

Topology of Audit agency/ Audit Techniques and the Effectiveness of the Nigerian Supreme Audit Institution

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ABSTRACT

This paper examines the available topologies for audit agencies and audit techniques in supreme audit institutions. It also examines the various topologies and their relevance to improving fiscal governance and curbing corruption. Thereafter then examines the case of the supreme audit institution in Nigeria and assesses its alignment with the existing topologies and the effects on audit effectiveness in the Nigeria public sector. The paper finds that extant Nigerian topology of audit agency and audit techniques have negative implications for audit effectiveness. The paper recommends a trajectory of institutional change to a modified collegiate audit topology that will engender SAI effectiveness in Nigeria.

Keywords: Government Audit, Audit Agency, Audit topology, Audit techniques, audit effectiveness.

1.0 INTRODUCTION

Public sector governance encompasses the policies and procedures used to direct public sector organizations' activities to provide reasonable assurance that objectives are being met and that operations are carried out in an ethical and accountable manner. In the public sector, governance relates to the means by which goals are established and accomplished. It also includes activities that ensure governments credibility, established equitable provision of services, and assure appropriate behavior of government officials – reducing the risk of corruption (The Institute of Internal Auditors, 2006). According to the Institute, government auditing is a cornerstone of good public sector governance. It provides an unbiased and objective assessment of the efficiency and effectiveness in the management of public resources to achieve intended results. In this way, government audits help government organizations to achieve accountability and integrity (Daniel 2003, 1998; Mainwaring & Welna, 2003 & Schedler et al, 1999). According to the Institute of Internal Auditors (2006), the government auditors' role supports the governance responsibilities of oversight, insight and foresight. According to the Institute, the oversight function addresses whether government institutions are doing what they are supposed to do, namely detecting and deterring public corruption. On the other hand, the insight function of government auditors assists decision makers by giving an independent evaluation of government programs, operations and results. As part of the foresight function, auditors look ahead and by so doing, they can identify the risks facing the organization and mitigate these risks timeously. Auditors use tools such as financial audits, performance audits, and investigation and advisory services to fulfill each of these roles.

As stated above, SAIs are created to audit both the legality, the efficiency and the effectiveness of the spending behaviour of government officials. According to the World Bank (2001), SAIs are useful in managing public spending, ensuring financial accountability and strengthening public institutions. This is the role they are supposed to play, but how they have played it is a different thing entirely. Many SAIs have been labeled weak institutions that failed to fulfill their prescribed roles. They have been heavily criticized for their inability to prevent corruption and reduce waste in government resources. Furthermore, they are regarded as particularly hard to reform organizations particularly in developing countries (Dorotrisky & Floyd, 2004). In Nigeria, it has been asserted that the lack of an effective supreme audit institution is responsible for the massive corruption in the public sector. According to Salawu and Agbega (2007), internal control systems in the public sector are very weak. They also observed that audit procedures and accountability systems in the country are ineffective due largely to political interference and inadequate skills of some audit staff.

Many reasons have been adduced as affecting the performances of SAIs particularly in developing countries. Chief among those factors is the type of Institutional structure or topology adopted in the organization of the SAI. According to DFID (2005), there is no single blue print or structures for a successful SAI reform. What works well for one country's SAI may not be appropriate for another. What is important is to analyze available structures or arrangements and see how they fit or align with the political and economic environment. The foregoing gave rise to the following research questions: (i) How effective is the extant topology of the Nigerian government audit agency?, (ii) How effective is the topology of the Nigerian public sector audit techniques?, What is the optimal topology of the Nigerian audit agency?, and (iv) What is the optimal topology of the Nigerian audit techniques?

The remaining section of this paper is divided into six parts. The first part deals with the different types of topologies for SAIs while the second part is on the different types of audit techniques. The third part examined the current Nigerian topologies (audit institution type and audit techniques). Part four deals deal with the analysis and discussion of the findings. Part five deals with the topology being recommended for Nigeria while part six is the conclusion.

