

AUDIT ASSESSMENT INDEX

(AAI)



Centre for Social Justice (CSJ)
(Mainstreaming Social Justice in Public Life)

**This work is supported by “Improving the Effectiveness of Federal
Audit Process and Reforms” Project**

First Published in December 2020

By

Centre for Social Justice (CSJ)

Plot 836, Emmanuel Aguna Crescent, Off Idris Ibrahim, Off Obafemi Awolowo, Jabi.

P.O.Box 11418, Garki, Abuja

Tel: 08055070909, 08127235995

Website: www.csj-ng.org; Email: censoj@gmail.com; Blog: csj-blog.org

Facebook: Centre for Social Justice Nigeria: Twitter: @censoj

Researched and Produced By
Eze Onyekpere Esq. (Team Lead)
Fidelis Onyejebu
Ifebi Edozie

Centre for Social Justice (CSJ)

Table of Contents

Section One: INTRODUCTION	5
1.1 Background to the Audit Assessment Index	5
1.2 Context and Rationale of the AAI	7
1.3 AAI's Theory of Change	9
1.4 Goal and Objectives	9
1.5 Justification and Expected Impact of the AAI	10
1.6 Limitations of the AAI	11
Section Two: Audit Assessment Index Framework and Methodology	12
2.1 Conceptual Framework and Delineation of Good Audit Practice	12
2.2 The Audit Assessment Index	15
2.3 Methodology of AAI	19
2.4 AAI Template, Aggregate Scoring Framework and Structure of Responses	20
2.5 Selected Federal MDAs	21
Section Three: Audit Assessment Index Questionnaire	22
Part One: Access to Books, Accounts, Records and Information	22
Part Two: Extra Budgetary and Unauthorized Expenditure.....	23
Part Three: Failure in Revenue Generation and Remittances by MDAS	25
Part Four: Public Procurement and Disposal Infractions	26
Part Five: Unretired Loans, Advances and Violations of E-Payment Policy	29
Part Six: Monetary Value of Documented Infractions	30
Part Seven: Unauthorised Deductions from the Federation Account	30
Section Four: Audit Assessment Index (AAI) Results	31
4.1 Introduction to the Audit Assessment Index Results	31
4.2 Access to Books, Accounts and Records	31
4.3 Extra Budgetary and Unauthorised Expenditure	32
4.4 Failure in Revenue Generation and Remittances by MDAs	33
4.5 Public Procurement and Disposal Infractions	34
4.6 Unretired Loans and Advances	35
4.7 Monetary Value of Documented Infractions	37
4.8 Unauthorised Deductions from the Federation Account	38
4.9 Audit Assessment Index	39

Abbreviations and Acronyms

AAI	Audit Assessment Index
AUGF	Auditor General for the Federation
CBN	Central Bank of Nigeria
FR	Financial Regulations
MDAs	Ministries, Departments and Agencies of Government
INTOSAI	International Organisation of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards
PAC	Public Accounts Committee
PFM	Public Finance Management
SAI	Supreme Audit Institution

Section One

INTRODUCTION

1.1 BACKGROUND TO THE AUDIT ASSESSMENT INDEX

The Constitution of the Federal Republic of Nigeria 1999 (as amended) establishes the office of the Auditor General for the Federation (AuGF) and the federal audit function.¹ S.85 of the Constitution states that:

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.

(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.

(5) The Auditor-General shall, within ninety days of receipt of the Accountant General's financial statement, submit his reports to each House of the National Assembly which shall then cause the reports to be considered by a committee of the House responsible for public accounts.

The implication of this constitutional provision is that audit is considered a very high priority and objective of state policy.² Audit is considered crucial for the entrenchment

¹ Hereinafter called "Constitution" unless the context otherwise indicates.

² The Constitution is the fundamental law and any law inconsistent with it is null and void to the extent of its inconsistency. See s.1 (3) of the Constitution.

and consolidation of democratic principles and good governance, transparency and accountability, value for money as well as enhancement of development and continuous improvement of living standards. The Lima Declaration of Guidelines on Auditing Precepts (adopted at the IX Congress of the International Organisation of Supreme Audit Institutions-INTOSAI)³ 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 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.

The Audit Assessment Index (AAI) seeks to determine whether the foregoing attributes are available in the Nigerian audit regime; whether deviations from acceptable standards are revealed; whether corrective action follows individual cases of mismanagement; whether the treasury is compensated and those responsible for the violations accept responsibility. Also, it looks at whether there is impunity for violations of the fundamental principles of audit and whether the Nigerian society gets guarantees of non-repetition, compensation or the offenders are punished. For audit to meet the above attributes, it must be effective, and this will to a great extent be determined by the powers and resources available to the AuGF whose office is the Nigerian Supreme Audit Institution (SAI). Effectiveness will also be hinged on follow-up mechanisms and the collaboration between the AuGF and the pillars of integrity.⁴

Audit is a critical part of the public finance management (PFM) cycle and contributes to its credibility, comprehensiveness, etc. It is a process that traverses the entire PFM cycle from budget preparation, implementation up to reporting. It provides the empirical basis for PFM reforms as well as the basis for the determination of compliance with laws and policies. Furthermore, it is linked with curbing corruption in line with the Directive Principle of State Policy that the state abolishes all corrupt practices and abuse of power.⁵ The AuGF is seen as an agent for accountability by facilitating legislative oversight over the expenditure and management of public finances as well as providing citizens with an authoritative opinion of how well public finances have been managed.

³ Hereinafter called the Lima Declaration.

⁴ The Pillars of Integrity include the AuGF, the Public Accounts Committee of the legislature, the anti-corruption agencies, civil society and the media. They all need to collaborate to combat corruption and enthrone a rule-based PFM system.

⁵ S.15 (5) of the Constitution.

Audit is wide ranging and covers a plethora of subjects within PFM. A number of laws and subsidiary legislation provide the requirements and anchor for auditing at the federal level. They include the Finance (Control and Management) Act under which the extant Financial Regulations of 2009 were made, the Fiscal Responsibility Act 2007, Public Procurement Act 2007, different Treasury Circulars, Public Service Rules and the Code of Conduct for Public Officers found in the Fifth Schedule to the Constitution.

It is imperative to state that the AAI is based on AuGF's annual reports for the years 2014-2017. Standards and studies consulted in the preparation of the AAI include the plethora of standards developed by the International Organisation of Supreme Audit Institutions (INTOSAI) especially the Lima Declaration of Guidelines on Auditing Precepts, the Mexico Declaration on SAI Independence, International Public Sector Accounting Standards (IPSAS), the PFM Performance Management Framework and the Sovereign Fiscal Responsibility Index. Others include the Nigeria's premier Fiscal Responsibility Index, OECD Best Practices for Budget Transparency, Open Budget Index, Benchmarking and Assessment of States under the State Economic Empowerment and Development Strategies (SEEDS) of 2005, etc.

The AAI is anchored on the fact that beyond the annual reports of the AuGF and the legislative hearings in the Public Accounts Committee (PAC), audit is a closed affair that hardly attracts public attention. It virtually starts and ends with two reports - the AuGF's annual report and the PAC report - as a government initiative. Hence, the need for an independent civil society intervention that recognises good performance while encouraging moderate and poor performing Ministries, Departments and Agencies (MDAs) to strive for excellence.

1.2 CONTEXT AND RATIONALE OF THE AAI

Over the last two decades of the return to civil rule in Nigeria, various components of the PFM regime have undergone reforms in terms of new laws, policies and initiatives to bring them in conformity with modern realities. New laws in fiscal responsibility, public procurement, extractive industries, etc., have been enacted. However, the audit component has stagnated and on three occasions, Audit Reform Bills passed by the federal legislature did not get presidential assent. To complicate matters, the laws of the Federation 1990 which compiled extant laws before the review in 2004 failed to reproduce the old Audit Law as it stated that it was overtaken by constitutional provisions. It seems that audit is one of the weakest links of the PFM chain.

The 2014- 2017 Audit Reports indicates that 160 agencies defaulted in submission of audited accounts for 2016; 265 agencies defaulted in submission of audited accounts

for 2017; while 11 agencies have never submitted any financial statements since inception. Audit Reports seem to document a yearly repetition of fiscal felonies and misdemeanours as the infractions in year 2014 repeated in 2015, 2016 and 2017. It even seemed to get worse over the years. Things are not getting better, rather impunity seems to be increasing. Also, the performance of MDAs and their Accounting Officers in responding promptly to audit observations is yet to improve. Furthermore, federal audit reports are bulky, running into hundreds of pages and the details seem to be buried and hidden away from the public. The AAI presents the Federal Audit Reports 2014-2017 in a simplified way that highlights the key violations while encouraging MDAs to improve their management of fiscal and other resources. It seeks to complement the tremendous work being done by the AuGF over the years and for which there has not been an effective follow-up.

Although the AAI is an instrument for all times, there can be no better time to engage in the assessment and present same to the public than now when Nigeria has entered a second recession within five years. The recession is coming at a time of more than “quadruple whammy” with increased national indebtedness,⁶ reduced revenue inflow,⁷ double digit inflation,⁸ reduced foreign reserves,⁹ rising unemployment and youth restiveness,¹⁰ accelerated insecurity, and a nation deeply divided on the fault lines of increasing inequality and poverty.¹¹ Also, Nigeria has been designated the poverty capital of the world. There is over N10trillion in unrecovered and outstanding public monies compiled in federal audit reports. There is therefore the need to block leakages in the system, strengthen processes and systems through empirical adherence to rules, guarantee value for money and make the best use of available resources.

⁶ Nigeria’s total debt as at June 2020 stood at \$85.89bn and a further N11trillion borrowed from the Central Bank in ways and means.

⁷ The actual revenue inflow from January to August 2020 was N2.522trn as against the prorated expectation of N3.576tn and this is a -29% variance in the sum of N1.054 trillion. The expenditure was N6.245trillion and this implies a deficit of N3.723trillion.

⁸ Inflation rate (year on year) as at end October 2020 is 14.23%

⁹ The CBN website www.cbn.gov.ng states that extant external reserves is \$35.506bn.

¹⁰ Unemployment and underemployment as at Quarter 2 2020 stood at 27.1% and 28.6% respectively while youth (15-34years) unemployment and underemployment were 34.9% and 28.2% respectively. Nigerian youths just ended the #ENDSARS protest which was a protest against bad governance fueled by corruption.

¹¹ Nigeria is witnessing aggravated deficit financing and deployment of 85.5% of actual revenue accrued between January and August 2020 to service debts; requests in the 2021 federal budget estimates for borrowing in the sum of N4.2trillion and a deficit exceeding the 3% prudential rule of the Fiscal Responsibility Act; as well as vast parts of states in the North West and North East geopolitical zones taken over by terrorists.

