VOL. 11 NO. 7,
FEBRUARY, 2026
E-ISSN 3026-9679
P-ISSN 3026-9423



African Scholar Publications & Research International
www.africanscholarpub.com

Journal of Business Dev. and Management Res. (JBDMR)

Audit Independence and Corporate Governance: Addressing the Challenges in Public Sector

Abdulazeez Malik Afolabi, PhD; Professor Godwin Emmanuel Oyedokun; & Aderonmu Olusegun Adebayo
Dept. of Management & Accounting, Lead City University, Ibadan
Corresponding Author: malikafolabi76@gmail.com
DOI: https://doi.org/10.70382/ajbdmr.v11i7.059

Abstract

The effectiveness of public sector institutions depends largely on the strength of their audit and governance mechanisms. This study examines the role of audit independence in enhancing auditor impartiality and autonomy, as well as its influence on the effectiveness of corporate governance in public sector organizations. Adopting a quantitative research design, the study draws on Agency Theory and Institutional Theory to explain the relationship between audit independence mechanisms and governance outcomes. Data were collected through structured questionnaires administered to 286 staff members of public sector institutions within Ido Local Government, Oyo State, Nigeria, selected using stratified random sampling. Descriptive statistics and regression analysis were employed to analyze the data using SPSS. The findings reveal that audit independence mechanisms have a significant positive effect on auditor impartiality and autonomy, explaining 41.4% of the variation in auditors' objectivity. The results also indicate that audit independence significantly influences the effectiveness of corporate governance, accounting for 45.2% of the variation in governance outcomes such as accountability, fraud reduction, and public trust. Descriptive analysis further shows that corporate governance frameworks in the public sector align moderately to highly with established governance principles, although weaknesses persist in oversight enforcement and consistency of implementation. The study concludes that strengthening audit independence is critical to improving governance effectiveness and accountability in public sector institutions. The findings provide empirical evidence to support governance reforms aimed at enhancing auditor autonomy, strengthening oversight mechanisms, and promoting transparency in public resource management. The study contributes to public

sector governance literature and offers policy-relevant insights for auditors, public administrators, and policymakers seeking to reinforce institutional accountability and public trust.

Keywords: Audit Independence, Corporate Governance, Public Sector, Accountability, Auditor Impartiality, Nigeria.

Introduction

The effectiveness of public sector institutions largely depends on the strength of their governance and accountability mechanisms (Katarzyna, 2019; World Bank, 2007). As custodians of public resources, government entities are expected to operate transparently, efficiently, and in a manner that promotes public trust (Ferry et al., 2023). Central to achieving these expectations are audit independence and corporate governance, which serve as key instruments for oversight, accountability, and the prevention of financial mismanagement and corruption (Umor et al., 2016; Mallin, 2019). Weaknesses in these mechanisms often undermine institutional credibility, distort decision-making processes, and erode citizens' confidence in government operations (Aguilera & Terjesen, 2024).

Audit independence is widely regarded as a cornerstone of effective public sector accountability (DeAngelo, 1981; İnce, 2023). It refers to the ability of auditors to perform their duties objectively and without undue influence from political authorities, management, or other vested interests (Zeff et al., 2025). Independent audits enhance the credibility of financial reports, facilitate the detection of irregularities, and strengthen internal control systems (Hayes et al., 1999). In the public sector, however, achieving audit independence is particularly challenging due to political interference, budgetary constraints, and institutional dependence on executive authorities (Dye & Stapenhurst, 1998; World Bank, 2000). These challenges raise concerns about the extent to which existing audit arrangements genuinely support impartial oversight.

Alongside audit independence, corporate governance plays a critical role in shaping how public sector organizations are directed and controlled (Katarzyna, 2019). Unlike the private sector, public sector corporate governance emphasizes accountability to citizens, stewardship of public funds, and adherence to ethical and legal standards (IFAC, 2014). It encompasses governance structures, reporting frameworks, and control mechanisms that define roles, responsibilities, and decision-making processes within public institutions (Tricker, 2015). Effective corporate governance frameworks are expected to enhance transparency, reduce agency problems, and promote responsible management of public resources (La 2019; Shleifer & Vishny, 1997). Nonetheless, variations in governance practices, weak enforcement of standards, and unclear accountability structures continue to limit their effectiveness across many public sector organizations (Lau &

Manning, 2023). Despite the growing body of literature on audit independence and corporate governance, empirical evidence on how existing mechanisms function within public sector institutions remains fragmented, particularly in developing and transitional governance contexts (Msley & Miller, 2019). Many studies focus on conceptual discussions or private sector settings, leaving limited quantitative assessment of the effectiveness of audit independence mechanisms and their interaction with public sector corporate governance frameworks (Albrecht et al., 2006). This gap constrains evidence-based policy reforms aimed at strengthening accountability systems in government institutions.