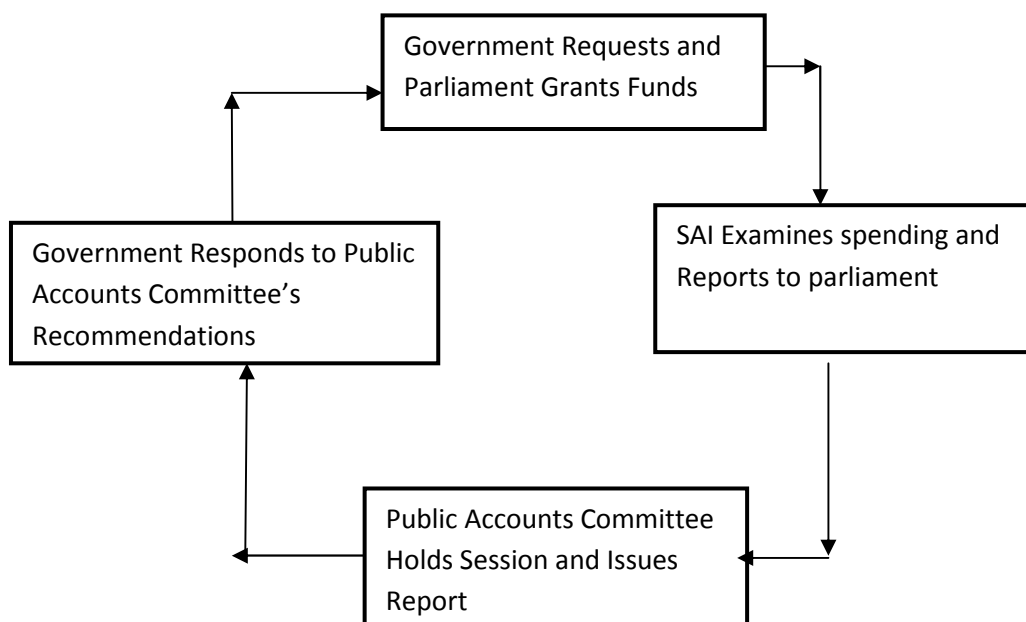
2.0 TOPOLOGY OF AUDIT AGENCIES

The literature on SAI generally stresses the existence of three different models :(i) Westminster topology(ii) The Napoleonic or Judicial topology; and (iii) The Board or Collegiate topology (DFID, 2004; Stapenhurst & Titsworth, 2001; Blume, 2007; Allen & Tommasi, 2001; Dye & Tapenhurst, 1998). According to DFID (2004), every country is different and even where a SAI broadly follows one of the three audit topologies, there is likely to be some natural variations in its remit and the way it is organized. We will now examine the principal characteristics of the three topologies, their potential strengths and weaknesses and some of the implications of working with SAIs from different traditions. We shall also examine some applications of these topologies by looking at sample countries when they are in use.

2.1 The West Minister Topology

The West Minster topology is also known as the Anglo Saxon or parliamentary topology or the monocratic topology. The Westminster topology is that of a uninominal SAI headed by a single Auditor- General and generally acting as an auxiliary institution to the legislature albeit with ample autonomy (Santiso, 2007). According to DFID (2004), under the West Minster system, the work of the SAI is intrinsically linked to the system of parliamentary accountability with the following basic elements (i) authorization of expenditure by parliament, (ii) production of annual accounts by all government departments and other public bodies; (iii) the audit of those accounts by the SAI, (iv) the submission of audit reports to parliament for review by a dedicated committee – normally called the public accounts committee (PAC), (v) issue of reports and/or recommendations by the PAC; and (vi) government responses to PAC reports. Figure 1 below depicts the West Minster Accountability Model .

Figure 1: the Westminster accountability Topology



Source: DFID(2004))

According to Santiso (2007), under the Westminster topology, the focus of SAIs is on ex-post auditing instead of ex-ante control. In other words, they emphasize financial and performance auditing over compliance control. According to the DFID (2004), the West minster accountability system typically have: (i) A National Audit office (NAO) with a single head, usually called the Auditor General; (ii) All rights, powers and responsibilities are vested in the Auditor General personally rather than the SAI as an Institution, (iii) Strong safeguards to ensure the independence of the Auditor General (iv) Staff who have a professional financial background – accountants and auditors ;(v)a strong focus on financial audit and less on the value for money with which audited

bodies have used their resources (v) An active public accounts committee (PAC) which work closely with the NAO and can examine any and all areas of government expenditure. The committee typically is chaired by a member of the opposition and bases most of its work on the reports of the Auditor General and (viii) a mechanism, whether formal or by convention where the government is required to respond to PAC reports and state the actions it is taking to implement recommendations.

The Auditor General in a Westminster topology may be an officer of Parliament. According to Buchanan (2001), five criteria are necessary for the creation of an officer of parliament: (i) an officer of parliament must only be created to act as a check on the arbitrary use of power by the executive; (ii) an officer of parliament must only be discharging functions which the legislature itself if it so wish have might carried out. (iii) Parliament should consider creating an officer of parliament very rarely (iv) Parliament should periodically review the appropriateness of each officer of parliament (v) each officer of parliament should be created in separate legislation principally. The essence of making the Auditor General an officer of parliament is to further ensure his independence from the executive.

Under the Westminster topology, a great deal of authority is centered on a single individual, the Auditor General, making his/her position very powerful (DFID, 2004). However, the Auditor General needs to Command a high level of trust among all stakeholders and must have impeccable personal integrity. Because of the risk of abuse of power if the position falls into the wrong hands, there may be a reluctance to concentrate so much power on a single person particularly in states where there are general problems of corruption and misuse of authority.

In order to function properly, the Westminster topology requires the interested, knowledgeable and active involvement of parliament to follow up the reports and opinions produced by the Auditor General. Unfortunately the legislature holds the government to account, the Auditor General only gives it the information and the tools to do so effectively. If parliamentarians, especially the PAC do not act on the Auditor General's work, the system will not function effectively. According to DFID (2004), where parliamentary oversight is weak, change is likely to be a challenging and time consuming process. Members of parliament (in developed as well as developing countries) are often more interested in the budget setting phase of parliaments work – where they may be able to influence the allocation of resources – rather than in the more mundane work of holding the executive to account after budget implementation.

The National Audit Office (NOA) of the United Kingdom is an example of the Westminster topology of a SAI. In fact the Westminster topology originated from the UK and spread to the Commonwealth countries. As a dynamic system, performance auditing was introduced in Britain through legislation in response to the demands of the parliament (PAC) for audited information extending beyond mere financial opinion. Increasing parliamentary concerns about the influence that the executive body, particularly the treasury retained over the NAO created the political climate depicted in the National Audit Act in 1983 which gave the Comptroller and Auditor General (C&AG), who reports to the PAC, express powers to carry out investigations of how departments use their resources (Dye & Supenhurst, 1998). Thus, the C & AG is now able to provide assurance about performance and about whether public money has been spent properly and for the purposes intended by parliament. As in Canada and the United States, the NAO of UK undertakes internal quality reviews of ongoing and completed work through contractual arrangements with independent quality panels.

