

# CHALLENGES OF SUPREME AUDIT INSTITUTIONS: PERSPECTIVE OF AUDITOR-GENERAL OF NIGERIA

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## **Abstract:**

*Official corruption remain one of the major challenges of Nigeria and has become deep-rooted in her public sector administration leading to severe consequences to the country's economic and socio-political development. Public financial probity and accountability are promoted partly through the conduct of regular audits by the office of the Auditor-General, recognized as the Supreme Audit Institution (SAI) of any country. The Auditor General Office is expected to serve as a corner stone for good public sector governance through the provision of unbiased objective assessments of whether public resources are responsibly and effectively managed to achieve intended results. How effective has the Office of the Auditor General of the Federation of Nigeria been able to discharge her responsibilities, particular with respect to the curtailment of corruption in government and what possible challenges could be militating against this Nigerian Supreme Audit Institution and in what ways and means could these challenges be overcome are the pre-occupations of this paper? Through in-depth literature review and analysis of secondary data this paper traces the principal challenges of Nigeria's Auditor-General Office to include the issues of independence, capacity building, political will of the Executive and the legislature to implement the Auditor-General's report. The paper finds the effectiveness of the Auditor General's Office and the curtailment of official corruption to lie squarely with the sincere and effective efforts towards the resolution of these challenges by the Government of Nigeria.*

**Key words:** Supreme Audit Institution; Auditor-General; Official corruption; Public financial accountability; Public Sector governance

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## **INTRODUCTION**

The Auditor-General's office as a Supreme Audit Institution (SAI) provides the highest level of external audit of government bodies in a country. The Auditor-General's audit function is expected to provide unbiased objective assessments of whether public resources are responsibly and effectively managed to achieve intended results. The public sector remains the engine of any government's development initiative and without an accountable, efficient and incorruptible public service there cannot be good governance in the public service (Adegoye 2010). The African Union estimates that corruption accounts for 25% of Africa's annual GDP and is limiting the continent's chances of taking off economically. Transparency International's (TI) Corruption Index CPI,2004 ranks Nigeria as one of the countries that are prone to high corruption. The function of the Auditor-General helps government organizations to achieve accountability and integrity, improve operation, and instill confidence among citizen and stakeholder. However several challenges at varying degrees of severity are known to confront, weaken or sometimes completely hinder the effective performance of some Supreme Audit Institutions, especially those of emerging economies like Nigeria.

This paper shall be reviewing the legal structure and the qualitative appraisal of the performance of the Office of the Auditor-General of Nigeria; the challenges and limitations that may be adversely affecting Auditor-General's office and the possible ways and means of mitigating them are also to be critically examined and discussed on the bases of in-depth literature review.

## **LITERATURE REVIEW**

Audit Report as an effective instrument for legislative oversight over the executive's dealings with public finance. Both the Public Accounts Committee (PAC) and the Auditor General

form the bedrock of public accountability, serving as external control devices on the executive arm of government.

The Auditor-General audit helps government organizations achieve accountability and integrity, improve operation, and instill confidence among citizen and stakeholder. In most of the World's Bank borrowing countries, constitutional or legal arrangements provide for SAI to report independently on the use of public resources. By providing unbiased objective assessments of whether public resources are responsibly and effectively managed to achieved intended results the Auditor-General audit helps government organizations achieve accountability and integrity, improve operation, and instill confidence among citizen and stakeholder.

The recognition of the important role of SAIs in the public financial management, and a commitment to strengthening country institutions has led the World Bank to develop a strategy to support and strengthen SAIs. This approach includes:

- i. using high-level country dialogue, innovative interactions with SAIs, and financing
- ii. to improve their capacity and effectiveness;
- iii. promoting and participating in the global, regional and bilateral partnerships through which SAIs work to improve their own environments and capacities; and
- iii. providing training and knowledge sharing to help Bank staff carry out this agenda more effectively.