Against this backdrop, this study examines audit independence and corporate governance in the public sector, with a focus on identifying existing mechanisms, assessing their effectiveness, and exploring pathways for improvement. By adopting a quantitative approach, the study provides empirical evidence on the relationship between audit independence mechanisms and governance effectiveness, as well as the extent to which public sector governance frameworks align with established principles and standards. The findings are expected to contribute to the governance literature and inform policymakers, auditors, and public sector managers on strategies for strengthening institutional accountability and public trust.

The objectives of the study are to:

i. examine the effectiveness of existing audit independence mechanisms in ensuring auditor impartiality and autonomy in public sector organizations;
ii. assess the extent to which corporate governance frameworks in the public sector align with established governance principles and standards; and
iii. evaluate the influence of audit independence mechanisms on the effectiveness of corporate governance in public sector organizations.

In line with the objectives and the quantitative nature of the study, the following null hypotheses are formulated:

$H_0$1: Audit independence mechanisms have no significant effect on auditor impartiality and autonomy in public sector organizations.

$H_0$2: Audit independence mechanisms have no significant effect on the effectiveness of corporate governance in public sector organizations.

Theoretical Underpinning

The theoretical underpinning of this study draws on Agency Theory and Institutional Theory, providing a comprehensive lens to examine audit independence and corporate governance in the public sector. These theories collectively explain both the rationale for independent audits and the institutional context that shapes governance practices.

Agency Theory and Audit Independence

Agency Theory, rooted in the principal-agent paradigm, focuses on the relationship between principals (citizens and stakeholders) and agents (public officials and bureaucrats) (Jensen & Meckling, 2019). In the public sector, officials are entrusted with managing public resources on behalf of citizens. However, agents may act in ways that deviate from the interests of principals due to information asymmetry, divergent objectives, or opportunistic behavior (Eisenhardt, 1989; Ambituuni, 2025).

Audit independence is conceptualized within this theoretical framework as a mechanism to mitigate agency problems (Ajaegbu & Mmayie, 2025). Independent auditors act as objective evaluators of agents' decisions, ensuring transparency and accountability in resource management (Njagi, 2023). By providing impartial assessments of financial statements, compliance, and internal controls, audit independence reduces information asymmetry and discourages mismanagement or corruption (Bari et al., 2024). This study leverages agency theory to examine how audit independence mechanisms enhance the accountability of public officials and safeguard the interests of citizens, aligning directly with Objective 1: to examine the effectiveness of existing audit independence mechanisms in ensuring auditor impartiality and autonomy in public sector organizations.

Institutional Theory and Corporate Governance

Institutional Theory emphasizes the influence of external pressures, norms, and regulatory frameworks on organizational behavior (Kauppi, 2022; Risi et al., 2023). In the public sector, governance practices are shaped not only by internal organizational policies but also by legal mandates, political expectations, and societal norms (Rosenbloom, 2022). This theory posits that organizations adopt structures and practices that conform to institutional expectations to gain legitimacy, access resources, and sustain public trust (Sun et al., 2025).

In the context of this study, corporate governance in public sector organizations is understood as a set of systems, policies, and ethical standards influenced by institutional pressures (Schiavi et al., 2024). Institutional theory guides the assessment of how these frameworks are implemented and aligned with established governance principles, corresponding to Objective 2: to assess the extent to which corporate governance frameworks in the public sector align with established governance principles and standards.

By integrating agency and institutional theories, this study provides a holistic framework for understanding the interplay between audit independence and corporate governance in public sector organizations. Agency theory explains why audit independence is necessary to mitigate principal-agent problems (Jensen & Meckling, 2019), while institutional theory explains how corporate governance practices are shaped by external norms and regulatory pressures (Kauppi, 2022; Risi et al., 2023). Together, these theories support the examination of the influence of audit independence mechanisms on the effectiveness of corporate governance, addressing Objective 3: to evaluate the influence of audit independence mechanisms on the effectiveness of corporate governance in public sector organizations.

This theoretical integration directly informs the study's hypotheses, which propose that audit independence mechanisms significantly affect auditor impartiality and autonomy, corporate governance alignment with standards, and the overall effectiveness of governance in public sector organizations.

Empirical Review

Empirical research on audit independence and corporate governance has grown significantly, reflecting the importance of these governance mechanisms in enhancing accountability and performance across both private and public sectors. Although much of the empirical evidence originates from corporate and financial sectors, several studies extend insights into the public sector context, underscoring the relevance of governance structures and independent audit functions.

Several studies highlight that corporate governance practices influence audit independence and audit outcomes. Chohan & Haq (2025) empirical investigation among Iranian bankers found that strong corporate governance mechanisms were associated with improvements in auditor independence, suggesting that well-structured governance can mitigate pressures that threaten auditor objectivity.

