



Centre for Social Justice

# AUDIT OPPORTUNITIES ASSESSMENT STUDY

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# **Audit Opportunities Assessment Study**

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## ABBREVIATIONS

AuGF	Auditor-General for the Federation
BPP	Bureau of Public Procurement
CA	Court of Appeal
CFS	Consolidated Financial Statements
CSJ	Centre for Social Justice
CSO	Civil Society Organisation
DFID	United Kingdom Department of International Development
EFCC	Economic and Financial Crimes Commission
FGD	Focus Group Discussion
FGN	Federal Government of Nigeria
FIRS	Federal Inland Revenue Service
FR	Financial Regulations
FRC	Financial Reporting Council of Nigeria
FRN	Federal Republic of Nigeria
GIMFIS	Government Integrated Financial Management Information System
HCSF	Head of the Civil Service of the Federation
ICPC	Independent Corrupt Practices and Other Related Offences Commission
IFAC	International Federation of Accountants
<i>INTOSAI</i>	International Organization of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards
KII	Key Informant Interview
MDA	Ministries, Departments and Agencies of Government
MSME	<b>Micro, Small, and Medium-sized Enterprises</b>
NASS	National Assembly

NDDC	<i>Niger Delta Development Commission</i>
OAuGF	Office of Auditor-General for the Federation
PAC	Public Accounts Committee
PPA	Public Procurement Act
SAI	Supreme Audit Institution
STFAs	State Fiscal Transparency, Accountability and Sustainability Program
VAT	Value Added Tax
WHT	Withholding Tax

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## Executive Summary

The Audit Act of 1956 was not reproduced in the Laws of the Federation of Nigeria 1990 and by S.5 (1) of the Revised Edition (Laws of the Federation of Nigeria) Decree 1990, the Act ceased to be part of Nigerian law. However, no new audit law has been enacted at the federal level since then. Beyond scanty constitutional provisions creating the office, defining appointment procedure, tenure, independence, submission of reports, etc., there is no extant federal audit law. The Constitution did not go into the definition of processes and procedures, powers, coverage, ambit and other details of the audit function. From a functional perspective, some extant audit challenges and issues can only be resolved by a constitutional amendment while others will be reformed through a new legislation.

The federal audit practice is exposed to a lot of challenges including institutional inertia, outdated laws, lack of independence, poor funding, inadequate human resources, untimely audit reports and poor enforcement mechanisms. The current audit practice has become a frustrating exercise in report writing. The Auditor General produces a report which is sent to the Public Accounts Committee (PAC) of the National Assembly (NASS) who conduct hearings and investigations and produce another report. The first and second reports gather dust on the shelves and the recommendations are hardly implemented leading to the year after year repetition of financial breaches contrary to extant public finance management laws. Essentially, the follow-up on audit recommendations is very weak and not effective; accounting officers of Ministries, Departments and Agencies (MDAs) ignore audit queries, etc. All these lead to loss of resources and leakages as a result of the weak audit system.

The Financial Regulations (FR) made under the authority of the Finance (Control and Management) Act made a number of provisions that govern audit practice including definition of responsibilities of the Auditor General for the Federation (AuGF), functions and scope of work of the AuGF, access to public documents by the AuGF, response to queries and administrative sanctions for various audit infractions, etc. However, some of the infractions found in audits have been criminalized by various Criminal and Penal Codes, the Public Procurement Act and other relevant laws.

For statutory commissions and parastatals, the AuGF is not allowed to audit them but can only provide a list of auditors qualified to be appointed by them as external auditors and from which the bodies shall appoint their external auditors, guidelines on the level of fees to be paid to external auditors and comment on their annual accounts and auditor's reports thereon.

Although the Constitution states that the AuGF shall be independent in the performance of his duties, the building blocks of the independence have not been secured. The Office of the AuGF (OAuGF) remains a part of the Federal Civil Service, relies on the Civil Service for human resource management, staffing and operational needs, dependent on budget setting and funds release processes by the executive (who are auditees) and this is not conducive for effective and independent audit operations.

The AuGF is expected by S.85 (5) of the Constitution to submit the audit report to the National Assembly (NASS) not later than ninety days after receiving the Accountant-General's financial statements. Curiously, except by inference from this constitutional provision and S.49 (1) of the Fiscal Responsibility Act (FRA), the Accountant-General has no mandatory time frame within which to make available the said financial statements to the Auditor-General. Furthermore, there is no timeframe for the PAC to conclude consideration of the AuGF's report and approval of the PAC report by the House and Senate as well as harmonization of same for one NASS report in a year. Also, there is no independent auditor to audit the OAuGF and report back to NASS.

Examining the audit function under the principle of effectiveness, the powers and functions of the AuGF seem inadequate. The OAuGF has no explicit powers of search and seizure, to obtain real evidence, to trace and follow misappropriated funds, summon and take depositions under oath, a binding power to surcharge, etc. Public engagement by the OAuGF is almost non-existent. Even though sanctions and penalties are contained in subsidiary legislation and some principal laws, they are hardly implemented.

The major challenges identified in audit practice include late submission of consolidated financial statements by Accountant General to AuGF leading to audit reports being submitted late to NASS, poor response to audit queries, low implementation of audit recommendations, low compliance by parastatals with financial reporting requirements, inadequate funding of the AuGF and poor remuneration of audit staff. For PAC in action, the major challenges include late consideration of AuGF's reports, no evidence until recently of completion of the audit cycle involve the AuGF's report, report of the PAC upon considering AUGF's report, approval of PAC report by NASS and forwarding same to the executive for implementation. There is no evidence of harmonization of approved PAC reports from the two chambers of NASS.

The recurring MDA audit findings are many. They include:

- Failure in remittances of revenue/internally generated revenues by MDAs; failure in revenue generation, non-deduction of taxes and remittances of revenue by MDAs; non-deduction of statutory stamp duty, VAT, WHT; failure to recover outstanding revenue/debts; unrecovered tax liabilities by the Federal Inland Revenue Service.
- Payment for services not rendered and contracts not executed; supply items not taken on store charge; Store items not taken on store charge.
- Unretired loans and advances.
- Circumvention of procurement procedures; irregularities in contract award, execution and payment; contract splitting/inflation of contract; cash advances above stipulated approval limit/use of cash advances to circumvent procurement processes.

- Unspent balances on capital votes not returned to chest.
- Payment without pre-payment audit.
- Violation of e-payment policy
- Extra-budgetary spending/virement without approval.
- Irregular payments/ payments of unapproved salaries or unauthorised allowances to staff.
- Engagement and payment of external solicitors without the consent of Attorney-General of the Federation.
- Payment for overseas travels and conferences without approval; Irregular payments for unauthorised overseas medical expenses.
- Use of public funds for private functions.
- Payment vouchers, contract files and records not presented for examination/audit; payments made without payment vouchers; denial of access to documents
- Illegal custody/ irregular possession of government vehicles.
- Payments to third parties without power of attorney.

There is hardly an audit infraction without a legal response from the FR and other subsidiary instruments. However, a few of the infractions have a direct principal law response like provisions in the Economic and Financial Crimes Commission (EFCC) and Independent Corrupt Practices and Other Related Offences (ICPC) Establishment Acts. But most of the responses in the FR are administrative in nature involving the public/civil service bureaucracy and its administrative sanctions. Due to the reoccurrence of these infractions, they provide opportunities or the enforcement of the law or where no public sanctions or remedies exist, for the enactment of new laws to fill the gap.

The mismanaged resources as indicated by the AUGF's reports for the period 2014 to 2021 are in excess of twenty trillion naira. This figure arises from the management of the Federation Act, the work of the revenue generating agencies and day to day operations of MDAs. There is a huge discrepancy between what the AuGF queried and the amounts that were eventually sustained by the PAC in the years 2015, 2017 and 2018 where the study had access to PAC reports.

The opportunity cost of the weak audit regime is about the foregone benefits that would have accrued if the system was working optimally. It includes financial losses and losses beyond

money. This includes the developmental cost, the benefits that would have accrued from the rule of law and its due process. The costs include the debt challenge, poor social indicators, infrastructure deficit, negative implications for trade and macroeconomic stability, unemployment, reduction of poverty, rule of law challenge and reduced public trust in government.

The power dynamics of the audit function and a stakeholder mapping of powers and duties in audit reform shows so many actors with positive duties and intervention opportunities as well as their respective anti-audit reform capabilities. The stakeholders include the President of the Federal Republic, leadership of NASS, PAC, AuGF, anti-corruption agencies, Accountant General of the Federation, Accounting Officers of MDAs, staff of MDAs, Ministry of Budget and Planning and Budget Office of the Federation, contractors and service providers, political parties, civil society and email, professional associations and religious and traditional institutions. The bundle of attitudes, action and inactions, institutional inertia and refusal to positively influence official action for audit reform encapsulated in the description of lack of political has been responsible for the failure of audit reforms.

Agencies resist audits to conceal corrupt practices. *Audit is seen not as a constitutional duty but as an intrusion, so the default reaction is resistance.* Beneficiaries of the weak system include politicians, contractors, rent-seeking elites who thrive in opaque systems. *The system rewards those who know how to hide information, not those who disclose it.* This entrenched network of beneficiaries ensure that reforms stall at critical moments. The losers are citizens, taxpayers, civil society, and ultimately Nigeria's development agenda. Fraud, misappropriation, graft, substandard service delivery and weak legitimacy of the political system are the products of an unreformed audit system, while the beneficiaries are political class (both in the executive and legislature) and the private sector participants that receive kickbacks or no punishment for the violation of audit rules or suffer no consequences for their abuse of the system.

This study finds that Nigeria's audit dysfunction is not primarily a technical failure, but a political economy outcome shaped by entrenched incentive structures. These dynamics have persisted despite repeated reform attempts, underscoring that improved laws, standards, or capacity, while necessary, are insufficient on their own. Where reform initiatives rely predominantly on the goodwill or self-correction of institutions that benefit from the status quo, such efforts are unlikely to gain traction or endure.

**i. Implications for Reform Design:** The political economy constraints identified above imply that:

- Reform strategies that assume institutional buy-in from the Office of the Auditor-General or the executive arm are high risk under current conditions
- Technical assistance that is not paired with political leverage or external pressure is likely to stall.

- Accountability reforms must be driven, at least initially, by actors whose incentives are *not* aligned with audit opacity.

Accordingly, reform must be reconceptualised as an incentive-realignment exercise rather than an institutional capacity-building exercise alone.

The following reforms will not work under current incentives:

- Appeals to voluntary compliance by audited entities without credible enforcement.
- Reform action plans directed exclusively at the SAI or executive MDAs.
- Stand-alone legislative amendments without coalitions to defend and operationalise them.
- Generic “multi-stakeholder engagement” without identifiable leadership or convening authority.

**ii. Feasible Reform Pathways Despite Resistance:** Even within a constrained environment, the analysis identifies several viable reform pathways:

- **Externalising Reform Pressure:** Leveraging actors outside the executive chain, particularly the legislature, judiciary, civil society/media, and development partners, to generate reputational, legal, and political costs for non-compliance.
- **Champion-Led Reform:** Anchoring reform initiatives around identifiable reform champions (e.g., legislative committee leadership, reform-minded Attorneys-General, professional bodies) rather than institutions as a whole.
- **Incremental and Demonstration Effects:** Piloting audit follow-up, public hearings, or enforcement mechanisms in targeted sectors or sub-national contexts to create proof-of-concept and momentum.
- **Embedding Audit Reform in Broader Governance Agendas:** Linking audit accountability to anti-corruption, procurement reform, fiscal transparency, and service-delivery outcomes where political salience is higher.

**iii. Legal and Institutional Imperatives:** A review of constitutional and statutory frameworks confirms that Sections 85–87 of the 1999 Constitution provide authority for audit but not enforcement. The repeated failure to pass the Federal Audit Service Bill has perpetuated dependence on executive goodwill and left the Office of the Auditor-General without operational autonomy. Lessons from Ghana, Kenya, and Rwanda show that legal codification of independence, mandatory response timelines, and budget-linked compliance can transform audit outcomes. Nigeria's next reform phase must embed enforcement provisions and legal clarity through constitutional amendment and statutory enactment.

Equally important is the creation of an institutional ecosystem that aligns incentives with accountability. The absence of an independent Audit Service Commission, clear sanction regimes, and guaranteed budgetary allocations has weakened institutional integrity. Reform must, therefore, go beyond legal drafting to establish robust administrative mechanisms that protect tenure, ensure predictable funding, and empower the AuGF to compel compliance. Only through such institutional redesign can the audit function become an instrument of deterrence and trust.

**iv. Operational and Governance Lessons:** The FGDs emphasised that audit credibility rests not only on statutory authority but also on **professional competence, institutional agility, and technological modernisation**. Effective audit reform requires operational efficiency combined with transparent governance systems that promote accountability, responsiveness, and trust in public financial management. FGD Participants therefore recommended the following measures:

- a. Timeliness and Accessibility:** Audit reports should be completed, validated, and published within eighteen **months of the fiscal year-end**, ensuring that findings remain relevant and actionable. This timeline should include submission of AuGF's report to NASS, PAC consideration and reporting, approval of PAC report by NASS and forwarding approved report to relevant agencies. A **national e-audit platform** should be developed to facilitate real-time data collection, public access to audit summaries, and digital submission of management responses. RoLAC and other development partners can support a civil society led campaign on this issue.
- b. Capacity and Technology:** Continuous professional education, certification programmes, and adoption of **digital audit tools**, including data analytics and automated risk assessment systems, can minimise manual bottlenecks, enhance accuracy, and reduce human discretion. Building a digitally skilled workforce will strengthen institutional resilience and improve the timeliness of reporting. RoLAC and other development partners can collaborate with the OAuGF to facilitate capacity building in technology adoption.
- c. Consequence Management Framework:** Establishing a **clear sanctions matrix** linking audit violations to proportionate financial, administrative, disciplinary and penal consequences will institutionalise deterrence. Enforcement should be standardised across MDAs to ensure consistency and equity in applying penalties for non-compliance or negligence.
- d. Civil Society and Media Engagement:** Independent oversight by the Auditor-General must be complemented by **active public participation**. Strengthening partnerships with civil society organisations, investigative journalists, and policy think-tanks will promote sustained public pressure for transparency, increase awareness of audit outcomes, and reinforce accountability in governance.

Additionally, Study participants noted that modern audit reform requires aligning process efficiency with accountability outcomes. This includes establishing inter-agency data-sharing protocols, automating query tracking, and integrating real-time dashboards for monitoring compliance. Embedding audit functions into the broader public finance management reform agenda, linking audits with procurement, budgeting, and expenditure tracking, will enhance systemic coherence. Governance lessons from comparative jurisdictions show that where digital systems interface seamlessly with civic monitoring, audit outcomes are not only faster but also more trusted and enforceable.

## **v. Strategic Recommendations**

The following strategic recommendations flow from the body of the study.

- a. Enact the Federal Audit Service Bill** to grant statutory independence and enforcement powers, establishing the OAuGF as an autonomous constitutional authority comparable to the judiciary and anti-corruption agencies. RoLAC and other development partners could consider mainstreaming this issue in their election support work to civil society and the media so that political parties and candidates are asked to support audit reforms towards the 2027 elections.
- b. Amend Sections 85 - 87 of the Constitution** to compel executive and legislative responses within fixed timelines, ensuring that audit findings trigger mandatory corrective action. RoLAC and other development partners could consider support to CSJ and other CSOs to continuously raise this issue with the leadership and members of NASS, AuGF and relevant members of the Federal Executive Council.
- c. Legislative Accountability as a Reform Anchor:** RoLAC can prioritise support to ready and willing to collaborate Public Accounts Committees at federal and state levels by:
  - Providing technical and legal advisory support for structured, time-bound audit hearings;
  - Supporting public dissemination of PAC proceedings and findings;
  - Protecting reform-minded legislators through visibility, peer networks, and technical backing.

This approach shifts audit enforcement from the executive to a constitutionally empowered but under-leveraged institution.

**d. Establish an Inter-Agency Audit Enforcement and Sanctions Committee** including the AuGF, EFCC, ICPC, the Police, Bureau of Public Procurement, Head of the Civil Service of the Federation, etc., to coordinate follow-up actions, recover monies to the treasury, prosecute offenders, ensure administrative sanctions, etc. This will help to embed audit issues in broader governance reform agenda. Audit reports can trigger corrective action from the Bureau of Public Procurement in identified procurement violations; anti-corruption

responses from EFCC and ICPC and leakage blocking efforts by the fiscal authorities, etc. Development partners can convene this forum with the collaboration of CSOs.

**e. Increased Consequences for Non-Compliance:** In the interim, RoLAC and other development partners can support collaborations between CSJ, other CSOs and EFCC and ICPC to analyse audit reports, identify cases for follow up on recovery and prosecutions. CSO deployment of Freedom of Information and mandamus proceedings should also be supported by development partners. Development partners can facilitate increased consequences for non-compliance with audit recommendations through support of strategic litigation and judicial enforcement of audit recommendations in select cases. This will introduce a legal risk for violating agencies and their key officials as well as develop precedent-setting judgments in favour of audit reforms.

**f. Guarantee Direct Appropriation to the OAuGF** through the National Assembly to eliminate executive funding control and insulate audit operations from political interference. The funding of the OAuGF should be a first line charge on the consolidated revenue fund of the Federal Government. Development partner support for CSO advocacy and engagements with NASS, post 2027 election constitution amendment process, BOF and other relevant agencies will be imperative.

**g. Link Audit Compliance to Budget Releases** by mandating the Budget Office to withhold funds from non-compliant MDAs, thereby embedding audit discipline into fiscal policy. Percentages of the internally generated revenue of self-funding agencies could be surcharged as sanction for non-compliance with audit processes and recommendations.

**h. Deploy a Digital Audit Dashboard** integrating OAuGF, PAC, and MDA reporting for real-time tracking, data analytics, and public disclosure. This should be supported by Development Partners.

**i. Institutionalise Multi-Stakeholder Oversight Forums** involving CSOs, media, and development partners to strengthen external accountability and sustained public engagement. It is also imperative to enact a statutory Whistle Blowers mechanism so that actionable information on infractions can be passed on to the AuGF without fear of retaliation or victimisation. RoLAC and other development partners can support the development of the Whistle Blowers legislation which will be used across the governance reform board including audit reforms.

**j. Improve Audit Relevance and Public Demand:** CSJ should be supported to produce citizens versions of audit reports being simplified and summarised versions of audit reports that can be easily read and understood by literate citizens. Development partners should partner with CSOs and investigative media to translate audit findings into citizen-focused narratives (service delivery, sectoral impact, etc.). This will drive public pressure and set agenda for change. It introduces enhanced public scrutiny, reputational cost for violators and increased political visibility that makes a case for audit reforms.

**k. Benchmark Federal and or State level Audit Performance:** It would be ideal for CSJ to produce a yearly Audit Assessment Index which rates federal and or state MDAs on their performance based on critical audit indicators. This will facilitate the development of a *Performance Metrics* for audit published annually to measure progress and incentivise performance. This will give bragging rights to high performing MDAs and some sort of mild naming and shaming to laggards.

**l. Adopt a Consequence Management Framework** applicable across the accountability chain, specifying penalties, restitution, and administrative sanctions. The Consequence Management Framework can be prepared by CSJ in collaboration with the Conference of Auditors-General which is the umbrella body of the federal and state Auditors General. The collaboration with the Conference of Auditors-General will ensure its adoption at the federal and state levels. This should be supported by RoLAC and other development partners.

**m. Demonstrate Feasibility of Reform:** Pilot strengthened audit follow-up mechanisms in selected MDAs or states. This will have a demonstration effect for peer learning and proof of concept making it easier to adopt across the federation or target states.

**n. Institutionalise Continuous Dialogue and Peer Learning** through semi-annual review meetings, audit learning networks, and knowledge exchange with state and regional counterparts. There should be periodic peer review of the audit function at the subnational, national, sub-regional and regional levels. This would facilitate the identification of best in class performance standards through benchmarking and the speedy adoption of fit and good practices. A yearly development partner supported National Audit Review Dialogue will build on the in-year exchanges and knowledge exchange.

**o. Coalition-Building Beyond Formal Institutions:** Rather than generic multi-stakeholder platforms, Development Partners should invest in:

- Small, purpose-driven reform coalitions with clear leadership;
- Engagement of professional bodies, retired audit officials, and reform-credible elites;
- Issue-based coalitions tied to high-salience sectors (health, education, infrastructure).

These strategic actions together represent a coherent reform pathway, linking legal empowerment, operational independence, digital modernisation, and citizen engagement, to transform audit from a procedural exercise into a credible accountability instrument driving fiscal integrity and governance reform.

## Part One

### INTRODUCTION

#### 1.1 Background

Audit is a vital link in Nigeria's public finance management and fiscal governance chain. Other aspects of public finance management and fiscal governance have undergone various legislative and policy reforms since the return to civil rule in 1999. However, audit is yet to undergo reform. The reforms include fiscal reforms in the Fiscal Responsibility Act 2007 which covers issues of budget formulation, medium term expenditure framework, budget execution and reporting, deficits, borrowing and debt management, public access to information and enforcement provisions. The Public Procurement Act 2007 provides for a competitive, accountable, transparent, value for money procurement process from the stages of planning, bid solicitation, review, evaluation, award of contracts, mobilisation fees, performance guarantees and project implementation.

Recent tax reforms seek to streamline the tax system and management to make it more progressive, expand the tax net and increase revenues accruing from taxation. There was a Service Delivery Initiative providing a framework for Ministries, Departments and Agencies (MDAs) to set and work towards service delivery targets. The missing link in all these reforms at the federal level is the audit function which is virtually the last part of the budgeting process. It is impossible for these public finance management reforms to succeed if a critical component of the chain (auditing) is very weak.

The Audit Act of 1956 was not reproduced in the Laws of the Federation of Nigeria 1990 and by S.5 (1) of the Revised Edition (Laws of the Federation of Nigeria) Decree 1990, the Act ceased to be part of Nigerian law. However, no new audit law has been enacted at the federal level since then. Beyond scanty provisions in the Constitution of the Federal Republic of Nigeria 1999 as amended (Constitution), there is no extant federal audit law. The Constitution did not go into the definition of processes and procedures, powers, coverage, ambit and other details of the audit function. From a functional perspective, some extant audit challenges and issues can only be resolved by a constitutional amendment while others will be reformed through a new legislation.