## **THE HISTORIC VIEW**

Most SAIs were originally established to fulfill a narrow regularity or financial auditing function - i.e. to provide assurance that the financial statements fairly reflected the revenues collected and expenditure incurred and that implementing bodies had appropriate authority for the transactions they had undertaken and had acted in accordance with relevant laws and regulations. (DFID 2005). This remains the primary function of all SAIs but over time the range of work of many SAIs has expanded to include a consideration of how well government bodies perform their work, typically looking at the economy, efficiency and effectiveness of service delivery. This type of work is commonly referred to as performance audit or value for money audit.

## **THE SAI AND PARLIAMENT**

As a general rule, Parliament/ the National Assembly is able to perform its oversight functions most effectively when it uses – and can rely upon – the SAI's audit work; a SAI has most impact when Parliament provides a forum for the presentation and discussion of its audit results and acts as an ally in ensuring corrective actions are taken. This relationship is particularly important in an Anglo-Saxon model of accountability, where SAIs do not normally have powers to impose sanctions on the bodies they audit, and are likely to rely on Parliament to take forward implementation of their recommendations. Ibid .. However, the relationship between SAIs and Parliaments/Legislative bodies is often one of the weakest links in the accountability chain in many partner countries including Nigeria. Where the SAI sees few benefits in working with Parliament, or vice versa, the working relationship may be very limited and purely formal; frequently the SAI may do little more than send its annual report to Parliament. Although Parliament may use the report as the basis for its own review, there is commonly little communication about its contents, the lines of investigation to pursue or the means of following up findings. Typically, in weak performing systems, neither side wants to invest its limited time and resources in working with the other.

## **THE SAI'S LEGAL AND OPERATIONAL INDEPENDENCE**

The Lima Declaration of Guidelines on Auditing adopted in Lima, Peru in October 1977 on the other hand set out the objectives of public sector auditing as:

- i. the proper and effective use of public funds

ii. ii) the development of sound financial management;  
 iii. iii. the proper execution of administrative activities;. and  
 iv. iv. the communication of information to public authorities and the general public through publication of objective reports.

Other conditions seen as crucial to the success of a Supreme Audit Institution include: supportive environment; clear mandates; independence; adequate funding, means, and staff; sharing of knowledge and experience; and adherence to international standards.

SAIs should have legal independence from the Executive and most do. This is the basic building block in a SAI's ability to provide an objective opinion on the Executive's management of public resources. Where the statutory position is unclear or there are limitations on the normal freedoms of a SAI, this is a major stumbling block to reform.

Although there is a general agreement that the SAI should play an effective role in promoting transparency, governance and accountability, yet most of the SAIs in the developing world still lack adequate independence and resources to play this role. Supreme Audit Institutions (SAIs) carry out the external audit of public sector bodies and are one of the key links in the formal system of financial accountability in most countries.

A SAI's operational independence is also critical. The level of change a SAI will be able to achieve through its own efforts is closely related to the level of autonomy it enjoys in managing its resources. The way the public sector is structured may impede a SAI's operational independence. It is not uncommon for the Ministry of Finance to manage budget allocations in considerable detail; investment planning decisions are often taken at a centralised level by a Ministry of Planning; and staff appointments may be determined by an Establishment Ministry. If the SAI is required to conduct its affairs through such bodies, its freedom to manage its own operations and to reform its business processes will be curtailed. The SAI may therefore have to work more closely with other national partners in order to achieve change, or to wait for more general changes in the public sector to be implemented.

The Lima declaration sets out the international standards for the SAIs such as: independence, powers, scope, and relationship with the executive and legislative branches. However, in 2001, after about a quarter of century, an International Organisation of Supreme Audit Institutions (INTOSAI) survey of the SAIs independence by its Task Force revealed that a large number of SAIs still did not have a desired level of independence. (Kasum 2009). For example, the Task force reported that:

- SAIs of 73 countries felt that there was significant room for improvement in financial autonomy.
- SAIs of 63 countries felt that there was significant room for improvement in their managerial and administrative autonomy.
- SAIs of 42 countries felt there was significant room for improvement in their constitutional autonomy.
- SAI of 33 countries felt that there was significant room for improvement in their freedom to report findings.

