Performance Auditing and Public Sector Accountability in Nigeria: The Roles of Supreme Audit Institutions (SAIs)

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ABSTRACT

In recent times, at least in the public domain in Nigeria, the rate of corruption, looting, embezzlement of public funds by elected and other public officials have assumed alarming dimensions. The ugly phenomena and negative consequences on the collective well-being of the Nigerian citizenry is worrisome as the government seems not to have solutions and political will to deal with the situations which are partly a creation of bad governance over the years,The lack of accountability in the Nigerian public sector which has submerged the country in the mire of corruption is due to the weak and lack of independence of the supreme audit institutions, compromise by the public accounts committee in the legislature in their oversight functions and the corrupt legal system.The paper advocates performance auditing which comprises audit of economy, efficiency and effectiveness or value for money audit, independence of the supreme audit institutions based on Lima and Mexico declarations to foster public sector accountability in Nigeria.

Keywords: Performance audit, supreme audit institutions, *accountability, i*ndependence

INTRODUCTION

According to the International Organization of Supreme Audit Institutions (INTOSAI) Code of Ethics (1998), performance audit is defined as "an audit of economy, efficiency and effectiveness with which the audited entity uses its resources in carrying out its responsibilities". Historically, performance audit (PA) was introduced in the 1960s to provide assurance over accountability concerns in the public sector (Pollitt & Summer, 1997, Green & Singleton, 2009).While its importance has generally been overlooked, it is now gaining increasingly acceptance due to the emphasis on performance improvement and accountability in the public sector. Performance audit is a systematic, purposeful, organized and objective examination of government activities. It provides parliament with an assessment on the performance of these activities with information, observations and recommendations designed to promote accountability in government and ensure an ethical and effective public service, good governance and sustainable development (Waring & Morgan,2007).However, in some countries, the constitution or legislation do not always confer the authority to audit "effectiveness" or "efficiency" of the financial management of the executive arm of government on the SAI but on the ministers who report to the legislature. Performance audit has been found to have a greater role for performance accountability than performance improvement to the public (Manaf,2010).

Recently, there are increasing public outcries on the government's wastage in public spending, corruption, high recurrent expenditures, cost of governance and poor budget performance by the various governments in Nigeria since 1999. Equally worrisome is the political and media propaganda by most elected officials in the delivery of democratic dividends whereas the massive looting and corruption continue non-stop. Nigeria has

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continuously to be rated by the Transparency International (TI) among the most corrupt country in the world for many years consecutively since 2001 due to collapse of public sector accountability and the weak supreme audit institutions. The increasing ministerial scandals and public agitations of the inability of the executive arm of government to turn things around have given rise to the demand for greater public accountability and performance audit in public sector (Green & Singleton, 2009; Mantuf,2010).

Therefore, this paper considers the role of SAIs in engendering public accountability in Nigeria. The rest of the paper is structured into five sections. The immediate section dwells on the new public management in the public section. Section three considers the relationship between performance auditing and public accountability. Section four is on the roles of SAIs in promoting public accountability. Section five explores SAIs and its weaknesses in Nigeria.The last section is the conclusion.

NEW PUBLIC MANAGEMENT

The philosophy of New Public Management (NPM) emanates from the devolving of responsibilities and accountability of public sector managers since the 1970s.The NPM has brought the notions of accountability and performance audit to the centre stage in many democratic governments and triggered widespread public sector reforms in many countries (Daujotaite & Macerinskiene, 2008). Under NPM, control over public agencies is exercised in terms of ex-post monitoring and performance measurement rather than through compliance with ex-ante rules and directions (Mulgan, 2001).Emphasis is placed on the articulation of clear objectives and developing accurate and independently verifiable means of assessing how far the objectives had been achieved. It also subjected public managers to greater accountability for performance (Mulgan,2001).According to Bourn (2007:4),in more recent times a number of countries like Italy (1994),Ireland (1993) have introduced significant changes to the remit and operation of their state audit offices by given them statutory authority to carry out performance or value for money audits.

Hood (1995:96) has identified seven underlying doctrines of NPM to include: .Unbundling of the public sector into corporate units organized by products. 2. More contract-based competitive provisions with internal market and term contracts.3. Stress on private sector styles of management practices.4. More stress on discipline and frugality in resources use.5.More emphasis on visible hands on top management.6.Explicit formal measurable standards and measures of performance and success and 7. Greater emphasis on output controls.