2.2 The Napoleonic or judicial model

Under the model, the SAI is an integral part of the country's judicial system which operates independently of the executive and the legislative branches (DFID, 2004; Dye & Stapenhurst, 1998; Santiso, 2006; Titsworth & Stapenhurst, 2007; Blume, 2004) It is likely to have only limited relationship with the national parliament. The court makes judgments on whether government has complied with laws and regulations or not. The court also considers whether public funds are well spent. The court audits every government body, including ministries, extra-ministerial departments and agencies, and all government business entities. The model is used mainly in Roman law countries. It can be found in the Latin Countries of Europe (France, Italy, Spain, Portugal), Turkey, and many Latin American and Francophone African Countries (Stapenhurst & Titsworth, 2007).

According to DFID (2004), the basic elements of a judicial topology are (i) at the national level, parliament authorizes public spending in the annual budget; (ii) Ministry of Finance officials in line ministries and other bodies, act as public accountants. They are responsible for ensuring that funds are properly expended and for drawing up the annual financial statements of the spending body, (iii) the ministry of finance normally plays an active role both in setting the rules for public accountants and other officials to follow and in checking that these rules are being complied with. The SAI audits the annual financial statements prepared by public accountants, often the SAI is empowered to audit several years of accounts simultaneously rather than auditing every set of financial statements every year. SAIs frequently therefore adopt a cyclical approach to their work, particularly for smaller and lower, spending entities. (v) the SAI judges the legality of the public accountants actions and can

either (a) discharge the public accountant's transactions as legal, or (b) impose a penalty where illegal transactions are found to have occurred (vi) at the end of the budget period, the ministry of finance draws up the state account, reporting on the public expenditure as a whole. The SAI normally presents a report on the state Account to parliament, drawing on its findings from the audit of individual public accountants as well as other analytical review procedures. Parliament can rely on the report in granting a discharge of responsibility to the government for the year if it is satisfied with the way the government has managed public funds for the year. According to Santiso (2007), the court or judicial topology is a collegiate court of auditors or tribunals of accounts, with quasi-judicial powers in administrative matters. They often act as an administrative tribunals. According to Dye and Stapenhurst (2001), the court under the topology also exercises a budget control function to assure that public funds are well spent for the purposes intended. DFID (2004) Summarized the key features of a court or judicial system as: (i) the SAI is a court and its members are judges who can impose sanctions on audited officials; (ii) there are strong safeguards over the independence of the members of the court. (iii) the court normally selects a member to act as its president. However, all members have independent judicial status and the authority to rely on the cases in front of them (iv) the major focus of the audit work is to assure on the legality of the transactions which have taken place; (v) professional staff in the SAI tend to have legal rather than accounting or auditing backgrounds (vi) there is often no PAC in the national parliament as the detailed task of holding officials to account is carried out by the court; and (vii) there is limited follow up of the court's reports by parliament.

The above is the broad topology of the judicial system of Audit but there can be variations to the topology. According to Santiso (2007), the SAI may have an ex-ante control function as well as an ex post audit function. This means that the SAI has responsibility for checking and giving prior approval to specified public expenditure. This ex-ante function is normally carried out by a separate court or division within the SAI and in contrast to the Westminster topology; it usually involves a more detailed level of checks.

Like any other system, the judicial topologies have their own strengths and weaknesses. According to Santiso (2007), the links with the legislature are weaker than in the monocratic or Westminster system. Also the relationship with the judiciary is also ambiguous. These often create uncertainty as to who is the actual principal of the institution. Under the court or judicial topology, there is less focus on wider financial management issues relating to the economy, efficiency and effectiveness of expenditure. There is thus a risk of failing to see the bigger picture of how well resources are being spent (DFID, 2004). Another weakness of the judicial topology is that the lack of parliamentary scrutiny can result in little public scrutiny (Blume, 2007). In other words there may be little public debate on the court's findings. According to Cogliano (2001), the difference between the court of auditors and the Audit Office of the Westminster topology should not be over emphasized. According to him while it is true that the SAIs configured as 'Audit offices' do not perform judicial functions, the contrary does not apply. This means that not all the external audit institutions which are called "Courts" or "Tribunals" exercise judicial functions either. Some do (e.g Belgium, France and Italy), but not all. Specifically, the European Supreme Audit Institution has no judicial powers at all. The implication of this is that difference between the two models is not based on their functions, but rather on their structure.

2.3 Collegiate or Board Topology

The Collegiate or Board topology is similar to the Westminster topology in that parliament is the main addressee. The major difference is that unlike the Westminster model, the collegiate model is not headed by a single person but by a board which in turn may have its own chairperson. According to Blume (2007), collegiate composition has both advantages and disadvantages. One of such advantages is that the outcome of its work is not so much dependent on a single person. On the other hand the collegiate structure can make decision making cumbersome and slow. According to Santiso (2007), the board topology is an institutional hybrid. It is an agency with decision-making similar to that found in tribunals, headed by a board of auditors, but without the jurisdictional authority or quasi-judicial powers. According to DFID (2004), Board topology typically have the following characteristics (i) A governing board consisting of the members of the college and headed by a president; (ii) Depending on the size of the office, there may be a series of colleges or sub-committees each having the power to decide on audit matters within their area of responsibility; (iii) Members usually have considerable freedom in determining their work methodologies; (iv) Members of the college are normally appointed for a fixed term of office (v) The focus of the SAIs work is less influenced by the fact that it is a collegiate institution, than by the general legislative and historical context of the country it operate in; and (vi) The professional background of staff varies to reflect the SAI's main audit focus.

