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Combating Corruption in Nigeria: The Role of the Public Sector Auditor

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Abstract

There have been several cases of abuse of political power bordering on corruption charges levied against political office holders, companies, individuals operating in the private sector and several public officers in Nigeria. Overtime, public sector auditors have undertaken the audits of government Ministries, Department and Agencies' (MDAs) accounting procedures and financial statements by reviewing the legality of transactions made by the audited body to ascertain the efficiency and effectiveness of government programmes. How then should the public sector auditor carryout his duties in such a manner that enables him to detect opportunities for corruption as he may not be in position to quantify or report it? This paper seeks to identify the role of the Auditor General who heads the Supreme Audit Institution in Nigeria and the public sector auditor in fighting corruption and it concludes on the premise that effective corruption control requires the commitment and involvement of all citizens of the society.

Keywords: corruption, public sector auditor, Nigeria

1. Introduction

Audit is one of the mechanisms pivotal to the fight against corruption. Most of the standard setting in the auditing profession has taken place in the private sector and corruption has not been a serious issue in the private sector because the auditing profession, as it has evolved, has its roots in the private sector where audit against corruption is not a serious concern of the stakeholders who are more interested in fraud or theft of their assets. This, no doubt is responsible for the very little discussion in the literature on corruption auditing and probably the want of standards for auditing corruption.

Almost all professional bodies of auditors across the globe have published standards and techniques about fraud auditing. A large number of organizations have offered training courses on fraud auditing. There is also an Association of Certified Fraud Examiners who awards certificates to those who qualify their examination. The Internal Auditor, journal of the Institute of Internal Auditors, USA, has devoted a regular feature to fraud auditing and reporting. In a very legitimate sense, corruption auditing is a concern of the government auditors or public sector internal auditors who have remained dormant in methodology development in this field. The United Nations Office of Drug Control and Crime Prevention, Vienna, which is spearheading the campaign against corruption has published a wealth of literature on corruption, including an Anti-Corruption Tool-Kit in its Manual on AntiCorruption Policy. It has identified thirty tools for fighting corruption; regrettably, auditing is not even part of this list. However, the Manual devoted a page to auditing at a later stage. The INTOSAI Journal of Government Auditing, the most prestigious publication of the world government auditors, has published only two articles during 2000-05 on corruption. It appears there is a general neglect of this subject in the methodology tool-kit of the auditing profession (Khan, 2006).

In their professional work, while working in a large bureaucratic organization or a government department, auditors 'smell' corruption but feel that they are helpless to deal with it. They do not find handy tools in their tool-kit to handle the problem. Auditors know that they cannot physically see all transactions and all situations. An example is the bribe taken by a police constable from a violator of traffic signal. No one can ever detect it until the policeman is caught red-handed. The auditors are not in the business of catching people 'red-handed.' Thus, they cannot do much in such cases. Similarly, the auditors do not deal with political, social, or cultural corruption. Even when we exclude these areas, the auditors still come across corruption in government offices and in large public and private organizations that fall under the purview of the auditors' routine work. There could be situations, in large public or private sector organizations and in government departments, where the rules and regulations are quite foolproof, yet corruption continues to flourish because of poor implementation. The auditors can point out these weaknesses as potential sources of corruption. The rules, regulations, procedures and operational standards of these organizations often leave lacunae, which create opportunities for corruption or at least protect corruption. Auditors deal with such phenomena. The auditors find themselves at

cross-purposes with the society. The social expectations are that the auditors should play an effective role in reducing, if not eliminating, corruption. The auditors, whose profession makes them concentrate on documentary or physical evidence, often find it hard to gather such evidence. They feel that they cannot do much about corruption. In such a situation, what precisely is the role of the auditors? The paper aims to define the role of auditors in fighting corruption.

2. Nature of Corruption and Auditing

Probably due to the pervasive nature of corruption, the concept has always dominated discussions across the globe at different fora among communities and in the academic arena. Consequently, there are as many definitions of corruption as there are writers. However we will adopt a working definition of corruption as the process of circumventing formally agreed or implicit rules for decision-making (in the public or private sector) by use of personal inducements in order to achieve institutional and/or personal objectives.