1.3 AAI'S THEORY OF CHANGE

If,

- ❖ The audit regime provides a great opportunity to curb corruption, improve value for money and adherence to sound PFM principles;
- ❖ The PFM system is as strong as its weakest links and the audit regime seems to be a weak part of the link in terms of implementation of audit recommendations;
- ❖ The audit regime is overdue for change in terms of implementing extant laws and policies while enacting new ones to cure the mischief in the existing system;
- ❖ Advocacy for change in the audit regime is empirical, objective, evidence led and adopts a multiplicity of methodologies;
- ❖ Stakeholders and components of the pillars of integrity in and outside government collaborate in the advocacy for change and concentrate their demands for audit reform.

Then, a new audit regime will emerge - which reveals “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”.

1.4 GOAL AND OBJECTIVES

The purpose and overall goal of assessing federal MDAs using the AAI is to promote a rule and evidence-based PFM system across federal MDAs. Through the assessment, good performing MDAs will be encouraged to continue in their tradition and even improve on same while poorly performing MDAs will be challenged to improve their performance. It is a benchmarking exercise where MDAs share experience, peer review and learn from the successes of the best in class. It is a reform tool that encourages a race to the heights rather than the current race to the bottom. It seeks to discourage and reverse perverse incentives by demonstrating that Nigerians recognise and appreciate good PFM practices.

Essentially, the objectives are to:

- ❖ Design and apply a domestic framework of indicators and indices for monitoring and assessing the level of MDA compliance with fit and good as well as best practices in audit.
- ❖ Benchmark and rank the level of audit compliance of federal MDAs.
- ❖ Set up a baseline process that will be used for future benchmarking so as to monitor progress or failures that may arise from the current benchmarking.
- ❖ Facilitate the use of Audit Assessment Index by civil society and other private sector stakeholders.
- ❖ Promote the use of Audit Assessment Index in identifying, designing and implementing reforms.

1.5 JUSTIFICATION AND EXPECTED IMPACT OF THE AAI

(i) To Facilitate Follow-up on Audit Recommendations

The current auditing function appears to be a frustrating exercise in report writing. The AuGF produces a report which is sent to the PAC of the legislature. The PAC conducts hearings, conducts investigations if necessary, conclude their deliberations and produce yet another report. What happens to the recommendations in the first and second reports? Available evidence shows that audit recommendations are treated with levity by MDAs. Despite the provisions of the Financial Regulations 2009, there is hardly a follow-up on the recommendations. This sets the stage for the year after year reoccurrence of the same set of “financial felonies and misdemeanours” by MDAs. AAI seeks to draw attention to these infractions and audit recommendations to ensure that there is a follow-up. This will facilitate the struggle against corruption.

(ii) To Move Auditing from the Closets into the Front Burner of National Discourse

Audit is seen as a highly technical and complex process and as such, within the exclusive domain of a few persons knowledgeable in its technicalities. This is an attempt to simplify audit issues so that the average citizen can begin to engage and as such, put pressure for reforms and value for money. The Nigerian citizen, as the ultimate sovereign needs to be engaged in the process of removing a part of the binding constraints on economic growth, development and improvement of livelihoods.¹²

¹² Section 14 (2) (a) of the Constitution states that sovereignty belongs to the people of Nigerian from whom government through the Constitution derives all its powers and authority.

(iii) To Uphold the Supremacy of the Constitution and Accelerate Audit Reforms

The AAI seeks to accelerate the reform of the audit regime. It will facilitate the implementation of the constitutional provisions on audit and thereby improve audit effectiveness. Laws are meant to be obeyed; the AAI seeks to prevent the subversion of the legal system where fiscal laws are obeyed more in the breach than in compliance. Law as the command of the sovereign backed by sanctions will make no meaning when it is treated with contempt and levity. Furthermore, it intends to affirm societal ethics and acceptable norms of behavior acceptable to all decent and civilized citizens of Nigeria.

(iv) Promote Openness, Transparency and Accountability

Openness and transparency facilitate accountability. By promoting the understanding of audit issues, AAI seeks to beam the searchlight of audit's contributions to improving PFM and citizen's welfare. An open, transparent and accountable audit regime is likely to make an optimal contribution to good governance.

1.6 LIMITATIONS OF THE AAI

This is a pilot study that is not modeled after any existing template. The authors could not find any existing assessment that focuses on compliance of MDAs with fit and good audit practices. It did not engage in collection of primary data; rather, it used the findings and recommendations of the AuGF in the 2014-2017 federal Audit Reports. Furthermore, the assessment was limited to the headquarters of 16 MDAs. It did not cover all federal MDAs and in the MDAs it covered, it only assessed their head office audits.

The final AAI scores for the assessed MDA headquarters represent the extent to which the current audit practice could assess the MDAs given the funds available to the Office of the Auditor General for the Federation for field visits, performance audit, spot checks and other audit functions. Moreover, it should be noted that the final score of this assessment does not include the performance of the parastatals and agencies domiciled under each of the selected MDA headquarters for the period in focus as that is outside the scope of the AAI.

Section Two

AUDIT ASSESSMENT INDEX FRAMEWORK AND METHODOLOGY

2.1 CONCEPTUAL FRAMEWORK AND DELINEATION OF GOOD AUDIT PRACTICE

An audit in the context of the AAI is an independent examination of financial information of an MDA conducted by the AuGF with a view to expressing an opinion thereon. The Financial Regulations (108) defines the responsibility of the AuGF which also underscores the meaning of audit which the AuGF is to undertake as follows:

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 and entrusted with the collection, receipt, custody, issue, sale, transfer or delivery of any stamp, securities, stores or other property of the government of the Federation is the Auditor-General for the Federation.....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.

In accordance with the Financial Regulation (FR) 108, good audit practice by an MDA implies that the MDA conforms to the requirements of paragraphs (a) to (d) and the AuGF returns a positive unqualified opinion on these issues.

In FR 109, the AuGF duties are spelt out.

109 (i) The Auditor-General shall carry out the following statutory function:

(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 Audit - 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.

Again, good audit practice by an MDA will lead the AuGF to return an opinion that government accounts have been satisfactorily and faithfully kept in accordance with the accounting policies and standards formulated by the Accountant General of the Federation in pursuance of FR 107. The second is that funds have been expended as appropriated by the National Assembly. This is in recognition of the exclusive constitutional powers of appropriation vested in the legislature¹³ and the fact that virements must be done with the approval of the legislature.¹⁴ The third is that laid down procedures are being observed in tendering contracts and storekeeping with a view to preventing waste, pilferage and extravagance. This is in accordance with the letter and spirit of the Public Procurement Act 2007 and the relevant stores provisions of the FR.

The fourth is that the expected level of economy, efficiency and effectiveness have been derived from government projects and programmes. Economy and efficiency give vent to the aphorism in FR 415 which states that the Federal Government requires all officers responsible for expenditure to exercise due economy. Money must not be spent merely because it was appropriated. Effectiveness provides the link in the chain of the plan, policy, budget continuum to ensure that public expenditure is geared towards realising policy objectives. Essentially, the above provisions are for legality audit, regularity audit and performance audit.

The scope of work of the AuGF is further elaborated in FR 109 (ii).

109. (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;

¹³ Sections 80 and 81 of the Constitution.

¹⁴ S.27 of the FRA.

(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 26 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

(i) revenue audit of all government institutions.

This subsection delineates the broad gamut of the work to be done and reported upon by the AuGF and which the AAI will focus on. Suffice to state that the foregoing mandate is sufficiently broad and gives the AuGF full discretion in the discharge of the SAI function as contemplated in the Mexico Declaration on SAI independence.¹⁵

The legislature exercises the power of oversight over the management and expenditure of public resources and the Public Accounts Committee (PAC) is established in S.85 (7) of the Constitution for the purpose of considering the AuGF's reports. The mandate is stated inter alia as follows:¹⁶

"To examine the accounts showing the appropriation of the sums granted by the House to meet the public expenditure, together with the auditor's report thereon. The committee shall for the purpose of discharging that duty, 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 over ruled by the Chief Executive".

¹⁵ See Principle 3 of the Mexico Declaration on SAI Independence adopted at the XIX Congress of the International Organization of Supreme Audit Institutions meeting in Mexico; hereinafter called Mexico Declaration.

¹⁶ Standing Orders of the House of Representatives at page 91.

“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”.

The AAI seeks to contribute to the effectiveness of the PAC’s mandate.

2.2 THE AUDIT ASSESSMENT INDEX

AAI is a pilot survey. Audit is an essential PFM tool which facilitates accountability and transparency; realization of objectives stated in plans, policy and statutes; prevents corruption; and promotes adherence to law and rules. The AAI is to be used to benchmark MDAs as against other benchmarking exercises which assess the performance of a tier of government - federal, state or local governments. It is therefore not looking at the overall audit health of government (like timeliness, public availability of audit documents, independence and funding of the SAI, etc.)¹⁷ which can only produce one value for the entire country, state or local government. The AAI focuses on the operational performance of audit and follow-up on audit recommendations. It is divided into the following seven parts namely:

1. Access to Books, Accounts, Records and Information
2. Extra Budgetary and Unauthorised Expenditure
3. Failure in Revenue Generation and Remittances by MDAs
4. Public Procurement and Disposal Infractions
5. Unretired Loans and Advances
6. Monetary Value of Documented Infractions
7. Unauthorised Deduction from the Federation Account

Part One: Access to Books, Accounts, Records and Information

It starts from AuGF’s access to books, accounts, records and information necessary to carry out his constitutional duties and to form an opinion. This is the first section and it resonates in FR 110 on access to books, accounts and information by the AuGF; FR 601 and 603 related to treasury forms and vouchers and whether payments were made with appropriate supporting documentation and the documents were made available to the AuGF. It is about outstanding payment vouchers/missing payment vouchers/payments made without supporting documents and accounting records not presented for audit. It also covers response to audit queries and overall keeping of proper accounts and financial documentation. Precept IV, S.10 (1) of the Lima Declaration on Powers of Investigation for SAIs is relevant. It states that SAIs shall have access to all the records and documents relating to financial management and shall be

¹⁷ See the Open Budget Index which deals inter alia with similar issues in auditing.

empowered to request, orally or in writing, any information deemed necessary by the SAI.¹⁸

Part Two: Extra Budgetary and Unauthorised Expenditure

The second section deals with “Extra Budgetary Expenditure”. This includes spending without the authority of appropriation, unauthorised payments and virements, irregular payments, international travels/training without approval and international travels for medical reasons without approval. This is an issue contravening S.80 and 81 of the Constitution, S.27 of the FRA, S.22 (5) of the Independent Corrupt Practices and Other Related Offences Act, FR 417 and the mandate of the AuGF to ensure that funds are expended as appropriated by the National Assembly. It is also linked to Federal Government Circular Ref: HCSF/CSO/HRM/Pol.1402/1 on Restriction of Foreign Trainings and International Travel by Public Servants of 22nd January 2015 as well as Public Service Rule 070206 on Approval for Journeys for Medical Treatment Outside Nigeria. Furthermore, it is linked to a standard clause in yearly Federal Appropriation Acts which states that:

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.

