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IMPACT OF PUBLIC SECTOR AUDITING IN PROMOTING ACCOUNTABILITY AND TRANSPARENCY IN NIGERIA

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Abstract

Accountability and Transparency has over the years been recognized as instruments of reduction of corruption at all levels of public sector. A lack of transparency and accountability in the public sector presents a major risk to the efficiency of the capital markets, financial stability, long term economic sustainability, economic growth and development. Unfortunately, the issue of accountability is a basic and fundamental problem in our country Nigeria. This is as a result of the high rate of corruption embedded in virtually all sector of our economy Nigeria. Going by the increase in democratization and concern about corruption, citizens are demanding from the government accountability and transparency by being well informed about what the government intends to achieve and what it has actually accomplished. Since public

sector financial statement is the medium of information of government activities, the public is demanding audit reports in order to access the performance of those entrusted with public sector resources. This therefore implies that proper audit plays a significant role in promoting accountability. This study therefore seeks to examine the role of public sector audit in enhancing accountability and transparency in the public sector while bringing about a reduction in the level of corruption in the country.

Keywords: Accountability; Corruption; Public Sector Auditing; Transparency

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INTRODUCTION

Recently, there is an increasingly public outcry with respect to mis-management of public funds, embezzlement on the part of government officials, high recurrent expenditures, poor budget performance by the various government in Nigeria since 1999 [1]. According to the report by Transparency Initiative, Nigeria has continued to be rated amongst the most corrupt countries in the world for many years consecutively since 2001 due to the collapse of public sector accountability. As a result of the increasing financial scandals and public agitation of the inability of the executive arm of government to turn things around, demand for greater accountability and transparency in the public sector has been on the increase [2,3].

Auditing both in the public and private sector has gained considerable expansion throughout the world. The reason for this is as a result of a growing need for transparency and accountability at all level both in the public and private sector. Auditing which has become the owners "third eye" is of great importance in the public sector of Nigeria economy because over 65% of the asset base and other productive resources of the country come under the control of the public sector of the economy [4]. These assets need to be safeguarded on behalf of their owners who in this case are the members of the public.

The primary/principal role of public sector auditing is not to detect fraud and error but to examine the books of account so as to determine whether or not it gives/shows a true and fair view of the state of affairs of the economy during the period under review. But going by the current decay in the Nigeria economy, the lack of transparency and accountability, the question that arises is how efficient is the public sector auditing in performing their role". Unfortunately, public office holder and the entirety of the agent of government at all level has made public sector auditing system which is enshrined in our constitution to ensure proper accountability and transparency a mere subject in books [4]. In a nutshell, the public has lost interest in the public sector auditing; they have lost their confidence in the concept of accountability and transparency of the Nigerian economy. The focus of this paper is to examine how to regain the public confidence in government transparency and

accountability through public sector auditing. The paper is structured in four sections. The first session discusses the concept of Accountability, the second section discusses the concept of Transparency, the third section discusses Public sector auditing roles, the fifth sector discusses the Accountability process, and the sixth section looks at the Auditor-General and his role in enhancing accountability and transparency.

LITERATURE REVIEW

Concept of Accountability

Adegbite defined accountability “as the obligation to demonstrate that work has been conducted in accordance with agreed rules and standards and the officer reports fairly and accurately on performance results vis-à-vis mandated roles and/or plans”.

Johnson opined that public accountability is an essential component for the functioning of our political system, as accountability means that those who are charged with drafting and/or carrying out policy should be obliged to give an explanation of their actions to their electorate.