According to DFID (2004), the method of appointing Board members is a potential area of weakness in a collegiate topology and such problems includes: (i) issues to do with the length of Board members -- appointment terms can be too short to allow members to achieve very much or too long, encouraging stagnation; (ii) In cases

where a political party has a dominant position in parliament, it may exercise excessive influence over who is appointed to the Board of the SAI, thus reducing the independence and objectivity of the SAI in carrying out its work; and (iii) A loss of corporate knowledge and leadership when board members change particularly when the appointments of all members are renewed simultaneously;

According to DFID (2004), decision making power within the SAI is shared and work is carried out on a consensual basis. In a weak financial control environment, a collegiate topology provides checks and balances against the misuse of authority by a powerful individual within the SAI itself. According to DFID, a relatively slow decision making process might be a price worth paying for a balanced, inclusive audit system. For example, countries with a strong federal tradition or those with which have experienced significant ethnic division or conflict might find many benefits in a SAI which reflects a range of viewpoints. Depending on the degree of autonomy assigned to individual colleges or members, there can be a diversity of audit approaches within the same institution and the college as a whole may not speak with one voice. This can make relations with audited bodies and other stake holders difficult and could raise concerns about the quality and consistency of the SAI's work. The sharing of management responsibility among members of the college can exacerbate tendencies for "empire building" within the audit institution (DFID, 2004).

3.0 TOPOLOGY OF AUDIT TECHNIQUES

According to Santiso (2007), SAI approaches to fiscal control also vary across countries and have evolved over time. According to him, the nature of external auditing of government finances is shaped by three main factors: (i) The type, (ii) timing and (iii) enforceability of audits.

3.1 Audit Type Topology

Fiscal control may be preventive, corrective or punitive (Santiso, 2007). SAIs guarantee the accuracy and reliability of government financial reporting through financial audits and ensure compliance with legal and financial regulations through compliance audits. Compliance control is concerned with ensuring that legal rules and financial regulations framing the budgetary process are adhered to. These functions include checking government's compliance with the mandate given by the legislature through the budget. According to Santiso (2007), SAIs have, in recent years, broadened their audit methods to assess the efficiency, effectiveness and economy of public spending through performance audits. Performance control is concerned with the substantive compliance with the objectives of the budget and the manner in which public resources have been deployed. According to Santiso (2007), the general trend is towards a greater emphasis on preventive and corrective functions through increased reliance on ex-post performance auditing. Increased emphasis on performance and results is necessary to overcome the inefficiencies of procedure driven bureaucracies especially in civil law countries. According to Santiso (2007), ex-post performance auditing should not replace the need to uphold standards of integrity and probity needed to fight corruption, particularly in countries where the rule of law is weak. These two forms of accountability should complement each other.

3.2 Audit Timing Topology

Fiscal control can occur before (ex-ante) or after (ex-post). Ex-ante auditing verifies the legality of administrative actions before they are implemented, thereby acting as a potential veto on administrative discretion. Ex-post auditing examines administrative actions after their implementation. Ex-ante and ex-post forms of accountability differ in their relative focus on prevention or correction, including punishment. Accountability is seen by some scholars as an ex-post phenomenon while others argue that to be meaningful, it should occur before, during and after the exercise of public authority (Elster, 1999, Schmitter, 1999). The timing of compliance control is a subject of intense controversy in the audit profession. While performance auditing can only be ex-post, compliance auditing can be either ex-ante or ex-post. According to Santiso (2007), while it is generally agreed that a core function of internal systems is to perform ex-ante compliance control functions, there is disagreement over the extent to which SAIs should have any ex-ante compliance control functions. Ex-ante compliance control often criticized as co-administration by the bureaucracy, gives the SAI veto power over administrative actions. It converts the SAI into a veto player in the phenomenon of public policy, endowed with the power to question or nullify administrative acts (Tsebelis, 2002; Tsebelis and Chung, 2004). However, it is generally accepted that SAIs should focus on ex-post forms of control, including through compliance control and performance auditing (Santiso, 2007). The controversy over the timing of compliance control illustrates a fundamental tension between two different philosophies of government auditing. Speck (2000) notes that SAIs are torn between two concerns - a liberal concern for limiting and restraining executive power which is best achieved through ex-ante compliance control, and a managerial concern with improvising public management, which is best achieved through performance auditing.

3.3 Enforceability topology

An important controversy in accountability theories and the literature on oversight agencies, centers on the enforcement of audit rulings and the sanctioning powers of the SAI. Accountability necessarily implies a measure of severability (providing an account for actions under taken) and enforceability (punishment or sanctions for poor performance or illegal actions) (Goetz and Jenkins, 2001; 2004). It is also argued sometimes, that enforcement and sanction are intrinsic elements of accountability and that inconsequential accountability is no accountability at all (Schedler, 1999). According to the view, without enforcement mechanism, SAIs only impose soft constraints and ambivalent incentives. Consequently according to this view, SAIs should be endowed with sanctioning powers, which they can impose directly and autonomously without the intervention of another state power.