The extant body of laws, subsidiary legislation and policies governing federal audit are no longer in tune with modern realities of best practices and comparative experiences in the audit function. The audit function has moved beyond financial, compliance and regularity audits. Issues of transparency, accountability, best value for money and performance measurement, sustainable environmental practices, gender, information technology and forensic audits have been mainstreamed into the modern audit lexicon and practice.

Contrary to the reform experience in fiscal responsibility and public procurement where the Federal Government reformed its laws and policies and prepared model laws and policies to drive reforms at the subnational level, audit laws have been reformed at the state level under the World Bank supported State Fiscal Transparency, Accountability and Sustainability Program (STFAs) while the federal reform stalled. On four occasions, the National Assembly passed the Audit Reform Bill into law and successive Presidents did not give assent to the bill to become law. The Auditor General stated in the 2018 Audit Report:<sup>1</sup>

*The Audit Bill was passed by the two chambers of the National Assembly and subsequently submitted for presidential assent in January 2019. Assent is yet to be granted at the time of this report, and efforts to put a separate bill through the legislative process have commenced. This will be the fourth effort to achieve an Audit law for Nigeria.*<sup>2</sup>

The presidential assent never came. As at 2025, there is a pending Audit Bill which has been passed by the House of Representatives but awaits the concurrence of the Senate before forwarding for presidential assent.

The federal audit practice is exposed to a lot of challenges including institutional inertia, outdated laws, lack of independence, poor funding, inadequate human resources, untimely audit reports and poor enforcement mechanisms. The current audit practice has become a frustrating exercise in report writing. The Auditor General produces a report which is sent to the Public Accounts Committee (PAC) of the National Assembly (NASS); PAC conducts hearings and investigations and produces another report. The first and second reports gather dust on the shelves and the recommendations are hardly implemented leading to the year after year repetition of financial breaches contrary to extant public finance management laws. Essentially, the follow-up on audit recommendations is very weak and not effective; accounting officers of Ministries, Departments and Agencies (MDAs) ignore audit queries, etc. All these lead to loss of resources and leakages as a result of the weak audit system.

The Lima Declaration of Guidelines on Auditing Precepts<sup>3</sup> states that the concept and establishment of audit is inherent in public financial administration as the management of public funds represents a trust. Audit is not an end in itself but an indispensable part of a regulatory system whose aim is to reveal deviations from accepted standards and violations of the principles of legality, efficiency, effectiveness and economy of financial management early enough to make it possible to take corrective action in individual

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<sup>1</sup> 2018 Annual Audit Report at page 9.

<sup>2</sup> Underlining supplied for emphasis.

<sup>3</sup> Adopted at the IX Congress of the International Organisation of Supreme Audit Institutions (INTOSAI) held in Lima, Peru, 1977- S.1 on the Purpose of Audit.

cases, to make those accountable to accept responsibility, to obtain compensation, or to take steps to prevent - or at least render more difficult such breaches. Within this context, the Nigerian audit environment fails to respond to these fundamental benchmarks.

In summary, Nigeria's public finance management reforms have addressed several dimensions of fiscal governance, yet the audit function, the critical accountability link in the reform chain, remains underdeveloped. The absence of a modern audit law, weak enforcement, and delayed oversight continue to undermine accountability, transparency and efficiency in the management of public funds

The following section outlines the rationale and scope of the Audit Opportunities Assessment Study within the reform context.

## **1.2 Audit Opportunities Assessment Study**

The Audit Opportunities Assessment Study is a systemic study to show the financial and other resources lost to the weak audit regime, how the weak system sets back the anti-corruption campaign, the risks in the system, opportunity costs and the inherent benefits of a reformed audit system. This Study therefore treats the systemic weaknesses and institutional inertia in the audit process as opportunities for transformation. By identifying gaps and proposing practical pathways for reform, it aims to reposition the federal audit system as an instrument of fiscal discipline, transparency and sustainable governance. This activity seeks to provide a nuanced context for audit reforms at the federal level and deepening of ongoing reforms at the subnational level. The recommendations are based on fit and good practices emanating from comparative experience and jurisprudence emerging from the International Organisation of Supreme Audit Institutions (*INTOSAI*).

The Study treats challenges and weaknesses in the system as opportunities for reform, to develop the public finance management system and the learn from previous failings.

## **1.3 Objectives of the Study**

The Audit Opportunities Assessment Study is implemented as part of a programme – “Improving the Effectiveness of Anti-Corruption Processes and Reforms”, whose goal is to contribute to increased effectiveness of anti-corruption laws, policies, interventions and strategies for the entrenchment of reforms at national and subnational levels. This would lead to increased compliance with anti-corruption laws. Anti-corruption laws and policies are not an end in themselves but they are expected to lead to systemic change, enhanced compliance and behavioural change in society, making it possible for increased prevention of corruption, corrective action in individual cases, detection and prosecution of offenders and to make more difficult, future breaches of the law.

The objectives of the Study are to:

- Highlight the challenges and binding constraints in the federal audit system to provide empirical evidence for reforms. This involves identifying and analysing the key challenges in Nigeria's federal audit system and their impact on fiscal accountability;
- Frame these challenges as reform opportunities, highlighting pathways for strengthening audit institutions and drive federal reform initiatives;
- Provide evidence-based recommendations to inform legislative, institutional and policy actions for audit reform.

*Together, these objectives provide an evidence-based foundation for understanding the systemic constraints and opportunities that shape Nigeria's audit governance. These objectives lead to three key research questions.*

- What are the structural, institutional and legal weaknesses in Nigeria's federal audit framework?
- How do these weaknesses affect fiscal transparency and anti-corruption outcomes?
- What practical reforms can strengthen the independence and effectiveness of the audit function?

#### **1.4 Methodology**

The methodology for the Study involved inter alia, desk review of Nigeria's audit standards, institutional practices, fit and good emerging literature and jurisprudence on audit; distribution, retrieval and analysis of questionnaires from MDAs and stakeholders; key informant interviews, focused group discussions and a validation meeting - all leading to documentation and a published report. The Study mainstreamed a political economy analysis encapsulating an understanding of the audit function - stakeholders and power dynamics, legal and institutional issues, context and history, economic and financial aspects, operational challenges, political economy dynamics and opportunities for reform.

Data from desk reviews, questionnaires, and key informant interviews were triangulated to ensure validity and accuracy. The Study adopted a mixed-methods approach combining qualitative insights from interviews and focus group discussions with quantitative assessment of audit performance indicators. This ensured a comprehensive understanding of both formal audit processes and informal institutional practices.

Overall, Part One sets the analytical foundation for understanding the state of Nigeria's federal audit system. By situating the audit function within the broader framework of fiscal governance reforms, it underscores both the urgency and opportunity for systemic transformation.

### **1.5 Limitations**

The Study encountered challenges in accessing complete audit records and timely responses from some MDAs. In several cases, official documents were unavailable, incomplete, or restricted. Despite these limitations, the Study's triangulated approach ensured sufficient evidence for credible analysis and policy recommendations.

## Part Two

### LEGAL PROVISIONS

#### 2.1 Categories of Legal Sources

In Nigeria, provisions governing the audit function are found in the Constitution and in more generalised public finance management laws. Furthermore, provisions are found in subsidiary legislation for the regulation of public finance management. Overall, the Constitution is usually a framework setting out general principles which is to be supplemented by specific detailed legislation. The embodiment of these audit principles in the Constitution sends a message of the importance attached to the audit function considering the position of the Constitution as the *grundnorm*.

The case of *Best Njoku V Chief Mike Inhenatu*<sup>4</sup> described the nature of a subsidiary legislation thus:

*“A subsidiary legislation or enactment is one that was subsequently made or enacted under or pursuant to the power conferred by the principal legislation or enactment. It derives its force of efficacy from the principal legislation to which it is therefore secondary or complimentary”*

By the authority of *Omatsaye V. FRN*<sup>5</sup> and other relevant decided cases, the following can be distilled on the qualities of a subsidiary legislation:

- It must be made pursuant to or in the exercise of powers granted by a principal legislation and it must clearly show where the power is derived from.
- It must be made by the appropriate authority recognised in the principal legislation and to which the legislature has granted the power to make a subsidiary legislation.
- A person or authority with delegated power to make a subsidiary legislation cannot delegate such authority unless there is express authorisation in the enabling law - *Bamgbose V. University of Ilorin*.<sup>6</sup>
- The subsidiary legislation must have a valid commencement date. The date must not be retroactive.

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<sup>8</sup> (2008) LPELR-3871 (CA)

<sup>7</sup> (2017) LPELR – 42719 (CA),

<sup>6</sup> (1990) 10 NWLR (PT.622) 290

## 2.2 Creation of Office and Appointment Procedure

The Constitution is the fundamental and supreme law of Nigeria.<sup>7</sup> It creates the office of the Auditor General for the Federation as the Federation of Nigeria's Supreme Audit Institution (SAI) at the federal level.

By S.85 (1):

*There shall be an Auditor-General for the Federation who shall be appointed in accordance with the provisions of section 86 of this Constitution.*

It is imperative to pay attention to the title which is the “Auditor General for the Federation” and not “Auditor General of the Federation”. The designation imports greater autonomy and independence in the discharge of duties assigned by law.<sup>8</sup> While the Auditor General is a public officer, he is not in the strict sense an employee of the Federal Government of Nigeria. The Auditor General is more of a hybrid between an employee and independent consultant, an independent expert, in a contract for service, rendering independent professional services under the ambit of the law.

S.86 in stating the appointment procedure provides as follows:

- (1) The Auditor-General for the Federation shall be appointed by the President on the recommendation of the Federal Civil Service Commission, subject to confirmation by the Senate.*
- (2) The power to appoint persons to act in the office of the Auditor General shall vest in the President.*
- (3) Except with the sanction of a resolution of the Senate, no person shall act in the office of the Auditor-General for a period exceeding six months.*

The appointment procedure recognises the importance of the office, its duties, functions and contributions to the functioning of a democracy. This informs the requirement of the power to appoint being domiciled in executive while confirmation lies with the legislature. This is a demonstration of separation of powers and checks and balances of a presidential system of governance.

## 2.3 Functions, Powers and Responsibilities of AuGF

S.85 (2) and (3) lists the functions of the Auditor-General for the Federation (AuGF) and some of the powers necessary for the discharge of his duties.

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<sup>7</sup> S.1 (3) of the 1999 Constitution: (3) If any other law is inconsistent with the provisions of this Constitution, this Constitution shall prevail, and that other law shall to the extent of the inconsistency be void.

<sup>8</sup> See the case of **Biokpo V. NDLEA & Ors (2021) LPELR-56250 (CA)** for the distinction between a contract of service and a contract for service. By S.149 of the Constitution, ministers of the Federation are described as “Ministers **of** the Government of the Federation.

*S. 85 (2) 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 reports to the National Assembly; and for that purpose, the Auditor-General or any person authorised by him in that behalf shall have access to all the books, records, returns and other documents relating to those accounts.*

*(3) Nothing in subsection (2) of this section shall be construed as authorising the Auditor-General to audit the accounts of or appoint auditors for government statutory corporations, commissions, authorities, agencies, including all persons and bodies established by an Act of the National Assembly, but the Auditor-General shall—*

*(a) provide such bodies with -*

- (i) a list of auditors qualified to be appointed by them as external auditors and from which the bodies shall appoint their external auditors, and*
- (ii) guidelines on the level of fees to be paid to external auditors; and*

*(b) comment on their annual accounts and auditor's reports thereon.*

*(4) The Auditor-General shall have power to conduct periodic checks of all government statutory corporations, commissions, authorities, agencies, including all persons and bodies established by an Act of the National Assembly.*

Subsection 2 states the latitude of the functions and powers while subsection 3 restricts and situates the functions with relevant exceptions. For government statutory corporations, commissions, authorities, agencies that are not line ministries, the Auditor General can only provide the services stated in subsection 3 (a) and (b).

The extant constitutional position on auditing of commissions, parastatals, etc., reproduces the provisions of the 1979 Constitution which had led to a controversy as to the exact powers of the Auditor General in relation to commissions and statutory corporations considering the use of the words *all persons and bodies established by law* in S.79 (2) of the 1979 Constitution. The Attorney General at the time Richard Akinjide had interpreted the provisions of the 1979 Constitution to limit the Auditor-General's powers to that expressly stated in the Constitution. In his view, a wider construction and vesting of powers to appoint auditors or to audit these bodies will paralyse the smooth working of government and its agencies.<sup>9</sup>

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<sup>9</sup> Auditing Statutory Corporations, Commissions, Agencies in *Higher Decibels of Accountability: Delineating the Contours of Audit Reforms – CSJ, 2015.*

In the report of the Phillips Committee, on *Strengthening the Federal Budget System in the Year 2000 and Beyond*, the Auditor-General was of the view that auditors chosen by parastatals do not always do thorough audit or produce good audit reports.<sup>10</sup> The Auditor General preferred a situation where a constitutional amendment will authorise his office to appoint external auditors for parastatals, etc. This position is in line with growing international practice and prevents excessive familiarity and collusion between external auditors and parastatals management. Allowing the management of statutory corporations and agencies facing audit to appoint auditors appears to be on all fours as authorising an accused person to select the judge(s) for his trial.

The foregoing constitutional provisions removing government statutory corporations, commissions, etc., from the strict purview of the Auditor-General appears contrary to the demands of accountability and transparency. For the management of an agency facing audit to be the one to appoint the auditors essentially weakens the independence and impartiality of the auditor. In an ordinary company owned by private shareholders, there are other safeguards. Shareholders superintend the work of the management and auditors at general meetings and through other statutory procedures. There are no equivalent safeguards for government statutory corporations and commissions. The failure of many state-owned enterprises (audited year after year by auditors appointed by management), to deliver their mandates, after hefty government investments, clearly demonstrates the need for independence of the audit function.

Under the authority of the Finance (Control and Management) Act,<sup>11</sup> affirmed in Financial Regulation (FR) 105:<sup>12</sup>

*The Minister of Finance shall issue from time to time financial regulations which shall be in accordance with existing laws and policies of government. The financial regulations so issued shall generally apply to the Federal Public Service which term means ministries, extra-ministerial offices and other arms of government.*

The FR describes the Auditor General and states his responsibility as follows in FR 108:

*The Officer responsible under the Constitution of the Federation for the audit and report on the public accounts of the Federation including all persons and bodies established by law entrusted with the collection, receipt, custody, issue or payment of Federal Public moneys or with the receipt, custody, issue, sale, transfer or delivery of any stamps, securities, stores or other property of the Government of the Federation is the Auditor-General for the Federation, hereinafter referred to as the*

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<sup>10</sup> *Strengthening the Federal Budget System in Year 2000 and Beyond: Report of the Budget System Review Committee*, (Main Report) March 2000, hereinafter called the Phillips Committee Report.

<sup>11</sup> Cap F.26, Laws of the Federation 2004.

<sup>12</sup> Financial Regulations revised up to January 2009.

*Auditor-General. The Auditor-General shall examine and ascertain in such manner as he may deem fit the accounts relating to public funds and property and shall 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 expenditure have been made as authorised; and*

*(d) essential records are maintained and the rules and procedures applied are sufficient to safe-guard and control public property and funds.*

FR 109 states the Auditor General's functions as follows:

*(i) The Auditor-General shall carry out the following statutory functions:*

*(a) Financial Audit in accordance with extant laws in order to determine whether government accounts have been satisfactorily and faithfully kept.*

*(b) Appropriation Audit- to ensure that funds are expended as appropriated by the National Assembly.*

*(c) Financial Control Audi to ensure that laid down procedures are being observed in tendering, contracts and storekeeping with a view to preventing waste, pilferage and extravagance.*

*(d) Value-for-Money (Performance) Audit - to ascertain the level of economy, efficiency and effectiveness derived from government projects and programmes.*

*(ii) The scope of work of the Auditor-General include:*

*(a) audit of the books, accounts and records of federal ministries, extra-ministerial offices and other arms of government;*

*(b) vetting, commenting and certifying audited accounts of all Parastatals and government statutory corporations in accordance with the Constitution of the Federation;*

*(c) audit of the accounts of Federal Government establishments located in all states of the federation including all Area Councils in the Federal Capital Territory, Abuja;*

*(d) audit of the Accountant-General's Annual Financial Statements;*

*(e) auditing and certifying the Federation Account;*

*(f) deliberation, verification and reporting on reported cases of loss of funds, stores, plants and equipment as stipulated in Chapter 25 of the Financial Regulations;*

*(g) pre and post auditing of the payment of pensions and gratuities of the retired military and civilian personnel;*

*(h) Periodic checks of all Government Statutory Corporations, Commissions, Authorities, Agencies, including all persons and bodies established by an Act of the National Assembly; and*

*(l) revenue audit of all government institutions.*

Furthermore, FR 110 provides for free access to relevant public documents to the Auditor General.

*By virtue of the responsibilities and functions of the Accountant-General and the Auditor-General or their representatives shall, at all reasonable times, have free access to books of accounts, files, safes, security documents and other records and information relating to the accounts of all federal ministries/extra-ministerial offices and other arms of government or units. They shall also be entitled to require and receive from members of the Public Service such information, reports and explanations as they may deem necessary for the proper performance of their functions.*

## **2.4 Submission of Reports to the Legislature**

S.85 (5) of the Constitution provides that:

*(5) The Auditor-General shall, within ninety days of receipt of the Accountant-General's 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.*

This is a provision for timeliness of audits, to ensure that they are submitted as soon as the period to be audited is over. However, the Constitution did not set a time limit within which the Accountant-General is to submit the financial statement to the Auditor-General. The Finance (Control and Management) Act in S.24 merely mandates the Accountant-General to sign and present to the Auditor-General accounts showing fully the financial position of the government on the last day of each financial year. The Act did not assign a time line for the performance of this duty.

By S.49 of the Fiscal Responsibility Act, provision is made for publication of audited accounts:

*(1) The Federal Government shall publish their audited accounts not later than six months following the end of the financial year.*

*(2) The Federal Government shall, not later than two years following the commencement of this Act and thereafter, not later than 7 months following the end of each financial year, consolidate and publish in the mass media, its audited accounts for the previous year.*

If the provisions of the Fiscal Responsibility Act are read against the background of the constitutional provision, for the Auditor-General to meet six months rule for publishing audited accounts, it implies the Accountant General must submit the financial statements, not later than three months after the end of the financial year. Since the commencement of the work of the Auditor-General is contingent on the submission of the Accountant-General's financial statements, a time limit for the Accountant-General to submit the statement has become imperative.

## **2.5 Independence of the Auditor-General**

S.85 (6) of the Constitution provides as follows:

*(6) In the exercise of his functions under this Constitution, the Auditor-General shall not be subject to the direction or control of any other authority or person.*

This provision is hanging. The audit function being quasi-judicial in nature requires a high degree of detachment and of independence of mind. The integrity and dependability of the Auditor-General's reports derive largely from the autonomy of his office. It is not enough to have a constitutional guarantee of freedom from external interference and pressure, there must be explicit provisions safeguarding the building-blocks of this freedom, such as appointment procedure, remuneration and funding, tenure of office and removal process as well as staffing of the office.<sup>13</sup> The Constitution has attempted to make the office of the Auditor General independent and impartial<sup>14</sup> but the fact is that the office is still a part of the executive arm of government. The paradox is that the legislature partially relies on the Auditor-General, part of the executive to effectively exercise its oversight over the same executive.

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<sup>13</sup> *Proposed Audit Act: Body of Principles*, Eze Onyekpere and Kalu Onuoha in *Critical Issues in Public Expenditure Management*; Budget Transparency Network, 2006.

<sup>14</sup> Justice C.C. Nweze, in *Legal Regulation of Budgeting*, (Journal of Economic, Social and Cultural Rights, Vol.1, No.4, 2002) – the fact that his remuneration is charged on the Consolidated Revenue Fund and his salary cannot be altered to his disadvantage after his appointment.

In the 2017 Annual Audit Report, the Auditor General stated as follows:

*The independence of the Auditor-General as envisaged in the constitution is not yet present in practice. To date, the OAuGF remains a part of the Federal Civil Service, a situation which is well recognised as in need of remediation, and for which an Audit Bill has been in draft at various stages of the legislative process for over 14 years. The OAuGF relies on the Civil Service for all staffing and operational needs. The Office is also entirely dependent on budget setting and funds release processes that are not conducive for effective and independent audit operations. This is at odds with the International Standards of Supreme Audit Institutions and has a direct impact on the independence and effectiveness of the OAuGF.<sup>15</sup>*

## **2.6 Tenure of office of Auditor-General**

S.87 of the Constitution provides as follows:

*(1) A person holding the office of the Auditor-General for the Federation shall be removed from office by the President acting on an address supported by two-thirds majority of the Senate praying that he be so removed for inability to discharge the functions of his office (whether arising from infirmity of mind or body or any other cause) or for misconduct.*

*(2) The Auditor-General shall not be removed from office before such retiring age as may be prescribed by law, save in accordance with the provisions of this section.*

The removal procedure is an aspect of independence discussed above. While the Constitution guarantees the independence of the Auditor-General, the removal procedure requires the collaboration of the legislature and the executive. The majority required in the Senate to activate removal is two thirds, a substantial percentage. However, the reasons for activating the procedure vis, “inability to discharge the functions of his office (whether arising from infirmity of mind or body or any other cause) or for misconduct” is vague, nebulous and is amenable to political manipulation.

In the case of *Theophilus Ogbojeh Omoyeni V. The Governor of Edo State and Attorney-General of Edo State*, the Court of Appeal held:

*By virtue of its provisions, section 127 of the 1999 Constitution cannot be read in isolation. It has to be read with other statutes which prescribe the retirement age of a public officer. In the instant case, section 127 of the 1999 Constitution has to be read together with section 4(1) of the Pensions Act which prescribes 60 years as the retirement age of a public officer. Since it is agreed by both parties that the appellant had not attained 60 years as at the date of his retirement and that he was not*

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<sup>15</sup> At page 10 of the Annual Report.