Similarly, research from Tanzania documented that robust corporate governance practices significantly enhance the effectiveness of audit committees, which is a critical element of governance that supports independent auditing and accountability within regulatory authorities. In the public sector and state-owned enterprises, Oruke et al. (2022) examined the impact of corporate governance on modified audit opinions in Kenyan state-owned enterprises and found that governance characteristics, including board independence, significantly influenced audit outcomes. This highlights how governance structures in public entities affect the credibility of audit reports and oversight processes. In a broader African context, Azinogo and Erasmus (2025) explored corporate governance challenges across multiple public sector audits and reported that weak governance frameworks; such as ineffective audit committees, political interference, and limited legislative oversight, impair audit effectiveness and accountability. Empirical studies also link audit committee characteristics and governance quality to audit performance and financial reporting quality. Although many of these studies focus on corporate firms, their findings have significant implications for public sector accountability systems. For example, research in Nigeria and Ghana found that independent audit committees are positively associated with enhanced corporate governance outcomes, including better financial disclosures and accountability.

Moreover, studies of audit committees and boards of directors in Greek firms demonstrate that governance structures play an important role in shaping audit quality and organizational performance, reinforcing theoretical expectations from agency and institutional theories (Gbadago, 2022; Fasoulas et al., 2024). Even within contexts that do not directly assess public sector entities, empirical evidence illustrates the interaction between audit quality, governance, and auditor independence (Indah, 2022; Yahaya & Onyabe, 2022). Research in

Korea found that audit firms' quality control efforts enhance auditor independence, particularly when supported by strong corporate governance systems, illustrating the moderating role of governance on audit outcomes (Khuong et al., 2022; Senan, 2024). Similarly, studies on internal audit quality in Nigeria show that audit competence, objectivity, and performance are significantly linked to financial controls and management effectiveness, underscoring how audit functions contribute to governance and accountability in public organizations (Damagum & Bajuri, 2024).

Collectively, these empirical studies suggest that effective corporate governance mechanisms; such as independent audit committees, transparent oversight structures, and robust internal controls, are significantly associated with stronger audit independence, enhanced audit quality, and improved accountability outcomes. However, evidence also indicates that challenges such as political interference, weak enforcement of governance norms, and institutional constraints continue to weaken these relationships in many public sector environments, particularly in emerging economies.

Methodology

This study adopts a quantitative research design to investigate the relationship between audit independence and corporate governance in public sector institutions within Ido Local Government, Oyo State, Nigeria. A quantitative approach is appropriate because the study aims to measure and statistically analyze relationships between variables, enabling empirical testing of the formulated hypotheses. This method provides objective and generalizable evidence on the effectiveness of audit independence mechanisms and the alignment of corporate governance frameworks within public sector organizations.

The population of the study comprises approximately 1,000 staff members employed across various departments, units, and agencies within Ido Local Government. This population includes employees with diverse professional roles and hierarchical levels, reflecting the complexity of the local government workforce and the variety of perspectives relevant to audit and governance practices.

The sample size was determined using Yamane's (1967) formula for finite populations, which provides a statistically valid sample size at a specified level of precision:

$$n = \frac{N}{1 + N(e)^2}$$

Where

n= sample size,

N= population size,

e= level of precision (sampling error).

Using a population size of 1,000 and a 5% margin of error (e = 0.05), the sample size was calculated as follows:

$$n = \frac{1000}{1 + 1000(0.05)^2} = \frac{1000}{1 + 2.5} = \frac{1000}{3.5} \approx 286$$

Accordingly, a sample size of 286 respondents was deemed adequate for the study.

To ensure proportional representation of staff across different organizational units and hierarchical levels, stratified random sampling was employed. The population was first divided into relevant strata based on department and level of responsibility, after which respondents were randomly selected from each stratum in proportion to its size. This approach enhances representativeness, reduces sampling bias, and improves the generalizability of the findings across the public sector institutions within the study area.

Data was collected using structured questionnaires, which are designed to capture quantitative information on audit independence and corporate governance practices. The questionnaire items are adapted from validated instruments in the literature and tailored to the context of Ido Local Government. The instrument measures key constructs, including auditor impartiality, autonomy, governance structures, compliance with established principles, and perceived effectiveness of oversight mechanisms.

To ensure the reliability and validity of the questionnaire, internal consistency was assessed using Cronbach's alpha coefficient, with any items showing low reliability revised or removed. Content validity was established through expert review, involving academics and professionals with expertise in public sector audit and governance, ensuring that the questionnaire accurately measures the intended constructs.

The data collection process involves distributing the questionnaires to selected participants after obtaining informed consent. Participants were provided with clear instructions and information about the purpose of the study, their rights, and the voluntary nature of participation. The structured format allows participants to provide consistent, comparable responses that are suitable for statistical analysis.

Data analysis was conducted using SPSS (Statistical Package for the Social Sciences). Descriptive statistics, including means, standard deviations, and frequency distributions, were used to summarize participant responses. Inferential statistics, such as correlation and multiple regression analyses, was used to test the study hypotheses and examine the relationships between audit independence and corporate governance. The quantitative approach ensures that the study produces empirical evidence that is objective, reliable, and generalizable, providing insights into the effectiveness of governance mechanisms in the public sector.