According to Stephenhurst and O'Brien [5], “accountability exists when there is a relationship where an individual or body, and the performance of tasks or functions by that individual or body, are subject to another’s oversight, direction or request that they provide information or justification for their actions”. Accountability is the liability to give an account of what one has done, or not done, to another who has authority to assess the account and allocate praise or blame’ [6], ‘...accountability denotes a relationship between a bearer of a right or a legitimate claim and the agents or agencies responsible for fulfilling or respecting that right. ... It denotes the duty to be accountable in return for the delegation of a task, a power or a resource’ [7] ‘...the concept of accountability is ... how those entrusted with the powers of the State are held responsible for their actions’ [8] ‘...accountability as a proactive process by which public officials inform about and justify their plans of action, their behaviour, and results and are sanctioned accordingly’ [9].

Accountability is the process whereby public sector entities, and the individuals within them, are responsible for their decisions and actions, including their stewardship of public funds and all aspects of performance, and submit themselves to appropriate external scrutiny. It is achieved by all parties having a clear understanding of those responsibilities, and having clearly defined roles through a robust structure. In effect, accountability is the obligation to answer for responsibility conferred. (IFAC, Governance in the Public Sector: A Governing Body Perspective).

Concept of Transparency

The principle of transparency relates to the openness of a public sector entity to its

constituents [10]. Good governance involves the right disclosure of important information to stakeholders to enable them access relevant facts and information on the performance and operations of the public sector so as to enable them determine the motive behind the actions of the public sector officials. Accordingly, the public sector's decisions, actions, and transactions must be conducted in the open.

Transparency and Accountability

Transparency is a necessary part of accountability but it is not the same as accountability. In order to hold government officials accountable, one must first find out information about that public servant's decisions and actions (transparency), but you then must go further if you are actually to hold them to account for their decisions and actions. It is a major public interest that financial reporting arrangements are not in place in many countries around the world [11]. Government have the responsibility to enact, implement and execute the law; deliver services to the citizen; protect lives and properties and the decisions and actions taken to fulfill these responsibilities must be clearly stated in the interest of the general public because government are expected to act in the interest of the public who voted them in.

Government collects taxes, custom duties, value added tax etc. and the monies collected through taxes and other means of income generation are allocated to spending on both recurrent and capital projects. This responsibility makes it imperative for government to discharge their responsibility by displaying the manner by which they have effectively and efficiently used the resources at their disposal. Without a robust and transparent financial reporting, it is not possible to determine whether or not the activities of the government have been in the interest of the public. Furthermore, without financial report, it is impossible for government to discharge accountability function.

Public Sector Auditing Roles

The public sector's success is measured primarily by its ability to deliver services successfully and carry out programs in an equitable and appropriate manner, public sector audit activities should have the authority and the competency to evaluate financial and program compliance, effectiveness, economy, and efficiency. Moreover, auditors also must protect the core values of the public sector, as it serves all citizens. The auditors perform the following roles:

Oversight: Public sector auditors perform their oversight function by evaluating whether public sector entities are doing what they are supposed to be doing, spending funds for the intended purpose and complying with rules and regulations. Public sector auditors monitor the effectiveness of management's control structure as well as to detect and deter misuses of the power and resources entrusted to government officials.

Detection: The public sector auditors are also intended to identify inappropriate, inefficient, illegal fraudulent acts that has taken place already and to gather facts and evidences to support disciplinary actions.

Deterrence: The auditors also perform deterrence function which is intended to identify and reduce the conditions that allow corruption.

Insight: Auditors provide insight to assist those at the helm of affairs in the country by assessing programs and policies that are working or not.

ACCOUNTABILITY PROCESS

The accountability process is divided into three stages such as:

Accountability before the Financial Year

The accountability process begins before each financial year. Here, the government is required under the constitution to present the proposed budget which it needs to implement its policies. This gives the members of the house an opportunity to evaluate the budget and pose necessary questions when necessary.

Accountability during the Financial Year

In the course of the year, any additional money needed by the federal government would be probed by members of the house and its approval would be subject to the agreement of members of the house.