*removed by the 1st respondent on the address of the State House of Assembly as provided in section 127 of the 1999 Constitution, the retirement of the appellant by the 1st respondent is unconstitutional, null and void.*<sup>16</sup>

## **2.7 The Public Accounts Committee**

The Public Accounts Committee is created under S.85 (5) of the Constitution in both chambers of the National Assembly. Its jurisdiction, in accordance with the Standing Rules of the Senate and House of Representatives respectively includes: (a) to examine the accounts showing the appropriation of the sums granted by the House to meet the public expenditure, together with the auditor's reports thereon. (b) have power to summon persons, summon papers and records, and report its findings and recommendations to the House from time to time. The Auditor-General shall bring to the attention of the Committee any pre-payment audit queries raised by the Internal Auditors of a Ministry, Department or Agency but overruled by the Chief Executive. The Public Accounts Committee shall have the power to examine any accounts or reports of Statutory Corporations and Board after they shall have been laid on the Table of the House and to report thereon from time to time to the House.

However, there is a Public Accounts Committee Act which states in its long title that it is established to examine the audited accounts of all offices and courts of the Federation and the Auditor-General's report thereon and other related matters.<sup>17</sup> The 1987 legislation set up this committee with a mandate to examine the accounts and reports of MDAs, statutory corporations, boards and other such government bodies as may from time to time be referred to it by the President. It is also to determine the causes which led or might have led to any excesses over approved appropriation; perform such other functions as may be assigned to it by the President or National Assembly. It has powers to procure evidence, require production of books, documents, etc. It is apparent that the provisions of this Decree of the Federal Military Government in 1987, now deemed an Act of the National Assembly has been overtaken by the clear unambiguous provisions of the Constitution creating a Public Accounts Committee and vesting it with powers to receive the reports of the Auditor-General. This is in consideration of the supremacy of the Constitution clause<sup>18</sup> and the oversight functions of the legislature.

## **2.8 Summary of Legal Gaps**

In summary, Nigeria's audit framework is constrained by inadequate statutory detail, weak enforcement mechanisms, and a lack of operational independence for the Auditor-General. These gaps create vulnerabilities in accountability and reduce audit effectiveness.

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<sup>16</sup> Court of Appeal, Benin Division in Suit Number: CA/B/35/2002

<sup>17</sup> Cap.P35, Laws of the Federation of Nigeria, 2004.

<sup>18</sup> S 1 (3) of the Constitution.

## Part Three

### INTERNATIONAL STANDARDS, COMPARATIVE EXPERIENCE AND GAPS IN NIGERIAN LAW

#### 3.1 Introduction

This Part relies heavily on comparative and international standards including the Lima Declaration and Mexico Declaration respectively. Comparative experience is taken from Constitutions, Audit and Public Finance Management Laws of countries like Australia, Canada, Ghana, Uganda, New Zealand, etc. Some of the identified gaps and recommendations flow from provisions in reformed Nigerian State Audit Laws. The *Lima Declaration on Audit Precepts* of 1977 as updated up to 2019 - INTOSAI-P1 and the *Mexico Declaration on the Independence of Supreme Audit Institutions* of 2007 – ISSAI-10 are international standards, being the consensus of convenings of the International Organisation of Supreme Audit Institutions (INTOSAI).

#### 3.2 Establishment of Office and Appointment Procedure

The Office of the Auditor General of the Federation (AuGF) is established by the Constitution. This constitutional foundation aligns with international best practice. The Lima Declaration states that the basic audit powers of Supreme Audit Institutions shall be embodied in the Constitution; details may be laid down in legislation.<sup>19</sup>

The constitutional stipulation is that the Auditor General of the Federation shall be appointed by the President on the recommendation of the Federal Civil Service Commission subject to the confirmation of the Senate. However, no minimum qualification is prescribed for appointments under S.86 of the Constitution. There are no constitutional or statutorily specified criteria binding the Federal Civil Service Commission in the discharge of its duties of recommending appointees to the President. However, what is apparent from previous appointments is that seniority and experience in the public service has been a key consideration.

The Constitution is also silent on the procedure and selection method leading the Federal Civil Service Commission to recommend a candidate to the President for appointment. Should the position be advertised and persons who consider themselves qualified be advised to apply? Should the Commission conduct test, interviews, etc., to determine the suitability of applicants? Considering the mandate of the Federal Civil Service Commission: (a) to appoint persons to offices in the Federal Civil Service; and (b) to dismiss and exercise disciplinary

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<sup>19</sup> Section 18 of the Lima Declarations on Constitutional basis of audit powers; audit of public financial management.

control over persons holding such offices; is the Constitution suggesting that the Auditor-General is a civil servant strictly so called? Other posers arising include:

- Should the executive continue being a part of the appointing authority if the Auditor-General needs to be seen as an agent of the legislature in holding the executive to account for the management and expenditure of public resources?
- Should the position be reserved to only public sector professionals?
- Should transparency be part of the appointment procedure?

Principle 2 of the Mexico Declaration provides a clue to solve the issues and posers. It states inter alia:

*The applicable legislation specifies the conditions for appointments, re-appointments, employment, removal and retirement of the head of SAI and members of collegial institutions, who are appointed, re-appointed, or removed by a process that ensures their independence from the Executive (see ISSAI-11 Guidelines and Good Practices Related to SAI Independence).<sup>20</sup>*

The audit provisions of the Constitution are riddled with gaps. This is not surprising as a constitution merely provides a framework to be supplemented by detailed legislation. The important key point is that the appointment procedure must ensure Auditor-General's independence from the executive.

### **3.3 Tenure of Auditor-General, Immunity and Removal from Office**

The Constitution provides that the Auditor-General shall not be removed from office before such retiring age as may be prescribed by law, save in accordance with the provisions of this section. This simply ties the tenure to the civil service or other retirement age provided in a law. This implies and has been the practical experience that an Auditor-General can be appointed and serve about a year or two before he reaches the age of retirement whilst others serve for longer periods.<sup>21</sup> Fit and good practices require the Auditor-General to have a tenure of a fixed term that is sufficiently long to allow the Auditor-General to carry out the mandate of the office. The Auditor-General should be given appointment with sufficiently long and fixed terms, to allow them to carry out their mandates without fear of retaliation.<sup>22</sup> The federal experience is that there is no fixed tenure. But tenure is tied to the remaining years to retirement at the time the Auditor-General is appointed. Independence is not necessarily enhanced by the appointment of a career civil servant who holds on to office till the mandatory

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<sup>20</sup> The independence of SAI heads and members (of collegial institutions), including security of tenure and legal immunity in the normal discharge of their duties.

<sup>21</sup> For example, Adolphus Aghughu served between 26<sup>th</sup> January 2021 - 7th September 2022 whilst his predecessor Anthony Ayine served from January 12, 2017 – October 25, 2020.

<sup>22</sup> Principle 2 of the Mexico Declaration, *ibid*.

retirement age. On the contrary, a fixed tenure of years renewable for a second term only or a non-renewable term will empower an appointee to approach the job with a sense of commitment and mission.

The Constitution and other Nigerian laws are silent on the immunity of the Auditor-General in the performance of his duties. Fit and good practices dictate that the Auditor-General and staff should be clothed with immunity from prosecution for acts resulting from the normal discharge of their duties. They should operate free from the fear of retaliation or retribution. Principle 2 of the Mexico Declarations specifically requires that they be immune to any prosecution for any act, past or present, that results from the normal discharge of their duties as the case may be.

The constitutional provision for removal from office - by the President acting on an address supported by two-thirds majority of the Senate praying that he be so removed for inability to discharge the functions of his office (whether arising from infirmity of mind or body or any other cause) or for misconduct appears very broad. Infirmity of mind or body needs to be defined and the term misconduct needs to be unbundled. This provision needs to be properly articulated with examples in a legislation so as not to leave it open for political manipulations which erode the independence of the office.

### **3.4 Timeliness of Audit Reports**

Under the 1999 Constitution, the Auditor-General is expected to submit his report to the Public Accounts Committee of the National Assembly not later than ninety days after receiving the Accountant-General's financial statement. Curiously, the Accountant-General has no mandatory time frame within which to make available the said financial statement to the Auditor-General. The repealed Audit Act of 1956 prescribed a time limit of seven months, which is too long a period for the Accountant-General to compile his accounts. In Australia, 'accountable officers' of each department and public body are required to submit their financial statements within eight weeks after the end of the financial year.<sup>23</sup> S.187 (1) of the Constitution of Ghana provides that the Auditor General shall submit his report to Parliament within six months after the end of the immediately preceding year to which the accounts relate. Since the Constitution is silent on the issue of time frame for the transmission of annual financial statements from the Accountant-General to the Auditor-General, the new audit legislation should fix an acceptable time frame. A maximum period of between eight to ten weeks has been proposed.<sup>24</sup>

The new legislation should also fix a time limit for the legislature to conclude its consideration of the Auditor-General's reports. One hundred and eighty days from the date of the

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<sup>23</sup> S. 45 of the Australian Finance Management Act 1994.

<sup>24</sup> Eze Onyekpere, Institutional Issues and Value for Money, Education and the Girl Child in Focus, South East Budget Network News, Vol. 1, No.8, October to December 2000.

submission of the Auditor-General's report is recommended. This will ensure that the public have access to timely approved and reconciled information on the state of federal public accounts.

### 3.5 Functions and Mandate

The Mexico Declaration states that audit legislation should explicitly provide for the Auditor-General to audit the use of public monies, resources, or assets by a recipient or beneficiary regardless of its legal nature; collection of revenues owed to the government or public entities; the quality of financial management and reporting; and economy, efficiency and effectiveness of government or public entities operations. Furthermore, audit methods shall always be adapted to the progress of the sciences and techniques relating to financial management.<sup>25</sup>

While the Nigerian constitutional provision stated auditing in general terms, the Financial Regulations, a subsidiary public finance management instrument was detailed. It includes

Financial Audit, Appropriation Audit, Financial Control Audit and Value-for-Money (Performance) Audit. However, these audits listed in the Financial Regulations are instances of audits that can be undertaken by the Auditor-General. It is not the final list of auditable issues. Modern public finance management demands the extension of the audit function to new areas including computer, forensic, tax, gender, environmental audits., etc. Therefore, while a list can be made, such a list should be prefixed with the word “include” so as to imply that other audits can be done at the instance of the Auditor-General. The functions and mandate should be comprehensive and needs to be in a principal legislation as against the current state of being in a subsidiary instrument. Ideally, this should include performance measurement of service delivery targets of MDAs.<sup>26</sup>

Furthermore, the Mexico Declaration states that:<sup>27</sup>

*While respecting the laws enacted by the Legislature that apply to them, SAIs are free from direction or interference from the Legislature or the Executive in the selection of audit issues; planning, programming, conduct, reporting, and follow-up of their audits; organisation and management of their office; and enforcement of their decisions where the application of sanctions is part of their mandate.*

These requirements are missing from and not explicitly stated in extant Nigerian law. However, to a great extent and in practice, these requirements are exercised by the

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<sup>25</sup> Section 13 (3) of the Lima Declaration.

<sup>27</sup> See section 36 of the Public Finance and Accountability Act of Uganda; section 223 of the Public Finance and Accountability Act of Scotland; Section 15 of the Public Audit Act of New Zealand; and Wendy Thomson - *Delivering Services in Nigeria: A Roadmap*.

<sup>28</sup> Principle 3 of the Mexico Declaration.

Auditor-General. The Auditor-General has conducted Joint Environmental Audit on the Drying up of Lake Chad – environmental audit, Federal Inland Revenue Assurance FGIP Report 2018 To 2021- Special Audit, etc.

The Auditor-General has undertaken several compliance audits.<sup>28</sup> The Auditor-General has also done performance audits.<sup>29</sup> These audits may not be strictly founded under the Financial Regulations. But the power to conduct these audits flows from S.85 (6) of the Constitution vis, that in the exercise of his functions under this Constitution, the Auditor-General shall not be subject to the direction or control of any other authority or person.

### **3.6 The Principle of Effectiveness: Powers of the Auditor General**

Audit needs to be effective to serve its purpose. Increased functions necessitate wider powers. When the Auditor-General merely checked the financial statements against the payment vouchers, he needed only access to books of accounts and records; but value for money, environmental, forensic, etc., audits require more than documentary evidence. It may call for investigatory powers. The Auditor-General and his agents must have powers, on the order of a court of competent jurisdiction, to be obtained ex-parte, to enter public and private premises<sup>30</sup> for the purpose of inspection, search and seizure of not only documents but also other items of real evidence. The Auditor-General and his agents also need the power to follow or trace misappropriated funds and for that purpose to inspect, examine or scrutinise bank records and books of account.<sup>31</sup>

Furthermore, the Auditor-General requires powers to query and disallow unauthorised payments as well as to sanction and surcharge erring accounting officers.<sup>32</sup> The Auditor-General should also have powers to trace and follow misappropriated or misapplied public funds in addition to the general powers of accessing books, records and accounts of spending agencies. Essentially, a new legal framework must devise effective follow-up mechanisms and processes to ensure that audit queries and findings are tied to remedial action.

Guiding principles for appropriate powers for the Auditor General should include the following:<sup>33</sup>

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<sup>28</sup> See <https://oaugf.ng/download-report#sort=name&sortdir=desc&page=1>; Interim Report: Special Audit of the Federal Government's Response to Covid19; NDDC Report of 2008-2012 and 2013 to 2018.

<sup>29</sup> See <https://oaugf.ng/download-report#sort=name&sortdir=desc&page=1>; Linkage and Access of MSMEs to Sources of Finance and other Resources by SMEDAN.

<sup>30</sup> See paragraph 44 of section 111 of the Schedule to the repealed Civil Service Reorganisation Act 1988 which enjoined MDAs entering into contract agreements to include a clause enabling the Auditor-General to have access to sites for purposes of auditing or contract performance monitoring.

<sup>31</sup> See sections 27 and 29 of the Public Audit Act of New Zealand.

<sup>32</sup> See the repealed Civil Service Reorganisation Act 1988; Section 34 of Public Finance and Accountability Act of Uganda; Section 187 (7) of the Constitution of Ghana and section 12 of the Audit Service Act of Ghana.

<sup>33</sup> See Clause by Clause Review of Audit Bills of States under SFTAs for the Nigeria Governors Forum.

**3.6.1 Access to information:** This supplements S.85 (2) of the Constitution and Financial Regulation 110.

*The Auditor-General and his staff shall have unrestricted access to such persons, documents, computers and other information systems and assets as they consider necessary for the proper performance of their functions and to do this the Auditor-General shall:*

*(i) advise the person in writing of the nature of the information and why it is needed.*

*(ii) state that the information is required under the law.*

*(ii) reimburse the person for any reasonable costs associated with producing such information on condition that the person shall not use such information for any other purpose.*

**3.6.2 Power to summon and take evidence on oath:** This power is not available to the Auditor-General under extant Nigerian law.

*(1) The Auditor-General may, in the course of fulfilling his functions, duties or powers:*

*(a) summon a person as witness to give evidence either orally or in writing;*

*(b) for the purpose of examining a person, the Auditor-General may administer an oath.*

*(2) Any person who upon examination pursuant to subsection (1)(a) and (b), knowingly gives a false answer to any question or makes any false statement on any matter shall be deemed to be guilty of perjury and shall be liable to prosecution and punishment.*

**3.6.3 Protection of Whistle Blowers:** This protection is not currently available under extant legal regime. For enhanced effectiveness of the audit function, protection of persons who facilitate this effectiveness, and for the Auditor-General to have sufficient information for his duties, a witness protection mechanism to protect individuals who provide information to curtail waste and corruption and for relevant audit work needs to be put in place.

**3.6.4 Timeline to Respond to Audit Queries:** The extant legal position is not clear. There should be clear legal provisions on timelines for response to audit queries by MDAs. The power to extend the timeframe in the event of exceptional circumstances should be bestowed on the Auditor-General. This would provide a remedy to the mischief of MDAs refusing to respond to audit queries. This timeframe definition should be accompanied by sanctions for default.

**3.6.5 Access to Banking Information:** This power is not available to the Auditor-General under extant Nigerian law.

*(1) For the purpose of performing his functions and duties or exercising his power under the Law, the Auditor-General may:*

*(a) examine or audit the account of any person held at any bank if the Auditor-General has reason to believe that the money held in such an account are public funds which had been fraudulently or wrongfully paid into such account.*

*(b) as a pre-requisite to exercising this authority, the Auditor-General may enter into a non-disclosure agreement with the holder of the account and afford such holder absolute assurance that any information disclosed for purposes of examination or audit shall not be used for any other purpose other than as legally intended under this law, and shall not proceed with any such examination or audit without first obtaining ex-parte a warrant of the High Court authorising such examination.*

*(c) upon being presented with such warrant as is described in this section, the bank officer shall be required to produce all relevant records for the account in question, in any form (hard and/or soft copy), that is in the bank's custody or control.*

*(2) The Auditor-General shall have the right to make copies of any record, including electronic or digital records or the like, obtained in terms of this section and shall have all such copies notarized by a court appointed notary, the cost of which shall be defrayed by the Auditor-General. The officer of the bank shall append a suitable endorsement electronically or in indelible ink that at a minimum shall identify the bank from which such records were obtained and the date on which such records were obtained. The officer of the bank shall electronically initiate or under his own hand and in ink, initial each page of any records so provided.*

**3.6.6 Power to Conduct Search:** This power is not available to the Auditor-General under extant Nigerian law.

*(1) The Auditor-General shall have the power under this law to:*

*(a) at any time access any government facility, examine the records of an auditee and have extracts taken from any book(s) of account, accounting entries recorded electronically and any other form of accounts maintained that*

*relate to money or stores and as such may have relevance to the subject of an audit without paying any fee;*

*(b) at any time execute a search, without the need for a warrant of the court, on any State-owned property, person present on such property or vehicle located on such property in order to locate and appropriate any such records, accounts or general information of relevance to the audit;*

*(c) under the authority of the warrant of a court enter and conduct a search of any private property, premises, vehicle or person if there is reasonable suspicion that a document, account, written or electronic record, general information, or asset which the Auditor-General needs to inspect for reasons of relevance to the audit is hidden or kept on such property, premises, person or in a vehicle located on such property or premises;*

*(d) appropriate and retain any such document written or electronic record, general information, or asset for purposes of completing the audit;*

*(e) request the support of relevant law enforcement agencies in the execution of the warrant of the court where considered necessary;*

*(f) the persons conducting the search shall identify themselves to the person in charge of the premises, property or vehicle and shall hand over a copy of the warrant of the court to the person in charge or affix a copy of the warrant to the premises, property or vehicle in a prominent place;*

*(g) any such entry and search of property shall be conducted with due regard for decency, order and constitutional rights of the affected person.*

**3.6.7 Power to Surcharge:** This power is not available to the Auditor-General under extant Nigerian law.

*(1) The Auditor-General in the performance of functions under this Law or any other Law may disallow any item of expenditure which is contrary to law, and surcharge fully or partially:*

*(i) the amount of any expenditure disallowed upon the person responsible for incurring or authorising the expenditure;*

*(ii) any sum which has not been duly brought into account upon the person by whom the sum ought to have been brought into account;*

*(iii) the amount of any loss or deficiency upon any person by whose negligence or misconduct the loss or deficiency has been incurred.*

*(2) Where the Auditor-General makes a surcharge or disallows any expenditure, he shall specify to the appropriate Head of Department or Institution, the amount due from any person upon whom he has imposed a surcharge and shall state the reason for imposing such surcharge and report the results of the examination of relevant accounts, operational processes and circumstances that caused the surcharge to be imposed to the Accounting Officer of the affected Department or Institution.*

*(3) Every sum so specified by the Auditor-General as a surcharge shall become due for payment by the person on whom such surcharge is imposed, within sixty (60) days after the date on which such surcharge was formally imposed.*

*(4) Any such sum as may become payable under this section and which remains outstanding beyond the prescribed period of sixty (60) days shall become recoverable by the relevant Accounting Officer who may, where necessary, initiate civil proceedings and whereupon judgment is obtained in a court of competent jurisdiction shall consider any such sum recoverable as civil debt. Where such sum owed as a civil debt is recoverable from a person in receipt of a remuneration from the Government or any Government institution, such remuneration shall be attached either in full or incrementally to the extent of the sum lawfully due.*

*(5) Where an Accounting Officer is compelled in terms of this section to initiate civil proceedings for the recovery of a surcharge raised by the Auditor-General, a certificate signed by the Auditor-General stipulating the amount payable and describing the circumstances that compelled the raising of such surcharge shall be considered prima facie evidence of the facts certified.*

*(6) The Auditor General if satisfied by new evidence, may at any time, revoke any surcharge imposed in terms of this section.*

*(7) Any person aggrieved by a surcharge, the withholding of an emolument or allowance in terms of this section may appeal to the Public Accounts Committee within sixty (60) days from date of such directive being issued by the Auditor General for redress and, thereafter, be afforded a further avenue of appeal to the High Court provided that such appeal is lodged to the High Court not later than fourteen (14) days after the decision of the Public Accounts Committee to uphold the directive of the Auditor General is made public.*

**3.6.8 Follow up on Audit:** Some part of this power is not available to the Auditor-General under extant Nigerian law.

*(1) There shall be an exit conference between the audit team and audited entity at the conclusion of an audit exercise.*

*(2) The purpose of the exit conference shall be:*

*(a) to present audit observations to auditee entity management in conference before leaving;*

*(b) to allow management opportunity to provide clarification to audit observations in conference;*

*(c) to isolate observations that will be reported on.*

*(3) The Auditor-General shall schedule post audit meeting with an audited entity within 30 days of issuing the Audit report. The post audit meetings shall hold at the office of the auditee entity to assess the entity's compliance to audit observations and recommendations. Any unresolved query or issue will be forwarded to the Legislature for further action.*

*(4) Comments on audit observations by the Legislature shall be forwarded to responsible audited entities for compliance and to the Auditor-General. A post audit meeting shall be convened by the Auditor-General to resolve such issues.*

*(5) The Auditor-General shall forward reports of non-compliance to the directives of the Legislature in respect of the queries of previous audits to the Legislature.*

### **3.7 Financial Autonomy**

Fit and good practices in the Mexico Declaration demand that the enabling law should provide for the Auditor-General and the Audit Office/Institution to have necessary and reasonable human, material, and financial resources to perform their statutory responsibilities and the Executive must not control or direct access to these resources.<sup>34</sup>

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<sup>34</sup> Mexico Declaration Principle 8: Financial and managerial/administrative autonomy and the availability of appropriate human, material, and monetary resources

*SAIs manage their own budget and allocate it appropriately. The Legislature or one of its commissions is responsible for ensuring that SAIs have the proper resources to fulfill their mandate. SAIs have the right of direct appeal to the Legislature if the resources provided are insufficient to allow them to fulfill their mandate.*<sup>35</sup>

It has been stated that Supreme Audit Institutions:<sup>36</sup>

*Should be protected from interference by the executive-both in setting the level of resources required and during the actual disbursement phase. However, it may be possible for the Ministry of Finance to exercise control over the SAI's budget, effectively treating the SAI like a line ministry. This is a particular risk where resources are limited and the Ministry of Finance has a strong role in reallocating or rationing available funds. Such interference may undermine the independence the SAI needs to review how the Executive has performed; while a lack of resources may limit the level of work the SAI is able to carry out.*

Two critical issues are involved in financial autonomy. The first refers to the budget setting process for the Audit Office and determination of the level of funding whilst the second refers to the nature of the funding. The Auditor-General should have the responsibility of proposing the funding requirements of the office, submitting same directly to the legislature and bypassing the executive budget office. It is an aphorism that an auditee should not determine the level of funding of the SAI. Moreover, the Auditor General is more of a facilitator for the legislature in its task of oversight on public finances. It has been asseverated that:<sup>37</sup>

*Members of legislative assemblies are responsible for holding governments accountable for their actions. The role of Supreme Audit Institutions (SAIs) is to provide them with independent, fact-based, and reliable information, and assurance to help them fulfill this responsibility. With our reports and testimonies, we assist legislative assemblies in their work related to the authorisation and oversight of government spending and operations.*

Ideally, the audit budget should be driven and determined between the Auditor-General and the legislature. The key point is that the law should prevent the Executive from being able to override the legislature in the setting of the audit budget.