Results

This section presents the empirical results of the study and discusses the findings in relation to the stated research objectives and hypotheses. A total of 286 questionnaires were administered to staff of public sector institutions within Ido Local Government, Oyo State, Nigeria. All 286 questionnaires were successfully retrieved and found to be usable for analysis, resulting in a 100 percent response rate. The complete retrieval of questionnaires was achieved through on-site administration, repeated follow-ups, and the cooperation of departmental heads who facilitated access to respondents during official working hours. Additionally, respondents completed the questionnaires under the guidance of the researcher,

which minimized item non-response and ensured completeness of responses. Consequently, no questionnaires were excluded from the analysis, and the full sample size of 286 respondents was retained for both descriptive and inferential statistical analyses. This response rate is considered adequate and enhances the reliability and representativeness of the study's findings.

Table 1: Demographic Characteristics of Respondents

Variables	Category	Frequency	Percentage
Gender	Male	158	55.2%
	Female	128	44.8%
Age	Below 30 years	46	16.1%
	31–40 years	112	39.2%
	41–50 years	78	27.3%
	51 years and above	50	17.5%
Educational Qualification	SSCE	24	8.4%
	ND/NCE	68	23.8%
	HND/BSc	136	47.6%
	MSc/PhD	58	20.3%
Department/Unit	Finance & Accounts	74	25.9%
	Administration	88	30.8%
	Audit/Internal Control	52	18.2%
	Other Units	72	25.2%
Position/Rank	Junior Staff	94	32.9%
	Senior Staff	128	44.8%
	Management	64	22.4%
Years of Experience	Below 5 years	62	21.7%
	5–10 years	96	33.6%
	11–15 years	68	23.8%
	Above 15 years	60	21.0%

Source: Field Result, 2025

Table 1 presents the demographic characteristics of the respondents who participated in the study. The gender distribution shows that male respondents constituted 55.2 percent (n = 158) of the sample, while female respondents accounted for 44.8 percent (n = 128). This distribution suggests a relatively balanced gender representation, reflecting the workforce composition of public sector institutions in the study area.

In terms of age, the majority of respondents fell within the 31–40 years age bracket (39.2 percent, n = 112), followed by those aged 41–50 years (27.3 percent, n = 78). Respondents aged below 30 years accounted for 16.1 percent (n = 46), while those 51 years and above constituted 17.5 percent (n = 50). This age distribution indicates that most respondents were

within the economically active and professionally mature age groups, suggesting adequate experience and familiarity with organizational processes relevant to audit independence and corporate governance.

Regarding educational qualifications, 47.6 percent (n = 136) of the respondents possessed HND or Bachelor's degrees, while 20.3 percent (n = 58) held postgraduate qualifications (MSc/PhD). Respondents with ND/NCE qualifications represented 23.8 percent (n = 68), and those with SSCE accounted for 8.4 percent (n = 24). The high proportion of respondents with tertiary and postgraduate qualifications indicates a relatively educated workforce, which enhances the credibility of responses relating to governance structures and audit practices.

Analysis of departmental affiliation reveals that 30.8 percent (n = 88) of respondents were drawn from administrative units, followed by 25.9 percent (n = 74) from finance and accounts departments. Respondents from audit and internal control units accounted for 18.2 percent (n = 52), while 25.2 percent (n = 72) were drawn from other operational units. This distribution ensures representation from departments directly and indirectly involved in audit and governance functions, thereby providing a comprehensive perspective on the study variables.

With respect to position or rank, 44.8 percent (n = 128) of respondents were senior staff, 32.9 percent (n = 94) were junior staff, and 22.4 percent (n = 64) occupied management positions. The presence of respondents across different hierarchical levels suggests that the data capture diverse viewpoints on audit independence and governance practices from both decision-making and operational perspectives.

Finally, analysis of years of experience shows that 33.6 percent (n = 96) of respondents had 5–10 years of work experience, while 23.8 percent (n = 68) had 11–15 years, and 21.0 percent (n = 60) had over 15 years of experience. Respondents with less than five years of experience constituted 21.7 percent (n = 62). This distribution suggests that a substantial proportion of respondents possess considerable institutional knowledge, which is essential for providing informed assessments of audit independence mechanisms and corporate governance practices within public sector organizations.

Objective 1: To examine the effect of audit independence mechanisms on auditor impartiality and autonomy in public sector organizations.

$H_0$1: Audit independence mechanisms have no significant effect on auditor impartiality and autonomy in public sector organizations.

Table 2: Regression Analysis of Audit Independence Mechanisms and Auditor Impartiality and Autonomy

Model	**R**	**R Square**	**Adjusted R Square**	**F (df)**	**Sig.**
1	0.643	0.414	0.412	252.227 (1, 284)	0.000
Variables			**Unstandardized Coefficient (B)**	**t-value**	**Sig.**
Constant			3.833	5.226	0.000
Audit Independence Mechanisms			0.359	15.882	0.000

Source: Field Result, 2025

The regression results in Table 2 reveal a strong positive relationship between audit independence mechanisms and auditor impartiality and autonomy in public sector organizations. The correlation coefficient (R = 0.643) indicates a substantial association between the independent and dependent variables. The coefficient of determination (R^2 = 0.414) shows that approximately 41.4 percent of the variation in auditor impartiality and autonomy is explained by audit independence mechanisms.