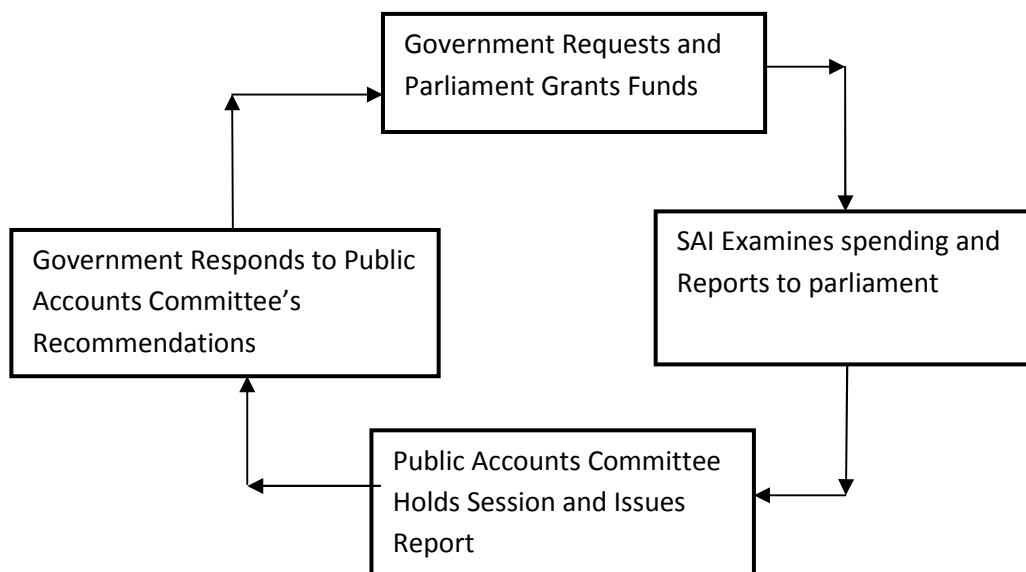
Santiso (2007) take a different new, distinguishing over sight agencies from accountability institutions. According to him, SAIs are essentially oversight agencies which depend on accountability institutions to enforce accountability public officers. Accountability institutions are those given the constitutional prerogatives to hold government to account. Under the constitutional model of separation of powers, accountability institutions are the legislature and the judiciary. According to Moreno *et al* (2003), agents cannot hold other agents accountable, only their principals can. In other words only the governments' principal, namely the legislature, can enforce accountability on its agents. The function of oversight agencies such as SAIs is to provides information required to the governments principal. According to Allen and Tommasi (2001), auditors are authorized only to report what they have found, they must rely on others to correct the reported problems. In other words, while accountability cannot exist without a means of redress, it does not necessarily require oversight agencies to be endowed direct. Rectification can be achieved indirectly through the state institutions possessing sanctioning powers and the ability to enforce accountability on government.

Mainwaring (2003) and Kenney (2003) distinguished between direct and indirect sanctioning powers, noting that some mechanisms of accountability rely exclusively on answerability without necessarily having the capacity to impose sanctions. According to Santiso (2007), the understanding of the role of oversight agencies, reinforces the conceptualization of SAIs as auxiliary agencies to the legislature in the oversight of government finances. According to him, it also underscores the critical importance of the synergies between the components of the architecture of fiscal control. SAIs are only a component, though a critical one, of a broader system of checks and balances in public financial management. According to O' Donnel (1999 & 2003) if SAIs are to be effective, they can very rarely function, in isolation. According to him, effective horizontal accountability is not the product of isolated agencies but of networks of agencies. He stated further that their ultimate effectiveness depends on decisions of courts and legislatures to enforce government accountability. According to Santiso (2007), a control paradox of SAIs therefore, resides in the fact that their effectiveness depends both on their independence from government and the efficacy of their functional linkages with the legislatures and the courts. The question thus becomes not whether SAIs should be independent or not but rather, how much independence is enough and how much is too much.

4.0 TOPOLOGY OF THE NIGERIAN AUDIT INSTITUTION AND AUDIT TECHNIQUES

The Nigeria SAI is of the Westminster extraction, an obvious consequence of Nigeria being a former colony of U.K. Under the system, the financial cycle starts with the National Assembly (made up of the Senate and House of Representatives) authorizing expenditure through the yearly budget. At the end of the period, all government departments and extra ministerial departments produce annual accounts which are then audited by the Auditor General (National Audit Office). The office of the Auditor General then submits the audit reports to the National Assembly for review. The review is carried out by the public Accounts Committee (PAC) of the National Assembly which then issues its own report and or recommendation to which the executive or president is expected to respond to (See figure 2 below for the topology of Nigeria's SAI topology).