The second is that funding the office should be a statutory transfer and a first line charge. Thus, making the remuneration, salaries and allowances of the Auditor-General a charge on

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<sup>35</sup> Mexico Declaration, *ibid.*

<sup>36</sup> DFID How to Note Policy Paper on SAIs, 2005

<sup>37</sup> Taken from the Foreword (to the Lima and Mexico Declarations publication) by the Chair of the INTOSAI Subcommittee on the Independence of Supreme Audit Institutions.

the Consolidated Revenue Fund as provided in the Constitution is not enough to guarantee adequate and uninterrupted funding; both the recurrent and capital expenditure of the office must also be charged on the fund.<sup>38</sup> The constitutional provisions that the remuneration and salaries payable to the Auditor-General and the conditions of service, other than allowances, shall not be altered to his disadvantage after his appointment offers no succor on funding of the work of the office.<sup>39</sup> The Auditor-General and his office should be financially independent. Lack of funds could constitute a major impediment to the objectivity expected of the office and the realisation of the mandate. Furthermore, the law should provide for the right of the Auditor-General to appeal directly to the legislature where the resources provided are insufficient to allow him to fulfil his mandate.

### **3.8 Human Resource Management**

S.14 of the Lima Declaration demands appropriate human resource management in terms of recruitment, remuneration, continued education and integrity of audit staff. When this is combined with the constitutional independence of the Auditor-General, the extant federal system where audit staff are managed like other civil servants becomes untenable.<sup>40</sup> This brings to the fore the need for the Audit Service Commission. In the interim, the President can exercise his powers to exclude audit staff from the purview of the Federal Civil Service Commission pursuant to S.11 (2) of the Third Schedule Part 1 of the Constitution.

Independence of the Auditor-General's office is further enhanced by the freedom to choose the tools and personnel to work with. An independent Auditor-General necessarily requires unfettered latitude through the Audit Service Commission to engage, control, discipline and or disengage supporting staff and assistants; subject, of course, to the safeguards of the due process of labour laws. The Auditor-General must be at liberty to seek out and recruit quality personnel from within and outside the public service structure with a view to constituting and maintaining a virile multi-disciplinary team. The Auditor-General should also be able to supplement and complement his team with external consultants and advisers on an ad-hoc basis, as the need may arise. The staffing should be such as to facilitate and meet modern demands of auditing tasks beyond regularity and financial audits.

Guiding principles for human resource management in audit should include the following:<sup>41</sup>

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<sup>38</sup> Section 84 (2) and (4) of the Constitution.

<sup>39</sup> Section 84 (3) of the Constitution.

<sup>40</sup> Third Schedule Part 1 (D - S.11): Federal Civil Service Commission

<sup>41</sup> Clause by Clause Review of Audit Bills of States under SFTAs for the Nigeria Governors Forum.

*(1) The Auditor-General shall establish and implement a comprehensive human resource management system and policy for managing staff development programmes.*

*(2) The responsibility for determining the calibre of staff required to ensure the efficient performance and functioning of the Office of the Auditor-General shall reside with the incumbent Auditor-General who shall further be responsible for aligning costs associated with such recruitment of staff with the funds allocated for remuneration in terms of the vote.*

*(3) The Auditor-General shall be responsible for ensuring that all vacancies are widely advertised, that all applicants shortlisted are in possession of the required minimum qualifications, that such qualifications are duly verified with the relevant accreditation body, and that the required skills and competence levels are confirmed by means of any combination of the following (i.e. interviews, examinations, case study based simulations of the work environment and or other means of assessment) so as to ensure that persons recruited to positions required by the Auditor-General are consummately suitable for the appointment.*

*(4) When a member of staff, as appointed by the Auditors-General, becomes eligible for promotion on the basis of time served and having met all additional qualification criteria, the Auditor-General shall recommend to the Commission such member of staff for promotion.*

*(5) It shall be the responsibility of the Commission to ensure that, once a staff is recommended for promotion by the Auditor-General, such promotion is effected without undue delay.*

*(6) It shall be the sole responsibility of the Auditor-General to request the commencement of staff disciplinary processes and to articulate the circumstances and nature of breaches in discipline that shall necessitate the commencement of the process to the Commission.*

### **3.9 Reporting, Transparency and Public Engagement**

There is no report expected from the Auditor-General beyond the report listed in S.85 (2) and (5) of the Constitution which is the audit and report on the accounts of MDAs and the opinion on the Accountant-General's financial statements. However, the Financial Regulations anticipates a number of reports based on the provisions of FR 109. The Lima Declaration provides as follows:<sup>42</sup>

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<sup>42</sup> Lima Declaration: Section 16 on Reporting to Parliament and to the General Public

*The Supreme Audit Institution shall be empowered and required by the Constitution to report its findings annually and independently to Parliament or any other responsible public body; this report shall be published. This will ensure extensive distribution and discussion, and enhance opportunities for enforcing the findings of the Supreme Audit Institution.*

Fit and good practices dictate that legislation should mandate the following:

- Mandate Auditor-General to submit an annual activity report to the Legislature and any other body as the Legislation may stipulate and the report is to be made available to the public.
- Mandate the Auditor-General to report at least once a year on the results of the audit work directly to the Legislature.<sup>34</sup>
- Mandate the Auditor-General to submit follow-up reports to the Legislature for consideration and action.
- Specify minimum audit reporting requirements and specific matters that should be subject to a formal audit opinion or certificate.<sup>35</sup>
- Provide for the submission of:
  - (a) the audit reports to the Legislature through the Public Accounts Committee, the governing board, or council of an audited entity, as appropriate, for review and follow-up on specific recommendations for corrective action; and
  - (b) annual report to the Legislature and the President.

It is a best practice that there should be an audit calendar and timeframe informing the public (including the media and civil society) of dates of releases of specific reports and audit action.<sup>36</sup> Such timeframes will also provide opportunities for the Auditor-General to engage other stakeholders beyond the legislature. The Auditor-General is also expected to produce the *citizens audit* being an easy to read and digest version of the audit reports.

All audit reports are public documents and should be available to the public except they contain classified information which cannot be released to the public by law.

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<sup>43</sup> Principle 5 of the Mexico Declaration.

<sup>44</sup> Principle 6 (3) of the Mexico Declaration.

<sup>45</sup> SAIs are free to publish and disseminate their reports, once they have been formally tabled or delivered to the appropriate authority – as required by law: Principle 6 (6) of the Mexico Declaration.

This assertion is made in the spirit of the Freedom of Information Act and S.48 of the Fiscal Responsibility Act:

*The Federal Government shall ensure that its fiscal and financial affairs are conducted in a transparent manner and accordingly ensure full and timely disclosure and wide publication of all transactions and decisions involving public revenues and expenditures and their implications for its finances.*

Audit is part of the fiscal and financial affairs of the Federal Government. In instances of audits containing classified information, such information can be redacted in a way and manner that does not change the core issues in the audit before release to the public.

### **3.10 Audit Standards**

Although the Auditor-General for the Federation deploys sound audit standards, this should be embedded in legislation providing that the Auditor-General and the Audit Office/Institution should use appropriate work and audit standards and a Code of Ethics based on official documents issued by recognised standard-setting bodies such as the INTOSAI, International Federation of Accountants (IFAC), Financial Reporting Council of Nigeria (FRC) or others. Audit practice should be backed by appropriate legal provisions.

### **3.11 Independent Auditor**

The central poser to be resolved by this proposition is; who audits the Auditor-General's accounts and financial statements whilst his office audits MDAs? The accounts and financial records of the office of the Auditor-General needs to be submitted to independent scrutiny and review. New Zealand's Public Audit Act<sup>46</sup> mandates the House of Representatives to appoint an independent auditor to audit the financial statements and accounts of the office of the Auditor-General. The Canadian Audit Act of 1990 also provides for the independent examination of the accounts of the office of the Auditor- General and for the report of such audit to be laid before the legislature.<sup>47</sup> The extant practice in Nigeria is not clear.

### **3.12 Sanctions and Penalties**

Law as the expression of the popular will, the command of the sovereign backed by sanctions prescribes norms acceptable to society while proscribing harmful norms and practices. In the extant audit environment, there is no clearly spelt out offences, penalties, sanctions and the procedure for enforcement. What appears as sanctions are administrative under the FR. It is imperative to state the constitutional provisions on what amounts to an offence.

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<sup>46</sup> S.38 of the Act.

<sup>47</sup> S.28 of the Act.

S.36 (8) and (12) of the Constitution under the right to fair hearing is very clear:

*“(8) No person shall be held to be guilty of a criminal offence on account of any act or omission that did not, at the time it took place, constitute such an offence, and no penalty shall be imposed for any criminal offence heavier than the penalty in force at the time the offence was committed.”*

*“(12) Subject as otherwise provided by this Constitution, a person shall not be convicted of a criminal offence unless that offence is defined and the penalty therefor is prescribed in a written law, and in this subsection, a written law refers to an Act of the National Assembly or a Law of a State, any subsidiary legislation or instrument under the provisions of a law”.*

Therefore, the new legal regime must create offences, provide sanctions and clear pathways to guarantee compliance with its demands. Indeed, it should create self-enforcing mechanisms for audit compliance including real time monitoring systems, red flag and alert systems to stop non-compliant actions, segregation of duties and role-based access control, integrated compliance platform, mandatory fields in digital forms, automated corrective actions, etc.

### **3.13 Summary**

The analysis above establishes that while constitutional recognition exists, operational independence and statutory clarity remain deficient. These weaknesses underpin many of the practical gaps identified in the next section.

## Part Four

### Gaps in Audit Practice and Opportunities

#### 4.1 Timeliness of Reports

This section reviews the date of submission of annual audited reports of the Auditor- General to the National Assembly. According to the International Public Sector Accounting Standards:

*“The usefulness of financial statements is impaired if they are not made available to users within a reasonable period after the reporting date. An entity should be in a position to issue its financial statements within six months of the reporting date. Ongoing factors such as the complexity of an entity’s operations are not sufficient reason for failing to report on a timely basis. More specific deadlines are dealt with by legislation and regulations in many jurisdictions.”<sup>48</sup>*

Table 1 provides the details of submission of reports by the Auditor-General to NASS.

**Table 1: Date of Submission of Annual Audited Reports by the Auditor-General to the National Assembly**

Year of Report	Date of Letter of Submission to National Assembly	Months after year end	Challenges and Opportunities
2014	14th March, 2016	15	<p>The <b>challenge</b> is that the reports are not timely and there is a lot of backlog or overdue reports. This raises issues of poor internal controls, lack of quality audit information to make timely and informed decisions, possible loss of revenue, erosion of public trust and confidence in the state, speculations and lowered rating by rating agencies. <i>“Globally, timeliness in preparation and publication of Annual Financial Statements is of essence and great value, if these Statements are to be relevant and useful”.</i><sup>48</sup></p>
2015 Part 1	December 2, 2016	11	
2015 Part 2	May 31, 2027	17	
2016	June, 2018	18	
2017	July 22, 2019	19	
2018 Part 1	October 16, 2020	22	
2018 Part 2	March 25, 2021	27	
2019, Part 1	August 18, 2021	20	
2019, Part 2	15 September, 2021	21	
2020 Part 1	30 November 2023	35	
2020 Part 2	20th December 2023	36	
2021Part 1	31 July 2024	31	
2021 Part 2	15 October 2024	34	
2022	21st August 2025	32	
2023	Not yet submitted		

<sup>48</sup> Paragraph 69 of the International Public Sector Accounting Standards (IPSAS).

<sup>49</sup> Auditor-General for the Federation in 2015 Federal Audit Report.

2024	Not yet submitted		The <b>opportunity</b> is for audits to be useful and relevant through the full implementation of the three months timeframe for Accountant General to submit financial reports - see S.49 (1) and (2) of the FRA and S.85 (5) of the Constitution. This timeframe could also be provided categorically in a federal audit law that is enforced to the letter.
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Table 1 shows that instead of expected improvements, the situation is deteriorating; from fifteen and eleven months delay in 2014 and 2015 to thirty four months in 2021. A good part of the delays is informed by the late submission of Accountant-General's reports to the Auditor-General since the audit is contingent upon the submission of the Accountant-Generals financial statements. Table 2 shows some facts in support of this position:

**Table 2: Date of Submission of CFS by the Accountant General to the Auditor General**

Year	Date of Submission of Accountant Generals Report to OAuGF
2015	Submitted some in 2016 but final submission on 24th April, 2017 <sup>50</sup>
2016	The Auditor-General stated: <i>"The Financial Statements of the Federal Government for the year ended 31st December, 2016 were first submitted to me by the Accountant-General of the Federation on 30th June, 2017. Following my preliminary observations, the Statements were significantly amended and resubmitted on 29th September, 2017. Further amendments to the Financial Statements led to another re-submission on 29th December, 2017 and 16th January, 2018 before the final version was eventually submitted on 20th March, 2018"</i> . <sup>51</sup>
2017	The Auditor-General stated: <i>"The Financial Statements of the Federal Government of Nigeria for the year ended 31<sup>st</sup> December, 2017, were first submitted to me by the Accountant-General of the Federation on 20th December, 2018. Following my preliminary observations, the Statements were significantly amended and resubmitted on 26th April, 2019"</i> . <sup>52</sup>

<sup>50</sup> OAuGF Annual Report, Part 11 at page viii.

<sup>51</sup> OAuGF Annual Report 2016 at page 4.

<sup>52</sup> OAuGF Annual Report at page 4.

2018	The Auditor-General stated: <i>“The Consolidated Financial Statements of the Federal Government of Nigeria for the year ended 31st December 2018 was submitted by the Accountant-General of the Federation on 27th May 2020. Following audit queries, an updated version was resubmitted on 6th October 2020 and was still under audit in accordance with the provisions of the 1999 Constitution as at the time of this report”</i> . <sup>53</sup>
2019	<i>“The Accountant-General of the Federation (AGF) submitted the FGN Consolidated Financial Statements (CFS) for the year ended 31st December, 2019, to the Auditor-General for the Federation (AuGF) for audit on 25th May, 2021 through forwarding letter with Ref. No. OAGF/CAD/1724/VOL.II/220, dated 24th of May, 2021 contrary to the provisions of extant regulations”</i> . <sup>54</sup>
2020	First submission was on March 15 <sup>th</sup> , 2022 while final submission was on March 2 <sup>nd</sup> 2023 <sup>55</sup>
2021	<i>“The Accountant-General of the Federation (AGF) first submitted FGN CFS for the year ended 31st December, 2021 to the Auditor General for the Federation (AuGF) for audit through the forwarding letter with Ref.No. OAGF/CAD/1724/VOL.1I/222 dated 23rd January 2024, contrary to the provisions of extant regulations. The submission of FGN CFS for the year ended 31st December, 2021 was late by twenty-four (24) months”</i> . <sup>56</sup>
2022	No information in the public domain on the date of submission.
2023	Not yet submitted.
2024	Not yet submitted.

The late production of audit reports seems institutionalised. There are backlogs considering that in the last quarter of 2025, there is no Audit-General's report in the public domain for the financial years 2023 and 2024. The Auditor-General gets the Accountant-Generals Financial Statements very late. It therefore appears the OAuGF has a ready response to any interrogation on the lateness of his reports. What delays the Accountant-General in compiling the required statement and accounts? This is not clear. Stakeholders interviewed stated the reasons to include MDAs delay and late submission of MDA financial reports, insufficient reconciliation of bank statements, human capacity deficits and inadequacy in supportive accounting software. Furthermore, the breakdown of the administrative sanction mechanism that should punish delays by MDAs in submitting quality reports has encouraged a culture of obedience in the breach.

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<sup>53</sup> OAuGF Annual Report at page 2.

<sup>54</sup> OAGF Annual Report at page 7.

<sup>55</sup> OAGF Annual Report at page 8.

<sup>56</sup> OAGF Annual Report at page 62.

The **opportunity** in this delay is that it should cause sufficient outrage in any civilised clime for questions to be asked of the reasons for the delay and remedial action taken. It provides a foundation for the application of sanctions on erring officials. Furthermore, it should provide the opportunity for a “never again” commitment. Audit reports are due within six months after the end of the financial year under S.49 (1) of the Fiscal Responsibility Act.

#### 4.2 Poor Response to Audit Queries

MDAs routinely failed to respond to audit queries and it appeared there were no sanctions to compel them to do so. The available evidence from the years in Table 3, citing the statements of the Auditor General in yearly audit reports show the trend.

**Table 3: Poor Response to Audit Queries**

Year	Auditor General Statement	Challenges and Opportunities
2016	<i>“The Ministries, Departments and Agencies (MDAs) and their Accounting Officers are reverting to the situation in the past where they did not promptly respond to audit observations. I am concerned about this development, which is a major setback to our accountability process. Where accounting officers fail to respond to audit queries, the implication is that they have no explanation to offer. They should be compelled by the Public Accounts Committees to comply with the audit recommendations on such issues”.</i>	The <b>challenge</b> is that this is an unabridged display of impunity for the rules of financial engagement. It offends the spirit of the rule of law and its due process. This could have been done to cover waste, loss or diversion of public resources
2017	<i>“The performance of Ministries, Departments and Agencies (MDAs) and their Accounting Officers in responding promptly to audit observations is yet to improve. The 9th Assembly presents a fresh opportunity for the Public Accounts Committees to achieve a positive impact in this regard by ensuring sanctions for non-responsive behaviour by Accounting Officers and their Management”.</i>	The <b>opportunity</b> is for enforcement of existing sanctions and or the provision of strict sanctions in the pending Audit Bill.  The sanction for failure to collect and account for government revenue is provided in Financial Regulation 3112:
2018	<i>“We notice that there was no improvement in the level of responses to audit observations by Accounting Officers of Ministries, Departments and Agencies (MDAs). The 9th Assembly presents a fresh opportunity for the Public Accounts Committees to achieve a positive impact in this regard by ensuring that sanctions applicable to non-</i>	<i>“(I) A public officer who fails to respond to the Auditor-General's query satisfactorily</i>

	<i>responsive behavior by Accounting Officers and their management are enforced. We also note the efforts of the Public Accounts Committees of the 9th Assembly as reflected in the quantum of Agencies invited to appear before the Committees for accountability purposes.”</i>	<i>within 21 days for failure to collect government revenue shall be surcharged and be transferred to another schedule.</i>
2019	<i>“Audit observed from the review of letters of circularisation and responses received from Ministries, Department and Agencies (MDAs) that were included in the FGN Consolidated Financial Statements (CFS) that out of a total of seventy two (72) MDAs that were circularised, twenty five (25) did not respond representing 34.72%”.</i>	<i>(ii) Where an officer fails to give satisfactory reply to an audit query within 7 days for his failure to account for government revenue, such officer shall be surcharged for the full amount involved and such officer handed over to either the Economic and Financial Crimes Commission (EFCC) or Independent Corrupt Practices and Other Related Offences Commission (ICPC).”</i>
2020	<i>Out of a total of one hundred and ten MDAs that were circularised, twenty representing 18.2% did not respond. The balances recognised in FGN CFS against the unresponsive MDAs amounted to N1,721,198,043,196.64 (one trillion, seven hundred and twenty-one billion, one hundred and ninety-eight million, forty three thousand, one hundred and ninety six naira, sixty four kobo”</i>	
2021	<i>No specific comment of the subject but MDA details showed that so many MDAs refused to respond to audit queries.</i>	

### 4.3 Low Implementation of Prior Year Audit Recommendations

In the 2021 Annual Audit Report, it was stated that:

*“Audit observed from the review of the status of implementation of audit recommendations on the FGN CFS for the year ended 31st December 2020, that out of a total of twenty-nine (29) Auditor-General for the Federation's recommendations, six (6), representing 21% were fully implemented while one (1) recommendation, that is 3%, was still in progress of implementation. Twenty-two (22) recommendations, representing 76%, were not implemented”*

In the 2020 Annual Audit Report, it was stated that:

*“Audit observed from the review of the status of implementation of the audit recommendations on the FGN CFS for the year ended 31<sup>st</sup> December 2019, that from a total of 32 Auditor-General for the Federation's recommendations, six (6), representing 19% were fully implemented while five (5), that is, 16% recommendations were still in progress and twenty one (21) representing 66% of the recommendations were not implemented”*

In the 2018 Annual Audit Report, it was stated that:<sup>57</sup>

*“Audit observed several irregularities and weaknesses in controls which cut across several MDAs in the disbursement and utilisation of public funds. The most significant of these issues have been reported separately as cross cutting issues. I am particularly concerned that these weaknesses remain despite my recommendations to the Honorable Minister of Finance, Budget and National Planning and the Accountant-General of the Federation in my previous report, where I emphasised the need to enforce strict compliance with relevant legislation, rules and regulations across all MDAs.*

The **challenge/gap** is that audit is being reduced to a mere routine of continuous report writing with little follow-up and mechanisms for implementing recommendations. The **opportunity** is presented for corrective and remedial action that guarantees observance of public finance management laws and regulations as well as the enforcement of sanctions against habitual audit offenders. Administrative and penal sanctions proceedings should follow deliberate violation of extant rules.