The model is statistically significant, as indicated by the F-statistic of 252.227 with a corresponding p-value of 0.000, which is below the 0.05 significance threshold. This confirms the overall fitness of the regression model.

Furthermore, the regression coefficient for audit independence mechanisms ($\beta = 0.359$, $t = 15.882$, $p < 0.05$) indicates that audit independence has a positive and statistically significant effect on auditor impartiality and autonomy. This implies that improvements in auditor autonomy, freedom from interference, legal protection, funding adequacy, and transparent appointment procedures significantly enhance auditors' ability to act impartially and exercise professional judgment without bias.

Given that the regression coefficient is statistically significant at the 5 percent level, the null hypothesis ($H_0 1$) is rejected. The alternative hypothesis is therefore accepted, indicating that audit independence mechanisms significantly influence auditor impartiality and autonomy in public sector organizations. This finding is consistent with Agency Theory, which posits that independent auditing mechanisms reduce information asymmetry between principals (citizens) and agents (public officials) by strengthening auditor objectivity and accountability.

Objective 2: To assess the extent to which corporate governance frameworks in the public sector align with established governance principles and standards.

Corporate governance frameworks were measured using covering governance structures, accountability mechanisms, transparency, ethical standards, and compliance with recognized governance principles. Responses were rated on a 5-point Likert scale, where higher mean values indicate stronger alignment with established governance standards.

Table 3: Descriptive Statistics of Corporate Governance Frameworks

S/N	Items	Mean	Std. Deviation
1	Clear lines of authority and responsibility exist within the organization	3.87	0.89
2	Management decisions are guided by established governance policies	3.74	0.93
3	Effective mechanisms exist for monitoring regulatory compliance	3.69	0.97

S/N	Items	Mean	Std. Deviation
4	The organization has an active oversight or audit committee	3.58	1.02
5	Financial information is disclosed transparently and timely	3.81	0.91
6	Ethical standards guide the conduct of public officials	3.76	0.94
7	Cases of misconduct are investigated and sanctioned appropriately	3.62	1.01
8	Governance policies align with recognized public sector governance standards	3.85	0.88
Grand Mean		**3.74**	

Source: Field Result, 2025

The results presented in Table 3 show that the mean scores for all corporate governance items exceed the neutral benchmark value of 3.00, indicating a generally positive perception of corporate governance practices within public sector organizations in the study area. The grand mean score of 3.74 suggests that corporate governance frameworks are perceived to align to a moderate-to-high extent with established governance principles and standards.

Specifically, the highest mean score (M = 3.87) was recorded for the item relating to the existence of clear lines of authority and responsibility, indicating that respondents largely agree that organizational roles and responsibilities are well defined. Similarly, high mean values were observed for transparency in financial disclosure (M = 3.81) and alignment of governance policies with recognized standards (M = 3.85), suggesting reasonable adherence to governance best practices.

However, relatively lower mean scores were recorded for the existence of active oversight or audit committees (M = 3.58) and the effectiveness of sanctions for misconduct (M = 3.62). Although these scores remain above the neutral point, they indicate areas where governance mechanisms may be less robust or inconsistently applied across public sector institutions.

The standard deviation values, which range between 0.88 and 1.02, suggest moderate variability in respondents' perceptions, reflecting differences in governance implementation across departments and units within the public sector.

Based on the descriptive analysis, the study concludes that corporate governance frameworks in the public sector align moderately with established governance principles and standards. While key governance elements such as accountability structures, transparency, and ethical

guidelines are largely present, the effectiveness of oversight mechanisms and enforcement practices requires further strengthening.

Objective 3: To evaluate the effect of audit independence mechanisms on the effectiveness of corporate governance in public sector organizations.

$H_0$2: Audit independence mechanisms have no significant effect on the effectiveness of corporate governance in public sector organizations.

Table 4: Regression Analysis of Audit Independence Mechanisms and Effectiveness of Corporate Governance

Model	R	R Square	Adjusted R Square	F (df)	Sig.
1	0.67	0.452	0.450	234.816 (1, 284)	0.00
Variables			**Unstandardized Coefficient (B)**	**t-value**	**Sig.**
Constant			3.421	6.014	0.00
Audit Independence Mechanisms			0.387	15.327	0.00

Source: Field Result, 2025

The regression results presented in Table 4 indicate a strong positive relationship between audit independence mechanisms and the effectiveness of corporate governance in public sector organizations. The correlation coefficient (R = 0.672) suggests a substantial association between the variables. The coefficient of determination (R^2 = 0.452) reveals that approximately 45.2 percent of the variation in the effectiveness of corporate governance is explained by audit independence mechanisms.