Figure 2 : Nigeria's SAI Topology



The Nigerian SAI Accountability system has the following principal characteristics: (i)The National Audit office is headed by the Auditor General who is not an officer of parliament;(ii)All rights, powers and responsibilities are vested in the Auditor General personally rather than in the SAI as an institution;(iii)There are strong safeguards at least in theory to safeguard the Auditor General's independence;(iv)The office of the Auditor General is staffed with people with professional financial background (accountants and auditors);(v)There is a strong focus on financial audit with little or no focus on value for money audit - audit is ex-post;(vi)There is an active PAC in the National Assembly which works closely with the office of the Auditor General. The PAC is usually chaired by a member of the opposition party;(vii)There is a mechanism or convention whereby the government is required to respond to PAC report and state the actions it is taking to implement the recommendations;(viii)The Auditor General's Functions are not combined with those of the comptroller general; According to Anyanwu (2000), the Auditor General for the Federation is the head of the SAI at the federal level and is responsible to the legislature, but also takes directives from and cooperate with the president in matters relating to the audit of government accounts and agencies. On Audit Type typology, the function and scope of independence of the SAI are spelt out in the relevant provisions of the Audit Act of 1958, which established the office and in subsequent constitutional provisions, particularly the 1999 constitution. These provisions together with section 24 of the Finance (Control and Management) Act of 1958, the Financial Regulation 2000, the Audit Guide, the Audit standards and the Civil Service Rules have emphasized, guided and increased the scope and independence of the auditing process (Anyanwu, 2001). Section 85 (2) of the 1999 constitution states 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 documents relating to these accounts"

The Audit type topology is evident from the organization of the operations of the Auditor General's office. According to Anyanwu (2001), the Nigerian Supreme Audit Institution at the Federal Level is divided into four (4) operational department as follows: (i)The ministerial Department deals with the audit of accounts of members and other agencies of government and of all financial statements;(ii)The Extra Ministerial Department is responsible for vetting the audited account of government companies, corporations, agencies commissions and other authorizes;(iii)The project Monitoring and evaluation department conducts value for money and performance audits. These involve examining and reporting on the economy, efficiency and effectiveness of government projects and programs;(iv)The Revenue Audit Department is responsible for auditing revenue accruable to the government. In this regard, efforts are made to ensure that the revenue collected from all sources are properly accounted for. Thus the office of the Auditor General of Nigeria is configured to carry out both financial audit and performance audit but in practice, it hardly carries out performance audit.

4.1 Audit timing topology

The Nigerian Auditor General does not combine the role of the comptroller General with his functions. Therefore the Nigerian SAI carry out fiscal control ex post i.e. after the implementation of the budget. The ex ante function is carried out by the internal Audit Department in the respective ministries /extra ministerial Departments. The duties of the Auditor General are clearly stated in section 85 (2) of the 1999 constitution which states 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. These functions are further restated in section 102 of the financial Regulations (2000). According to the section, the Auditor General shall examine and ascertain in such manner as he thinks fit, accounts relating to public funds and property and ascertain whether in his opinion:(a)The accounts have been properly kept;(b)All public monies have been fully accounted for, and the rules and procedures applied are sufficient to secure an effective check on the assessment, collection and proper allocation of revenue;(c)Monies have been expended for the purposes for which they were appropriated and the expenditures have been made as authorized; and (d)Essential records are maintained and the rules and procedure applied are sufficient to safe-guard and control public property and funds. By these functions the Auditor General duty is limited to ex post audit of government accounts.

4.2 Audit enforcement topology

The SAI is required by law to forward annual reports to each house of the National Assembly. The Annual Report includes accounts relating to revenues and losses of the federal government and expenditure monies appropriated by the legislature. By section 85 (5) the Auditor – General shall within ninety days of receipt of the Accountant – General financial statement, submit his reports under this section to each House of the National Assembly and each House shall cause the reports to be considered by a committee of the House of the National Assembly responsible for public accounts (PAC).

It is the PAC of the National Assembly which in turn considers the report of the Auditor General and makes recommendations and imposes sanctions⁹⁰, and punishment for corrective purposes (Anyanwu, 2001). Thus the Nigerian SAI functions principally as a purely oversight agency and not an accountability institution.

5.0 ANALYSIS AND DISCUSSION

The main objective of this paper is to review the Audit type and Audit techniques of the Nigerian Supreme Audit institution or the office of the Auditor General against existing topologies and come out with a topology that will improve the effectiveness of the audit of government accounts in Nigeria. We shall begin our discussion with the topology of audit type. The judicial or Napoleonic topology is practiced mainly by Latin countries, Europe, Turkey, francophone countries in Africa and Asia, several Latin American Counties including Brazil and Colombia, all with Roman law tradition. Nigeria is not part of this tradition being a former British Colony of the Anglo – Saxon extraction. The Court or Judicial/Napoleonic model is better suited to a country with an inquisitional method of adjudication unlike Nigeria that practices the adversarial method of adjudication. There is no doubt the judicial topology gives about the best safeguards for auditor independence with a highly formalized system of checks and balances. However, its adoption would materially conflict with the existing legal system in Nigeria.

Nigeria is a member of the commonwealth and that accounts substantially for its present audit topology, namely the Westminster topology. One of the problems that Nigeria has encountered with this system is that it places a great deal of authority on the Auditor General. This makes the position to be very powerful. There is no doubt that the SAI needs to be very powerful, but this power need not be concentrated on a single individual, as there is the likelihood of abuse when the office falls into the wrong hands. According to DFID (2004), there may be a reluctance to concentrate so much power on a simple person, particularly in states where there are general problems of corruption and misuse of authority. Definitely, when we talk of corruption and abuse of power, Nigeria is one of the leading nations. This major defect of the application of the Westminster topology in Nigeria made it an unsuitable candidate for ‘recommendation and this takes us to the last topology which is the Board or Collegiate Audit topology.

