expect management to advise on their ultimate conclusions on his proposals.

Auditors then are concerned with persuasion; they are aware that people do things for their reasons not the auditors; they try to be practical and know that 'the cost of perfection is prohibitive'. They attach great importance to discussion with and obtaining the co-operation of management on situations disclosed by their independent reviews. They think that ideas can be crystallized through the audit interviews, which they believe should be thorough, objective, painless and productive.

### COMMUNICATION THROUGH AUDIT REPORTS

Having emphasized the importance of discussion leading to better understanding of problems, it is necessary to consider the place of written reports. In large-scale organizations it is difficult for any of us to avoid some measure of commitment of findings to writing. The auditor is no exception, because:-

- (i) Various levels of management need to be kept informed of the results of the audit service
- (ii) There is a problem of continuity of information which derives from staff turnover, both of auditors and auditee
- (iii) There is a necessity for a trail, and a basis for the assessment of audit performance
- (iv) External auditors rely for their appraisals and conclusions primarily on the written word
- (v) Reports form a basis for communication on matters affecting one Unit, which may have application to others.

The report sent to management is a confirmation of the more important matters arising from the audit, and will cover:-

- (i) Identification of work areas which require management attention
- (ii) Confirmation of agreement with management on action taken or to be taken.
- (iii) Recommendation which have been agreed and implemented as well as those which need to go higher authority for approval

The auditor uses considerable judgement in his reporting, and his first consideration is selecting the important from endeavours to present a balanced view as briefly and lucidly as he knows how; he remembers that report readership at the third page level is pretty low! He knows that if he has discussed his findings fully with all concerned, whilst there can be disputes on opinions on the facts, there should never be dispute on the facts themselves. The auditor's attributes of tact, impartiality and integrity should reflect in his reports because in the end we are all concerned with results not just words. Thus audit reports, as with others, are a means to an end and not an end in themselves.

### AUDIT OBJECTIVES IN AN ENGINEERING ENVIRONMENT GENERAL PRINCIPLES

Auditors reviewing activities in the Engineering environment are concerned with all the internal controls, which enable the function to operate effectively. Assistance then is the prime objective through reviews leading, where necessary, to recommendations. Thus the aims are no different in the Engineering sphere to elsewhere in the organization and may be briefly summed up as:-

- (i) Assisting in the promotion of effective control at reasonable cost
- (ii) Helping to ensure compliance with established policies, plans and procedures.
- (iii) Aiding managers in effectively controlling the organizations assets and safeguarding them from losses.
- (iv) Verifying that data produced for management is of an acceptable level of reliability.

### PROJECT AND OTHER ENGINEERING CONTRACTS

#### Objectives

To understand fully the service which the audit function can afford in contracts relating to engineering developments it may be helpful to delineate first the auditors prime objectives which are to ascertain whether:-

- (i) The capability of tenders, where appropriate, is fully assessed prior to the issue of the invitation to tender
- (ii) There are effective tender control procedures covering all aspects, and that these are being satisfactorily operated.
- (iii) A proper evaluation and comparison of tenders is carried out and the award of the contract is properly authorized.
- (iv) Contract terms and conditions are subject to critical appraisal
- (v) The financial and physical requirements of the contract are being fulfilled.
- (vi) There are adequate controls exercised over contract variations, day works and escalation adjustments
- (vii) Regional materials, plant and/or labour are properly controlled.
- (viii) Amounts charged against the contract are in accordance with specifications and actually done.

