

Construction Professionals Perceptions' on Contract Auditing System in Building Projects

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Abstract—Construction managers' performances indicate operating below satisfactory in carrying out effective contract auditing in Nigeria. The study sought the perceptions of respondents in the field of contract auditing system in Nigerian construction practice. The populations are practicing construction professionals within the study area, and the respondent selected at random. The study adopted a well-structured questionnaire and distributed to the targeted respondents in which eighty percent retrieved and simple descriptive analysis used in analyzing the data. The study revealed that, the respondent are aware of the contract auditing services in construction sector and viewed it as effort to mitigate financial fraud, and the services should perform by professional construction managers with the need to introduce special training scheme for contract auditing role in the field of construction management. study recommend the present appraisal system which encourages the competent service of construction managers in contract auditing should be maintained, improved and protected by including comprehensive training course in order to have a more efficient contract auditing system in the Nigeria's construction industry.

Keyword—Perceptions, Contracts, Constructions, Auditing System and Managers

INTRODUCTION

Perception, as defined in Merriam- Webster dictionary, is the way of noticing or understanding something using one of the senses or the way of thinking about or reading something. In addition, perception has been defined as a process by which individuals organize and interpret their sensory impressions in order to give meaning to their environment (quizlet.com). According to Weaver 1981, as cited by Dada, 2007 defines perception as the way human beings gives meaning to things base on the information gathered.

A building contract generally is an agreement under which a person called the builder or the contractor, undertakes for a reward of considerations to carry out work for another individual refers to as the building owner or the employer. According to Adebola (2000), construction contract administration usually

terminates at the final account. More often than not, the documents connected with the contract are dumped ones the final measurement and final payments are made. Ordinarily this should not be so; there should be post-construction cost control that will be a means of cross – checking the details of the work executed. Regrettably this has been neglected. Furthermore, value for money audit or project audit should be carried out to ensure that the value received on the execution of the project is commensurate with the amount being spent. Such an audit appraisal should also aim at ensuring that the principles of economy, efficiency, and effectiveness achieved in the execution of the projects. Therefore, the primary issues in accounting for construction contracts is the allocation of contract revenue and contract cost to the accounting periods in which construction work performed. Contract documents appropriately reflect the works of comprised of the projects and that the works contract is not an inflated contract (Anyadike, 2000).

Despite the facts that, the contract auditing system is paramount in assessing the accountability of any projects, construction managers performances indicates operating below satisfactory in carrying out effective contract auditing in Nigeria either because they see the role as cumbersome and confusing by indicating not getting adequate training in it or the operating environment does not facilitate conveniently the opportunity to do so. Therefore, the study sought the perceptions of the respondents about the construction contract auditing system in Nigeria with a view to coming up with attractive ideas and trends to improve performance and to make the system more efficient.

LITERATURE REVIEW

According to Arah (2000) an auditing – is a systematic and official examination and check of business accounts (in this case project accounts), or as seen by (CRC-2012) as a systematic and independent examination of data, statement, record, operations performance (financial or otherwise) of an enterprises for a stated purpose. Construction contract audit, therefore, is an essential internal control process to maximize capital program effectiveness. The first objective of the audit is to obtain a documentation of cost incurred and paid for by the owner in completion of the project to justify if

the request for reimbursement were in alignment with the applicable contracts. The scope of the financial audit here includes all cost involved by contractor including a sub-contractor cost, in addition to direct cost paid for by the owner. The second objective of the audit is to obtain an understanding of the control environment surrounding a particular project to determine if any control deficiencies noted.

Meanwhile, a project audit provides an opportunity to uncover issues, concerns and challenges encountered during the project lifecycle. Conducted midway through the project, it gives an interim view of what has gone well, as well as what need to be improved to complete the project successfully. If done at the close of a project the audit can be used to develop success criteria for future project by providing a forensic review. Generally the purpose of project audit is to ascertain fair administration of project cost and to identify lessons learned that can help improve the performance of a project or improve the performance of future projects by undertaken a forensic review to uncover problems to be avoided. In this way, project audit is highly beneficial to project round table and provide an outcome that will increase the likelihood of future projects being managed successfully, Michael, (2014). Furthermore, in carrying out the project auditing, the auditor should obtain an understanding of how management determines the stages of completion of each contract and perform an analysis on a contract by contract basis to review the correlation of the stage of completion, contract revenue, contract cost, and attributed profit recognized.