Part Three: Failure in Revenue Generation and Remittances by MDAs

This is about non remittance of a percentage (25%) of internally generated revenue (IGR) as demanded by FR 112 (L) and Finance Circular Ref No. BO/RVE/12235/VII/2011 dated 11th November 2011. It is about refusal to remit unspent funds into the Consolidated Revenue Fund as demanded in the yearly Appropriation Acts. It covers the non deduction/under deduction/non remittance of taxes including Value Added Tax, Capital Gains Tax, Education Tax, Company Income Tax and Pay as You Earn. On the part relating to taxes, the Lima Declaration states that SAIs shall be empowered to audit the collection of taxes as extensively as possible and, in doing so, to examine individual tax files.¹⁹

FR 234 and 3112 is relevant for this part. This is linked to the revenue audit mandate of the AuGF. Federal Treasury Circular Nos. TRY/A2/2009/OAGF/CAD/028 dated 24th March 2009 and TRY/A4&B4/2014/OAGF/CAD/ADM/C.085/116 date July 16th 2014 controlling expenditure to ensure that all local procurement of stores and services costing above N200,000 are made only through local purchase order or award of

¹⁸ This is also reaffirmed in Principle 4 of the Mexico vis: SAIs should have adequate powers to obtain timely, unfettered, direct and free access to all the necessary documents and information, for the proper discharge of their statutory responsibilities.

¹⁹ VII. Audit powers of Supreme Audit Institutions - S.20 (1) of the Lima Declaration.

contract is relevant here because if the threshold is circumvented, it would lead to loss of public revenue. But what should be captured here is the loss of public revenue only while the circumvention aspect is captured in part five which deals with public procurement.

Part Four: Public Procurement and Disposal Infractions

Part Four has subparts A and B. Subpart A deals with public procurement violations governed by the Public Procurement Act of 2007 (PPA). It is about failure to obtain a Certificate of No Objection in relevant cases;²⁰ over invoicing of contract/service price or charges;²¹ contract splitting and variation;²² payment for services not rendered and contracts not executed; payments without due process and non-compliance with the PPA; and violation of expenditure and approval thresholds. This is linked to various sections of the PPA on procurement organisation and management, its code of conduct and offences in S.58; FR 3117 on irregular award of contracts; FR 3102 on inflation of contracts; FR 3116 on contract splitting; FR 3104 on payment for jobs not executed; FR 3109 on assets paid for and not collected; and FR 708 which states that on no account should payment be made for services not yet performed or for goods not yet supplied.

FR 3125 and 3126 is relevant for contract splitting and other procurement related offences as it re-emphasises the provisions of the PPA while Federal Treasury Circular Nos. TRY/A2/2009/OAGF/CAD/028 dated 24th March 2009 and TRY/A4&B4/2014/OAGF/CAD/ADM/C.085/116 dated July 16th 2014 controlling expenditure to ensure that all local procurement of stores and services costing above N200,000 are made only through local purchase order or award of contract.

Part VII, S.21 of the Lima Declaration is on public contracts and public works. It states that:

- 1. The considerable funds expended by public authorities on contracts and public works justify a particularly exhaustive audit of the funds used.*
- 2. Public tendering is the most suitable procedure for obtaining the most favourable offer in terms of price and quality. Whenever public tenders are not invited, the Supreme Audit Institution shall determine the reasons.*
- 3. When auditing public works, the Supreme Audit Institution shall promote the development of suitable standards for regulating the administration of such works.*

²⁰ S. 16 (1), (2) and (3) of the PPA.

²¹ S.58 (4) (a) of the PPA.

²² S.58 (4) (d) of the PPA.

4. Audits of public works shall cover not only the regularity of payments, but also the efficiency of construction management and the quality of construction work.

Subpart B deals with the challenge of store items not taken on store charge which is still about procurement procedures and its documentation. FRs 2402 and 2413 and the general provisions on stores in chapters 21-28 of the FR are relevant to this part of the AAI. Furthermore, it relates to issues around public officials who on retirement or leaving office take away their official/other vehicles and other public property.

Part Five: Unretired Loans, Advances and Violations of E-Payment Policy

The first subpart of Part Five deals with unretired loans, cash advances and imprest. FR 1011 on retirement of imprest and 3118 on non-recovery of advances; FRs 3123 and 3124 on non-retirement of advance and imprest and FR 1420 on duty of accounting officer to recover advances are relevant here.

The second subpart deals with violations of E-Payment Policy. 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.

FR3127 and 3128 provide sanctions for making payments using cheque or cash without exemption.

“Any organization that makes payment by cheque or cash without having been exempted from the e-payment policy shall have its budget allocation suspended”.

“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”.

Part Six: Monetary Value of Documented Infractions

This part seeks to quantify the quantum of resources involved in the infractions referred to in the federal audit reports. It underscores the opportunity cost of the quantum of resources reported to have been unaccounted for in the federal audit reports. In essence, this part hinges on the standpoint that resources unaccounted for or misapplied or mismanaged or MDA properties/vehicles taken away or missing, or contracts paid for but yet abandoned and very many other issues could save a number

of lives, educate millions of street children, cut hundreds of kilometres of roads, improve living standards, etc., if they had been properly expended.

Part Seven: Unauthorised Deductions from the Federation Account

This is a special part reserved for key revenue generating agencies who fund the Federation Account. They are specifically Nigeria National Petroleum Corporation, Department of Petroleum Resources and Federal Inland Revenue Services. The assessment is mainly to be done in relation to S.162 of the Constitution which establishes the distributable pool called the Federation Account. This is directly linked to the mandate of the AuGF to audit and certify the Federation Account.

2.3 METHODOLOGY OF AAI

AAI is designed from the presumption that the AuGF audit reports constitute the best primary evidence for the assessment of the performance of MDAs and whether they are compliant to the fundamental objectives and demands of financial compliance, value for money and other audit demands. It focused on the audit reports for the four years 2014 to 2017. It also proceeded from the assumption that AuGF's reports can be supplemented by information from the proceedings of the Public Accounts Committees in the Senate and House of Representatives. In preparing and issuing an annual report, the AuGF had reviewed the financial books, documents and other relevant information of MDAs, sought clarifications, issued audit queries and reviewed responses before arriving at an opinion. Even though audit is not a trial, but the fundamental rules of fair hearing – getting all relevant information and affording every party the opportunity to be heard and to make a presentation in the proceedings is observed. Also, in accordance with the Lima Declaration, the AuGF gives due consideration to the points of view of the audited MDAs in its findings. A further opportunity is also afforded in the PAC proceedings. Therefore, there was no need for gathering of primary data including administering questionnaires on MDAs or conducting oral interviews. The benchmarking and scoring of the AAI were therefore based on the annual reports of the AuGF for the years 2014-2017 focusing on compliance and infractions that led to remedial and process recommendations by the AuGF.

The AAI Template and Weighted Average Scoring Framework were utilised in assessing the MDAs. Weighted Average approach was adopted because it reflects an average that takes into account the proportional relevance of each data point, rather than treating them equally. It also has the effect of smoothing out data, thus enhancing the accuracy of its result. To this effect, selected MDAs were assessed with the average computed in relation to 100 percent. The scores ranged from 0-100 points, where 100 is the highest level of good audit practice and zero denotes the absence of good audit practice. In between are ranges of moderate and poor performance.

2.4 AAI TEMPLATE, AGGREGATE SCORING FRAMEWORK AND STRUCTURE OF RESPONSES

The questions contained in the Template and Scoring Framework are a dataset of the seven parts of the AAI which facilitates an understanding of good audit practices. It applied a common methodology across MDAs to make possible comparisons between them. The result of these comparisons is designed to focus public attention on the importance of good audit practices to PFM, good governance, democratic consolidation, economic growth and development.

The Template contains multiple choice questions; a total of twenty-eight (28 questions) with five (5) questions in each of Parts 1 and 3. Parts 2, 4, 5 and 6 contain 6, 8, 3 and 1 questions respectively. Part 7 is only for the revenue generating agencies. As such, the 16 MDAs will be assessed only on 28 questions while the four (4) revenue agencies will be assessed separately on the remaining 1 question. The four Revenue Agencies are part of the agencies exempted under S.85 (3) of the Constitution from the AuGF's direct audit. So, the other parts of the Template will not apply to them.

The options for the assessment are "A" to "E". When an "A" option is chosen irrespective of the number of options, the score is 100 per cent because a standard has been fully met. When a "B" option is chosen irrespective of the number of options, the score of 75 per cent is awarded and it is a very good performance. Grade "C" attracts 50 per cent which is a mid-score in a five option question. Grade "D" attracts 25 per cent representing the next to the worst case scenario while "E" attracts a score of 0 per cent and calls for urgent action to remedy the challenge. In other words, options are arranged in *diminuendo* from international best practice for every question and so also the mark it attracts.

At the end of the exercise, a weighted average of all scores was applied with parts 1 to 5 having a weight of fifteen (15) each while part 6, the part on monetary value, had a weight of twenty-five (25). This sums to 100. Part 6 has a higher weight than the other parts because the assessment deems the quantum of resources involved in the infractions very important. A summation of the weighted averages at the sub index level led to the final AAI score of the MDAs. The sub-index scores for all MDAs were compared to three-quarter (75 percent) regarded as the minimum benchmark required from every MDA. The weighted average score (the AAI) is also benchmarked with three-quarters or 75 percent. The implication of this is that any MDA with the final AAI score less than the benchmark score of 75 per cent is not in compliance with good audit standards. The AAI benchmark of 75 per cent or three-quarters has been chosen for Nigeria for reasons around the strength of institutions, while for a developed country

with stronger institutions, the benchmark is expected to be above 80 per cent for the MDA to be compliant to audit standards.

2.5 SELECTED FEDERAL MDAs

The following MDAs were selected on the basis of their contribution and importance to economic growth and development as well as the quantum of resources that is appropriated for them on a yearly basis. The revenue agencies were selected because they are the main contributors to the Federation Account.