As documented by Machiavelli (cited in Heidenheimer, 1993) "Corruption can be defined as a process by which the virtue of the citizen is undermined and eventually destroyed" and argued "that man had been corrupted by social and political life. It is not the corruption of man which destroyed the political system but the political system which corrupts and destroys man." Heidenheimer (1993) also reported that Montesquieu on his part considered corruption as the dysfunctional process by which a good political order is perverted into evil one and a monarchy into despotism. He further recorded that according to Rosseau, political corruption is a necessary consequences of the struggle for power.

Corruption can be defined as the use of public office or the use of official position, rank or status by an office bearer for his own personal benefit Myint (2000:35). While activities such as fraud and embezzlement can be undertaken by an official alone and without involvement of a second party, others such as bribery, extortion and influence peddling involve two parties – the giver and taker in a corrupt deal. Two party type of corruption can arise under a variety of circumstances such as: Government contracts, Government benefits, Government revenue, Time savings and regulatory avoidance, Influencing outcomes of legal and regulatory processes Myint (2000:35).

Corruption or "corrupt" behavior has broadly been defined as the violation of established rules for personal gain and profit" (Sen 1999), or "efforts to secure wealth or power through illegal means – private gain at public expense; or a misuse of public power for private benefit (Lipset & Lenz, 2000) or a behavior which deviates from the formal duties of a public role, because of private gain (Nye, 1967).

This definition includes such behavior as bribery (use of a reward to pervert the judgment of a person in a position of trust); nepotism (bestowal of patronage by reason of ascriptive relationship rather than merit); and misappropriation (illegal appropriation of public resources for private uses (Banfield 1961).

The World Bank cited in Obayelus (2007:4) defines corruption as the abuse of public office for private gains through rent seeking activities when an official accepts, solicits, or extorts a bribe. Public office is also abused when private agents actively offer bribes to circumvent public policies and processes for competitive advantage and profit or even if no bribery occurs, through patronage and nepotism, the theft of state assets or the diversion of state resources (World Bank 1997). According to Kaufmann (2005:82), the traditional definition of *corruption* as the "abuse of public office for private gain" is very narrow as it places too much emphasis on public office, and on the ostensible legality of the act. He analyzed the implications of viewing corruption as a broader phenomenon where private agents also share responsibility, and where many acts which are not ethical (and thus may be regarded as corrupt) may not necessarily be illegal and presented empirical evidence of the extent to which many powerful private firms engage in undue influence, to shape state policies, laws and regulations, for their own benefit. He further highlighted the extent to which they make campaign contributions, which may, in fact, be legal, but which unduly influences the rules of the game, for their benefit. Moreover, from the Survey results he showed that favoritism toward particular firms in the award of public procurement bids and contracts is widespread. Tanzi (1995) gave a more neutral definition of corruption as "the intentional noncompliance with arm's length relationship aimed at deriving some advantage from this behavior for oneself or for related individuals".

Even though some of these definitions of corruption have been around for over decades, the recent development in Nigeria where discoveries of stolen public funds run into billions of US Dollars and Nigeria Naira, make these definitions very adequate and appropriate. Corruption is probably the main means to accumulate quick wealth in Nigeria. Corruption occurs in many forms, and it has contributed immensely to the poverty and misery of a large segment of the Nigerian population (Dike, 2002:2).

Auditing is the process of examining accounts by a professional called auditor with a view to give an opinion on the truth and fairness of the state of affairs of the entity audited. The word auditor was derived from the Latin

'audire', meaning "to hear". The objectives of public sector auditing are to ensure the proper and effective use of public funds; the development of sound financial management; the proper execution of administrative activities; and the communication of information to public authorities and the general public through the publication of objective reports. In line with these core functions public sector auditors have traditionally undertaken financial audits of organisations' accounting procedures and financial statements, and compliance audits of reviewing the legality of transactions made by the audited body. The scope of the exercise covers the scrutiny of the efficiency and effectiveness of government programmes through performance or value for money (VFM) audits.