PERFORMANCE AUDITS AND PUBLIC SECTOR ACCOUNTABILITY

The concept of performance auditing in the public sector has been around since the 1960s, pervasive in countries like the United States (US), Canada, the United Kingdom (UK), Australia, New Zealand etc.Green & Singleton (2009:116) claim that “the United States General Accounting Office (GAO) was the pioneer of comprehensive auditing after the Second World. Performance audit examines the matters of efficiency and effectiveness, waste probity, compliance with statutory obligation, financial prudence or any combination of these (OAG, 2009). It serves as an assurance to the parliament or legislature on programme and issues of management by public utilities. It contributes towards effectiveness in accountability and improvement in the public sector information through its emphasis on economy, efficiency, effectiveness, equity and ethics (5Es).

A cursory consideration and asking of two basic questions pertaining to economy, efficiency and effectiveness can foster responsiveness, responsibility, flexibility and accountability in

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the public sector, management of resources. The two questions are: (1) Are things being done in the right way? (2) Are the right things being done? Answer to the second question refers to effectiveness or impact on the society, as well as a commitment to government stewardship being contested at any given time to render accounts for her activities or responsibilities. This ensures individuals and agencies managing public funds remain accountable for their actions.

Good governance occurs when governing bodies fulfill their accountability obligations to those whose interests they represent by reporting on their organization's performance. The independence of SAIs as outlined in the Lima Declaration of 1977, Mexico Declaration of 2007,various INTOSAI code of ethics, principles and guidelines, the rule of law and effective legislative oversight are considered to be essential premises for independent and effective government auditing that promotes government accountability. For instance, Glynn (1985a:126) has argued that "the introduction of value for money auditing in Canada was accompanied by a number of institutional innovations, all of which were designed to increase the accountability of public sector organisations". INTOSAI (1998) canvassed that public accountability will be more effectively promoted where SAIs perform performance audits and holds government accountable to legislature and public for their stewardship over public funds (INTOSAI,2001,2004 Ahmed, 2010).Glynn (1996:128) finds that changes brought about by NPM and performance audit were allied to the "changes in the nature of accountability". Glynn (1985b:18) suggested that "accountability in the public sector occurs when both politicians and the public atlarge are assured that the public funds are being spent efficiently, economically andon programmes that are effective.VFM auditing assists this process by reportingupon management's performance at both central and devolved government levels."

PRINCIPLES OF TRANSPARENCY AND ACCOUNTABILITY BY SAIS

Otbo (2009) remarked that Principles of Transparency and Accountability (ISSAI 20) developed by INTOSAI with nine principles which SAIs as follows: 1. SAIs perform their duties under a legal framework that provides for accountabilityand transparency.2. SAIs make public their mandates, responsibilities, mission, and strategy.4 SAIs apply high standards of integrity and ethics for staff at all levels.5.SAIs adopt audit standards, processes, and methods that are objective andtransparent.5. SAIs ensure that these accountability and transparency principles are not compromised when they outsource their activities.6 SAIs manage their operations economically, efficiently, effectively, and in accordance with laws and regulations and report publicly on these matters.7.SAIs report publicly on the results of their audits and on their conclusionsregarding overall government activities.8SAIs communicate promptly and widely on their activities and audit results through the media, Web sites, and other means.9.SAIs make use of external and independent advice to enhance the quality and. credibility of their work.

THE ROLE OF SUPREME AUDIT INSTITUTIONS(SAIS) IN PROMOTING PUBLIC SECTOR ACCOUNTABILITY

The SAIs are usually not stand-alone institutions; they are part of a public financial management (PFM) architecture like budgeting, accounting, internal control and legislature oversight and government response in improving the way SAIs functions. They are integral to providing information for improving the overall PFM system. SAIs is the national body responsible for sanitizing public expenditure and providing an independent opinion on how the executive has used public resources. The SAIs plays an important role in strengthening accountability and good governance by helping various governments to improve performance, enhance transparency, ensure accountability, fight corruption, promote public trust and foster the efficient and effective receipt and use of public resources for their citizenry. They are watchmen of transparency and accountability, promoting good governance in developing countries.Nevertheless their operations have met with some resistance in some countries.Termini (2010) remarks that SAI evolution, independence and full endowment are instrumental to achieving the goals of transparency and accountability. Hue (2009) states the roles of SAIs in improving effectiveness of public expenditure management to include: (1) applying input and output based management approaches to the management and control of public expenditures (2) carry out financial, compliance and performance audits through pre and post audits.