METHODOLOGY

The populations for the study are mainly practicing construction professionals working in public sectors/institutions, consulting and contracting firms in Gombe State, Nigeria and the respondent selected at random. The study adopted a well-structured questionnaire and distributed to the targeted respondents in order to collect relevant data. Analysis of the collected data carried out using simple descriptive analysis such as percentage, charts, etc. A total of eighty (80) questionnaires distributed to various construction managers across a number of organizations and a total number of thirty-two (64) indicating 80% retrieved, sixteen numbers (20%) not returned. Out of the "64" questionnaires received, twelve (12) disqualified for not attaining proper assent, fifty-two (52) sorted out as appropriate respond which is seen quite adequate enough for the for the analysis.

ANALYSIS AND DISCUSSION OF RESULTS

In order to achieve the stated objectives of the study, the following analysis were carried out based on the retrieved questionnaire from the respondents as follows;

Table 1. The Respondents asked To Indicate the Level of Awareness of The Termed "Contract Auditing Services" As Shown Below;

	Frequency of the respondent	Percentage of respondent (%)
Very aware	12	23
Aware	34	65
Not common to construction contract	06	12
Not aware	-	-
Total	52	100

Source: field study, 2015

Base on the analysis, it suggest that 23% of the responses identified to be very aware, over 65% aware and nearly 12% shows that, it is not a standard operation in construction contract as shown in the chart 1 below. These clearly show that, the practice of contract auditing system is well known to the professionals within the study area.

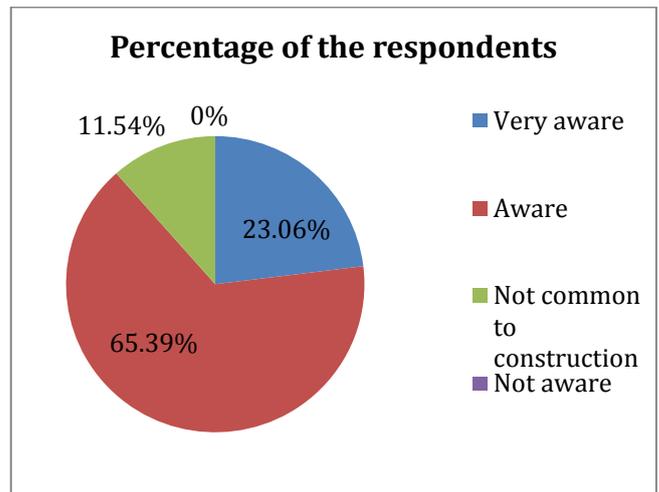


Chart 1. Level of awareness of the respondents on contract auditing system

Table 2. Respondents Perceptions When Contract Auditing System Mention In Construction

	Frequency of the respondent	Percentage of respondent (%)
Effort to mitigate financial fraud	30	58
Measures to checkmate shoddy works	12	23
Determined compliance with contractual term	-	-
Evaluating adequacy of company internal control system	10	19
Total	52	100

Source: field study, 2015

From table two above, the construction managers views on the general perception of the respondents on construction contract auditing revealed that 58% viewed it as effort to mitigate financial fraud, 23% sees contract auditing as an assessment of the level of works completed and 19% believes it as evaluating the adequacy of company's internal control system.

Table 3. respondents view on the aspects of discipline to carry out contract auditing system in construction projects.

	Frequency of the respondents	Percentage of respondent (%)
Projects owner/client	08	15
Construction managers	26	50
Accounting auditors	06	12
Recommend for more specialized professional tasks	12	23
Total	100	100

Source: field study, 2015

Table three concerned with the aspect of discipline or category of personnel to carry out contract auditing service base on the perception of the respondents, majority of the respondents 50% suggested should be performed by professional construction managers then followed by 23% Recommended for a more specialized professional task, 15% Wants the project owner/client to perform the audit work and finally 12% leave the job to accounting auditors.