The International Budget Project (IBP), a non-profit organization that works with organizations around the world to assess impact of budgets on the poor, conducted a survey of 36 countries (drawn largely from Africa, Eastern Europe, Asia, and Latin America) to assess transparency in national financial and budgetary processes. The survey as cited in (Akram 2009) showed that out of the 36 countries surveyed:

- In 12 countries, citizens did not have access to the auditors' reports even though the reports were produced in 11 of these countries.
- Only 6 countries produced its attestation report within six months of the year-end.
- In 15 countries the final audited accounts of the national departments are either not completed within two years after the end of fiscal year or are not released to the public
- In 8 countries, the final audit accounts are released more than a year after the fiscal year closes.

- In 19 countries, the SAI either does not release to the public reports of audits of extra-budgetary funds or it does not audit such funds.
- In 23 countries neither the SAI nor the legislature releases to the public a report that tracks action taken by the executive on audit recommendations.

### **SUPREME AUDIT INSTITUTION (SAI) - THE NIGERIA AUDITOR- GENERAL PERSPECTIVE**

In Nigeria, the Auditor-General model is used. The conditions stipulated by Nigerian Constitution in Section 86 (1), (2) and (3) are that : the Auditor-General of the Federation: the Auditor-General for the Federation shall be appointed by the President on the recommendation of the Federal Civil Service Commission subject to confirmation by the Senate. The power to appoint persons to act in the office of the Auditor-General is therefore vested in the President and except with the sanction of a resolution of the Senate; no person shall act in the office of the Auditor-General for a period exceeding six months. Section 87 (1) and (2) specifies the tenure of office of the Auditor-General including conditions for his removal from office. The Financial Regulations of the Federal Republic of Nigeria (1976) states that the Auditor-General has the following powers:

- i. Unhindered access to books and records of all Ministries and Extra-Ministerial Departments at reasonable times.
- ii. Power to request for information and explanation necessary for duties.
- iii. Power to carry out special investigation in any Ministry and Extra-Ministerial Departments.
- iv. Power to carry out Ad-hoc investigation in any Ministry or Extra-Ministerial Department.

Perhaps, Government's most distinct control Institution over the public funds is the office of the Auditor-General for the Federation. The office is a functionary created by law as a check on the general performance of government and is given free hand to examine in such a manner he may deem fit, all accounts relating to public funds and properties and shall ascertain and report as to whether: Accounts have been properly kept? All public monies collected have been fully accounted for? Government monies have been expended for the purpose for which they were appropriated? The necessary rules and regulations are being complied with in the disbursement of public funds? Essential record is maintained and procedures applied are sufficient enough to safeguard and control public property and funds? The Financial Statements prepared by the Accountant-General of the Federation show a true and fair view of the state of affairs of the Nation? Other regulatory instruments aimed at ensuring that the Auditor-General office as a Supreme Audit Institution(SAI) functions effectively are: The Audit Act (1956) as variously amended the Finance (Control & Management) Act, 1958 (as amended) As the Chairman of the Audit Alarm Committee, the Auditor General is empowered by Section 85 (4-6) to "conduct checks of all government statutory corporations, commissions, authorities, agencies, including all persons and bodies established by an Act of the National Assembly".

From the foregoing, the Auditor-General for the Federation(AGF) is the officer recognized by the constitution of the Federal Republic of Nigeria (1979) as amended in 1989 and 1999 and the Audit-Ordinance of 1956 to audit the accounts of all accounting officers and all persons entrusted with the collection custody, receipts issue or payment of public money. The Auditor General at federal and local government levels provide external auditing services to all non-commercial (strictly public and services) department and ministries of government. While each of the ministries and department has their internal audit functionaries, the Auditor General office provides external supervisory audit function to them. On the other hand, government commercial department/parastatals have independent non-governmental public accounting firms as their external auditors. These external auditors' employment is however partially processed (recommended) by the office of the Auditor General of Federal level for the federal government parastatals and at state government level for state government parastatals.