#### **4.4 Compliance by Parastatals with Financial Reporting Requirements**

In the 2015 Annual Audit Report (Part II), the AuGF stated that:

*In Part 1 of my 2015 Annual Report already submitted to the National Assembly, I reported that only 26 (twenty-six) Agencies of Government had submitted Audited Financial Statements for the year ended 31st December, 2015. As an update, at the time of concluding this report, i.e. 31st May, 2017 additional 61 (sixty-one) Audited Financial Statements had been submitted, bringing the number of 2015 Audited Financial Statements to 87 (eighty-seven).*

Furthermore in 2016, it was stated that:<sup>57</sup>

*Only 51 audited Financial Statements for 2016 and 149 for 2015 have been submitted to my Office as at 27th December, 2017, despite the provision of Financial Regulation 3210 (v) which enjoins the Chief Executive Officers of these bodies to submit both the Audited Accounts and Management Report to me not later than 31st May of the following year of Account.*

The 2016 Audit report stated that as at April 2018, 109 Agencies have not submitted beyond 2013, 76 Agencies last submitted for the 2010 financial year while 65 Agencies have never submitted any account since inception. It provided further clarification in Table 4.

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<sup>58</sup> Page 15.

<sup>59</sup> 2016 Annual Audit Report, Part 1 at page 14.

**Table 4: Defaulting Agencies as at 2016 Audit Report**

Year	Number of Defaulting Agencies
2016	323
2015	215
2014	148
2013	109
2012	85
2011	76
1993 -2010	12

Source: 2016 Annual Audit Report

As at the 2017 Financial Year Audit, the Auditor General reported the failure of compliance as follows:

*Some of the Government Corporations, Companies and Commissions have not submitted their audited accounts to me as at 30<sup>th</sup> June 2019, despite the provision of Financial Regulation 3210 (v) which enjoins the Chief Executive Officers of these bodies to submit both the audited accounts and management reports to me not later than 31<sup>st</sup> May, of the following year of Accounts.*

Table 5 further shows the lack of compliance figures:

**Table 5: Defaulting Agencies as at 2017 Audit Report**

Year	Number of Defaulting Agencies
Up to Financial year ended 31 <sup>st</sup> Dec., 2017.	265
Up to Financial year ended 31 <sup>st</sup> Dec., 2016	160
No Submission Since Inception	11

Source: 2017 Audit Report

By 2018, it was reported:<sup>59</sup>

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<sup>59</sup> 2018 Annual Report, Part 1 at page 2.

*Several of the Government Corporations, Companies and Commissions have not submitted their audited accounts to me as at the time of this report despite the provision of the Financial Regulation 3210 (v) which enjoins the Chief Executive Officers of these Bodies to submit both the audited accounts and management reports to me not later than 31st May, of the following year of the accounts. Although, we have noticed an improvement since my last report, there are still violations of statutory financial reporting obligations by Parastatals. Stringent sanctions, including withholding financial releases and sanctioning of the Chief Executive Officer, should be imposed on defaulting Agencies who do not render timely accounts as provided in the Constitution, Financial Regulations, and other relevant laws.*

The **challenge and risks** are that these defaulting parastatals are run by persons who consider themselves above the law. The AuGF termed these defaults a flagrant violation of statutory obligations by parastatals.<sup>60</sup> These parastatals appear to be managed at the whims and caprices of the appointees and career public servants outside the context of the due process of enabling laws and policies. Corruption and abuse of office is likely the order of the day in the parastatals that failed to report. Refusing to report implies that those accountable have refused to accept responsibility to account, the prospects of getting compensation for losses is dimmed, steps to prevent - or at least render more difficult such breaches in the future is not in consideration.

This scenario presents a **clear and unadulterated opportunity** to send a strong message of zero tolerance to corruption, abuse of office and deliberate refusal to obey financial laws and regulations. The opportunity to impose sanctions should not be missed. The federal government can even now go back, many years after the default to prosecute and ensure punishment for offenders, as time does not run against the state.

#### **4.4 Inadequate Funding of Auditor-General**

An unfunded or inadequately funded audit mandate cannot meet the goals of the audit office.<sup>61</sup> The Auditor-General stated of the funding constraints between 2012 and 2017 as follows:<sup>62</sup>

*Severe funding constraints continue to be a major impediment to achieving the statutory and constitutional mandates of the Office. The National Budget, the mandate of the Office and public expectations have been increasing over the*

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<sup>60</sup> OAuGF Annual Report 2015, Part 1, at page 4.

<sup>61</sup> "Resource constraints and a lack of financial and operational independence had affected the quality of the audit function over decades" - 2016 Audit Report (Part 1) at page 9.

<sup>62</sup> 2016 Audit Report (Part 1) at page 9.

*past years, just as the annual audit budget has been on a steady decline. The table below provides a comparison of the audit budget with the National Budget over the past 6 years.... The present funding levels make it very difficult to fulfil my constitutional mandate and cover the full range of governance issues to the satisfaction of all key stakeholders.*

Even the inadequate budget allocation is hardly fully released as shown in Table 6 (referenced in the quote above) for years 2016-2019.

**Table 6: OAuGF Appropriations and Releases for the Years 2016 to 2019**

<b>Year</b>	<b>Particulars</b>	<b>Appropriation</b>	<b>Releases</b>	<b>%</b>
2016	Overhead	589,230,794.70	425,809,745.75	72%
	Capital	317,509,818.70	158,754,909.00	50%
	Personnel	1,891,353,914.00	1,839,289,454.37	97%
<b>Totals</b>		<b>2,798,094,527.40</b>	<b>2,423,854,109.12</b>	<b>87%</b>
2017	Overhead	789,030,795.08	392,467,963.77	50%
	Capital	286,2266,600.00	241,011,690.60	84%
	Personnel	1,909,022,726.00	1,516,711,379.37	79%
<b>Totals</b>		<b>2,984,320,121.08</b>	<b>2,150,191,033.74</b>	<b>72%</b>
2018	Overhead	2,864,230,795.00	1,551,801,297.07	54%
	Capital	345,119,685.00	299,399,448.00	87%
	Personnel	1,947,674,911.00	1,874,241,459.61	96%
<b>Totals</b>		<b>5,157,025,391.00</b>	<b>3,725,442,204.68</b>	<b>72%</b>
2019	Overhead	984,230,795.00	969,487,196.64	99%
	Capital	453,035,952.00	407,315,715.01	90%
	Personnel	1,977,081,170.00	1,977,081,169.87	100%
<b>Totals</b>		<b>3,414,347,917.00</b>	<b>3,353,884,081.52</b>	<b>98%</b>

**Source: Annual Report of the Auditor General for the Federation on the Accounts of the Federation of Nigeria for the Year Ended 31<sup>st</sup> December 2018.**

Overheads and capital expenditure appear to be the major funds that facilitate audit work. Personnel votes fared much better as salaries and other remuneration must be paid as a matter of course. From Table 6, the average release for overhead and capital expenditure in 2016 was 61%; for 2017, it was 67%; for 2018, it was 70.5%; while 2019 was 94.5%. The average for the four years was 73.25% release of capital and overhead votes.

Again, in 2018, the Auditor General stated:<sup>63</sup>

*Severe funding constraints continue to be a major impediment to achieving the statutory and constitutional mandates of the Office of the Auditor-General for the Federation (OAuGF), especially as the office is not able to self-fund a significant amount of fieldwork. The Office also does not have adequate accommodation for its staff, thereby resorting to the Resident Auditor approach, where audit staff are based at auditees' offices. This practice has long been stopped by most Supreme Audit Institutions decades ago, but in the absence of suitable accommodation and direct funding for audit fieldwork, the OAuGF is yet to discontinue this arrangement*

The approved votes of the office of the AuGF between 2020 and 2025 in Table 7 tells a story of neglect.

**Table 7: Funding of the Office of the AuGF: 2020-2025**

Year	Amount (N)
2020	6,697,649,974
2021	4,639,337,251
2022	4,695,823,455
2023	5,112,583,323
2024	8,165,312,037
2025	16,063,270,498

Source: Budget Office of the Federation: Appropriation Acts and Appropriation Amendment Acts

These budgetary votes are insufficient, even if fully released, for the AUGF to audit all the federal ministries, embark on periodic checks of government statutory corporations and commenting on their annual accounts and auditor's reports thereon as well as fulfil the roles expected of the Office under the Financial Regulations. However, some donors, stakeholders and development partners have supported specific projects of the office of the AuGF. Donor support is usually targeted and specific and cannot take the place of strategic institutional public funding.

The **critical challenge** in the inadequate funding of the office is the inability of the Auditor-General to meet the demands of the modern audit function. Inadequate funding may

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<sup>63</sup> 2018 Auditor General's Report at page 3

contribute to delays in producing reports or even the production of poor quality reports. The **opportunity** lies in the legislature recognising the role of the Auditor-General in facilitating its oversight responsibility to hold the executive to account for public finance management. This recognition will lead to increases in the audit budget, strengthening its independence by making the Auditor-General's budget a first line charge and ensuring that the auditees in the executive (including the Ministry of Finance and Budget) do not set the limits of the audit budget or have the discretion for release of funds to the Auditor- General.

#### 4.5 Remuneration of Staff of the OAuGF

The 2018 Annual Audit Report states:<sup>64</sup>

*The need to ensure proper remuneration for staff of the Office, in comparison with other anti-corruption agencies has been a recurring issue. Efforts have been geared towards correcting this anomaly through proper engagement with the National Income, Salaries and Wages Commission. While the process is still ongoing, it is evident that there is a consensus on the need for better remuneration of Auditors to help them carry out their functions independently without fear or compromise.*

The **challenge** is that poorly remunerated audit staff may not perform at maximum efficiency and the risk is that they may be susceptible to corrupt practices to earn a living. The remuneration of audit staff is not indexed on the cost of living, inflation or social circumstances. Rather, it was fixed arbitrarily. The challenge is tied to the poor funding of the office. There is an **opportunity** before the enactment of the Audit Law to conclude the negotiations with the National Income, Salaries and Wages Commission, to make the remuneration of Audit staff at par with other anticorruption agencies. It should be recalled that the Auditor-General's office is established by the Constitution which is the fundamental law of the land, while other anticorruption agencies (with the exception of the Police and Code of Conduct Bureau) are established under ordinary statutes, which occupy lower pedigrees in the hierarchy of laws and norms.

#### 4.6 The Public Accounts Committee in Action

In accordance with the Standing Orders of both chambers of the National Assembly, the PAC is to receive the audit report from the Auditor-General: (a) to examine the accounts showing the appropriation of the sums granted by the House to meet the public expenditure, together with the auditor's reports thereon. (b) have power to summon persons, summon papers and records, and report its findings and recommendations to the House from time to time. The Auditor-General shall bring to the attention of the Committee any pre-payment audit

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<sup>64</sup> 2018 Auditor General's Report at page 13.

queries raised by the Internal Auditors of a Ministry, Department or Agency but overruled by the Chief Executive.

In considering reports of the AuGF, the PAC calls for written responses from MDAs; analyses the responses received from MDAs; conducts public hearings with the MDAs and AuGF; queries satisfactorily explained by indicted MDAs are cleared while queries not satisfactorily answered are sustained. There are a number of practical issues arising from the work of the PAC.

The first is that there are two PACs, one in the Senate and the second in the House of Representatives respectively. In legislative parlance, the findings and report of a Committee do not become the report of the chamber until it is laid, considered and approved in plenary. It is not clear whether all the reports of PACs in the House and Senate since 1999 had been considered and approved by the plenary.<sup>65</sup> If they have not been so considered and approved, the PAC reports remain without the authority of the House or Senate. The AuGF in the 2015 Annual Audit Report had raised concerns that:<sup>66</sup>

*There is even a more compelling need for concluded Recommendations of the Public Accounts Committees to be laid before the Senate and House of Representatives for ratification. Without this legislative endorsement and onward transmission to the Executive Arm of Government for implementation, the accountability process will not be complete.*

The second practical issues lies in the fact that in a bicameral legislature, after the approval of a committee's report by the respective chambers and there are differences in their consideration, conclusions and recommendations, the two Houses usually constitute a Harmonization Committee which produces one report that will now be adopted as the report of the National Assembly. There is no evidence to show that this has ever happened in respect of the reports of the PACs in the Senate and in the House of Representatives.

The third issue is that whilst annual audit reports from the Auditor-General are behind schedule, the PACs are not keeping pace in considering the annual reports. For instance, the consideration of Part 1 of the Auditor-General's Annual Report on the Accounts of the Federation for the year ended 31<sup>st</sup> December 2015, which was submitted to the National Assembly by the Auditor-General's letter of 31<sup>st</sup> May 2017 was concluded in a June 2021 report. This is a time frame of almost six years between the end of the financial year in question and the conclusion of PAC consideration of the matters arising from the audit.<sup>67</sup>

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<sup>65</sup> The report of the PAC on consideration of Part 1 of the Auditor General's Annual Report on the accounts of the Federation for the year ended 31<sup>st</sup> December 2015, which was submitted to the National Assembly by the Auditor General's letter of 31<sup>st</sup> May 2017 was laid before the Senate on June 8 2021- see Senate of the Federal Republic of Nigeria Order Paper, Tuesday June 8<sup>th</sup> 2021.

<sup>66</sup> In Part I, page 4.

<sup>67</sup> Ninth Senate (Second Session), Public Accounts Committee; Report on the Annual Report of the Auditor General for the Federation, for the Year Ended 31<sup>st</sup> December 2015, Part 1.

Furthermore, the consideration of the Auditor-General's Annual Report on the Accounts of the Federation for the years ended 31<sup>st</sup> December 2016 and 2017 were concluded in a March 2023 report and laid before the Senate plenary on March 1, 2023. Also, the consideration of the Auditor-General's Annual Report on the Accounts of the Federation for the year ended 31<sup>st</sup> December 2018, which was submitted to the National Assembly by the Auditor-General's letter of 28<sup>th</sup> January 2020 was concluded in a March 2023 report and laid before the Senate plenary on March 1, 2023.<sup>68</sup> Thus, the years 2016, 2017 and 2018 Auditor General's reports were considered simultaneously and laid before the Senate on the same day. At the time of producing this study, the House of Representatives PAC has considered and laid the reports for 2020 and 2021 before the House and thereby completing the audit cycle for the first time (since 1999) in the history of the NASS.

The fourth issue is the fact that PACs have so far concentrated on considering the Annual Audit Report. However, the Auditor-General in the exercise of his independent mandate has produced a number of audit reports which the PACs have not considered. These include performance audits on Pre-Shipment Inspection and Monitoring of Crude Oil and Gas Exports by Federal Ministry of Finance, Budget and National Planning for the Period January 2016 to December, 2020; Federal Roads Maintenance Agency; Management of Resources for the Provision of Affordable/Social Homes for Low-Income Earners in Nigeria by Family Homes Funds Limited (2018 to 2020); FGN Budget Preparation Process 2020; and a Special Audit on Nigeria Customs Service (2018-2021), etc.<sup>69</sup>

The fifth issue is that the impunity with which some MDAs respond to the AuGF is also extended to the PAC. The Senate PAC report on the consideration of the Accounts of the Federation for the Year ended 31<sup>st</sup> December 2015 listed some agencies that failed, refused and neglected to respond to the PAC.<sup>70</sup> Four MDAs failed to respond to the consideration of the 2017 report by the PAC.<sup>71</sup> Six MDAs also failed to respond to the PAC during their

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<sup>68</sup> Ninth Senate (Fourth Session), Public Accounts Committee; Report on the Annual Report of the Auditor General for the Federation, for the Year Ended 31<sup>st</sup> December 2018.

<sup>69</sup> <https://oaugf.ng/download-report#sort=name&sortdir=desc>

<sup>70</sup> They are the Nigerian Maritime Administration and Safety Agency, Federal Ministry of Health, Nigeria Police Force, Federal Fire Service, Ahmadu Bello University Teaching Hospital, Ministry of Police Affairs and Federal Ministry of Information and Culture.

<sup>71</sup> They are Federal College of Forestry Ibadan; Federal College of Education, Obudu; National Judicial Council; and Federal University Dutsin-Ma.

consideration of the 2018 Auditor-General's report.<sup>72</sup> It appears that nothing concrete has been done as a follow up to bring these non-responsive agencies to account. For instance, in the two years discussed above, the Federal Ministry of Health was unresponsive. There is no information in the public domain of sanctions related to this state of affairs.

The sixth issue is that after the consideration and approval of the report of the PAC by the House or Senate, the report is merely forwarded to the executive for implementation - the same executive arm that makes up the majority of agencies indicted in the report. Thus, the implementation is at the discretion of the executive who may or may not enforce the recommendations in the report. This scenario disconnects sanctions from violation of the law and fails to impose deterrence for violations. A participant at a civil society focus group discussion described audit as the people's insurance against waste and abuse of financial due process; it is not just a technical exercise, but a democratic exercise that strengthens public trust. But when sanctions are removed, recovery of mismanaged resources made difficult and there are no guarantees of non-repetition, the insurance loses its value. Without sanctions, the AuGF is like a bulldog, a watchdog without teeth.

#### **4.7 Summary**

In summary, delayed submissions, weak sanctions, and inconsistent responses from MDAs have institutionalised inefficiency. Strengthening audit timelines, accountability mechanisms, and sanctions would drastically improve fiscal discipline and transparency.

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<sup>72</sup> They are the Federal Ministry of Health, National Commission for Refugees, Migrants and Displaced Persons, Engineering Material Development Institute, National Insurance Commission, National Primary Health Care Development Institute and Federal Archives and Historical Bureau.

## Part Five

### Recurring Audit Findings and Opportunities for Action

#### 5.1 Recurring Audit Infractions

These are the recurring audit infractions showing the trajectory of violations of extant laws and policies over the period 2014 to 2021. Table 8 shows the issues, risks and opportunities for action to improve public finance management and audit performance.

**Table 8: Recurring Audit Findings and Opportunities for Action**

S/N	ISSUES	RISK	OPPORTUNITY FOR ACTION
1	Failures in remittances of revenue/internally generated revenues by MDAs	Non-adherence to this statutory responsibility by Revenue Generating Agencies adversely affects the liquidity position of the Government and deprives it of funds needed to finance its operations. Issues of corruption, deliberate refusal to obey laws and systemic inefficiencies arise	<p>With the Treasury Single Account featuring a unified banking structure, centralized collection and payments, and electronic collection (e-collection), every failure in remittance of revenue including IGR is a deliberate act of economic sabotage, stealing or conversion of public funds and outstanding sums should be recovered and offenders punished.</p> <p>The Accounting Officer by FR 112 is charged inter alia with the following:</p>
2	Failure in revenue generation, non-deduction of taxes and remittances of revenue by MDAs	Non-remittance of revenue surpluses by revenue generating agencies affects financial liquidity of the government and reduces government's efforts to adequately fund its annual budget. It may lead to increase in Government's internal and external borrowing, thereby increasing the Government's debt burden.	<p>(i) ensuring accurate collection and accounting for all public moneys received and expended;</p> <p>(ii) ensuring proper assessments, fees, rates and charges are made where necessary;</p> <p>(iii) ensuring internal guides, rules, regulations, procedures are adequately provided for the security and effective check on the assessment, collection and accounting for revenue</p>
3	Non-deduction of statutory stamp duty, VAT, WHT	Violation of relevant tax laws and denying government access to due revenue	<p>(iv) ensuring that any revenue collected are not spent, but remitted to the appropriate authorities promptly.</p> <p>FR 234 states: "(i) It is mandatory for Accounting Officers to ensure full compliance with Value Added Tax (VAT) and Withholding Tax (WT) due on supply and service contract and actual remittance of same".</p>
4	Failure to recover outstanding revenue/debts	Violation of extant Laws and loss of public revenue	

5	Unrecovered tax liabilities by the Federal Inland Revenue Service	Deprives Government of needed funds to finance its operations.	<p><i>“(ii) Any loss of government revenue through direct payment of VAT and WHT to contractor or failure to provide for VAT and WHT due and remitting same to the Federal Inland Revenue Service by any Ministry /extra ministerial department shall be recovered from the statutory allocation of the defaulting ministry/extra ministerial office and other arms of government”.</i></p> <p><i>“(iii) Accounting Officers/Sub Accounting Officers who fails to provide for and remit VAT and WHT due on vatable supplies and services shall be sanctioned under the applicable VAT Act No.102 of 1993 which may include fines and or imprisonment”.</i></p> <p>FR 235 states:</p> <p><i>“Deductions for WHT, VAT and PAYE shall be remitted to the Federal Inland Revenue Service at the same time the payee who is subject of the deduction is paid”.</i></p> <p>It is the statutory responsibility of FIRS to collect designated taxes. Auditor-General and PAC to hold FIRS accountable to collect backlogs of unrecovered taxes.</p>
6	Payment for services not rendered and contracts not executed	Loss and diversion of public funds	<p>FR 708 states that:</p> <p><i>“On no account should payment be made for services not yet performed or for goods not yet supplied.”</i></p> <p>Also, FR 3104 (iii) states that:</p> <p><i>“A public officer who fraudulently pays money to a contractor for a job not executed shall be required to refund in full the amount wrongly paid and shall be removed from that schedule and the matter referred to the Economic and Financial Crimes Commission for prosecution”.</i></p> <p>Furthermore FR 3109 states:</p>