Financial auditing assesses the accuracy and fairness of both the accounting procedures utilised by a government agency and the financial statements it produced. The primary question that it investigates is: "Do the audited statements or reports accurately portray the financial condition and/or activities of the audited entity?" Without such audits it is very unlikely that we would know what the government does with public resources because reliable documents with this information would not be otherwise published. Compliance audits assess whether funds were used for the purposes for which they were appropriated by the legislature and in compliance with the relevant laws and regulations. The primary question that they ask is: "Did the audited entity comply with applicable laws and regulations?" Transactions are reviewed to determine whether government departments and agencies conformed to all pertinent laws and regulations. Without compliance audits we would not know, for example, whether budgeted resources were spent on the items approved by the legislature. Public sector audit in developed countries have started moving beyond these basic audit functions to evaluate "the proper and effective use of public funds." This has led them to explore performance audits that analyse cost-effectiveness (economy), operational efficiency, and the general effectiveness of government programmes in achieving their objectives. (Albert, Vivek & Paolo, 2009:8)

3. The Role of the Auditor in Fighting Corruption

Corruption requires a multifaceted attack. It requires, for example, a set of regulations against corrupt practices, a code of conduct for employees and vendors, awareness raising campaigns, training of staff, internal controls, sanctions and incentives, protection of whistleblowers and an open approach towards information reporting. Audit is one such mechanism pivotal to fighting corruption. However, the auditors can succeed only if the enabling environment exists for fighting corruption. Effective corruption control requires commitment and involvement of all agencies, employees, customers, external service providers, in brief, all citizens of the society. Khan (2006:10) opines that "as a starting point for corruption auditing, the auditors should hold on to the traditional assumptions about the behavior of the staff with respect to organization's business and should not commence audit planning with the suspicion of corruption". He posited that the auditor should remain alert to the opportunities for corruption at the stage of familiarization of the organization and its operations and therefore, proceed cautiously. In the process of normal audit planning, they should try to determine the possibilities of corruption through review of departmental laws, regulations, rules and procedures. Besides, in the process of interviews of key personnel, they should identify any opportunities for corruption.

The auditor's tool kit for fighting against corruption includes: compliance audit, financial audit, and performance audit. While compliance audit involves assessing compliance with environmental legislation or organizational policies, financial audit addresses the possibility of misstatements in financial statements which can stem from errors or fraud. Auditors are concerned with fraud that causes a material misstatement. Such a misstatement can result from fraudulent financial reporting or from misappropriation of assets, and examples of both can be found in international audit guidelines, such as ISSAI 1240. Thorough and detailed risk analysis is essential for auditors to detect indications of financial malfeasance, for example in public procurement. The greater the risk, the more thorough the audit must be. Performance audits can be an especially powerful instrument to help prevent corruption. Auditors can usefully analyse the quality of internal controls in public administration. They can for example identify weaknesses in segregation of duties, controls over access to resources, records management, or the 'tone at the top', including whether top officials lead by example.

3.1 Using Performance Audit as a Tool of Corruption Auditing

It is generally understood that performance auditing can help detect corruption (Dye & Rick, 1998). A properly planned and executed performance audit would highlight areas of diseconomy, inefficiency and failure to achieve results and impact. The argument is that if a project or program has been planned properly, it should be possible to implement it with due regard for economy and efficiency and it should achieve its results. If it exceeds its planned costs significantly or takes much longer than envisaged or does not achieve what was intended, then there is a possibility that the people involved in its management may have indulged in corruption. Although the above argument is plausible, yet the existence of diseconomy, inefficiency or ineffectiveness is not a conclusive proof of corruption. There could be genuine reasons of human failings, or complex and difficult

environmental factors which inhibited the achievement of objectives. There could, simply, be a case of unintentional human negligence, not taking into account all the risks and costs. Thus, performance auditing carried out in a routine manner may not indicate a concrete evidence of corruption. Performance auditing can, however, provide some clue to corruption if it exists. For this purpose, the performance auditors need to go a step deeper into the issues identified during the audit planning stage (Khan, 2006:19).

Generally, if the findings of the performance audit are of the following nature, the suspicion that corruption had taken place in these projects or programs would be quite high:

(a) Corruption indicated by lack of economy: Cost overruns have taken place as a result of subsequent increase in the scope of work which has not been approved by the competent authority;

The accountability mechanism for exceeding the budget is weak suggesting that if a program manager exceeds his or her budget, he or she can get away with it, without much accountability; The unit cost of some components of the total procurement is exorbitant, while the overall bid price is the lowest, the components with higher prices are subject of repeat orders; Bids for competitive procurement may be cancelled frequently to help a specific vendor get the award of the contract; After competitive bidding, the prices are increased by adding some small segments of goods and services not originally conceived; Procurement is rushed at the year-end to consume the budget; In case of privatization, the friends, relations or front men of persons making the decision of privatization purchase the public asset indicating that obvious conflict of interest exists; The options analysis for justifying the project or program was based on fake data or false assumptions; Based on bogus assumptions, the decision to provide in-house services as compared to outsourcing through competitive bidding may be with the intention of having access to a greater chunk of the budget and thus creating opportunity for the staff to indulge in corruption and misappropriation; Large known dealers in certain line of products systematically avoid participating in the open bidding process of the organization. Usually, they do not like to get into the 'hassle' of getting their invoices paid in a corrupt environment.