Government auditing as provided by the Auditor General's office is a corner stone of good public sector governance. By providing unbiased objective assessments of whether public resources are responsibly and effectively managed to achieve intended results, the Auditor –General audit helps government organizations achieve accountability and integrity, improve operation, and instill confidence among citizen and stakeholder. (Oshsami1997).The Auditor-Generals role combines oversight, insight and foresight. The oversight role of government audit by the government audit by the Auditor General should ensure that government entities are doing what they are supposed to do and deter public corruption. Auditor-General insight role should assist decision-maker by and enhance good public governance by providing an independent assessment of government programmes, policies, operation and results the Auditor-General functionaries should promote accountability and transparency and good public governance using such tools as financial audits performance audits as well as investigation and advisory services.

By providing oversight, insight and foresight services government auditors under the Auditor-General help ensure that the public servant and political officers conduct the public business transparently, fairly and honestly, while conducting their own work using the highest standard of integrity. Government auditors under the Auditor General play such roles as the recognition and reporting of corruption, abuse of authority of failure to provide equity or due process in the exercise of government policies. However, because such reporting may challenge powerful or entrenched interest, Auditor-General requires some measure of job protection to be able to report independently.

The Auditor-General reports, as discussed earlier provide the plan for the Public Accounts Committee (PAC) work. Under the 1999 Constitution of Nigeria, (Sec.85 (4-6) “The Auditor – General shall within ninety days of the receipt of the Accountant-General's financial statement submit his reports under this section to each House of the National Assembly and each Hose shall cause the reports to be considered by a House committee of the House of the National Assembly responsible for public accounts”

The Auditor-General has a unique role in government that transcends all levels of government – executive, legislature and the judiciary.

In terms of meeting international standards and the Lima Declaration, the Auditor General's office in Nigeria on the surface, can be said to have done creditably well if not for few material challenges in the following areas:

## **INDEPENDENCE**

Although there is a general agreement that the SAI should play an effective role in promoting transparency, governance and accountability, yet most of the SAIs in the developing world still lack adequate independence and resources to play this role (Khan 2009).The Nigerian situation is a case in point.

The Auditor-General of Nigeria substantially obtains his power of independence from Sec.85(6) of the 1999 Constitution of Nigeria which states that : “In the exercise of his functions, under this Constitution, the Auditor-General shall not be subject to the direction or control of any other authority or person”However, the role of the Auditor-General under Nigerian constitutional scheme vis-a-vis its security of tenure and independence from the Presidency became questionable when on January 10, 2003 the Auditor-General, Mr. Azie, submitted to the National Assembly revealing information containing the expenditure pattern, particularly the profligacy of the executive/administration. This damning report, the first of its kind from any Auditor General, was believed to have led to the Auditor General's abrupt retirement on the controversial premise that he (Mr. Azie) was functioning in an acting capacity and considered to have failed in his duties (Tell Magazine 2003). While the Auditor-General report serves as an effective instrument for legislative oversight over the executive's dealings with public finance, there is nothing to show of the parliament's/ legislative political will to enact laws to protect the office of the Auditor-General in the performance of his constitutional role. In the view of Kasum, (2009: 15) “although there is a

general agreement that the SAI should play an effective role in promoting transparency, governance and accountability, yet most of the SAIs in the developing world still lack adequate independence and resources to play this role.”

## CAPACITY

Although, auditing has become the subject of attention in government circles, it remains the major key control function in government financial control system. Unfortunately, the Auditor-General office in Nigeria remain ill-equipped for its enormous responsibility towards the checkmating of official corruption. The Auditor-General is ill-equipped with low skilled manpower. Low remuneration and poor civil service condition of service makes the Auditor-General office to be less attractive to qualified professional accountants.