			<p><i>“An Accounting Officer or Sub Accounting Officer who pays for the acquisition of asset(s) with public funds but fails to collect the asset(s) from the contractor/supplier shall be given 21 days to recover the assets(s) from the contractor/supplier, failing which the officer shall be transferred to another schedule. The contractor/supplier shall be blacklisted and reported to the Economic and Financial Crimes Commission for prosecution. If collusion is however established, the officer(s) involved shall be removed from that schedule and made to face disciplinary action”.</i></p> <p>The Accounting Officer should recover and pay back the due sums to the Treasury. The Attorney General of the Federation or EFCC or ICPC should embark on the prosecution of the officers to ensure that they serve time in jail as well as recover the funds paid for services not rendered - S.342 of the of Administration of Criminal Justice Act, 2015.</p>
7	Supply items not taken on store charge	Cases of incomplete or non-existence of store records may cause information contained in the Financial Statements to be misleading. It may also result in diversion of government properties for personal use.	<p>FR 2402 (I) states:</p> <p><i>“On all payment vouchers for the purchase of stores, except as provided in subsection (ii) of this regulation, the storekeeper must certify that the stores have been received and taken on charge in the stores ledger, quoting the stores receipt voucher number and attaching the original copy of the store receipt voucher to the original LPO”</i></p>
8	Store items not taken on store charge	Non-existent, incomplete and/or inaccurate store records may cause the financial statements to be materially mis-stated. It may also lead to losses and diversion of government property.	<p>Furthermore, FR 2413(I) provides:</p> <p><i>“A requisition shall not be accepted and passed to the storekeeper until it has been examined by the responsible officer, to ensure that it is signed by the authorised requisitioning officer, the correct rate of charge is quoted, the quantity required is not excessive, and the voucher is otherwise correct. The Director Administration and Supplies shall furnish specimen signatures of authorised requisitioning officers to the stores issuing units”.</i></p>

			<p>The Asset Management Module of GIMFIS should be implemented across MDAs as a matter of urgency to enhance optimal control and accountability of government's current and non-current assets. Accounting Officers should be requested to prepare and maintain complete and accurate assets record.</p> <p>Essentially, if the “store items not taken on ledger charge” reveals the commission of a crime, prosecution by the Attorney General of the Federation, EFCC or ICPC should follow.</p>
9	Unretired advances	Unretired cash and personal advances may be a deliberate attempt to divert public funds for personal use.	<p>FR 1011 (i) states that:</p> <p><i>“All standing imprests must be retired on or before the 31st of December of the financial year in which they are issued while special imprests must be retired immediately the reasons for which they were granted cease to exist. Retirement will be effected by the production of vouchers and/or cash for the full amount of the imprest”.</i></p> <p>Appropriate sanctions as stated in FR 3118 (reproduced below) should be meted to the Head of Finance and Accounts or Head of Accounts.</p> <p><i>“The Head of Finance and Accounts or Head of Accounts who fails to recover personal advances from staff shall be requested within 21 days to offer written explanations to a query addressed to him on this irregularity. All losses suffered by government as a result of negligence shall be recovered from or surcharged against the defaulting officer if he/she is a public officer and such officer would be charged for gross misconduct under the Public Service Rules”.</i></p>
10	Unretired loans and advances	Cash and personal advances can be used to siphon public funds through splitting of contracts. This leads to loss of revenue to the government in form of taxes.	<p>The Accounting Officer who has the mandate of safeguarding public funds and ensuring the regularity and propriety of expenditure should be held accountable for all unretired cash advances and imprest.</p>

			<p>The Accounting Officer should be sanctioned if there is no evidence of targeted and concrete steps taken to ensure the cash advances and imprest are retired. FR 1420 is clear on the duties of the accounting officer when it states:</p> <p><i>“It is the responsibility of all Accounting Officers to ensure that all advances granted to officers are fully recovered”.</i></p> <p>The primary offender and Head of Accounts should be made to retire the cash advance or imprest and sanctioned in accordance with the Frs.</p>
11	Circumvention of procurement procedures	The likelihood of misappropriation and fraud are high where cash advances are granted to circumvent procurement processes. (i). Payment for jobs not executed or goods not supplied. (ii). Diversion of the store item to private use.	The Minister of Finance should direct the activation of the Procurement Module of GIMFIS for use across MDAs. This should be properly followed up to ensure compliance especially through non-release of funds except for certified procurements. The Minister should also give directives to enable the GIMFIS Audit Module and give access to all federal auditors for proper monitoring of procurement activities.
12	Irregularities in contract award, execution and payment	Weaknesses in contract award and contract management could lead to loss of Government funds as the citizens would not get value for money spent by the Government. Failure to follow due process could continue to give room to corruption and diversion of public funds for private use. It can lead to abandonment of projects and prolonged delay in completing ongoing projects.	<p>The Bureau of Public Procurement (BPP) should fully activate its functions and ensure that MDAs follow the process of obtaining certificates of “No Objection” in appropriate cases as well perform procurement audits. BPP should also consider meting out the administrative sanctions stipulated in S.6 of the Public Procurement Act 2007.</p> <p>The sanctions include suspension of the officers concerned with the procurement proceeding; the discipline of the Accounting Officer of the procuring entity and the temporary transfer of the procurement functions of the MDA to a third party procuring entity or consultant.</p>
13	Irregular award of contracts	(i). Loss of Funds, and (ii). Possibility of public funds diverted into individual pockets for jobs not executed and goods not supplied	<p>FR 3117 provides as follows:</p> <p><i>“(i) Any Accounting Officer or public officer who is involved in the irregular award of contract i.e. contract award not in</i></p>

			<p><i>compliance with the normal tenders procedures as laid out by the Bureau of Public Procurement in these regulations or any other law shall be requested to offer an explanation in writing within 21 days to a query issued on this irregularity. Failure to give a satisfactory explanation shall lead to the demotion in rank of such officer and his immediate transfer to another schedule.</i></p> <p><i>(ii) Where the award is by a Tenders Board, all members of the Board shall be sanctioned individually and collectively as in sub-section (i) above”</i></p> <p>Financial Regulation 2906 (i) states that for contracts to be seen as validly executed:</p> <p><i>“All contracts or tenders falling within the limits of the threshold prescribed by the Bureau for Public Procurements, except as exempted under the Act, shall attract a "Certificate of 'No objection' to award Contract for such to be seen as validly executed. The Bureau shall issue this certificate only when it is satisfied that all necessary pre-requisites have been complied with.”</i></p>
14	Contract splitting/ inflation of contract	(i) Lack of value for money (ii) Diversion of public funds	<p>FR 3116 is on Contract Splitting:</p> <p><i>"Any public officer who is involved in splitting of contracts to circumvent tenders procedure shall be given 21 days notice within which to offer explanations to a formal query issued. Failure to give satisfactory explanation, any loss arising thereof may be recovered from or surcharged against the defaulting officer".</i></p> <p>FR 3102 provides:</p> <p><i>“(I) Any public officer who is alleged to be involved in the inflation of contract shall be allowed 5 days within which to respond to audit query addressed to him. Where the query involves an Accounting Officer, he shall be reported to Mr. President. In the</i></p>

		<p>FR 3116 is on Contract Splitting:</p> <p><i>"Any public officer who is involved in splitting of contracts to circumvent tenders procedure shall be given 21 days notice within which to offer explanations to a formal query issued. Failure to give satisfactory explanation, any loss arising thereof may be recovered from or surcharged against the defaulting officer".</i></p> <p>FR 3102 provides:</p> <p><i>"(I) Any public officer who is alleged to be involved in the inflation of contract shall be allowed 5 days within which to respond to audit query addressed to him. Where the query involves an Accounting Officer, he shall be reported to Mr. President. In the case of any other officer, he shall be surcharged appropriately and removed from duty schedule, dismissed and prosecuted.</i></p> <p><i>(ii) Where the inflation of the contract involves the Tenders Board, all the members that approved the inflated contract shall be severally and collectively sanctioned".</i></p> <p>Over invoicing, inflation of price and contract splitting are offences under S.58 of the PPA and the Attorney-General of the Federation has the statutory mandate to institute criminal proceedings against the persons responsible for this. Beyond conviction for the crime and a term of imprisonment for the offender, the Attorney-General of the Federation should also take steps for the recovery of the inflated sums of money under S.342 of the of Administration of Criminal Justice Act, 2015.</p>
15	Cash Advances above Stipulated Approval Limit/Use of Cash Advances to Circumvent Procurement	Violations of Approval Threshold contrary to provisions of extant Federal Circular on the Approved Revised Thresholds for Service-Wide Application by the Bureau of Public Procurement (BPP) attracts sanctions as stated in FR 3126 (which restates the punishment parts of S.58 of

			<p>the PPA) and 3117 (on sanctions for irregular award of contract). The two FRs should be invoked on the Management and Tenders Board of the defaulting agency. It is also an offence to be prosecuted by the Attorney General of the Federation and punished under S.58 of the Public Procurement Act.</p> <p>Granting of cash advances above the approved limit for local procurement of stores and services may deny government due taxes such as Value Added Tax and Withholding Tax. This is contrary to Federal Treasury Circulars Nos. TRY/ A2 /2009/OAGF/ CAD/028 dated 24th March 2009 and TRY/A4 &amp; B4/2014/ OAGF/ CAD/ ADM /C.085/116 dated July 16th, 2014 which states that:</p> <p><i>“All Accounting Officers and Officers controlling expenditure are to ensure that all local procurement of stores and services costing above N200,000.00 (Two hundred thousand) are made only through local purchase order (LPO) or job order (award of contracts), except as provided by the Public Procurement Act 2007”.</i></p> <p>The responsible approving officers should be made to pay over to the treasury the calculated tax on the transaction.</p>
16	Unspent balances on capital votes not returned to chest	(i). Unauthorized expenditure (ii). Diversions of government funds.	<p>Recovery of the paid sums and remit recovered sums to the Treasury per FR 3106:</p> <p><i>“A public officer who makes an irregular payment from “public’ funds, shall be given 21 days notice to offer an explanation. Where no satisfactory explanation is given, the amount involved shall be recovered from the officer and such officer shall be removed from the schedule”.</i></p>
17	Payment without pre-payment audit	(i). Misappropriation of government funds. (ii). Diversion of public funds	<p>Recovery of the paid sums and remit recovered sums to the Treasury per FR 3106:</p>

			<p><i>“A public officer who makes an irregular payment from “public’ funds, shall be given 21 days notice to offer an explanation. Where no satisfactory explanation is given, the amount involved shall be recovered from the officer and such officer shall be removed from the schedule”.</i></p>
18	Violation of e-payment policy	(i). Loss of government fund. (ii). Diversion of public fund	<p>The Federal Government Circular Ref. No. TRY/A8/B8/2008 dated 22nd October, 2008, provides that money should be paid to individual beneficiaries through their private bank accounts. The E–payment policy requires direct transfers of money without withdrawal of cash or payment through other members or staff accounts. When this is violated and money is paid in circumstances that do not show that the ultimate beneficiaries got the money, the Accounting Officer and other officers involved should be made to return the money to Treasury.</p> <p>FR 3127 and 3128 provide sanctions for making payments using cheque or cash without exemption.</p> <p><i>“Any organization that makes payment by cheque or cash without having been exempted from the e-payment policy shall have its budget allocation suspended”</i></p> <p><i>“Any officer who makes payment by cheque or cash without relying on exemption from e-payment for his or her organization shall be deemed to have committed a gross misconduct and shall be disciplined accordingly”.</i></p>
19	Extra-budgetary spending/virement without approval	(i). Misappropriation of government funds. (ii). Difficulty in funding budget.	<p>Spending without appropriation violates S.81 of the Constitution which demands that executive estimates are sent to the legislature which approves and gives authority for expenditure while the head of the executive assents to the budget bill. S.27 (1) of the Fiscal Responsibility Act (FRA) states that:</p> <p><i>“The sums appropriated for a specific purpose shall be used solely for the purpose specified in the Appropriation Act”.</i></p>

			<p>All federal Appropriation Acts provide a clause such as:</p> <p><i>“All amounts appropriated under this Act shall be released from the Consolidated Revenue Fund of the Federation and applied only for the purpose specified in the First Schedule to this Act”</i></p> <p>Financial Regulations 417 states that:</p> <p><i>“Expenditure shall strictly be classified in accordance with the estimates and votes must be applied only to the purpose for which the money is provided. Expenditure incorrectly charged to a vote shall be disallowed”.</i></p> <p>The disallowed expenditure must be recovered and paid back to treasury.</p> <p>S.22 (5) of the Corrupt Practices and Other Related Offences Act provides as follows:</p> <p><i>“Any public officer who transfers or spends any sum allocated for a particular project, or service, on another project or service, shall be guilty of an offence under this Act and on conviction be liable to one year imprisonment or a fine of fifty thousand naira”.</i></p> <p>Virements can only be done under S.27 (2) of the Fiscal Responsibility Act</p> <p><i>“Without prejudice to subsection (1) of this section, the Minister may in exceptional circumstances and in the overall public interest, recommend for the approval of the National Assembly virements from subheads under heads of account, without exceeding the amount appropriated to such head of account”.</i></p> <p>FR 301 states:</p> <p><i>“The Annual Estimates and Appropriation Act are instruments used to limit and arrange the disbursement of the funds of the Federal Government. No expenditure may be incurred except on the authority of</i></p>
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			<p>a warrant issued by the Minister of Finance. No expenditure may be incurred by any officer on any service, whether or not included in the Estimates, until he has received an authority to do so in accordance with one of the following provisions in these rules and regulations. "Any officer controlling a vote, or part thereof, who incurs expenditure without such authority does so on his sole responsibility and will consequently be held pecuniarily responsible for his actions".</p>
20	<p>Irregular payments/ payments of unapproved salaries or unauthorised allowances to staff</p>	<p>(i) Misapplication and misappropriation of government funds (ii) Illegality of payments</p>	<p>Irregular payments in unauthorised allowances to staff contravenes Circular Ref. No SWC/S/04/ S.167/216 of 12th February, 2004, which states that all self-funded federal Parastatals and Agencies which wish to monetise their fringe benefits, should always submit the proposal package to the National Salaries, Income and Wages Commission for necessary evaluation and approval before implementation.</p> <p>Money paid out without evidence of authorisation from the appropriate authority, proper documentation or evidence of proper contracting should be recovered by the Accounting Officer and paid back to Treasury. Otherwise, the Accounting Officer/public officer should be removed from his schedule in accordance with FR 3106 which states:</p> <p><i>"A public officer who makes an irregular payment from public funds, shall be given 21 days notice to offer an explanation. Where no satisfactory explanation is given, the amount involved shall be recovered from the officer and such officer shall be removed from the schedule".</i></p> <p>Also, FR 3111 states that:</p> <p><i>"A public officer who receives a query involving an overpayment of public funds in respect of salaries and allowances to staff, shall be given 21 days within which to reply to the query and refund the amount</i></p>

			<p><i>overpaid. He shall also be disciplined in accordance with the Public Service Rules and if need be, the matter should be referred to the police for prosecution”.</i></p> <p>If the transactions leading up to this reveals a crime, prosecution by relevant agencies should follow.</p>
21	Engagement and payment of external solicitors without the consent of Attorney-General of the Federation	(i) Misuse of public funds (ii) Unauthorized expenditure	<p>Paragraph 2(a) of the Establishment Circular Ref. No. SGF/PS/CIR/625/1 of 16th July, 2003 states"... approval of the Honourable Attorney-General of the Federation should be obtained before External Solicitors/Advocates are hired, and legal fees agreed upon by Ministries and their Parastatals/Agencies for any service rendered." Furthermore, paragraph 2(b) of the Establishment Circular Ref. No. SGF/PS/CIR/625/1 of 16th July, 2003 requires that claims for professional fees, should be submitted to the Honourable Attorney-General of the Federation for clearance and approval and be accompanied by the relevant Letter of Instruction and a Comprehensive Report on the services rendered, supported by relevant copies of process filed on behalf of the Government before payment.</p> <p>FR 3106 states:</p> <p><i>“A public officer who makes an irregular payment from “public’ funds, shall be given 21 days notice to offer an explanation. Where no satisfactory explanation is given, the amount involved shall be recovered from the officer and such officer shall be removed from the schedule”.</i></p> <p>Public Service Rule 030402 (w) addresses "Any other act unbecoming of a Public Officer" and FR 3129 states:</p> <p><i>“Any officer who violates any other provision for which no sanction is specifically recommended shall be taken to have committed gross misconduct and shall be disciplined accordingly”.</i></p>

22	Payment for overseas travels and conferences without approval	(i). Loss of government funds (ii). Diversion of public funds (iii) breach of extant rules	The Federal Government of Nigeria, through Circular Ref: HCSF/CSO/HRM/Pol.1402/1 on Restriction of Foreign Trainings and International Travels by Public Servants, dated 22nd January, 2015, and effective 1st January, 2015, placed embargo on International Conference, Seminars, Workshops, Study Tours, Training, Presentation of Papers, Negotiating/ signing MoU abroad at Government expense, except they are fully funded by the sponsoring/inviting organizations. Where such travel is essential/strategic and to be funded by Government, it must be justified with the evidence of the source of funding to be approved by Head of Civil Service of the Federation (HCSF). Money spent on international travels/training without approval should be recovered by the Accounting Officer and paid back to Treasury.
23	Use of public funds for private functions	(i) Illegality of expenditure, (ii) Diversion of public funds	This would amount to stealing, abuse of office and other offences that should be prosecuted by law enforcement and anti-corruption agencies.  FR 401 (ii) is relevant:  <i>“The provisions of Regulation 404 notwithstanding, the ultimate responsibility to the Federal Executive Council for the control of votes rests with the Accounting Officers at all times. However, any officer making, allowing or directing any disbursement without proper authority shall be personally responsible for the amount involved and any officer whose duties require him to render accounts shall similarly be held responsible for any inaccuracies in his accounts”.</i>
24	P a y m e n t vouchers, contract files and records not presented for examination/audit; Payments made without	This impedes the ability of the Auditor-General to gather evidence, identify material misstatements, and issue a timely, useful opinion leading to incomplete audits, inaccurate financial	FR 110 states:  <i>“By virtue of the responsibilities and functions of the Accountant-General and Auditor-General or their representatives shall, at all reasonable times, have free access to books of accounts, files, safes, security documents and other records and</i>

	<p>p a y m e n t vouchers. Denial of access to documents</p>	<p>statements. This may be a plot to cover a crime, irregularities and violation of extant public finance management laws. Other risks include:</p> <ul style="list-style-type: none"> <li>• Misapplication of public funds.</li> <li>• Diversion of public funds</li> </ul>	<p><i>information relating to the accounts of federal ministries/extra ministerial offices and other arms of government or units. They shall also be entitled to require and receive from members of the Public Service such information, reports and explanations as they may deem necessary for the proper performance of their functions”.</i></p> <p>FR 601 states:</p> <p><i>“All payment entries in the cash book/accounts shall be vouched for on one of the prescribed treasury forms. Vouchers shall be made out in favour of the person or persons to whom the money is actually due. Under no circumstance shall a cheque be raised or cash paid for service for which a voucher has not been raised”.</i></p> <p>Furthermore, FR 603 (i) requires that:</p> <p><i>“All vouchers shall contain full particulars of each service, such as dates, numbers, quantities, distances, and rates, as to enable them to be checked without reference to any other documents and be supported by relevant documents such as local purchase order, invoice, special letters of authority, time sheets, etc.”</i></p> <p>Therefore, not providing outstanding payment vouchers or cases of missing payment vouchers and accounting records not presented for audit are offences that should be sanctioned under extant FR. The Accounting Officer should recover and pay back the due sums to the Treasury. The Attorney General of the Federation or EFCC or ICPC should consider prosecuting the officers involved for offences disclosed by their action and to recover the funds paid without supporting documentation.</p>
25	<p>Illegal custody/irregular possession of government vehicles</p>	<p>(i) Poor asset management (ii) Weak internal controls and (iii) Diversion of government property</p>	<p>Law enforcement and judicial action for the recovery of the vehicles</p>

26	Payments to third parties without power of attorney	(i) Internal control challenges (ii) possibility of fraud, (iii) unauthorized expenditure	<p>Recovery of the payments from the wrong payees and remit to the Treasury. If the provisions FRs 601 and 603 are complied with, such payment to a third party can never go through the payment process.</p> <p>FR 601 states:</p> <p><i>“All payment entries in the cash book/accounts shall be vouched for on one of the prescribed treasury forms. Vouchers shall be made out in favour of the person or persons to whom the money is actually due. Under no circumstance shall a cheque be raised or cash paid for service for which a voucher has not been raised”.</i></p> <p>Furthermore, FR 603 (i) requires that:</p> <p><i>“All vouchers shall contain full particulars of each service, such as dates, numbers, quantities, distances, and rates, as to enable them to be checked without reference to any other documents and be supported by relevant documents such as local purchase order, invoice, special letters of authority, time sheets, etc.”</i></p>
27	Irregular payments for unauthorised overseas medical expenses	(i) Internal control challenges (ii) possibility of fraud, (iii) unauthorised expenditure (iv) violation of due process	<p>S.46 of the National Health Act states:</p> <p><i>Without prejudice to the right of any Nigerian to seek medical check-up, investigation or treatment anywhere within and outside Nigeria, no public officer of the Government of the Federation or any part thereof shall be sponsored for medical check-up, investigation or treatment abroad at public expense except in exceptional cases on the recommendation and referral by the medical board and which recommendation or referral shall be duly approved by the Minister or the Commissioner as the case may be.</i></p> <p>Public Service Rules (PSR) 070206 (a) states:</p>

			<p><i>“Approval for journeys outside Nigeria for medical treatment will only be granted by the Head of the Civil Service of the Federation. The Federal Ministry of Health should be informed of such approvals accordingly. This will be confined to, based on the recommendation of the approved Health Care Provider, serious cases where a patient's life is in danger or where the examination is necessary for diagnosis of difficult cases or to ensure that a patient is fully recovered and able to undertake the duties of his office. Where the officer is treated as an out-patient, he will be entitled to estacode allowance at the appropriate rate”.</i></p>
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## 5.2 Summary

There is hardly an audit infraction without a legal response from the Financial Regulations and other subsidiary instruments. However, a few of the infractions have a direct principal law response like provisions in the EFCC and ICPC Establishments Acts. But most of the responses in the FR are administrative in nature involving the public/civil service bureaucracy and its administrative sanctions. Across the reviewed years, recurring audit breaches, particularly in non-remittance of revenues, unauthorised payments, and weak internal controls, account for the majority of observed infractions. These reflect systemic governance weaknesses that require structural reform rather than case-by-case response.