(b) Corruption indicated by lack of efficiency. This consists of: Huge idle capacity or unnecessary equipment purchased without significant possibilities of use even over time; disproportionately high expenditure on maintenance soon after the completion of the project; neglect of regular maintenance thus allowing infrastructure to deteriorate while new projects are being planned. (The intention of neglecting routine maintenance is to divert funds toward new projects); Poor quality of construction, shoddy materials, choked gutters, clogged drains, piling of waste material and rubbish around construction sites are indicators of corruption; Abnormal time-over run (over and above a reasonable figure adopted as audit criteria) accepted and regularized by the management as 'beyond control'; Repeated extensions are given to the contractors; Repeated change orders are issued leading to changes in the scope of work and prices to be paid or changes made in the quality of the goods and services to be delivered. Repeated transfers of the project staff are made to ensure complete absence of institutional memory or continuity of oversight within the organization; Liquidated damages clause in the contract defined in such a manner that it does not have a bite; An over-load of controls, or existence of complicated procedures leading to delay in delivery of service and inducing the clients to offer bribes; Absence of any service delivery benchmarks and excessive time taken for issuing licenses and permits, encouraging payment of speed money(Rose-Ackerman,1999).

(c) Corruption indicated by lack of effectiveness takes the form of: Well-articulated, measurable or quantified performance indicators do not exist; Actual internal rate of return (IRR) is significantly lower than anticipated; Perceived clients' dissatisfaction with the delivery of services. Surveys have revealed that outputs and services are not delivered as planned or quality is seriously undermined, there are barriers to reach the senior management for protesting against poor quality of service and there is no other complaint handling mechanism to address the complaints of the unsatisfied users of services.

The performance auditing can help minimize corruption by creating deterrent. The following are some good practices the public sector auditor can adopt:

(a) The top management or governing body should encourage performance auditing over routine compliance auditing.

(b) The top management should inform all program managers that their performance would be audited. All programs and projects should be subjected to performance audit periodically.

(c) The top management should support the performance auditors in developing mutually acceptable performance audit criteria and all managers should be aware of the criteria.

(d) The top management should also prescribe in detail the mechanism for accumulating data and other information on performance of the program at the levels of individual manager, unit or section. The performance auditors should take these data as assertions of the management about their performance and verify these assertions during their audit work.

4. The role of SAIs in combating corruption

Supreme audit institutions (SAIs) are national-level watchdog agencies responsible for the audit of government revenue and expenditure. By scrutinizing public financial management and reporting they provide assurance that resources are used as directed by national governments. SAIs are not specialised anticorruption agencies: on the whole they are not expressly charged with detecting or investigating corrupt activity (Alastair, 2008:2). In Nigeria this is represented by a National Audit Office headed by an independent Auditor General which submits audit reports to a committee of the National Assembly (often the Public Accounts Committee). The Lima declaration, first published by INTOSAI in 1977, identifies four objectives of public sector auditing. These objectives are to promote:

- ✓ The proper and effective use of public funds;
- ✓ The development of sound financial management;
- ✓ The proper execution of administrative activities; and
- ✓ The communication of information to public authorities and the general public through the publication of objective reports.

4.1 The Remit of SAIs to Fight Corruption

4.1.1 Deterrence and Prevention

The central role of SAIs in combating corruption is the promotion of sound financial management and the encouragement of robust internal control mechanisms in public bodies. In particular, strong financial management systems, based on effective financial reporting and the disclosure of any deviations, have a dissuasive effect on those who might otherwise engage in corruption. This deterrent role has been widely elaborated on, and in particular, it is seen to contribute to a wider environment which militates against corrupt activity. It is argued that a system of financial checks and controls bolsters accountability by providing assurance that reported information is credible and that financial reporting promotes the transparency of government spending. As such a national SAI provides the public with information on accepted standards of financial management and probity and details of any deviations from these standards or from legality. In particular commentators stress the importance of these functions to the wider institutional framework, where they are seen to bolster the application of the rule of law and add to the predictability of government behaviour