1. Federal Ministry of Agriculture and Rural Development
2. Federal Ministry of Aviation
3. Federal Ministry of Education
4. Federal Ministry of Environment
5. Federal Ministry of Health
6. Federal Ministry of Finance
7. Federal Ministry of Mines and Steel Development
8. Federal Ministry of Power
9. Federal Ministry of Transport
10. Federal Ministry of Trade and Investment
11. Federal Ministry of Science and Technology
12. Federal Ministry of Water Resources
13. Federal Ministry of Women Affairs
14. Federal Ministry of Works and Housing
15. Federal Ministry of Youths and Sports Development
16. Federal Ministry of Labour and Employment
17. Nigeria Customs Service
18. Department of Petroleum Resources
19. Federal Inland Revenue Services
20. Nigeria National Petroleum Corporation

Section Three

AUDIT ASSESSMENT INDEX QUESTIONNAIRE

PART ONE: ACCESS TO BOOKS, ACCOUNTS, RECORDS AND INFORMATION

1. Did the annual audit reports document cases of outstanding or missing payment vouchers?

- (a) No documented cases in the reports in any of the years in focus.
- (b) There were documented cases reported in one (1) out of the four (4) years in focus.
- (c) There were documented cases reported in two (2) out of the four (4) years in focus.
- (d) There were documented cases reported in three (3) of the four (4) years in focus.
- (e) There were documented cases reported in all four (4) years.

2. Did the annual audit reports document cases of payments made with vouchers but without other supporting documents?

- (a) No documented cases in the reports in any of the years in focus.
- (b) There were documented cases reported in one (1) out of the four (4) years in focus.
- (c) There were documented cases reported in two (2) out of the four (4) years in focus.
- (d) There were documented cases reported in three (3) of the four (4) years in focus.
- (e) There were documented cases reported in all four (4) years.

3. Did the annual audit reports document cases of other accounting records not presented for audit?

- (a) No documented cases in the reports in any of the years in focus.
- (b) There were documented cases reported in one (1) out of the four (4) years in focus.
- (c) There were documented cases reported in two (2) out of the four (4) years in focus.
- (d) There were documented cases reported in three (3) of the four (4) years in focus.
- (e) There were documented cases reported in all four (4) years.

4. Did the MDA respond to the audit queries or requests for clarification from the AuGF?

- (a) Yes, it responded in all the four years
- (b) Yes, it responded in 3 out of the four years
- (c) Yes, it responded in 2 years out of the four years
- (d) Yes, it responded in 1 year out of the four years
- (e) No, it did not respond at all

5. Overall, did the annual audit reports raise issues on the keeping of proper accounts and financial documentation?

- (a) No documented cases in the reports in any of the years in focus.
- (b) There were documented cases reported in one (1) out of the four (4) years in focus.
- (c) There were documented cases reported in two (2) out of the four (4) years in focus.
- (d) There were documented cases reported in three (3) of the four (4) years in focus.
- (e) There were documented cases reported in all four (4) years.

PART TWO: EXTRA BUDGETARY AND UNAUTHORISED EXPENDITURE

1. Did the annual audit reports document cases of extra budgetary spending or spending without appropriation?

- (a) No documented cases in the reports in any of the years in focus.
- (b) There were documented cases reported in one (1) out of the four (4) years in focus.
- (c) There were documented cases reported in two (2) out of the four (4) years in focus.
- (d) There were documented cases reported in three (3) of the four (4) years in focus.
- (e) There were documented cases reported in all four (4) years.

2. Did the annual audit reports document cases of virements without legislative approval?

- (a) No documented cases in the reports in any of the years in focus.
- (b) There were documented cases reported in one (1) out of the four (4) years in focus.

- (c) There were documented cases reported in two (2) out of the four (4) years in focus.
- (d) There were documented cases reported in three (3) of the four (4) years in focus.
- (e) There were documented cases reported in all four (4) years.

3. Did the annual audit reports document cases of violation(s) of Restriction on Foreign Trainings and International Travel by Public Servants?

- (a) No documented cases in the reports in any of the years in focus.
- (b) There were documented cases reported in one (1) out of the four (4) years in focus.
- (c) There were documented cases reported in two (2) out of the four (4) years in focus.
- (d) There were documented cases reported in three (3) of the four (4) years in focus.
- (e) There were documented cases reported in all four (4) years

4. Did the annual audit reports document cases of violation(s) of Public Service Rule 070206 on Approval for Journeys for Medical Treatment Outside Nigeria?

- (a) No documented cases in the reports in any of the years in focus.
- (b) There were documented cases reported in one (1) out of the four (4) years in focus.
- (c) There were documented cases reported in two (2) out of the four (4) years in focus.
- (d) There were documented cases reported in three (3) of the four (4) years in focus.
- (e) There were documented cases reported in all four (4) years

5. Did the annual audit reports document cases of irregular or any other unauthorised payments?

- (a) No documented cases in the reports in any of the years in focus.
- (b) There were documented cases reported in one (1) out of the four (4) years in focus.
- (c) There were documented cases reported in two (2) out of the four (4) years in focus.
- (d) There were documented cases reported in three (3) of the four (4) years in focus.
- (e) There were documented cases reported in all four (4) years

6. Did the annual audit reports document other cases of non-adherence to due process or cases of misapplication of funds?

- (a) No documented cases in the reports in any of the years in focus.
- (b) There were documented cases reported in one (1) out of the four (4) years in focus.
- (c) There were documented cases reported in two (2) out of the four (4) years in focus.
- (d) There were documented cases reported in three (3) of the four (4) years in focus.
- (e) There were documented cases reported in all four (4) years

PART THREE: FAILURE IN REVENUE GENERATION AND REMITTANCES BY MDAS

1. Did the annual audit reports document cases of non-remittance of operating surplus or a percentage (25%) of internally generated revenue as demanded by FR 112 (L) and Finance Circular Ref No. BO/RVE/12235/VII/201 dated 11th November 2011?

- (a) No documented cases in the reports in any of the years in focus.
- (b) There were documented cases reported in one (1) out of the four (4) years in focus.
- (c) There were documented cases reported in two (2) out of the four (4) years in focus.
- (d) There were documented cases reported in three (3) of the four (4) years in focus.
- (e) There were documented cases reported in all four (4) years

2. Did the annual audit reports document cases of failure to remit unspent funds into the Consolidated Revenue Fund as demanded in the yearly Appropriation?

- (a) No documented cases in the reports in any of the years in focus.
- (b) There were documented cases reported in one (1) out of the four (4) years in focus.
- (c) There were documented cases reported in two (2) out of the four (4) years in focus.
- (d) There were documented cases reported in three (3) of the four (4) years in focus.
- (e) There were documented cases reported in all four (4) years

3. Did the annual audit reports document cases of failure to deduct/under-deduct taxes including Value Added Tax, Capital Gains Tax, Education Tax, Company Income Tax, Pay as You Earn, National Housing Fund, etc?

- (a) No documented cases in the reports in any of the years in focus.
- (b) There were documented cases reported in one (1) out of the four (4) years in focus.
- (c) There were documented cases reported in two (2) out of the four (4) years in focus.
- (d) There were documented cases reported in three (3) of the four (4) years in focus.
- (e) There were documented cases reported in all four (4) years

4. Did the annual audit reports document cases of failure to remit (after deduction) taxes including Value Added Tax, Capital Gains Tax, Education Tax, Company Income Tax, Pay as You Earn, National Housing Fund, etc?

- (a) No documented cases in the reports in any of the years in focus.
- (b) There were documented cases reported in one (1) out of the four (4) years in focus.
- (c) There were documented cases reported in two (2) out of the four (4) years in focus.
- (d) There were documented cases reported in three (3) of the four (4) years in focus.
- (e) There were documented cases reported in all four (4) years

5. Did the annual audit reports document any other issues/cases of failure or improper accounting and documentation of government revenue?

- (a) No documented cases in the reports in any of the years in focus.
- (b) There were documented cases reported in one (1) out of the four (4) years in focus.
- (c) There were documented cases reported in two (2) out of the four (4) years in focus.
- (d) There were documented cases reported in three (3) of the four (4) years in focus.
- (e) There were documented cases reported in all four (4) years

PART FOUR: PUBLIC PROCUREMENT AND DISPOSAL INFRACTIONS

1. Did the annual audit reports document cases of award of contract or payments without obtaining the certificate of No Objection to Award of Contract?

- (a) No documented cases in the reports in any of the years in focus.
- (b) There were documented cases reported in one (1) out of the four (4) years in focus.
- (c) There were documented cases reported in two (2) out of the four (4) years in focus.

- (d) There were documented cases reported in three (3) of the four (4) years in focus.
- (e) There were documented cases reported in all four (4) years

2. Did the annual audit reports document cases of payments for services not rendered, goods not supplied or contracts not executed?

- (a) No documented cases in the reports in any of the years in focus.
- (b) There were documented cases reported in one (1) out of the four (4) years in focus.
- (c) There were documented cases reported in two (2) out of the four (4) years in focus.
- (d) There were documented cases reported in three (3) of the four (4) years in focus.
- (e) There were documented cases reported in all four (4) years

3. Did the annual audit reports document cases of contract splitting or variation without due process?

- (a) No documented cases in the reports in any of the years in focus.
- (b) There were documented cases reported in one (1) out of the four (4) years in focus.
- (c) There were documented cases reported in two (2) out of the four (4) years in focus.
- (d) There were documented cases reported in three (3) of the four (4) years in focus.
- (e) There were documented cases reported in all four (4) years

4. Did the annual audit reports document cases of over invoicing or inflation of contract/service price or charge?

- (a) No documented cases in the reports in any of the years in focus.
- (b) There were documented cases reported in one (1) out of the four (4) years in focus.
- (c) There were documented cases reported in two (2) out of the four (4) years in focus.
- (d) There were documented cases reported in three (3) of the four (4) years in focus.
- (e) There were documented cases reported in all four (4) years

5. Did the annual audit reports document cases of violations of expenditure threshold/limits?

- (a) No documented cases in the reports in any of the years in focus.
- (b) There were documented cases reported in one (1) out of the four (4) years in focus.
- (c) There were documented cases reported in two (2) out of the four (4) years in focus.

- (d) There were documented cases reported in three (3) of the four (4) years in focus.
- (e) There were documented cases reported in all four (4) years

6. Did the annual audit reports document cases of other irregularities in contract award?

- (a) No documented cases in the reports in any of the years in focus.
- (b) There were documented cases reported in one (1) out of the four (4) years in focus.
- (c) There were documented cases reported in two (2) out of the four (4) years in focus.
- (d) There were documented cases reported in three (3) of the four (4) years in focus.
- (e) There were documented cases reported in all four (4) years

7. Did the annual audit reports document cases of store items not taken on ledger/store charge or cases of unproven losses of store items or missing items?

- (a) No documented cases in the reports in any of the years in focus.
- (b) There were documented cases reported in one (1) out of the four (4) years in focus.
- (c) There were documented cases reported in two (2) out of the four (4) years in focus.
- (d) There were documented cases reported in three (3) of the four (4) years in focus.
- (e) There were documented cases reported in all four (4) years

8. Did the annual audit reports document cases of officials taking away government vehicles or other property?

- (a) No documented cases in the reports in any of the years in focus.
- (b) There were documented cases reported in one (1) out of the four (4) years in focus.
- (c) There were documented cases reported in two (2) out of the four (4) years in focus.
- (d) There were documented cases reported in three (3) of the four (4) years in focus.
- (e) There were documented cases reported in all four (4) years.