#### Audit Considerations

It is necessary to consider whether there are special circumstances, which apply to the audit involvement in engineering contracts. It has to be said that there has been an unhappy increase in number of major cases of abuse of responsibility in both the public and private sectors. This has culminated in the publication of the Report of the 'Royal Commission on Standards of Conduct in Public Life,' known as the Salmon Report. There is, therefore, a "protective" aspect of the audit service, which applies in this vulnerable area. One essential of good systems of internal control is an appropriate division and allocation of responsibilities in which the auditor has the expertise to advise, as well as affording some measure of protection by his presence at vital stages in the contractual arrangements. The use of internal review procedures is covered in the Salmon Report, and it is relevant to quote paragraph 242: "All public bodies have internal financial audit procedures. The best practice is to extend internal financial audit into a review of efficiency and the observance of procedural requirements, including safeguards against malpractice, and this is being increasingly adopted in public sector bodies. Any internal review machinery should report direct to a high level in the organization concerned. The purpose of such machinery is to INCREASE EFFICIENCY RATHER THAN TO ROOT OUT WRONG DOING. Nevertheless, it can lead to the detection of improprieties and its existence is a deterrent against them." Another special circumstances applicable to contract audit effectiveness is "timing" i.e. the benefit to be derived from the auditor being involved at the earliest stage. Apart from the "protective" role already referred to, the effectiveness is improved if the auditor has the opportunity to influence contractual financial controls through his independent appraisal at the formative stage.

#### Audit Principles

The general principles of contract audit may be summarized:-

- (i) Audit action and attention should be at the earliest possible opportunity
- (ii) Consideration and examination of all contract documents is basic
- (iii) All relevant financial information concerning the project is assembled.
- (iv) Periodic physical examination of the subject matter of the construction type contract, wherever it may be, is vital
- (v) Systems of measuring and assessing sums due to contractors are examined, including the authorization of payments.
- (vi) Auditors are not willing to accept, without question, certificates by members of any professional discipline
- (vii) Material control and scrap disposal procedures are appraised where appropriate.

#### Extend of Contract Coverage by Auditors

Whilst the auditor should be capable of reviewing the management and control of any function he has to remember that time is his primary asset and it must, therefore, be budgeted and invested discerningly. All Audit Managers in the Gas Industry operate to an Audit Plan, the first objective of which is to ensure a minimum acceptable level of audit coverage is applied throughout the Industry. Audit Managers are required under the Plan to show conclusively that their departments are providing an acceptable coverage of work,



and that a realistic allocation of time is being operated. It is the Audit Manager's subjective judgment which decides the allocation of audit time to the coverage of all aspects of contract procedures. It will, however, be readily appreciated that the evidence on the vulnerability of these procedures has in recent years undoubtedly influenced this judgment. If anyone is in doubt on the degree of vulnerability he is invited to examine the Salmon Report and Appendix 5 in particular. It has been emphasized, however, that the "policing" role is not the significant part of the audit service and it is the contribution to the efficiency of all aspects of contract management that primarily influences the degree of audit involvement. Again the judgement on the investment of time may be influenced by the extent of "savings" which it may be thought could be achieved by the audit presence. There is evidence in the past of recoveries of overpayments to contractors based on mis-applications of contract conditions, on escalation calculations and of potential savings of materials, consumables and labour payments which have resulted from auditors activities. It is necessary, however, to keep these in perspective, and most importantly to remember that "savings" can only be achieved if "overpayments" are made in the first instance. Recoverable payments may arise from inadequate contract conditions, or the dissemination of contract information in such a way as to lead to misunderstandings, or just another person's honest mistake. The auditor, within his time budget constraints, relies on advance information on potential contracts and using his subjective judgements aims to give the widest coverage to all areas of operations. He endeavours to select his samples to give an in-depth review service but covering as high a proportion of potential contract values as is possible.

## **AUDIT STAGES**

### **Enquiry Stage and Pre-Tender Meetings**

Early audit involvement it has been indicated is essential so that the maximum contribution can be made. It is the duty of the auditor to get the "feel" of the project and where appropriate this may be aided by an early visit to the proposed site. It is essential too for the auditor to have a smattering of the technical terms before becoming involved in the preliminary discussions. It has been said that experience is often the only effective teacher, but it is important that accountants are seen to appreciate the responsibilities of the engineer's work. Assuming that a contract is on previously uncharted territory for the auditor he makes his contribution more effective sooner by doing his homework first. Another practical point is that the auditor must know his way round the proposed contract conditions, and whilst the emphasis will be on those conditions having financial overtones, his concern is by no means limited to these. The object of attending pre-tender meetings and at sites is to give independent assurance that all have equal opportunity to resolve queried specifications or conditions. It will be at this stage that the auditor reviews the availability of "know how" on the technical and commercial viability of the selected tenderers. Competition must be seen to be effective and so it must be seen that reasonable attempts have been made to ensure an adequate number of competent tenderers are invited to bid. Assurance is also sought that every attempt to assess the financial viability of the tenderers has been made. Whilst the financial investigation is not the direct responsibility of the auditor he is concerned with its effectiveness; the extent of examination of historical accounts and balance sheets; other financial enquiries; bank or other references, so that the best judgement possible of financial stability of potential bidders is obtained.