4.1.2 SAIs and National Integrity Systems

The importance of SAIs to fighting corruption is often placed in the context of countries' wider National Integrity System (NIS). In prevailing models of NIS, SAIs comprise one of the institution pillars (alongside institutions such as the legislature, executive, judiciary, ombudsman, and electoral management bodies) upon which rests the strength of a country's integrity. These pillars are seen to be interdependent, and it is argued that any weakening in the effectiveness of one can place a greater strain on the others. In this model a well-functioning NIS provides effective safeguards against corruption whereas weaker institutions allow corruption to thrive and undermine the rule of law, quality of life and sustainable development. Strengthening any of the institutions comprising the NIS, including SAIs, promotes better governance across all aspects of society, and helps to fight corruption.

Musa Kayrak, of the Turkish Court of Accounts, has identified the types of corruption most likely to be detected by auditors in the course of their work. These include falsified statements and claims, purchasing for personal use, illegal bidding practices in procurement competitions, and tax or duty evasion. Similarly, Fred M. Siame, the Auditor General of Zambia, has set out common areas of concern identified by auditors in Zambia. These include irregularities in the award of procurement contacts, overpayment for and non-delivery of goods and services, third-party transactions, and malpractice in the liquidation of public companies.

Some countries explicitly require SAIs to report on such instances of suspected corruption and criminal activity. These include the SAIs of Germany, Sweden, and the UK, but also their equivalents in developing countries such as India, Indonesia and the Philippines. While some SAIs do have limited investigative authority, the further investigation of such cases is generally passed to the police or specialist anticorruption agencies. In particular, SAIs ability to directly investigate corrupt practice is limited by their remit, which does not extend to examining the activities or personal records (for example bank account details) of citizens or private companies. Similarly, although many SAIs have legal provisions to prosecute corrupt practices, prosecution is generally undertaken by law enforcement agencies.

4.2 Strengthening the Anti-Corruption role of SAIs

Fighting corruption requires a multi-pronged attack. It requires reforms, *inter alia*, in public administration, judiciary, public information, and cultural values of the society. The individual auditor or even an internal audit department of a government or public sector organization cannot propose actions beyond what cannot be implemented by their respective auditees. There are actions which have to be taken by the government or which

require political will of the state. For such actions, only an institution like SAI can take the initiative. For this purpose, the SAI itself needs to be strong and well-resourced. The present part of the paper endeavors to suggest a mechanism to strengthen the SAI and the action that the SAI can take in turn to prevent or minimize corruption. The action on this score is important because until the SAI is strong enough and is able to play the leadership role, the individual auditors or even lower level audit departments cannot make much of a difference in the fight against corruption.

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 lacks adequate independence and resources to play this role.

4.2.1 Focusing Audit on Areas of Corruption Risk

In some cases SAIs have extended their role beyond deterrence and prevention and taken a more active role in identifying and investigating corruption.

Focusing Audit Planning on Areas of High Corruption Risk

Some SAIs proactively identifies and monitors areas of their audit work where corruption is a risk, often as part of the audit planning process, and look to predict emerging risk areas. For example, it has been noted that auditors have had some notable success in identifying corrupt practices where they have examined claims by managers for payments to workers or where they have used inspection to identify sub-standard construction. NIK Poland, the Polish SAI, has used data available from its routine audit work to review the threat of corruption, specifically by mapping government sectors and highlighting areas of activity deemed susceptible to corruption. Similarly, the Hungarian State Audit Office specifically focuses on highlighting risks of corruption during audits and taking action where the evidence of criminality is identified. As of 2005 it had launched criminal proceedings in over fifty cases, relating to alleged criminal activity very often related to corruption. In addition it compiles summary reports examining trends in corrupt activity, and has used data collected to analyse underlying causes of corruption and correlate Hungary's experience with wider indexes of corruption.

4.2.2 Developing an Enabling Institutional Environment

4.2.2.1 Forging Effective Relationships with Other National Institutions

A strong and supportive institutional environment can assist SAIs in addressing corruption. In particular, it is critical that effective mechanisms exist for implementing the recommendations of audit reports. In this regard, key relationships with other national institutions will depend on the audit model employed in the country in question. SAIs working within a Westminster institutional model generally report findings to the Parliament's Public Accounts Committee (PACs), or a committee with equivalent remit to debate the findings of audit reports, and draw attention to the causes of cases of corruption uncovered. In particular, where PACs have the power to call and hear testimony from witnesses, the system becomes increasingly accountable. PACs can publicise the findings of audits, demand reform where required and call for follow-up reports to assess whether issues identified in audit reports have been addressed.