PART FIVE: UNRETIRED LOANS, ADVANCES AND VIOLATIONS OF E-PAYMENT POLICY

1. Did the annual audit reports document cases of unrecovered/outstanding loans and income?

- (a) No documented cases in the reports in any of the years in focus.
- (b) There were documented cases reported in one (1) out of the four (4) years in focus.
- (c) There were documented cases reported in two (2) out of the four (4) years in focus.
- (d) There were documented cases reported in three (3) of the four (4) years in focus.
- (e) There were documented cases reported in all four (4) years.

2. Did the annual audit reports document cases of unretired cash advance/imprest?

- (a) No documented cases in the reports in any of the years in focus.
- (b) There were documented cases reported in one (1) out of the four (4) years in focus.
- (c) There were documented cases reported in two (2) out of the four (4) years in focus.
- (d) There were documented cases reported in three (3) of the four (4) years in focus.
- (e) There were documented cases reported in all four (4) years

3. Did the annual audit reports document cases of violations of E-payment Policy?

- (a) No documented cases in the reports in any of the years in focus.
- (b) There were documented cases reported in one (1) out of the four (4) years in focus.
- (c) There were documented cases reported in two (2) out of the four (4) years in focus.
- (d) There were documented cases reported in three (3) of the four (4) years in focus.
- (e) There were documented cases reported in all four (4) years

PART SIX: MONETARY VALUE OF DOCUMENTED INFRACTIONS

1. Is the sum total of resources involved in the documented infractions in excess of One Billion Naira?

- (a) No, it is less than One Billion Naira
- (b) Yes, it is up or exceeds One Billion Naira.

PART SEVEN: UNAUTHORISED DEDUCTIONS FROM THE FEDERATION ACCOUNT

1. Did the annual audit reports document any cases of unauthorised deductions from the amounts due to the Federation Account?

- (a) No documented cases in the reports in any of the years in focus.
- (b) There were documented cases reported in one (1) out of the four (4) years in focus.
- (c) There were documented cases reported in two (2) out of the four (4) years in focus.
- (d) There were documented cases reported in three (3) of the four (4) years in focus.
- (e) There were documented cases reported in all four (4) years

Section Four

AUDIT ASSESSMENT INDEX (AAI) RESULTS

4.1 Introduction to the Audit Assessment Index Results

The AAI Framework covers issues around federal MDAs' performance in public sector audit. It focused on issues as contained in the Federal Audit Reports (2014-2017) relating to MDAs performance in the various sections of the reports. As such, the sub-indexes that make up the overall Audit Assessment Index came from such classifications. Essentially, the AAI is about:

- ❖ Access to Books, Accounts and Records
- ❖ Extra Budgetary and Unauthorised Expenditure
- ❖ Failure in Revenue Generation and Remittances
- ❖ Public Procurement and Disposal Infractions
- ❖ Unretired Loans and Advances
- ❖ Monetary Value of Documented Infractions
- ❖ Unauthorised Deductions from the Federation Account

Sixteen MDA headquarters were assessed in this pilot edition of the AAI. The other four (4) agencies²³ are the revenue generating agencies included in the assessment to underscore the importance of revenue generation and appropriate remittances to the Federation Account.

4.2 Access to Books, Accounts and Records

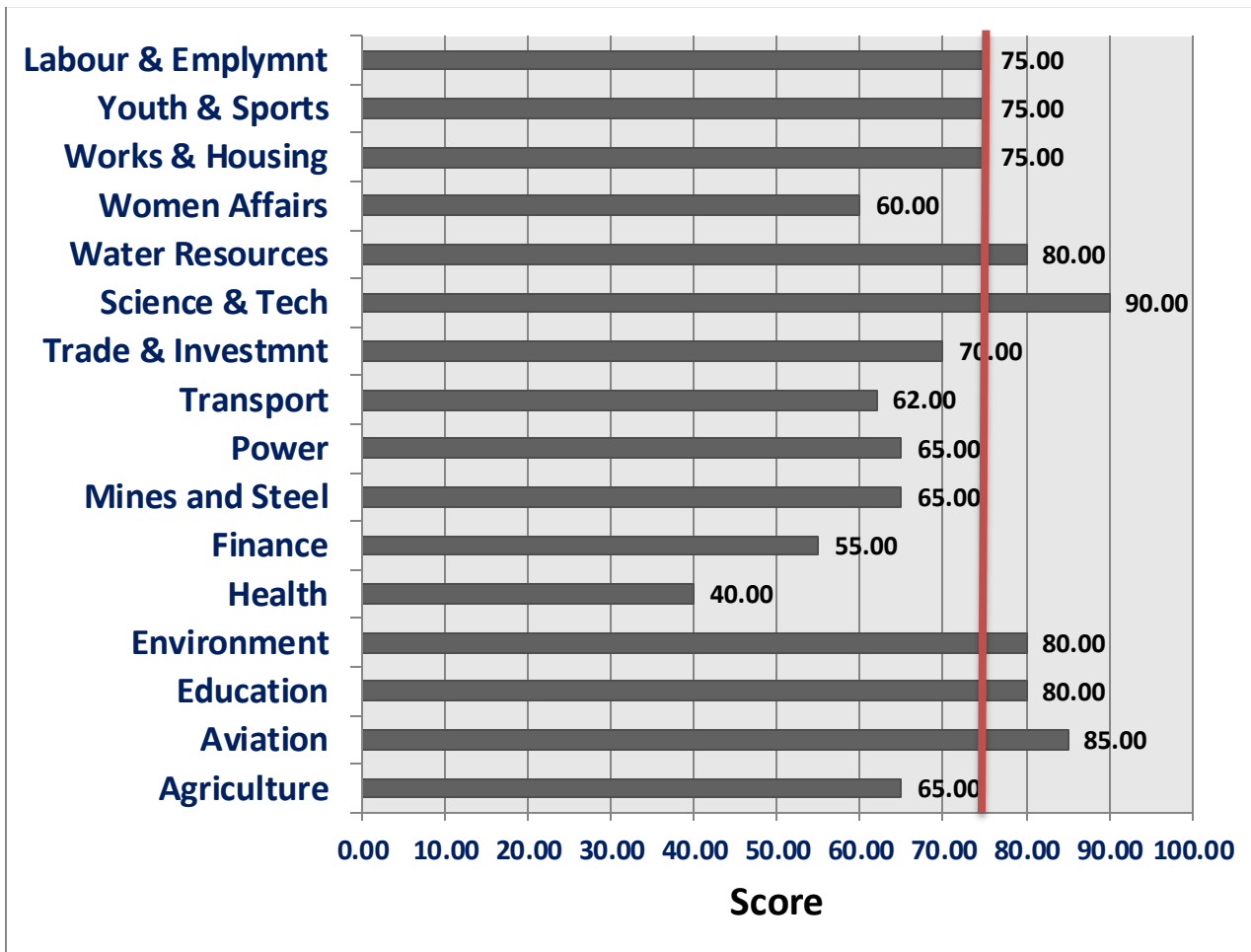
Section 85 of the Constitution of the Federal Republic of Nigeria allows the Auditor General for the Federation access to the financial records, accounts and books of federal agencies so as to audit and form an opinion on them. This sub-index, therefore, assesses the accessibility or otherwise to these records by the Auditor General for the Federation.

Evidence from the access to records indicator as used in the AAI reveals that the Federal Ministry of Science and Technology, followed by Federal Ministries of Aviation, Environment, Education and Water Resources all provided sufficient level of access to financial records and accounts within the period in focus. This is because they crossed the required threshold of 75% irrespective of their scores. The Federal Ministries of Labour and Employment, Youth and Sports, and Works and Housing provided moderate level of access to financial records and books while the others provided less

²³ They include: the Nigeria Customs Service; Federal Inland Revenue Service; Department of Petroleum Resources, and the Nigeria National Petroleum Corporation.

than sufficient access as they fell below the 75% threshold as can be seen in Figure 1 below. Under this sub-index, the Federal Ministry of Science and Technology scored the highest point (90%) while the Federal Ministry of Health scored the least point (40%).

Figure 1: Access to Books, Accounts and Records Index



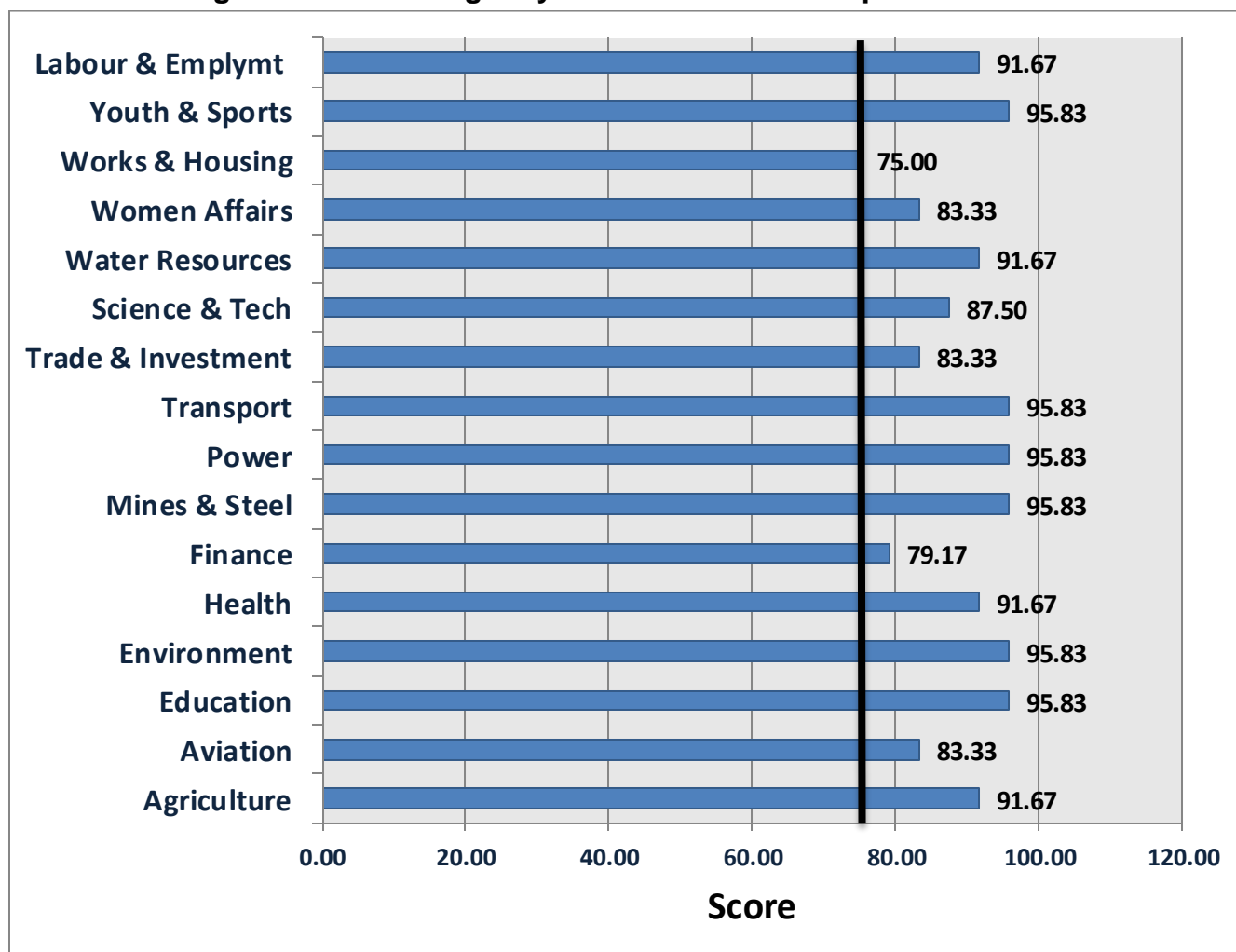
4.3 Extra Budgetary and Unauthorised Expenditure

Expenditures without appropriation violates best practices in Public Finance Management dictate. Furthermore, all expenditures must be duly authorized. In addition to issues around extra budgetary expenditures and virement without approval, this sub-index examines issues relating to unauthorised medical trips and trainings abroad; issues around irregular payments and misapplication of funds.