## Part Six

### Mismanaged Resources and the Opportunity Cost

#### 6.1 Introduction

This part presents a summary of parts of mismanaged resources identified in audit reports of the AuGF and the opportunity costs of such resources. It also shows some of the reconciliations based on the work and reports of the PAC.

#### 6.2 Federation Account Issues

The Federation Account is the Distributable Poll Account created by S.162 of the Constitution. By S.162 (1):

*The Federation shall maintain a special account to be called “the Federation Account” into which shall be paid all revenues collected by the Government of the Federation, except the proceeds from the personal income tax of the personnel of the armed forces of the Federation, the Nigeria Police Force, the Ministry or department of government charged with responsibility for Foreign Affairs and the residents of the Federal Capital Territory, Abuja*

It is from this account that resources are distributed to the federal, state and local governments. Table 9 shows the unauthorised deductions from the Federation Account.

**Table 9: Federation Account Related Issues**

Unauthorised Deductions from Federation Account	N6,649,041,880,599.73
NNPC	5,079,215,003,493.96
FIRS	951,768,799,469.93
DPR	538,637,899,264.58
NCS	79,420,178,371.26
This excludes the sum of <b>\$1,278,364,595.49</b> deducted by NNPC in year 2019.	

**Outstanding Revenue Arrears:** Over the period, revenue arrears due from NNPC was **\$253,952,693.07** while FIRS had **N79,754,361,108.56** and **\$2,260,448,992.45** as pending tax liabilities not yet recovered.

**Non-Disclosure of Recovered Funds:** In year 2019, the CBN recovered the sum of **\$40,502,645.06**. This was neither paid into the Federation Account nor disclosed.

**Under Remittance of Federation Account Revenue:** Between 2014-2021, the NNPC under-remitted the sum of **N11,190,081,043,396.80**; this amount excludes the direct

deductions made by the same agency before making remittance to other agencies for onward deposit into the Federation Account. The NCS also under-remitted a total of **N29,315,152,765.71** within the period while FIRS reported the sum of **N633,545,366.98** as funds in transit in the year 2018.

**Others:** The Federation Account was also overcharged through account heads like revenue collection fees, tax refunds, reconciliation debits, deductions to fund projects, etc. Such that in 2021, NNPC, NUPRC and NMDPRA were to instructed to recover and refund a total of **N514,002,589,258.24**, **N253,071,907,240.06** (as well as **\$253,952,693.07**) and **N57,440,319,298.33** respectively into the Federation Account.

*Source:* Taken from Audit General's Reports 2014-2021

These figures, when added up, are in excess of twenty trillion naira, being products of queried, withheld or mismanaged funds at a time the Federating Units were massively borrowing to finance governance and developmental operations. It appears from PAC reports that these issues especially from NNPC are not easily resolved at the PAC and sometimes require special public hearings by a special committee of the National Assembly before they are resolved and harmonised. Furthermore, some of the issues remain outstanding and unresolved for over ten years.

For instance, in 2025, the interim report of the Senate ad-hoc Committee on Crude Oil Theft and unaccounted Crude Oil Proceeds revealed an estimated **\$200 billion to \$300 billion in unaccounted crude oil proceeds and losses** over several years. Over \$18 billion has been committed to the rehabilitation of NNPC's refineries in over a decade but none of refineries is functional. The refinery liability is a clear case of *res ipsa loquitur*- the thing speaks for itself. Any person or group of persons who under any guise collected money from the treasury to deliver a service and the service is not delivered should automatically return the money to the treasury.

### **6.3 Amounts Queried by Audit**

Reports of the AuGF are products of empirical evidence and consistent rigorousness. The auditee prepares its accounts and financial statement which is reviewed by the AuGF and where there are discrepancies, apparent violations, etc., the AuGF raises issues and queries for clarification or justification of action or inaction by auditee. It is only when the response of the auditee is unsatisfactory or the auditee fails, neglects and refuses to provide a response that the AUGF upscales the infraction into the audit report. The audit report is not political or a witch hunt but a product of an established process recognised in Nigeria and across civilised humanity. Table 10 shows the highlights of the amounts queried.

**Table 10: Amounts Queried from Audit**

<b>S/N</b>	<b>ISSUES</b>	<b>TOTAL</b>
<b>1</b>	<b>Failure in Revenue Generation and Remittances of MDA</b>	<b>489,421,559,045.85</b>
<b>A</b>	Non-Remittance of % of Internally Generated Revenue and Unspent Funds into Consolidated Revenue Fund	314,393,555,802.39
<b>B</b>	Non-Deduction/Under-Deduction and Non-Remittance of Statutory Stamp Duty	67,184,019,155.03
<b>C</b>	Violation of Federal Government's Directive on the Transfer of Balances from Commercial Banks to the TSA	720,000,000.00
<b>D</b>	Unrecovered Tax Liabilities by FIRS/Government Revenue Unaccounted for	107,123,984,088.43
<b>2</b>	<b>Irregularities in Contract Award/Payment/Execution</b>	<b>317,392,701,685.41</b>
<b>A</b>	Irregularity in Payments for Contracts	4,634,795,119.36
<b>B</b>	Award of Contract Without Due Process	41,347,937,533.47
<b>C</b>	Over Invoicing/Inflation of Contract	5,481,096,870.41
<b>D</b>	Irregularity in Contract Award	46,424,120,730.33
<b>E</b>	Payment for Services not Rendered/Incomplete Projects	202,835,138,138.57
<b>F</b>	Unauthorized Contract Variation	448,554,645.27
<b>G</b>	Violation of Approval Threshold	11,375,971,928.34
<b>H</b>	Contract Splitting	4,845,086,719.66
<b>3</b>	<b>Irregularities in Payments/Expenditure</b>	<b>1,020,855,791,881.67</b>
<b>A</b>	Outstanding Payment Vouchers/Missing Records/Accounting Records not Presented for Audit	131,855,907,945.67
<b>B</b>	Irregular Payments/Irregular Payments of Allowances	355,352,240,939.45
<b>C</b>	Payments Made Without Supporting Documents	39,492,397,044.89
<b>D</b>	Violation of E-Payment Policy	20,949,666,921.71
<b>E</b>	Extra Budgetary Payments	285,314,940,146.41
<b>F</b>	Unauthorized Payment/Virement	9,192,451,997.29
<b>G</b>	Unauthorized Foreign Trips	3,622,599,296.58
<b>H</b>	Misapplication of Expenditure	36,088,417,926.88
<b>I</b>	Payments without Prepayment Audit	8,622,790,809.03
<b>J</b>	Payments to Third Parties without Power of Attorney	439,688,368.76
<b>K</b>	Expenditures Not accounted for	129,521,486,677.22
<b>L</b>	Payments without Re-validation of Paid vouchers	403,203,807.78
<b>4</b>	<b>Supply Items Not Taken on Store Charge</b>	<b>12,062,749,213.76</b>
<b>5</b>	<b>Unretired Cash Advances</b>	<b>27,622,644,640.60</b>
<b>6</b>	<b>Circumvention of Procurement Procedures</b>	<b>14,049,528,664.78</b>
<b>7</b>	<b>Unrecovered Loans/Outstanding Loans &amp; Income</b>	<b>2,914,791,526,772.05</b>
<b>8</b>	<b>Engagement of External Solicitors Without the Consent of Hon. Attorney-General of the Federation</b>	<b>963,510,954.05</b>
<b>9</b>	<b>Illegal Custody of Government Vehicles</b>	<b>1,523,691,739.38</b>
	<b>Total</b>	<b>4,798,683,704,597.55</b>

Source: Taken from Audit General's Reports 2014-2021

Table 11 shows the year by year aggregate amounts queried.

**Table 11: Amounts Queried from Audit on Yearly Basis**

<b>YEAR</b>	<b>AMOUNT (N)</b>
2014	62,538,180,000.00
2015	204,536,000,000.00
2016	302,563,000,000.00
2017	80,080,049,410.99
2018	109,475,900,401.63
2019	381,873,469,640.59
2020	149,178,072,350.36
2021	3,508,439,032,793.98
<b>TOTAL</b>	<b>4,798,683,704,597.55</b>

*Source:* Taken from Audit General's Reports 2014-2021

#### **6.4 Reports of the PAC upon Consideration of AuGF's Report**

In the consideration of the 2015 AuGF's report, 46 MDAs had their queries vacated while the PAC sustained the queries of 59 MDAs. The amount for queries sustained in 2015 was N116,270,866,594.77. For 2017, it was N1,385,170,759,615.29 while the 2018 figure was N90,816,246,048.64. In foreign currency, 2015 PAC report sustained \$3,586,130.33 and 364,478.06Euros. In 2017, it was \$13,283.85 while the 2018 figure was \$10,003,000.00. These are the only years where the PAC reports are available to the authors of this study.

The huge discrepancy between what the AuGF queried and the amounts that were eventually sustained by the PAC raises several posers. Is it that the AuGF did not do a thorough job? Was the AuGF's report hastily done? What happened in-between the AuGF's report and the consideration by the PAC? Were audit query challenges rectified, monies returned to treasury, advances retrieved, procurement issues rectified? In good faith, the first and second posers cannot be answered in the affirmative.

In respect of MDAs that failed, refused and neglected to respond to the PAC, the reasonable expectation was that the PAC would have exercised the power to issue summons and compel attendance of the Accounting Officers under S.89 of the Constitution. But there is no indication that this power was utilised.

#### **6.5 Opportunity Costs**

The opportunity cost of the weak audit regime is about the foregone benefits that would have accrued if the system was working optimally. It includes financial losses and losses beyond money. This includes the developmental cost, the benefits that would have accrued from the rule of law and its due process. A few of these costs will be briefly discussed.

**6.5.1 Debt Challenge:** Nigeria debts rose from N12.118trillionas at 30<sup>th</sup> June 2015 to over N152.398trillion in June 2025. The geometric increase in debts may have been avoided if the

moneys and resources identified in audit reports were not mismanaged or have been returned to treasury for public use.

**6.5.2 Social Indicators:** Mismanaged resources are opportunities lost in the improvement of social indicators in education, housing, food, nutrition and health. High negative indicators in out of school children, maternal and child health, stunting, housing deficits, public universities without functional libraries and laboratories, would have been ameliorated through value for money expenditure across the sectors.

**6.5.3 Infrastructure Deficit:** The poor-quality roads, absence of a functional rail system, pervasive darkness, very low megawatts of electricity on the public grid and very poor quality or absence of critical infrastructure are to some extent attributable to the mismanagement of available resources.

**6.5.4 Implications for Trade:** Resources meant for rehabilitation of refineries which were mismanaged facilitates the continued importation of petroleum products. This negatively affects our balance of trade. Nigeria could have enjoyed more trade surplus if audit had facilitated value for money in our petroleum sector activities. This would have also reduced the pressure on the Naira and its value would have been far better than the current exchange rate.

**6.5.5 Employment:** Value for money public investments in infrastructure, agriculture, social sector, etc., would have led to a greater ease of doing business, more value addition and profitability of Nigerian firms and this would have increased their ability to employ more Nigerians and pay decent wages.

**6.5.6 Reduction of Poverty:** Effective public service delivery, increased viability of the private sector firms and access to improved social services will create more jobs and value addition. This would have reduced poverty especially in its multi-dimensional nature through improvements in the standard of living.

**6.5.7 Rule of Law Challenge:** The core principles of accountability, transparency, fair and impartial justice, certainty of legal obligations and results, stability are sidestepped when laws and policies related to audit are breached on a regular basis.

**6.6.8 Reduced Public Trust in Government:** The weak audit regime reduces public trust in government because citizens trust the work of the AuGF and the reports as reflective of the actual state of governmental resource use. They believe in its objectivity and when no action is taken to recover mismanaged resources, bring offenders to justice or provide guarantees of non-repetition of financial felonies, trust in government's ability to manage public resources is reduced.

## 6.6 The Case for Reform

The humungous amounts found mismanaged by audit reports at a time the federal government is borrowing massively, macroeconomic indicators are headed south<sup>73</sup> and Nigeria had passed through two recessions creates solid evidence to support the case for audit reforms. In accordance with the Lima Declaration, audit is not an end in itself but an indispensable part of a regulatory system whose aim is to reveal deviations from accepted standards and violations of the principles of legality, efficiency, effectiveness and economy of financial management early enough to make it possible to take corrective action in individual cases, to make those accountable to accept responsibility, to obtain compensation, or to take steps to prevent - or at least render more difficult such breaches. These key features of audit are lacking in the extant Nigerian federal audit system.

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<sup>73</sup> Nigeria went into recession twice between 2015 and 2023, specifically in 2016 and 2020; inflation was in excess of 30% in 2024; high levels of unemployment; acceleration of multidimensional poverty; access to credit hampered by monetary policy rates in excess of 27%, etc.

## Part Seven

### Political Economy Analysis

This part is drawn from discussions at focus group discussions, key informant interviews, and analysis of questionnaires distributed to critical stakeholders.

#### 7.1 Context and Historical Legacies

The legacy of colonialism and military dictatorship did not encourage a culture of “open audits” in terms of **government's commitment to fiscal transparency and public participation** in the auditing process where reports indicting the government of the day were released and freely discussed. The stunting of the democratic process since 1999 has continued the norm. Historical suppression of audit reports and retaliation against auditors for stating the facts as they are creates a culture of fear. Although President Obasanjo purportedly acted under the authority of S.86 of the Constitution,<sup>74</sup> the removal of Acting Auditor-General Vincent Azie in 2003, following Azie's release of a 2001 audit report that uncovered significant corruption and financial mismanagement in the government set a dangerous precedent. *“When auditors see their bosses humiliated or pushed out for being too bold, it sends a message - keep quiet or lose your seat,”* a participant at an FGD recalled.

Rent-seeking practices tied to Nigeria's resource economy continue to obstruct transparency. Several participants noted that extractive rents fuel patronage, making audit institutions appear irrelevant in the face of entrenched political deals. Cultural values shape expectations, citizens often perceive officeholders as entitled to a share of the public wealth. *“Public office is seen as harvest time, and accountability sounds strange in that mindset,”* Values undermining accountability include partisan loyalty, godfatherism, disdain for due process, and normalisation of corruption. A participant lamented: *“It has become routine to treat audit queries as political noise. Unless you belong to the wrong camp, nothing happens.”* There was emphasis on the urgent need for institutional independence and citizen-driven pressure to close these gaps.

COVID-19 exposed audit weaknesses in emergency spending, as billions were disbursed without robust checks. Participants agreed the pandemic highlighted the urgent need for flexible yet accountable frameworks. *“Crisis was used as cover, processes were suspended, but accountability never returned,”* said one civil society voice.

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<sup>74</sup> 86. Appointment of Auditor-General. (1) The Auditor-General for the Federation shall be appointed by the President on the recommendation of the Federal Civil Service Commission, subject to confirmation by the Senate. (2) The power to appoint persons to act in the office of the Auditor-General shall vest in the President. (3) Except with the sanction of a resolution of the Senate, no person shall act in the office of the Auditor-General for a period exceeding six months

## 7.2 Understanding of Audit Function and Power Dynamics

The goal of an audit is to provide citizens with a credible independent opinion on the accuracy and fairness of financial statements and compliance with regulations, fostering trust and confidence in the government's financial integrity. Audit functions include verifying financial data, assessing and strengthening internal controls, detecting fraud, ensuring regulatory compliance, and providing assurance to citizens, investors, creditors, and other users of financial information. The audit function serves as a watchdog, checking waste, misuse of resources, and promoting accountability. *“Audit is the people's insurance policy against waste,”* one FGD participant remarked, stressing that it is not simply a technical compliance exercise but a democratic safeguard that strengthens public trust. The Auditor-General's office was described as a senior custodian of accountability but weakened by underfunding, politics and power play. *“The Auditor-General sits at the top of anti-corruption agencies, but without funding and independence, it becomes a ceremonial office,”* noted an FGD participant. While the Auditor-General and PACs issue reports, their recommendations are left unimplemented as the enforcement mechanisms are ignored.

Powers and duties in audit are dispersed among actors as shown in Table 12. Auditor-General, PACs, ministers, Ministry of Budget and Economic Planning, accounting officers - permanent secretaries, director generals, anti-corruption agencies for follow up on audit reports, contractors collaborating with MDA staff on bypassing rules, and political godfathers shielding allies indicted in audits. Other critical stakeholders include the media, professional associations and civil society organisations. These actors collaborate, sometimes in complex ways, to ensure public resources are used effectively, transparently, and with integrity, playing roles from conducting audits to monitoring public funds and mobilising citizens for accountability.

**Table 12: Stakeholder Mapping of Powers and Duties in Audit Reform**

Institution	Positive Duties and Intervention Opportunities	Anti-Audit Reform Capabilities
President of the Federal Republic	The leader and head of the executive arm of government, sets administration's agenda and selects priorities. Power to assent to audit reform bills to become law after enactment by NASS. An executive bill for audit reform provides the best opportunity for reforms. Directs the process of implementing audit recommendations.	Not prioritizing audit/anti-corruption reforms. Ignores and fails to lead/direct the implementation of audit recommendations.
Leadership of National Assembly	The leaders of the National Assembly in the Senate and House of Representatives are very influential and bills sponsored by them will easily be passed by NASS. Directing NASS oversight responsibilities towards audit reforms.	Not prioritising audit/anti-corruption reforms in legislative proceedings. Ignores and fails to deploy oversight for audit reforms.

Public Accounts Committees	Considers the AUGF's reports, prepares PAC reports and ensures that they are laid in House or Senate respectively. Duty bound champions for the campaign for independence, improved funding and reforms of the office of the AuGF.	Delays in considering reports and laying them before the House and Senate; Not harmonising diverse views of the Senate and the House in specific cases. Refusal to champion audit reforms and improvements in financing and independence.
Auditor-General	Constitutional responsibility for timely and comprehensive audits; responsibility for producing and implementing a stakeholder engagement plan including the media. Championing the need for comprehensive audit reforms.	Business as usual attitude to constitutional duties and stakeholder engagement.
Anti-Corruption Agencies: EFCC, ICPC, Police, CCB, etc.	AuGF's and PAC's work and reports provide prima facie evidence for filing cases in court, assets recoveries, and further investigations	Ignoring audit and PAC recommendations
Accountant-General	The chief accounting officer of the receipts and payments of the Federal Government and the constitutional responsibility to prepare and present the credible, comprehensive and timely financial statement to the AuGF. The beginning of the work of the AuGF in this regard is contingent upon the performance of the Accountant General's duties.	Delays in preparing financial statements or providing inaccurate financial statements and response to AuGF's queries.
Accounting Officers	The Accounting Officer is to ensure that proper budgetary and accounting systems are established and maintained, essential management control tools are in place to enhance internal control, accountability and transparency. Charged with rendering monthly and other financial accounting returns to the Accountant General; to personally appear before PAC to answer audit queries, etc. Credible performance of these duties will facilitate audit work and makes it less cumbersome.	Failure to establish or enforce systems and processes to facilitate accountability and transparency; failure or late rendition of appropriate returns and refusal to answer AuGF's queries and to appear before PAC.
MDA Staff	They are auditees responsible for providing their accounting and financial information to the Accountant General (who complies and forwards to the AuGF) as well as responding to audit queries and information requests from the AuGF.	Refusal to provide or late provisions of financial reports and information as well refusal to respond or late response to audit queries.

Budget Office of the Federation/ Ministry of Budget and Planning	Plays a key role in setting of budget ceilings, budget vote allocations and releases and could facilitate improved funding of the office of AuGF.	Treating the AuGF as another MDA that should not be prioritised in budgeting – size of votes and subsequent releases.
Civil Service Commission	With the extant legal regime, to ensure that the OAuGF is properly taken care of in terms of human resources requirements.	The Commission may feel that the proposed Audit Service Commission may encroach on their constitutional “turf” (a) to appoint persons to offices in the Federal Civil Service; and (b) to dismiss and exercise disciplinary control over persons holding such offices. <sup>75</sup>
Contractors and Service Providers	They provide services, goods, works to MDAs in the execution of the capital budget. Delivering value for money and following requisite legal steps will facilitate the audit function.	Colluding with MDA leadership/staff in violation of the Public Procurement Act and required ethical conduct in the delivery of services and provision of goods and works.
Civil Society and Media	They follow the money as watchdogs and monitor and report on issues of audit due process including performance of duties by MDAs, Accounting Officers, Accountant-General, AuGF and the PAC. Simplification of audit reports, expert analysis to shape public opinion and influence reforms.	Relenting on their role and performance of duties
Professional Associations	Professional Associations have codes of ethical conduct that include prohibitions of violations of due process and unethical conduct including theft, stealing, procurement malfeasance, mismanagement of public property, etc.	Refusal to prioritise ethical conduct of members and sanction professional and other misconduct in the audit arena.
Traditional and Religious institutions	May not be directly involved in audit but they remain custodians of culture and values and provides the compass to guide the conduct of auditors and auditees. Highly influential on shaping public opinion.	Staying aloof in debates and discourse on audit reforms anti-corruption or supporting the status quo.

<sup>75</sup> Third Schedule of the 1999 Constitution.

Interest groups can influence audit policy and performance by using information, financial, and media resources to lobby regulators and legislators, participate in advisory bodies, and shape public opinion. They can provide expert analysis to gain access and influence or use financial contributions and media campaigns to highlight their agenda. This process is vital to policymaking but requires transparency to prevent disproportionate influence or capture by special interests.

Journalists and the media remain cautious in exposing infractions, pushing too hard can jeopardise access to officials and information. A participant from the media community shared: *“If you burn bridges with MDAs, you won’t even get the basic documents you need. So, there’s always a trade-off.”* Still, investigative journalism was credited with sustaining public interest in audit reform, even if its reach remains uneven.

### **7.3 Legal and Institutional Issues**

Absence of a Federal Audit Act was repeatedly flagged as a systemic weakness. *“Without a binding law, the Auditor-General is like a watchdog without teeth,”* one participant observed, underscoring the symbolic nature of attempting reforms without legal backing. Virtually all states in the Federation of Nigeria have reformed their audit laws under SFTAs while the federal law remains unreformed. There is a credibility gap between state and federal practice and the gap is widening, with some states publishing audit reports more regularly than the Federation itself. *“This reversal of logic, where states are more transparent than Abuja, should worry every citizen,”* an expert cautioned.