It should be noted that many SAIs lack a system of reporting to a Parliamentary Committee, or even lack the mandate to make recommendations. In Botswana the SAI is accountable to the Ministry of Finance and Development Planning, a government department which it also audits. Rather than reporting to the National Assembly, audit reports are addressed to the Minister of Finance, a situation which threatens effective accountability. Where SAIs operates under the Judicial model, they will rely more heavily on an effective judicial system to ensure that recommendations are addressed promptly and fairly within the wider judicial process.

4.2.2.2 Forging Closer Working Relationship with Law Enforcement Agencies

Where SAIs liaise closely with enforcement officials in other government agencies, such as the police and specialist anti-corruption agencies, their capacity to detect corruption can be enhanced. Financial scandals in the mid 1990's in Germany, for example, led to operational changes which brought both the German SAI and the taxation authorities into a closer working relationship with government agencies responsible for investigating and prosecuting crime, a move that was seen to boost the state's overall investigative capacity. The role SAIs play in communicating corruption risks and cases of corrupt practice as identified by Magnus Borge (Director General of the INTOSAI Development Initiative) includes raising public awareness of the importance of transparency and accountability by producing timely and relevant audit reports which are available to the public. He notes that many SAIs have established links with the press to publicly disclose cases of fraud and corruption .The International Budget Partnership has highlighted the importance of civil society to publicising audit recommendations and campaigning for their implementation by audited bodies. For example, the South African Civil Society Organisation (CSO) Public Sector Accountability Monitor tracks allegations of misconduct in SAI reports, interviewing responsible officials to find out what action has taken in response and posting the

audio file of these interviews on the Internet. Where agencies are uncooperative, PSAM requests this information under the country's Promotion of Access to Information Act.

4.2.2.3 Engaging in Technical Cooperation with other SAIs

The activities encompassing both deterrence and prevention and more active measures to counter corruption assume that the capacity exists to undertake audit work effectively. The reality is that SAIs in many countries, particularly developing countries, lacks the professional capacity to promote the Lima objectives. While mechanisms do exist for knowledge exchange between national SAI's (for example staff secondments and twinning initiatives), these focus on sharing technical expertise and building capacity across the range of audit activities, and it appears that little technical cooperation focuses on techniques auditors can use to address corruption. Similarly, development programmes often aim to bolster accountability at the national level, by supporting SAIs as part of promoting a wider national culture of integrity. For example, *USAID's Open Government Initiative* in Bulgaria aims to improve accountability mechanisms in Bulgarian public administration, in part by supporting the development of systems for internal control, enhancing the quality of supreme audit, and streamlining public procurement.

4.3 Recommendations for Strengthening the SAIs

In view of the situation actually prevailing in a large number of SAIs, several actions for strengthening the SAIs have been recommended in extant literature. The following recommendations deal with, mostly, strengthening the SAI so that it can play its role in the fight against corruption effectively.

4.3.1 Independence of SAI

(a) The government should enforce a law that guarantees independence of the head of the SAI, allows wide publication of its reports and ensures implementation of its recommendation. Of significance is the independence of the SAI from the ministry of finance and ministry of establishment, responsible for hiring and firing of staff and creation of posts in the government. The SAI should also be independent to decide what to audit and how to audit. The head of SAI should have a secure tenure with requirements for accountability and performance assessment by the parliament or some such body to safeguard against abuse of power and corruption.

(b) The audit law should allow or even require the SAI to report separately or at least distinctly on   opportunities of corruption that it noticed during its audit examination

4.3.2 Powers of the SAI

(c) The SAI should have the power to audit the accounts of individual tax payers, where an audit of tax administration suggests a possible collusion between the tax payer and the tax staff. The SAI should have the power to audit those organizations which get some grant or subsidy from the government. In case of large public works, the SAI should have the right to audit the payments received by the contractors from the government.

(d) The law should provide the SAI with power to have access to all records in a timely manner, power to interview government employees and other relevant persons, and duty of all public sector organizations and their staff to cooperate with the SAI. The law should provide sanctions against those staffs and organizations that fail to comply with the requirement or willfully delay the provision of information to the SAI.

(e) The SAI should have the authority to engage experts or consultants, should the technical nature of a department or agency so require.