Evidence as presented in Figure 2 below shows that all selected MDAs performed decently as they all obtained scores above the 75% threshold with the exception of

Federal Ministry of Works and Housing which obtained the threshold score of 75%. For this sub-index, six (6) federal agencies scored highest (95.83%) namely: Federal Ministry of Youth and Sports, Federal Ministry of Transport, Federal Ministry of Power, Federal Ministry of Mines and Steel, Federal Ministry of Environment, and Federal Ministry of Education.

Figure 2: Extra Budgetary and Unauthorised Expenditure Index



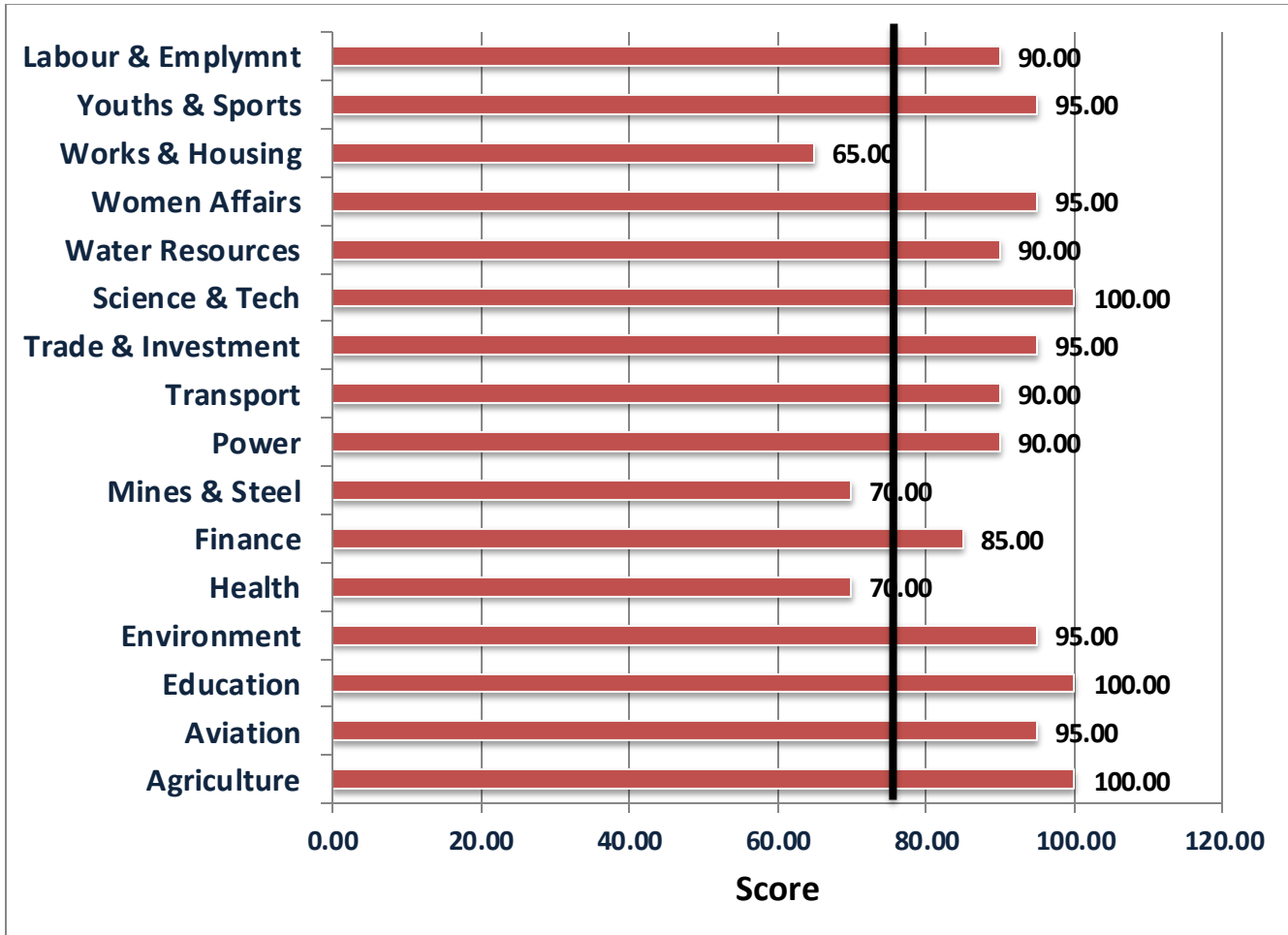
4.4 Failure in Revenue Generation and Remittances by MDAs

This sub-index focuses on issues relating to non-remittance and under-remittance of revenues and unspent funds respectively; failure to deduct or under-deduct the various types of taxes; failure to remit the deducted taxes to the treasury; and on issues of improper accounting practices and documentation of government revenues.

Evidence from the sub-index shows that the Federal Ministries of Agriculture, Education and Science and Technology had good performances as they obtained the maximum score of 100%; every other assessed MDAs got at least 75% with the exception of the

Federal Ministries of Health (70%), Mines and Steel (70%), and Works and Housing (65%) which had less than moderate performance. Figure 3 below presents the results of the assessment.

Figure 3: Failure in Revenue Generation and Remittances Index

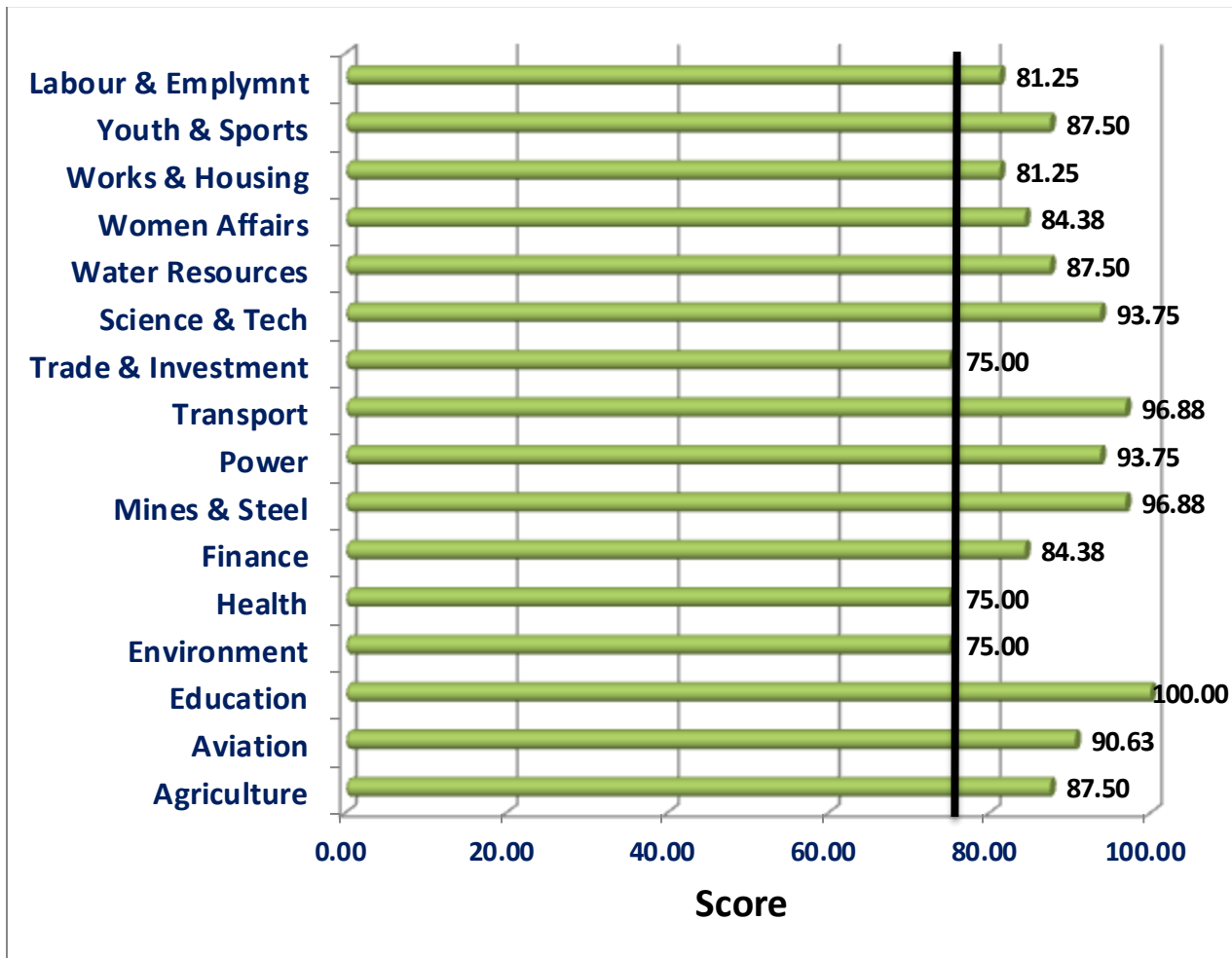


4.5 Public Procurement and Disposal Infractions

The Public Procurement Act 2007 and Financial Regulations stipulate best practices in public procurement to be followed in government commerce. They include the requirement of open competitive bidding except when special circumstances permit the application of the special and restricted methods of procurement, processes for payment of contractors, award of contracts and approval thresholds. Furthermore, this sub-index examined issues around MDAs disposal of their assets.