As stated previously under the Board or collegiate Audit topology, the SAI has a number of members who form its college or governing Board of Auditors. The Board members take decisions jointly. The topology provides a system of checks and balances against abuse of power that would have occurred if power is vested on one person. According to DFID (2004), though the Collegiate Audit topology is relatively slow in decision making, this may be compensated for by a balance and inclusive audit system. DFID(2004) further noted that countries with a strong federal tradition or those which have experienced significant ethnic division or conflict, might find benefits in having an SAI which reflects a range of viewpoints. The observation of DFID (2004) aptly capture the Nigeria situation. The need to reflect a wide range of view was played out in 2002 when an Auditor General

recommended by the Nigerian President to the National Assembly was rejected on ethnic grounds. According to Transparency International (2004: 31) “Chief Vincent Azie became the Acting -Auditor General of the Federation on merit when the Auditor General Appointed by President Olusegun Obasanjo was rejected by the National Assembly .This rejection was based on the fact that President Obasanjo and his nominee come from the same ethnic group”.

The need for ethnic balancing is constitutionally recognized in Nigeria. According to Bello (2012), the problem of representational equity in Nigeria started with the problem of an unequal North-South duality. According to Mustafa (2007), emphasis on representation and power sharing is given constitutional backing under the Federal Character principle. Section 153 (c) of the Constitution of the Federal Republic of Nigeria provides for the establishment of the Federal Character Commission. According to section C, part 1 of the third section of the same constitution, the Federal Character Commission is work out an equitable formula for the distribution of all positions in the public service of the Federation States and Local government councils. The naked implication of the foregoing is that there is need for a balanced SAI that will have the confidence of the various stakeholders making up the highly diversified and divided Nigeria. Thus, the Board or Collegiate Audit topology is considered most appropriate.

As noted earlier, the Nigerian SAI institution carries out ex post audit of government accounts. The focus of the audit is on financial audit with little or no attention being paid to value for money audit. This approach is not satisfactory. It is not just enough for government officials to comply with the law and spend public funds. They must do so with efficiency, economy and effectiveness. Therefore a collegiate Board of Auditors in Nigeria must be charged with the specific duty of carrying out value for money audit annually. The result of such value for money audit must be made public. Carrying out value for money audit require a system of performance budgeting or planning, programming and budgeting system (PPBS) instead of the incremental line item budgeting system presently practiced. Thus

it is imperative that the Audit timing topology remain ex post while the type of audit be extended to value for money audit.

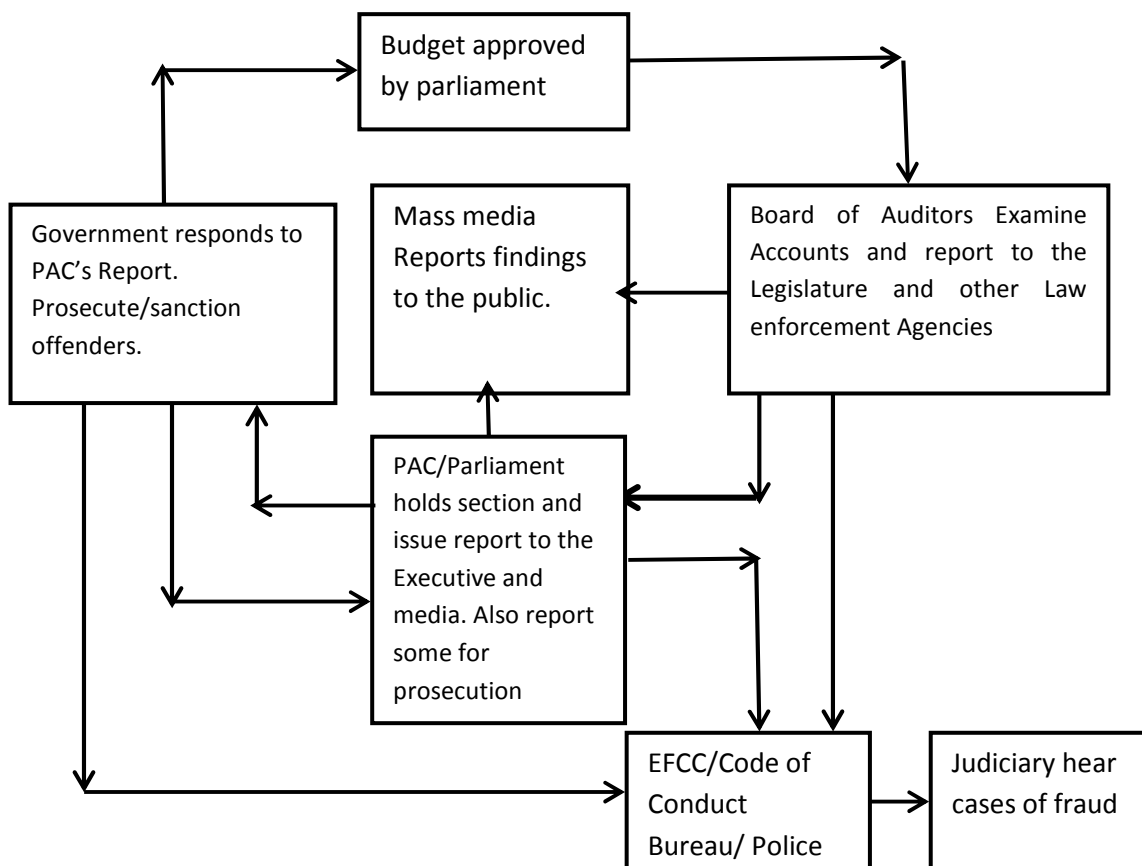
Enforceability of audits is one area where Nigeria has also continued to encounter problems. The SAI institution is an oversight agency and not an accountability institution. This is one of the key weaknesses of both the Westminster and collegiate audit topologies. In order to function properly, the Westminster topology requires the interested, knowledgeable and active involvement of parliament to follow up the reports and opinion produced by the Auditor General. Ultimately it is the legislature that holds the government to account- the SAI only gives it the information and tools to do so effectively. The Nigerian legislature is not known to have been functioning well in this regard. The Auditor General has no powers to publicize his audit report and the report may not deal with state institutions guilty of financial misappropriation without being referred to the National Assembly for vetting (Transparency International, 2004).For example, Azie (2003) had reported in his audit report that some government officials had deposited public funds into their private bank accounts. He also reported “that “air” tickets, as part of the documentation presented by the Federal Ministry of Transportation for auditing, reflected alteration of routes and fare figures were erased and altered and hand writing was super – imposed from one receipt to another. During the audit of revenue of records at the Tin Can Island post office in Lagos, it was discovered that the Nigerian customs service, collected the sum of round N135 million between July and September 2001 through its designated banks. These funds were not remitted to the government confers at the Central Bank of Nigeria. The above examples are only a few examples of many irregularities reported by the office of the Auditor General in January 2003 “ According to Transparency International (2004), Azie’s report was fully discussed by both bodies of the National Assembly, the resulting recommendation being greater caution in government spending to avoid similar indictment in the future. The above indicates the futility of relying on the parliament to enforce audit reports in Nigeria. Well, it should be noted here that the reward to the Acting Auditor General for a work “well done” was that when Chief Azie’s tenure ended in six months as Acting Auditor General, the President did not make any request to the senate for the renewal of his tenure. Surprisingly, the man that was previously rejected on the ground that he was the presidents Kinsman was appointed substantive Auditor General.