### **Tendering Procedures**

Common prudence indicates that organizations should build adequate safeguards into their administrative procedures and maintain proper systems of supervision. Salmon Report para. 235, on "Administrative Procedures in Fields Vulnerable to Malpractice." The underlying objective of the auditor in his involvement in tendering procedures is independently to ensure as far as practicable that complete confidentiality between bids is maintained and fair and genuine competition is involved. He reviews the protection of the organization and its employees against allegations of malpractice, and concerns himself with a fairly traditional method of internal control, i.e. the suitable allocation of duties to reduce collusion. It has been said that divided responsibility means no responsibility, and so the auditor reviews the division of duties between those originating enquiries and the Purchasing and Contracts Department. He protects management by assuring himself that responsibilities are not only clearly defined but applied in practice, by occasionally observing the procedures in operation for the registering, and the security of tenders. He endeavours to achieve his objectives attending at the opening of tenders on occasion. The aim of the auditor is to give assurance that the protective procedures are well defined, disseminated, understood, and applied as intended, by those involved. Thus not only is competition fair but is demonstrably seen to be fair.

## The Role of Accountant in Accountability

### Tender Assessments and Selection

The audit objectives in reviewing the award of contracts is that the organization benefits by:-

- (i) Obtaining the best value for money, which may not necessarily mean accepting the apparently lowest tender.
- (ii) Ensuring equal opportunity security procedures designed to reduce the risk of fraud on both the Employers and Contractors sides.

Some contractors would regard the essence of good tendering as taking the maximum legitimate advantage of deficiencies in the tender document. So the review of specifications for precision, certainly and completeness, as far as is to avoid qualifications but where they occur it must be crystal clear as to the intentions. The auditor in his work puts emphasis on his reviews on clarity and conciseness of terms and on the security of priced information submitted, and the disclosure to all tenderers of any additional information made available to any one tenderer. The auditor also interests himself to see there are no rejections of tenders for technical, commercial or financial reasons for normally by the comparison stage these factors should already have been taken care of. Where single source tendering is applied or where period contracts based on schedules of rates are evaluated the auditor seeks assurance that the corporation is protected through the use of technical estimates and the preparation and control estimated quantities of work for period contracts. In this connection the recommendations in the Working Party Report on Mains and Service Laying Period Contracts (the Stead Report) provide valuable guidelines to auditors.

### The Construction or Contract Performance Stage

Just as the computer auditor has had to adapt to a new jargon and to become proficient in new techniques such as computer programming, so the contracts auditor has to become familiar with the various standard conditions of contracts and their application, with contract law, Statutory Instruments and all relevant Government legislation, e.g. Gas Regulations. Equally important is for the auditor to become experienced enough readily to assimilate the essentials of engineering innovations, building works and services, so that he may with the minimum of assistance carry out physical examinations of the progress of the works and link this with the records of certified payments. The audit approach then is one of observation of situations and relationship with the data recorded and the charges raised. The accountant's tools of summarization, analysis and comparison of ratios and figures for reasonableness, form part of the techniques of appraisal. In the Distribution function in respect of mains and service laying contracts, the objective is to reach conclusions on the degree of "real supervision" and the extent of quality assurance, derived therefrom. The crucial philosophy of "meaningful certification" of documents, which result in payments under contracts, is also constantly the concern of auditors. The monitoring by management to ensure that each level of supervision is operating effectively is also reviewed whether this is by the spot checks sometimes known as "Technical Audit" or has been absorbed into the on-going management system. Whatever the method in use, Internal Audit action is consistent with the normal independent role and would be to advise and assist on such matters as sampling, and to carry out spot checks on the effectiveness of the technical audit system. As would be expected the auditor's interest in Dayworks control derives from it being expensive if used extensively. He therefore liaises to ensure that day-works cannot be more properly priced at contract rates, and that the ratio of dayworks to the main contract is reasonable. The underlying objective in the audit of the performance stage of contracts is to ensure that the terms of the contract are unmistakable, understood and applied by all concerned, to or extensions of the contract whether they derive from sub-contracts; variation orders, claims or escalation. At the end of it all the audit spotlight turns to the post audit appraisal - to the time when final achievement is compared with the original plan; the total costs with the proposed costs.