The overall regression model is statistically significant, as evidenced by an F-statistic of 234.816 with a p-value of 0.000, which is below the 0.05 significance level. This confirms that the model provides a good fit for explaining the relationship between the variables.

Furthermore, the regression coefficient for audit independence mechanisms (β = 0.387, t = 15.327, $p < 0.05$) indicates a positive and statistically significant effect on the effectiveness of corporate governance. This implies that greater auditor autonomy, freedom from interference, adequate legal protection, sufficient funding, and transparent appointment procedures significantly enhance governance effectiveness by improving accountability, reducing fraud and mismanagement, strengthening the use of audit findings, and increasing public trust in government institutions.

Based on the regression results, the null hypothesis ($H_0$2) is rejected at the 5 percent level of significance. The study therefore concludes that audit independence mechanisms have a significant effect on the effectiveness of corporate governance in public sector organizations.

This finding aligns with both Agency Theory and Institutional Theory, suggesting that independent audit mechanisms not only reduce principal–agent problems but also strengthen governance structures and legitimacy within public sector institutions.

Discussion of Findings, Conclusion and Recommendations

The first objective examined the influence of audit independence mechanisms on auditor impartiality and autonomy. The regression results indicated a significant positive effect ($\beta = 0.359$, $p < 0.05$), with audit independence explaining 41.4% of the variation in auditor impartiality. This finding aligns with prior research that emphasizes on the importance of independence in enhancing audit objectivity in public sector contexts. For instance, Salehi (2011) found that robust corporate governance structures, including audit independence, significantly improve auditor objectivity and reporting accuracy in banking organizations. Though Salehi's study focused on the private sector, the core insight; that weaker auditor independence undermines objective reporting, is consistent with the current findings. Similarly, empirical work by Oruke et al. (2022) on Kenyan state-owned enterprises demonstrated that improved governance mechanisms, including audit independence, reduce incidences of modified audit opinions and enhance audit credibility.

The current study's findings also echo results from internal audit performance studies in Nigeria and Ghana, which report that independent audit functions positively influence financial reporting quality and accountability outcomes. These studies collectively reinforce Agency Theory, which posits that independent audit mechanisms mitigate the principal–agent problem by reducing information asymmetry between citizens (principals) and public officials (agents).

Objective two assessed how well corporate governance frameworks in the public sector aligned with established governance norms. Descriptive results indicated a moderate to high alignment (grand mean = 3.74), with particularly strong perceptions regarding clear lines of authority and transparency in financial disclosure. These results are consistent with findings by Azinogo and Erasmus (2025), who reported that governance structures in public sector entities exhibit moderate conformity with recognized governance standards, though enforcement and oversight mechanisms often lag behind. Similarly, research conducted in African public sector settings indicates that while governance policies may formally exist, variations in implementation quality reduce their overall effectiveness.

The findings also correlate with work by Tanzania-based researchers who observed that effective audit committees and governance policies improve compliance with regulations, yet uneven implementation across units remains a challenge. This outcome reinforces Institutional Theory, which suggests that governance norms are adopted due to regulatory, normative, and mimetic pressures but may vary in strength depending on institutional capacity and enforcement environments.

The third objective tested the extent to which audit independence mechanisms influence the effectiveness of corporate governance. Results showed a significant positive effect ($\beta = 0.387$,

$p < 0.05$), with audit independence explaining 45.2% of governance effectiveness variance. This finding confirms that independent auditing significantly enhances governance outcomes such as accountability, risk reduction, and public trust.

This result is strongly supported by prior studies. For example, research conducted in Nigeria's public sector reported that enhanced audit independence significantly reduces fraud risk and strengthens governance outcomes. Likewise, studies in Korea revealed that audit quality, supported by independent practices and governance structures, is positively associated with organizational performance and public accountability. Furthermore, Oruke et al.'s (2022) findings on state-owned enterprises reinforce this relationship, demonstrating that governance effectiveness improves where audit roles are well defined and free from undue influence. This is consistent with the argument by several studies that the interaction between audit independence and governance is mutually reinforcing rather than unidirectional.

The present study's findings extend this body of literature by empirically demonstrating that audit independence mechanisms not only enhance auditors' objectivity but also significantly contribute to overall governance effectiveness, an insight that supports both Agency Theory (reducing agency costs) and Institutional Theory (embedding governance norms through structured practices).

These consistent patterns affirm the theoretical propositions of Agency Theory; that independent oversight reduces information asymmetry and mitigates opportunistic behavior, while also demonstrating how governance mechanisms, as explained by Institutional Theory, are shaped by normative and regulatory forces within the public sector.

The empirical support for both Agency and Institutional theories in this context highlights the need for policy frameworks that: Strengthen legal protections for auditors; ensure the autonomy of audit units; enhance training and resources for governance implementation.

Practically, this means investing in audit capacity, clarifying governance roles, and reinforcing oversight bodies to ensure sustainable improvement in public sector accountability.