Poor training and skill update in modern forensic auditing techniques leaves the available Auditor-General staff ill-equipped to detecting and gathering sufficient evidence, and to effectively carry out its functions or roles of oversight, insight and foresight or risk based auditory investigative responsibilities.

The practice of government audit under the Auditor-General is anything but modern. Improving the Auditor-General’s practice will require a group of legislation that will seek to improve the practice of auditing in the public sector. This will include laws establishing auditing and reporting standards, laws bordering the scope of public sector audit; laws giving the Auditor-General and his office as well as his counterparts in the states and local Governments broad powers of investigation to expose corruption, fish out inefficiency in the running of government, thereby strengthening accountability and transparency in the use of public funds.

## CORRUPTION

Audit is not an end in itself but an indispensable part of a regulatory system whose aim is to reveal deviations from accepted standards and violations of the principles of legality, efficiency, effectiveness and economy of financial management early enough to make it possible to take corrective action in individual cases, to make those accountable accept responsibility, to obtain compensation, or to take steps to prevent or at least render more difficult--such breaches. Corrupt practices are intentional acts committed with a view to giving, accepting and soliciting an advantage inconsistent with official duty and the rights of others or the abuse of public power for private gain.

Corruption is considered the bane of the Nigerian society which has dogged the country and plagued all attempts to improve the lives of the citizens (Oyewole, 2007 Nwachukwu, 2010). Although, corruption is by no means exclusive to Nigeria, the prevalence and the amounts involved in Nigeria is mind boggling. (Nwachukwu, 2010). The 2010 Corruption Perception Index of Transparency International which placed Nigeria in the lower quantile of the corruption index with a score of 2.4 on a scale of 0 to 10 seems to have corroborated these views. Ibid.

In a very legitimate sense, corruption auditing is expected to remain a major concern of government auditors just as in the same way fraud auditing is to auditors of private establishments. But unfortunately, government auditors have remained significantly dormant in corruption audit methodology development. (Khan 2009). The Auditor-General of the Federation is not only technically handicapped in the fight against corruption in public financial management, but also lack the needed cooperation of the Nigerian Parliament-the National Assembly in the fight against official corruption.

Investigation by Ameh (2011), revealed that queries raised since 1999 by the Office of the Auditor –General of Nigeria, recommending penalties for alleged fraudulent practices committed by public officials may not have served any useful purpose due to non-consideration of recommendations of audit reports by the Senate and the House of Representatives and that consequent upon this, over 1,000 recommendations arising from audit reports remained unattended by the National Assembly. Auditor-General Office may therefore not be entirely blamed for the

non-prosecution of corrupt officers particularly in the face of the National Assembly's display of insufficient political will to co-operate.

## CONCLUSION AND RECOMMENDATIONS

Auditor-General of the Federation is a Supreme Audit Institution whose function is expected to provide unbiased objective assessments of whether public resources are responsibly and effectively managed to achieve intended results. This function aims to help government organizations to achieve accountability and integrity, and instill confidence among citizen and stakeholder. Several challenges at varying degrees of severity are revealed by this paper to confront, weaken or sometimes completely hinder the effective performance of the Auditor-General of the Nigerian Federation, notably in the areas of capacity building, independence and effectiveness against corruption parliamentary/legislative and government executive support..

In terms of meeting international standards and the Lima Declaration, the authors of this paper found that the Nigerian Auditor General's office stands the chance of performing creditably well if better equipped with modern auditing skills, in addition to the Nigerian Parliament/National Assembly and the Executive enacting laws that more significantly safeguard his tenure and independence and mustering sufficient political will to act promptly and decisively on the Auditor General's reports. Overcoming these challenges could go a long way in effectively complementing Nigeria and indeed developing countries' efforts towards combating the menace of official corruptions in this and other countries.

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