(f) The scope of SAI's work should be comprehensive and the parliament should ensure its coverage to all such organizations where public funds are involved. One of the avenues of corruption is that some departments resist audit by the SAI on the plea that the information being handled by them is of sensitive nature and cannot be made public. Such departments are often prone to corruption. The mandate of the SAI should cover audit of such departments as well. However, special safeguards can be provided against leakage of information. For example, it can be provided that auditors below a certain level are not entrusted this type of work or the audit report is submitted to a very senior level only or the auditors of such assignments are first cleared by security agencies, etc.

(g) The audit law should also make it obligatory for the non-governmental organizations receiving grant from the government to maintain their accounts in a transparent manner and such accounts should be within the power to the SAI to audit to the extent of funding by the government.

4.3.3 Participatory Auditing

(h) The SAI should develop a mechanism to engage the general public while planning its annual work. One possibility could be to provide a link on the SAI web-site inviting general public to indicate areas requiring SAI's attention. This information could be called for in a structured manner. It would be real breakthrough in democratizing the SAIs12.

(i) The SAI's website should have an e-mail address and a form for communication with the office relating to corruption and fraud. People in general should be widely informed through media about this facility. The SAI

should have a system of receiving information on possible avenues of corruption and develop suitable recommendations to get the corrupt systems replaced by honest systems.

(j) The SAI should plead with the government that in planning for development projects for the welfare of the people, especially, in areas of education, health, water supply, sanitation and so on, the local population should be involved in the project design. The needs of the local people should be reflected in deciding the location, size and service delivery management. Similarly, local committees can be formed to monitor the project execution and project performance.

4.3.4 Implementation of Audit Recommendations

(k) The SAI should try to create, with the help of government, an institutional mechanism to feed the results of audit in future economic planning. It means, before a development project or program is finally approved, there should be a system of clearance from an independent body that the current project or program plan does not commit the same mistakes which the past audit reports had pointed out. Unfortunately, this important step in the cycle of good governance is badly missing in most of the developing countries. The auditors keep on reporting same or similar irregularities or examples of mismanagement and embezzlement year after year and the executive hardly takes note of that. Future projects and programs commit the same mistakes. It is far more effective and economical to prevent the mistakes (intentional as well as unintentional) than to detect them and take corrective action.

4.3.5 Review of Procedures and Training of Auditors

(l) The SAI should play a leading role in persuading the government to set up an independent standing commission responsible for reviewing various law, rules, regulations and procedures in the entire government with a view to determining their adequacy for preventing corruption. The commission should work on a continuous basis to cover all public sector ministries, departments and agencies over a cycle of, say, three years. The objective of the commission should be to develop alternatives procedures and regulations, in consultation with the concerned organizations, for minimizing opportunities of corruption.

(m) The SAI should set up a core group in its office, which should review and analyze government-wide rules, regulations and laws with a view to indicating areas that provide opportunities for corruption. The objective of this group should be to develop standard audit criteria for corruption auditing in various departments and agencies. The group should also prepare master trainers to train other auditors in corruption auditing. The group should work closely with the above mentioned commission and provide necessary input from the SAI's point of view. The group should work for developing necessary proposals to be taken up with the government for changes in the systems and procedures.

(n) The SAI should obtain in its budget resources for the training of its own staff as well for training the staff of the executive departments and agencies in creating awareness about corruption and preparing them to combat corruption.

4.3.6 Code of Ethics

(o) The SAI should, first of all, be seen above reproach. It should develop its own code of ethics. The code should not be a mere piece of paper. The head of the SAI should put in place a monitoring system to ensure that the auditors observe the code of ethics in letter and spirit.

(p) The SAI should also persuade the government to develop and enforce code of ethics for all government employees.

4.3.7 Performance of the SAI

(q) The SAI should develop a comprehensive cost accounting system for its own office. All audits should accrue time and money spent on it. This will set an example for other organizations, indicating that the SAI has the highest standards of economy, efficiency and effectiveness. The budget of the SAI should be in terms of money as well as person-days. The annual evaluation of the office should disclose the extent to which various targets were achieved within the allocated budget.

(r) The SAI should be an office with highest degree of transparency and accountability. A firm of chartered accountants should audit accounts of the SAI. The SAI should offer its own organization for evaluation in the broader scope of performance auditing by an independent firm of accountants. The SAI should provide access to the basis of various decisions taken during the year.