Conclusion

This study examined the role of audit independence and corporate governance in public sector organizations within Ido Local Government, Oyo State, Nigeria. The findings indicate that audit independence mechanisms have a significant positive effect on both auditor impartiality and autonomy and the effectiveness of corporate governance. Specifically, audit independence explained 41.4% of the variation in auditor impartiality and 45.2% of the variation in governance effectiveness. Descriptive analysis further revealed that corporate governance frameworks in the public sector are moderately to highly aligned with established principles, although oversight enforcement and operational consistency require improvement.

The study's findings are consistent with Agency Theory, which posits that independent oversight mitigates principal–agent problems by reducing information asymmetry and promoting accountability. They are also aligned with Institutional Theory, which emphasizes that governance practices are influenced by regulatory norms, institutional pressures, and

organizational structures. Overall, the study concludes that strengthening audit independence is essential for enhancing accountability, transparency, and effectiveness of governance in the public sector.

Recommendations

Based on the findings of this study, several recommendations are proposed to enhance audit independence and corporate governance in public sector organizations. First, it is essential to strengthen the legal and institutional frameworks that support audit independence. Public sector institutions should ensure that auditors operate without undue interference from management or political actors and that their appointments, removals, and evaluations follow transparent procedures. Adequate legal protections will enable auditors to exercise autonomy, provide unbiased assessments, and uphold professional ethics, thereby enhancing accountability.

Second, the study highlights the need to reinforce governance oversight mechanisms. Active audit committees and oversight bodies should be empowered to monitor compliance with governance policies effectively. In addition, enforcement procedures should be standardized to ensure that violations of governance standards are identified, investigated, and sanctioned appropriately. Strengthening these mechanisms will reduce opportunities for fraud and mismanagement while improving the overall effectiveness of corporate governance.

Third, promoting transparency and accountability is critical. Public sector organizations should ensure that financial and operational information is disclosed in a timely and transparent manner, allowing stakeholders to evaluate organizational performance and decisions. Transparency in reporting, combined with clear lines of responsibility and ethical standards, will help build public trust in government institutions.

Furthermore, investing in capacity building and resources for auditors and governance officers is essential. Training programs on professional ethics, audit standards, and governance best practices can enhance auditors' ability to operate independently and contribute meaningfully to governance processes. Similarly, providing sufficient funding and operational resources for audit units will strengthen their capacity to conduct thorough and effective audits.

Finally, continuous review and alignment of governance practices with national and international standards should be prioritized. Public sector organizations should regularly evaluate their governance frameworks to ensure relevance, effectiveness, and compliance with evolving best practices. By adopting innovative strategies and reforms, public institutions can enhance accountability, improve governance outcomes, and reinforce public confidence in the management of resources.

References

Aguilera, R. V., & Terjesen, S. (2024). Corporate governance deviance. In *Elgar Encyclopedia of Corporate Governance* (pp. 190-190). Edward Elgar Publishing.

Ajaegbu, E. E., & Mmayie, S. (2025). Resolving Principal Agent Conflicts: Revisiting agency theory through the Lens of internal audit. *International Journal of Innovative Science and Research Technology*, *10*, 1050-1059.

Albrecht, W. S., Albrecht, C. O., Albrecht, C. C., & Zimbelman, M. F. (2006). *Fraud examination* (p. 696). New York, NY: Thomson South-Western.

Ambituuni, A. (2025). Infrastructure transparency initiative and anticorruption in public infrastructure projects: a principal–agent perspective to the antecedents that enable (or hinder) the effectiveness of transparency. *Engineering, Construction and Architectural Management*.

Azinogo, B. K., & Erasmus, L. J. (2025). Corporate governance challenges and their impact on public sector auditing in Africa: an exploration of effectiveness, accountability, and transparency.

Bari, A. H. A., Abed, R. A., Kahdim, R. M., Hasan, H. F., Sharaf, H. K., & Alwan, A. S. (2024). The role of internal auditing in corruption control and enhancing corporate governance: A board of directors' outlook. *Corporate Board: Role, Duties and Composition*, *20*(2), 120-127.

Chohan, A. H., & Haq, A. U. (2025). Corporate governance and audit quality in Islamic Banks in emerging Asian economies: A Literature review. *Journal of Development and Social Sciences*, *6*(2), 450-465.

Damagum, I. M., & Bajuri, N. H. (2024). The moderating powers of internal audit function on the relationship between corporate governance and financial reporting quality of publicly listed companies in developing countries: A Propose framework. *International Journal of Academic Research in Business and Social Sciences*, *14*(9).

DeAngelo, L. E. (1981). Auditor size and audit quality. *Journal of Accounting and Economics*, *3*(3), 183-199.

Dye, K. M., & Stapenhurst, R. (1998). *Pillars of integrity: The importance of supreme audit institutions in curbing corruption*. Washington, DC: Economic development institute of the World Bank.

Eisenhardt, K. M. (1989). Agency theory: An assessment and review. *Academy of management review*, *14*(1), 57-74.