Section of Lima 1977 declaration sees post-audit as a indispensable task of SAIs regardless of the pre-audits (3) audit of public expenditure and public debts (4)comprehensive coordination and combination of fiscal and monetary policies during period of inflation or recession to promote maximum efficiency. Sevilla (2005) says in a decentralized environment, public spending needs some degree of fiscal discipline, favourable institution relationships, a stable negotiation framework, management cooperation, permanent and transparent reporting and cooperative control structures across various levels of government. The SAIs also play critical roles in external and legislative control, internal control and accountability (Sevilla,2005)

SUPREME AUDIT INSTITUTIONS IN NIGERIA

The SAIs in Nigeria exist under Westminster or Anglo-Saxon or Parliamentary model. Under the Westminster model, the national audit office (NAO) is the SAI. The main weakness of the Westminster model is that a great deal of authority is centralized on the Auditor-General and there is the risk of abuse of power in the wrong hands. Moreover, where the legislature is corrupt and weak, they may fail to instill public accountability. The legislature may not support or follow-up the reports and opinions produced by the Auditor General of the Federation (AGF) thereby making the system ineffective.

The case of the Auditor-General's Report on the account of the Federation or Nigeria for the year ended 31st December 2001 by the acting Auditor-General of the Federation, Mr. Azez buttressed this scenerio. Till date, nothing has come out of the comprehensive audit report to recover the billions of naira unearthed in the various Ministries, Departments and Agencies (MDAs). This is because the Public Account Committee (PAC) was unable to hold hearings and issues its own reports on the AGF report being subjugated to the whims and caprices of the presidency. Besides, the Obasanjo's regime was not in support of the Report. Jenkins & Tsoka, 2003 in Shah (2007) also reported that when the PAC in Parliament in Malawi compiled its first serious reports on the misuse of government funds in 2001, its findings were not acted upon by the relevant enforcement agencies but put on hold because of executive intervention.

There is defective public sector accountability when the parliamentary oversight is weak. Since the era of democracy in Nigeria in 1999, corruption and poor performance of elected officials are evident because of the failure of the legislature to perform their real oversight functions and sanction the executive over abuse of powers. The Otedola and Farouk's gate in the oil subsidy saga, the police pension fund scandals, mismanagement and misappropriated of public funds at the local, state and federal levels by elected officials, the abuse of the fiscal responsibility act, the Oduah's gate in the purchase of two armoured BMW car for N255 million by the Aviation Ministry, the alleged $20 billion unaccounted oil money by Nigerian National Petroleum Corporation (NNPC) to Federation account and the fiscal restlessness and

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indiscipline at various government levels are indicative of SAIs weaknesses and ineffectiveness in promoting accountability.

Weaknesses of SAIs in Nigeria

Appointment and Removal by the Executive

The SAI is not truly independent of the executive who appoints the SAI and can remove the head of the SAI (Auditor-General) with either the consent of the legislature or Judiciary.The present system whereby the Nigeria's 1999 Constitution puts the appointment of the Auditor General at the disposition of the executive and gives them power to remove him by consent of the legislature or judiciary has not yield the best result.The Auditor-General and the National Audit office have always wanted to tred on "soft ground or at other times parley with the executive arm in obligating the accountability process. Therefore SAI headed by the Auditor-General has in most cases been paralysed or made "a toothless bull dog" as they lack complete independence (financial and political) in performing their tasks.

Lack of Financial Independenc

Since the budgetary allocation to SAIs is not a first-line charge to the consolidated revenue fund (CRF), the SAI is most times starved of funds and resources to perform and fulfill their mandates.