### SUMMARY OF THE CONTRACT AUDIT APPROACH

The audit of contracts is not carrying out engineering, surveying, accounting, designing or purchasing but is a review by selective examination of all these of all these factors, which should be initiated as early and carried through in as much depth as possible.

### ENGINEERING OPERATIONAL ASPECTS

The continuing problem of big business is to maintain throughout the organization, the same measure of control that small business maintain through personal knowledge and supervision. Good internal controls should be present in systems to fulfill all our organization's policies and to improve operating efficiency. The effective operation of a good control system depends to a large extent on the co-operation of everyone in the organization. This needs employee acceptance and the principal requirement for that is good communications and co-operation between those who are doing the "co-ing" and those who do the

operating. Internal auditors assist in this sphere by explaining the needs and reasons for specific control procedures so that it may lead to their meaningful application. Thus for example in the controls on the engineers' hiring of plant, the auditor is concerned with meaningful certification of documents which result in payments. He assures himself that the front line man on the spot really knows the traveling, standing and overtime is properly recorded and authorized, for equipment and personnel; that responsibility for fuel for plant operation is cleared defined and adhered to; that there is proper utilization of the asset and prompt release immediately the need for hire ceases. In the same way, it is of prime concern to the auditor that main-layers and service-layers work documents are processed on the basis of involved supervision and meaningful certification at the right level. He assures himself that progressing of work is prompt and effective, accounting for materials used is reliable through the accurate completion of work documents, and the control of income is effective where work is re-chargeable. In these, as in the many more examples available, of operational aspects, the auditor is an aid in controlling the controls, and thus internal audit forms part of the overall internal control system.

### COMMUNICATION THROUGH ACCOUNTING INFORMATION

Reference has already been made to the changing role of the accountants. They have effectively captured the management information system, and it is appropriate to consider the impact of this on those line managers who have to put the results into practice. There is evidence of a tremendous language barrier between the thought processes of the executive manager and the thought processes of the accountant. Research recently at the Institute of Science and Technology, Manchester University, has provided this evidence. It was derived from studies conducted in ten leading engineering firms in the United Kingdom employing 50,000 people in total, all with developed systems. It seemed that the well-intentioned efforts of the accountants who developed those systems was largely wasted, and whether or not the top management thought the achievement was being measured, certainly the middle management did not.

### DEFINITION OF RESPONSIBILITY

One area of enquiry was whether the managers considered that the foreman's actions or failures to act, significantly affected the cost of the products. The re-actions to the question were:-

- 329 Managers said emphatically YES
- 4 Said YES but to a major extent
- 30 Did not think so

The top accountants in the firms were then asked why foremen were not provided with information and the replies were:-

- 7 Foremen have no influence on costs
- 5 Foremen would not appreciate the information
- 3 Stated they had no facilities to provide the information
- 2 Considered it would be terribly dangerous!

It had already been independently assessed that about 75% of the costs were controllable by line management. This does not mean that the accountant is wrong but in his view the manager is responsible for costs and therefore the foreman is not. Clearly the managers thought the foreman has a measure of responsibility. Commitment to the Understanding of Financial Standards

The researchers, having confirmed that financial control standards had been set in conjunction with the executive managers, examined the situation in practice. Of 40 managers involved in setting cost and performance standards leading to comparisons budgets, etc 12 agreed the standards were attainable and a startling 28 said no. Could it be that the approval in the first place had been to an accountancy exercise, and the managers had never been emotionally committed in practical operational terms to achieving those standards of financial performance? Another area of the research was to elicit from employees what they saw as the main objective of their organization's cost information control system. Whilst most senior executives could define it as an effective managerial tool for all managers throughout the organization, there was a very different reaction to the same question from 406 middle managers:-