Compared to Ghana where the Auditor-General has constitutional powers to sanction, Nigeria's federal Auditor-General remains dependent on political goodwill. Several interviewees agreed that this dependence turns implementation of audit reports into a political discretion and negotiation rather than a rule-based obligation. *“Our system gives too much room for discretion, and discretion is the doorway to abuse,”* a legal practitioner noted. Statutory reporting obligations are frequently ignored by MDAs and NASS, creating a vicious cycle where laws and regulations are obeyed in the breach.

Until recently when the first completed audit cycle work was done from the Auditor-General, PAC, to adoption by the House and Senate, institutional lethargy marred audit work. PACs did not appear to have understood their mandate and did not accord their role the urgency it deserved.

Deliberate underfunding of the AuGF by the executive which sets the audit budget ceiling alongside the ceiling of other MDAs is a hindrance to audit work. The refusal of the legislature to intervene to increase the audit vote is also another critical area of concern. Considering that the 2023 and 2024 audit reports have not been released by the AuGF in 2025, the expectation is about increases in the 2026 funding to ensure that backlogs are cleared. If a request for increased funding comes from the AuGF, it can only be sustained and approved by the legislature.

Stakeholders therefore advocated a **first-line charge on the consolidated revenue fund** for the Auditor-General's office, similar to the judiciary's model. *“If you keep audit financing at the mercy of the executive, you undermine its independence before it even begins,”* a public finance management expert argued. Others stressed that predictable and autonomous financing is crucial for professional development, adoption of technology, and timely publication of reports. Without this, Nigeria risks perpetuating an audit function that is structurally weak and perpetually underfunded.

The key recommendations for improvement under this sub-heading are:

- *Strengthen Institutional Capacity:* Provide the AuGF with more funding and invest in training skilled personnel to improve audit quality and scope.
- *Combat Political Interference:* Implement measures to ensure the independence of the audit process from political interference.
- *Improve Internal Controls:* Strengthen internal control systems to prevent financial mismanagement and enhance resource management.
- *Enhance Professional Standards:* Ensure auditing staff are properly qualified and adhere strictly to professional and statutory standards.

#### **7.4 Economic and Financial Aspects**

Rising poverty, unemployment, double digit inflation, petroleum subsidy removal and naira devaluation increases the cost of living and drives petty corruption, which adds up to large sums when aggregated by audit. Interviewees and participants at FGDs emphasised that when civil servants and frontline officers are very poorly paid and face declining real incomes, the temptation to steal, mismanage public resources, manipulate records or demand “facilitation fees” increases. *“You cannot separate economic hardship from everyday corruption, when survival is on the line, rules bend easily,”* one participant explained. They noted that such practices, though often dismissed as “small,” accumulate into systemic leakages that weaken trust in public institutions. *When a director in an MDA*

*who earns less than four hundred dollars a month is placed in charge of a procurement process that ends up awarding millions of dollars in contract, some rules are bound to be bent or ignored* – an interviewee noted.

## **7.5 Operational Challenges**

Major gaps include staffing shortages, outdated technology, poor logistics, and limited access to MDA records. Participants noted that many audit offices still rely on manual processes, making them vulnerable to data loss, manipulation, and inefficiency. *“In some states, auditors still carry files in bags from one office to another, how can they function effectively in a digital era?”* one participant asked.

Steps taken to ameliorate this challenge include incremental capacity building and modest budget increases, but implementation remains weak. Training often lacks continuity, and new skills are underutilised due to resource constraints. *“We attend workshops, but when we return, there are no computers or software to apply what we learned,”* an auditor explained. Participants agreed that without sustained investment in tools, infrastructure, and systemic access to MDA records, reforms will remain cosmetic. They stressed that operational challenges are not merely technical gaps but structural bottlenecks that limit the credibility and timeliness of audit work.

Key recommendations under this subheading include reforms that cover and assures the following:

- Independence of the Supreme Audit Institution (SAI)
- Undisturbed leadership and direction
- Where AuGFs are allowed to come up with measures to ensure that the SAI's managers and staff can carry out the audit according to international standards and other requirements.
- Human resource development policy (including recruitment, remuneration, retention, performance management system, career development, training, staff welfare, professional development, job rotation, and exit) are determined by the Auditor-General's office with no external intervention.

Quality control measures and quality assurance should include:

- SAI policy and procedures
- Roles and responsibilities well defined

- Type of review specified and planned, including nature, scope and frequency.
- Implementation of a quality assurance handbook or guidance for full compliance to international standards.

## 7.6 Political Economy Dimensions

Agencies resist audits to conceal corrupt practices. Participants described a culture of obstruction where MDAs delay responses, deny access to records, or intimidate auditors. *“Audit is seen not as a constitutional duty but as an intrusion, so the default reaction is resistance,”* one FGD participant observed.

Beneficiaries include politicians, contractors, auditors who collude, and rent-seeking elites who thrive in opaque systems. *“The system rewards those who know how to hide information, not those who disclose it,”* a civil society voice added. This entrenched network of beneficiaries ensures that reforms stall at critical moments.

Losers are citizens, taxpayers, civil society, and ultimately Nigeria's development agenda. Participants stressed that poor audit culture translates into failing services, mismanaged resources, and eroded trust. *“Every naira lost to corruption is a school unbuilt, a hospital unfunded,”* a journalist summarised, underscoring the human cost of audit failure.

Fraud, misappropriation, graft, substandard service delivery and weak legitimacy of the political system are the products of an unreformed audit system, while the beneficiaries are political class (both in the executive and legislature) and the private sector participants that receive kickbacks or no punishments for the violation of audit rules or suffer no consequences for their abuse of the system.

## 7.7 Reform Opportunities

Urgent passage of the Federal Audit Bill was highlighted as the single most transformative step. *“Without a law, we are just talking in circles, an Act gives permanence to reform,”* one participant noted. Granting the Auditor-General immunity and true independence was also emphasised. Participants noted that this would shield the office from arbitrary dismissal or political intimidation, enabling it to act boldly.

Adoption of digital audit systems, including real-time data analytics, was seen as a way to minimise manipulation and accelerate reporting. *“Technology doesn't just speed up work, it reduces the room for compromise,”* an auditor remarked.

Stronger citizen participation, public interest litigation, and continuous advocacy to popularise audit reports were proposed to sustain momentum. Civil society voices stressed that reforms will only stick if citizens demand accountability consistently, not just in moments of scandal.

Experts acknowledged that to facilitate audit reforms, there is the need for a President that acknowledges and accepts the importance of Audit; a Ministry of Finance that does not wait for the President's body language before supporting the audit function; an Accountant-General that plays its role without being pressured to provide the necessary information; a National Assembly that amends laws inimical to the success of audit and that provides timely, transparent, citizen-focused and accountable collaboration with the SAI.

The political economy of audit reform reveals that entrenched interests, weak enforcement, perverse incentives, and executive dominance sustain audit inefficacy. Reform must therefore target both technical and political levers of power.

## **Part Eight**

### **Findings, Recommendations and Conclusions**

#### **8.1 Synthesis of Findings**

This Study finds that Nigeria's federal audit system stands at a critical crossroad. Decades of institutional inertia, weak legal enforcement, and pervasive political interference have eroded the deterrent power of public audit. Available laws do not cover the field while the powers, functions and duties of the AuGF are not reflective of the modern audit function. Evidence from field discussions and key informant engagements reveals a broad consensus that genuine reform must begin with accountability for inaction across the audit chain. Participants emphasised that although audit reports are not prepared on time and submitted as constitutionally required, the absence of enforceable sanctions or structured follow-up transforms the process into a procedural ritual rather than a mechanism for justice or reform.

The analysis further indicates that Nigeria's audit dysfunction is not primarily due to a lack of technical expertise or data availability, but rather the absence of credible consequences for non-compliance. When individuals and institutions face no tangible repercussions for disregarding audit findings, non-responsiveness becomes normalised, and evasion becomes a rational choice. This systemic indifference sustains a cycle of impunity, undermining both institutional credibility and public confidence.

Underlying these weaknesses is an entrenched culture of political discretion, where enforcement depends more on administrative goodwill than on legal obligation. Audit findings are often delayed, contested, or quietly ignored, reflecting an accountability ecosystem where incentives favor concealment over compliance. The persistence of these failures demonstrates the urgent need for a consequence-based accountability framework that closes the gap between audit discovery and remedial action. Without such measures, the audit process risks remaining symbolic, producing information without impact and findings without follow-through.

#### **8.2 Political Economy of Audit Dysfunction: Constraints, Implications, and Reform Pathways**

**8.2.1 Constraints:** The political economy of audit dysfunction reveals a governance ecosystem dominated by rent-seeking incentives and executive overreach. Audit findings often implicate politically exposed persons or entrenched bureaucracies, leading to institutional resistance and muted enforcement. Both field participants and key informants agreed that the current incentive structure rewards opacity, discourages whistle-blowing, and insulates defaulters from sanction. Reform, therefore, must alter the cost-benefit calculus of non-compliance, making evasion more expensive than compliance.

At the core of the problem is the political capture of oversight institutions, where appointments, funding, and career progression are tied to executive discretion rather than merit or independence. This dependency weakens audit institutions, fostering a culture of selective accountability. The absence of systemic deterrence perpetuates a loop in which corruption becomes not just tolerated, but rationalised. Therefore, meaningful reform must go beyond legal codification to address the underlying distribution of power and incentives that sustain audit inertia and fiscal impunity.

This study finds that Nigeria's audit dysfunction is not primarily a technical failure, but a political economy outcome shaped by entrenched incentive structures. These dynamics have persisted despite repeated reform attempts, underscoring that improved laws, standards, or capacity, while necessary, are insufficient on their own. Where reform initiatives rely predominantly on the goodwill or self-correction of institutions that benefit from the status quo, such efforts are unlikely to gain traction or endure.

**8.2.2 Implications for Reform Design:** The political economy constraints identified above imply that:

- Reform strategies that assume institutional buy-in from the Office of the Auditor-General or the executive arm are high risk under current conditions.
- Technical assistance that is not paired with political leverage or external pressure is likely to stall.
- Accountability reforms must be driven, at least initially, by actors whose incentives are *not* aligned with audit opacity.

Accordingly, reform must be reconceptualised as an incentive-realignment exercise rather than an institutional capacity-building exercise alone.

The following reforms will not work under current incentives:

- Appeals to voluntary compliance by audited entities without credible enforcement.
- Reform action plans directed exclusively at the SAI or executive MDAs.
- Stand-alone legislative amendments without coalitions to defend and operationalise them.
- Generic “multi-stakeholder engagement” without identifiable leadership or convening authority.

**8.2.3 Feasible Reform Pathways Despite Resistance:** Even within a constrained environment, the analysis identifies several viable reform pathways:

- **Externalising Reform Pressure:** Leveraging actors outside the executive chain, particularly the legislature, judiciary, civil society/media, and development partners, to generate reputational, legal, and political costs for non-compliance.
- **Champion-Led Reform:** Anchoring reform initiatives around identifiable reform champions (e.g., legislative committee leadership, reform-minded Attorneys-General, professional bodies) rather than institutions as a whole.
- **Incremental and Demonstration Effects:** Piloting audit follow-up, public hearings, or enforcement mechanisms in targeted sectors or sub-national contexts to create proof-of-concept and momentum.
- **Embedding Audit Reform in Broader Governance Agendas:** Linking audit accountability to anti-corruption, procurement reform, fiscal transparency, and service-delivery outcomes where political salience is higher.

### **8.3 Legal and Institutional Imperatives**

A review of constitutional and statutory frameworks confirms that Sections 85–87 of the 1999 Constitution provide authority for audit but not enforcement. The repeated failure to pass the Federal Audit Service Bill has perpetuated dependence on executive goodwill and left the Office of the Auditor-General without operational autonomy. Lessons from Ghana, Kenya, and Rwanda show that legal codification of independence, mandatory response timelines, and budget-linked compliance can transform audit outcomes. Nigeria's next reform phase must embed enforcement provisions and legal clarity through constitutional amendment and statutory enactment.

Equally important is the creation of an institutional ecosystem that aligns incentives with accountability. The absence of an independent Audit Service Commission, clear sanction regimes, and guaranteed budgetary allocations has weakened institutional integrity. Reform must, therefore, go beyond legal drafting to establish robust administrative mechanisms that protect tenure, ensure predictable funding, and empower the AuGF to compel compliance. Only through such institutional redesign can the audit function become an instrument of deterrence and trust.

### **8.4 Operational and Governance Lessons**

The FGDs emphasised that audit credibility rests not only on statutory authority but also on **professional competence, institutional agility, and technological modernisation**. Effective audit reform requires operational efficiency combined with transparent governance

systems that promote accountability, responsiveness, and trust in public financial management. Participants therefore recommended the following measures:

**8.4.1 Timeliness and Accessibility:** Audit reports should be completed, validated, and published within eighteen **months of the fiscal year-end**, ensuring that findings remain relevant and actionable. This timeline should include submission of AuGF's report to NASS, PAC consideration and reporting, approval of PAC report by NASS and forwarding approved report to relevant agencies. A **national e-audit platform** should be developed to facilitate real-time data collection, public access to audit summaries, and digital submission of management responses. RoLAC and other development partners can support a civil society led campaign on this issue.

**8.4.2 Capacity and Technology:** Continuous professional education, certification programmes, and adoption of **digital audit tools**, including data analytics and automated risk assessment systems, can minimise manual bottlenecks, enhance accuracy, and reduce human discretion. Building a digitally skilled workforce will strengthen institutional resilience and improve the timeliness of reporting. RoLAC and other development partners can collaborate with the OAuGF to facilitate capacity building in technology adoption.

**8.4.3 Consequence Management Framework:** Establishing a **clear sanctions matrix** linking audit violations to proportionate financial, administrative, disciplinary and penal consequences will institutionalise deterrence. Enforcement should be standardised across MDAs to ensure consistency and equity in applying penalties for non-compliance or negligence.

**8.4.4 Civil Society and Media Engagement:** Independent oversight by the Auditor-General must be complemented by **active public participation**. Strengthening partnerships with civil society organisations, investigative journalists, and policy think-tanks will promote sustained public pressure for transparency, increase awareness of audit outcomes, and reinforce accountability in governance.

Additionally, Study participants noted that modern audit reform requires aligning process efficiency with accountability outcomes. This includes establishing inter-agency data-sharing protocols, automating query tracking, and integrating real-time dashboards for monitoring compliance. Embedding audit functions into the broader public finance management reform agenda, linking audits with procurement, budgeting, and expenditure tracking, will enhance systemic coherence. Governance lessons from comparative jurisdictions show that where digital systems interface seamlessly with civic monitoring, audit outcomes are not only faster but also more trusted and enforceable.

## 8.5 Strategic Recommendations

The following strategic recommendations flow from the body of the study.

**8.5.1 Enact the Federal Audit Service Bill** to grant statutory independence and enforcement powers, establishing the OAuGF as an autonomous constitutional authority comparable to the judiciary and anti-corruption agencies. RoLAC and other development partners could consider mainstreaming this issue in their election support work to civil society and the media so that political parties and candidates are asked to support audit reforms towards the 2027 elections.

**8.5.2 Amend Sections 85 - 87 of the Constitution** to compel executive and legislative responses within fixed timelines, ensuring that audit findings trigger mandatory corrective action. RoLAC and other development partners could consider support to CSJ and other CSOs to continuously raise this issue with the leadership and members of NASS, AuGF and relevant members of the Federal Executive Council.

**8.5.3 Legislative Accountability as a Reform Anchor:** RoLAC can prioritise support to ready and willing to collaborate Public Accounts Committees at federal and state levels by:

- Providing technical and legal advisory support for structured, time-bound audit hearings;
- Supporting public dissemination of PAC proceedings and findings;
- Protecting reform-minded legislators through visibility, peer networks, and technical backing.

This approach shifts audit enforcement from the executive to a constitutionally empowered but under-leveraged institution.

**8.5.4 Establish an Inter-Agency Audit Enforcement and Sanctions Committee** including the AuGF, EFCC, ICPC, the Police, Bureau of Public Procurement, Head of the Civil Service of the Federation, etc., to coordinate follow-up actions, recover monies to the treasury, prosecute offenders, ensure administrative sanctions, etc. This will help to embed audit issues in broader governance reform agenda. Audit reports can trigger corrective action from the Bureau of Public Procurement in identified procurement violations; anti-corruption responses from EFCC and ICPC and leakage blocking efforts by the fiscal authorities, etc. Development partners can convene this forum with the collaboration of CSOs.

**8.5.5 Increased Consequences for Non-Compliance:** In the interim, RoLAC and other development partners can support collaborations between CSJ, other CSOs and EFCC and ICPC to analyse audit reports, identify cases for follow up on recovery and prosecutions.

CSO deployment of Freedom of Information and mandamus proceedings should also be supported by development partners. Development partners can facilitate increased consequences for non-compliance with audit recommendations through support of strategic litigation and judicial enforcement of audit recommendations in select cases. This will introduce a legal risk for violating agencies and their key officials as well as develop precedent-setting judgments in favour of audit reforms.

**8.5.6 Guarantee Direct Appropriation to the OAuGF** through the National Assembly to eliminate executive funding control and insulate audit operations from political interference. The funding of the OAuGF should be a first line charge on the consolidated revenue fund of the Federal Government. Development partner support for CSO advocacy and engagements with NASS, post 2027 election constitution amendment process, BOF and other relevant agencies will be imperative.

**8.5.7 Link Audit Compliance to Budget Releases** by mandating the Budget Office to withhold funds from non-compliant MDAs, thereby embedding audit discipline into fiscal policy. Percentages of the internally generated revenue of self-funding agencies could be surcharged as sanction for non-compliance with audit processes and recommendations.

**8.5.8 Deploy a Digital Audit Dashboard** integrating OAuGF, PAC, and MDA reporting for real-time tracking, data analytics, and public disclosure. This should be supported by Development Partners.

**8.5.9 Institutionalise Multi-Stakeholder Oversight Forums** involving CSOs, media, and development partners to strengthen external accountability and sustained public engagement. It is also imperative to enact a statutory Whistle Blowers mechanism so that actionable information on infractions can be passed on to the AuGF without fear of retaliation or victimisation. RoLAC and other development partners can support the development of the Whistle Blowers legislation which will be used across the governance reform board including audit reforms.

**8.5.10 Improve Audit Relevance and Public Demand:** CSJ should be supported to produce citizens versions of audit reports being simplified and summarised versions of audit reports that can be easily read and understood by literate citizens. Development partners should partner with CSOs and investigative media to translate audit findings into citizen-focused narratives (service delivery, sectoral impact, etc.). This will drive public pressure and set agenda for change. It introduces enhanced public scrutiny, reputational cost for violators and increased political visibility that makes a case for audit reforms.

**8.5.11 Benchmark Federal and or State level Audit Performance:** It would be ideal for CSJ to produce a yearly Audit Assessment Index which rates federal and or state MDAs on their

performance based on critical audit indicators. This will facilitate the development of a *Performance Metrics* for audit published annually to measure progress and incentivise performance. This will give bragging rights to high performing MDAs and some sort of mild naming and shaming to laggards.

**8.5.12 Adopt a Consequence Management Framework** applicable across the accountability chain, specifying penalties, restitution, and administrative sanctions. The Consequence Management Framework can be prepared by CSJ in collaboration with the Conference of Auditors-General which is the umbrella body of the federal and state Auditors General. The collaboration with the Conference of Auditors-General will ensure its adoption at the federal and state levels. This should be supported by RoLAC and other development partners.

**8.5.13 Demonstrate Feasibility of Reform:** Pilot strengthened audit follow-up mechanisms in selected MDAs or states. This will have a demonstration effect for peer learning and proof of concept making it easier to adopt across the federation or target states.

**8.5.14 Institutionalise Continuous Dialogue and Peer Learning** through semi-annual review meetings, audit learning networks, and knowledge exchange with state and regional counterparts. There should be periodic peer review of the audit function at the subnational, national, sub-regional and regional levels. This would facilitate the identification of best in class performance standards through benchmarking and the speedy adoption of fit and good practices. A yearly development partner supported National Audit Review Dialogue will build on the in-year exchanges and knowledge exchange.

**8.5.15 Coalition-Building Beyond Formal Institutions:** Rather than generic multi-stakeholder platforms, Development Partners should invest in:

- Small, purpose-driven reform coalitions with clear leadership;
- Engagement of professional bodies, retired audit officials, and reform-credible elites;
- Issue-based coalitions tied to high-salience sectors (health, education, infrastructure).

These strategic actions together represent a coherent reform pathway, linking legal empowerment, operational independence, digital modernisation, and citizen engagement, to transform audit from a procedural exercise into a credible accountability instrument driving fiscal integrity and governance reform.

## **8.6 Priority Reform Actions (2025–2028)**

The reform pathway outlined above prioritises sequenced and mutually reinforcing actions to

ensure that legal reforms translate into institutional effectiveness and measurable accountability outcomes. It emphasises collaboration between oversight institutions, legislative actors, civil society, and professional bodies. The success of these reforms will depend on sustained political commitment, adequate resourcing, and transparent monitoring mechanisms that track progress annually.

The sequencing is as follows:

- Short term: Focus on legislative oversight, public pressure, and coalition-building.
- Medium term: Embed successful pilots and pursue targeted legal reforms.
- Long term: Re-engage core audit institutions once incentives begin to shift.

This sequencing recognises current resistance while preserving a pathway toward institutional reform over time.

The window for audit reform remains open. With legislative commitment, civil society advocacy, and executive accountability, Nigeria can build a 21st-century audit system capable of safeguarding public resources and strengthening democratic governance.

## **8.7 Conclusion**

The evidence is unequivocal: Nigeria's audit reform is both a fiscal and moral imperative. Without sanctions, transparency degenerates into theatre; without autonomy, audit becomes tokenism. The collective insight from the field engagements and expert deliberations confirm that credible audit reform must align institutional incentives with accountability outcomes. It must make compliance beneficial, non-compliance costly, and impunity impossible. Comparative experiences across Africa demonstrate that political will, legal clarity, and citizen engagement are the decisive factors that determine reform success.

Implementing these recommendations within the next reform cycle will reposition the OAuGF as a genuine guardian of fiscal probity, rebuild public trust, and elevate Nigeria's governance profile among international partners. The window for action is narrow but decisive; the cost of inaction will be measured not only in lost funds but in the continued erosion of democratic accountability.