Furthermore, the respondents asked to state if there is any incidents participated or witnessed an aspect of service identified as

contract auditing and the analysis was shown in the chart two below;

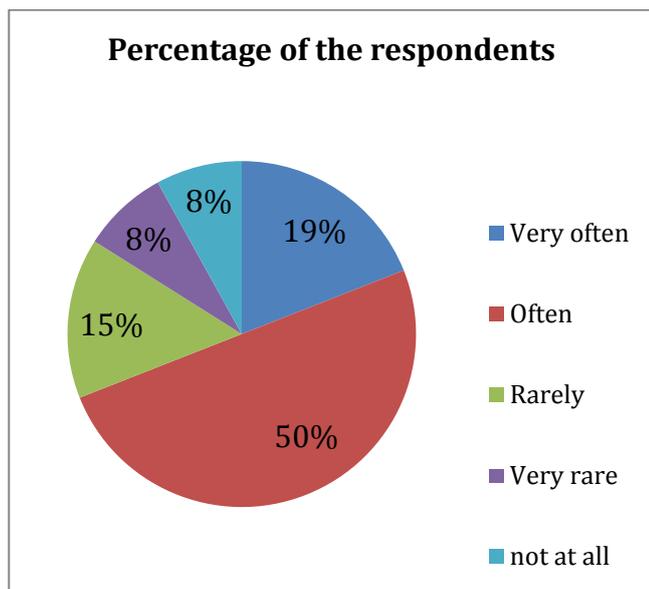
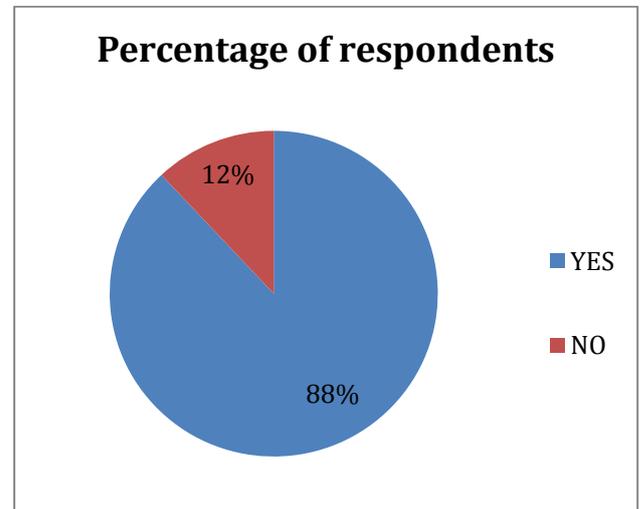


Chart 2. Levels of witness of contract auditing systems of the respondents

Base on chart two above, the level of participation of the respondent on contract auditing services is often with 50% then follow by 19% of the respondent as very often, 15% rarely participate and while 8% are either very rare or not participated at all.

Chart 3: Is there a system of project appraisal extent apply to the construction contract constituted by your organization/institution or agency?



From the above chart three, the 88% of the respondent agreed that there are the systems of projects appraisal extent apply to construction contract constituted in their organization/institution while the 12% indicated no as used to their place of work. In order to justify that, The analysis reveals that, about 62% of operating construction managers runs the services of contract auditing to be the top management role in their organizations with only 23% constituting a dedicated section as appraisal unit, this falls below positive as more is required for efficient and quality auditing as shown in the chart four below;