Evidence from Figure 4 shows that nearly all the selected MDAs headquarters crossed the threshold score of 75% with the Federal Ministry of Education leading at the top with a score of 100%; then followed by the Federal Ministries of Mines and Steel (96.88%), Transport (96.88%), Science and Technology (93.75%), Power (93.75%), Aviation (90.63%), Youth and Sports (87.50%) and Agriculture (87.50%) to complete the top five under this sub-index. Three MDAs (Trade and Investment, Health and Environment) obtained the score of 75% and so had the least scores in this sub-index.

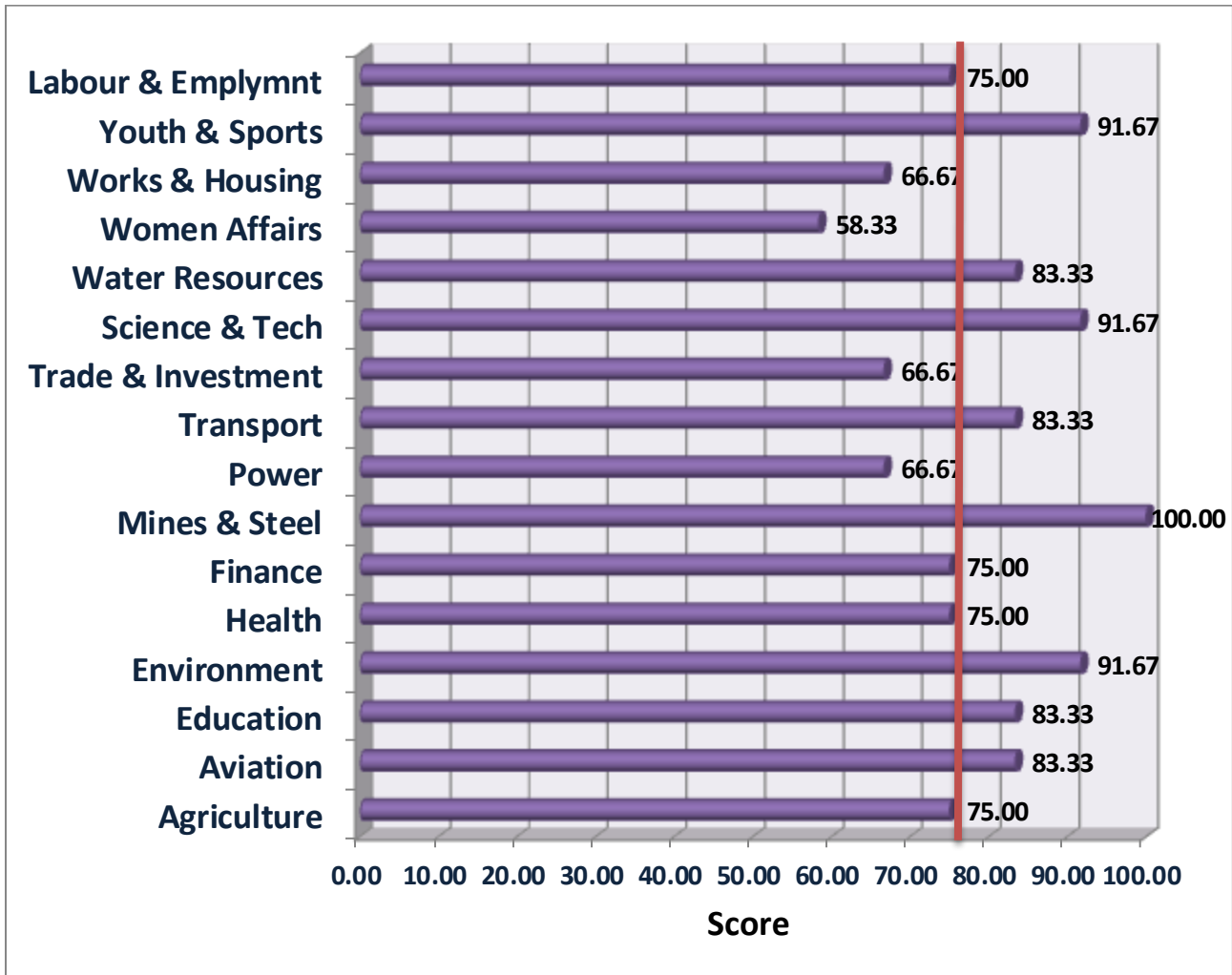
Figure 4: Public Procurement and Disposal Infractions Index



4.6 Unretired Loans and Advances

The Financial Regulations (1011, 3118, 3123, 3124 and 1420) stipulates the procedure for advancing and retirement of loans and cash advances, non-adherence to which attracts punitive measures. The Federal Government Circular with reference number TRY/A8/B8/2008, dated 22nd October, 2008, stipulates that money should be paid to beneficiaries through their private bank accounts. The E-payment policy requires direct transfer of money without cash withdrawal or payment through a third party.

Figure 5: Unretired Loans and Advances Index



Evidence from the Loans and Advances indicator as used in the AAI reveals that seven (7) out of the sixteen selected MDAs had good performance as they crossed the 75% threshold with the Federal Ministry of Mines and Steel (100%) leading the top performers under this sub-index. The Ministry is followed by the Federal Ministries of Environment, Science and Technology, and Youth and Sports (all of which obtained 91.67%). In third place were four MDAs with a score of 83.33% - Federal Ministry of Aviation, Education, Transport and Water Resources. Four Federal Ministries (Agriculture, Health, Finance and Labour and Employment) has moderate performance with a score of 75% while the rest performed poorly.

4.7 Monetary Value of Documented Infractions

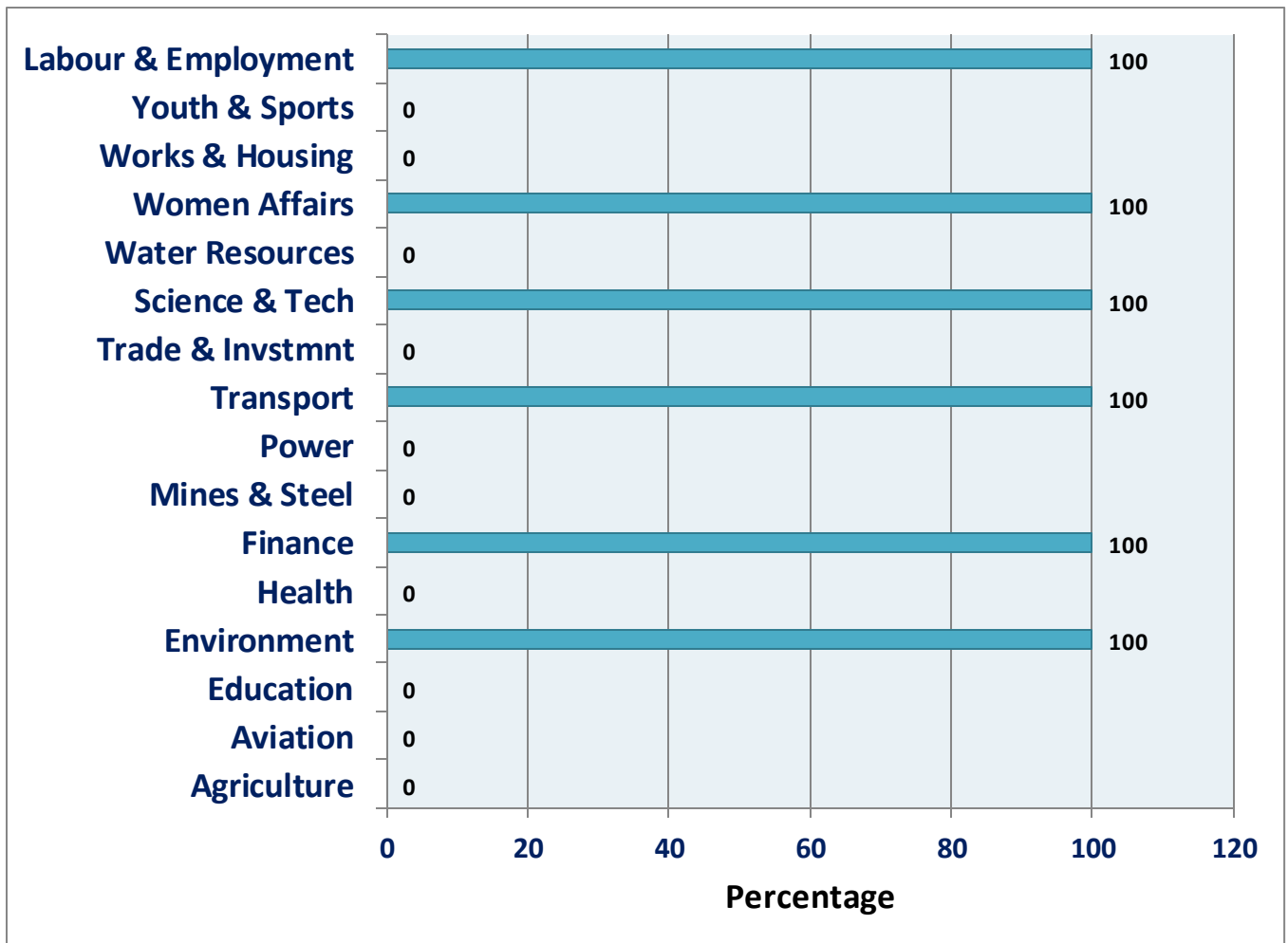
This sub-index stems from the idea that public resources are unaccounted for, contracts paid for but end up being abandoned, contract awards that do not follow due process, unretired loans, imprests and advances, questionable payments and a host of other documented infractions in the federal audit reports have direct negative costs and impact on society - a society where people are living in abject poverty and lack.

Public resources are meant to work and be of benefit to all. The abuse of public resources ultimately leads to the violation of the most fundamental of the fundamental rights – the right to life. The child that dies from immunisation preventable disease, the mother that dies at childbirth due to lack of proper maternal care, the road accidents caused by roads that are not vehicle worthy, the 13million out of school children who will likely be recruited into terrorism - are the fallouts of abuse, stealing and mismanagement of public resources.

Thus, this sub-index has a weight of twenty five (25) out of one hundred (100). An MDA can either score a 100 for having a monetary value of her documented infractions being less than N1 billion; a zero (0) is awarded for having the monetary value of N1 billion or more.

Evidence from the AAI reveals that only six MDA headquarters (Federal Ministries of Environment, Finance, Transport, Science and Technology, Women Affairs and Labour and Employment) obtained a score of 100 under this sub-index; others scored zero.