- 13 Didn't know
- 60 Thought it was mainly to measure operational efficiency
- 97 Agreed its purpose was control
- 168 Thought it was there mainly to enable top management to check up on them

Thus it can be seen that there was an enormous in-built emotional resistance to the financial control and cost information system. Middle managers did not think it was a fair method of measuring their performance: they were suspicious of the uses to which it would be put. Some were not convinced it contained the right

## The Role of Accountant in Accountability

elements and did not think it helped them with their problems. YET IT WAS THE METHOD PRESCRIBED BY A COMBINATION OF TOP EXECUTIVES AND ACCOUNTANTS TO HELP THEM CARRY OUT THEIR JOB OF MANAGEMENT.

### MANAGEMENT EDUCATION IN ACCOUNTING INFORMATION

In view of the foregoing, the question was put on whether all the effort to educate people in financial control and costing matters, and on which a great deal of money had in fact been spent led to a better understanding.

The answer came clearly with a "no" from 115 out of 178 people interviewed.

Why had all their effort failed? There were various reasons advanced:-

- 43 Said the lectures themselves weren't really helpful
- 78 Claimed they did not have sufficient basic knowledge of the subject to benefit
- 58 Felt that courses did not contribute to such knowledge

The conclusion from all this is that figures as an instrument of management have to make sense not just to the professionals who produce them but to everybody who has to use them.

### TRANSLATION IN THE GAS INDUSTRY

The research has some valuable pointers to the engineering industry and is bound to provoke the question: do some of these problems apply to the Gas Industry? Do the accountants always express their figures in the kind of action terms, which are meaningful to executive managers? Is there a translation, which is missing? Does technical management always know what it should want from a financial information service? Is there a close enough relationship between the accountants and the executive management or would the latter prefer these financial gen men more closely at their elbow – or on the other side of the desk where they could get their hands on them! Accountants are expensive animals and financial information is costly to produce – are we sure we are all getting value for money in the way we use the data? Perhaps the answer to all this is for an ongoing research between accountants and executive management undertaken jointly, into making the implementation of financial control more effective – which is precisely the conclusion reached by Professor Dew, head of the Department of Management Sciences at the Institute of Science and Technology, Manchester University on the studies made.

### THE FUTURE

In Nigeria there is an increasing demand at present in the external auditing field for the setting up of Corporate Audit Committees, which it is proposed, should chiefly comprise non-executive directors of the company or organization. The objective is to ensure the independence of the auditors, and to view the company's position in a detached and dispassionate involving management, external and internal auditors. The decision on setting these up in Nigeria, must rest very much on the position on communication and co-operation within a concern, but the final form and function is still a matter for debate. There was a Report that welcomes the development of internal efficiency and procedural review machinery and suggests that the best practice is to extend internal financial audit into a review of efficiency. This extension of the internal audit function in local government in the future is a public acknowledgement of the role played by audit in some of the larger authorities. The responsibilities of internal audit have to respond to high demands for professional competence. Auditing standards are now being compiled by the Auditing Practices Committee of the professional accountants and undoubtedly similar standards will in the future be applied by internal auditors where these are not already in operation. Internal auditing cannot stand still in the application of its techniques and so in the interest of efficiency auditors will endeavour to develop more sophisticated sampling techniques. They will employ computers much more as an auditing tool, concentrating on interrogation procedures to reach conclusions more rapidly and effectively on the areas being subjected to audit surveillance. In the same way as auditors have had to become better informed in computer programming and controls and to employ specialists in this field, so too will auditors come from other disciplines to provide the audit service of the future. Many organizations already have multi-discipline teams engaged in practical auditing where their technical knowledge can only assist in providing a more helpful independent and objective view-point for the benefit of management at all levels.

### CONCLUSION

We must all in the future work for closer understanding, for relationships between accountants and other disciplines is the one area where failure is immediately apparent, but where confirmation of success is more elusive. But after all this is a common feature of the whole of life, for we never know the whole truth about ourselves.

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