4.3.8 Cooperation and Coordination

(s) The SAI should develop a networking relationship with other enforcement agencies for sharing information and training of personnel on a reciprocal basis.

(t) Fighting corruption requires cooperation and commitment at all levels, from global to local, and by government and non-governmental organizations. The SAI should make concerted efforts to be part of the global network engaged in fighting corruption.

(u) The SAI, public authorities, civil society, and the private sector should join hands in the fight against corruption through sharing of information and active coordination for division of labor. There should be open and frank discussion within these organizations about opportunities for corruption and about methods for minimizing it.

 (v) The SAIs of different countries should sign Memorandums of Understanding to cooperate with one another in promoting and developing measure to prevent and fight against corruption through international programs and projects, including sharing training facilities on corruption auditing.

4.4 Preparing the Auditors for Fight against Corruption

Auditing against corruption is a specialized field and not much has been done by the profession to develop the skills of the auditors. It would require concerted efforts by the international community to build capacity among the auditors for fighting corruption through incisive auditing. It would require development of an appropriate training material on corruption auditing. The training program for auditors should contain, besides refresher course on general auditing techniques, such subjects as stated below:

(a) Effective measures to prevent, detect, investigate, punish, and control corruption, including the use of evidence-gathering and investigative methods

(b) Building capacity in the development and planning of strategic anti-corruption policy

(c) A broad understanding of the operations of such public functions as procurement, land revenue, income tax, customs, police, public works, utilities, and so on, where corruption is rampant

(d) An understanding of the fund transfer mechanism and money laundering techniques used by corrupt persons

(e) Understanding of the laws relating to whistle-blowing, protection of witnesses, experts and victims, if any, in the country

(f) Audit criteria on corruption auditing for different departments and functions.

Exposing the auditors to this type of training could be expected to equip them with some tools for auditing against corruption, as it would enhance their understanding of the corrupt practices and the way they flourish and get protected.

It would be preferable if professional bodies of auditors join hands in developing a generic set of core material on corruption auditing to be used globally, leaving the country-specific material to be developed by each country itself.

It would also be desirable that the INTOSAI and its regional affiliated bodies organize seminars and conferences on corruption auditing, creating awareness and imparting skills among auditors against this menace. The developed countries can volunteer to provide technical and financial assistance to developing countries for training the auditors in this field.

5. Challenges of the auditor in fighting corruption

Auditors may come across situations, during their examinations, which smack of corruption. Since investigation requires different standards and skills, the auditors cannot get into the business of investigating a suspected case of corruption. However, they can forward extracts of their reports to investigating agencies for further probe. As compared to auditing, investigation is a different area of oversight. However, auditors can play a vital role in assisting the agencies responsible for investigation against alleged cases of corruption. The investigating agency could be an internal entity, some anti-corruption commission, police, judiciary or a specialized body for a mega corruption case. The investigation may be initiated on a complaint from a citizen, employee, auditor or a supervisor in an organization. Internal auditors usually have more diversified and detailed knowledge of operations in different parts of the organization than the investigating agency staff that may be deployed only for a particular case. The internal auditors can assist the investigating staff in interpreting various rules, in explaining various practices, in sharing some of the confidential information that they may possess or discussing technical details of operations. The internal auditors can pinpoint areas of excessive cost and weaker controls which can help the investigating staff in detecting corruption.

6. Conclusion

Corruption is one of the greatest challenges of the contemporary world. It respects no national boundaries and deepens poverty around the globe by distorting political, economic and social life. Corruption undermines good government, fundamentally distorts public policy, leads to the misallocation of resources, harms the private sector and particularly hurts the poor. Audit is one of the mechanisms for fighting corruption and the society expects the auditors to play an effective role in reducing, if not eliminating, corruption. Therefore, the public sector auditor cannot be indifferent but must rise up to the challenges of combating corruption by effectively conducting financial audits of government institutions' accounting procedures and financial statements to ensure

accuracy and fairness, and compliance audits of reviewing the legality of transactions made by the audited body in addition to the scrutiny of the operational efficiency, economy (cost-effectiveness) and overall effectiveness of government programmes through performance or value for money audits. While it is generally believed that the auditors cannot quantify corruption nor can they report the actual event of corruption, they can at least help in preventing corruption by pointing out areas where opportunities for corruption exist. The auditors can succeed only if the enabling environment exists for fighting corruption. Effective control of corruption in Nigeria requires the commitment and involvement of all citizens.

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