Figure 6: Monetary Value Index

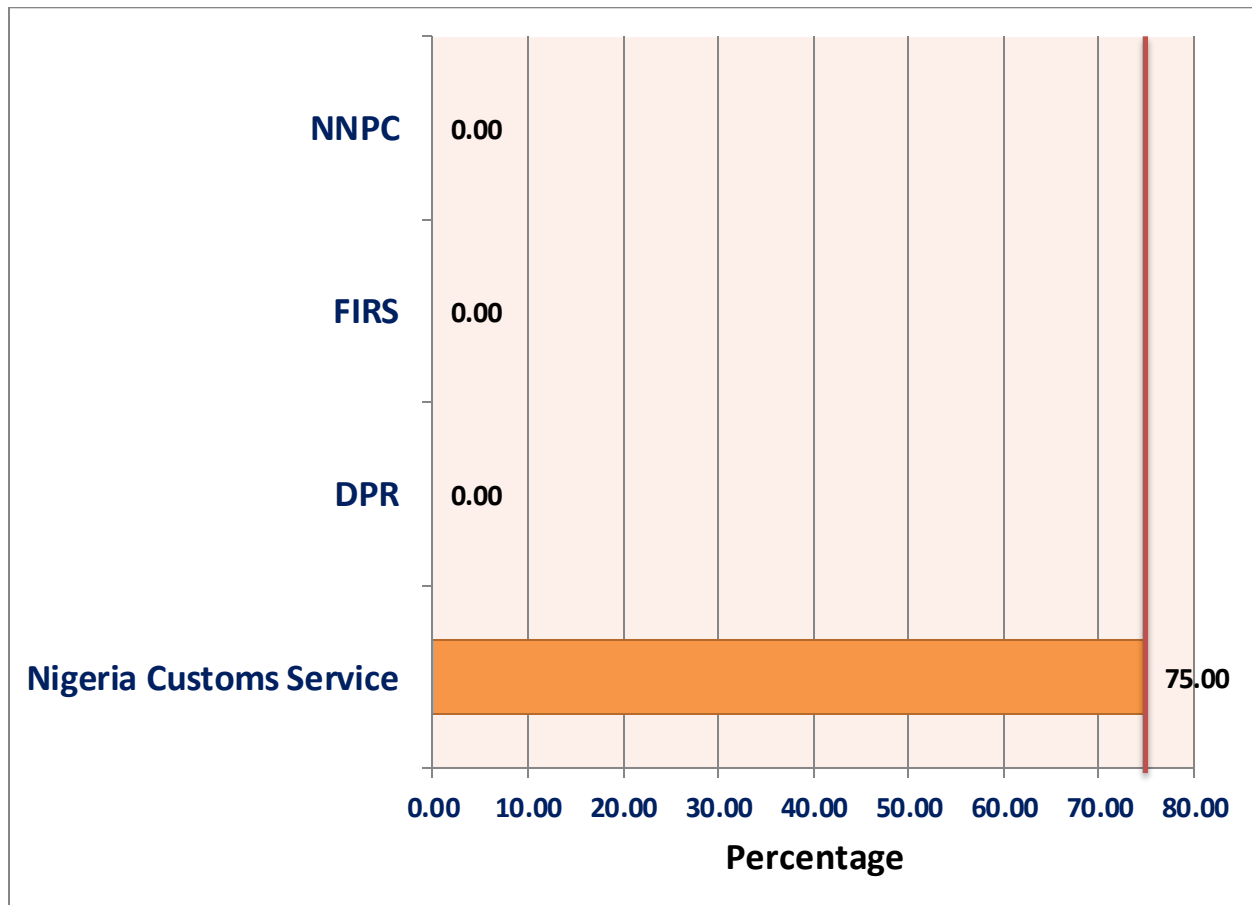


4.8 Unauthorised Deductions from the Federation Account

Section 162 of the Constitution established the Federation Account – a distributable pool into which all revenues should be paid. The revenue generating agencies are the key depositors into this account. The Constitution does not permit deductions from such revenues at source and as such, this sub index seeks to examine this.

Evidence from the AAI shows that three out of the four revenue generating agencies (namely the NNPC, DPR and FIRS) have perennially been deducting money from generated revenues due to be paid into the Federation Account. This has been done as either “Other Deductions” or “Amount Paid to Excess Crude/PPT/Royalty Account”. Of the four, only the Nigeria Customs Service was reported to have made such deductions on one occasion.

Figure 7: Unauthorised Deductions from the Federation Account Index



4.9 Audit Assessment Index (AAI)

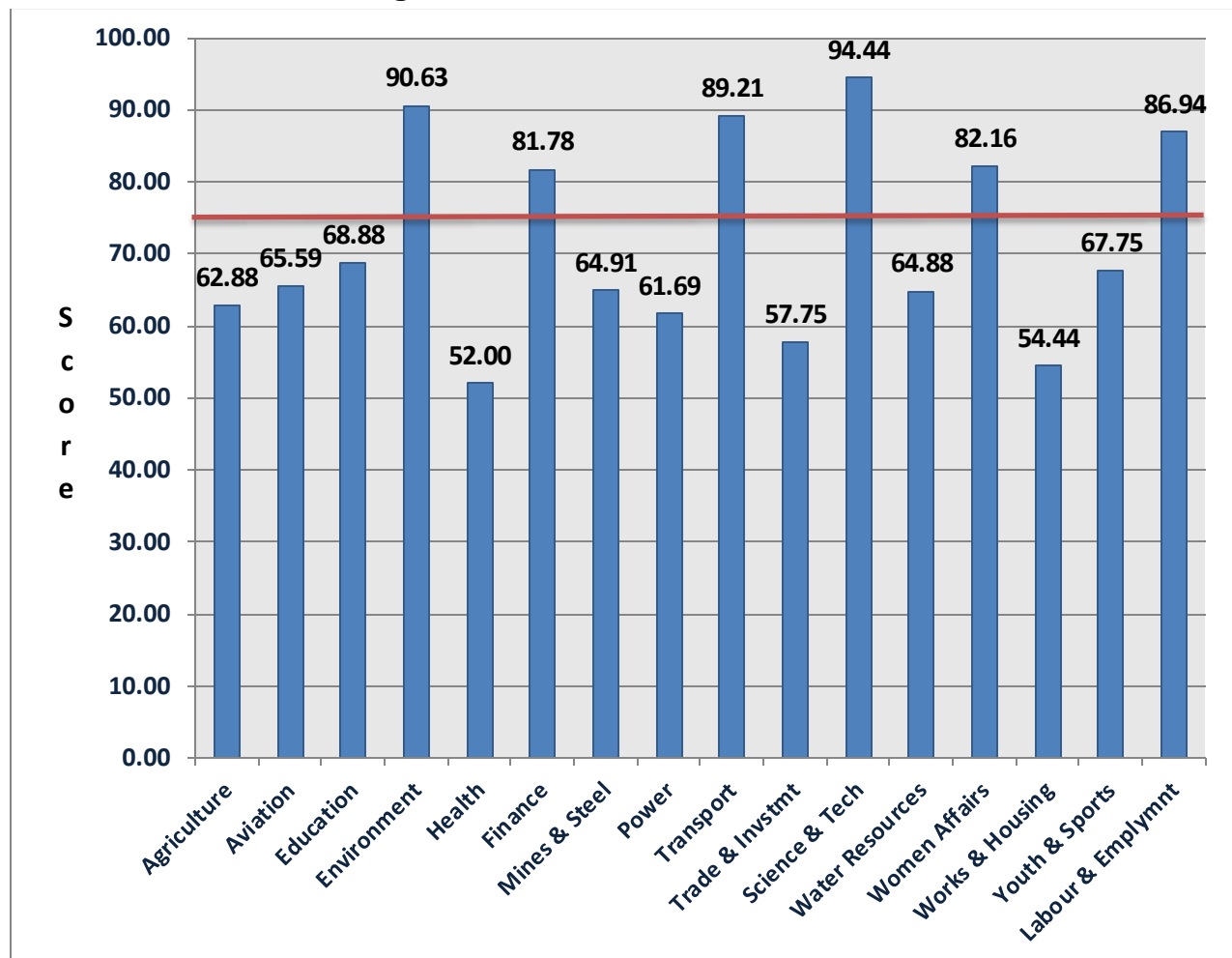
The importance of an effective audit regime in promoting probity, transparency and accountability in the management of public resources cannot be overemphasized. The Audit Assessment Index seeks to provide further evidence to be used as an advocacy tool in the efforts to improve the current audit regime. The reoccurring nature of infractions in the annual federal audit reports underscore the need for strengthening the process and practice such that public resources would work and be of benefit to all citizens. The AAI consists of six (6) sub-indexes; the seventh which is “Unauthorized Deductions from the Federation Account” is put together to compare compliance among revenue generating agencies.²⁴

²⁴ Among the four (4) agencies captured here, the Nigeria Customs Service came out tops as the agencies was captured to have committed one infraction in one out of the four years. The others (NNPC, DPR and FIRS) were all captured in all the four years in focus.

As described under the methodology section, the AAI shows the weighted averages of scores obtained by selected MDA headquarters. All sub-indexes had a weight of fifteen (15) applied to them while the “Monetary Value of Infractions” sub-index had a weight of twenty five (25) applied on it. In all, these scores amount to 100. This disparity in weights application on the sub-indexes underscores the importance that the index attached to the quantum of resources that is being reported to have been mismanaged by a given agency. It interprets, for instance, that it is more of development value to spend one billion Naira to build infrastructure such as hospitals and schools than to have some public offers mismanage, misappropriate or fail to account for their usage of public resources; worse still, steal them.

Figure 8 below is the MDAs scores in the AAI.

Figure 8: Audit Assessment Index



Evidence from the Audit Assessment Index shows that the Federal Ministry of Science and Technology obtained the highest score (94.44%); it is followed by the Federal Ministries of Environment in 2nd position with 90.63%, Transport (89.21%), Labour and Employment (86.94%) and Women Affairs (82.16%) to complete the top five performers. These MDAs were followed by Federal Ministries of Finance (81.78%) in sixth, Education (68.88%), Youth and Sports (66.75%), Aviation (65.59%) ninth and Mines & Steel (64.91%) to complete the top ten. These top ten Federal Ministries headquarters were followed by the Ministries of Water Resources (64.88%) in eleventh position, Agriculture and Rural Development (62.88%) twelfth, Power (61.69%) thirteenth, Trade and Investment (57.75%) fourteenth, Works and Housing (54.44%) fifteenth, and Health (52.00%) which came last having obtained the least score.

The above result shows that only six (6) federal ministries' headquarters performed above the threshold of 75%. This implies that only the top six federal MDA headquarters are compliant with the good audit standards. The remaining ten (10) MDAs performed below standard within the period in focus in the light of AAI framework.

With these performances in view, what stands out most significantly is the need for a new audit legislation as the last one Nigeria had was enacted in 1956. A modern audit Act would take into account the independence of the office of the Auditor General, the clauses that would mandate duty bearers to perform their duties as relating to management of public resources and an effective mechanism for reprimanding defaulters.