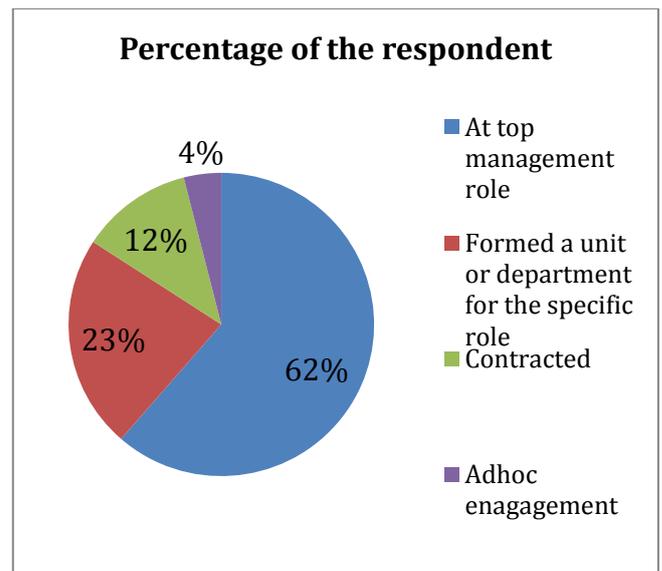


Chart 4. Contract auditing in organizations of the respondent.

Table 5: Will You Support Engaging Contract Auditor On A Personally Owned And Public Project?

	Frequency of the respondents	Percentage of respondent (%)
Strongly supported	10	19
support	32	62
undecided	08	15
Not support	02	04
Total	52	100

Source: field study, 2015

From table five it's clearly shown that, majority of the respondent 62% are of the view of supporting the engagement of contract auditor on personal projects and public projects but only 04% are not in support of the system.

Table 6 Do You Support An Enforceable Statutory Policy And Directives For Compliance Making It Compulsory For All Construction Projects To Professionally Audited Before Endorsement?

	Frequency of the respondent	Percentage of the respondent
Strongly support	16	31
Supported	34	65
Undecided	-	-
Don't see the need	02	04
Not support	-	-
Total	52	100

Source: field study, 2015

From the above analysis show that, 65% supported then followed by 31% that strongly supported, and a proportion of 4% do not see the need for the enforceable statutory policy for compliances.

Table 7 Is There Any Need To Introduce Special Training Scheme For Contract Auditing Role In The Field Of Construction Management?

	Frequency of the respondent	Percentage of respondent (%)
Needful	38	73
The existing training adequate	14	27
Consider as self dedicated disciplines	-	-
No need	-	-

Source : field study, 2015

From Table 7 above 73% sees the needful introduce special training scheme for contract auditing role in the field of construction management while 27% agreed that the existing training is adequate.

CONCLUSION AND RECOMMENDATION

Construction contract auditing service is an attractive aspect of service in the construction

management and the engineering industry as a service supports as well as purpose operation, therefore, the outcome of the findings provide room for the professional to adequately adopt the system of construction contract auditing system not only within the study area but Nigeria at large. The following are the summary of the findings of the study;

➤ Construction contract auditing service is well aware but many view and limit it to financial related appraisals rated among another primary aspect.

➤ It considered that construction managers are more suitable to carry out contract auditing service as are widely also involved believed that construction management operations cover adequate the aspect of contract auditing.

➤ Various establishments have constituted a system of project appraisals construction contracts and also most organization runs contract auditing in their top management offices rather than instituting a unit for the role, this will undermine the independence of the report as their will greater tendency of manipulations and compromise in the processes.

➤ There is need to have established law to enforce contract auditing to all construction projects and construction managers are seen as the potential supporters as well as law enforcers to this effects.

➤ The existing construction management training is again required to be reviewed to offer more insight covering adequate the aspect of contract auditing to have efficient delivery.

RECOMMENDATION

After carrying out the study, within the study area the following recommendation therefore made to conclude the work:

- The current construction management practice scheme should be reviewed to include comprehensive training course specifically for contract auditing processes by incorporating other aspects of training/capacity building in the form of workshops, seminars, etc. equally needed to develop on the technical knowledge of the construction managers and other stakeholders in the construction business.

- Auditors should be involved right at the beginning of the project in order to provide a ton of oversight and often results in limiting cost overruns or overcharges billing errors.

- General awareness procedures should adopted in promoting a good understanding with the construction business operators on all the aspects covers by contract auditing.

- Operating institutions in both the private and public sector should be encouraged to establish a good appraisal system supported by instituted auditing unit in their organizations and authorities should come off with a statutory enforcement that will

make compulsory all projects audited before commissioning.

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