Accountability after the Financial Year

At the close of the financial year, the accountant-general submits the government financial statement. Within three months of receiving this statement, the Auditor-General would examine the statement and submit his audit opinion to the national assembly. These statements are then referred to the Public Account Committee for closer examination. In the course of auditing the government financial statement, the Auditor-General is according to section 85 of the Nigerian constitution required to conduct periodic checks on all government statutory corporations, commissions, authorities, agencies, including all persons and bodies established by an act of the National Assembly.

Auditor-General and Enhancement of Accountability

Members of the Public Account Committee whose hands the government financial statement is placed are tasked with the detailed scrutiny of public finances, on their own they cannot peruse all the records used in preparing the statement , this

detailed work is given to the auditor-general whom according to section 85 of the Nigerian constitution is a separate, independent entity whose powers, duties and responsibilities are provided for under section 85 of the constitution of the federal republic of Nigeria, 1999. Section 85(2) of the constitution of the Federal Republic of Nigeria 1999, provides that the public accounts of the federation and of all offices and courts of the federation shall be audited and reported on by the auditor-general who shall submit his report to the national assembly; and for that purpose, the auditor-general or any person authorized by him in that behalf shall have access to all the books, records, returns and other document relating to those accounts.

According to ref. [12], the Auditor-general acts as the “watchdog” of National Assembly to enhance the government’s accountability to the public. The independent audit carried out by the Auditor-general provides assurance that basic standards of governance are met in the areas audited and there has been proper use of public funds and resources by ministries and statutory boards. Audit which mainly focuses on highlighting the anomalies, irregularities and disparities within the financial or managerial working of an organization therefore helps in boosting the confidence placed in government by the public [13-20].

Means of Re-gaining Confidence Back in the Public Sector Auditing System in Nigeria

Auditing plays a very fundamental role in enhancing accountability and transparency of government. Firstly, the systems of audit and accountability cannot function effectively if there is no continued professional education of the auditors and auditees. There is the need for advancement of auditor’s professional abilities. This is because the more public auditors enhance their abilities; the more auditing professional authority stays unchallenged.

Secondly, another way of enhancing accountability is in the area that recommendations made by the auditors in their audit report should be taken into consideration. It is unfortunate that even when the auditors produce their report, actions are most times not taken on such reports. If the recommendations and findings of auditors are taken into consideration and adequate investigations are carried out, it would enhance accountability and transparency on the part of the government.

Thirdly, all those in the accountability process should do what they ought to do. This implies that the national assembly before whom the budget is presented should probe all such matters in the proposed budget that needs to be probed. The Accountant-General too, charged with responsibility of preparing the financial statement should do that upholding the principle of integrity and the auditor-general too should perform his role of carrying out a proper audit work.

Finally, the office of the auditor general of the federation must be genuinely

independent. This is because although, the Auditor-General office is presumed an independent body but the question that arises is “is the office in question really independent of the President, National assembly, Public Account Committee”? when that happens, the accountability on the part of the government would be guaranteed.

CONCLUSION

In a time like this when government reporting and transparency are being questioned, it is as a priority, important for government to establish a greater level of trust between themselves and their constituents. To establish trust it is important for government to provide complete and accurate information on the assets and liabilities; revenue and expenses of the government. Lawmakers and the public look to audits for assurance that public sector actions are ethical and legal, and that financial statement accurately reflect the true measure of operations of the government. Ability to provide complete and accurate information on the asset and liabilities; revenue and expenses of government depicts proper transparency and accountability, boosts credibility and provide clear and precise information on the financial consequences of social, economic and political decisions taken by the government.

Finally, accountability is an emerging tri-lateral relationship between the auditor, the auditee and the stakeholder that is expected to upgrade accountability practices in the public sector. Audit which mainly focuses on highlighting the anomalies, irregularities and disparities within the financial or managerial working of an organization, cannot evolve without a self-realization on the part of the stakeholders about their roles, duties and the collective responsibility of the civil society. Auditing systems transform changes and enhance the process of public accountability. Therefore everybody, every individual, every citizen of a country is a stakeholder in this process of public accountability.

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