Lack of Accountability Towards the Legislature in Nigeria

The SAIs' mandates prevent them from playing a direct policy or political role. They are not to directly comment on the merit/demerit or efficiency/ inefficiency of political and government policy decisions. They are to avoid political interference. The PAC has also not helped to effectively facilitate the work of the Auditor-General Conversely, the legislature must follow-up on SAI's findings and recommendations to have a practical impact. Most a time, the legislature does not follow up, rather unfortunately, on the SAI's work at all especially if it conflicts with their personal or political interests.Therefore, the SAI is weak in enforcing audit measures because their reports have no consequences and they have no power to force the executive to follow audit recommendations. SAIs has limited power over what it will audit. In fact, what will appeal to the PAC and legislature to receive their full support is usually what SAI audits and reports.Therefore the process of accountability and transparency is thwarted and corruption and mismanagement of public resources is given the free opportunity to blossom unabatedly

Lack of Cooperation and Harmony with other Stakeholders

SAIs is weak in terms of independence because they do not carry along the civil society and the public, and tap vital information from them. The SAI cannot isolate itself from the outside world or in particular from the auditees. There must be collaborative spirit and not adversary relationships between the SAI and the auditees as this will hinder the SAI in enforcing audit measures.

The lack of harmony between the public auditing regulatory and accountability framework is another cause of SAI's weakness. Where the public sector auditor is allowed to provide both audit and other services to the same institutions, there is going to be compromise of the independence of the SAI. Like in South Africa, an increasing trend in the contracting of audit to private firms is a threat to the Auditor-General's independence. It also presupposes that the National Audit Office lacks the power and capacity for effective audit.

Lack of Functional or Organization Independence

Absolute freedom underlined by the Lima Declaration is difficult in the context of political, legislature and administrative constraints prevailing in different SAIs where the SAIs are not given the functional or organization independence to fulfill their responsibilities and obligations. The Mexico declaration of 2007 enunciates eight principles to guarantee the SAI's independence to include:1 The existence of an appropriate and effective constitutional/statutory/legal framework and of *de facto* application provisions of this framework. 2 The independence of SAI heads and members (of collegial institutions), including security of tenure and legal immunity in the normal discharge of their duties. 3. A sufficiently broad mandate and full discretion in the discharge of SAI functions. 4. Unrestricted access to information.5. The right and obligation to report on the SAI's work

6. The freedom to decide the content and timing of audit reports and to publish anddisseminate them 7.The existence of effective follow-up mechanisms on SAI's recommendations. 8.Financial and managerial/administrative autonomy and the availability of appropriate human, material and monetary resources.

It must be emphasized that rules alone cannot guarantee the independence of SAIs to foster public accountability.They must have the state of mind, appreciate the value of the independence and should be ready to make the best use of it. The SAI needs the allies support from the legislature account committees like the PAC, members of parliament and the public. The SAIs must also win support from the ministries, department and agencies and other entities it audits, otherwise the SAI independence is bound to be weak and unable to enforce audit measures. Because SAIs are established to provide highly credible and impartial auditing of public funds, there must be special guarantees to protect them from improper political interference and ensure that the interest of the citizens remain in focus. And because the independence of SAI is a complex and the constant struggle requiring support from the government itself, the government must be willing to give the SAIs the free hand to operate in order to promote public accountability.

The SAI must cooperate with other control and supervisory agencies under the legislative and executive government. The SAI should communicate with other key stakeholders and educate them on the important role a strong audit office plays in promoting public accountability and transparency. Similarly, all parties in the democratic governance process- legislators, governments, public servants, civil societies and the citizens etc- should understand, acknowledge, accept and support the work and fundamental principles SAIs operate to be successful.The SAIs should actively participate in the public expenditure management reforms of the Federal Government by helping in the implementation of the Fiscal Responsibility Act, and Public Procurement Act.

CONCLUSION

This paper examines the roles of SAIs in promoting public accountability in Nigeria, the following are suggested.It was discovered that the strengthening of the legislature oversight and institutional capacity building of SAIs- independence, internal governance, work quality and more emphasis on performance audit or value for money audit by the SAIs would promote foster public accountability in Nigeria.Therefore the paper recommends amendment to the 1999 Constitution to guarantee SAI's authority and independence from undue interference of the government and also give statutory authority and audit mandate to the Auditor General to carry out performance audit. The financial and political independence of the Auditor-General should be safeguarded. There is also need for best international auditing

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practices to be enshrined, overhauling of the accounting, auditing and legal framework in the country and legislation to mandate performance auditing by SAIs in Nigeria.

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