Thus the SAI has to be strengthened in order to ensure greater enforcement of audit findings. In this connection, the SAI should be empowered through legislation to report cases of fraud and embezzlements to law enforcement agencies for further investigation and possible prosecution without recourse to the legislature. The SAI should however, note the action taken in their audit report to the PAC.

6.0 RECOMMENDED TOPOLOGY

Flowing from the foregoing analysis and discussion, the topology in Fig 4 below is recommended. Under the topology, the parliament will as usual continue to give authorization of expenditure through the annual budget appropriation. The budget is subsequently implemented by the Executive and at the end of the financial year, the Accountant General prepares the annual accounts which are then audited under the control and direction of the college of Auditors. The college of Auditors then meet and take decision on the accounts and make recommendations to the PAC which then hold its session and issue a report which is presented to the government for its response. Under the topology, the collegiate SAI consist of a governing board made up of the members of the college and headed by a president. There may be a series of colleges or committees each having the power to decide on an audit matter within their area if responsibility. All statutory powers and rights governing the audit of the government are vested on the Board. The Board has /separate corporate status. The staff are staff of the Board and not that of the civil service while the Board itself is a quasi – organ of the parliament and completely independent of the Executive. The college or board has financial independence and the budget of the Board is determined by the parliament on a recommendation from the Board. Thus the plans and the budget of the Board are considered by the PAC, which then makes recommendation to the parliament to accept the budget plans.

Figure 3 Recommended Topology for Nigerian SAIs.



The jurisdiction of the board extends to to the accounts of government and all public bodies without exemption. The Board has power to conduct ex-post financial accounting audit and value for money audit. It has a quasi-relationship with the law enforcement agencies like the police and the Economic and Financial Crimes Commission (EFCC) and it is free to directly report incidence of fraud not involving the president or governor as the case may be to these agencies without going through the PAC. They are however, to note the actions taking in this regard in their report to the PAC. The Board also has a direct reporting relationship with the mass media. But they could only make public their reports after submitting them to the PAC. Such reports to the media/public should exclude a direct indictment of the President or the Governor. The Board could however only question the implementation of policy objectives and not their merit. Under the recommended topology, the Board typically enjoys the usual conditions of service that are directed towards securing its independence and these include: (i) special procedure for appointment and removal to control over resource/budget (ii) Immunity/protection from

the action of others (iii) independences to frame work plans (iv) control of the appointment, promotion and remuneration of its staff.

7.0 CONCLUSION

The basic objectives of public sector auditing are to promote:(a) The proper and effective use of public funds; (b) The development of sound financial management ;(c) The proper execution of administrative activities; and (d) The Communication of information to public authorities and the general public through the publication of objective reports(INTOSA,1998). Different audit topologies exist that guide SAIs in the attainment of these objectives. The paper examined the three most common systems, their potential strengths and weaknesses and the implication of working with these topologies in Nigeria given the political/legal traditions in the country. The recommended topology modified the collegiate or Board topology. It eliminates the weaknesses inherent in the typical collegiate topology and also the monocratic Westminster topology currently in force in Nigeria. Properly harnessed, it is expected that the topology will usher in an era of greater accountability in the use of public funds in Nigeria.

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