Fasoulas, M., Chytis, E., Lekarakou, E., & Tasios, S. (2024). Auditor choice, board of directors 'characteristics and ownership structure: evidence from Greece. *Journal of Governance and Regulation/Volume*, *13*(1).

Ferry, L., Hamid, K., & Hebling Dutra, P. (2023). An international comparative study of the audit and accountability arrangements of supreme audit institutions. *Journal of Public Budgeting, Accounting & Financial Management*, *35*(4), 431-450.

Gbadago, F. Y. (2022). *Council structural composition and functions, audit quality, agency problems and monitoring costs and corporate performance of Ghanaian public universities* (Doctoral dissertation, University of Education, Winneba).

Hayes, R., Schilder, A., Dassen, R., & Wallage, P. (1999). Principles of auditing: An international perspective.

İnce, M. (2023). Challenges encountered in implementing INTOSAI auditing standards and solution proposals. *ResearchGate*, *47*(1), 14-29.

Indah, S. N. M. (2022). The effect of auditor competence and independence on audit quality. *Indonesia Auditing Research Journal*, *11*(4), 162-173.

International Federation of Accountants, & Chartered Institute of Public Finance and Accountancy. (2014). *International Framework: Good governance in the public sector*. International Federation of Accountants.

Jensen, M. C., & Meckling, W. H. (2019). Theory of the firm: Managerial behavior, agency costs and ownership structure. In *Corporate governance* (pp. 77-132). Gower.

Katarzyna, Ż. A. K. (2019). Implementation of corporate governance principles compliant with OECD standards in public companies in Poland and Hungary. *Zeszyty Naukowe. Organizacja i Zarządzanie/Politechnika Śląska*, (136), 693-705.

Kauppi, K. (2022). Institutional theory. In *Handbook of Theories for Purchasing, Supply Chain and Management Research* (pp. 320-334). Edward Elgar Publishing.

Khuong, N. V., Liem, N. T., Dung, B. T. N., & Anh, L. H. T. (2022). Corporate Governance and Audit Quality: The Moderating Role of Ownership Concentration Roles. *Management & Accounting Review*, *21*(3).

Lapsley, I., & Miller, P. (2019). Transforming the public sector: 1998–2018. *Accounting, Auditing & Accountability Journal*, *32*(8), 2211-2252.

Lau, E., & Manning, N. (2023). Public sector reforms across OECD countries. In *Public Management and Governance* (39-52). Routledge.

Mallin, C. A. (2019). *Corporate governance*. Oxford university press.

Njagi, M. (2023). Independence of internal auditors: significance, guidelines, and influencing factors. *East African Finance Journal*, *2*(1), 56-63.

Oruke, M., Iraya, C., Omoro, N. O., & Odhiambo, L. O. (2022). Corporate governance and modification of audit opinion: Evidence from state owned enterprises in Kenya. *African Development Finance Journal*, *1*(1), 97-100.

Risi, D., Vigneau, L., Bohn, S., & Wickert, C. (2023). Institutional theory-based research on corporate social responsibility: Bringing values back in. *International Journal of Management Reviews*, *25*(1), 3-23.

Rosenbloom, D. H., Kravchuk, R. S., & Clerkin, R. M. (2022). *Public administration: Understanding management, politics, and law in the public sector*. Routledge.

Schiavi, G. S., Behr, A., & Marcolin, C. B. (2024). Institutional theory in accounting information systems research: Shedding light on digital transformation and institutional change. *International Journal of Accounting Information Systems*, *52*, 100662.

Senan, N. A. M. (2024). The moderating role of corporate governance on the associations of internal audit and its quality with the financial reporting quality: The case of Yemeni Banks. *Journal of Risk and Financial Management*, *17*(3), 124.

Shleifer, A., & Vishny, R. W. (1997). A survey of corporate governance. *The journal of finance*, *52*(2), 737-783.

Sun, G., Sulemana, I., & Agyemang, A. O. (2025). Examining the impact of stakeholders' pressures on sustainability practices. *Management Decision*.

Tricker, R. I. (2015). *Corporate governance: Principles, policies, and practices*. Oxford University Press, USA.

Umor, S., Zakaria, Z. A., & Sulaiman, N. A. (2016). Follow-up audit as an accountability mechanism of public sector performance auditing.

World Bank. (2007). Strengthening World Bank group engagement on governance and anticorruption.

World Bank. Public Sector Board. (2000). *Reforming public institutions and strengthening governance: A World Bank Strategy* (Vol. 91). World Bank Publications.

Yahaya, O. A., & Onyabe, J. M. (2022). Do audit fee and auditor independence influence audit quality. *Asian Journal of Finance and Accounting*, *14*(1), 66-80.

Zeff, S. A., Wedemeyer, P. D., & Persson, M. E. (2025). Robert K. Mautz (1915–2002): A Thought Leader in Accounting and Auditing. *Accounting Historians Journal*, *52*(2), 147-163.